

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

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

S & B Energy, LLC and Robert J. Braun,

Respondents

Order Number S-10-077-10-FO01

ENTRY OF FINDINGS OF FACT AND
CONCLUSIONS OF LAW AND FINAL ORDER
TO CEASE AND DESIST AND TO CHARGE
COSTS AGAINST ROBERT J. BRAUN

THE STATE OF WASHINGTON TO: S & B Energy, LLC
Robert James Braun

INTRODUCTION

On June 18, 2010, the Securities Division of the State of Washington Department of Financial Institutions issued Order Number S-10-077-10-SC01, Statement of Charges and Notice of Intent to Enter Order to Cease and Desist and to Charge Costs ("Statement of Charges"). The Statement of Charges, together with a Notice of Opportunity to Defend and Opportunity for Hearing ("Notice of Opportunity for Hearing") and an Application for Adjudicative Hearing ("Application for Hearing") was served on Respondents, S & B Energy, LLC and Robert J. Braun, on July 6, 2010. The Notice of Opportunity for Hearing advised S & B Energy, LLC and Robert J. Braun that a written application for an administrative hearing on the Statement of Charges must be received within twenty days from the date of receipt of the notice. S & B Energy, LLC and Robert J. Braun each failed to request an administrative hearing within

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twenty days of receipt of the Statement of Charges and Notice of Opportunity for Hearing, either on the Application for Hearing provided or otherwise.

The Securities Administrator therefore will adopt as final the findings of fact and conclusions of law as set forth in the Statement of Charges and enter a final order against the Respondents to cease and desist from violations of the Securities Act and to charge costs against Robert J. Braun.

The Securities Administrator makes the following Findings of Fact and Conclusions of Law:

FINDINGS OF FACT

Respondents

1. S & B Energy, LLC (“S & B Energy”) is a Washington limited liability company that was formed on March 9, 2007. S & B Energy had its principal place of business in Spokane, Washington. S & B Energy’s stated business purpose was to build and to operate ethanol plants, starting with a plant in Spokane County, Washington. However, no ethanol plants were ever built. S & B Energy was administratively dissolved on July 1, 2009.

2. Robert J. Braun (“Braun”) is a Washington resident. Braun was also a managing member of S & B Energy.

Nature of the Offering

3. From at least 2006 through 2008, Respondents each offered and sold more than \$500,000 worth of S & B Energy investments to more than ten Washington investors. The investments included the offer and sale of limited liability company membership interests in S & B Energy and the offer and sale of investments in S & B Energy’s future ownership of an ethanol plant that would be built in Medical Lake,

Washington. To date, there have been no repayments of the investments and no ethanol plant was ever built.

4. Respondents each represented to investors that S & B Energy was engaged in a joint venture with a Fresno, California company called Nova Fuels. The joint venture was formed to build an ethanol plant in Medical Lake, Washington. The plant was to be owned by a California limited liability company called Novahol Medical Lake, LLC. S & B Energy would purportedly receive a 30% interest in the ownership of the plant. Respondents each offered and sold investments in 25% of S & B Energy's share of the proposed plant.

5. When offering and selling S & B Energy investments, Respondents each represented to investors that S & B Energy needed investor financing to obtain preliminary funding for an ethanol plant. Respondents each represented that investor financing would be used to apply for permits, to secure a property lease for a plant site, and to complete some initial development work. Respondents each represented that construction financing would be obtained once a plant site had been located and permits were issued.

6. When offering and selling S & B Energy investments, Respondents each represented to investors that S & B Energy and the investors would share in the profits from the operation of a completed ethanol plant. Respondents each represented that investor funds would be pooled together and would be used to finance the up-front costs of building an ethanol plant. The investors had no control over the use of their invested funds and they did not participate in the management or the business operations of S & B Energy. The investors were each relying upon Respondents to generate a return on their investment.

Misrepresentations and Omissions

7. When offering and selling S & B Energy investments, Respondents each represented to investors that their investments would be repaid within one year. Respondents each represented that investors would receive dividend payments for their percentage interest in a completed ethanol plant.

8. When offering and selling limited liability company membership interests in S & B Energy, Respondents each gave investors an S & B Energy business plan. The business plan had a stated goal that within two years after breaking ground, the ethanol plant would have \$120 million in annual sales and would operate at a 40% net annual profit. The business plan stated that annual growth was projected to be 3% per year for the first five years of the plant's operation. The business plan had a stated goal that the plant would generate more than \$166 million of sales for each year of operation and that the plant would have an estimated annual net after-tax profit of \$90 million. Respondents each failed to disclose any reasonable basis for these estimates.

9. When offering and selling investments in S & B Energy's share of ownership in an ethanol plant to be owned by Novahol Medical Lake, LLC, Respondents each represented to investors that a \$25,000 investment would yield an estimated \$200,000 per year in dividend income. Respondents each failed to disclose any reasonable basis for this estimate.

10. When offering and selling S & B Energy investments, Respondents each failed to disclose significant risks of the investments. Respondents each failed to give the investors financial information, including financial statements for S & B Energy and financial statements for Novahol Medical Lake, LLC. Respondents each failed to disclose that the operation of an ethanol plant might be unprofitable.

Respondents each failed to disclose that the investments had an arbitrary offering price that had no relationship to the net worth of S & B Energy. Respondents each failed to disclose the business operating history of Nova Fuels, the joint venture partner with S & B Energy. Respondents each failed to disclose that investors could lose their entire investment because S & B Energy did not have a specified minimum amount of required capital and because S & B Energy did not have sufficient funds to build and to operate an ethanol plant. Respondents each failed to disclose the specific intended use of the investors' funds. Respondents each failed to disclose that the technology for the proposed ethanol plant was still experimental. Respondents each failed to disclose that the plant would have operational risks. Respondents each represented to investors that the proposed ethanol plant would sell its fuel through a customary fuel brokerage agreement, but Respondents each failed to disclose that no fuel sales agreements had ever been negotiated and that the market for the fuel was still unproven. Respondents each failed to disclose the types of permits that would be required to build an ethanol plant. Respondents each failed to disclose regulatory risks associated with getting the approval to build an ethanol plant.

Failure to Produce Documents and to Appear and Testify

11. On April 16, 2010, the Securities Division issued subpoena number S-10-077-10-DI01, a Subpoena Duces Tecum and to Testify, to Braun. The subpoena called for the production of documents by May 14, 2010 and for testimony on May 24, 2010. The subpoena was personally served on Braun. Braun sent a reply letter dated May 12, 2010. Braun stated that he was unable to comply with the “request” for documents and testimony. The letter stated that he did not have an attorney and could not

afford to retain an attorney. Therefore, Braun refused to produce documents or to give testimony until an attorney could represent Braun.

Registration Status

12. S & B Energy is not currently registered to sell its securities in the state of Washington and has not previously been so registered.

13. Robert J. Braun is not currently registered as a securities salesperson or securities broker-dealer in the state of Washington and has not previously been so registered.

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

CONCLUSIONS OF LAW

I.

The offer or sale of the investments described in the Tentative Findings of Fact constitutes the offer or sale of a security, as defined in RCW 21.20.005(10) and (12), in the form of an investment contract.

II.

As described in the Tentative Findings of Fact, S & B Energy and Braun have each violated RCW 21.20.140, the securities registration provision of the Securities Act of Washington, when offering and selling said securities because no registration for such offer or sale is on file with the Securities Administrator.

III.

As described in the Tentative Findings of Fact, Braun violated RCW 21.20.040, the securities salesperson and securities broker-dealer registration provision of the Securities Act

of Washington, by offering or selling said securities while not registered as a securities salesperson or securities broker-dealer in the state of Washington.

IV.

As described in the Tentative Findings of Fact, S & B Energy and Braun have each violated RCW 21.20.010, the anti-fraud provision of the Securities Act of Washington, because in connection with the offer or sale of said securities, they each made an untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading.

FINAL ORDER

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

It is hereby ORDERED that Respondents, S & B Energy, LLC and Robert J. Braun, and their agents and employees, each shall cease and desist from offering or selling securities in any manner in violation of RCW 21.20.140, the securities registration section of the Securities Act of Washington.

It is further ORDERED that Respondents, S & B Energy, LLC and Robert J. Braun, and their agents and employees, each shall cease and desist from offering or selling securities in any manner in violation of RCW 21.20.040, the securities broker-dealer and securities salesperson registration section of the Securities Act.

It is further ORDERED that Respondents, S & B Energy, LLC and Robert J. Braun, and their agents and employees, each shall cease and desist from offering or selling securities in any manner in violation of RCW 21.20.010, the anti-fraud section of the Securities Act.

It is further ORDERED that Robert J. Braun shall pay investigative costs of \$5,000 to the Securities Division.

AUTHORITY AND PROCEDURE

This Final Order is entered pursuant to the provisions of chapter 21.20 RCW and is subject to the provisions of chapter 34.05 RCW. Respondents each have the right to petition the superior court for judicial review of this agency action under the provisions of chapter 34.05 RCW. For the requirements for filing a Petition for Judicial Review, see RCW 34.050.510 and sections following. Pursuant to 21.20.395, a certified copy of this order may be filed in Superior Court.

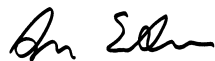
WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.

DATED and ENTERED this 30th day of July, 2010



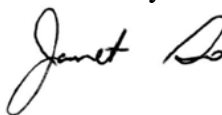
WILLIAM M. BEATTY
Securities Administrator

Approved by:



Suzanne E. Sarason
Chief of Enforcement

Presented by:



Janet So
Enforcement Attorney

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