Division of Securities
Utah Department of Commerce
160 East 300 South, 2nd Floor
Box 146760
Salt Lake City, UT 84114-6760
Telephone: (801) 530-6600
FAX: (801)530-6980

BEFORE THE DIVISION OF SECURITIES
OF THE DEPARTMENT OF COMMERCE
OF THE STATE OF UTAH

IN THE MATTER OF: **CASH FLOW GURUS, INC.** **DAVID RHETTE ADLARD** **Respondents.**	**ORDER TO SHOW CAUSE** **Docket No.** SD-07-0066 **Docket No.** SD-07-0067

It appears to the Director of the Utah Division of Securities (Director) that Cash Flow Gurus, Inc. and David Rhette Adlard may have engaged in acts and practices that violate the Utah Uniform Securities Act, Utah Code Ann. § 61-1-1, et seq. (the Act). Those acts are more fully described herein. Based upon information discovered in the course of the Utah Division of Securities' (Division) investigation of this matter, the Director issues this Order to Show Cause in accordance with the provisions of § 61-1-20(1) of the Act.

STATEMENT OF JURISDICTION

1. Jurisdiction over the Respondents and the subject matter is appropriate because the Division alleges that the Respondents violated § 61-1-1 (securities fraud) of the Act

while engaged in the offer and sale of securities in Utah.

STATEMENT OF FACTS

THE RESPONDENTS

2. Cash Flow Gurus, Inc. (Cash Flow) was registered as a Utah corporation on September 23, 2005, but its corporate status expired on January 5, 2007. Cash Flow was located in Midway, Utah, and David Rhette Adlard was its registered agent and sole director.

3. David Rhette Adlard (Adlard) resides in Wasatch County, Utah.

GENERAL ALLEGATIONS

Investor DV

4. In October 2005, Investor DV met Adlard at a "Free Dinner Workshop" held by Adlard and his wife at a Salt Lake City restaurant. The purpose of the workshop was to educate people about obtaining extra money through financial aid and scholarships to pay for a child's college tuition.

5. At the workshop, Adlard stated he could act as a financial advisor to anyone in attendance.

6. In late December 2005 or early January 2006, DV contacted Adlard and told him DV was going to receive an inheritance, and wanted Adlard to help him invest it.

7. Adlard told DV to contact him the moment he received the inheritance so they could get the money invested.

8. In April 2006, DV received his inheritance of $57,000, and immediately informed

Adlard.

9. Adlard asked DV to visit Adlard at his home in Wasatch County, Utah, to see Adlard's real estate project in Midway.

10. In April 2006, DV drove to Wasatch County to meet with Adlard. Adlard drove DV around Midway and showed him multiple pieces of property, including one in which DV could invest.

11. Adlard told DV the following about the investment opportunity:

    a. Adlard and his Cash Flow partners had bought the property early, before the "for sale" signs had been placed;

    b. The piece of property had been divided into six lots and Adlard and Cash Flow were going to purchase all six;

    c. DV could purchase two of the six lots for $50,000, and receive a guaranteed annual return of 24%;

    d. The investment was for six months or until the properties sold;

    e. Adlard and his Cash Flow partners were investing $850,000 to develop the lots;

    f. Adlard and his Cash Flow partners would sell each lot for $1.9 to $3.5 million.

12. On April 24, 2006, DV sent the following e-mail to Adlard:

> Thanks for the generous offer. I do have a few questions . . . If I understand this correctly, the money I invest will be used as a portion of the funds to purchase the property. Your group may make more or less than this rate, but you're also accepting the risk. By offering the 24% to me, you are giving me a risk free investment in the hopes of making more than this rate of return. Don't

misunderstand my assessment; I think this is a fantastic deal for this guaranteed rate. I just want to be sure I understand that I am assuming none of the risk.

13. On the same day, Adlard responded to DV's e-mail with, "Your understanding of this first arrangement is exactly correct. My partners and I will probably make more than that rate of return but we are assuming all of the risk. We may make less."

14. On April 25, 2006, DV invested $50,000 with Adlard and Cash Flow by sending the money via wire transfer to Adlard and Cash Flow's bank account at a Bank of America in Independence, Missouri.

15. On the same day DV signed a document entitled "Joint Venture Agreement" between Cash Flow and DV, which states that DV invested $50,000, the agreement expires in six months, and that DV has no duties with respect to improving the real estate. The agreement was signed by Adlard as the president of Cash Flow.

16. In June or July 2006, DV and his wife had dinner at Adlard's home in Wasatch County. While there, Adlard drove DV and his wife to the investment property, where they saw a trailer with the name "Rainmaker Group" parked next to the lots. Additionally, each lot had a Rainmaker Group "for sale" sign.

17. Adlard said Rainmaker Group[1] was his company. This was the first time DV had heard of the Rainmaker Group.

18. While looking at the property, Adlard told DV and DV's wife there was no risk because

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[1] Rainmaker Group is not registered as a business entity in Utah.

the worst thing that could happen was DV and his wife would get their principal investment back.

19. On August 31, 2006, DV contacted Adlard by telephone and they spoke about DV obtaining an equity loan to cover college tuition for his son. Adlard suggested DV use a portion of the loan for tuition, and invest the remainder with Adlard and Cash Flow.

20. On September 25, 2006, Adlard and DV met at DV's place of employment in Salt Lake County to discuss the second investment in more detail.

21. At the meeting, Adlard gave DV a document entitled "[DV] College Funding Summary," which included a plan to roll-over DV's initial $50,000 investment plus accrued interest of $4,043.01 into a new plan in January 2007 that would provide annual returns of 12%, paid monthly.

22. DV also asked Adlard if the lots in Midway had sold, and Adlard said they had not but there was still some good prospects.

23. DV asked Adlard what happened to his initial investment once the Joint Venture Agreement expired in October 2006, and Adlard told DV his money would continue to earn 24% accrued annual interest until it was rolled into the new investment plan in January 2007.

24. Adlard told DV that nobody who had invested with Adlard had not made money.

25. On October 2, 2006, DV received his home equity loan for $80,000, in the form of a check from his credit union.

26. On or about October 4, 2006, DV received a promissory note signed by Adlard as president of "Cash Flow Gurus, Inc. DBA Rainmaker Capital Partners."[2] The original amount of the note was $75,593.01 ($70,000 equity loan plus $5,593.01 interest earned on first investment as of October 4, 2006), but the amount increased to $119,332.32 on January 1, 2007, after DV rolled-over $54,043.01 ($50,000 plus $4,043.01 interest earned from October 4, 2006 to January 1, 2007) from his first investment. The interest rate stated on the note was 12% annually (1% per month), paid in monthly payments for a term of just under 15 years.

27. On October 6, 2006, DV sent $70,000, via bank transfer, to Adlard and Cash Flow's account per Adlard's instructions.

28. Adlard used DV's investment to pay for personal expenses such as child support, federal and state taxes, dining, groceries, gas, car washes, and other retail spending.

29. DV received interest payments from Adlard in the amount of $907.25[3] in November and December, but had trouble getting his January payment, which included a $10,000 payout for DV's son's college tuition.

30. On January 29, 2007, Adlard visited DV at DV's home. Adlard wrote DV a check for $11,126.27 in payment of his monthly interest (including a late fee), plus $10,000 for his

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[2] Rainmaker Capital Partners is not a registered business entity in Utah.

[3] Although Adlard's promissory note stated annual interest of 12%, the $907.25 interest payment represents annual interest of 14.4%, or 1.2% per month.

son's tuition.

31. DV told Adlard he was unhappy with the state of their relationship and the lack of communication, and that he did not like that his investment was unsecured.

32. Adlard offered to return all of DV's investment with interest, but said it would take up to 120 days.

33. DV told Adlard that if their agreement could be amended to reduce his risk, he would not withdraw his money. Adlard suggested they "sleep on it."

34. The $11,126.27 check DV received from Adlard on January 29, 2007 bounced twice, and DV was not able to cash it until February 27, 2007.

35. Sometime in February 2007, DV received an interest payment of $1,500 from Adlard ($1,432.19[4] interest payment plus $67.81 for a late fee).

36. Adlard telephoned DV on Thursday, March 1, 2007, and told DV he was sending via wire transfer, $1,000 on Friday and $500 on Saturday, for DV's March payment.

37. DV received $1,000 on March 4, 2007 and nothing else.

38. DV attempted to contact Adlard by telephone, but Adlard did not answer or return DV's calls.

39. Adlard still owes DV $120,472.90 in principal alone.

CAUSES OF ACTION

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[4] This also represents 14.4% annual interest, or 1.2% per month.

COUNT I
Securities Fraud under § 61-1-1 of the Act

40. The Division incorporates and re-alleges paragraphs 1 through 39.

41. The investment contract and promissory note offered and sold by Cash Flow and Adlard to DV are securities under § 61-1-13 of the Act. An investment contract includes "any investment in a common enterprise with the expectation of profit to be derived through the essential managerial efforts of someone other than the investor." UTAH ADMIN. CODE R164-13-1(B)(1).

42. In connection with the offer and sale of a security to DV, Adlard made false statements, including, but not limited to, the following:

    a. DV would receive a guaranteed return of 24% annually;

    b. Adlard and his partners were assuming all of the risk;

    c. There was no risk and the worst thing that could happen is DV would get their principal back;

    d. Adlard could give DV a return of 12% monthly on his second investment.

43. In connection with the offer and sale of securities to investors, Adlard failed to disclose material information, including, but not limited to, the following, which was necessary in order to make representations made not misleading:

    a. That in 1996 Adlard filed for Chapter 7 bankruptcy in Kansas City, Missouri;

    b. That in 2005, Adlard had a judgment for child support entered against him in the

amount of $25,860, which was modified to $26,760 just prior to DV's first investment;

c. That Adlard would use DV's investment to pay personal expenses;

d. Some or all of the information typically provided in an offering circular or prospectus regarding Cash Flow Gurus, Inc., Rainmaker Group, and Rainmaker Capital Partners, such as:

i. The business and operating history for Cash Flow Gurus, Inc., Rainmaker Group, and Rainmaker Capital Partners;

ii. Identities of the principals for Cash Flow Gurus, Inc., Rainmaker Group, and Rainmaker Capital Partners, along with their experience with developing and selling real estate;

iii. Financial statements for Cash Flow Gurus, Inc., Rainmaker Group, and Rainmaker Capital Partners;

iv. The market for Cash Flow's, Rainmaker Group, and Rainmaker Capital Partners product(s);

v. The nature of the competition for the product(s);

vi. The current capitalization for Cash Flow Gurus, Inc., Rainmaker Group, and Rainmaker Capital Partners;

vii. A description of how the investment would be used by Cash Flow Gurus, Inc., Rainmaker Group, and Rainmaker Capital Partners;

viii. The track record of Cash Flow Gurus, Inc., Rainmaker Group, and Rainmaker Capital Partners to investors;

ix. Risk factors for investors;

x. The number of other investors;

xi. The minimum capitalization needed to participate in the investment;

xii. The disposition of any investments received if the minimum capitalization were not achieved;

xiii. The liquidity of the investment;

xiv. Discussion of pertinent suitability factors for the investment;

xv. The proposed use of the investment proceeds;

xvi. Any conflicts of interest the issuer, the principals, or the agents may have with regard to the investment;

xvii. Agent commissions or compensation for selling the investment;

xviii. Whether the investment is a registered security or exempt from registration; and

xix. Whether the person selling the investment is licensed.

44. Based upon the foregoing, Cash Flow Gurus, Inc. and David Rhette Adlard violated § 61-1-1 of the Act.

ORDER

The Director, pursuant to § 61-1-20 of the Act, hereby orders the Respondent to appear at a formal hearing to be conducted in accordance with Utah Code Ann. §§ 63-46b-4 and 63-46b-6

through -10, and held before the Utah Division of Securities. The hearing will occur on Monday, November 5, 2007, at 9:00 a.m., at the office of the Utah Division of Securities, located in the Heber Wells Building, 160 East 300 South, 2nd Floor, Salt Lake City, Utah. The purpose of the hearing is to establish a scheduling order and address any preliminary matters. If the Respondent fails to file an answer and appear at the hearing, the Division of Securities may hold Respondent in default, and a fine may be imposed in accordance with Utah Code Ann. § 63-46b-11. In lieu of default, the Division may decide to proceed with the hearing under § 63-46b-10. At the hearing, the Respondent may show cause, if any they have:

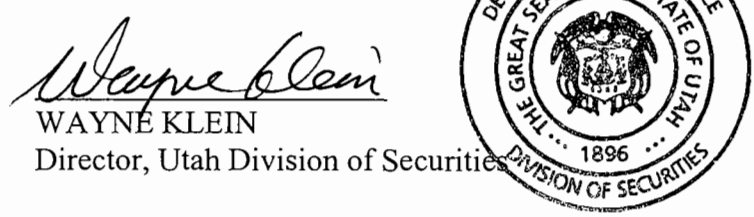
a. Why Cash Flow Gurus, Inc. and David Rhette Adlard should not be found to have engaged in the violations alleged by the Division in this Order to Show Cause;

b. Why Cash Flow Gurus, Inc. and David Rhette Adlard should not be ordered to cease and desist from engaging in any further conduct in violation of Utah Code Ann. § 61-1-1, or any other section of the Act;

c. Why Cash Flow Gurus, Inc. should not be ordered to pay a fine of one hundred and fifty thousand dollars ($150,000) to the Division of Securities; and

d. Why David Rhette Adlard should not be ordered to pay a fine of one hundred and fifty thousand dollars ($150,000) to the Division of Securities.

DATED this 13TH day of September, 2007.



WAYNE KLEIN
Director, Utah Division of Securities

Approved:

JEFF BUCKNER
Assistant Attorney General

J. S.

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BEFORE THE DIVISION OF SECURITIES
OF THE DEPARTMENT OF COMMERCE
OF THE STATE OF UTAH

IN THE MATTER OF: **CASH FLOW GURUS, INC.** **DAVID RHETTE ADLARD** **Respondents.**	**NOTICE OF AGENCY ACTION** **Docket No.** SD-07-0066 **Docket No.** SD 07-0067

THE DIVISION OF SECURITIES TO THE ABOVE-NAMED RESPONDENTS:

The purpose of this Notice of Agency Action is to inform you that the Division hereby commences a formal adjudicative proceeding against you as of the date of the mailing of the Order to Show Cause. The authority and procedure by which this proceeding is commenced are provided by Utah Code Ann. §§ 63-46b-3 and 63-46b-6 through 11. The facts on which this action is based are set forth in the foregoing Order to Show Cause.

Within thirty (30) days of the mailing date of this notice, you are required to file an Answer with the Division. The Answer must include the information required by Utah Code § 63-46b-6 (1). In addition, you are required by § 63-46b-6 (3) to state: a) by paragraph, whether

you admit or deny each allegation contained in the Order to Show Cause, including a detailed explanation for any response other than an unqualified admission; b) any additional facts or documents which you assert are relevant in light of the allegations made; and c) any affirmative defenses (including exemptions or exceptions contained within the Utah Uniform Securities Act) which you assert are applicable. To the extent that factual allegations or allegations of violations contained in the Order to Show Cause are not disputed in your Answer, they will be deemed admitted.

Your Answer, and any future pleadings or filings that should be part of the official files in this matter, should be sent to the following:

Signed originals to:	A copy to:
Administrative Court Clerk c/o Pam Radzinski Division of Securities 160 E. 300 S., Second Floor Box 146760 Salt Lake City, UT 84114-6760 (801) 530-6600	Jeff Buckner Assistant Attorney General 160 E. 300 S., Fifth Floor Box 140872 Salt Lake City, UT 84114-0872 (801) 366-0310

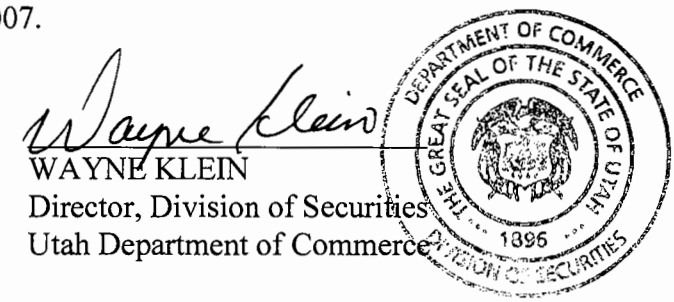
A hearing date has been set for Monday, November 5, 2007, at 9:00 a.m., at the office of the Utah Division of Securities, located in the Heber Wells Building, 160 East 300 South, 2nd Floor, Salt Lake City, Utah.

If you fail to file an Answer, as set forth herein, or fail to appear at the hearing, the Division of Securities may hold you in default, and a fine and other sanctions may be imposed

against you in accordance with Utah Code Ann. § 63-46b-11, without the necessity of providing you with any further notice. In lieu of default, the Division may decide to proceed with the hearing under § 63-46b-10. At the hearing, you may appear and be heard and present evidence on your behalf. You may be represented by counsel during these proceedings.

The presiding officer in this case is Wayne Klein, Director, Division of Securities. Questions regarding the Order to Show Cause and Notice of Agency Action should be directed to the Division's attorney, Jeff Buckner, at (801) 366-0310.

DATED this 13TH day of September, 2007.



WAYNE KLEIN
Director, Division of Securities
Utah Department of Commerce

Certificate of Mailing

I certify that on the 14TH day of September, 2007, I mailed, by certified mail, a true and correct copy of the Order to Show Cause and Notice of Agency Action to:

David Rhette Adlard (Individually, and on behalf of Cash Flow Gurus, Inc.)
3550 E. Stonewall Cir.
Heber, UT 84043

Certified Mail # 7005 1820 0003 7190 6045

PRAMILA RADZIWILL
Executive Secretary