

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:
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,

Respondents.

A-02-0009(c)

FINAL ORDER TO CEASE
AND DESIST, DENIAL OF
EXEMPTIONS, AND
ASSESSMENT OF CIVIL PENALTIES
ENTERED BY DEFAULT
AS TO RESPONDENT FIRST
FEDERATED COMPANIES OF
OREGON, INC.

On July 23, 2002, the Director of the Department of Consumer and Business Services for the State of Oregon, acting by the authority of the Oregon Securities Laws, Chapter 59 of the Oregon Revised Statutes (hereinafter ORS Chapter 59), issued Administrative Order No. A-02-0009(c) to Cease and Desist, Order Imposing Civil Penalty and Notice of Right to Hearing.

Respondent First Federated Companies of Oregon, Inc. was duly served with a certified copy of Administrative Order No. A-02-0009(c) and Notice of Right to Hearing. Service was effected by mailing the Order and Notice by certified and regular mail, with proper postage affixed to each, to the last known address for the last known president of the Company, Michael J. Morris, and a signed green card was returned from on behalf of Respondent First Federated Companies of Oregon, Inc. No request for a hearing in this matter was filed with the Director.

NOW THEREFORE, after consideration of the Investigative Report and accompanying exhibits submitted in this matter by Lisa M. Udland, the Director hereby issues the following Findings of Fact, Conclusions of Law, and Final Order with respect to Respondent First Federated Companies of Oregon, Inc.

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



FINDINGS OF FACT

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2 1. At all times material to this Order, First Federated Companies of Oregon, Inc. (fka
3 First Federated Communications of Oregon, Inc.), dba First Choice Communications,
4 (hereinafter "First Choice") was an Oregon corporation. First Choice filed articles of
5 incorporation with the Oregon Secretary of State in November 1991 and filed articles of
6 dissolution on April 21, 2001. First Choice's principal place of business was 9600 SW Oak
7 Street, Suite 240, Portland, Oregon 97223. The only officers, directors and shareholders of
8 First Choice were Michael J. Morris ("Morris"), Robert A. Miller ("Miller") and Stephen E.
9 Allsup ("Allsup"), all of whom are residents of the State of Oregon.

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

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

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



1 The Director, pursuant to ORS 59.995, **HEREBY ORDERS** the following **CIVIL**
2 **PENALTIES:**

3 1. Respondent First Federated Companies of Oregon, Inc., and any successor
4 business or corporation, shall be denied the use of any securities licensing or registration
5 exemptions contained in the Oregon Securities Laws, including ORS Chapter 59 and OAR
6 Chapter 441.

7 2. Respondent First Federated Companies of Oregon, Inc., shall pay a civil monetary
8 penalty of \$20,000 for violation of ORS 59.165 (unlicensed sales).

9 3. Respondent First Federated Companies of Oregon, Inc., shall pay a civil monetary
10 penalty of \$20,000 for violation of ORS 59.055 (unregistered sales).

11 4. The civil monetary penalties set forth herein shall be **SUSPENDED**; however, any
12 violation of the Oregon Securities Laws or the terms of this Order shall make the entire
13 penalty amount due and payable immediately.

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

16 Dated this 10th day of September 2002 at Salem, Oregon, NUNC PRO
17 TUNC July 23, 2002.

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19 **MARY NEIDIG, DIRECTOR**
20 **DEPARTMENT OF CONSUMER & BUSINESS**
21 **SERVICES**

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