

1 Entry of Order (hereafter the "Order"), and has waived any right to a hearing with respect to
2 this matter and to challenge or appeal this Order;

3 **WHEREAS**, Respondent Morris has consented to the jurisdiction of the Director of
4 the Department of Consumer and Business Services, State of Oregon for the purpose of this
5 Order and the issuance thereof,

6 **NOW THEREFORE**, the Director hereby issues the following Findings of Fact and
7 Conclusions of Law, **WHICH RESPONDENT MORRIS NEITHER ADMITS NOR**
8 **DENIES**, and issues the following Order, **TO WHICH RESPONDENT MORRIS HAS**
9 **CONSENTED**, as is evidenced by the signature of Respondent Morris in the Stipulation and
10 Consent to Entry of Order attached hereto.

11

12

FINDINGS OF FACT

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

21 2. First Choice was in the business of reselling the telecommunications products of
22 companies such as AT&T, Integra Telecom and Envoy Global. First Choice had very few
23 physical assets and its primary source of revenue was the commissions it earned on the resale
24 of telecommunications products.

25 3. In approximately 1992, Morris became a full time employee of First Choice and in
26 approximately 1994 was elected president, a post in which he served until 2001.





1 4. From 1991 to 1999, Respondents entered into "Loan Agreements" or promissory
2 notes (the "notes") with at least 86 individuals, the majority of whom were residents of the
3 State of Oregon. Respondents raised approximately \$3,000,000 through the sale of these
4 notes.

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

14 6. Respondents deposited investor funds into one bank account for First Choice and
15 did not segregate any investor funds from operating funds or from the funds of other
16 investors.

17 7. Investors in the notes of First Choice had little experience in the
18 telecommunications industry, had no voice or vote in the day-to-day operations of the
19 business, and relied on the efforts of Respondents to provide them with a return on their
20 investment.

21 8. None of the Respondents hold a securities license in Oregon or any other state
22 authorizing the sale of the notes or any other securities.

23 9. The notes sold by Respondents were not registered for sale as securities under the
24 Oregon Securities Laws.

25 10. To induce investment in the promissory notes of First Choice, Respondent
26 Morris omitted to state or provide the following facts to at least one Oregon investor:

- 1 a. Failed to provide prospective investors with a specific description of his assets
2 so that they could make an objective assessment of his ability to pay principal
3 and interest in a timely fashion;
- 4 b. Failed to provide prospective investors with a specific description of his
5 liabilities so that they could make an objective assessment of his ability to pay
6 principal and interest in a timely fashion;
- 7 c. Failed to provide prospective investors with a copy of his most recent tax
8 return so that they could make an objective assessment of his ability to pay
9 principal and interest in a timely fashion;
- 10 d. Failed to provide prospective investors with an objective description of
11 foreseeable "risk factors" that could potentially impair the repayment of
12 principal and interest;
- 13 e. Failed to inform prospective investors that family members or close friends of
14 Respondents would be repaid before other investors, and that repayments
15 would in fact not be conducted on a *pro rata* basis.

16 CONCLUSIONS OF LAW

17 The Director **CONCLUDES** that:

- 18 1. The Loan Agreements sold by Respondents are notes and, as such, constitute
19 securities as defined in ORS 59.015(19)(a).
- 20 2. Respondents sold securities in Oregon without a valid securities license, in
21 violation of ORS 59.165.
- 22 3. Respondents sold unregistered securities in Oregon in violation of ORS 59.055.
- 23 4. Respondents sold securities while omitting to state a material fact necessary in
24 order to make the statements made, in the light of the circumstances under which they were
25 made, not misleading in violation of ORS 59.135 (2).

26 ORDER



1 The Director, pursuant to ORS 59.245 hereby **ORDERS** that Respondent Michael J.
2 Morris shall **CEASE and DESIST** from:

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

4 2. Selling unregistered securities in the State of Oregon in violation of Oregon
5 Securities Laws;

6 3. Making misrepresentations in connection with the sale of a security in violation of
7 the Oregon Securities Laws;

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

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

12 The Director, pursuant to ORS 59.995, **HEREBY ORDERS** the following **CIVIL**
13 **PENALTIES:**

14 1. Respondent Michael J. Morris shall be denied the use of any securities licensing or
15 registration exemptions contained in the Oregon Securities Laws, including ORS Chapter 59
16 and OAR Chapter 441.

17 2. Respondent Morris shall be assessed civil penalties in the total sum of sixty
18 thousand dollars (\$60,000.00) for violations of the Oregon Securities Law described above,
19 payable in monthly payments due on the first day of the month (however, a payment will not
20 be deemed to be untimely if it is received on or before the fifth day of the month or if it is in
21 an envelope postmarked by the United States Postal Service before the second day of the
22 month) according to the following schedule: one hundred dollars a month (\$100.00) from
23 March, 2003 through February, 2004; two hundred dollars a month (\$200.00) from March,
24 2004 through February 2005, and three hundred dollars a month (\$300.00) a month from
25 March, 2005 until the first twenty thousand dollars (\$20,000) has been paid. Should all
26 payments above, totaling twenty thousand dollars (\$20,000), be made in a timely fashion



1 (Respondent Morris shall be allowed three ten day grace period each calendar year, with no
2 more than one grace period allowed per month) and should Respondent Morris not violate any
3 provision of this Order or of the Oregon Securities Law the remaining forty thousand dollars
4 (\$40,000.00) shall be deemed permanently waived. Should Respondent Morris fail to remit
5 payments in a timely fashion pursuant to the terms of this clause, the entire sixty thousand
6 dollar penalty minus amounts already paid shall accelerate and become due thirty days after
7 the Division mails formal notice of said deficiency via United States Postal Service, certified
8 delivery. As such, for purposes of this Order time shall be deemed to be of the essence.

9 3. The entry of this Order in no way limits further remedies which may be available
10 to the Director under Oregon Law involving matters not covered under the terms of this
11 Order.

12 Dated this 17th day of February, 2003, at Salem, Oregon.

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14 GREGORY A MALKASIAN,
15 DEPUTY DIRECTOR
16 DEPARTMENT OF CONSUMER AND
17 BUSINESS SERVICES

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



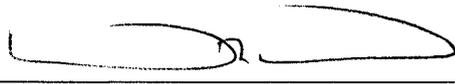
1 **CONSENT TO ENTRY OF ORDER**

2 I, Michael J. Morris, state that I am a resident of the State of Oregon, that I have read
3 the foregoing Order and that I know and fully understand the contents hereof; that I make no
4 admission of liability with respect to the Findings of Fact in the foregoing Order; that I have
5 been advised of my right to a hearing, that I have had the opportunity to have been
6 represented by counsel of my choosing in this matter; that I voluntarily consent to the entry of
7 this Order without any force or duress, expressly waiving any right to a hearing in this matter;
8 that I understand that the Director reserves the right to take further actions against me to
9 enforce this Order or to take appropriate action upon discovery of other violations of the
10 Oregon Securities Law by me; and that I will fully comply with the terms and conditions
11 stated herein.

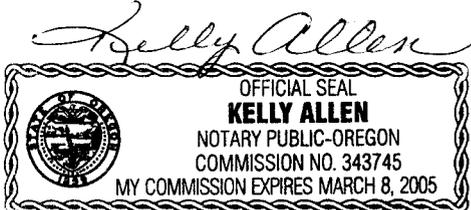
12 I further assure the Director that I will not engage in the activities of a broker-dealer,
13 investment adviser, or mortgage broker, or act as a salesperson for any of these unless such
14 activities are in full compliance with Chapter 59 of the Oregon Revised Statutes.

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

16 Dated this 5TH day of FEBRUARY, 2003.

17
18 
19 Michael J. Morris

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21 SUBSCRIBED AND SWORN to before me this 5TH day of FEBRUARY, 2003.



24 KELLY ALLEN
25 (Printed Name of Notary Public)
26 Notary Public
for the State of: OREGON
My commission expires: 3-8-05

Division of Finance and Corporate Securities
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