

DEPARTMENT OF CONSUMER AND BUSINESS SERVICES
DIVISION OF FINANCE AND CORPORATE SECURITIES
SECURITIES SECTION
BEFORE THE DIRECTOR OF THE DEPARTMENT OF CONSUMER AND
BUSINESS SERVICES

In the Matter of:

A-02-0009(a)

First Federated Companies of Oregon,
Inc., an Oregon Corporation, fka First
Federated Communications of Oregon,
Inc., dba First Choice Communications;
Michael J. Morris; Robert A. Miller;
and Stephen E. Allsup,

ORDER TO CEASE AND DESIST
ORDER ASSESSING CIVIL PENALTY
AND
CONSENT TO ENTRY OF ORDER
BY RESPONDENT
STEPHEN E. ALLSUP

Respondents.

WHEREAS the Director of the Department of Consumer and Business Services has
 conducted an investigation of certain business activities conducted by First Federated
 Companies of Oregon, Inc. (fka First Federated Communications of Oregon, Inc.), doing
 business as First Choice Communications and by Michael J. Morris, Robert A. Miller and
 Stephen E. Allsup and has determined that Stephen E. Allsup sold unregistered securities and
 sold securities without a license in violation of the Oregon Securities Laws;

WHEREAS Stephen E. Allsup wishes to resolve and settle this matter with the
DIRECTOR;

NOW THEREFORE, as evidenced by the authorized signature subscribed on this
 Order, Stephen E. Allsup hereby **CONSENTS** to entry of this Order to Cease and Desist upon
 the Director's Findings of Fact and Conclusions of Law as stated hereinafter.

FINDINGS OF FACT

1. At all times material to this Order, First Federated Companies of Oregon, Inc. (fka
 First Federated Communications of Oregon, Inc.), dba First Choice Communications,
 (hereinafter "First Choice") was an Oregon corporation. First Choice filed articles of
 incorporation with the Oregon Secretary of State in November 1991 and filed articles of

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 dissolution on April 21, 2001. First Choice's principal place of business was 9600 SW Oak
2 Street, Suite 240, Portland, Oregon 97223. The only officers, directors and shareholders of
3 First Choice were Michael J. Morris ("Morris"), Robert A. Miller ("Miller") and Stephen E.
4 Allsup ("Allsup"), all of whom are residents of the State of Oregon.

5 2. First Choice was in the business of reselling the telecommunications products of
6 companies such as AT&T, Integra Telecom and Envoy Global. First Choice had very few, if
7 any, physical assets and its primary source of revenue was the commissions it earned on the
8 resale of telecommunications products.

9 3. From 1991 to 2001, Respondents entered into "Loan Agreements" or promissory
10 notes (the "notes") with at least 86 individuals, the majority of whom were residents of the
11 State of Oregon. Respondents raised approximately \$3,000,000 through the sale of these
12 notes.

13 4. Pursuant to the notes, investors provided money to Miller, Morris and Allsup for
14 use in the business of First Choice. Most of the notes were written on First Choice letterhead
15 and contained similar, if not identical, language. Generally, the notes provided that an
16 investor would receive interest payments in the amount of 10-12% per annum and that the
17 notes would mature in one year. In many cases, however, First Choice could not repay the
18 notes as agreed and the notes were renegotiated each year by adding any unpaid interest to the
19 principal amount. Investors state that Respondents marketed the notes as an obligation of
20 Respondents to repay investors money, with interest, at a certain point in the future, although
21 a number of investors received minimal or no payment of interest or principal on the notes.

22 5. Respondents deposited investor funds into one bank account for First Choice and
23 did not segregate any investor funds from operating funds or from the funds of other
24 investors.

25 6. Investors in the notes of First Choice had little experience in the
26 telecommunications industry, had no voice or vote in the day-to-day operations of the



1 business, and relied on the efforts of Respondents to provide them with a return on their
2 investment.

3 7. None of the Respondents hold a securities license in Oregon or any other state
4 authorizing the sale of the notes or any other securities.

5 8. The notes sold by Respondents were not registered for sale as securities under the
6 Oregon Securities Laws.

7 CONCLUSIONS OF LAW

8 The Director **CONCLUDES** that:

9 1. The Loan Agreements sold by Respondents constitute securities as defined in ORS
10 59.015(19)(a).

11 2. Respondents sold securities in Oregon without a valid securities license, in
12 violation of ORS 59.165.

13 3. Respondents sold unregistered securities in Oregon in violation of ORS 59.055.

14 ORDER

15 The Director, pursuant to ORS 59.245 hereby **ORDERS** that Respondent, Stephen E.
16 Allsup shall **CEASE and DESIST** from:

17 1. Selling securities without a license in violation of Oregon Securities Laws;

18 2. Selling unregistered securities in the State of Oregon in violation of Oregon
19 Securities Laws;

20 3. Violating any provision of the Oregon Securities Laws, including ORS Chapter 59
21 and OAR Chapter 441.

22 The Director, pursuant to ORS 59.995, **HEREBY ORDERS** the following **CIVIL**
23 **PENALTIES**:

24 1. Respondent Stephen E. Allsup shall be denied the use of any securities licensing or
25 registration exemptions contained in the Oregon Securities Laws, including ORS Chapter 59
26 and OAR Chapter 441.

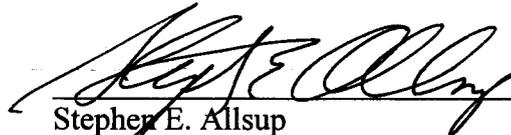


1 appropriate action upon discovery of other violations of the Oregon Securities Law by me;
2 and that I will fully comply with the terms and conditions stated herein.

3 I further assure the Director that I will not engage in the activities of a broker-dealer,
4 investment adviser, or mortgage broker, or act as a salesperson for any of these unless such
5 activities are in full compliance with Chapter 59 of the Oregon Revised Statutes.

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

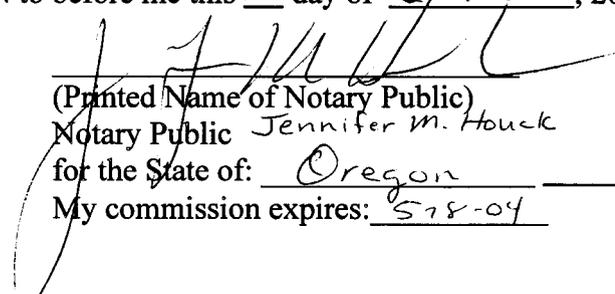
7 Dated this 13th day of JUNE, 2002.

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9 
10 Stephen E. Allsup

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12 SUBSCRIBED AND SWORN to before me this 13th day of June, 2002.



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(Printed Name of Notary Public)
Notary Public Jennifer M. Houck
for the State of: Oregon
My commission expires: 5-18-04

