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**STATE OF WASHINGTON
DEPARTMENT OF FINANCIAL INSTITUTIONS
SECURITIES DIVISION**

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IN THE MATTER OF DETERMINING
Whether there has been a violation of the
Securities Act of Washington by:

Order No. S-18-2496-20-CO01

CONSENT ORDER

Guardian Data Systems, LLC,
Lance J. Ott,
Brett B. Taylor,
Richard D. Gilchrist,

Respondents.

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INTRODUCTION

On October 2, 2020, the Securities Administrator of the Securities Division of the Department of Financial Institutions (“Securities Division”) issued a Statement of Charges and Notice of Intent to Enter Order to Cease and Desist, to Impose Fines, and to Charge Costs (“Statement of Charges”), Order Number S-18-2496-20-SC01, against Respondents Guardian Data Systems, LLC, Lance J. Ott, Brett B. Taylor, and Richard D. Gilchrist. Pursuant to the Securities Act of Washington, Chapter 21.20 RCW, the Securities Division and Respondents Guardian Data Systems, LLC, Lance J. Ott, Brett B. Taylor and Richard D. Gilchrist do hereby enter into this Consent Order in settlement of the matters set forth in the Statement of Charges and as alleged below. Respondents Guardian Data Systems, LLC, Lance J. Ott, Brett B. Taylor and Richard D. Gilchrist neither admit nor deny the Findings of Fact and Conclusions of Law as stated below.

FINDINGS OF FACT

Respondents

1. Guardian Data Systems, LLC (“GDS”) was a Washington limited liability company with its principal place of business in Vancouver, Washington. It was formed on December 23, 2015 and became

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1 inactive on May 3, 2018. GDS was in the business of developing and implementing cloud-based enterprise
2 resource planning (“ERP”) software for its customers in the cannabis industry.

3 2. Lance J. Ott (“Ott”) is a resident of California. He was a resident of Vancouver, Washington
4 between approximately January 2017 and July 2017. Ott was Chief Executive Officer of GDS.

5 3. Brett B. Taylor (“Taylor”) is a resident of Clark County, Washington. Taylor was President of
6 GDS.

7 4. Richard D. Gilchrist (“Gilchrist”) is a resident of Virginia. Between about May 2016 and June
8 2017, Gilchrist was an employee of GDS and held the title of Chief Revenue Officer. Gilchrist was hired to
9 offer and sell investments in GDS.

10 **Related Party**

11 5. Bankcard Direct NW, Inc. is a Washington State company that was incorporated by Taylor on
12 August 16, 2007. In or around February 2012, Ott became involved in the company, and Taylor and Ott were
13 named co-Presidents. Bankcard Direct NW, Inc. is in the business of providing merchant services related to
14 processing debit and credit cards.

15 **Nature of the Conduct**

16 *Overview*

17 6. Between June 2016 and June 2017, GDS, Ott, Taylor, and Gilchrist offered and sold at least
18 \$1,225,000 of unregistered investments in GDS to eight investors. Respondents failed to disclose to the
19 investors material information related to the investment, including the security of the investment, Ott’s
20 financial background, GDS’s financial condition, Ott and Taylor’s receipt of compensation, and the use of
21 investor funds.

1 *Background*

2 7. In October 2009, Ott filed for Chapter 7 Bankruptcy in the Central District of California. He
3 received a discharge of his debts in March 2010.

4 8. In or around December 2015, GDS entered into an agreement with a software company to
5 develop GDS's ERP platform, which it called ROAR. ROAR was advertised as an integrated business
6 management program that was customized to the needs of cannabis companies. In October 2016, GDS entered
7 into an agreement, which was retroactively effective to December 2015, with the software company. In the
8 agreement, the software company transferred all rights to and ownership in the software that it would develop
9 for GDS specific to the cannabis industry. Ownership of this intellectual property would be assigned back to
10 the software company if GDS defaulted on the agreement by, among other things, admitting in writing that
11 GDS was unable to pay its debts as they became due.

12 9. In December 2015, GDS entered into a Revolving Line of Credit Promissory Note with
13 Bankcard Direct NW, LLC (Bankcard), which was owned by Ott and Taylor. In the promissory note,
14 Bankcard agreed to advance GDS up to \$500,000, and GDS agreed to repay the advanced funds to Bankcard
15 beginning in January 2017. Interest would begin accruing in mid-January 2017 at a rate of Wall Street Prime
16 (3.75%).

17 10. In early 2016, GDS began advertising ROAR to companies in the cannabis industry, attending
18 cannabis trade fairs, and entering into implementation agreements with new customers. While GDS was able
19 to sell its product to businesses in the cannabis industry, the revenue GDS made from these sales was not
20 enough to cover the costs of developing and customizing ROAR for its customers.

21 11. No later than February 2016, Bankcard began advancing funds to GDS under the line of credit
22 by paying company expenses for purposes such as travel, meals, marketing, and utilities. GDS began repaying
23 some of these advanced funds in or around March 2016. In August 2016, GDS and Bankcard modified the

1 promissory note agreement by reducing the line of credit to \$250,000. In January 2017, GDS and Bankcard
2 modified the agreement to acknowledge that GDS owed Bankcard \$231,683.50, and to agree that Bankcard
3 would not make any additional advances to GDS without a new agreement. Under the modification, GDS was
4 to repay its debt to Bankcard with monthly payments from January 2017 to December 2018.

5 12. In August 2016, GDS entered into a \$250,000 Revolving Line of Credit Promissory Note with
6 the software company that was developing, customizing, implementing, and supporting ROAR for GDS's
7 customers. Under the agreement, the software company agreed to roll the approximately \$250,000 that GDS
8 already owed it for services provided prior to August 2016 into the line of credit. In January 2017, GDS
9 entered into a Note Modification Agreement with the software company. Under the agreement, the parties
10 agreed that GDS owed the software company about \$440,000 for services provided to GDS prior to January
11 2017, and that the software company would not allow any additional advances under the current agreement.
12 GDS agreed to pay the entirety of the note on or before December 2018, with monthly payments on the note
13 beginning in January 2017.

14 *The Offering*

15 13. In or around June 2016, GDS, Gilchrist, Ott, and Taylor began offering unregistered securities
16 in the form of convertible promissory notes to investors. The notes had a two year term and an interest rate of
17 8%. The notes could be converted to Preferred A Units of Membership Interest if GDS closed on an equity
18 offering totaling at least \$1 million, or if GDS experienced a change of control. Respondents offered the
19 convertible notes to at least one attendee of a cannabis trade fair, to Gilchrist's friends and family, to
20 investment firms and angel investors, and to Taylor's Facebook friends.

21 14. Respondents explained to investors that GDS had developed ROAR, its ERP software,
22 specifically for customers in the legal cannabis industry. In states where cannabis had been legalized, there
23 were strict rules around tracking the cannabis "from seed to sale." Respondents told investors that ROAR was

1 developed on an existing ERP platform, so it integrated cannabis tracking capabilities with traditional business
2 management tools. ROAR would also be customized for each customer's specific needs. Respondents
3 represented to investors that ROAR had been well received in the industry, and that GDS had dozens of
4 customers and dozens more prospective customers. Respondents represented to investors that investment
5 funds were needed to develop, customize, and implement ROAR to GDS's customers.

6 15. Prior to investing, each investor received a Subscription Agreement. Respondents also
7 provided investors with a variety of additional offering documents, with different investors receiving different
8 offering documents, including a Private Placement Memorandum ("PPM"), which primarily disclosed the
9 risks of investing, profit projections, financial statements, an executive summary, and an investor deck.
10 Investors invested in GDS because they wanted to be involved in what they believed was a growth industry,
11 and ROAR seemed to be meeting a need in the cannabis industry.

12 16. Between November 2016 and June 2017, Respondents sold at least \$1,225,000 in convertible
13 promissory notes to eight investors. Respondents did not have a substantive, preexisting relationship with at
14 least four investors at the time that Respondents offered and sold them the investments. At least two of the
15 investors were not accredited investors at the time that Respondents offered and sold them the investments.

16 17. In July and August 2017, GDS solicited its investors for additional investments, but the
17 investors declined. On August 9, 2017, one investor expressed disappointment to GDS that "the current state
18 of things [was] out of alignment with the last pitch in June."

19 18. On August 17, 2017, about two months after GDS received investment funds from its final two
20 investors, Ott notified investors in writing that GDS did not have sufficient funds to meet its payroll and other
21 obligations. Ott noted that the company was unable to continue because it had not closed on an equity round
22 of financing that Respondents had been pursuing. Ott also stated that it was unlikely that GDS would repay
23 any of the convertible promissory notes.

1 Taylor failed to disclose that, in January 2017, GDS agreed that it would not receive any additional
2 advancements under its current lines of credit with Bankcard and the software company.

3 23. Ott failed to disclose material information related to Ott and Taylor's investment in the
4 company. Ott represented to at least two investors that Ott and Taylor had invested significant funds into
5 GDS. Ott failed to disclose to investors that Ott and Taylor's investment in GDS was in the form of a loan
6 from Bankcard, an affiliated company. Ott also failed to disclose that the Bankcard loan would be repaid
7 before the investors' convertible promissory notes.

8 24. GDS, Ott, and Taylor failed to disclose material information related to Ott and Taylor's receipt
9 of compensation. Ott represented to at least four investors that GDS's principals were not receiving a salary
10 from GDS. Ott told these investors that Ott and Taylor were not receiving paychecks because the company
11 needed funding, and that they were deferring their salary. In the PPM, GDS, Ott, and Taylor represented that
12 GDS members were not currently taking salaried compensation and had not received any distributions. While
13 financial statements received by some investors disclosed a debt to Bankcard, GDS, Ott, and Taylor did not
14 disclose that Bankcard was owned by Ott and Taylor. GDS, Ott, and Taylor also failed to disclose that Ott
15 and Taylor were receiving compensation from GDS in the form of repayments under the Bankcard line of
16 credit.

17 25. GDS, Ott, and Taylor failed to disclose material information related to GDS's use of funds.
18 GDS, Ott, Taylor, and Gilchrist represented to investors that investment funds would be used to develop,
19 customize, and implement ROAR to GDS's customers. Respondents told investors that GDS was successfully
20 selling ROAR to its customers, but GDS needed additional funds to customize and implement the platform
21 for specific customers. GDS, Ott, and Taylor failed to disclose to investors that a substantial amount of
22 investor funds would be used to make payroll payments for purposes other than software development and
23 implementation of ROAR.

1 **Registration Status**

2 26. Guardian Data Systems, LLC is not currently registered to sell its securities in the state of
3 Washington and has not previously been so registered, nor has it filed a claim of exemption from registration.

4 27. Lance J. Ott is not currently registered as a securities salesperson or broker-dealer in the state
5 of Washington and has not previously been so registered.

6 28. Brett B. Taylor is not currently registered as a securities salesperson or broker-dealer in the
7 state of Washington and has not previously been so registered.

8 29. Richard D. Gilchrist is not currently registered as a securities salesperson or broker-dealer in
9 the state of Washington and has not previously been so registered.

10 Based upon the above Tentative Findings of Fact, the following Conclusions of Law are made:

11 **CONCLUSIONS OF LAW**

12 1. The offer and sale of the convertible promissory notes described above constitutes the offer
13 and sale of a security as defined in RCW 21.20.005(14) and RCW 21.20.005(17).

14 2. Guardian Data Systems, LLC, Lance J. Ott, Brett B. Taylor, and Richard D. Gilchrist have
15 each violated RCW 21.20.140 because, as set forth in the Findings of Fact, Respondents offered and sold
16 securities for which no registration is on file with the Securities Administrator.

17 3. Lance J. Ott, Brett B. Taylor and Richard D. Gilchrist have each violated RCW 21.20.040
18 because, as set forth in the Findings of Fact, Respondents offered and sold securities while not being registered
19 as a securities salesperson or broker-dealer in the state of Washington.

20 4. Guardian Data Systems, LLC, Lance J. Ott, and Brett B. Taylor have each violated RCW
21 21.20.010 because, as set forth in the Findings of Fact, Respondents made untrue statements of material fact
22 or omitted to state material facts necessary to make the statements made, in light of the circumstances in
23 which they were made, not misleading.

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1 Based upon the foregoing and finding it in the public interest:

2 **CONSENT ORDER**

3 IT IS AGREED AND ORDERED that Respondents Guardian Data Systems, LLC, Lance J. Ott, Brett
4 B. Taylor, and Richard D. Gilchrist, and their agents and employees, shall each cease and desist from violating
5 RCW 21.20.140, the securities registration section of the Securities Act of Washington.

6 IT IS FURTHER AGREED AND ORDERED that Respondents Lance J. Ott, Brett B. Taylor, and
7 Richard D. Gilchrist, and their agents and employees, shall each cease and desist from violating RCW
8 21.20.040, the securities salesperson and broker-dealer registration section of the Securities Act of
9 Washington.

10 IT IS FURTHER AGREED AND ORDERED that Respondents Guardian Data Systems, LLC, Lance
11 J. Ott, and Brett B. Taylor and their agents and employees, shall each cease and desist from violating RCW
12 21.20.010, the anti-fraud section of the Securities Act of Washington.

13 IT IS FURTHER AGREED AND ORDERED that Respondent Guardian Data Systems, LLC shall be
14 liable for and shall pay a fine of \$7,500.

15 IT IS FURTHER AGREED AND ORDERED that Respondent Lance J. Ott shall be liable for and
16 shall pay a fine of \$5,000.

17 IT IS FURTHER AGREED AND ORDERED that Respondent Brett B. Taylor shall be liable for and
18 shall pay a fine of \$5,000.

19 IT IS FURTHER AGREED AND ORDERED that Respondent Guardian Data Systems, LLC shall be
20 liable for and shall pay investigative costs of \$3,000.

21 IT IS FURTHER AGREED AND ORDERED that Respondent Lance J. Ott shall be liable for and
22 shall pay investigative costs of \$2,000.

1 IT IS FURTHER AGREED AND ORDERED that Respondent Brett B. Taylor shall be liable for and
2 shall pay investigative costs of \$2,000.

3 IT IS FURTHER AGREED AND ORDERED that the fines and costs above shall be paid as follows:
4 Respondents shall pay \$14,000 on or before entry of this Consent Order, which will be applied to pay all of
5 the combined investigative costs and \$7,000 of the combined fines. Respondents shall then pay the remaining
6 combined fines in monthly payments of \$1,750 for six consecutive months beginning on or before 30 days
7 from the entry of this Consent Order.

8 IT IS FURTHER AGREED that the Securities Division has jurisdiction to enter this Consent Order.

9 IT IS FURTHER AGREED that Respondents Guardian Data Systems, LLC, Lance J. Ott, Brett B.
10 Taylor, and Richard D. Gilchrist entered into this Consent Order freely and voluntarily and with a full
11 understanding of its terms and significance.

12 IT IS FURTHER AGREED that in consideration of the foregoing, Respondents Guardian Data
13 Systems, LLC, Lance J. Ott, Brett B. Taylor, and Richard D. Gilchrest waive their right to a hearing and to
14 judicial review of this matter pursuant to RCW 21.20.440 and Chapter 34.05 RCW.

15
16 **WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.**

17
18 Signed this 6th day of July 2021.

19 Signed by:
20 Guardian Data Systems, LLC

Signed by:

21
22 /s/
Brett B. Taylor
President

/s/
Lance J. Ott, Individually

23
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Securities Division
PO Box 9033
Olympia, WA 98507-9033
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1 Signed by:

Signed by:

2
3 /s/

4 Brett B. Taylor, Individually

/s/

Richard D. Gilchrist, Individually

5 Approved as to form by:

6 /s/

7 Mark P. Sampath, Attorney for Respondents
8 WSBA No. 41917


9
10 SIGNED and ENTERED this 14th day of July 2021.

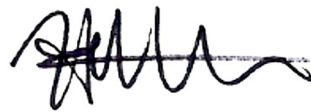
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14 William M. Beatty
Securities Administrator

15 Approved by:

Presented by:

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17 

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20 Suzanne Sarason
21 Chief of Enforcement

Holly Mack-Kretzler
Financial Legal Examiner

22 Reviewed by:

23 

Brian Guerard
Financial Legal Examiner Supervisor

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