

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-94-0012
 7)
 8 MICHAEL NELSON REAL ESTATE, INC.) ORDER TO CEASE AND DESIST,
 9 MICHAEL R. NELSON) DENYING CERTAIN EXEMPTIONS
 10) AND ASSESSING CIVIL PENALTY
 11) AND
 12 Respondents.) CONSENT TO ENTRY OF ORDER
 13)

14 WHEREAS the Director of the Department of Consumer and Business Services
 15 has conducted an investigation of Respondents Michael R. Nelson and Michael
 16 Nelson Real Estate Inc. and has determined that Respondents Nelson and Michael
 17 Nelson Real Estate, Inc. have engaged in mortgage broker business in the State
 18 of Oregon in violation of ORS Chapter 59 (1991), the Oregon Securities Law; and

19 WHEREAS Michael R. Nelson and Michael Nelson Real Estate, Inc. wish to
 20 resolve and settle this matter, Respondents Michael R. Nelson and Michael Nelson
 21 Real Estate, Inc. CONSENT to the entry of this Order to Cease and Desist,
 22 Denying Certain Exemptions and assessing Civil Penalties based on the Director's
 23 Findings of Fact and Conclusions of Law as stated herein.

24 FINDINGS OF FACT

25 The Director FINDS that:

- 26 1. Respondent Michael Nelson Real Estate, Inc. (hereinafter M.N.R.E.) was
 incorporated in Oregon on June 30, 1982. Respondent Michael R. Nelson
 (hereinafter Nelson) is the president of M.N.R.E. and its sole shareholder.
2. Respondents M.N.R.E. and Nelson conduct business at 845 Campbell
 Street, Baker City, Oregon 97814.

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1 3. In March, 1993, M.N.R.E. applied to be licensed as a restricted
2 mortgage broker under the provisions of ORS 59.175 with the Department of
3 Insurance and Finance (now known as the Department of Consumer and Business
4 Services), Division of Finance and Corporate Securities. In May, 1993, Nelson
5 applied to be licensed as the sole salesperson to M.N.R.E.. To date, no
6 mortgage broker license or salesperson license has been issued.

7 4. In October of 1990, M.N.R.E., by and through Nelson, effected a
8 transaction involving the sale of fractional interests in real estate paper to
9 more than one private investor. The private investors who participated in the
10 transaction were Randell C. and Diane Guyer, Tom and Sharon Keaton and Carney
11 and Deborah Lansford who are persons other than persons enumerated in ORS
12 59.035(4). No specific or generic registration for the fractionalized interests
13 was in effect in Oregon at the time this transaction occurred.

14 5. In March of 1991, M.N.R.E., by and through Nelson, effected a
15 transaction involving the sale of fractional interests in real estate paper to
16 more than one private investor. The private investors who participated in the
17 transaction were Diane and Randell C. Guyer Jr. and Deborah and Carney Lansford
18 who are persons other than persons enumerated in ORS 59.035(4). No specific or
19 generic registration for the fractionalized interests was in effect in Oregon at
20 the time this transaction occurred.

21 6. In October of 1992, M.N.R.E., by and through Nelson, effected a
22 transaction involving the sale of fractional interests in real estate paper to
23 more than one private investor. The private investors who participated in the
24 transaction were Diane and Randell C. Guyer Jr. and James Whitty who are persons
25 other than persons enumerated in ORS 59.035(4) with Michael and Jane Nelson
26 retaining a 16% interest in the real estate paper. No specific or generic

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2 mortgage broker under the provisions of ORS 59.175 with the Department of
3 Insurance and Finance (now known as the Department of Consumer and Business
4 Services), Division of Finance and Corporate Securities. In May, 1993, Nelson
5 applied to be licensed as the sole salesperson to M.N.R.E.. To date, no
6 mortgage broker license or salesperson license has been issued.

7 4. In October of 1990, M.N.R.E., by and through Nelson, effected a
8 transaction involving the sale of fractional interests in real estate paper to
9 more than one private investor. The private investors who participated in the
10 transaction were Randell C. and Diane Guyer, Tom and Sharon Keaton and Carney
11 and Deborah Lansford who are persons other than persons enumerated in ORS
12 59.035(4). No specific or generic registration for the fractionalized interests
13 was in effect in Oregon at the time this transaction occurred.

14 5. In March of 1991, M.N.R.E., by and through Nelson, effected a
15 transaction involving the sale of fractional interests in real estate paper to
16 more than one private investor. The private investors who participated in the
17 transaction were Diane and Randell C. Guyer Jr. and Deborah and Carney Lansford
18 who are persons other than persons enumerated in ORS 59.035(4). No specific or
19 generic registration for the fractionalized interests was in effect in Oregon at
20 the time this transaction occurred.

21 6. In October of 1992, M.N.R.E., by and through Nelson, effected a
22 transaction involving the sale of fractional interests in real estate paper to
23 more than one private investor. The private investors who participated in the
24 transaction were Diane and Randell C. Guyer Jr. and James Whitty who are persons
25 other than persons enumerated in ORS 59.035(4) with Michael and Jane Nelson
26 retaining a 16% interest in the real estate paper. No specific or generic

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1 registration for the fractionalized interests was in effect in Oregon at the
2 time this transaction occurred.

3 7. In October of 1992, M.N.R.E., by and through Nelson, effected a
4 transaction involving the sale of fractional interests in real estate paper and
5 to more than one private investor. The private investors who participated in
6 the transaction were Diane and Randall C. Guyer Jr. and James Whitty who are
7 persons other than persons enumerated in ORS 59.035(4). No specific or generic
8 registration for the fractionalized interest was in effect in Oregon at the time
9 this transaction occurred.

10 8. In February of 1993, M.N.R.E., by and through Nelson, effected a
11 transaction involving the sale of real estate paper to a private investor. The
12 private investor was Diane and Randell C. Guyer Jr. who are persons other than
13 persons enumerated in ORS 59.035(4).

14 9. During the period of 1987-1993, M.N.R.E., by and through Nelson,
15 effected 16 transactions involving the sale of real estate paper to a private
16 investor. The private investor was Carney Lansford who is a person other than
17 persons enumerated in ORS 59.035(4).

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

- 24 (a) written disclosure documents providing summaries of all necessary
25 disclosure information;
- 26 (b) outstanding tax balance information provided by county tax assessing
departments;

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

8 11. These findings resulted from information voluntarily submitted by applicant
9 upon request by the agency after applicant had submitted his application for a
10 license. No consumer complaints have been received by the Director concerning
11 the applicant.

12 CONCLUSIONS OF LAW

13 The Director **CONCLUDES** that:

14 1. The transactions effected as described in Findings of Fact four
15 through nine involved real estate paper as defined by ORS 59.015(13).

16 2. Respondents M.N.R.E. and Nelson, by engaging in the sale of real
17 estate paper, transacted business as a mortgage broker as defined by ORS
18 59.015(10).

19 3. Respondents M.N.R.E. and Nelson, by transacting business as a mortgage
20 broker without being licensed, violated former ORS 59.165(1), now 59.845(1)..

21 4. Respondents M.N.R.E. and Nelson, by selling participation interests in
22 real estate paper as described in Findings of Fact four through seven, sold
23 unregistered securities in violation of ORS 59.055(1).

24 ORDER

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

- 1. Transacting business in the State of Oregon in violation of

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1 ORS 59.845(1).

2 2. Transacting business in the State of Oregon in violation of ORS 59.055.

3 3. Violating any of the provisions of ORS Chapter 59 or any of the rules
4 promulgated under ORS Chapter 59.

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

10 The Director, pursuant to ORS 59.255, hereby imposes a **CIVIL PENALTY** of
11 \$3,700 against Respondents M.N.R.E. and Nelson jointly and severally.

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

14 Dated this 22nd of April, 1994 at Salem, Oregon.

15
16 
17 **KERRY BARNETT, DIRECTOR**
18 **DEPARTMENT OF CONSUMER AND BUSINESS SERVICES**

19
20 **CONSENT TO ENTRY OF ORDER**
ADMISSION OF FACTS

21 I, Michael R. Nelson, state that I am a Respondent herein; that I have read
22 the foregoing order and that I know and fully understand the contents thereof;
23 that I admit that the factual allegations contained herein are true and correct;
24 that I have been advised of my right to a hearing, and that I consent to the
25 entry of this Order without further hearing; that I consent to the entry of this
26 Order voluntarily and without any force or duress; that I understand that the

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1 Director reserves the right to take further actions to enforce this Order, or,
2 upon discovery, to enforce other violations of the Oregon Securities Laws by me;
3 and that I will fully comply with the terms and conditions stated herein.

4 I, Michael R. Nelson, further assure the Director that I will not transact
5 business in the State of Oregon unless such transactions are in full compliance
6 with Chapter 59 of the Oregon Revised Statutes (1993).

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

8 DATED this 22 day of April, 1994.

9

10

Michael R. Nelson
Michael R. Nelson

11

12

SUBSCRIBED AND SWORN to before me this 22nd day of April, 1994.

13

Clairean Gail Smith

14

Notary Public for Oregon

15

My commission expires: 10/19/95

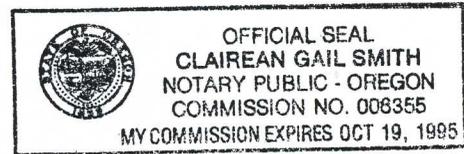
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Clairean Gail Smith

17

(Printed Name of Notary Public)

18



19

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

20

I, Michael R. Nelson, state that I am the president of Respondent Michael
21 Nelson Real Estate, Inc. and that I am authorized to act on its behalf; that I
22 have read the foregoing Order and that I know and fully understand the contents
23 thereof; that Respondent admits that the factual allegations contained herein
24 are true and correct; that Respondent has been advised of its right to a
25 hearing, and that Respondent consents to the entry of this Order without further
26 hearing; that Respondent consents to the entry of this Order voluntarily without

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1 any force or duress; that Respondent understands that the Director reserves the
2 right to take further actions to enforce this Order, or, upon discovery, to
3 enforce other violations of Oregon Securities Laws by Respondent; that
4 Respondent will fully comply with the terms and conditions stated herein.

5 Respondent Michael Nelson Real Estate, Inc. further assures the Director
6 that it will not transact any business in the State of Oregon unless such
7 transactions are in full compliance with Chapter 59 of the Oregon Revised
8 Statutes (1993).

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

10 Dated this 22 day of April, 1994.

11
12 Michael Nelson Real Estate, Inc.

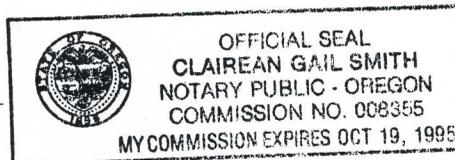
13 By Michael R. Nelson
14 Michael R. Nelson

15 **CORPORATE ACKNOWLEDGMENT**

16 There appeared before me this 22nd day of April, 1994
17 Michael R. Nelson, who was first duly sworn on oath, and stated that he was
18 and is the President of Michael Nelson Real Estate, Inc. and that he is
19 authorized to sign this Consent to Entry of Order on behalf of
20 Michael Nelson Estate, Inc., and to bind Michael Nelson Real Estate, Inc. to the
21 terms hereof.

22 Clairean Gail Smith
23 Notary Public for Oregon

24 Clairean Gail Smith
25 (Printed Name of Notary Public)



26 My commission expires: 10/19/95

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