

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

5 In the Matter of: ) O-96-0037  
 )  
 6 FIRST ASSURETY CAPITAL CORP. ) ORDER TO CEASE AND DESIST  
 SALES SUPPORT SERVICES, INC. ) DENIAL OF EXEMPTIONS  
 7 STEVEN E. CORYELL, AND ) ASSESSMENT OF CIVIL PENALTIES  
 RICHARD W. SCHEU, )  
 8 ) ENTERED BY DEFAULT  
 Respondents. )

9  
 10 On August 5, 1996 the Director of the Department of  
 11 Consumer and Business Services for the State of Oregon,  
 12 acting by the authority of the Oregon Securities Law,  
 13 Chapter 59 of the Oregon Revised Statutes (hereinafter cited  
 14 as ORS Chapter 59), issued Administrative Order 0-96-0037 to  
 15 Cease and Desist, with Denial of Exemptions, Assessment of  
 16 Civil Penalties and Notice of Right to Hearing.

17 All respondents were duly served with a certified copy  
 18 of Administrative Order 0-96-0037 and Notice of Right to  
 19 Hearing. Service was effected by mailing the Order and  
 20 notice by certified mail and by regular mail, with proper  
 21 postage affixed to each, to the last known address for each  
 22 of the named respondents, and signed green cards were  
 23 returned for each respondent.

24 None of the respondents made written request for a  
 25 hearing in this matter.

26 NOW THEREFORE, after consideration of the Investigative



1 Report and accompanying exhibits submitted in this matter by  
2 Richard C. Blank, the Director hereby issues the following  
3 Findings of Fact, Conclusions of Law and Final Order:

4 The Director FINDS that:

5 1. First Assurety Capital Corporation (FACC) is an  
6 Oklahoma corporation, not registered with the Oregon  
7 Secretary of States Corporate Division, whose corporate  
8 office is located at 2900 Overland Drive, Boise, ID 99202;

9 2. Steven E. Coryell (Coryell) is President of FACC  
10 and may be served at 2900 Overland Drive, Boise, ID 99202;

11 3. Sales Support Services, Inc., (SSSI) is an Oregon  
12 corporation whose corporate office is located at 8948 SW  
13 Barbur Blvd., #155, Portland, OR 97219-4016;

14 4. Richard W. Scheu (Scheu) is President, and  
15 registered agent of SSSI and may be served at 8948 SW Barbur  
16 Blvd., #155, Portland, OR 97219-4016;

17 5 FACC is not now nor has it ever been licensed to  
18 sell securities in Oregon as an issuer or broker-dealer;

19 6. SSSI is not now nor has it ever been licensed to  
20 sell securities in Oregon as an issuer or broker-dealer;

21 7. Respondent Coryell is not now nor has he ever  
22 been licensed to sell securities in Oregon as a salesperson  
23 for any broker-dealer or for FACC as issuer;

24 8. Respondent Scheu is not now nor has he ever been  
25 licensed to sell securities in Oregon as a salesperson for  
26 any broker-dealer or for SSSI as issuer;



1           9.     In February 1992 Tim Martin (Martin), Idaho  
2     Securities Investigator, advised Respondent Coryell that he  
3     was the subject an investigation initiated by Idaho  
4     Securities Division for alleged violations of Idaho  
5     Securities Laws;

6           10.    Respondent Scheu was advised that he was the  
7     subject of:

8           a)     an investigation initiated by the FBI and  
9           US Attorney's office in Omaha, Nebraska in 1991  
10          alleging violations of federal mail and wire fraud  
11          statutes;

12          b)     an investigation initiated by the Oregon  
13          Securities Section in February 1990 alleging violation  
14          of Oregon Securities Laws;

15           11.    From May 1993 through November 1993, Respondent  
16     Coryell offered and/or sold to three (3) Oregon investors a  
17     loan package by which FACC agreed to secure financing for  
18     each investor's project. Coryell also told investors that  
19     FACC would provide a "financial guarantee bond" ("bond") to  
20     guarantee payment of the loan to the lender, which would  
21     enhance their ability to get a loan. Coryell told investors  
22     that prospective lenders would require a "financial  
23     guarantee bond" and that FACC could provide such "bond" and  
24     he gave investors copies of financial statements  
25     representing that FACC had assets in excess of  
26     \$40,000,000.00;

          12.    The advance-fee loan packages issued by FACC and  
          sold to investors by Coryell consisted of three (3) common



1 elements:

2 a) Payment of an advance fee by the investor to FACC;

3 b) Assurance by Coryell that FACC would provide the  
4 requested financing to the investor either through  
5 independent funding sources or by FACC providing direct  
6 financing;

7 c) If the financing required by the investor could not  
8 be finalized in the time frame indicated by Coryell,  
9 FACC would arrange interim financing by means of a  
10 "bridge loan" through independent funding sources or by  
11 FACC providing direct financing;

12 13. Respondent Scheu offered and/or sold to three (3)  
13 Oregon investors a loan package by which SSSI would arrange  
14 interim financing (bridge loan) for the investor's project;

15 14. The loan package issued by SSSI and offered and/or  
16 sold to investors by Scheu consisted of two (2) common  
17 elements;

18 a) Payment of an advance fee by the investor to SSSI;

19 b) Assurance by Scheu that SSSI would provide or  
20 arrange interim financing to the investor either  
21 through independent funding sources or by SSSI  
22 providing direct financing;

23 The Partners Transaction

24 15. Garry Vallaster, Richard Thomas, Lee Thomas, and  
25 Elizabeth Mapelli (The Partners) are partners in a real  
26 estate partnership located in Portland, Oregon. In May,  
1993 The Partners were seeking construction financing for  
renovation of a warehouse they were purchasing. The  
Partners were introduced to Coryell who told them he had  
access to financial sources to fund the project.



1           16. Coryell told The Partners that FACC could arrange  
2 financing for them if they met the following requirements:

- 3           a) purchase a financial guarantee bond from FACC for a  
4           \$10,000.00 fee, which would be refunded if financing  
5           was not provided;  
6           b) payment of an additional \$10,000.00 when FACC  
7           issues notice of intent to provide the "bond";  
8           c) Submit a business plan, financial statements/  
9           projections, and architectural drawings to Coryell;

10           17. In connection with the offer and sale of the "loan  
11 package" described in paragraph twelve (12) of these  
12 Findings of Fact Coryell failed to provide The Partners with  
13 the following information:

- 14           a) a prospectus;  
15           b) current and accurate financial information for FACC  
16           and its officers;  
17           c) an accurate history of past business experience  
18           pertaining to FACC or its officers;  
19           d) information that Coryell was the subject of a  
20           pending investigation initiated by the State of Idaho  
21           in February 1992 alleging violations of Idaho  
22           Securities Laws;

23           18. On 07/26/93 the Partners wired from their bank  
24           account the first advance fee in the amount of \$10,000.00,  
25           as described in paragraph sixteen (16) (a) of these Findings  
26           of Fact, to the account of FACC at West One Bank in Boise,  
27           ID as required;

28           19. On 08/06/93 The Partners wired from their bank  
29           account the final payment in the amount of \$10,000.00, as  
30           described in paragraph sixteen (16) (b) of these Findings of



1 Fact, to the account of FACC at West One Bank in Boise, ID  
2 as required;

3 20. Coryell never provided the Partners with a "bond"  
4 as described in paragraph eleven (11) of these Findings of  
5 Fact as promised;

6 21. FACC never provided financing for the Partners as  
7 promised;

8 22. When Coryell failed to obtain financing in time to  
9 meet The Partners project deadline, he introduced the  
10 Partners to Scheu who could provide a "bridge loan" to meet  
11 the project deadline;

12 23. Scheu told the Partners that SSSI would provide a  
13 "bridge loan" for them on the following terms:

- 14 a) that the Partners borrow a minimum of \$350,000.00;  
15 b) The Partners pay an advance fee in the amount of  
16 three percent (3%), or \$10,500.00, of the loan amount  
of \$350,000.00;

17 24. On 10/10/93 the Partners issued a cashier's check  
18 in the amount of \$10,500.00 and personally delivered the  
19 check to Scheu in Portland, Oregon;

20 25. In connection with the offer and sale of the "loan  
21 package" to be provided by SSSI and described in paragraph  
22 twenty-three (23) of these Findings of Fact, Scheu failed to  
23 provide The Partners with the following information:

- 24 a) a prospectus;  
25 b) an accurate history of past business experience  
26 pertaining to SSSI and its officers;



1 c) information that Scheu was subject of a pending  
2 investigation initiated by the FBI and US Attorney's  
3 office in Omaha, Nebraska in 1991 alleging violations  
4 of federal mail and wire fraud statutes;

5 d) information that Scheu was subject an  
6 investigation initiated by the Oregon Securities  
7 Section in February 1990 alleging violations of Oregon  
8 Securities Laws;

9 26. SSSI never provided the Partners with the "bridge  
10 loan";

11 27. On 10/28/93 Coryell sent the Partners a letter by  
12 facsimile stating that on 09/15/93 (two weeks prior to the  
13 Partners introduction to Scheu) FACC was sold to Scheu;

14 28. Respondents Coryell and Scheu failed to disclose  
15 their existing business relationship to the Partners prior  
16 to Coryell's referral to Scheu for a bridge loan;

17 C4 Records Transaction

18 29. C4 Records, Inc., (C4) was an Oregon corporation  
19 in 1993. Laurie Roth (Roth) was the President of C4. In  
20 May 1993 C4 was attempting to raise expansion capital when  
21 Roth was introduced to Coryell;

22 30. Coryell told Roth that FACC could provide C4 with  
23 the desired financing provided C4 met the following terms:

- 24 a) purchase a financial guarantee bond from FACC;
- 25 b) payment of an advance fee of \$10,000.00 to FACC;
- 26 c) additional premiums to be paid to FACC from the  
27 proceeds of the offering;

28 31. In connection with the offer and sale of the "loan  
29 package" described in paragraph thirty (30) of these



1 Findings of Fact, Coryell provided to C4 an audited  
2 financial statement and balance sheet ostensibly prepared by  
3 Coopers & Lybrand, Inc. for FACC;

4 32. Representations of Coopers & Lybrand, Inc.,  
5 accounting firm offices in Portland, Oregon and Boise, Idaho  
6 both deny ever preparing a financial statement or balance  
7 sheet for FACC or ever having FACC or Coryell as a client;

8 33. In connection with the offer and sale of the  
9 "loan package" described in paragraph thirty (30) of these  
10 Findings of Fact, Coryell failed to provide C4 with the  
11 following information:

12 a) a prospectus;

13 b) an accurate history of past business experience  
14 pertaining to FACC or its officers;

15 c) the fact that Coryell and his business activities  
16 were the subject of a pending investigation initiated  
17 by the State of Idaho in February 1992 alleging  
18 violations of Idaho Securities Laws;

19 34. Coryell told Roth that C4 could raise capital by  
20 issuing and selling interests in a limited partnership  
21 (LIMITED PARTNERSHIP). Coryell told Roth that FACC had the  
22 capability to structure and market the LIMITED PARTNERSHIP.  
23 The LIMITED PARTNERSHIP was to raise \$4,000,000.00;

24 35. After Roth paid Coryell the advance fee to  
25 purchase the required "bond", Coryell advised Roth that in  
26 order to improve the financial statement of C4 the "bond"  
should be converted to a "distressed loan portfolio".  
Coryell told Roth that by doing this it would show C4 having



1 a high receivables to liabilities ratio;

2 36. The C4 LIMITED PARTNERSHIP offering was never  
3 completed for offer to the public and in October 1993  
4 Coryell introduced Roth to Scheu, representing that Scheu  
5 could arrange a loan in the requested amount;

6 37. Scheu offered to provide the expansion capital to  
7 C4 under the same "loan package" arrangement described in  
8 paragraph fourteen (14) of these Findings of Fact;

9 38. In connection with the offer for sale of the "loan  
10 package" described in paragraph thirty-seven (37) of these  
11 Findings of Fact, Scheu failed to provide C4 with the  
12 following information:

13 a) a prospectus;

14 b) an accurate history of past business experience  
15 pertaining to SSSI and its officers;

16 c) the fact that Scheu was subject of a pending  
17 investigation initiated by the FBI and US Attorney's  
18 office in Omaha, Nebraska in 1991 alleging violations  
19 of federal mail and wire fraud statutes;

20 d) the fact that Scheu was subject of an investigation  
21 initiated by the Oregon Securities Section in February  
22 1990 alleging violations of Oregon Securities Laws;

23 39. C4 ended negotiations with Scheu when Scheu  
24 required payment of an advance fee prior to any undertaking;

25 40. FACC did not provide the financing to C4 as  
26 promised, nor did Coryell refund to C4 the advance fee of  
\$10,000.00;

27 **Tickets, Inc., Transaction**

28 41. Tickets, Inc. (Tickets), is an Oregon corporation.



1 Dennis Bolsinger (Bolsinger) is President of Tickets. In  
2 May, 1993 Tickets was seeking construction and land purchase  
3 financing for a new restaurant to be built in Newberg, OR.  
4 Bolsinger was introduced to Coryell who told him that FACC  
5 had access to financial sources that would fund the project;

6 42. Coryell told Bolsinger that FACC could provide  
7 Tickets with the desired financing provided Tickets met the  
8 following terms:

- 9 a) purchase a financial guarantee bond from FACC;
- 10 b) payment of an advance fee to FACC of \$11,000.00;
- 11 c) payment of an additional \$55,000.00 upon notice of  
12 intent to provide the "bond" by FACC;
- 13 d) Submit a business plan, financial statements/  
14 projections, and architectural drawings to Coryell;

15 43. In connection with the offer and sale of the "loan  
16 package" described in paragraph forty-two (42) of these  
17 Findings of Fact, Coryell failed to provide Bolsinger with  
18 the following material information:

- 19 a) a prospectus;
- 20 b) an accurate history of past business experience  
21 pertaining to FACC or its officers;
- 22 c) the fact that Coryell and his business activities  
23 were the subject of a pending investigation initiated  
24 by the State of Idaho in February 1992 alleging  
25 violations of Idaho Securities Laws;

26 44. On August 5, 1993 Tickets issued a check in the  
amount of \$11,000.00 to Coryell for the advance fee as  
required;

45. Coryell submitted Tickets' financing request to



1 two (2) companies: "Worldwide Finance" and "International  
2 Synergy". The requests were turned down because FACC did  
3 not have sufficient assets to provide the "Guarantee Bond";

4 46. Coryell then told Bolsinger that another  
5 individual, Todd Grange, had secured financing for Tickets  
6 from a mortgage company in Longview, WA. In a conversation  
7 with Bolsinger, Grange denied that he made a commitment to  
8 fund the loan request and stated that Coryell was not being  
9 honest with Bolsinger;

10 47. Coryell next told Bolsinger that the way to raise  
11 the construction capital was to issue and sell units in a  
12 limited partnership (LIMITED PARTNERSHIP). Coryell told  
13 Bolsinger that he had the capability to structure and market  
14 the LIMITED PARTNERSHIP. The LIMITED PARTNERSHIP was to  
15 raise \$2,200,000.00;

16 48. Delays caused by Coryell's failure to secure  
17 financing or to structure the LIMITED PARTNERSHIP resulted  
18 in the need for a "bridge loan" to purchase the property  
19 Tickets had made an offer on. Coryell introduced Bolsinger  
20 to Scheu, representing that Scheu could arrange a loan in  
21 the amount needed by Tickets;

22 49. Scheu told Bolsinger that he could provide the  
23 requested loan from offshore banking sources in the amount  
24 of \$450,000.00. Bolsinger ended negotiations with Scheu  
25 when Scheu required payment of an advance fee prior to any  
26 undertaking;





1 Coryell to three (3) Oregon investors and described in these  
2 Findings of Fact are "investment contracts" and therefore  
3 are "securities" as that term is defined under ORS  
4 59.015(17);

5 2. Respondents FACC and Coryell offered and/or sold  
6 unregistered securities in the State of Oregon when they  
7 sold the loan packages to investors as described in  
8 paragraphs sixteen (16), thirty (30), and forty-two (42) of  
9 the Findings of Fact in violation of ORS 59.055;

10 3. Respondents FACC and Coryell effected unlicensed  
11 securities transactions in the State of Oregon when Coryell  
12 sold the loan package to investors as described in  
13 paragraphs sixteen (16), thirty (30), and forty-two (42) of  
14 the Findings of Fact in violation of ORS 59.165;

15 4. Respondent FACC, acting by and through its officer  
16 and President Coryell, and Respondent Coryell, individually,  
17 "in connection with the purchase or sale of any  
18 security...", made "untrue statement(s) of a material fact"  
19 and "omit(ted) to state a material fact necessary in order  
20 to make the statements made, in the light of the  
21 circumstances under which they are made, not misleading;"  
22 when Coryell;

23 a) provided false and misleading financial statements  
24 for FACC to investors;

25 b) told investors that FACC was able to provide a  
26 "financial guarantee bond" that would facilitate the  
investors funding, but did not provide such a bond to  
any investor because FACC did not have sufficient

Division of Finance and Corporate Securities  
Labor and Industries Building  
350 Winter Street NE, Suite 410  
Salem, OR 97310  
Telephone: (503) 378-4387



- 1 assets to support a guarantee bond;
- 2 c) told investors that FACC would either arrange for  
3 financing or that FACC itself would provide financing  
4 to the investors, but did not arrange or provide  
5 financing to any investor(s);
- 6 d) failed to refund to the Partners the \$10,000.00 fee  
7 paid for a bond that was never issued as described in  
8 paragraph sixteen (16) of the Findings of Fact;
- 9 e) failed to disclose the fact that Coryell was the  
10 subject of a pending investigation alleging securities  
11 violations by Idaho Securities Division;

12 5. The loan package issued by SSSI and offered and/or  
13 sold by Scheu to 3 Oregon investors and described in  
14 paragraph fourteen (14) of the Findings of Fact are  
15 "investment contracts" and therefore are "securities" as  
16 that term is defined under  
17 ORS 59.015(17);

18 6. Respondents SSSI, and Scheu offered and/or sold  
19 unregistered securities in the State of Oregon when they  
20 offered and/or sold the loan package to investors as  
21 described in paragraphs fourteen (14), and twenty-three (23)  
22 of the Findings of Fact in violation of ORS 59.055;

23 7. Respondents SSSI and Scheu effected unlicensed  
24 securities transactions in the State of Oregon when Scheu  
25 sold or offered for sale the loan package to investors as  
26 described in paragraphs fourteen (14), and twenty-three (23)  
of the Findings of Fact in violation of ORS 59.165;

8. SSSI, acting by and through its officer and  
President Scheu and Scheu, individually, "in connection with



1 the purchase or sale of any security...", did " make untrue  
2 statement(s) of a material fact or to omit to state a  
3 material fact necessary in order to make the statements  
4 made, in the light of the circumstances under which they are  
5 made, not misleading;" when Scheu;

6 a) told investors that SSSI would arrange for  
7 financing or that SSSI would provide financing to the  
investors through a non-existent loan package;

8 b) failed to disclose that Scheu was the subject of  
9 an investigation being conducted by the Oregon  
Securities Section alleging violations of Oregon  
Securities Laws;

10 c) failed to disclose that Scheu was the subject of an  
11 investigation being conducted by the US Attorneys  
12 Office and FBI alleging violations of federal mail and  
wire fraud statutes;

13 9. From May 1993 through November 1993 Respondents  
14 Coryell and Scheu employed a scheme or artifice to defraud  
15 in connection with the sale of any security when they used  
16 false financial statements and false promises about  
17 "financial guarantee bonds", and about the capability of  
18 FACC and/or SSSI to provide a loan package for investors in  
19 order to encourage the investors to purchase the non-  
20 existent bonds and loan packages offered by Respondents in  
21 violation of ORS 59.135(1).

22 **ORDER**

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

25 a) Selling any security in the State of Oregon in  
26 violation of ORS 59.055.



- 1           b) Acting in the capacity of a securities broker-  
2           dealer, investment advisor, or salesperson for  
3           securities transactions in the State of Oregon in  
4           violation of ORS 59.165.
- 5           c) Transacting business, in connection with the  
6           purchase or sale of any security, in the State of  
7           Oregon in violation of ORS 59.135.
- 8           d) Violating any of the provisions of ORS Chapter 59.

9           The Director, pursuant to ORS 59.245, hereby **DENIES THE**  
10          **USE OF ANY EXEMPTIONS** to Respondents which would otherwise  
11          be available under ORS Chapter 59.

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

14          1. Respondents Coryell and FACC, jointly and  
15          severally are ordered to pay the following civil penalties  
16          for violations as stated herein;

- 17           a) \$ 3,000.00 for violations of ORS 59.055;
- 18           b) \$ 3,000.00 for violations of ORS 59.165;
- 19           c) \$15,000.00 for violations of ORS 59.135(1)
- 20           d) \$ 3,000.00 for violations of ORS 59.135(3)

21          2. Respondents Scheu and SSSI, jointly and severally  
22          are ordered to pay the following civil penalties for  
23          violations as stated herein;

- 24           a) \$ 3,000.00 for violations of ORS 59.055;
- 25           b) \$ 3,000.00 for violations of ORS 59.165;
- 26           c) \$15,000.00 for violations of ORS 59.135(1)
- d) \$ 3,000.00 for violations of ORS 59.135(3).

26          ///



1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26

Dated this 9<sup>th</sup> day of October, 1996 at  
Salem, Oregon. *NONE PRO TUNE august 6<sup>th</sup> 1996*

  
KERRY BARNETT, DIRECTOR  
DEPARTMENT OF CONSUMER & BUSINESS SERVICES

**NOTICE TO PARTIES**

You are entitled to a judicial review of this Order. Judicial review may be obtained by filing a petition for review to the Oregon Court of Appeals within 60 days from the date of service of this Order pursuant to the provisions of ORS 183.482.

Division of Finance and Corporate Securities  
Law and Enforcement Building  
250 Winter Street, NE, Suite 410  
Salem, OR 97310  
Telephone: (503) 778-4387

