

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

6 In the Matter of:) O-94-0002
7)
8 E.M.E. FUNDING CORP. AND)
9 EDWARD M. MCKEE) ORDER TO CEASE AND DESIST,
10) DENYING CERTAIN EXEMPTIONS
11) AND ASSESSING CIVIL PENALTY
12) AND
13 Respondents.) CONSENT TO ENTRY OF ORDER
14)

15 WHEREAS the Director of the Department of Consumer and Business Services
16 has conducted an investigation of Respondents Edward M. McKee and of E.M.E.
17 Funding, Corp. and has determined that Respondents McKee and E.M.E. Funding
18 Corp. have engaged in mortgage broker business in the State of Oregon in
19 violation of ORS Chapter 59 (1991), the Oregon Securities Law; and

20 WHEREAS Edward M. McKee and E.M.E. Funding Corp. wish to resolve and settle
21 this matter, Respondents Edward M. McKee and E.M.E. Funding Corp. CONSENT to the
22 entry of this Order to Cease and Desist, Denying Certain Exemptions and
23 assessing Civil Penalties based on the Director's Findings of Fact and
24 Conclusions of Law as stated herein.

25 FINDINGS OF FACT

26 The Director FINDS that:

1. Respondent E.M.E. Funding Corp. (hereinafter E.M.E.) was incorporated
in Oregon on April 16, 1991. Respondent Edward M. McKee (hereinafter McKee) is
the president of E.M.E. and its sole shareholder.

2. Respondents E.M.E. and McKee conduct business at 188 Canemah Court,
Oregon City, Oregon 97045.

3. On November 4, 1993, E.M.E. applied to be licensed as a restricted

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1 mortgage broker under the provisions of ORS 59.175 with the Department of
2 Consumer and Business Services, Division of Finance and Corporate Securities.
3 On the same date, McKee applied to be licensed as E.M.E.'s sole salesperson. To
4 date, no mortgage broker license or salesperson license has been issued.

5 4. In August of 1992, E.M.E., by and through McKee, conducted business as
6 a restricted mortgage broker by effecting a transaction involving the sale of
7 real estate paper and the use of funds from private investors. The private
8 investors were Willard and Mary Audas who are persons other than persons
9 enumerated in ORS 59.035(4).

10 5. In January of 1993, E.M.E., by and through McKee, conducted business
11 as a restricted mortgage broker by effecting two transactions involving the sale
12 of real estate paper and the use of funds from private investors. The private
13 investors in each transaction were Ron and Irene Callahan who are persons other
14 than persons enumerated in ORS 59.035(4).

15 6. In May of 1993, E.M.E., by and through McKee, conducted business as a
16 restricted mortgage broker by effecting a transaction involving the sale of real
17 estate paper and the use of funds from private investors. The private investors
18 were Ron and Irene Callahan who are persons other than persons enumerated in ORS
19 59.035(4).

20 7. In August of 1993, E.M.E., by and through McKee, conducted business as
21 a general mortgage broker by effecting a transaction involving the sale of less
22 than the entire vendor's interest in the real estate paper and the use of funds
23 from private investors. The private investors were Ron and Irene Callahan who
24 are persons other than persons enumerated in ORS 59.035(4).

25 8. In September of 1993, E.M.E., by and through McKee, conducted business
26 as a general mortgage broker by effecting a transaction involving the sale of

1 less than the entire vendor's interest in real estate paper and the use of funds
2 from private investors. The private investors were Ron and Irene Callahan who
3 are persons other than persons enumerated in ORS 59.035(4).

4 9. In September of 1993, E.M.E., by and through McKee, conducted business
5 as a restricted mortgage broker by effecting a transaction involving the sale of
6 real estate paper and the use of funds from private investors. The private
7 investors were Ron and Irene Callahan who are persons other than persons
8 enumerated in ORS 59.035(4).

9 10. In November of 1993, E.M.E., by and through McKee, conducted business
10 as a restricted mortgage broker by effecting a transaction involving the sale of
11 real estate paper and the use of funds from private investors. The private
12 investors were Ron and Irene Callahan who are persons other than persons
13 enumerated in ORS 59.035(4).

14 11. In November of 1993, E.M.E., by and through McKee, conducted business
15 as a general mortgage broker by effecting a transaction involving the sale of
16 less than the entire vendor's interest in real estate paper and the use of funds
17 from private investors. The private investors were Ron and Irene Callahan who
18 are persons other than persons enumerated in ORS 59.035(4).

19 12. In the course of effecting the transactions described in Findings of
20 Fact numbers four through six and numbers nine through ten McKee and E.M.E.
21 failed to maintain the supporting documents to show that the necessary
22 disclosure to the private investors was made as required by Oregon
23 Administrative Rule 441-35-021 prior to the time of sale. These documents
24 included, but were not limited to:

25 (a) written disclosure documents providing summaries of all necessary
26 disclosure information;

- 1 (b) outstanding tax balance information provided by county tax assessing
2 departments;
- 3 (c) tax assessed value information;
- 4 (d) statements of whether the investors would be the beneficiaries of
5 casualty insurance on the underlying real estate;
- 6 (e) copies of the recorded documents evidencing the obligations which
7 created the liens or assignments;
- 8 (f) copies of acknowledgements signed by the investors acknowledging
9 receipt of the necessary disclosure information.

10 13. In the course of effecting the transactions described in Findings of
11 Fact seven, eight and eleven, E.M.E., by and through McKee, sold less the entire
12 vendors' interest in real estate paper without registering the securities under
13 ORS 59.055.

14 CONCLUSIONS OF LAW

15 The Director **CONCLUDES** that:

- 16 1. The transactions effected as described in Findings of Fact four
17 through eleven involved real estate paper as defined by ORS 59.015(13).
- 18 2. Respondents E.M.E. and McKee, by engaging in the sale of real estate
19 paper, transacted business as a mortgage broker as defined by ORS 59.015(10).
- 20 3. Respondents E.M.E. and McKee transacted business as a mortgage broker
21 without being licensed in violation of ORS 59.165(1).
- 22 4. Respondents E.M.E. and McKee, by failing to retain the supporting
23 documents to show that required disclosure was made to investors as described in
24 Findings of Fact twelve, violated OAR 441-35-021, and therefore the securities
25 sold were not exempt under ORS 59.035(7) and were sold in violation of ORS
26 59.055(1).
- 27 5. Respondents E.M.E. and McKee, by selling less the vendors' entire
28 interest in real estate paper as described in Findings of Fact seven, eight and

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1 eleven, sold unregistered securities in violation of ORS 59.055(1).

2 **ORDER**

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

- 5 1. Transacting business in the State of Oregon in violation of ORS 59.165.
6 2. Transacting business in the State of Oregon in violation of ORS 59.055.
7 3. Violating any of the provisions of ORS Chapter 59 or any of the rules
8 promulgated under ORS Chapter 59.

9 The Director, pursuant to ORS 59.045, hereby **DENIES** Respondents the use of
10 any exemption contained in ORS 59.025 and in ORS 59.035 for a period of three
11 years from the date of this Order unless use of a particular exemption is
12 authorized in writing by the Director. This denial of exemptions does not apply
13 to the exemption provided by ORS 59.035(7).

14 The Director, pursuant to ORS 59.255, hereby imposes a **CIVIL PENALTY** of
15 \$3,000 against Respondents E.M.E. and McKee jointly and severally.

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

18 Dated this 29th of March, 1994 at Salem, Oregon.

19 
20 **KERRY BARNETT, DIRECTOR**
21 **DEPARTMENT OF CONSUMER AND BUSINESS SERVICES**

22
23 **CONSENT TO ENTRY OF ORDER**
24 **ADMISSION OF FACTS**

25 I, Edward M. McKee, state that I am a Respondent herein; that I have read
26 the foregoing order and that I know and fully understand the contents thereof;

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1 that I admit that the factual allegations contained herein are true and correct;
2 that I have been advised of my right to a hearing, and that I consent to the
3 entry of this Order without further hearing; that I consent to the entry of this
4 Order voluntarily and without any force or duress; that I understand that the
5 Director reserves the right to take further actions to enforce this Order, or,
6 upon discovery, to enforce other violations of the Oregon Securities Laws by me;
7 and that I will fully comply with the terms and conditions stated herein.

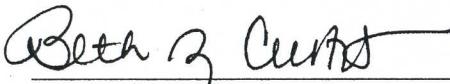
8 I, Edward M. McKee, further assure the Director that I will not transact
9 business in the State of Oregon unless such transactions are in full compliance
10 with Chapter 59 of the Oregon Revised Statutes (1993).

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

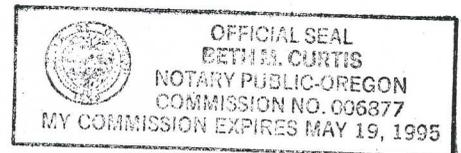
12 DATED this 24 day of March, 1994.

13
14 
15 Edward M. McKee

16 SUBSCRIBED AND SWORN to before me this 24 day of MARCH, 1994.

17
18 

19 Notary Public for Oregon
My commission expires: May 19, 1995



20
21 **CORPORATE CONSENT TO ENTRY OF ORDER
AND ADMISSION OF FACTS**

22 I, Edward M. McKee, state that I am the president of Respondent E.M.E.
23 Funding Corp. and that I am authorized to act on its behalf; that I have read
24 the foregoing Order and that I know and fully understand the contents thereof;
25 that Respondent admits that the factual allegations contained herein are true
26 and correct; that Respondent has been advised of its right to a hearing, and

1 that Respondent consents to the entry of this Order without further hearing;
2 that Respondent consents to the entry of this Order voluntarily without any
3 force or duress; that Respondent understands that the Director reserves the
4 right to take further actions to enforce this Order, or, upon discovery, to
5 enforce other violations of Oregon Securities Laws by Respondent; that
6 Respondent will fully comply with the terms and conditions stated herein.

7 Respondent E.M.E. Funding Corp. further assures the Director that it will
8 not transact any business in the State of Oregon unless such transactions are in
9 full compliance with Chapter 59 of the Oregon Revised Statutes (1993).

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

11 Dated this 24 day of March, 1994.

12

13 E.M.E. Funding Corp.

13

14

By Edward M. McKee
Edward M. McKee

15

16

CORPORATE ACKNOWLEDGMENT

17

There appeared before me this _____ day of _____, 1994

18

Edward M. McKee, who was first duly sworn on oath, and stated that he was

19

and is the President of E.M.E. Funding Corp. and that he is
(office held)

20

authorized and empowered to sign this Consent to Entry of Order on behalf of

21

E.M.E. Funding Corp., and to bind E.M.E. Funding Corp. to the terms hereof.

22

Beth M. Curtis

23

Notary Public in and for the State of : OREGON

24

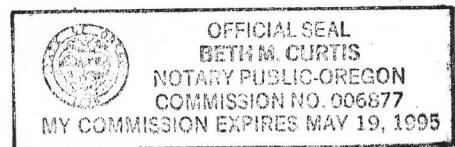
Beth M. Curtis

(Printed Name of Notary Public)

25

26

My commission expires: May 19, 1995



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OREGON DEPARTMENT OF CONSUMER AND BUSINESS SERVICES
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