

BEFORE THE
DIVISION OF SECURITIES
DEPARTMENT OF FINANCIAL INSTITUTIONS
STATE OF WISCONSIN

In the Matter of
ROYCE J. RAYMOND

Respondent.

FINDINGS OF FACT,
CONCLUSIONS OF LAW,
DECISION AND ORDER

File No. S-05061 (LX)

On January 18, 2006, pursuant to a Notice of Hearing issued December 16, 2005 under sec. 551.61, Wis. Stats., I, Randall E. Schumann as Designated Hearing Officer, held a prehearing conference in this proceeding. Staff members of the Licensing & Compliance Section and of the Enforcement Unit, Registration & Enforcement Section, of the Division of Securities, Department of Financial Institutions, State of Wisconsin, were present. The Respondent failed to appear, either in person or by telephone.

The Staff, represented by Division Enforcement Unit Supervising Attorney David Cohen, made a Motion at the prehearing for a finding of default and default judgement pursuant to DFI-Sec 8.03, Wis. Adm. Code. The Designated Hearing Officer thereupon requested the Staff to submit on the record an Offer of Proof to both substantiate the allegations in the Staff's December 7, 2005 Petition accompanying the December 16, 2005 Notice of Hearing and to provide a complete record and basis upon which to make a determination with respect to the Staff's Motion, and to issue an appropriate Decision and Order.

Based upon the Staff's Offer of Proof submitted on January 18, 2006, supplemented by an Affidavit of Division Attorney David Cohen, dated January 19, 2006 accompanied by certain additional documents and information, all of which I have made part of the record in this matter, I make the following Findings of Fact and Conclusions of Law for purposes of this proceeding as prescribed under sec. 227.47(1), Wis. Stats., and to provide the basis for issuance of the following Decision and Order in this proceeding.

FINDINGS OF FACT

1. Royce J. Raymond ("Raymond" or "Respondent") is an individual who, at all times material hereto (including the time period from February 11, 2002 until March 9, 2005), was employed as a sales agent (CRD #1574917) for Securities Service Network, Inc. ("SSNI"), and whose last-known residence address is at 912 2nd Street, Baraboo, Wisconsin 53913. Raymond is considered to be a party for purposes of judicial review of

this Order under sec. 227.53, Wis. Stats.

2. From approximately February 28, 2005 to March 15, 2005 (which latter date is after the March 9, 2005 date when his agent status with SSNI was terminated by that firm), Raymond offered and sold stock of Tri Energy, Inc. ("Tri Energy") to at least 14 persons in Wisconsin.
3. The Tri-Energy stock is a security as defined in 551.02(13), Wis. Stats., and such stock has never been registered for offer or sale in Wisconsin.
4. SSNI had no involvement in, or prior knowledge of, the sales of Tri Energy stock by Raymond, and SSNI did not give written permission for Raymond to sell Tri Energy stock "away" from the firm.
5. In connection with the offers and sales of the Tri Energy stock, Raymond failed to disclose the existence of a Cease and Desist Order issued against Tri Energy by the Washington Department of Financial Institutions on February 28, 2005.
6. In connection with the offers and sales of the Tri Energy stock, Raymond told investors that the proceeds raised from Tri Energy stock sales would be used to assist an entity identified as "Horizon Minerals" in Papua, New Guinea.
7. Raymond admitted to the Division Staff that he did not obtain any information regarding Horizon Minerals from the promoters of Tri Energy.
8. In order to induce certain of the Wisconsin investors to invest in Tri Energy, Raymond gave them a "Custodial Agreement and Promissory Note-Guaranty" which promised that Raymond would pay all penalties investors incurred for withdrawing funds from their annuities. Additionally, because investors who took funds out of their retirement accounts to make the investments would incur a tax penalty if they did not receive their money back within a certain time, Raymond agreed to reimburse such investors for any tax liability they incurred if their Tri Energy investment was not paid back in 60 days.
9. Raymond failed to disclose to the Wisconsin investors that he was issuing personal guarantees of other investors' investments, failed to disclose the total amount of such guarantees, and failed to disclose Raymond's adverse personal financial status, including a pending foreclosure on his home.
10. On December 7, 2005, the staffs of the Licensing & Compliance Section and the Enforcement Unit, Registration & Enforcement Section, of the Division of Securities, Department of Financial Institutions, State of Wisconsin, filed a Petition for Hearing with the Administrator of the Division of Securities in this matter.
11. On December 16, 2005, the Administrator of the Division of Securities caused a Notice of Hearing in this matter to be sent by certified mail, return receipt requested, to the

Respondent at his residence address, and a separate copy of such materials was sent by regular mail to the Respondent at his residence address.

12. On January 10, 2006, the Designated Hearing Officer, Randall E. Schumann, received back from the U. S. Post Office the certified mail envelope addressed to Raymond's residence address marked "Unclaimed;" however, the regular mail envelope addressed to Raymond's residence address was not returned.
13. Pursuant to the December 16, 2005 Notice of Hearing, a prehearing conference was scheduled for Wednesday, January 18, 2006 at 10:00 am (Central) at the offices of the Division of Securities, which prehearing conference was to be attended in person or by telephone by the Respondent and representatives of the Division of Securities.
14. The Notice of Hearing provided that failure to appear at the prehearing conference may be deemed a default, and that upon such a default the Designated Hearing Office may make a decision, enter an Order, or otherwise dispose of the case pursuant to DFI-Sec 8.03, Wis. Adm. Code.
15. Respondent Raymond failed to appear at the prehearing conference scheduled for January 18, 2006, and at no time subsequent to the date of the prehearing has Raymond contacted the Division -- whether to provide justification for his failure to appear at the prehearing, or to otherwise avail himself of his opportunity to respond to the Division Staff's allegations contained in the December 7, 2005 Petition.

CONCLUSIONS OF LAW

1. Based on Respondent Raymond's failure without good cause to appear at the prehearing conference scheduled for January 18, 2006 in this proceeding, I find him to be in default as defined in DFI-Sec 8.03, Wis. Adm. Code.
2. Respondent Raymond's activities in offering and selling on behalf of Tri Energy its unregistered common stock securities to purchasers in Wisconsin constitutes a violation of the securities registration requirement in section 551.21, Wis. Stats.
3. Respondent Raymond's actions in selling Tri Energy stock "away" from his employing broker-dealer SSNI in the absence written permission from SSNI as described in numbered paragraph 4 above constitutes a "dishonest or unethical business practice" or "taking unfair advantage of a customer" pursuant to DFI-Sec 4.06(2)(c), Wis. Adm. Code, by Raymond and provides a basis, pursuant to sec. 551.34(1)(g), Wis. Stats., for denial, suspension or revocation of Raymond's Wisconsin securities agent license.
4. Raymond's failure to inform purchasers of the Tri Energy stock of the existence of the Cease and Desist Order issued by the State of Washington constitutes the omission of a material fact, necessary to make the statements made, in light of circumstances under which they are

made, not misleading, constituting a violation of section 551.41(2), Wis. Stats.

5. Raymond's statements to investors that the proceeds raised from Tri Energy stock sales would be used to assist an entity identified as "Horizon Minerals" in Papua, New Guinea without a factual basis for such statements, constitutes making an untrue statement of a material fact in violation of section 551.41(2), Wis. Stats.

6. Raymond's activities to induce certain of the Wisconsin investors to invest in Tri Energy by giving them a "Custodial Agreement and Promissory Note-Guaranty" which promised that Raymond would pay/reimburse for all annuity withdrawal penalties or retirement account tax penalties as described in numbered paragraph 8 above constitutes a "dishonest or unethical business practice" or "taking unfair advantage of a customer" pursuant to DFI-Sec 4.06(2)(e), Wis. Adm. Code, by Raymond and provides a basis, pursuant to sec. 551.34(1)(g), Wis. Stats., for denial, suspension or revocation of Raymond's Wisconsin securities agent license.

7. Raymond's failure to disclose to the Wisconsin investors that he was issuing personal guarantees of other investors' investments, his failure to disclose the total amount of such guarantees, and failure to disclose his adverse personal financial status, including a pending foreclosure on his home, all as described in numbered paragraph 9 above, constitute the omission of material facts necessary to make statements made, in light of circumstances under which they are made, not misleading, constituting violations of section 551.41(2), Wis. Stats.

DECISION AND ORDER

On the basis of the above-recited Findings of Fact and Conclusions of Law relating to Respondent Raymond's default in failing to appear at the January 18, 2006 prehearing in this proceeding as well as the violations of the anti-fraud provisions of section 551.41(2), Wis. Stats., and the securities agent licensing provisions of the Wisconsin Securities Law that provide a basis for denial, suspension or revocation of a securities agent's license under sec. 551.34(1)(g), Wis. Stats., I hereby grant the Division Staff's Motion made at the January 18, 2006 Prehearing for a Default Judgement, and I determine and find under sec. 551.63(2), Wis. Stats., that it is appropriate in the public interest and for the protection of investors that an Order be issued revoking the Wisconsin securities agent license of Royce J. Raymond.

NOW THEREFORE, IT IS ORDERED pursuant to sec. 551.34(1)(g), and 551.61(1), Wis. Stats., that Royce J. Raymond's Wisconsin securities agent's license be revoked as of March 9, 2005, the day he was last licensed as a securities agent in Wisconsin.

DATED this 22nd day of February, 2006.

(SEAL)



Randall E. Schumann
Designated Hearing Officer

* * * * *

NOTICE OF APPEAL INFORMATION

(Notice of rights for rehearing and judicial review,
the times allowed for each, and the identification
of the party to be named as Respondent)

The following notice is served on you as part of this Decision: (with copies of the statutes cited)

1. Rehearing. Any person aggrieved by this Decision may petition for a rehearing within 20 days after the service of the Decision, as provided in sec. 227.49, Wis. Stats. A petition for rehearing is not a prerequisite for appeal directly to Circuit Court through a petition for judicial review.

A petition for rehearing must be filed with the Department of Financial Institutions-Division of Securities at the address below.

2. Judicial review. Any person aggrieved by this Decision has a right to petition for judicial review of the Decision as provided in sec. 227.53, Wis. Stats. The petition must be filed in Circuit Court within thirty days after service of this Decision if there has been no petition for rehearing, or within thirty days after service of the Order finally disposing of the Petition for Rehearing, or within thirty days after the final disposition by operation of law of any Petition for Rehearing.

A petition for judicial review must be served on, and name as the Respondent:

Wisconsin Department of Financial Institutions-Division of Securities
345 West Washington Avenue, 4th Floor, Post Office Box 1768
Madison, Wisconsin 53701

* * * * *