

1 **DEPARTMENT OF CONSUMER AND BUSINESS SERVICES**
2 **DIVISION OF FINANCE AND CORPORATE SECURITIES**
3 **SECURITIES SECTION**
4 **BEFORE THE DIRECTOR OF THE DEPARTMENT OF CONSUMER AND**
5 **BUSINESS SERVICES**

6 **In the Matter of:**) **No. A-03-0023**
7)
8 **GBS FUNDING, JAMES GEORGEN and**) **FINAL ORDER TO CEASE AND**
9 **LEE STORTZ,**) **DESIST, DENYING EXEMPTIONS,**
10) **AND ASSESSING CIVIL PENALTIES**
11) **BY DEFAULT AS TO GBS FUNDING**
12) **and LEE STORTZ**
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10 On May 13, 2003 the Director of the Department of Consumer and Business Services for
11 the State of Oregon (hereafter the "Director"), acting by and pursuant to the authority of Oregon
12 Securities Law, Chapter 59 of the Oregon Revised Statutes, and other applicable authority,
13 issued Administrative Order No. A-03-0023 to **CEASE AND DESIST, DENYING**
14 **EXEMPTIONS, AND ASSESSING CIVIL PENALTIES AND NOTICE OF RIGHT TO**
15 **CONTESTED CASE HEARING** (hereafter "the Order") against Respondents **GBS**
16 **FUNDING, JAMES GEORGEN, and LEE STORTZ .**

17 On May 16, 2003 Respondent **GBS FUNDING** was duly served with a true copy of the
18 Order and Notice by United States Mail, postage prepaid, and addressed to Respondent **GBS**
19 **FUNDING** at the following last known address: PMB 327, 7410 SW Oleson Road, Portland,
20 Oregon 97223. This mailing was returned by the PMB facility to sender, marked "Box Closed."

21 On May 16, 2003 Respondent **GBS FUNDING** was duly served with a true copy of the
22 Order and Notice by certified United States Mail, Restricted Delivery (Item #7000 1670 0010
23 4289 5622), postage prepaid, and addressed to Respondent **GBS FUNDING** at the following last
24 known address: PMB 327, 7410 SW Oleson Road, Portland, Oregon 97223. This mailing was
25 returned by the United States Post Office to sender, marked "Return to Sender, Attempted Not
26 Known."

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 On May 16, 2003 Respondent **LEE STORTZ** was duly served with a true copy of the
2 Order and Notice by United States Mail, postage prepaid, and addressed to Respondent **LEE**
3 **STORTZ** at the following last known address: PMB 327, 7410 SW Oleson Road, Portland,
4 Oregon 97223. This mailing was returned by the PMB facility to sender, marked "Box Closed."

5 On May 16, 2003 Respondent **LEE STORTZ** was duly served with a true copy of the
6 Order and Notice by certified United States Mail, Restricted Delivery (Item #7000 1670 0010
7 4289 5684), postage prepaid, and addressed to Respondent **LEE STORTZ** at the following last
8 known address: PMB 327, 7410 SW Oleson Road, Portland, Oregon 97223. This mailing was
9 returned by the United States Post Office to sender, marked "Return to Sender, Attempted Not
10 Known."

11 Respondents **GBS FUNDING** and **LEE STORTZ** have not made a written request for a
12 contested case hearing in this matter and the time to do so has expired.

13 **NOW THEREFORE**, after consideration of the Investigation Report and accompanying
14 exhibits submitted in this matter by David T. Weiss, Securities Enforcement Officer, the Director
15 hereby issues the following Findings of Fact, Conclusions of Law, and Final Order:

16 **FINDINGS OF FACT**

17 The Director **FINDS** that:

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19 1. Respondent **GBS FUNDING**, at all times material herein, offered investments in
20 "high yield trading programs" to members of the public. (A "high yield trading program" is
21 purportedly designed to take advantage of offshore inter-bank transactions.) **GBS FUNDING** is
22 a partnership consisting of Respondents **JAMES GEORGEN** and **LEE STORTZ**. Its last
23 known address is PMB 327, 7410 SW Oleson Road, Portland, Oregon 97223.

24 2. Respondent **JAMES GEORGEN**, at all times material herein, was a partner in **GBS**
25 **FUNDING**, and solicited investments from members of the public in "high yield trading
26

1 programs” on its behalf. **JAMES GEORGEN**’s last known address is 7308 SW 35th Avenue,
2 Portland, Oregon 97219.

3 3. Respondent **LEE STORTZ**, at all times material herein, was a partner in **GBS**
4 **FUNDING**, and solicited investments from members of the public in “high yield trading
5 programs” on its behalf. **LEE STORTZ**’s last known address is PMB 327, 7410 SW Oleson
6 Road, Portland, Oregon 97223.

7 4. Respondent **GBS FUNDING**, at all times material herein, was not licensed as a
8 broker-dealer by the Oregon Division of Finance and Corporate Securities and was not
9 authorized to sell securities in the State of Oregon.

10 5. Respondent **JAMES GEORGEN (CRD#220966)**, at all times material herein, was
11 not licensed to sell a type of security known as an “investment contract” in the State of Oregon
12 (Georgen was licensed to sell mutual funds and annuities, neither of which are at issue in the
13 case at bar).

14 6. Respondent **LEE STORTZ**, at all times material herein, was not licensed to sell a
15 type of security known as an “investment contract” in the State of Oregon. Stortz has never
16 possessed a securities license in the State of Oregon.

17 7. **BETTY DONNELLY**, an Oregon resident, invested ten thousand dollars (\$10,000)
18 with Respondents in the fourth quarter of 1999.

19 8. **MARVIS BROWN**, an Oregon resident, invested ten thousand dollars (\$10,000) with
20 Respondents in the fourth quarter of 1999

21 9. **JUSTIN THOMPSON**, an Oregon resident, invested ten thousand dollars (\$10,000)
22 with Respondents in the fourth quarter of 1999.

23 10. **ROGER AND SHERYL NIXON**, Washington residents, invested ten thousand
24 dollars (\$10,000) with Respondents in the fourth quarter of 1999.

25 11. **SIX OTHER UNKNOWN INVESTORS**, on information and belief, invested ten
26 thousand dollars (\$10,000) each with Respondents in the fourth quarter of 1999.



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1 12. The **GBS FUNDING** “trading program” purportedly consisted of investments in
2 “high return trading mediums” involving unnamed “international banks” that ostensibly sold
3 loan portfolios at a discount to “raise cash.”

4 13. In point of fact, the **GBS FUNDING** “trading program” is a variation on a “prime
5 bank” scenario in which illegitimate financial schemes purport to make use of the structure of
6 legitimate transactions engaged in by large banks. Prime bank scenarios offer disproportionate
7 returns to the alleged risk involved, are replete with complexity and confusion, obscure the true
8 commercial basis for and source of the return, make it impossible to verify the transaction or its
9 financing, and entail unnecessary secrecy and obfuscatory jargon.

10 14. During the fourth quarter of 1999 Respondents solicited ten thousand dollar (\$10,000)
11 investments in the **GBS FUNDING** “trading program” from members of the public.

12 15. Respondents met with potential investors, all either insurance or securities clients of
13 Respondent **JAMES GEORGEN**, at the investor’s residential or, occasionally, business address.

14 16. Respondents orally described the nature of the “trading program” (no written
15 materials were employed in the sales process or given to investors to review), stating that
16 transactions that the **GBS FUNDING** “trading program” engaged in were previously
17 employable only by large financial institutions but were now available to small investors through
18 the process of “aggregation”, in which ten thousand dollar units were combined by “promoters”
19 until a critical mass of funds was collected, at which time moneys could be “traded” in much the
20 manner in which multinational financial institutions do.

21 17. Respondents told investors that their funds could be doubled or “significantly
22 improved” during the roughly twelve month length of the **GBS FUNDING** “trading program.”

23 18. Respondents’ comments in connection with the solicitation of funds for the **GBS**
24 **FUNDING** “trading program” were nebulous and vague. Potential investors were not told the
25 names or backgrounds of the “promoters” their investment would be forwarded to, were not
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1 given specific information about how their investment would be “traded”, and were not informed
2 of the true commercial basis for and source of the purported high return.

3 19. Respondents represented that they were to receive two percent (2%) of amounts
4 returned from “trading” as their compensation.

5 20. Investors were required to sign a “confidentiality agreement” in which they agreed
6 not to discuss or disclose information regarding the **GBS FUNDING** “trading program” with
7 any third party. As the information given to prospective investors was so vague and sketchy as to
8 not constitute proprietary data, the true purpose of the document was to discourage investors
9 from contacting regulators either before or after the investment was made.

10 21. Respondents either collected investors’ funds during their sales call or instructed
11 investors to forward a check to the **GBS FUNDING** private mail box, at which point funds were
12 deposited in the **GBS FUNDING** bank account.

13 22. On information and belief, **GBS FUNDING** forwarded investor funds to two separate
14 “promoters” of “prime bank programs in 2000.

15 23. Despite the fact that over three years have elapsed, many investors have not had their
16 original investment moneys returned.

17 24. In its last correspondence with investors, dated November 6, 2000, Respondent
18 **STORTZ**, writing on **GBS FUNDING** letterhead, noted that “[t]he risk with facilitators who
19 aggregate funds.... are that the funds aren’t always returned promptly, if at all.” Respondents did
20 not provide this information to prospective investors prior to their investment.

21 25. Respondents made the following *misrepresentations* in connection with the sale
22 of the GBS Funding “program”: that it was a “safe” investment; that it was appropriate for an
23 investor in or nearing retirement; and that program participants could double their investment.

24 Furthermore, Respondents *omitted to state* the following in connection with the sale of the GBS
25 Funding “program”: that the GBS Funding program was required to be registered with the
26 Division of Finance and Corporate Securities and was not; that **GEORGEN** and **STORTZ** were



1 not licensed – as required by law - by the Oregon Division of Finance and Corporate Securities
2 to sell this type of security; that there were significant and substantial risks with this investment,
3 along with a description of the nature of said risks, including the risk that neither principal nor
4 interest would ever be repaid; the true management background of Jim Georgen, Lee Stortz, and
5 each of the promoters involved in this investment “program”; the precise way funds would be
6 employed (the manner of “trading” and the true commercial basis for and source of the promised
7 return); and detailed financial data about Respondents, each of the promoters involved in this
8 investment, and the financial institutions purportedly involved in this “trading program.”
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10 **CONCLUSIONS OF LAW**
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12 The Director **CONCLUDES** that:
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14 26. The **GBS FUNDING** “trading program” which was offered and sold by Respondents
15 is a “security” as defined in ORS 59.015(19)(a).

16 27. Respondents offered and/or sold unregistered securities in the State of Oregon in
17 violation of ORS 59.055.

18 28. Respondents offered and/or sold a security in the State of Oregon without being
19 licensed as a broker-dealer or general license broker-dealer salesperson in violation of ORS
20 59.165(1).

21 29. Respondents, in connection with the offer and/or sale of the **GBS FUNDING**
22 “trading program” made the following misrepresentations: that it was a “safe” investment; that it
23 was appropriate for an investor in or nearing retirement; and that program participants could
24 double their investment. Furthermore, Respondents *omitted to state* the following in connection
25 with the sale of the GBS Funding “program”: that the GBS Funding program was required to be
26 registered with the Division of Finance and Corporate Securities and was not; that **GEORGEN**



1 and **STORTZ** were not licensed – as required by law - by the Oregon Division of Finance and
2 Corporate Securities to sell this type of security; that there were significant and substantial risks
3 with this investment, along with a description of the nature of said risks, including the risk that
4 neither principal nor interest would ever be repaid; the true management background of Jim
5 Georgen, Lee Stortz, and each of the promoters involved in this investment “program”; the
6 precise way funds would be employed (the manner of “trading” and the true commercial basis
7 for and source of the promised return); and detailed financial data about Respondents, each of the
8 promoters involved in this investment, and the financial institutions purportedly involved in this
9 “trading program” - all of which are untrue statements of a material fact and/or omissions to state
10 a material fact necessary in order to make the statements made, in the light of the circumstances
11 under which they were made, not misleading in violation of ORS 59.135(2).

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ORDER

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15 Therefore, the Director **ORDERS**

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17 30. That Respondents **GBS FUNDING** and **LEE STORTZ** shall cease and desist from
18 offering and/or selling securities to persons in the State of Oregon in violation of ORS Chapter
19 59, OAR Chapter 441, or the Oregon securities law.

20 31. That Respondent **GBS FUNDING** is ordered to pay the sum of **TWENTY FIVE**
21 **THOUSAND DOLLARS** (\$25,000.00) as a civil penalty for violations of ORS 59.055, ORS
22 59.135, and ORS 59.165 described herein.

23 32. That Respondent **LEE STORTZ** is ordered to pay the sum of **TWENTY FIVE**
24 **THOUSAND DOLLARS** (\$25,000.00) as a civil penalty for violations of ORS 59.055, ORS
25 59.135, and ORS 59.165 described herein.

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1 33. That Respondent **STORTZ** is prohibited from applying for an Oregon securities
2 license for a period of ten years.

3 34. That Respondents **GBS FUNDING** and **LEE STORTZ** are hereby denied use of
4 any exemptions authorized by ORS 59.025 and ORS 59.035, until further order of the Director,
5 pursuant to ORS 59.045.

6 **IT IS SO ORDERED.**

7 Dated this 16th day of June, 2003, NUNC PRO TUNC May 13, 2003 at Salem, Oregon.

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for **CORY STREISINGER, DIRECTOR**
10 **DEPARTMENT OF CONSUMER & BUSINESS**
11 **SERVICES**
12 **STATE OF OREGON**

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