

1 **DEPARTMENT OF CONSUMER AND BUSINESS SERVICES**
2 **DIVISION OF FINANCE AND CORPORATE SECURITIES**
3 **SECURITIES SECTION**
4 **BEFORE THE DIRECTOR OF THE DEPARTMENT OF CONSUMER AND**
5 **BUSINESS SERVICES**

4 **In the Matter of:**)

5 **LEADING SOLUTIONS, INC., AND**)
6 **DOUGLAS GOODRUM,**)

7 **Respondents.**)
8 _____)

A-02-0001

ORDER TO CEASE AND DESIST
ORDER ASSESSING CIVIL PENALTY
AND
CONSENT TO ENTRY OF ORDER

9 **WHEREAS** the Director of the Department of Consumer and Business Services has
10 conducted an investigation of certain business activities conducted by Leading Solutions, Inc.,
11 and by Douglas Goodrum and has determined that Leading Solutions, Inc., and Douglas
12 Goodrum sold unregistered securities, sold securities without a license and made
13 misrepresentations in connection with the sale of securities in Oregon, all in violation of the
14 Oregon Securities Laws;

15 **WHEREAS** Leading Solutions, Inc., and Douglas Goodrum wish to resolve and settle
16 this matter with the **DIRECTOR**, without admitting or denying the allegations contained in
17 this Order;

18 **NOW THEREFORE**, as evidenced by the authorized signature(s) subscribed on this
19 Order, Leading Solutions, Inc., and Douglas Goodrum hereby **CONSENT** to entry of this
20 Order to Cease and Desist upon the Director's Findings of Fact and Conclusions of Law as
21 stated hereinafter.

22 **FINDINGS OF FACT**

23 The Director **FINDS** that:

24 1. Leading Solutions, Inc. ("Leading Solutions"), is an Oregon corporation, whose
25 principal place of business is 1001 SW 5th Ave, Suite 1000, Portland, Oregon 97204. Douglas
26



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350 Winter Street NE, Suite 410
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1 Goodrum ("Goodrum"), an Oregon resident, is Leading Solutions' Director and sole
2 shareholder.

3 2. Goodrum and Leading Solutions are in the business of selling "working interests"
4 in oil and gas projects located primarily in Texas and Louisiana. A "working interest" is a
5 percentage interest in an oil or gas lease project, which project consists of one or more oil or
6 gas wells situated on one or more leases.

7 3. Energy 2000, Inc. ("Energy 2000"), is a Texas corporation that acquires interests
8 in oil and gas leases, organizes them into various projects, and acts as the "field operator" for
9 the projects. As the field operator, Energy 2000 is responsible for all work necessary on site,
10 including but not limited to: pumping the oil or gas; selling the oil or gas; completing all
11 required maintenance; and completing any necessary workovers or equipment installation. In
12 addition, the field operator is responsible for all management decisions regarding the various
13 projects.

14 4. Goodrum, Leading Solutions and Energy 2000 hold no securities license in
15 Oregon or any other state authorizing the sale of the working interests or any other securities.

16 5. The working interests sold by Goodrum and Leading Solutions have not been
17 registered for sale as securities under Oregon Securities Laws.

18 6. From the State of Oregon, Goodrum and Leading Solutions market and sell the
19 working interests throughout the United States. From March 1999 to April 2001, Goodrum
20 and Leading Solutions sold 186 working interests to 106 investors, at least six (6) of whom
21 were Oregon residents. The working interests sold were part of 16 different oil or gas
22 projects, the majority of which were operated by Energy 2000.

23 7. Goodrum and Leading Solutions employ a sales staff to assist in selling the
24 working interests. Each salesperson is paid on an hourly basis until a sale is made, after
25 which time he or she is paid a percentage of his or her total monthly sales (generally between
26 12.5 and 15 percent depending on experience).

1 8. Leading Solutions' primary method of obtaining information about potential
2 investors is through a lead card system. Under this system, Leading Solutions pays a mass
3 mailing marketer to include Leading Solutions' name in a deck of solicitation cards sent to as
4 many as 150,000 households. A recipient interested in learning more about oil and gas
5 investments fills out the card and mails it either to Leading Solutions or to the mail marketer.
6 Once Leading Solutions has received the names of potential investors, Goodrum or his sales
7 staff then contacts those individuals by phone to offer investments in the working interests.

8 9. As part of its marketing process, Leading Solutions provides investors with
9 promotional materials, including a prospectus or "book" describing a particular project, the
10 contents of which are provided primarily by Energy 2000. With the exception of the cover
11 page and biographical information about Leading Solutions, Energy 2000 drafts the
12 information contained in the prospectuses and Goodrum simply copies that information onto
13 Leading Solutions' letterhead. Goodrum rarely does any independent verification of the
14 information drafted by Energy 2000, but rather, relies on Energy 2000's stated knowledge of
15 the specifics of each project.

16 10. Once an investor has purchased a working interest in a particular project,
17 Goodrum forwards to the investor "field updates" and other information about the progress of
18 the project. Generally, Energy 2000 prepares the progress information and Goodrum simply
19 copies the information onto Leading Solutions' letterhead for dissemination to investors. In
20 some instances, Goodrum and Leading Solutions provide investors with additional
21 information about a specific project or about upcoming opportunities by drafting and sending
22 their own letters, either alone or with Energy 2000 information attached.

23 11. The various written materials provided to investors include the following
24 material misrepresentations or omissions of material fact:

- 25 a. Misstated or overstated current and prior oil or gas production figures.
- 26 b. Misstated or overstated oil or gas production projections.

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- 1 c. Failure to apprise investors that certain oil or gas wells are attributed to more
2 than one project and that production figures did not take this over-allocation
3 into account.
- 4 d. Overstatement of the number of actual oil or gas wells attributed to certain
5 projects.
- 6 e. Failure to apprise investors that Leading Solutions receives one-half (1/2) of
7 the total sales price from each working interest sold.
- 8 f. Failure to apprise investors that Leading Solutions and Goodrum were the
9 subject of a 1999 Order to Cease and Desist issued by the Pennsylvania
10 Securities Commission in connection with the sale of oil and gas interests.

11 CONCLUSIONS OF LAW

12 The Director **CONCLUDES** that:

- 13 1. The working interests in oil and gas producing properties or projects marketed and
14 sold by Goodrum and Leading Solutions constitute securities as defined in ORS
15 59.015(19)(a).
- 16 2. Goodrum and Leading Solutions sold securities in Oregon without a valid
17 securities license, in violation of ORS 59.165.
- 18 3. Goodrum and Leading Solutions sold unregistered securities in Oregon in
19 violation of ORS 59.055.
- 20 4. Goodrum and Leading Solutions made material misrepresentations or omissions in
21 connection with the sale of securities in Oregon in violation of ORS 59.135.

22 ORDER

23 The Director, pursuant to ORS 59.245 hereby **ORDERS** that Respondents Douglas
24 Goodrum and Leading Solutions, Inc., and any successor business or corporation, shall
25 **CEASE and DESIST** from:

- 26 1. Selling securities without a license in violation of Oregon Securities Laws;



1 2. Selling unregistered securities in the State of Oregon in violation of Oregon
2 Securities Laws;

3 3. Violating any provision of the Oregon Securities Laws, including ORS Chapter 59
4 and OAR Chapter 441.

5 The Director, pursuant to ORS 59.995, **HEREBY ORDERS** the following **CIVIL**
6 **PENALTIES:**

7 1. Respondents Douglas Goodrum and Leading Solutions, Inc., and any successor
8 business or corporation, shall be denied the use of any securities licensing or registration
9 exemptions contained in the Oregon Securities Laws, including ORS Chapter 59 and OAR
10 Chapter 441.

11 a. Said denial shall continue for a period of three years six months from the date
12 of this Order and shall include a denial of the ability to rely on any securities licensing or
13 registration exemptions claimed by individuals or entities for which Respondents are
14 marketing or selling investments to residents of the State of Oregon.

15 b. Nothing in this Order shall deny respondents Douglas Goodrum and Leading
16 Solutions, Inc., and any successor business or corporation, the right to avail themselves of the
17 Oregon Securities Laws, including ORS Chapter 59 and OAR Chapter 441, for the purpose of
18 registering the offering of securities and the licensing of securities salespersons. Furthermore,
19 the existence of this Order shall not operate as the sole basis for denying the approval of any
20 such application to register securities or license securities salespersons.

21 2. Respondents Douglas Goodrum and Leading Solutions, Inc., shall pay an
22 aggregate civil monetary penalty of \$20,000 for violation of ORS 59.165 (sale of securities by
23 unlicensed person), ORS 59.055 (sale of unregistered securities), and ORS 59.135
24 (misrepresentations and omissions). The civil monetary penalty set forth herein shall be due
25 and payable upon execution of this Order. The Director acknowledges that on August 16,
26 2002, a date prior to the entry of this Order, respondents Douglas Goodrum and Leading



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1 Solutions, Inc. deposited in trust with their counsel, Steven D. Adler, P.C., the sum of
2 \$20,000.00 with instructions, to unconditionally deliver said sum to the Director immediately
3 upon the entry of this Order and the execution of the consent to entry thereof by respondents
4 Douglas Goodrum and Leading Solutions, Inc.

5 3. Entry of this Order in no way limits or prevents further remedies, sanctions, or
6 actions which may be available to the Director under Oregon law for the following purposes:
7 to enforce this Order; to bring actions based on violations of this Order; to bring actions for
8 conduct or activities of Respondents which are not covered by this Order; or to bring actions
9 against any party not covered by this Order. The Entry of this Order is intended to resolve all
10 issues related to Respondent's sale of working interests in oil and gas leases from March 1999
11 to April 2001. In that regard, by signing the Consent to Entry of Order set forth below,
12 Respondents represent and warrant to the Director that Exhibit A (attached hereto and
13 incorporated herein by reference) is a complete and accurate list of all oil and gas investment
14 projects in which Respondents sold working interests from March 1999 to April 2001.
15 Respondents further represent and warrant to the Director that Respondents have provided the
16 Director with a complete and accurate list of all individuals or entities to whom Respondents
17 sold interests in the projects listed in Exhibit A and of all Oregon residents to whom
18 Respondents sold such interests or similar interests.

19 Dated this 18th day of September 2002, at Salem, Oregon.

MARY NEIDIG, DIRECTOR
DEPARTMENT OF CONSUMER AND
BUSINESS SERVICES

23 APPROVED AS TO FORM:

24

25 Steven D. Adler
26 Attorney for Respondent

Dated: 9/11/02

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CONSENT TO ENTRY OF ORDER

I, Douglas Goodrum, state that I am a resident of the State of Oregon, that I have read the foregoing Order and, without admitting or denying the allegations stated herein, that I know and fully understand the contents hereof, that I have been advised of my right to a hearing, and that I have been represented by counsel in this matter; that I voluntarily consent to the entry of this Order without any force or duress, expressly waiving any right to a hearing in this matter; that I understand that the Director reserves the right to take further actions against me to enforce this Order, except as set forth in this Order, or to take appropriate action upon discovery of other violations of the Oregon Securities Law by me; and that I will fully comply with the terms and conditions stated herein.


I further assure the Director that I will not engage in the activities of a broker-dealer, investment adviser, or mortgage broker, or act as a salesperson for any of these unless such activities are in full compliance with Chapter 59 of the Oregon Revised Statutes.

I understand that this Consent Order is a public document.

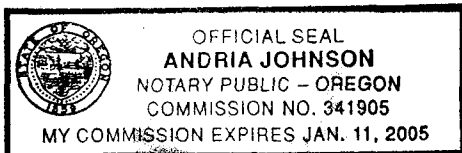
Dated this 11 day of September, 2002.


Douglas Goodrum

SUBSCRIBED AND SWORN to before me this 11 day of September, 2002.


Andria Johnson
(Printed Name of Notary Public)
Notary Public
for the State of: Oregon
My commission expires: Jan 11, 2005

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1 **CORPORATE CONSENT TO ENTRY OF ORDER**


2 for Douglas Goodrum on behalf of Leading Solutions, Inc.

3
4 I, Douglas Goodrum, state that I am an officer of Leading Solutions, Inc., and I am
5 authorized to act on its behalf; that I have read the foregoing Order and, without admitting or
6 denying, for myself and Leading Solutions, Inc., the allegations stated herein, that I know and
7 fully understand the contents hereof; that I and this entity have been advised of the right to a
8 hearing and of the right to be represented by counsel in this matter; that Leading Solutions,
9 Inc., voluntarily and without any force or duress, consents to the entry of this Order, expressly
10 waiving any right to a hearing in this matter; that Leading Solutions, Inc., understands that the
11 Director reserves the right to take further actions to enforce this Order or, except as set forth
12 in this Order, to take appropriate action upon discovery of other violations of the Oregon
13 Securities Law; and that Leading Solutions, Inc., will fully comply with the terms and
14 conditions stated herein.

15 Leading Solutions, Inc., further assures the Director that neither Leading Solutions,
16 Inc., nor its officers, directors, employees or agents will effect securities transactions in
17 Oregon unless such activities are in full compliance with Chapter 59 of the Oregon Securities
18 Revised Statutes.

19 Leading Solutions, Inc., understands that this Consent Order is a public document.

20 Dated this 11 day of September, 2002.

21
22 By 
 (Signature of officer)

23 PRESIDENT
24 _____
 (Office Held)

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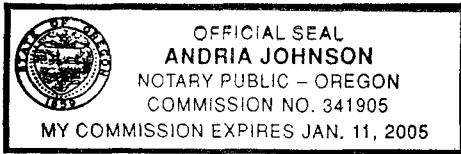


1 **CORPORATE ACKNOWLEDGMENT**

2 There appeared before me this 11 day of September, 2002, Douglas Goodrum, who was
3 first duly sworn on oath, and stated that he was and is the president of Leading Solutions, Inc.,
4 and that he is authorized and empowered to sign this Consent to Entry of Order on behalf of
5 Leading Solutions, Inc., and to bind Leading Solutions, Inc., to the terms hereof.
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8 Douglas Goodrum



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11 Andria Johnson

12 (Printed Name of Notary Public)

13 Notary Public

14 for the State of: Oregon

15 My commission expires: Jan 11, 2005

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EXHIBIT A

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- List of Projects Marketed or Sold by Leading Solutions and/or Douglas Goodrum:
- Cherryvale Waterflood
 - Concord Dome Renovation Project
 - East Texas #1 Production Project
 - East Texas Woodbine Field Project #2
 - East Texas Woodbine Field Project #3
 - East Texas Woodbine Field Project #5
 - East Texas Woodbine Field Project #6
 - East Texas Woodbine Field Project #7
 - Hirsch Gas Project
 - Monroe Gas Field Production Project
 - Monroe 2 Gas Field Production Project
 - Nowata 1999-1
 - Still Lease Production Enhancement Project
 - Van Field Project
 - Van Field #2 Project
 - White Oak Production Project

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