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

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IN THE MATTER OF DETERMINING) Order No.: S-16-2078-16-SC01
Whether there has been a violation of the)
Securities Act of Washington by:) STATEMENT OF CHARGES AND
) NOTICE OF INTENT TO
Big Spring Gold, LLC,) ENTER ORDER TO CEASE AND DESIST,
Louis A. Christensen,) TO IMPOSE A FINE,
) AND TO CHARGE COSTS
Respondents)
)

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THE STATE OF WASHINGTON TO: Big Spring Gold, LLC
Louis A. Christensen

STATEMENT OF CHARGES

Please take notice that the Securities Administrator of the state of Washington has reason to believe that Respondents, Big Spring Gold, LLC, and Louis A. Christensen, have each violated the Securities Act of Washington. The Securities Administrator believes those violations justify the entry of an order against the Respondents to cease and desist from such violations and to charge costs pursuant to RCW 21.20.390, and under RCW 21.20.395 to impose a fine. The Securities Administrator finds as follows:

TENTATIVE FINDINGS OF FACT

Respondents

1. Big Spring Gold, LLC (“Big Spring”) is a Nevada entity formed on May 11, 2012 with its principal place of business in North Bend, Oregon. Big Spring’s primary business purpose is to acquire, develop, lease, and manage mineral deposits (primarily gold and silver) and unpatented lode mining claims in Nye County, Nevada.

2. Louis A. Christensen (“Christensen”) resided in North Bend, Oregon. From May 2012 until December 2013, Christensen was the sole manager of Big Spring.

Prior Regulatory Actions

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2 3. On November 17, 2014, the Colorado Division of Securities entered into a Stipulation for
3 Consent Cease and Desist Order Concerning Big Spring Gold, LLC and Louis A. Christensen. The
4 Colorado Division of Securities found that Big Spring and Christensen had offered and sold at least three
5 LLC membership units totaling \$31,000 to two Colorado investors without registering the securities
6 offering.

7 4. On August 30, 2015, the Oregon Department of Consumer and Business Services Division of
8 Finance and Corporate Securities (“Oregon Securities Division”) entered a Final Order to Cease and Desist,
9 Order Denying Exemptions to the Securities Registration Requirements, and Assessing Civil Penalties and
10 Consent to Entry of Order (“Final Order”) against Big Spring, Christensen, and others. The Final Order
11 alleged that Big Spring and Christensen had raised approximately \$1.9 million through the sale of LLC
12 interests to 140 persons without disclosing to investors that the LLC interests had an arbitrary valuation.
13 The Oregon Securities Division found that Big Spring had issued unauthorized LLC interests to investors.
14 The Oregon Securities Division assessed a civil penalty of \$1.2 million, but agreed to suspend the collection
15 of \$1,180,000, subject to the repayment of certain investors and future compliance with Oregon securities
16 laws. Because Big Spring and Christensen have not repaid the investors, the Oregon Securities Division is
17 now seeking additional remedies.

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19 5. On August 11, 2016, the California Department of Business Oversight issued a Desist and
20 Refrain Order against Big Spring, Christensen, and other individuals for the offer and sale of Big Spring
21 LLC interests to at least one California resident without disclosing material information about the offering
22 of securities, including the risks of the investment.
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Nature of the Conduct

6. Between May 2012 and September 2013, Big Spring and Christensen offered and sold approximately \$1.9 million worth of Big Spring Gold, LLC membership interests to approximately 140 investors, including two Washington investors who invested a total of \$55,000. More than 35 of the investors were not accredited. Most, if not all, of the investors were personally solicited to invest. The investors did not receive a written disclosure document that described the offering of the membership interests, including the risks of the investment.

Misrepresentations or Omissions

7. Big Spring and Christensen failed to disclose material information concerning the mining claims that were held by the company. The Respondents failed to disclose to investors that when Big Spring acquired the right to purchase 10 unpatented lode mining claims for an initial purchase price of \$100,000, Christensen had relied upon a report prepared by the seller's President to determine the value of the mining claims. The Respondents failed to disclose that only preliminary mineral development work on the mining claims had been completed and although there was a potential for gold, no gold had yet been found. The Respondents failed to disclose that Christensen had not obtained an evaluation by an independent expert about the value of the mining claims and that Christensen himself had no expertise or experience to personally determine the value of the mining claims. The Respondents failed to disclose that there were no proven mineral reserves on the Big Spring property, that mineral exploration is highly speculative, and that the market value of minerals fluctuates greatly, so that even if minerals were discovered, it might not be economical to recover the minerals.

8. Big Spring and Christensen failed to disclose to investors that mineral exploration and development are hazardous activities that are subject to many risks, including, but not limited to, industrial accidents, inclement weather, environmental contamination, and labor disputes. The Respondents failed to

1 disclose that Big Spring could be subject to uninsured damage and liability claims that could deplete the
2 investors' funds and render the company insolvent.

3 9. Big Spring and Christensen failed to disclose to investors that the development of the mining
4 claims would require special permits or approvals that might not be granted. The Respondents failed to
5 disclose that the property where the mining claims were located would require approval from the U.S.
6 Department of Agriculture's Forest Service prior to any mineral exploration. The Respondents failed to
7 disclose that an environmental impact study had to be conducted and the results had to be satisfactory to the
8 Forest Service before any mineral exploration could begin. The Respondents failed to disclose that Big
9 Spring did not have any surface access rights to the land where the mineral claims were located and that Big
10 Spring had to acquire permits to access and develop the claims. The Respondents failed to disclose that the
11 company's inability to obtain required permits could delay or prevent the development of the mineral
12 claims.

13 10. Big Spring and Christensen failed to disclose material financial information relating to the
14 investment. The Respondents failed to disclose the intended use of the investors' funds. The Respondents
15 failed to disclose the minimum required capitalization to develop the Big Spring property. The Respondents
16 failed to disclose that the Big Spring mineral development project might be inadequately capitalized and
17 that investors could lose the entire amount of their investment. The Respondents failed to disclose the
18 financial condition of the company or provide any financial statements showing the value of the company's
19 assets and liabilities and the results of its operations.

20 11. Big Spring and Christensen failed to disclose the capitalization of the company. The
21 Respondents failed to disclose to investors that Big Spring membership interests were sold at an arbitrary
22 value that had no relationship to the book value of the LLC interests. The Respondents failed to disclose the
23 risk of dilution through the sale of additional LLC interests. The Respondents failed to disclose that the
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1 operating agreement for Big Spring only authorized the issuance of ten million LLC interests, which was the
2 initial capitalization of the company. The Respondents failed to disclose to investors that the sale of their
3 LLC membership interests was not authorized and therefore the investors did not have express membership
4 rights, including the right to vote and the right to receive any distribution of profits.

5 12. On February 7, 2013, Christensen sent a misleading e-mail to one of the Washington
6 investors. In the email, Christensen stated: "Great news!!! Big Spring Gold LLC has acquired an additional
7 3200 acres of prime gold and silver property to the south of us..." Christensen sent another email the
8 following day with this message: "We have the new complete reports out now on all the rock and soil
9 samples and in the summary it compares Big Spring to Long Canyon which sold last year to Newmont for
10 [\$]2.33 Billion." Christensen went on to state that new investors would be able to purchase Big Spring
11 membership interests for \$2.00, but current investors might be allowed to purchase Big Spring membership
12 interests for \$1.00. Christensen's email messages to the investor were misleading. There was no reasonable
13 basis to suggest that Big Spring might have minerals worth \$2.33 billion. Further, it was misleading to
14 imply that because new investors would pay twice as much for their membership interest, the value of the
15 membership interest would immediately double. The Respondents also misled the investor by failing to
16 disclose many significant risks of the investment.

18 **Registration Status**

19 13. Big Spring is not currently registered to sell its securities in the state of Washington and has
20 not previously been so registered, nor has it filed a claim of exemption from registration.

21 14. Christensen is not currently registered as a securities salesperson or broker-dealer in the state
22 of Washington and has not previously been so registered.

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

2 **CONCLUSIONS OF LAW**

3 1. The offer and/or sale of the LLC membership interests described above constitute the offer
4 and/or sale of a security as defined in RCW 21.20.005(14) and (17).

5 2. Big Spring and Christensen have each violated RCW 21.20.140, because, as set forth in the
6 Tentative Findings of Fact, Respondents offered and sold securities for which no registration is on file with
7 the Securities Administrator.

8 3. Christensen has violated RCW 21.20.040 by offering and/or selling said securities while not
9 being registered as a securities salesperson or broker-dealer in the state of Washington.

10 4. Big Spring and Christensen have each violated RCW 21.20.010, because, as set forth in the
11 Tentative Findings of Fact, the Respondents made untrue statements of material fact or omitted to state
12 material facts necessary to make the statements made, in light of the circumstances in which they were
13 made, not misleading.

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

15 Based upon the above Tentative Findings of Fact and Conclusions of Law, the Securities
16 Administrator intends to order, pursuant to RCW 21.20.390(1), that Big Spring Gold, LLC and Louis A.
17 Christensen, their agents and employees each shall cease and desist from any violations of RCW 21.20.010,
18 RCW 21.20.040, and RCW 21.20.140.

19 **NOTICE OF INTENT TO IMPOSE FINES**

20 Pursuant to RCW 21.20.395, and based upon the Tentative Findings of Fact and Conclusions of
21 Law, the Securities Administrator intends to order that Respondent Louis A. Christensen shall be liable for
22 and shall pay a fine of \$5,000.
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NOTICE OF INTENT TO CHARGE COSTS

Pursuant to RCW 21.20.390, and based upon the Tentative Findings of Fact and Conclusions of Law, the Securities Administrator intends to order that Respondent Louis A. Christensen shall be liable for and shall pay the costs, fees, and other expenses incurred in the administrative investigation, in an amount not less than \$1,500.

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AUTHORITY AND PROCEDURE

This Statement of Charges is entered pursuant to the provisions of Chapter 21.20 RCW and is subject to the provisions of Chapter 34.05 RCW. The Respondents, Big Spring Gold, LLC and Louis A. Christensen, may each make a written request for a hearing as set forth in the NOTICE OF OPPORTUNITY TO DEFEND AND OPPORTUNITY FOR HEARING accompanying this Order. If a Respondent does not make a hearing request in the time allowed, the Securities Administrator intends to adopt the above Tentative Findings of Fact and Conclusions of Law as final and to enter a permanent order to cease and desist as to that Respondent, to impose any fines sought against that respondent, and to charge any costs sought against that Respondent.

16 Signed and Entered this 23rd day of December, 2016

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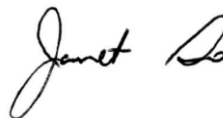
William M. Beatty
Securities Administrator

22 Approved by:

Presented by:

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1 Suzanne Sarason
Chief of Enforcement

Janet So
Financial Legal Examiner

2 Reviewed by:

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6 Robert Kondrat
Financial Legal Examiner Supervisor

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