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**STATE OF OREGON
DEPARTMENT OF CONSUMER AND BUSINESS SERVICES
DIVISION OF FINANCE AND CORPORATE SECURITIES**

**BEFORE THE DIRECTOR OF THE DEPARTMENT OF CONSUMER AND
BUSINESS SERVICES**

In the Matter of:) **X-11-0112-2**
Walter Curtis Maddux, WCM)
Financial Services, and Equity Options,) **ORDER TO CEASE AND DESIST,**
Inc.,) **ORDER DENYING EXEMPTIONS,**
) **ORDER ASSESSING CIVIL**
) **PENALTY, AND CONSENT TO**
) **ENTRY OF ORDER**
)
)
)

WHEREAS, the Director of the Department of Consumer and Business Services for the State of Oregon (hereinafter “the Director”), acting by the authority of the Oregon Securities Law, Oregon Revised Statutes Chapter 59, has conducted an investigation of Walter Curtis Maddux (“Maddux”), WCM Financial Services (“WCM”) and Equity Options, Inc. (“Equity Options”) (hereinafter the “Respondents”), and concluded that violations of Oregon law have been committed; and

WHEREAS the Respondents neither admit nor deny the Findings of Fact or Conclusions of Law, but wish to resolve this matter with the Director;

NOW THEREFORE, as evidenced by the signature(s) subscribed on this Order, the Respondents hereby CONSENT to entry of this Order upon the Director’s Findings of Fact and Conclusions of Law as stated hereinafter.

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I.

FINDINGS OF FACT

The Director FINDS that:

A. Parties

1. At all times relevant to this matter, Maddux was a resident of California and conducted all business relevant to the matter herein while in California.

2. WCM is a California entity owned and operated by Maddux. WCM’s address is 2112 East Fourth St., Santa Ana, California 92705. WCM was started on or about May 1, 1994.

3. Equity Options is a corporation organized under the laws of California on or about July 20, 1989. Equity Options’ address is 2112 East Fourth St., Santa Ana, California 92705. Maddux is the president, secretary and registered agent for Equity Options.

4. At all times relevant to this matter, Toby Don Garus (“Garus”) was the Oregon representative for WCM.

B. Securities Transactions

5. In or about October 2006, the Respondents, through Garus started offering Oregon residents the opportunity to invest in a Hard Money Investment Program (“HMIP”).

6. The HMIP’s purpose was to use investor funds for providing home loans to individuals who could not qualify for a conventional home loan.

7. The Respondents advertised and represented to investors that the HMIP was for the investor that “wants to make a guaranteed 10% return”, and that the HMIP was a “Low Risk, High Return” “Liquid Investment.” These were untrue statements.

8. Most of the Oregon investors were clients of Maddux who wanted to refinance their home. The Respondents, through Garus would inform the client about the HMIP and that they could pull equity from their home during the refinance process to invest in the HMIP. Potential investors were informed that their investment was earmarked to fund a specific hard money loan and that the investment would be secured through a note on the property.

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1 9. Funds received from investors in the HMIP were deposited directly into an account
2 established in the name of WCM and commingled with other investor funds.

3 10. At the end of each month, the Respondents would send interest payments to each investor
4 of approximately 5/6th of one percent of his or her investment principal.

5 11. In or about April 2009, the Respondents stopped providing monthly interest payments
6 and stopped communicating with the investors.

7 12. Maddux stated in an interview with a DFCS investigator that he never sent any
8 paperwork to the investors regarding their investment. Maddux also stated that he never
9 provided investors with the location of the real estate that was theoretically securing their
10 investment.

11 13. DFCS has no record of any securities offering ever being registered in the name of the
12 Respondents or any other person or entity related to this matter. Additionally, neither the
13 Respondents nor any other person or entity related to this matter has ever been licensed by any
14 federal or state government agency to sell securities.

15 14. To date, DFCS has received five complaints from Oregon investors in the HMIP, all of
16 whom expected a return on their investment made with the Respondents. While all of the
17 complainants received some payments from the Respondents, in total, the complainants lost over
18 \$275,000.

19 15. In one complaint, the complainant states that after requesting the return of his investment,
20 he was informed that his investment would be returned to him once others invested in the HMIP.

21 16. According to records received by DFCS, it appears that the HMIP raised a total of at least
22 \$623,000 from at least nine Oregon investors between October 19, 2006 and September 7, 2007.
23 Based on these records, it is estimated that the nine Oregon investors have lost approximately
24 \$450,000.

25 17. The Respondents failed to disclose to investors: (1) that their money was going to be used
26 to pay other investors; (2) the risk of investing in the HMIP; (3) that neither the Respondents nor

1 any other person or entity related to the HMIP were licensed by any federal or state government
2 agency to sell securities; and (4) that the securities being offered were not registered with DFCS.

3 **II.**

4 **CONCLUSIONS OF LAW**

5 The Director CONCLUDES that:

6 18. The HMIP offered and sold by the Respondents, as described herein, meets the definition
7 of an investment contract and “real estate paper” in Oregon, and as such, is considered a
8 “security” under ORS 59.015(19)(a).

9 19. The Respondents sold unregistered securities in Oregon in violation of ORS 59.055.

10 20. The Respondents sold securities in Oregon without being licensed in violation of ORS
11 59.165(1).

12 21. The Respondents omitted to state material facts in connection with the sale of securities
13 in violation of ORS 59.135(2) by failing to disclose to investors: (1) that their money was going
14 to be used to pay other investors; (2) the risk of investing in the HMIP; (3) that neither the
15 Respondents nor any other person or entity related to the HMIP were licensed by any federal or
16 state government agency to sell securities; and (4) that the securities being offered were not
17 registered with DFCS.

18 22. The Respondents made untrue statements of material fact in connection with the sale of
19 securities in violation of ORS 59.135(2) by representing that the HMIP was a “guaranteed 10%
20 return” and a “Low Risk, High Return” “Liquid Investment.”

21 **III.**

22 **ORDERS**

23 NOW, THEREFORE, THE DIRECTOR ISSUES THE FOLLOWING ORDERS:

24 Order to Cease and Desist

25 23. Pursuant to the authority of ORS 59.245, the Director hereby ORDERS Respondents to
26 CEASE AND DESIST from:

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Telephone: (503) 378-4387



- 1 a. Selling securities without a license in violation of ORS 59.165;
- 2 b. Selling unregistered securities in the State of Oregon in violation ORS 59.055;
- 3 c. Violating any provision of the Oregon Securities Law and OAR Chapter 441.

4 Order Denying Exemptions

5 24. Pursuant to the authority of ORS 59.045, the Director ORDERS Respondents, and any
6 entities owned by or affiliated with Respondents, to be DENIED THE USE OF ANY
7 EXEMPTIONS that would otherwise be available to them under ORS 59.025 and ORS 59.035.

8 Order Assessing Civil Penalty

9 25. The Director, pursuant to ORS 59.995, may assess a CIVIL PENALTY in an amount of
10 not more than \$20,000 for each violation of the Oregon Securities Law.

11 26. Pursuant to ORS 59.995, the Director hereby assesses Respondents, jointly and severally,
12 a CIVIL PENALTY in the amount of \$300,000 (three hundred thousand dollars) for the
13 following violations:

14 a. A CIVIL PENALTY of \$100,000 (one hundred thousand dollars) for nine violations of
15 ORS 59.055 for selling unregistered securities.

16 b. A CIVIL PENALTY of \$100,000 (one hundred thousand dollars) for nine violations of
17 ORS 59.165(1) for selling securities without a license.

18 c. A CIVIL PENALTY of \$50,000 (fifty thousand dollars) for the omissions of material
19 facts in connection with the sale of securities in violation of ORS 59.135(2).

20 d. A CIVIL PENALTY of \$50,000 (fifty thousand dollars) for the untrue statements of
21 material facts made in connection with the sale of securities in violation of ORS 59.135(2).

22 Suspension of Civil Penalty

23 27. The Director agrees to SUSPEND the collection of \$270,000 of the \$300,000 CIVIL
24 PENALTY assessed herein provided that the Respondents comply with all of the following
25 terms and conditions:

26 a. Respondents are prohibited from conducting the following activities in Oregon or with

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1 Oregon residents without obtaining approval from DFCS: (1) investing for other individuals; (2)
2 raising capital, formally or informally, from other individuals for use or investment on their
3 behalf; and (3) providing advice on investing via any medium.

4 b. Respondents are prohibited from maintaining any ownership interest in or executive role
5 with a broker-dealer or investment advisor in or licensed by the State of Oregon without first
6 obtaining approval from DFCS.

7 c. Respondents are prohibited from applying for, holding, or renewing any license or
8 registration required by the Director in Oregon, including but not limited to any investment
9 advisor, broker-dealer, securities salesperson, or mortgage broker license for 10 years from the
10 effective date of this Order.

11 d. Respondents shall pay \$15,000 of the \$300,000 CIVIL PENALTY within 30 days from
12 the effective date of this Order.

13 e. Respondents shall pay \$15,000 of the \$300,000 CIVIL PENALTY within 90 days from
14 the effective date of this Order.

15 f. Respondents shall comply with all terms and conditions set out in this Order and commit
16 no new violations of the Oregon Securities Law and OAR Chapter 441.

17 28. If the Respondents comply with all of the terms and conditions set out in this Order and
18 commit no new violations during the ten-year period from the effective date of this Order, the
19 Director WAIVES the collection of the suspended CIVIL PENALTY assessed herein.

20 29. The Director will immediately impose the suspended CIVIL PENALTY if the
21 Respondents violate any term of this Order.

22 30. The entry of this Order in no way limits further remedies which may be available to the
23 Director under Oregon law.

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1 IT IS SO ORDERED.

2 Dated this 31st day of January, 2013, at Salem, Oregon.

3 Patrick M. Allen, Director
4 Department of Consumer and Business Services

5 /s/ David Tatman
6 David C. Tatman, Administrator
7 Division of Finance and Corporate Securities

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CONSENT TO ENTRY OF ORDER

I, Walter Curtis Maddux, state that I have read the foregoing Order and that I know and fully understand the contents hereof; that I have been advised of the right to a hearing and of the right to be represented by counsel in this matter; and that I desire to resolve and settle this matter with the Director; that I voluntarily and without any force or duress, consent to the entry of this Order, expressly waiving any right to a hearing in this matter; that I understand that the Director reserves the right to take further actions to enforce this Order or to take appropriate action upon discovery of other violations of the Oregon Securities Law; and that I will fully comply with the terms and conditions stated herein.

I understand that this Order is a public document.

By: /s/ W. C. Maddux
Walter Curtis Maddux

State of OREGON

County of MARION

Signed or attested before me on 31st JAN 2013 by /s/ Margaret Clark.

/s/ Margaret Clark
Signature of Notary Public

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CONSENT TO ENTRY OF ORDER

I, Walter Curtis Maddux, state that I am the owner of WCM Financial Services (“WCM”), and I am authorized to act on its behalf; that I have read the foregoing Order and that I know and fully understand the contents hereof; that I and WCM have been advised of the right to a hearing and of the right to be represented by counsel in this matter; that WCM, voluntarily and without any force or duress, consents to the entry of this Order, expressly waiving any right to a hearing in this matter; that WCM, executes this Order as a settlement of the matters referred to in the foregoing Order; that WCM understands that the Director reserves the right to take further actions to enforce this Order or to take appropriate action upon discovery of other violations of the Oregon Securities Law; and that WCM will fully comply with the terms and conditions stated herein.

WCM understands that this Order is a public document.

By: /s/ W. C. Maddux
Signature

By: Walter Curtis Maddux
Printed Name

Office Held: OWNER

ACKNOWLEDGMENT

State of OREGON

County of MARION

There appeared before me this 31st day of JANUARY, 2013, Walter Curtis Maddux, who was first duly sworn on oath, and stated that he/she was and is an officer of WCM, and that he/she is authorized and empowered to sign this Order on behalf of WCM, and to bind it to the terms hereof.

/s/ Margaret Clark
Signature of Notary Public

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CONSENT TO ENTRY OF ORDER

I, Walter Curtis Maddux, state that I am the president of Equity Options, Inc. (“Equity Options”), and I am authorized to act on its behalf; that I have read the foregoing Order and that I know and fully understand the contents hereof; that I and Equity Options have been advised of the right to a hearing and of the right to be represented by counsel in this matter; that Equity Options, voluntarily and without any force or duress, consents to the entry of this Order, expressly waiving any right to a hearing in this matter; that Equity Options, executes this Order as a settlement of the matters referred to in the foregoing Order; that Equity Options understands that the Director reserves the right to take further actions to enforce this Order or to take appropriate action upon discovery of other violations of the Oregon Securities Law; and that Equity Options will fully comply with the terms and conditions stated herein.

Equity Options understands that this Order is a public document.

By: /s/ W. C. Maddux
Signature

By: Walter Curtis Maddux
Printed Name

Office Held: Pres / Secty

ACKNOWLEDGMENT

State of OREGON

County of MARION

There appeared before me this 31st day of JANUARY, 2013, Walter Curtis Maddux, who was first duly sworn on oath, and stated that he/she was and is an officer of Equity Options, and that he/she is authorized and empowered to sign this Order on behalf of Equity Options, and to bind it to the terms hereof.

/s/ Margaret Clark
Signature of Notary Public

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