

DEPARTMENT OF CONSUMER AND BUSINESS SERVICES  
DIVISION OF FINANCE AND CORPORATE SECURITIES  
FINANCE SECTION

BEFORE THE DIRECTOR OF THE DEPARTMENT OF CONSUMER AND BUSINESS SERVICES  
STATE OF OREGON

In the Matter of

O-00-0044

ALTIVA FINANCIAL CORPORATION  
FKA MEGO MORTGAGE  
CORPORATION

REVOCATION OF MORTGAGE  
BANKER/BROKER LICENSE  
FINAL ORDER BY DEFAULT

To: Altiva Financial Corporation  
1000 Parkwood Circle Sixth Floor  
Atlanta GA 30339  
c/o CT Corporation System  
601 SW Second Ave Suite 2050  
Portland OR 97204

On November 30, 2000, certified true copies of a Notice of Intent to Revoke Mortgage Banker/Broker License were served upon Altiva Financial Corporation formerly known as Mego Mortgage Corporation (hereinafter "Respondent") by certified mail. Respondent received the certified mail on December 4, 2000 through its Oregon Agent for Service of Process, CT Corporation System. This notice alleged that (1) Respondent failed to produce records required by the Director in response to a subpoena issued on October 25, 2000 requiring production by November 24, 2000 and (2) that Respondent is insolvent or is in such a financial condition that the company cannot continue with safety to customers. The Notice further granted to Respondent an opportunity for hearing, if requested within 21 days of service of the Notice. No such request for hearing has been received by the Director. The Notice designated the Division of Finance and Corporate Securities' file on this matter as the record for

1 purposes of default.

2 NOW THEREFORE, after consideration of the records and files of the Division  
3 of Finance and Corporate Securities relating to this matter, the Director enters the  
4 following Order.

5  
6 **FINDINGS OF FACT**

7 1. Altiva Financial Corporation, formerly known as Mego Mortgage Corporation,  
8 (hereinafter "Respondent") is a corporation formed on June 12, 1992 in the State of  
9 Delaware. Respondent engages in Oregon residential mortgage transactions.  
10 Respondent is a publicly owned and traded company. The Director, Department of  
11 Consumer and Business Services, (hereinafter "Director") issued a mortgage lender  
12 license to Respondent on March 31, 1997 and Respondent's license is due to expire on  
13 March 31, 2001.

14 2. Respondent filed a document with the Director on May 1, 2000 that indicated  
15 that the company was having financial difficulty so it was ceasing operations and  
16 entering into an orderly winding down of operations.

17 3. On August 8, 2000, the Director sent a letter to Respondent indicating that it  
18 had not received any further notifications from Respondent and inquiring about the  
19 current status of the company.

20 4. On October 25, 2000, having not received a response to the August 8, 2000  
21 letter, the Director sent a subpoena to Respondent requesting financial documents that  
22 the Respondent is required to produce pursuant to ORS 59.860(2) and other documents  
23 that the Director could use to determine if there was any potential harm to Oregon  
24 consumers based upon Respondent's current financial situation.

25 5. Respondent received the subpoena by November 1, 2000 which required  
26 production on November 24, 2000 by 5 p.m. at the office of the Director.

1           6. On November 1, 2000, Robert Chastain, a representative of Respondent's left  
2 a voicemail with an employee of the Director's indicating that there would be a problem  
3 responding.

4           7. On November 2, 2000, the Director's employee attempted to return the call to  
5 discuss the problem with Respondent, but the phone number provided was a facsimile  
6 number.

7           8. On November 2, 2000, the Director's employee sent a facsimile to  
8 Respondent requesting a return telephone call.

9           9. On November 24, 2000, at 5 p.m., the Director had not received a return  
10 telephone call or the response required of the subpoena.

11           10. Respondent filed a document containing a letter, dated April 17, 2000 and two  
12 press releases, one dated April 12, 2000 and another dated April 17, 2000, with the  
13 Director on May 1, 2000.

14           11. The April 17, 2000 letter indicated that after the April 12, 2000 press release  
15 regarding the financial results for Respondent, the Nasdaq Stock Market had halted  
16 trading of Respondent's stock. The letter also indicated that the company had ceased  
17 its lending operations as of April 14, 2000 and that the company was not in a position  
18 to resume these activities until it could hire employees, obtain replacement warehouse  
19 financing facilities, and meet its financial covenants and requirements.

20           12. Attached to the letter was the April 12, 2000 press release which indicated that  
21 the company had lost money in the second quarter of fiscal year 2000. The previous  
22 financial documents filed by Respondent indicated that it had lost money in both fiscal  
23 year 1998 and 1999 and that it was quickly eating away at its financial reserves. The  
24 press release also indicated that Respondent's retail production office in Charlotte,  
25 North Carolina, had not met the expect production levels and the other retail production  
26 office located in Las Vegas was dealing with liquidity problems in addition to losses. On

1 top of the production difficulties, Respondent also suffered financial losses because the  
2 sale price of loans was lower than expected, thus causing a significant deterioration in  
3 Respondent's available cash. The press release also indicated that the company  
4 needed an immediate cash infusion or it would be faced with an orderly winding down  
5 of the business and seeking arrangements with its creditors or protection as a debtor  
6 under the bankruptcy code.

7 13. The April 17, 2000 press release indicated that the company had ceased  
8 origination of loans and had reduced its staff by 90% because the company was not  
9 able to obtain an immediate cash infusion which prevented the company from continuing  
10 normal operations. As a result, the press release indicated that Respondent was  
11 winding down operations and seeking an arrangement with its creditors.

#### 12 13 **ULTIMATE FINDINGS OF FACT**

- 14 1. Respondent failed to produce records required by the Director in response to the  
15 subpoena which required production on November 24, 2000 at 5 p.m.  
16 2. Respondent is either insolvent or is in such a financial condition that the company  
17 cannot continue with safety to customers.

#### 18 19 **CONCLUSIONS OF LAW**

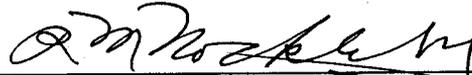
- 20 1. Respondent's failure to produce records required by the Director constitutes grounds  
21 to revoke the license pursuant to ORS 59.865(11).  
22 2. Respondent's insolvency or unsafe financial condition constitutes grounds to revoke  
23 the license pursuant to ORS 59.865(1).

#### 24 25 **ORDER**

26 The Director, pursuant to ORS 59.865, hereby **REVOKES** the mortgage

1 banker/broker license issued to Altiva Financial Corporation formerly known as Mego  
2 Mortgage Corporation.

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4 Dated this 28<sup>th</sup> day of December, 2000.

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7 Richard M. Nockleby, Administrator  
8 Division of Finance and Corporate Securities  
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10 NOTICE: You are entitled to judicial review of this Order. Judicial review may be  
11 obtained by filing a petition for review within 60 days from the service of this Order.  
12 Judicial review is pursuant to the provisions of ORS 183.482 to the Oregon Court of  
13 Appeals.  
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