

STATE OF WASHINGTON
DEPARTMENT OF FINANCIAL INSTITUTIONS
SECURITIES DIVISION

IN THE MATTER OF DETERMINING) Order Number S-08-153-08-SC01
Whether there has been a violation of the)
Securities Act of Washington by:) STATEMENT OF CHARGES AND NOTICE
) OF INTENT TO ENTER AN ORDER TO
Steven Ray Mandak, Bio Renewable Energy) CEASE AND DESIST, TO IMPOSE A FINE,
of Washington, and S & B Energy Spokane,) AND TO CHARGE COSTS
LLC,)
Respondents)

THE STATE OF WASHINGTON TO: Steven Ray Mandak
Bio Renewable Energy of Washington
S & B Energy Spokane, LLC

STATEMENT OF CHARGES

Please take notice that the Securities Administrator of the State of Washington has reason to believe that Respondents, Steven Ray Mandak, Bio Renewable Energy of Washington, and S& B Energy Spokane, LLC, have each violated the Securities Act of Washington and that their violations justify the entry of an order of the Securities Administrator under RCW 21.20.390 against each to cease and desist from such violations, charging costs, and imposing a fine pursuant to RCW 21.20.395. The Securities Administrator finds as follows:

TENTATIVE FINDINGS OF FACT

Respondents

1. Bio Renewable Energy of Washington (“Bio Renewable”) is a purported limited liability company that was solely owned and controlled by Steven Ray Mandak. The primary business purpose of the company was ostensibly to fund the construction of an ethanol plant.

1 2. S & B Energy Spokane, LLC (“S & B”) is a Washington limited liability company
2 that was formed on March 23, 2007. Its primary place of business is in Spokane, Washington.
3 The primary business purpose of the company was to form a joint venture to build an
4 alternative fuel plant in Spokane, Washington.
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6 3. Steven Ray Mandak (“Mandak”) is a Washington resident. He is the sole owner of Bio
7 Renewable and a managing member of S & B.

8 Offer and Sale of an Investment in Bio Renewable Energy of Washington

9 4. During 2006, Mandak offered and sold a \$40,000 investment in Bio Renewable to a
10 Washington investor. Mandak told the investor that his funds would be used to buy a 1% share
11 in Bio Renewable. The investment was supposed to be repaid in full when an ethanol plant
12 had been funded and built. Upon completion of the plant, the investor was supposed to receive
13 quarterly dividends from the profits generated by the ethanol plant. The investor did not have
14 any control over the use of his invested funds and he did not participate in the management of
15 the business. The investor was relying upon Mandak to generate a return on the investment.
16 To date, no ethanol plant has been built, but the investor has been repaid \$26,000 by Mandak.
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18 Misrepresentations and Omissions for the Bio Renewable Energy of Washington Investment

19 5. When offering and selling the Bio Renewable investment, Mandak estimated that the
20 likely return on the investment would be not less than \$50,000, but would probably be more
21 like \$100,000. Mandak failed to provide any reasonable basis for the estimated return on
22 investment. Mandak told the investor that he could expect a repayment of his principal within
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90 to 120 days after making the investment, but Mandak failed to disclose the risk of having

1 insufficient funds to repay the investment. Mandak failed to disclose the specific intended use
2 of the investor's funds. Mandak failed to give the investor financial statements for the project
3 or the company in which he was investing. Mandak failed to disclose that the investor's funds
4 would be commingled with Mandak's own funds and would not be separately maintained.
5
6 Mandak failed to disclose that Bio Renewable Energy of Washington had never been legally
7 formed as a limited liability company.

8 Offer and Sale of An Investment in S& B Energy Spokane, LLC

9 6. During 2007, Mandak offered and sold a \$50,000 limited liability company
10 membership interest in S & B Energy Spokane, LLC to a Washington investor. Mandak told
11 the investor that S & B was going to own 30% of an ethanol plant that would be built in
12 Spokane, Washington by S & B's purported joint venture partner, Novahol Spokane, LLC.
13 Mandak told the investor that his investment would be repaid within three months and that he
14 could still keep his interest in S & B. Mandak told the investor that he would receive a share of
15 the profits from the operation of the fuel plant. The investor did not have any control over the
16 use of his invested funds and he did not participate in the management of the business. The
17 investor was relying upon Mandak to generate a return on the investment. To date, no fuel
18 plant has been built and the S & B investment has not been repaid.

19 Misrepresentations and Omissions for the S & B Energy Spokane, LLC Investment

20 7. When offering and selling the S& B Energy Spokane, LLC investment, Mandak gave
21 the investor financial projections for S & B's purported business partner, Novahol Spokane,
22
23 LLC. The projections showed that Novahol Spokane, LLC would have a net income of
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25 \$99,758,432 during its first year of operations. Mandak failed to provide any reasonable basis

1 for the estimated return on investment. Mandak failed to give the investor any financial
2 statements for S & B Energy, LLC or for Novahol Spokane, LLC. Mandak failed to disclose
3 the specific intended use of the investor's funds.
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6 Based upon the Tentative Findings of Fact, the following Conclusions of Law are made:

7 **CONCLUSIONS OF LAW**

8 1. The offer or sale of the investments described above constitutes the offer or sale of a
9 security, as defined in RCW 21.20.005(10) and (12), in the form of an investment contract.
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11 2. The offer or sale of said securities was made in violation of RCW 21.20.010, the anti-
12 fraud provision of the Securities Act of Washington, because in connection with the offer and
13 sale of said securities, Respondents, Steven Ray Mandak, Bio Renewable Energy of
14 Washington, and S & B Energy Spokane, LLC, each made untrue statements of material fact or
15 omitted to state material facts necessary in order to make the statements made, in light of the
16 circumstances under which they were made, not misleading.
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18 **NOTICE OF INTENT TO ORDER THE RESPONDENT TO CEASE AND DESIST**

19 Pursuant to RCW 21.20.390(1), and based on the Tentative Findings of Fact and
20 Conclusions of Law, the Securities Administrator intends to order that Respondents, Steven
21 Ray Mandak, Bio Renewable Energy of Washington, and S & B Energy Spokane, LLC, and
22 their agents and employees, each shall cease and desist from violations of RCW 21.20.010.
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NOTICE OF INTENT TO IMPOSE A FINE

1 Pursuant to RCW 21.20.395, and based upon the above Tentative Findings of Fact and
2 Conclusions of Law, the Securities Administrator intends to order that Steven Ray Mandak
3 shall be liable for and shall pay a fine of \$5,000.
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5 **NOTICE OF INTENT TO CHARGE COSTS**

6 Pursuant to RCW 21.20.390, and based upon the above Tentative Findings of Fact and
7 Conclusions of Law, the Securities Administrator intends to order that Steven Ray Mandak shall
8 be liable for and shall pay costs of \$2,500.
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10 **AUTHORITY AND PROCEDURE**

11 This Statement of Charges is entered pursuant to the provisions of chapter 21.20 RCW
12 and is subject to the provisions of chapter 34.05 RCW. The respondents, Steven Ray Mandak,
13 Bio Renewable Energy of Washington, and S & B Energy Spokane, LLC, may each make a
14 written request for a hearing as set forth in the NOTICE OF OPPORTUNITY TO DEFEND
15 AND OPPORTUNITY FOR HEARING accompanying this Statement of Charges.
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17 If a respondent fails to make a timely hearing request, the Securities Administrator
18 intends to adopt the above Tentative Findings of Fact and Conclusions of Law as final, to enter
19 a permanent order to cease and desist against that respondent, and to impose the fines sought
20 and charge the costs sought against that respondent.
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22 Dated and Entered this 31st day of March, 2009
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25 MICHAEL E. STEVENSON
Securities Administrator

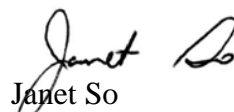
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Approved by:



Suzanne E. Sarason
Chief of Enforcement

Presented by:



Janet So
Financial Legal Examiner

Reviewed by:



Martin Cordell
Financial Legal Examiner Supervisor