

1 who is the Chief of Enforcement, but the letters do not contain a request for a hearing in this matter,
2 and the documents were not timely served upon the Director.

3 **NOW THEREFORE**, after consideration of the Investigation Report and accompanying
4 exhibits submitted in this matter by Caroline Smith, Securities Enforcement Officer, the Director
5 hereby issues the following Findings of Fact, Conclusions of Law, and Final Order:

6 **FINDINGS OF FACT**

7 The Director **FINDS** that:

8 I. The Entities and the Officers

9 1. BMD Enterprises Ltd. ("**BMD Enterprises**") was a Canadian
10 corporation whose stock was traded on the Vancouver Stock Exchange (stock symbol BMV). BMD
11 Enterprises purported to invest in businesses that develop new products, ranging from electric
12 vehicles to underwater diving equipment. The principal place of business for BMD Enterprises was
13 2629-C Progressive Way, Abbotsford, B.C. V2T 2H8.

14 2. Good Pace, Inc. ("**Good Pace**") was a wholly-owned subsidiary of BMD Enterprises.
15 Good Pace purported to research, develop and manufacture electric vehicles. The principal place of
16 business for Good Pace was 19511 First Ave. SE, Bothell, Washington 98012. Good Pace was
17 incorporated in the State of Washington on February 12, 1992.

18 3. Reliant of America, Inc. ("**Reliant of America**") was one of two Washington
19 corporations that purported to have the "exclusive" right in the United States to market, sell, and
20 distribute electric vehicles produced by Good Pace. The principal place of business of Reliant of
21 America was 1513 Central Avenue, College Place, WA 99324. Reliant of America was incorporated
22 in the State of Washington as Electric Vehicles, Inc. on June 16, 1994. The name changed to Reliant
23 of America on August 21, 1995.

24 4. Northwest Eagle, Inc. ("**Northwest Eagle**") was the other Washington corporation that
25 purported to have the "exclusive" right in the United States to market, sell, and distribute electric
26 vehicles produced by Good Pace. The principal place of business for Northwest Eagle was 1513





1 Central Avenue, College Place, WA 99324. Northwest Eagle was incorporated in the State of
2 Washington on February 4, 1994.

3 5. Northwest Reliant, Inc. ("**Northwest Reliant**") was a Washington corporation formed
4 to finance a manufacturing plant for Mini Motors, Inc. ("**Mini Motors**"). Mini Motors was a
5 Washington corporation formed to manufacture certain "Mini" cars, which were replicas of classic
6 English cars. Northwest Reliant purported to be a wholly-owned subsidiary of Northwest Eagle and
7 Reliant of America. The principal place of business for Northwest Reliant was 1513 Central Avenue,
8 College Place, WA 99324. Northwest Reliant was incorporated in the State of Washington on June
9 2, 1997.

10 6. Roger A. Chin ("**Roger Chinn**") was the chairman of the board and CEO of Northwest
11
12 Eagle; chairman of the board, president and CEO of Reliant of America; and chairman of the board
13 and president of Northwest Reliant. Both Roger Chinn and his brother, Gerald Chinn, held
14 themselves out as president of Northwest Eagle. Roger Chinn's residence was the principal place of
15 business for Northwest Eagle, Reliant of America, and Northwest Reliant. Roger Chinn resides at
16 1513 Central Ave., College Place, WA 99324, and that is his address for service of process.

17 7. Gerald H. Chinn ("**Gerald Chin**"), also known as Jerry Chinn, was president of
18 Northwest Eagle. His brother is Roger Chinn. Gerald Chinn resides at 68765 Fairway in Welches,
19 Oregon 97067, and that is his address for service of process.

20 8. J & K Ventures of Oregon is an assumed business name that was used by Gerald Chinn.

21
22 J & K Ventures was in the business of researching and marketing business opportunities. The
23 principal place of business for J & K Ventures was 6092 SW Carrol Place SW in Albany, Oregon
24 97321, the address of Gerald Chinn's former residence. Gerald Chinn registered the assumed
25 business name with the State of Oregon, Corporation Division, from November 27, 1995, to
26 November 28, 1997.



1 Kinney is the step-daughter of Roger Chinn, who was chairman and CEO of Northwest Eagle. In his
2 letter, Harlan stated that "violation of Oregon securities law could expose you and the Company to
3 civil or possibly criminal penalties." Harlan stated that no advertising or general solicitation is
4 allowed under the "small offering" exemption, and that no commissions, finders fees or other
5 remuneration may be paid to any person for assisting the company in selling its securities. Harlan
6 stated that all provisions of a securities exemption must be fully complied with, or Kinney and
7 Northwest Eagle could be liable for the sale of unregistered securities. The letter expresses concern
8 that the proposed business plan may not comply with the full disclosure/anti-fraud requirements of
9 ORS 59.135. Harlan stated: "I cannot emphasize enough your affirmative responsibility to each
10 potential investor to present all material information regarding this investment."

11 14. Respondents are not, and have never been, licensed to sell securities in Oregon.

12 15. The securities that Respondents sold to Oregon investors are not, and have never been,
13 registered with the Oregon Division of Finance and Corporate Securities.

14 16. Most of the Oregon investors were not accredited investors.

15 17. At all times material to this order, there was no secondary market for the securities
16 issued by Reliant of America, Northwest Eagle, or Northwest Reliant.

17 **a. Reliant of America**

18 18. Between January 1, 1995, and June 12, 1997, Respondents Roger Chinn and Sanford
19 Webb offered and sold shares of stock issued by Reliant of America to Oregon investors. During that
20 time, Respondents Roger Chinn and Sanford Webb raised at least \$396,450.00 from at least 45
21 Oregon investors who purchased shares of stock issued by Reliant of America.

22 19. In addition to stock, some Reliant of America investors also received royalty
23 agreements from Northwest Eagle, signed by Roger Chinn. The royalties were based on foreign and
24 domestic sales of the vehicles. The amount of the promised royalties varied depending on the size of
25 the investment, and ranged from \$10.00 to \$25.00 per vehicle.

26 20. Respondents Roger Chinn and Sanford Webb represented to Oregon investors that



1 investor funds would be used for research, development, and mass production of electric vehicles.

2 21. Respondent Roger Chinn represented to some Oregon investors that investor funds
3 would be used to acquire the "exclusive marketing rights" of the vehicles developed and produced by
4 Good Pace.

5 22. Respondents Roger Chinn and Sanford Webb failed to provide the financial statements
6 of Reliant of America and Good Pace to some Reliant of America investors.

7 23. The products and vehicles that Good Pace researched and developed changed over time,
8
9 including, but not limited to, the Eagle, an electric golf-cart type vehicles, the Reliant, a three-
10 wheeled car, and a program to retrofit small gas-powered cars, including the Ford Aspire and the Geo
11 Metro. Respondents Roger Chinn and Sanford Webb provided sales projections for these vehicles to
12 some Reliant of America investors. Respondents Roger Chinn and Sanford Webb failed to disclose
13 to later Oregon investors who purchased shares of Reliant of America that the earlier Good Pace
14 vehicles and products had failed to meet production and sales projections.

15 24. Respondents Roger Chinn and Sanford Webb failed to disclose the risk to Oregon
16 investors who purchased Reliant of America stock that Good Pace might not be able to produce a
17 marketable electric vehicle at a competitive price.

18 25. Respondents Roger Chinn and Sanford Webb failed to disclose to Reliant of America
19 investors the risk that investors might never receive any of the royalties that the investors paid for and
20 expected to receive, because the electric vehicles might not be produced or sold.

21 26. Respondents Roger Chinn and Sanford Webb failed to disclose to Reliant of America
22 investors that Northwest Eagle also claimed the so-called "exclusive marketing rights" of the vehicles
23 developed and produced by Good Pace.

24 27. Respondents Roger Chinn and Sanford Webb failed to disclose to some Oregon
25 investors that Reliant of America, which was a marketing entity, generally received 30 to 40% (thirty
26 to forty percent) commissions or "marketing fees" from investor funds.



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

b. Northwest Eagle

28. Between April 1, 1994, and June 19, 1998, Respondents Roger Chinn and Gerald Chinn offered and sold shares of stock issued by Northwest Eagle to Oregon investors. Most of the sales also included shares in BMD Enterprises and warrants to purchase additional shares of BMD Enterprises.

29. During that time, Respondents Roger Chinn and Gerald Chinn raised at least \$815,583.20 from 110 Oregon investors who purchased shares of stock issued by Northwest Eagle, and shares of stock and warrants issued by BMD Enterprises.

30. In exchange for investor funds, Northwest Eagle gave investors stock in Northwest Eagle, and generally, a receipt or stock allocation form reflecting the investment transaction. Most of the Oregon investors also received stock in BMD Enterprises, as well as warrants to purchase additional stock in BMD Enterprises.

31. In some cases, investors also received royalty agreements from Northwest Eagle. The royalties were based on foreign and domestic sales of vehicles. The amount of promised royalties varied depending on the size of the investment, and ranged from \$2.50 to \$100 per vehicle. However, Northwest Eagle has not paid any royalties to Oregon investors.

32. Gerald Chinn offered to pay some Oregon investors 1% for referrals. In a 1996 letter to John Jenks, an Oregon investors, Chinn stated, "I have recently had a number of referrals and I still pay 1% for qualified sales, so talk with your friends, relatives and see if they want to be pioneers in this new industry...." In a letter dated June 11, 1996, to Kent Hickam of Willamette Capital Company, an Oregon investor, Chinn stated, "Please remember, we probably do 95% of our business by referral. Who do you know that you would like to share this exciting investment opportunity with?" In a letter to Karl Arnsmeier, an Oregon investor, dated September 18, 1996, Chinn stated,

1 "Please remember, we would probably do 95% of our business by referral. Who do you know that
2 you would like to share this exciting investment opportunity with? We pay 1% for qualified
3 referrals!"

4 33. Respondents Roger Chinn and Gerald Chinn represented to some Oregon investors that
5 investor funds would be used for research, development, and mass production of various electric
6 vehicles. Respondents Roger Chinn and Gerald Chinn represented to some investors that their funds
7 would be invested in "private placement" offerings with BMD Enterprises, and in some cases,
8 concurrently used to acquire the "exclusive marketing rights" of the vehicles developed and produced
9 by Good Pace.

10 34. Respondents Roger Chinn and Gerald Chinn represented to some Oregon investors that
11 Northwest Eagle would purchase the BMD Enterprises stock through a "private placement" with
12 BMD Enterprises at an agreed upon price, hold the stock for one year, and thereafter, distribute the
13 BMD Enterprises stock and warrants to Northwest Eagle shareholders.

14 35. Gerald Chinn signed a "shareholders agreement" dated October 22, 1996, regarding the
15 sale of stock in Northwest Eagle, and stock and warrants in BMD Enterprises, to Paul and Susan
16 Wong of Albany, Oregon. According to the terms of the agreement, Gerald Chinn sold 200,000
17 shares of Northwest Eagle and 86,000 shares of BMD to Mr. and Mrs. Wong for \$20,000. Mr. and
18 Mrs. Wong received their BMD shares more than eighteen months later, and they only received
19 64,500 shares of BMD (instead of the 86,000 shares and warrants promised in the written contract).
20 In documents filed with the Oregon Division of Finance and Corporate Securities in September 1998,
21 Mr. Wong stated: "I thought I will receive BMD shares right after I received Northwest Eagle stock.
22 With many phone calls I got part of BMD stock in April 98. I tried to contact them many times to
23 complain of missing shares, get no result!"

24 36. Respondents Roger Chinn and Gerald Chinn failed to provide the financial statements
25 of BMD Enterprises, Northwest Eagle, and Good Pace to some Northwest Eagle investors.

26





1 37. The products and vehicles that Good Pace researched and developed changed over time.

2
3 They included, but were not limited to, the Eagle, an electric golf-cart type vehicle; the Reliant, a
4 three-wheeled car; and a program to retrofit small gasoline-powered cars, including the Ford Aspire
5 and the Geo Metro. Respondents provided production and sales projections for these vehicles to
6 some Northwest Eagle investors. Respondents did not disclose to later Oregon investors who
7 purchased shares of Northwest Eagle that the earlier Good Pace vehicles and products had failed to
8 meet production and sales projections.

9 38. Respondents Roger Chinn and Gerald Chinn failed to disclose the risk that Northwest
10 Eagle might not have any product to feasibly market because BMD Enterprises and Good Pace might
11 not be able to product a marketable electric vehicle at a competitive price.

12 39. Respondents Roger Chinn and Gerald Chinn failed to disclose the risk that investors
13 might never receive any of the royalties that the investors paid for and expected to receive, because
14 the vehicles might not be produced or sold.

15 40. Respondents Roger Chinn and Gerald Chinn provided some Oregon investors with
16 offering materials containing rJ sumJ information for several principals of Northwest Eagle,
17 including Roger Chinn. This information describes his background, education, work experience, and
18 accomplishments. Respondents Roger Chinn and Gerald Chinn failed to disclose to Oregon investors
19 that Roger Chinn twice filed bankruptcy, including a Chapter 13 filed in 1985, dismissed in 1991, and
20 a Chapter 7 filing that resulted in a bankruptcy discharge in 1992.

21 41. Respondents Roger Chinn and Gerald Chinn failed to disclose to Northwest Eagle
22 investors that Reliant of America also claimed the so-called "exclusive marketing rights" of the
23 vehicles developed and produced by Good Pace.

24 42. Respondents Roger Chinn and Gerald Chinn failed to disclose to Oregon investors that
25 Northwest Eagle, which was a marketing entity, generally received 30% to 40% commissions or
26 "marketing fees" from investor funds.



1 **c. Northwest Reliant**

2 43. Between June 11, 1997, and July 7, 1997, Respondent Roger Chinn offered and sold
3 promissory notes in Northwest Reliant to Oregon investors. He raised at least \$40,000 from at least
4 seven Oregon investors who purchased promissory notes issued by Northwest Reliant. The
5 promissory notes carry a 15% annual interest rate and they mature in two years.

6 44. Roger Chinn represented to some investors that the promissory notes from Northwest
7 Reliant were guaranteed by Northwest Eagle and Reliant of America, and investor funds would be
8 used to finance a manufacturing and assembly plant for Mini Motors.

9 45. The offering materials that Roger Chinn provided to some Oregon investors state: "The
10
11 participating shareholders receive a 15% interest bearing promissory note from N.R.I. guaranteed by
12 Northwest Eagle, Inc./Reliant of America, Inc. N.R.I. then finances the beginning phase of Mini
13 Motors through a 2 year, 15% interest bearing debenture convertible to BMD shares with warrants
14 with two consecutive two year renewable terms at the holders option. This debenture is guaranteed
15 by Mini Motors, Northwest Eagle, Inc. and Reliant of American, Inc. The Debenture with terms and
16 conditions intact will, in proportion, be assigned to the participating Northwest Eagle, Inc./Reliant of
17 America, Inc. (shareholders) lenders . . . Additional Benefits for the Debenture Holders at the Time of
18 Conversion: A bonus of 20% of the face amount of the debenture will be awarded proportionally in
19 the form of additional shares of BMD Enterprises, Ltd. plus, 2 year warrants equal to 40% of the face
20 amount will also be issued and distributed proportionally to the debenture holders."

21 46. Roger Chinn failed to disclose the risks of investment to Northwest Reliant investors,
22 including, but not limited to, the risk that Northwest Reliant, Northwest Eagle, and Reliant of
23 America might not be able to pay the interest and principal on the notes as they became due, and the
24 guarantees would not be honored.

25 47. Roger Chinn signed some of the promissory notes as "Chairman" of Northwest Reliant,
26

1 Northwest Eagle and Reliant of America. Roger Chinn failed to disclose to Northwest Reliant
2 investors that Roger Chin had twice filed for bankruptcy. The bankruptcy cases include a Chapter 13
3 bankruptcy filed in 1985, dismissed in 1991, and a Chapter 7 filing by Roger Chinn that resulted in a
4 bankruptcy discharge in 1992.

5 48. Roger Chinn failed to the provide financial statements of Northwest Reliant,
6 Northwest Eagle, and Reliant of America to some Northwest Reliant investors.

7 CONCLUSIONS OF LAW

8 The Director **CONCLUDES** that:

9 1. The corporate shares and warrants issued by BMD Enterprises Ltd. that were offered
10 and sold to Oregon investors are "securities" under ORS 59.015(19);

11 2. The corporate shares issued by Reliant of America, Inc. that were offered and sold to
12 Oregon investors are "securities" under ORS 59.015(19).

13 3. The corporate shares issued by Northwest Eagle, Inc. that were offered and sold to
14 Oregon investors are "securities" under ORS 59.015(19).

15 4. The promissory notes issued by Northwest Reliant, Inc. that were offered and sold to
16 Oregon investors are "securities" under ORS 59.015(19).

17 5. Gerald Chinn, Roger Chinn, and Sanford Webb each acted as securities "salesperson,"
18 as defined in ORS 59.015(18)(a), by representing an issuer of securities in effecting transactions in
19 securities.

20 6. Respondents, Roger Chinn, Gerald Chinn, and Sanford Webb each transacted business
21 in Oregon as a securities "salesperson," while unlicensed, in violation of ORS 59.165(1).

22 7. Respondents Roger Chinn, Gerald Chinn, and Sanford Webb, offered and sold
23 unregistered securities in Oregon, in violation of ORS 59.055;

24 8. In connection with the offer and sales of securities to Oregon investors, Respondents
25 omitted to state material facts, in violation of ORS 59.135(2), by failing to provide some investors
26





1 with financial statements for BMD Enterprises, Northwest Eagle, Reliant of America and Northwest
2 Reliant.

3 9. In connection with the offer and sales of securities to Oregon investors, Respondents
4 omitted to state material facts, in violation of ORS 59.135(2), by failing to disclose to later Oregon
5 investors that earlier products and ventures failed to meet published production and sales projections.

6 10. In connection with the offer and sales of securities to Oregon investors, Respondents
7 omitted to state material facts, in violation of ORS 59.135(2), by failing to disclose the risk that BMD
8 Enterprises and Good Pace might not be able to produce a marketable electric vehicle at a
9 competitive price.

10 11. In connection with the offer and sales of securities to Oregon investors, Respondents
11 omitted to state material facts, in violation of ORS 59.135(2), by failing to disclose to investors the
12 risk that investors might never receive any of the royalties that the investors paid for an expected to
13 receive, because the electric vehicles might not be produced.

14 12. In connection with the offer and sales of securities to Oregon investors, Respondents
15 omitted to state material facts, in violation of ORS 59.135(2), by failing to disclose to Oregon
16 investors that Roger Chinn twice filed for bankruptcy.

17 13. In connection with the offer and sales of securities to Oregon investors, Respondents
18 omitted to state material facts, in violation of ORS 59.135(2), by failing to disclose to Northwest
19 Eagle investors that Reliant of America also claimed then so-called "exclusive marketing rights" to
20 vehicles developed and produced by Good Pace.

21 14. In connection with the offer and sales of securities to Oregon investors, Respondents
22 omitted to state material facts, in violation of ORS 59.135(2), by failing to disclose to Reliant of
23 America investors that Northwest Eagle also claimed the so-called "exclusive marketing rights" to the
24 vehicles developed and produced by Good Pace.

25 15. In connection with the offer and sales of securities to Oregon investors, Respondents
26

1 omitted to state material facts, in violation of ORS 59.135(2), by failing to disclose that Northwest
2 Eagle and Reliant of America would generally receive 30 to 40% (thirty to forty percent) of the
3 investor funds.

4 **ORDER**

5 **NOW, THEREFORE, THE DIRECTOR ISSUES THE FOLLOWING ORDERS:**

6 1. Pursuant to ORS 59.245, Respondents Roger Chinn and Sanford Webb are

7 **ORDERED TO CEASE AND DESIST** from:

8 a. Offering and selling unregistered securities in the State of Oregon, in violation of
9 ORS 59.055;

10 b. Transacting business as a securities salesperson in the State of Oregon in violation of
11 ORS 59.055;

12 c. Making any untrue statements of material fact or omitting to state a material fact
13 necessary to make the statements made, in light of the circumstances under which they are
14 made, not misleading, pursuant to ORS 59.135(2); and

15 d. Violating any of the provisions of ORS Chapter 59 and Oregon Administrative Rules
16 Chapter 441.

17 2. Pursuant to ORS 59.045(2), Respondents Roger Chinn and Sanford Webb are **DENIED**
18 the use of any exemptions that would otherwise be available to them under ORS 59.025 and 59.035,
19 concerning securities exempt from registration and securities transactions exempt from registration,
20 respectively.

21 3. Pursuant to the authority of ORS 59.995, Respondent Roger Chinn is **ORDERED** to pay
22 a civil penalty to the Director in the amount of \$20,000 (twenty thousand dollars) for the violations
23 stated herein.

24 4. Pursuant to the authority of ORS 59.995, Respondent Sanford Webb is **ORDERED** to
25 pay a civil penalty to the Director in the amount of \$15,000 (fifteen thousand dollars) for the
26 violations stated herein.

Division of Finance and Corporate Securities
Labor and Industries Building
350 Winter Street NE, Suite 410
Salem, OR 97301-3881
Telephone: (503) 378-4387



1 The entry of this order in no way limits further remedies which may be available to the
2 Director under Oregon law.

3 Dated this _____ day of _____, 2001 at Salem, Oregon **NUNC PRO TUNC**
4 November 2, 2001.

5

6

MARY C. NEIDIG, DIRECTOR
DEPARTMENT OF CONSUMER AND BUSINESS SERVICES

7

8

9

NOTICE TO PARTIES

10

11

You are entitled to 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 59.305 and ORS 183.480 et seq.

12

13

14

15

16

17

18

19

20

21

22

23

24

25

26

Division of Finance and Corporate Securities
Labor and Industries Building
350 Winter Street NE, Suite 410
Salem, OR 97301-3881
Telephone: (503) 378-4387

