

DEPARTMENT OF CONSUMER AND BUSINESS SERVICES
 DIVISION OF FINANCE AND CORPORATE SECURITIES
 SECURITIES SECTION
 BEFORE THE DIRECTOR OF THE DEPARTMENT OF CONSUMER AND BUSINESS SERVICES
 STATE OF OREGON

In the Matter of:)) DIVERSIFIED RESOURCES GROUP;) LARRY MALBRUE, SR.;RON PRICE;) JIM JACKSON,)) Respondents.)	O-93-0021 FINAL ORDER BY DEFAULT AS TO DIVERSIFIED RESOURCES GROUP AND LARRY MALBRUE, SR.
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PREAMBLE

On the 13th day of October 1993, the Director of the Department of Consumer and Business Services for the State of Oregon, acting by the authority of the Securities Law, Chapter 59 of the Oregon Revised Statutes (hereinafter cited as ORS Chapter 59), issued an Order naming DIVERSIFIED RESOURCES GROUP (hereinafter "DIVERSIFIED"), LARRY MALBRUE, SR. (hereinafter "MALBRUE"), RON PRICE (hereinafter "PRICE"), and JIM JACKSON (hereinafter "JACKSON") as Respondents, and containing Findings of Fact, Conclusions of Law, Order, and Notice of Right to a Public Hearing.

Respondents DIVERSIFIED, MALBRUE, PRICE, and JACKSON were duly served with the Order on October 15, 1993 by mailing a copy of said Order by both certified and regular mail to Respondents' last known place of employment. Respondents PRICE and JACKSON did not respond, and a Final Order by Default was issued against them on December 15, 1993.

Respondents DIVERSIFIED and MALBRUE responded through legal counsel and requested a contested case hearing. Respondents DIVERSIFIED and MALBRUE were notified that James G. Harlan had been appointed as the hearings officer in the matter, and that a contested case hearing (the "hearing") on the matters

FINAL ORDER AGAINST DIVERSIFIED AND MALBRUE BY DEFAULT ENF-6348 PAGE - 1

OREGON DEPARTMENT OF CONSUMER AND BUSINESS SERVICES
 Corporate Securities Section
 21 Labor and Industries Building
 Salem, OR 97310
 (503) 378-4387

1 asserted in the Order was set for 9:30 a.m. on the 7th day of March 1994, at the
2 offices of the State of Oregon Department of Consumer and Business Services,
3 Corporate Securities Section (hereinafter the "Securities Section"), located at
4 355 Winter St. NE, Rm. 410, Salem, Oregon. Respondents DIVERSIFIED and MALBRUE
5 elected to not appear at the hearing, but provided a written statement through
6 legal counsel dated March 2, 1994, which they indicated was "in lieu and in
7 place of an appearance".

8 The hearing was convened on March 7, 1994 at 9:30 a.m. at the Securities
9 Section offices. Present were the hearings officer, James G. Harlan, and James
10 M. Hanson, Jr., Special Assistant Attorney General, who appeared on behalf of
11 the State. The hearings officer received into evidence an investigation report
12 and accompanying documents regarding Respondents, prepared by Securities
13 Investigator Patricia Russell, and the written statement on behalf of
14 Respondents DIVERSIFIED and MALBRUE dated March 2, 1994.

15 After consideration of the evidence received during the hearing, the
16 hearings officer found that the Order issued against Respondents on October 13,
17 1993, was supported by a preponderance of the evidence, that Respondents had
18 requested a hearing but failed to appear, and recommended that a Final Order by
19 Default containing the same provisions be issued. Based on the above the
20 Director hereby issues a Final Order by Default against Respondents DIVERSIFIED
21 and MALBRUE, as follows:

22 FINDINGS OF FACT

23 The Director **FINDS** that:

24 The Respondents

25 1. At all times material herein, Respondent DIVERSIFIED RESOURCES GROUP
26 ("DIVERSIFIED") was a California Corporation located at 5933 West Century Blvd.,

1 Suite 1106, Los Angeles, California, 90045 (800) 959-7209.

2 2. At all times material herein, Respondent LARRY MALBRUE, SR.
3 ("MALBRUE") was the president of Respondent DIVERSIFIED, and was employed at the
4 DIVERSIFIED offices 5933 West Century Blvd., Suite 1106, Los Angeles,
5 California, 90045 (800) 959-7209. Respondent MALBRUE, in his capacity as
6 president of DIVERSIFIED, signed the offering and sale documents received by
7 Oregonians as set forth herein.

8 3. At all times material herein, Respondents RON PRICE ("PRICE") and JIM
9 JACKSON ("JACKSON") were salespersons of Respondent DIVERSIFIED, and were
10 employed at the DIVERSIFIED offices 5933 West Century Blvd., Suite 1106, Los
11 Angeles, California, 90045 (800) 959-7209.

12 The Program

13 4. On or about March 29, 1993, Charles M. Parmenter of Portland, Oregon
14 received an unsolicited telephone call from Respondent PRICE. PRICE identified
15 himself as a "senior account executive" with Respondent DIVERSIFIED, and offered
16 Parmenter the opportunity to invest in oil and gas wells located in Oklahoma.
17 As a part of that offer, PRICE told Parmenter that for a \$5,000 investment,
18 Parmenter would earn 16 1/2% per annum interest. Parmenter was also mailed
19 documents relating to the offer, but did not invest.

20 5. On or about April 9, 1993, William J. Bolt and Linda M. Bolt of
21 Portland, Oregon received an unsolicited telephone call from Respondent
22 JACKSON. JACKSON identified himself as a "senior account executive" with
23 Respondent DIVERSIFIED, and offered the Bolts the opportunity to invest in oil
24 and gas wells located in Oklahoma. JACKSON also sent the Bolts offering
25 materials which described the investment, called Diversified Resources Group
26 Income Program II. As a result of JACKSON's call and the materials they

1 received, the Bolts invested \$5,000 in Diversified Resources Group Income
2 Program II.

3 6. The investment opportunities offered to Parmenter and the Bolts as set
4 forth in Findings of Fact # 4 and 5 above, were not registered for sale as
5 securities in the State of Oregon by the Securities Section at the time they
6 were offered or sold, or ever.

7 7. At all times material herein, the Respondents were not licensed by the
8 Securities Section to offer or sell securities in the State of Oregon.

9 8. In connection with the offer and sale of the investments as set forth
10 in Findings of Fact #5 above, Respondent JACKSON represented that the Bolts were
11 investing in Diversified Resources Group Income Program II, when in truth and in
12 fact the Bolts were placed in another investment called Diversified Resources
13 Group Income Program I.

14 9. At no time during the offer and sale of the investment opportunity to
15 the Bolts did any of the Respondents provide any information that the Bolts were
16 investing in Diversified Resources Group Income Program I; nor did Respondents
17 provide the Bolts any information about the following regarding Diversified
18 Resources Group Income Program I: the location of the property, the nature of
19 the investment, the risks of the investment, the names of the promoters or
20 principals, financial information about the entity, or the total number of
21 interests in the investment.

22 10. On April 20, 1993, Patricia Russell, an investigator with the Oregon
23 Department of Consumer and Business Services, Division of Finance and Corporate
24 Securities, Corporate Securities Section ("Securities Section"), wrote a letter
25 to Respondent MALBRUE, requesting certain information about offers and sales to
26 Oregon residents. In a May 3, 1993, letter written in response to Russell's

1 letter, Respondent MALBRUE stated that there had been no sales to Oregon
2 residents of Diversified Resources Group investments. In truth and in fact, the
3 sale to the Bolts had already occurred when Respondent MALBRUE made the
4 statement to Russell, and the statement was untrue.

5 **CONCLUSIONS OF LAW**

6 The Director **CONCLUDES** that:

7 1. The investment opportunities offered and sold by Respondents as set
8 forth above were investment contracts, and certificates of interest, and
9 participations in an oil and gas title or lease, and, as such were securities
10 under ORS 59.015(17).

11 2. Respondents DIVERSIFIED, MALBRUE, PRICE, and JACKSON, by offering and
12 selling the investment opportunities as set forth above, offered and sold
13 unregistered securities in Oregon, in violation of ORS 59.055.

14 3. Respondents DIVERSIFIED, PRICE, and JACKSON, by offering and selling
15 the investment opportunities as set forth above, sold securities in Oregon while
16 unlicensed, in violation of ORS 59.165.

17 4. Respondents DIVERSIFIED, MALBRUE, and JACKSON, by making the
18 misrepresentations and omissions described in Finding of Fact #9, violated ORS
19 59.135(2).

20 5. Respondent MALBRUE, by making the statement described in Finding of
21 Fact #10, violated ORS 59.451

22 6. Respondent MALBRUE, as president of Respondent DIVERSIFIED, is
23 responsible for the acts of its employees, Respondents PRICE and JACKSON, as a
24 control person, pursuant to ORS 59.115(3).

25 7. Respondent MALBRUE, as president of Respondent DIVERSIFIED, is
26 responsible as a principal for the acts of his employees, Respondents PRICE and

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1 JACKSON, under the common-law theory of agency.

2 **ORDER**

3 The Director, pursuant to ORS 59.245, hereby **ORDERS** that Respondents shall
4 **CEASE AND DESIST** from:

- 5 1. Transacting business in the State of Oregon in violation of ORS 59.055.
- 6 2. Transacting business in the State of Oregon in violation of ORS 59.165.
- 7 3. Transacting business in the State of Oregon in violation of ORS
- 8 59.135(2).
- 9 4. Violating any of the provisions of ORS Chapter 59.

10 The Director, pursuant to ORS 59.045, hereby **DENIES THE USE OF ANY EXEMPTIONS** to
11 Respondents which would otherwise be available under ORS Chapter 59.

12
13 The Director, pursuant to ORS 59.995, hereby imposes **CIVIL PENALTIES** against
14 Respondents as follows:

15 Respondents DIVERSIFIED and MALBRUE are hereby ordered to pay, jointly and
16 severally, a total civil penalty of \$7,000. reflecting \$1,500 for violations of
17 ORS 59.055, \$1,500 for violations of ORS 59.165, \$2,000 for violations of ORS
18 59.135, and \$2,000 for violation of ORS 59.451.

19
20 Dated this 14th day of April, 1994 at Salem, Oregon.

21 

22 KERRY BARNETT, DIRECTOR
23 DEPARTMENT OF CONSUMER
AND BUSINESS SERVICES

ATTORNEY OR PARTY WITHOUT ATTORNEY (Name or Address): CARL G. BUCHBERG (798) (310) 657-8376 8500 Wilshire Boulevard Suite 910 Bevelry Hills, CA 90211-3107 ATTORNEY FOR (Name): ESTATE OF LARRY MALBRUE, SR.	FOR COURT USE ONLY Personal representative's allowance or rejection filed: (date) (Deputy) <input type="checkbox"/> No court approval required. Presented to court for approval or rejection: (date) (Deputy)
SUPERIOR COURT OF CALIFORNIA, COUNTY OF LOS ANGELES STREET ADDRESS: 111 North Hill Street MAILING ADDRESS: CITY AND ZIP CODE: Los Angeles, California 90012 BRANCH NAME: CENTRAL	
ESTATE OF (NAME): LARRY MALBRUE, SR. <div style="text-align: right;">DECEDENT</div>	
ALLOWANCE OR REJECTION OF CREDITOR'S CLAIM (for estate administration proceedings filed after June 30, 1988)	CASE NUMBER: BP027808

NOTE: Attach a copy of the creditor's claim.

PERSONAL REPRESENTATIVE'S ALLOWANCE OR REJECTION

1. Name of creditor (specify): **OREGON DEPARTMENT OF CONSUMER & BUSINESS SERVICES**
2. The claim was filed on (date):
3. Date of first issuance of letters: **April 19, 1994**
4. Date of Notice of Administration: **June 8, 1994**
5. Date of decedent's death: **March 13, 1994**
6. Estimated value of estate:
7. Total amount of the claim: \$ **7,000.00**
8. Claim is allowed for: \$ *(The court must approve certain claims before they are paid.)*
9. Claim is rejected for: \$ **7,000.00** *(A creditor has three months to act on a rejected claim. See box below.)*
10. Notice of allowance or rejection given on (date): **August 12, 1994**
11. The personal representative is authorized to administer the estate under the Independent Administration of Estates Act.

Date: August 12, 1994

.. DANIELLE MALBRUE
(TYPE OR PRINT NAME)

(SIGNATURE OF PERSONAL REPRESENTATIVE)

REJECTED CLAIMS: From the date notice of rejection is given, the creditor must act on the rejected claim (eg., file a lawsuit) as follows:

- a. Claim due: within three months after the notice of rejection.
- b. Claim not due: within three months after the claim becomes due.

COURT'S APPROVAL OR REJECTION

12. Approved for: \$
13. Rejected for: \$

Date:

SIGNATURE OF JUDGE COMMISSIONER
 Signature follows last attachment.

14. Number of pages attached:

(Proof of Service on reverse)