

1 **STATE OF WASHINGTON**
2 **DEPARTMENT OF FINANCIAL INSTITUTIONS**
3 **SECURITIES DIVISION**

4 IN THE MATTER OF DETERMINING) Order No.: S-12-0994-12-SC01
5 Whether there has been a violation of the)
6 Securities Act of Washington by:) STATEMENT OF CHARGES AND NOTICE OF INTENT
7) TO ENTER ORDER TO CEASE AND DESIST, TO
8 Chadwick B. King; Sarah Louthan a/k/a Cerah) IMPOSE FINES AND TO CHARGE COSTS
9 Bennett,)
10)
11 Respondents.)

12 **THE STATE OF WASHINGTON TO: Chadwick B. King; Sarah Louthan a/k/a Cerah Bennett**

13 **STATEMENT OF CHARGES**

14 Please take notice that the Securities Administrator of the state of Washington has reason to believe that
15 Respondents, Chadwick B. King and Sarah Louthan a/k/a Cerah Bennett, have each violated the Securities Act of
16 Washington and that their violations justify the entry of an order of the Securities Administrator under RCW
17 21.20.390 against each to cease and desist from such violations, to charge costs, and under RCW 21.20.395, to impose
18 a fine. The Securities Administrator finds the following:

19 **TENTATIVE FINDINGS OF FACT**

20 **I.**

21 Respondents

- 22 1. Respondent Chadwick B. King (Chad King) was a Washington resident at all times material to the events
23 described below.
- 24 2. Respondent Sarah Diane Louthan a/k/a Cerah Bennet (Sarah Louthan) was a Washington resident at
25 all times material to the events described below. Sarah Louthan filed for bankruptcy on December 6, 2001,
with the United States Bankruptcy Court in the Western District of Washington, and the court granted her a
discharge from her debts on April 11, 2002.

26 **II.**

27 Sarah Louthan's Prior Involvement in a High-Yield Investment Scheme

- 28 4. In the spring of 2008, Sarah Louthan solicited investments in a high-yield investment scheme. Specifically,
29 Sarah Louthan told an elderly Washington couple that if they invested \$100,000 with her, then she and her business

1 partner, Shanna K. Raymond, could double the Washington couple's money within 30 days. Sarah Louthan told the
2 Washington couple that Shanna K. Raymond would invest the Washington couple's money with a group that would
3 purchase United States Treasury Bills at a discount and then use those Treasury Bills for further investments. On June
4 19, 2008, the Washington couple wired \$100,000 to the bank account maintained by Vestlaw, LLC, a limited liability
5 company that Shanna K. Raymond owned. Sarah Louthan issued the Washington couple a \$100,000 promissory note
6 on behalf of Vestlaw, LLC, but the Washington couple were never repaid their principal and they did not receive any
7 return on their investment. On September 10, 2012, Shanna K. Raymond plead guilty in federal court to charges of
8 wire fraud and money laundering stemming from this Washington couple's investment and other similar investments.

9 III.

10 Nature of the Offer

11 5. In the fall of 2008, a few months after soliciting investments in Shanna K. Raymond's investment scheme,
12 Sarah Louthan partnered with Chad King to a solicit substantially similar investment. For a \$200,000 investment, Chad
13 King and Sarah Louthan claimed that they could purchase \$1,500,000 worth of United States Treasury Bills, which
14 they would use to obtain a line of credit to purchase at least \$7,000,000 worth of United States Treasury Bills. Chad
15 King and Sarah Louthan told investors that they would use the \$7,000,000 worth of United States Treasury Bills to
16 obtain yet another line of credit. Chad King and Sarah Louthan stated that they would then pay investors at least
17 \$2,000,000 from the second line of credit within three to six months. Chad King and Sarah Louthan stated that they
18 would keep any remaining profits and assume the debt from the two lines of credit.

19 6. Chad King and Sarah Louthan kept the names of the people and the entities through which they would
20 implement the Treasury Bill Purchasing Program confidential from prospective investors, and they made at least two
21 investors attest, before investing, that they were not an informant for or associated with any United States or foreign
22 government agency, including "Secret Service, NSA, IRS, FBI, CIA, SEC, Interpol, MI5, CSIS, RCMP, Revenue
23 Canada, Inland Revenue Commission, CPA, Scotland Yard, FSA, or US Federal Reserve."

24 7. Chad King and Sarah Louthan solicited \$200,000 from a Washington couple and \$200,000 from two
25 Californians to invest in this Treasury Bill Purchasing Program. Sarah Louthan represented to the investors that she
had made a lot of money through the program. The Washington investors were not sophisticated investors, and they
told Chad King and Sarah Louthan that they could not afford to lose their \$200,000 investment. Chad King and Sarah
Louthan claimed that there was no risk to investing in the Treasury Bill Purchasing Program and that they would
purchase an "insurance wrap" in order to insure the United States Treasury Bill that they purchased.

8. In October 2008, Chad King and Sarah Louthan created Washington limited liability companies for the
purpose of, they claimed, facilitating the investments. Each group of investors had their own limited liability company
with Chad King and Sarah Louthan. None of the limited liability companies had an operating agreement, each limited

1 liability company existed solely for the purposes of the investment, and no investor had any authority over the day-to-
2 day management of a limited liability company.

3 9. Chad King and Sarah Louthan opened a separate bank account at a Seattle, Washington, bank branch for each
4 limited liability company and instructed each investor to direct his or her investment to his or her specific limited
5 liability bank account. Chad King and Sarah Louthan told the Washington investors that their money would never
6 leave the bank account and that if it did need to leave the bank account, then all four of them would have to agree to it
7 in writing.

8 10. On October 22, 2008, the Washington investors transferred a total of \$200,000 into the bank account of the
9 Washington limited liability company that Chad King and Sarah Louthan formed for them. Despite Chad King and
10 Sarah Louthan's claims that the Washington investors' funds would never leave the limited liability bank account,
11 Chad King and Sarah Louthan almost immediately transferred the entire \$200,000 investment out of the account,
12 including a \$50,000 transfer to King Commercial Capital LLC, an entity owned by Chad King. The Washington
13 investors did not learn of these transfers until months later.

14 11. In November of 2008, the two California investors, along with four of their friends in their investing group,
15 deposited a total of \$200,000 into the bank account of the Washington limited liability company that Chad King and
16 Sarah Louthan had formed for them.

17 12. Chad King and Sarah Louthan failed to pay any of the investors within three to six months, as promised. Chad
18 King and Sarah Louthan continued to promise payment within a matter of days, but excused non-payment for years
19 because of glitches, legal hurdles, financial setbacks, the Depository Trust Company, faulty paperwork, day-traders,
20 the Central Bank of Switzerland, and medical emergencies. Chad King and Sarah Louthan stopped communicating
21 with all of the investors around February of 2011. To date, no investor has recovered his or her principal or realized
22 any return on his or her investment.

23 VII.

24 Misrepresentations and Omissions in Connection with the Sale of Securities

25 13. Respondents Chad King and Sarah Louthan both falsely represented that they would invest investor money in
a Treasury Bill Purchasing Program to provide investors with a 1,000 percent return on their investment within three to
six months.

14. Respondents Chad King and Sarah Louthan further falsely represented the safety of the Washington residents'
investment, as described in paragraph seven and nine.

15. Respondents Chad King and Sarah Louthan failed to disclose material information to investors about the
Treasury Bill Purchasing Program, including but not limited to the basis and assumptions underlying the financial
projections provided to investors, the sources through which Chad King and Sarah Louthan were to purchase United

1 States Treasury Bills or obtain a line of credit with United States Treasury Bills, and the means by which Chad King
2 and Sarah Louthan would pay the debt accrued from the two lines of credit that they represented that they would
3 obtain.

4 16. Respondent Sarah Louthan failed to disclose to investors that she had filed for bankruptcy in 2001 and that she
5 had solicited investors to invest in a similar failed high-yield investment scheme in the spring of 2008.

6 **VIII.**

7 Registration Status

8 17. Respondents Chad King and Sarah Louthan are not currently registered to sell securities in the state of
9 Washington and have not previously been so registered. Furthermore, there is no notification of their exemption from
10 registration on file with the state of Washington.

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

12 **CONCLUSIONS OF LAW**

13 1. The offer or sale of securities as described above constitutes the offer and sale of a security as defined in
14 RCW 21.20.005(14) and (17).

15 2. The offer and sale of these securities is in violation of RCW 21.20.140 because no registration for such an
16 offer and sale is on file with the Securities Administrator, state of Washington.

17 3. The offer and sale of these securities were in violation of RCW 21.20.010 because, as described above,
18 Respondents made untrue statements of material fact or omitted to state material facts necessary to make the
19 statements made, in light of the circumstances under which they were made, not misleading.

20 **NOTICE OF INTENT TO ORDER THE RESPONDENT TO CEASE AND DESIST**

21 Pursuant to RCW 21.20.390(1) and based upon the above Tentative Findings of Fact and Conclusions of Law,
22 the Securities Administrator intends to order that Respondents Chad King and Sarah Louthan each shall cease and
23 desist from violations of RCW 21.20.010 and RCW 21.20.140.

24 **NOTICE OF INTENT TO IMPOSE A FINE**

25 Pursuant to RCW 21.20.395, and based upon the above Tentative Findings of Fact and Conclusions of Law,
the Securities Administrator intends to order that Respondents Chad King and Sarah Louthan shall be liable for and
shall pay a fines as follows:

1. Chad King shall be liable and shall pay a fine in the amount of \$20,000; and
2. Sarah Louthan shall be liable and shall pay a fine in the amount of \$20,000.

1 **NOTICE OF INTENT TO CHARGE COSTS**

2 Pursuant to RCW 21.20.390, and based upon the Tentative Findings of Fact and Conclusions of Law, the
3 Securities Administrator intends to order that Respondents Chad King and Sarah Louthan shall be liable for and shall
4 pay costs, fees, and other expenses incurred in the conduction of the administrative investigation or hearing of this
5 matter as follows:

- 6 1. Chad King shall be liable and shall pay investigative costs in the amount of no less than \$10,000; and
7 2. Sarah Louthan shall be liable and shall pay investigative costs in the amount of no less than \$10,000.

8 **AUTHORITY AND PROCEDURE**


9 This Statement of Charges is entered pursuant to the provisions of Chapter 21.20 RCW and is subject to the
10 provisions of Chapter 34.05 RCW. The respondents Chad King and Sarah Louthan may each make a written request
11 for a hearing as set forth in the NOTICE OF OPPORTUNITY TO DEFEND AND OPPORTUNITY FOR HEARING
12 accompanying this Order. If a respondent does not make a hearing request in the time allowed, the Securities
13 Administrator intends to adopt the above Tentative Findings of Fact and Conclusions of Law as final and to enter a
14 permanent order to cease and desist as to that respondent, to impose any fines sought against that respondent, and to
15 charge any costs sought against that respondent.

16 Signed and Entered this 22nd day of February 2013.

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18 _____
19 William M. Beatty
20 Securities Administrator

21 Approved by:

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23 _____
24 Suzanne Sarason
25 Chief of Enforcement

Presented by:

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23 _____
24 Eric Palosaari
25 Enforcement Attorney

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Reviewed by:



Jack McClellan
Financial Legal Examiner Supervisor