

1 DEPARTMENT OF INSURANCE AND FINANCE  
2 DIVISION OF FINANCE AND CORPORATE SECURITIES  
3 SECURITIES SECTION  
4 BEFORE THE DIRECTOR OF THE DEPARTMENT OF INSURANCE AND FINANCE  
5 STATE OF OREGON

6 In the Matter of: )  
7 LEWIS HANSON AND COMPANY, INC.; )  
8 TONY LEWIS; )  
9 STEVE D. HANSON, )  
10 Respondents.)

11 O-92-0033  
12 ORDER TO CEASE AND DESIST,  
13 ORDER ASSESSING CIVIL PENALTIES,  
14 AND  
15 CONSENT OF LEWIS HANSON AND COMPANY, INC.  
16 TO ENTRY OF ORDER

17 WHEREAS the Director of the Department of Insurance and Finance has  
18 conducted an investigation of LEWIS HANSON AND COMPANY, INC., TONY LEWIS, and  
19 STEVE D. HANSON, and has determined that they transacted securities and mortgage  
20 broker business in the State of Oregon in violation of ORS Chapter 59, The  
21 Oregon Securities Law; and

22 WHEREAS LEWIS HANSON AND COMPANY, INC., TONY LEWIS, and STEVE D. HANSON  
23 wish to resolve and settle this matter, and agree to conduct all future business  
24 in compliance with the statutory requirements of ORS Chapter 59, The Oregon  
25 Securities Law;

26 NOW THEREFORE, as evidenced by the signature on this Order, Respondent  
LEWIS HANSON AND COMPANY, INC. **CONSENTS** to the entry of this Order, to Cease and  
Desist, Denying Exemptions, and Assessing Civil Penalties, based on the  
Director's Findings of Fact and Conclusions of Law as stated hereinafter.

**FINDINGS OF FACT**

The Director **FINDS** that:

The Respondents

1. At all times material herein, Respondent LEWIS HANSON AND CO., INC.  
(hereinafter "L.H. CO.") was an Oregon corporation licensed by the Securities

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1 Section of the State of Oregon Department of Insurance and Finance (hereinafter  
2 "Securities Section") as an investment adviser, whose offices were located at  
3 220 Ellsworth S.W., Albany, OR 97321, telephone number 926-4415.

4 2. At all times material herein, Respondent TONY LEWIS (hereinafter  
5 "LEWIS") was an owner of L.H. CO. and was licensed by the Securities Section as  
6 an investment adviser salesperson with L.H. CO.

7 3. At all times material herein, Respondent STEVE D. HANSON (hereinafter  
8 "HANSON") was an owner of L.H. CO. and was licensed by the Securities Section as  
9 an investment adviser salesperson with L.H. CO.

10 4. Between February 23, 1991 and April 27, 1992, Respondent L.H. CO.  
11 offered and sold interests in real estate paper. In some of these transactions,  
12 Respondent L.H. CO., through Respondents LEWIS and HANSON, selected real estate  
13 loans to be funded and solicited their investment adviser clients to  
14 participate. Investors were told that they were investing in real estate paper  
15 and that they would own a partial interest in a particular piece of real estate  
16 paper. Investors provided the funding for the loans, and at the time the loans  
17 were funded, the borrower issued a note and deed of trust to secure the debt.  
18 The deeds of trust issued to secure the loans were issued to Lewis Hanson and  
19 Company, Inc. Clients Trust. No written agreement was executed and no document  
20 was recorded in any of the transactions which stated the participation interests  
21 of the investors.

22 5. In other transactions conducted during the period of February 23, 1991  
23 and April 27, 1992, Respondents LEWIS and HANSON, selected real estate loans to  
24 be funded and solicited their investment adviser clients to fund the loans. The  
25 investor was told that they would be investing in real estate paper, and would  
26 be the only participant in that particular piece of real estate paper. The

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1 investor provided the funding for the loan, and at the time the loan was funded,  
2 the borrower issued a note and deed of trust to secure the debt. The deed of  
3 trust issued to secure the loans was issued to Lewis Hanson and Company, Inc.  
4 Clients Trust. No written agreement was executed and no document was recorded  
5 in any of the transactions which stated the interest of the investor.

6 6. During the period of February 23, 1991 through April 27, 1992,  
7 Respondents offered and sold the interests set forth in Findings of Fact #4 and  
8 #5 above, totalling in excess of four million dollars (\$4,000,000) and involving  
9 over thirty (30) loans.

10 7. At all times material herein, the interests sold as set forth in  
11 Finding of Fact paragraph #4 above were not registered for sale as a security in  
12 the State of Oregon.

13 8. At all times material herein, Respondents L.H. CO., LEWIS, and HANSON  
14 were not licensed to sell securities or to conduct mortgage broker business in  
15 the State of Oregon.

16 9. In the offer and sale of the participation interests set forth in  
17 Finding of Fact paragraph #4 above, Respondents did not disclose to investors  
18 that no written agreement was executed and no document was recorded in any of  
19 the transactions which stated the interest of the investor.

20 10. In the offer and sale of the interests set forth in Findings of Fact  
21 #4 and #5 above, Respondents did not disclose to investors one or more of the  
22 following risks of the investment:

- 23 (a) that the role of L.H. CO. as both the seller of the participation  
24 interests and the investment adviser recommending the interests as  
25 investments may be an inherent conflict of interest;
- 26 (b) that the role of L.H. CO. as the seller of the participation

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1 interests, the investment adviser, the beneficiary, and a co-investor may be a  
2 conflict of interest in that L.H. CO. may have a different interest than other  
3 investors in the event of default on the note by the borrower;

4 (c) that the investment as structured would not allow the investor to  
5 assert a right to the real estate securing the loan in the event of default  
6 on the note by the borrower;

7 (d) that the investor would not have a legal right to participate in the  
8 decisions made or action taken in the event of default on the note by the  
9 borrower;

10 (e) that under certain circumstances default on the note would require  
11 that the investor invest additional money to minimize loss on the original  
12 investment;

13 (f) that construction loans may be subjected to construction liens against  
14 the property which may take priority over the investor's interest.

15 **CONCLUSIONS OF LAW**

16 The Director **CONCLUDES** that:

- 17 1. The interests set forth in Finding of Fact #4 above are securities  
18 under the definition in ORS 59.015(17)(a).
- 19 2. The securities described in Finding of Fact #4 above were required to  
20 be registered pursuant to ORS 59.055.
- 21 3. Respondents L.H. CO., LEWIS, and HANSON, by offering and selling the  
22 interests as set forth in Finding of Fact #4 above, offered and sold  
23 unregistered securities in violation of ORS 59.055.
- 24 4. That Respondents, by engaging in the transactions described in Findings  
25 of Fact #4 and #5 above, were acting as mortgage brokers, as defined in ORS  
26 59.015(10).



1 The entry of this Order in no way limits further remedies which may be  
2 available to the Director under Oregon law to enforce this order.

3 Dated this 26<sup>th</sup> day of August 1992 at Salem, Oregon.

4  
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6   
7 GARY WEEKS  
8 DIRECTOR  
9 DEPARTMENT OF INSURANCE AND FINANCE

10 **CONSENT TO ENTRY OF ORDER**  
**ADMISSION OF FACTS**

11 I, Tony Lewis, state that I am the president of Lewis Hanson and Company,  
12 Inc. and that I am authorized to act on its behalf; that I have read the  
13 foregoing Order and that I know and fully understand the contents thereof; that  
14 Respondent admits that the factual allegations contained herein are true and  
15 correct; that Respondent has been advised of its right to a hearing, and that  
16 Respondent consents to the entry of this Order without further hearing; that  
17 Respondent consents to the entry of this Order voluntarily without any force or  
18 duress; that Respondent understands that the Director reserves the right to take  
19 further actions to enforce this Order, or, upon discovery, to enforce other  
20 violations of the Oregon Securities Laws by Respondent; that Respondent will  
21 fully comply with the terms and conditions stated herein.

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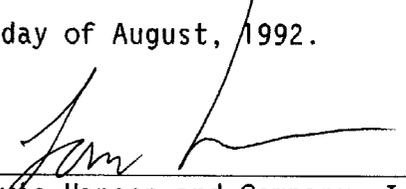
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1 Respondent Lewis Hanson and Company, Inc. further assures the Director that  
2 it will not transact any business in the State of Oregon unless such  
3 transactions are in full compliance with Chapter 59 of the Oregon Revised  
4 Statutes.

5 I understand that this Consent Order is a public document.

6 Dated this 20 day of August, 1992.

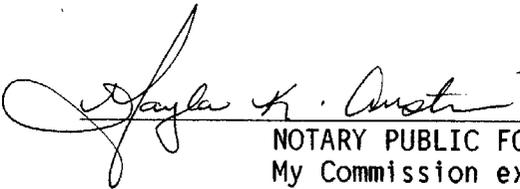
7  
8  , President  
9 Lewis Hanson and Company, Inc.

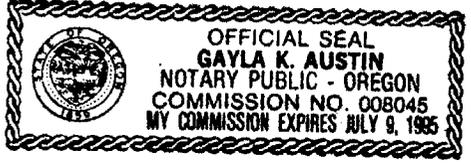
10 STATE OF OREGON )  
11 ) ss.  
12 County of Linn )

Date: Aug. 20, 1992

13 Personally appeared Tony Lewis who, being duly sworn, did say that he is the  
14 president of Lewis Hanson and Company, Inc., and that said instrument was signed  
15 on behalf of said corporation by authority of its board of directors; and he  
16 acknowledged said instrument to be its voluntary act and deed.

17 Before me:

18   
19 NOTARY PUBLIC FOR OREGON  
20 My Commission expires: 7/9/95



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