

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

<p> In the Matter of:))) David S. Treanor and Patience &) Discipline Investment Club, Inc.))))))) Respondents.))) _____) </p>	<p>)</p>	<p>A-02-0013</p> <p>FINAL ORDER</p> <p>TO CEASE AND DESIST</p> <p>DENIAL OF EXEMPTIONS</p> <p>AND</p> <p>ASSESSMENT OF CIVIL PENALTIES</p> <p>ENTERED BY DEFAULT</p>
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On July 15, 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-02-0013 to Cease and Desist, Order Imposing Civil Penalty and Notice of Right to Hearing.

All Respondents were duly served with a certified copy of Administrative Order No. A-02-0013 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 each of the named respondents, and a signed green card was returned for the Respondents. No request for a hearing was filed in this matter.

NOW THEREFORE, after consideration of the Investigative Report and accompanying exhibits submitted in this matter by Susan Schoaps, the Director hereby issues the following Findings of Fact, Conclusions of Law, and Final Order with respect to David S. Treanor and the Patience & Discipline Investment Club, Inc.

FINDINGS OF FACT

The Director **FINDS** that:

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 1. At all times material to this Order, the Patience & Discipline Investment Club,
2 Inc. (“P&D) was an Oregon corporation. P&D was incorporated on December 4, 1996 and
3 was dissolved on September 29, 1999. David Treanor (“Treanor”), a resident of the State of
4 Oregon, was the president and sole director of P&D.

5 2. At all times material to this Order, P&D acted as an “investment club” for the
6 purpose of “day trading in the option market on a short term buy/sell basis” by “placing
7 orders with the Chicago Board of Options Exchange or the New York Exchange.”

8 3. From December 1996 to July 1999, approximately 25 individuals invested at
9 least \$88,000 with Treanor and P&D. At least 16 of the investors were residents of the State
10 of Oregon and most investors received stock certificates documenting their investment in
11 P&D. b

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13 4. The minimum purchase price for each stock certificate or investment was
14 \$500. Respondent Treanor pooled all investor funds into a “capitalization pool,” with the
15 stated purpose of using the funds for options trading. Respondent Treanor told investors that
16 all profits would be allocated to shareholders on a pro-rata basis.

17 5. Respondent Treanor acted as the “corporate trading account manager” for P&D
18 and had all discretion and trading authority over P&D’s funds. Investors had no vote or other
19 voice in how their investments were managed once placed in P&D.

20 6. Most of the investors had limited, if any, experience in the day trading and
21 options markets and all were relying on the represented expertise of Respondent Treanor to
22 make a profit on their investment. In exchange for his efforts, Respondent Treanor required
23 investors to pay P&D a fee of 12.5% of net monthly accrued profits.

24 7. In connection with the sale of the stock certificates and investments in P&D,
25 Respondent Treanor made the following material misrepresentations or omissions of fact to at
26 least one investor:



- 1 a. Stated that the shares of P&D were registered with the State of Oregon.
- 2
- 3 b. Failed to inform investors that their funds would be used to fund
- 4 “loans” to ICBYS, a Nevada Corporation owned by Respondent
- 5 Treanor’s daughter.
- 6 c. Discussed with investors the “importance of diversification in a
- 7 collective pool of assets,” when all P&D funds had been transferred to
- 8 ICBYS.
- 9 d. Informed investors that P&D was unable to return funds due to the
- 10 failure of a Chicago broker to send the funds, when in fact the
- 11 brokerage account had no remaining funds.
- 12 e. Continued to inform investors that he was actively trading in the
- 13 P&D accounts, when in fact the accounts either had little or no funds
- 14 remaining.

15 8. During the course of the Director’s investigation of this matter, Respondent
16 Treanor made the following false statements to the Director:

- 17 a. Stated that P&D had only nine (9) investors, when in fact at least 25
- 18 individuals had invested in P&D.
- 19 b. Stated that he had resigned all duties with the company effective
- 20 February 1999, when in fact, he continued to collect investment money
- 21 and to operate the P&D accounts after that time.
- 22 c. Stated that he had no connection with or control over ICBYS, when in
- 23 fact, his daughter owned ICBYS, he wrote letters on ICBYS letterhead,
- 24 and he had control over an ICBYS bank account.
- 25
- 26

1 9. At no time relevant to this Order did Respondent Treanor hold a securities
2 license in Oregon or any other state authorizing the sale of stock certificates or investments in
3 P&D, or the sale of any other security.

4 10. The stock certificates and investments in P&D sold by Respondents were not
5 registered for sale as securities under the Oregon Securities Laws.

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CONCLUSIONS OF LAW

8 The Director **CONCLUDES** that:

9 1. The stock certificates and investments in Patience and Discipline Investment
10 Club, Inc., constitute securities as defined in ORS 59.015.

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

13 3. David S. Treanor and the Patience and Discipline Investment Club, Inc., sold
14 unregistered securities in Oregon in violation of ORS 59.055.

15 4. David S. Treanor made material misrepresentations and omissions in
16 connection with the sale of securities in Oregon in violation of ORS 59.135.

17 5. David S. Treanor made false statements to the Director in violation of ORS
18 59.451.

19

ORDER

20 The Director, pursuant to ORS 59.245 hereby **ORDERS** that Respondents, David S.
21 Treanor, Patience and Discipline Investment Club, Inc., and any successor business or
22 corporation, shall **CEASE and DESIST** from:

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

24 2. Selling unregistered securities in the State of Oregon in violation of Oregon
25 Securities Laws:

26



1 3. Making material misrepresentations and/or omissions in connection with the
2 sale of securities in the State of Oregon in violation of Oregon Securities Laws;

3 4. Making false statements to the Director in violation of the Oregon Securities
4 Laws;

5 5. Violating any provision of the Oregon Securities Laws, including ORS
6 Chapter 59 and OAR Chapter 441.

7 The Director, pursuant to ORS 59.995, **HEREBY ORDERS** the following **CIVIL**
8 **PENALTIES:**

9 1. Respondents David S. Treanor, the Patience and Discipline Investment Club,
10 Inc., and any successor business or corporation, shall be denied the use of any securities
11 licensing or registration exemptions contained in the Oregon Securities Laws, including ORS
12 Chapter 59 and OAR Chapter 441.

13 2. Respondents David S. Treanor and the Patience and Discipline Investment
14 Club, Inc., jointly and severally shall pay a civil monetary penalty of \$2,500 for violation of
15 ORS 59.055 (sale of unregistered securities).

16 3. Respondent David S. Treanor shall pay the following civil monetary penalties:

- 17 a. \$2,500 for violation of ORS 59.165 (unlicensed sale of securities);
- 18 b. \$10,000 for violation of ORS 59.135 (material
19 misrepresentations/omissions in connection with the sale of a security);
- 20 c. \$2,000 for violation of ORS 59.451 (making false statements to the
21 Director).

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

24 Dated this _____ day of _____, 2002 at Salem, Oregon, NUNC PRO
25 TUNC July 15, 2002.

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MARY NEIDIG, DIRECTOR
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