1 STATE OF WASHINGTON DEPARTMENT OF FINANCIAL INSTITUTIONS 2 **SECURITIES DIVISION** 3 IN THE MATTER OF DETERMINING Order Number S-08-167-10-SC01 Whether there has been a violation of the 4 Securities Act of Washington by: STATEMENT OF CHARGES AND 5) NOTICE OF INTENT TO ENTER AN ORDER TO CEASE AND DESIST Wildflower, LLC and Raymond J. Goad, 6 AND TO IMPOSE A FINE 7 Respondents 8 THE STATE OF WASHINGTON TO: Wildflower, LLC 9 Raymond Junior Goad 10 11 STATEMENT OF CHARGES 12 Please take notice that the Securities Administrator of the State of Washington has reason 13 to believe that Respondents, Wildflower, LLC and Raymond J. Goad, have each violated the 14 Securities Act of Washington and that their violations justify the entry of an order of the 15 16 Securities Administrator under RCW 21.20.390 against each to cease and desist from such 17 violations and under RCW 21.20.395 to impose a fine against Raymond J. Goad. 18 The Securities Administrator finds as follows: 19 TENTATIVE FINDINGS OF FACT 20 Respondents and Related Company 21 1. Wildflower, LLC ("Wildflower") held itself out as a Nevis, West Indies limited 22 23 liability company that was a passive offshore investment company. From at least 2002 until 24

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2006, Wildflower had its principal place of business in Dallas, Texas.

- 2. Wildflower Resort Company is a Delaware corporation that was incorporated on November 16, 2001. Wildflower Resort Company was formed by Wildflower to acquire and to hold 100% of the interest in a 99-year land lease for a 1,000-acre Estes Park Peninsula resort site in Grand Prairie, Texas. From 2001 through 2006, Wildflower Resort Company had its principal place of business in Dallas, Texas. On November 6, 2006, Wildflower Resort Company filed for Chapter 11 bankruptcy in the Northern District of Texas (Dallas).
- 3. Raymond J. Goad ("Goad") was the President and the Chief Executive Officer of Wildflower and Wildflower Resort Company and the managing member of Wildflower. Goad was also an attorney who was licensed to practice law in the State of Washington from 1975 until June 12, 2006, when his license was suspended by the Washington State Bar Association for non-payment of the annual licensing fees.

"Wildflower Resort" Project

4. Respondents, Wildflower and Goad, each represented to prospective Wildflower investors that Wildflower was going to develop and own the "Wildflower Resort," a conference resort property that would own a luxury 500-room hotel, a conference center, two eighteen-hole golf courses, and 300 luxury villas. Wildflower and Goad each represented that investors would receive a "time share" interest in one of the luxury villas. Wildflower and Goad each represented that Goad had specialized experience with hotel financing transactions and prior experience with making securities registration filings for a multi-million dollar hotel company.

Offer and Sale of a Wildflower Investment

5. During 2002, Respondents, Wildflower and Goad, offered and sold more than \$90,000 worth of "preferred stock" in Wildflower to a Washington investor. The investor purchased the

"preferred stock" for their IRA account.

Misrepresentations and Omissions

- 6. When offering and selling the Wildflower investment to the Washington investor,
 Respondents, Wildflower and Goad, each misrepresented to the investor that Wildflower would
 be starting resort construction sometime soon and that the investment would be a safe
 investment for retirement funds.
- 7. When offering and selling the Wildflower investment to the Washington investor, Respondents, Wildflower and Goad, each failed to disclose to the investor that a limited liability company generally does not issue stock, but instead issues membership interests that have special tax consequences. Wildflower and Goad each failed to disclose to the investor the type of "preferences" that the investor would receive for her investment.
- 8. When offering and selling the Wildflower investment to the Washington investor, Respondents, Wildflower and Goad, each failed to disclose significant risks of the investment. Wildflower and Goad each failed to disclose to the investor the expected use of the investor's funds. Wildflower and Goad each failed to disclose to the investor that the investment might be illiquid and nontransferable. Wildflower and Goad each failed to disclose that it would cost a minimum of \$200 million to build the proposed resort and that an investor could lose their entire investment if Wildflower did not raise enough money to build the resort. Wildflower and Goad each failed to disclose that prior developers, including one developer that Goad had previously worked for, had tried to develop a resort at the same location and that each developer had been unsuccessful. Wildflower and Goad each failed to disclose that Wildflower would not own the lease for the land where the "Wildflower Resort" was to be constructed.

10. Wildflower and Goad each failed to disclose to the investor that Goad had previously been engaged in the business of real estate development and had issued to more than five investors more than \$300,000 worth of promissory notes with annual interest rates ranging from 20% to 30% and was unable to repay the notes. The notes were to have been repaid from the development and sale of various real estate projects. Wildflower and Goad each failed to disclose to the investor that Goad had been unable to sell the real estate development projects and that Goad had filed for personal bankruptcy in 1999.

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

CONCLUSIONS OF LAW

- 1. The offer and sale of the Wildflower investment described above constitutes the offer or sale of a security, as defined in RCW 21.20.005(10) and (12), whether in the form of stock, an investment contract, or risk capital.
- 2. As set forth above in the Tentative Findings of Fact, Respondents, Wildflower and Goad, have each offered and sold unregistered securities in violation of RCW 21.20.140, the securities registration section of the Securities Act of Washington.
- 3. As set forth above in the Tentative Findings of Fact, Respondents, Wildflower and Goad, have each made untrue statements of material fact or omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they are made, not misleading, in violation of RCW 21.20.010, the anti-fraud section of the Securities Act of Washington.

STATEMENT OF CHARGES AND NOTICE OF INTENT TO ENTER AN ORDER TO CEASE AND DESIST AND TO IMPOSE A FINE

NOTICE OF INTENT TO ORDER THE RESPONDENTS TO CEASE AND DESIST

Pursuant to RCW 21.20.390, and based on the above Tentative Findings of Fact and Conclusions of Law, the Securities Administrator intends to order that Respondents, Wildflower, LLC and Raymond J. Goad, and their agents and employees, each shall cease and desist from any violation of RCW 21.20.010 and RCW 21.20.140.

NOTICE OF INTENT TO IMPOSE A FINE

Pursuant to RCW 21.20.395, and based upon the Tentative Findings of Fact and Conclusions of Law, the Securities Administrator intends to order that Raymond J. Goad shall be liable for and shall pay a fine of \$10,000.

AUTHORITY AND PROCEDURE

This Statement of Charges is entered pursuant to the provisions of chapter 21.20 RCW and is subject to the provisions of chapter 34.05 RCW. The respondents, Wildflower, LLC and Raymond J. Goad, may each make a written request for a hearing as set forth in the NOTICE OF OPPORTUNITY TO DEFEND AND OPPORTUNITY FOR HEARING accompanying this order.

If a respondent fails to make a timely hearing request, the Securities Administrator intends to adopt the above Tentative Findings of Fact and Conclusions of Law as final and to enter a permanent order to cease and desist against that respondent and to impose any fines sought against that respondent.

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7		Chief of Enforcement Presented by:
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