

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

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In the Matter of

BRADLEY J. GOODRICH, ARGURION  
GROUP, INC., ESQUIRE  
MANAGEMENT LLC, and STRATEGIC  
ASSET ALLOCATION FUND LLC,

PETITION FOR ORDER

File No. S-209834 (EX)

Respondents.

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The staff of the State of Wisconsin, Department of Financial Institutions, Division of Securities, Bureau of Enforcement and Bureau of Professional Registration & Compliance, has conducted an investigation in this matter pursuant to § 551.56, Wis. Stats.,<sup>1</sup> and as a result thereof alleges as follows:

1. Bradley J. Goodrich ("Goodrich") (CRD # 2316058) is an individual who was licensed in Wisconsin as a securities agent with National Planning Corporation from February 8, 1993 through November 11, 1999, when he was discharged after an internal review. He was registered with the Division as an investment adviser representative ("IAR") through his own SEC registered investment adviser company, the Argurion Group, Inc., from February 4, 2000 through June 6, 2005, during which time he was suspended from January 18, 2001 through June 28, 2001. The last known business address of Goodrich and all of his entities identified in the following paragraphs is 220 St. Lawrence Ave., Janesville, WI 53545. His home address is 8797 Stone Farm Road, Edgerton, WI 53534-8535.
2. Argurion Group, Inc. ("Argurion") (CRD # 108115) is a Wisconsin corporation formed on February 28, 2000 by Goodrich, who upon information and belief is its sole shareholder and controlling person. Argurion was registered with the U.S. Securities & Exchange Commission ("SEC") as an Investment Adviser firm ("IA") from December 17, 1999 to June 6, 2005 and notice-filed in Wisconsin from February 4, 2000 to June 6, 2005. It applied for registration in Wisconsin on December 18, 2003, but that application was withdrawn on June 6, 2005.
3. Esquire Management LLC ("Esquire") is a Wisconsin limited liability company organized on March 30, 2003, and managed by Goodrich through his sole-member Wisconsin limited liability company Tri-Co of Wisconsin, LLC ("Tri-Co"). Esquire is a private placement investment fund that owns and manages real property primarily located in Rock County, Wisconsin. Its initial private placement memorandum ("PPM") was dated March 20, 2004. A complete copy is attached hereto and incorporated by reference herein as Exhibit 1.

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<sup>1</sup> Unless otherwise noted, the statutory references are to the Wisconsin Statutes (2005-06), which were in effect at the time of the violations alleged herein and apply pursuant to § 551.703, Wis. Stats. (2007-08).

4. Strategic Asset Allocation Fund LLC (“SAAF”) is a Wisconsin limited liability company organized by Goodrich on September 17, 2004, as a private investment company managed by Goodrich. Upon information and belief, and as stated in its PPM dated June 10, 2005, the “core” of the fund was to be managed by a third party money manager and invested in mutual fund, stocks, and more liquid investments, and a smaller portion of the fund would invest in Esquire and managed by Goodrich. Its initial PPM is attached hereto and incorporated by reference herein as Exhibit 2.
5. Tri-Co is a Wisconsin limited liability company organized by Goodrich in 1996, and the manager of Esquire. Upon information and belief, Goodrich is the sole owner and controlling person in Tri-Co. Under its Management Agreement with Esquire, a copy of which is attached hereto as Exhibit 3, Esquire will compensate Tri-Co in the amount of 5% gross revenues related to the portfolio, plus reasonable expenses incurred for maintenance, repairs, grounds care, etc. If Esquire refinances its portfolio, Tri-Co will be entitled to 1% of the refinanced amount.
6. The Ekklasia Foundation, Inc., (“Ekklasia”) is a Wisconsin non-stock corporation organized by Tom Nebel in 1999 and known as the Great Lakes Church Planting Partnership, Inc., until 2002, when Goodrich took it over and changed its name to Ekklasia. Upon information and belief, Goodrich is now the sole owner and controlling person in Ekklasia. Upon information and belief, Ekklasia owns the historic Lovejoy Manor property (“Lovejoy Manor”) at 220 St. Lawrence Avenue, Janesville, Wisconsin.
7. Leslie G. Fregien (“Fregien”) (CRD #1590366) is a state registered investment adviser representative with AG Asset Management LLC, with a last known business address of 2412 Lathrop Avenue, Racine, WI 53405. His license as an IAR with AG Asset Management became effective in Wisconsin on April 11, 2005. Prior to that time, he was a licensed securities agent with Purshe Kaplan Sterling Investments from March 1, 2004 through May 4, 2006, when he was terminated for failure to comply with supervisory guidelines. He was also acting as an IAR for Argurion at times prior to April 11, 2005.
8. AG Asset Management LLC (“AGAM”) (CRD#133903) is a Wisconsin limited liability company organized on December 15, 2004 and registered as an Investment Adviser in the State of Wisconsin from April 11, 2005 to the present. AGAM is owned and managed by Fregien. Upon information and belief, AGAM purchased an interest in the investment advisory clients of Argurion on December 26, 2004.
9. Upon information and belief, in addition to the above entities, Goodrich organized, owns and controls several other interrelated Wisconsin entities, including but not limited to the following: Divinity Group LLC, Eastside Liquor Cabinet LLC, Esquire Development LLC, Esquire Development II LLC, The Ekklasia Foundation Properties, Inc., Hollywood Tan LLC, Investment Properties G/H LLC, Lovejoy Center, LLC, Lovejoy Community Condominium Owners Association, Inc., Lovejoy Senior Living Center, Inc., Red Capital Group, LLC, Mineral Point Place LLC, and Village Plaza Partnership LLC, among other entities.
10. In the spring of 2003, Goodrich sold promissory notes of his non-profit corporation Ekklasia to certain Wisconsin residents and IA clients. These notes were secured by an interest in the Lovejoy Manor, which had been purchased by Ekklasia for only \$190,000 from the YWCA, but was allegedly valued at over \$300,000.

11. In the spring of 2004, Goodrich persuaded many of the Ekklasia note investors to roll that investment into a membership interest in his new limited liability company, Esquire. In offering them the interests in Esquire, Goodrich did not disclose to the Ekklasia investors that the new investment, unlike the Ekklasia notes they held at the time, was not secured by an interest in the Lovejoy Manor. Upon information and belief, he did not provide the investors with a copy of the Esquire private placement memorandum before soliciting the subscription to rollover from Ekklasia to Esquire or discuss the risks of the investments with the investors.
12. In addition to the Ekklasia note investors, during the spring of 2004 through approximately January 2007, Goodrich offered Esquire membership interests to other Wisconsin residents, most of whom were investment adviser clients of Argurion. Upon information and belief, most were neither sophisticated investors nor accredited investors as referenced in § 551.23(8)(g), Wis. Stats., and as defined in § 551.02(1g), Wis. Stats.
13. The properties held by Esquire initially were properties owned by Goodrich or another entity he controlled, including Tri-Co and Investors LLC. Upon information and belief, Goodrich contributed these properties for shares in Esquire without regard to the outstanding mortgages on the properties.
14. In offering Esquire membership interests to the Wisconsin investors, Goodrich failed to provide a complete copy of the private placement offering memorandum with all exhibits to certain Wisconsin investors prior obtaining their signatures on the subscription agreement.
15. In his discussions of the offer to several of the Wisconsin investors, Goodrich affirmatively represented that the Esquire investment could be liquidated at any time with reasonable notice to Goodrich, and that the investment was low risk and would generate high profits, both of which were in direct contradiction to the private placement memorandum materials (which, according to investors, he typically did not provide to clients until after they had signed the subscription agreement). He also failed to disclose that under the operating agreement, Goodrich controlled enough shares that he could not be removed as manager, the investment was not liquid, and Goodrich had total discretion over the company and whether it made any distributions to investors at all.
16. Goodrich continued to provide investment advice by recommending additional investments in Esquire to his former investment advisory clients even after he filed to withdraw his investment adviser license application in Wisconsin on June 6, 2005. He did not expressly advise his clients that he was no longer licensed to give investment advice or that his recommendations were made solely in his capacity as fund manager, not as the client's investment adviser. He continued to recommend to former clients investments in Esquire and later SAAF, which are both entities he controls.
17. In September 2004, Goodrich formed SAAF as a private investment company (or hedge fund), so he could recommend investments in SAAF and Esquire to his clients without being registered as an investment adviser. He enlisted Fregien to act as the investment adviser for his clients so he could claim he was only advising the funds.
18. In December 2004, Goodrich and Fregien entered into an Asset Purchase Agreement in which Fregien purportedly purchased the investment advisory clients of Argurion from Goodrich. The contract language, drafted by Goodrich and/or his attorneys, is ambiguous as to the extent to which the business was transferred, because Goodrich retained an interest in the client relationships so he could continue to make recommendations to his

investment advisory clients in circumvention of the investment adviser licensing requirements. A true and accurate copy of this agreement is attached hereto and incorporated by reference herein as Exhibit 4, and contains the following provisions:

a. The assets transferred include “The names and addresses of the customers of the Subject Business (“Subject Business Customers”). At Closing, Seller shall transfer to Buyer copies or originals of information relating to the Subject Business Customers (herein referred to as “Customer Information”). ***Seller shall have unlimited access to any of the customer files transferred to Buyer.***” §1.1(b)(i) (emphasis supplied).

b. “Subject to Buyer obtaining the consent from the Subject Business Customers . . . , Seller shall transfer to Buyer and Buyer shall assume Seller’s rights and obligations under any Investment Advisory Agreements that are in effect on the Closing Date with the Subject Business Customers.” §1.1(e)

c. Seller shall retain ownership of the following assets: “All or part of the customer relationships for the Subject Business Customers that are listed on Exhibit A attached hereto and incorporated herein. ***Buyer understands and acknowledges that Seller will be retaining part of all of these relationships and assigning or distributing these relationships to the principal owner of the Seller for the purpose of servicing these retained customers and others in an advisory fund, the Strategic Asset Allocation Fund, LLC (“the Fund”).*** Further, Seller and/or the Fund may develop future customer relationships with the Subject Business Customers that were transferred to Buyer with this transaction or otherwise, but only for the purpose of having those customers participate in the Fund. ***Buyer agrees that Buyer shall not deter or discourage clients from participating or continuing to participate in the Fund during the Payment Period.***” §1.2(b) (emphasis supplied).

d. In §1.5 “Obligations Relative to Gross Revenues,” Buyer agrees to diligently and in good faith perform the following duties:

1) “Buyer shall use its best efforts to (i) obtain the consent of the Business Customers to the transfer and assignment of the Advisory Agreements . . . (ii) maintain good client relations and, ***subject to the limitations provided in Section 1.2(b) [retain assets provision] herein,*** pursue new and expanded client relationships, (iii) not divert customers or gross revenues away from Buyer; and (iv) ***otherwise maximize the Gross Revenues generated during the Payment Period.***” 1.5(a)(emphasis supplied).

2) “Buyer agrees to consider the advice and consultation from Seller relating to the Business and the generation of Gross Revenues.” 1.5(b).

3) “Keep in full force and effect the Subadvisory Agreement with Seller described in Section 1.9.” 1.5(c).

4) “Keep in full force and effect the Administration Agreement with Seller described in Section 1.10.” 1.5(d).

5) “Buyer and Fregien shall maintain and remain in good standing under all licenses required for the operation of the Business and comply with all applicable laws and any directives from any governmental or other governing bodies.”

6) Provide “Seller with copies of any notices, subpoenas or other documents provided by any governmental or other governing body relating to Buyer or the

Business and shall keep Seller informed of the status of any such matters as they progress. Buyer shall also inform Seller of any claims asserted or made by any of the Subject Business Customers to or against Buyer.” 1.5(f).

Oddly, the body of Exhibit 4 does not contain an explicit provision regarding the specific amount of compensation for the sale. The provisions of Exhibit 4 served to entangle the businesses of Goodrich and Fregien to the extent that Goodrich had complete access to all the files of his former investment advisory clients, since their shared assistant had access to confidential information for both businesses, as well as regulatory and other information of AGAM after AGAM purchased the clients from Argurion. It also gave Goodrich a captive investment adviser contractually required to recommend further investments in his funds.

19. Exhibit 4 provides that “Buyer and Seller shall enter into a Subadvisory Agreement, in the form for which is attached hereto as Exhibit C, which shall provide, among other things, that *Seller (or its assigns) shall act as an advisor to Buyer and receive compensation for such services on a quarterly basis in the amount provided for in the Subadvisory Agreement.*” §1.9 (emphasis supplied).
20. Exhibit 4 also states that under the Administration Agreement, “*Seller shall act as Buyer’s sole administration service provider, that Seller shall have the right to approve the account custodian chosen by Buyer, and Seller shall receive compensation for such services on a quarterly basis in the amount provided in the Administration Agreement.*” § 1.10 (emphasis supplied).
21. The Subadvisory agreement (Exhibit C to Exhibit 4 herein) provides that:
  - a. Goodrich will become the investment adviser to AGAM and provide investment advice to it relating to the business and financial industry, but will not be required to be licensed;
  - b. AGAM’s sole obligation is to pay the compensation to Goodrich as agreed: **100% of the fee assessed to clients of List A** [upon information and belief, then-current Argurion clients], and 33% of fee assessed to clients in List B [upon information and belief, clients who signed an investment advisory agreement after 1/1/05 and certain others], as well as 45% of all “Investment & Insurance incomes, including commissions, trails, fees and other.” (emphasis supplied).
22. Attached hereto and incorporated by reference herein as Exhibit 5 is a true and accurate copy of the letter drafted by Goodrich and/or his attorneys and sent to Argurion clients to explain the change of investment adviser. Exhibit 5 does not mention AGAM as the licensed investment advisory firm, but says that Fregien will be the new Principal of Argurion “*Investment Advisory Firm,*” while Goodrich will continue to be the owner and operator of “the Argurion Group, Incorporated.” It states that Goodrich has entered into a subadvisory relationship with “The Argurion Group *Investment Advisory Firm.*”
  - a. Exhibit 5 requires that clients contact Goodrich within 30 days of the letter if they do NOT wish their investment advisory agreement assigned to Fregien. Goodrich continued to use Argurion stationery and refer to Argurion as the investment adviser in his contacts with clients. Many of the Argurion clients have never discussed their investments with Fregien, continuing to deal exclusively with Goodrich.

b. The effect of Exhibit 3 was misleading to clients in that most clients of Argurion did not understand that there was any change in their investment adviser. At least three of Goodrich's former investment advisory clients confirmed this confusion.

- 23. Upon information and belief, Goodrich began offering interests in the SAAF private placement on June 10, 2005. According to the SAAF PPM (Exhibit 2), the minimum number of shares to be sold in the offering was 102,500 for an aggregate price of \$1,025,000. If the minimum number of subscriptions were not received and accepted by December 31, 2005 (barely six months from the start date), the offering would be terminated and all subscribers would receive their investment money back.
- 24. Upon information and belief, Goodrich set the minimum offering amount at a level which corresponded to the amount of assets under management that he could use his discretion (or that of his captive IA, Fregien) to transfer over to SAAF by that deadline.
- 25. The proceeds of the offering were not held in an escrow account awaiting the end of the minimum offering deadline, but were put directly into a capital account at Anchor Bank and disbursed almost immediately as follows:

a.	06/17/05	Esquire Management	\$ 24,000
b.	06/30/05	LaSalle Bank	\$ 30,000
c.	07/13/05	LaSalle Bank	\$ 132,000
d.	07/27/05	Esquire Management	\$ 300,000
e.	08/15/05	Bradley J. Goodrich	\$ 12,000
f.	08/18/05	Bradley J. Goodrich	\$ 12,000
g.	08/19/05	Esquire Management	\$ 30,000
h.	08/23/05	Esquire Management	\$ 400,000
i.	08/25/05	Esquire Management	\$ 60,000
j.	08/30/05	Cash withdrawal	\$ 100,000
k.	09/07/05	Rydex Funds	\$ 300,000
l.	09/08/05	Argurion Group	\$ 7,493.61
m.	09/08/05	Esquire Management	\$ 10,824.66
n.	09/09/05	Argurion Group	\$ 319.58
o.	09/28/05	Esquire Management	\$ 50,000
p.	10/28/05	TD Waterhouse	\$ 100,000
q.	12/15/05	Don Riesterer	\$ 75,000
		Total	\$1,643,637.85

- 26. By the minimum offering deadline of December 31, 2005, the SAAF offering had raised \$1,921,566.24. Upon information and belief, most of this money was transferred in from the accounts of the investment advisory clients at Fidelity or Sterling Trust which had been under his management at Argurion.
- 27. Pages 4-9 of the SAAF PPM set out the investment objectives, strategy and policies of the company. While the PPM provides the manager with absolute and unrestricted discretion to invest portfolio assets, it gives an extensive description of how Goodrich intends to use a core-satellite investment approach, and how this core-satellite approach works: 75% of its assets would be placed in the "core" portion and would be managed by Clarke Lanzen & Skalla, an independent third party money manager, and 25% of its assets would be placed in the "satellite" portion, which would largely be invested in Esquire and managed by Goodrich.

28. Of the amount raised by the offering deadline, approximately \$ 874,824.66 went directly to Esquire before the minimum offering was even met. This amounted to 45% of the funds raised by that time, and 53% of the proceeds invested by that date. This immediate change in investment strategy was never disclosed to any of the prospective investors or newly subscribed members.
29. Upon information and belief, the \$100,000 cash withdrawal was also deposited into an Esquire account on 8/30/05, which would increase the percentages in ¶ 28 to 50% (funds raised) and 59% (funds invested).
30. In recommending investments in SAAF to his former investment advisory clients, Goodrich misrepresented that SAAF was more liquid and diversified than Esquire, and that it was a suitable investment for the investors. He did not disclose his intent to funnel SAAF funds into Esquire, and for that reason, SAAF would not have a significantly greater amount of liquidity or diversity. He also failed to disclose any of the risks of SAAF to the investors.
31. In August 2006, SAAF liquidated over \$200,000 of the original \$300,000 which was invested in Rydex funds, and transferred it to Esquire, further increasing SAAF's concentration in Esquire. Goodrich used that money for additional real estate investments for Esquire, and two payments of \$35,563.07 and \$ 50,000 to Tri-Co.
32. On January 1, 2007, without any disclosure to the Esquire or SAAF investors, Goodrich arranged to unilaterally transfer the shares of Esquire held by the investors to shares of SAAF, the total value of those shares amounting to \$4,661,096.88 (\$3,714,508.73 if you deduct the value of the shares held by Goodrich and his entities at the time). This transfer did not result in any new money being invested in SAAF (which could have provided more liquidity or diversification), but merely increased SAAF's holdings in Esquire and further exposed the investors to those risks.
33. Within a few months later, Goodrich directed Fregien to inform the investors that he had "reallocated" their funds from Esquire to SAAF, which now was approximately 80% invested in Esquire. By this time, a significant percentage of the net worth of many of his clients was tied up in SAAF, and effectively Esquire.
34. Upon information and belief, Goodrich has been unable to satisfy the requests for liquidation that he has received from investors to date.

Some examples of Goodrich's client contacts regarding the sales of Esquire and SAAF, many even after the Argurion client sale, are set forth below:

*Customer JZ*

35. Customer JZ was an investment advisory client of Argurion who had met with Goodrich on several occasions and at his recommendation purchased interests in Esquire for \$190,000 in June, 2004. She was not a sophisticated or accredited investor. JZ is one of the investors referred to in ¶¶ 12-16, 22, and 32-34 above.
36. After a discussion with Goodrich in February 2006, but without receiving a copy of the PPM, JZ and her husband agreed to transfer their IRA accounts from Fidelity to Esquire at Goodrich's recommendation. Goodrich did not disclose the risks of the investment

with JZ and her husband, and they had never met Fregien nor had any discussions of investments with him. JZ and her husband did not receive any PPMs regarding these investments from Goodrich or anyone else. When JZ asked Goodrich if she would be able to withdraw money if she needed to, he told her that if she needed it, all she had to do was ask. At some later date, their IRA funds were transferred from Esquire to SAAF by Goodrich or his agents without any contact or discussion with JZ or her husband.

37. Goodrich made these investment recommendations and transfers after the Argurion investment advisory clients were sold to Fregien but without specifically disclosing that he was no longer acting as her investment adviser, but rather as the fund manager. Neither the Esquire nor the SAAF investments were suitable for either JZ or her husband, and the investments were made based on the misrepresentations and omissions of Goodrich regarding liquidity or other risks.
38. The investments in Esquire and SAAF represent a substantial proportion of JZ's net worth. At Goodrich's recommendations, JZ and her husband have invested a total amount in excess of \$ 275,000 in Esquire and SAAF.

*Customer JU*

39. Customer JU was a widowed client of Argurion Group since Goodrich took over Jay Mansur's business in 1999. She would periodically meet with Goodrich to discuss her investments. JU was one of the investors referred to in ¶¶ 12-17, 22, 32-34 above.
40. In the spring of 2005, she met with Goodrich, who recommended she invest in a company by loaning money to Don Riesterer, an associate of Goodrich's, in exchange for stock. She did not know anything about the company, but because she trusted Goodrich she made the \$10,000 investment. She received no offering materials regarding the company prior to the transaction, nor did he discuss the risks of the investment with her prior to her subscriptions.
41. In early July 2005, JU met with Goodrich to discuss her accounts. She told Goodrich that she was remarried, retired, and planned to travel, so she would need access to her money. She told Goodrich she wanted to sell a duplex, and he offered to buy it from her in exchange for \$200,000 of stock in a company he described as diversified and low risk, and if she needed the money, she could just call and he would send her a check within a week or two. Since she trusted his advice, she agreed to the sale, and received \$200,000 in shares of Esquire in exchange for her duplex.
42. In July 2005, Goodrich transferred an IRA and her Fidelity brokerage accounts into SAAF through Sterling Trust. JU had no discussions with either Goodrich or Fregien before the transfer, and received no PPM before the transfer.
43. The sales of Esquire and SAAF to JU, under her financial circumstances and given her investment objectives, were not suitable for JU when made, and were recommended by Goodrich after the Argurion investment advisory clients were sold to Fregien but without specifically disclosing that he was no longer her investment adviser, but was acting solely as the manager of the funds in which she was investing.

44. JU's purchases of interests in Esquire and SAAF totaled over \$400,000, represented over 85% of her liquid net worth, and were made by JU based on the misrepresentations and omissions of Goodrich.

*Customer LL*

45. Customer LL was an Argurion investment advisory client since 2001. LL is one of the investors referred to in ¶¶ 12-17, 22, and 31-34 above.
46. Goodrich convinced LL to transfer his \$100,000 Fidelity account to Esquire in March 2004. Goodrich told LL that the Esquire investment was redeemable on request. In June 2005, LL and his wife transferred their IRA accounts to SAAF at the recommendation of Goodrich. Goodrich made these investment recommendations after the Argurion investment advisory clients were sold to Fregien and without disclosing that he was no longer acting as his investment adviser, but as the manager of the funds in which he was investing. Goodrich did not provide LL with a complete copy of the PPM prior to accepting his subscriptions or otherwise disclose the risks of the investment.
47. Later, LL received a letter dated March 28, 2007 from Fregien, which stated Fregien reallocated LL's investment in Esquire to SAAF indicating, "upwards of 80% of its portfolio is held in Esquire Management." With this transaction, all the investments of LL and his wife through Goodrich are in SAAF, which constituted over 50% of their liquid net worth.
48. LL has attempted to liquidate his holdings in Esquire and SAAF, which totaled over \$250,000, but Goodrich has denied his requests.

*Customers DL and BL*

49. DL and his wife BL were investment advisory clients of Argurion since the mid-1990's and are two of the investors described in ¶¶ 10-17, 22, 32-34 above. BL was working at an assisted living center in Michigan where Goodrich gave a 401(k) presentation while employed with ProEquities, Inc. BL had recently received an inheritance and asked Goodrich to advise her in investing it. Initially the funds were invested in mutual funds, stocks, and cash accounts. He recommended that she purchase an Ekklasia note, and on January 15, 2003, they purchased an Ekklasia note for \$30,000.
50. In April 2004, they agreed to roll the Ekklasia note into Esquire. Since that date, DL and BL invested over \$380,000 in Esquire and SAAF at the recommendation of Goodrich based on his misrepresentations and omissions regarding the risks. They had told Goodrich that they planned to retire in the next couple of years after investing, and would need the money accessible because they wanted to travel and enjoy themselves while they were still healthy enough to do things. Goodrich assured them they would be able to withdraw the money. They did not receive the complete PPM before investing in Esquire and SAAF, nor did he otherwise disclose any risks of the investment with them. The investments in Esquire and SAAF represent almost all of their net worth.

*Customer BM*

51. BM was an investment advisory client of Argurion since Goodrich took over Jay Mansur's business, and is one of the investors described in ¶¶ 12-16 and 31 above. Goodrich knew BM was a widow and a conservative investor. He recommended she invest in Esquire, which she did because he told her it was a safe investment, and that if she reinvested the dividends it would be tax-deferred. Goodrich did not give BM a copy of the Esquire PPM prior to receiving her investment check. He did not discuss the risks of the investment with BM prior to her investment in Esquire.

*Customer BHO*

52. BHO was an investment advisory client of Argurion since January 2003, and is one of the investors described in ¶¶ 10-17, 22, and 32-34. She was the widow of a minister who was acquainted with Goodrich through his church-building efforts. Before investing, she told Goodrich that she wanted to move to Arizona and open a business there, so she would need access to her money. Initially she invested in Ekklesia promissory notes: \$100,000 on June 1, 2003; \$20,278.85 on July 20, 2003; and \$13,500 on October 31, 2003. These notes promised 5.5% interest and were secured by the Lovejoy Manor real estate.
53. On March 30, 2004, at the recommendation of Goodrich, BHO rolled her Ekklesia note into membership interests in Esquire valued at \$139,440.69. She did not recall receiving a copy of the Esquire private placement memorandum from Goodrich prior to her rollover into Esquire. After she received the materials, she called Goodrich with some questions because she told him "it seems biased toward you," but he told her it was standard language in any investment. She also asked Goodrich if she would be able to get her money out, and he told her that he would need 60 days notice to get her money back, which seemed reasonable to her. She does not recall that he discussed any specific risks of the investment with her.
54. In July 2004 BHO invested an additional \$60,000 in Esquire at Goodrich's recommendation. Eventually she was notified that her interest in Esquire had been rolled into SAAF. Since 2008, she has experienced difficulty getting withdrawals from Goodrich, and he told her that to liquidate her entire interest she would have to sell at a deep discount.

*Legal Conclusions*

55. The investments in Ekklesia notes and Esquire and SAAF membership interests are securities as that term is defined by § 551.02(13), Wis. Stats., and DFI-Sec. § 1.02(6)(a), Wis. Admin. Code.
56. As alleged in ¶¶ 10-17, and 22-34 above, at or prior to the time the Wisconsin investors invested in the Esquire and/or SAAF interests, Goodrich, as the controlling person and agent of Esquire, SAAF and Argurion in connection with the sale of the securities, had discussions with the investors recommending the purchase of Esquire and/or SAAF, but failed to provide the investors with a copy of the PPM prior to obtaining the investment check and/or subscription, and affirmatively represented to several of the investors that

the investment could be redeemed at any time with notice to Goodrich (in direct contradiction of the PPM disclosures). He also did not disclose to his clients that he was no longer a registered investment adviser, that the securities were not liquid, that he could not be removed as manager of Esquire because of his controlling interest in the company, and that he had total discretion over Esquire and SAAF. Goodrich's misrepresentations and omissions in the sales of the securities of Ekklasia, Esquire and SAAF were material and constitute a violation of § 551.41(2), Wis. Stats.

57. As alleged in ¶¶23-34 above, Goodrich's investment pattern from the beginning of the SAAF offering, which involved investing SAAF assets in direct contradiction with the strategy set forth in the PPM issued that very month, shows that from its inception, the SAAF offering was merely a means to obtain more money to funnel into Esquire without providing any additional diversification or liquidity, and constituted an act, practice or course of business which operates or would operate as a fraud on the investors in violation of § 551.41(3), Wis. Stats.
58. As alleged in ¶¶17-22 above, Goodrich structured the contracts orchestrating the sale of his Argurion investment advisory clients to Fregien in such a manner as to provide Goodrich with a captive investment adviser to funnel client money into his funds, and communicated the notice of the change in adviser to clients so ambiguously that customers were unaware of any change in his obligations toward them, so that they continued to seek his investment advice, all of which constituted an act, practice or course of business which operates or would operate as a fraud on the investors, violating § 551.41(3), Wis. Stats.
59. As alleged in ¶¶11-16 above, Goodrich recommended and sold investments in Esquire to investment advisory clients in Wisconsin without disclosing to them the risks related to the illiquidity, the lack of diversification, and the management structure of the investment, thus constituting misrepresentations of material facts and failure to disclose material facts in connection with the sale of Esquire, all in violation of § 551.41, Wis. Stats.
60. As alleged in ¶¶11-16 above, Goodrich recommended investments in Esquire to many investment advisory clients in Wisconsin without disclosing to them the risks related to illiquidity, lack of diversification, and management structure of the investment. By his actions alleged above, Goodrich breached his fiduciary duty to those investment advisory clients, and violated § 206 of the Investment Advisers Act of 1940 and SEC Rule 206(4)-8, which at the time constituted a basis for denial, suspension or revocation of a securities license under §551.34(1)(b), Wis. Stats., and is demonstrative of an act, practice or course of business which operated as a fraud or deceit upon Goodrich's advisory clients pursuant to §551.44, Wis. Stats.
61. As alleged in ¶¶23-34 above, Goodrich recommended investments in SAAF to investment advisory clients in Wisconsin without disclosing to them the risks related to the illiquidity, the lack of diversification, and the management structure of the investment. By his actions alleged above, Goodrich breached his fiduciary duty to those investment advisory clients, and violated § 206 of the Investment Advisers Act of 1940 and SEC Rule 206(4)-8 which at the time constituted a basis for denial, suspension or revocation of a securities license under §551.34(1)(b), Wis. Stats., and is demonstrative

of an act, practice or course of business which operated as a fraud or deceit upon Goodrich's advisory clients pursuant to §551.44, Wis. Stats.

62. As alleged in ¶¶11-16 above, Goodrich recommended investments in Esquire to investment advisory clients in Wisconsin which were unsuitable for those clients due to the risks related to illiquidity, lack of diversification, and management structure of the investment in light of the client's financial circumstances and investment objectives at the time. By his actions alleged above, Goodrich engaged in a dishonest and unethical practice under § DFI-Sec 5.06(4), which at the time constituted a basis for denial, suspension or revocation of a securities license under §551.34(1)(g), Wis. Stats., and is demonstrative of an act, practice or course of business which operated as a fraud or deceit upon Goodrich's advisory clients pursuant to §551.44, Wis. Stats.
63. As alleged in ¶¶23-34 above, Goodrich recommended investments in SAAF to investment advisory clients in Wisconsin which were unsuitable for those clients due to the risks related to illiquidity, lack of diversification, and management structure of the investment in light of the client's financial circumstances and investment objectives at the time. By his actions alleged above, Goodrich engaged in a dishonest and unethical practice under § DFI-Sec 5.06(4), which at the time constituted a basis for denial, suspension or revocation of a securities license under §551.34(1)(g), Wis. Stats. and is demonstrative of an act, practice or course of business which operated as a fraud or deceit upon Goodrich's advisory clients pursuant to §551.44, Wis. Stats.
64. As alleged in ¶¶10-11, Goodrich breached his fiduciary duty to at least one of his investment advisory clients in recommending the rollover of the Ekklasia notes into Esquire under circumstances where the investment in Esquire was an unsuitable investment for the client in violation of § 206 of the Investment Advisers Act of 1940 and SEC Rule 206(4)-8, which at the time constituted a basis for denial, suspension or revocation of a securities license under §551.34(1)(b), Wis. Stats., and is demonstrative of an act, practice or course of business which operated as a fraud or deceit upon Goodrich's advisory clients pursuant to §551.44, Wis. Stats.
65. As alleged in ¶¶10-11, Goodrich failed to disclose to the Ekklasia investors that the rollover into Esquire did not have a security interest in the Lovejoy Manor real estate provided by the Ekklasia notes, which constituted a material misrepresentation of fact in violation of § 551.41(2), Wis. Stats.
66. Upon information and belief, the relationship between the parties alleged in ¶¶ 17-22 above, where Goodrich, Argurion, Fregien and AGAM conspired to direct investments of their clients almost exclusively to Esquire and/or SAAF is a practice or course of business that operated as a fraud or deceit upon the clients, in violation of §§ 551.41(3) and 551.44, Wis. Stats., § 206 of the Investment Advisers Act of 1940, SEC Rules 206(4)-4 and 206(4)-8, and their fiduciary duty to their investment advisory clients.
67. Upon information and belief, the relationship between the parties alleged in ¶¶ 17-22 that permitted Goodrich to transact business as an unlicensed investment adviser by

rendering investment advice to his former investment advisory clients without disclosing to them he was no longer acting as their investment adviser, constituted a violation of §§551.31(3) and (4), a practice or course of conduct which operated as a fraud on his former investment advisory clients in violation of § 551.44, Wis. Stats., and a breach of his fiduciary duty to investors.

Therefore, the staff of the Bureau of Enforcement and the staff of the Bureau of Professional Registration & Compliance petition the Administrator of the Division of Securities for the issuance of the attached Orders for the protection of investors pursuant to Ch. 551, Wis. Stats.

DATED this 19th day of March, 2010.



Mark C. Eisenmann  
Examiner  
Bureau of Professional Registration  
& Compliance



Leslie M. Van Buskirk  
Attorney Supervisor  
Bureau of Enforcement