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3 **STATE OF OREGON**  
4 **DEPARTMENT OF CONSUMER AND BUSINESS SERVICES**  
5 **DIVISION OF FINANCE AND CORPORATE SECURITIES**

6  
7 **BEFORE THE DIRECTOR OF THE DEPARTMENT**  
8 **OF CONSUMER AND BUSINESS SERVICES**

9 **In the Matter of:**

**S-08-0009-1**

10  
11 **ROYAL HANNON EDWARDS, an**  
12 **individual,**

**ORDER TO CEASE AND DESIST,**  
**DENIAL OF EXEMPTIONS, ORDER**  
**ASSESSING CIVIL PENALTY AND**  
**CONSENT TO ENTRY OF ORDER**

13 **Respondent.**

14  
15 **WHEREAS** the Director of the Department of Consumer and Business Services for  
16 the State of Oregon (hereinafter “the Director”) has conducted an investigation of Royal  
17 Hannon Edwards (“Edwards” or “Respondent”), and has determined that Edwards has  
18 engaged in activities constituting violations of provisions of Oregon Revised Statutes  
19 (“ORS”) 59.005 to 59.451, 59.991 and 59.995 (hereinafter “the Oregon Securities Law”); and

20 **WHEREAS** Edwards wishes to resolve and settle this matter with the Director;

21 **NOW THEREFORE**, as evidenced by the authorized signatures subscribed on this  
22 Order, Edwards hereby **CONSENTS** to entry of this Order upon the Director’s Findings of  
23 Fact and Conclusions of Law as stated hereinafter.

24 **FINDINGS OF FACT**

25 The Director **FINDS** that:

26 1. Royal Hannon Edwards, age 66, is an Oregon resident currently residing in  
Redmond, Oregon. He is a licensed Oregon insurance agent, having been first licensed on or  
about April 10, 1979.

2. Trend Capital LLC (“Trend Capital”) is, by information and belief, an Arizona  
limited liability corporation with offices located at 4025 E. Chandler Blvd. Suite 70F15,



1 Phoenix, AZ 85048 or 9180 South Kyrene Rd., Suite 112, Tempe, AZ 85284. At the relevant  
2 times herein, the managing member of Trend Capital was Ryan James Herndon (“Herndon”),  
3 who, by information and belief, was an Arizona resident during the period described herein.  
4 Herndon formed three companies, Trend Capital, Trend Management Group, Inc. and The  
5 Trend Group, Inc. (hereafter referred to as “the Trend entities”). None of the Trend entities  
6 were Oregon registered securities broker-dealers or issuers.

7 3. Between August 2001 and October 2005, the Trend entities and Herndon  
8 raised more than \$15.9 million from over 300 investors, many of whom were elderly, by  
9 selling securities in the form of stock and investment contracts involving the purchase,  
10 servicing and sale of distressed consumer receivables (bad debt). These securities were  
11 unregistered and were being sold to investors by unregistered dealers and salespersons. Trend  
12 Capital guaranteed investors a return on investment variously stated to be between 8.05 and  
13 8.15 percent per annum, paid quarterly. The Trend entities investment effectively operated as  
14 an investment scheme and much of the money invested was “skimmed off” to pay the  
15 personal expenses of the owners of the companies and their family members. Herndon was  
16 convicted in Arizona of misappropriating approximately \$2.76 million of investor funds that  
17 he spent on luxury homes in Arizona and Mexico, automobiles, and an extravagant lifestyle  
18 that included traveling, drinking and gambling. On June 3, 2008, Herndon was sentenced to  
19 forty-two months in prison for his part in the scheme. He is also required to make restitution  
20 to the victims.

21 4. In November 2006, at the request of the Arizona Corporation Commission, a  
22 Receiver was appointed for the Trend entities. To date, the Receiver has collected assets  
23 valued at approximately \$5.4 million for distribution to investors.

24 5. On or about September 2, 2004, Edwards met with Violet Freeman  
25 (“Freeman”) of Redmond, Oregon, then aged 74, and solicited her to invest in Trend Capital.  
26 He told Freeman that she could earn a return of 8.15 percent per annum. Freeman, an



1 insurance client of Edwards', agreed to transfer or roll over an individual retirement account  
2 ("IRA") annuity valued at approximately \$15,000 into Trend Capital. Freeman also agreed to  
3 roll over the expected quarterly interest payment into the investment. Edwards believed that  
4 the Trend Capital investment was a tax-qualified investment and so informed Freeman. In  
5 actuality, this was untrue. Freeman completed the paperwork that day authorizing the roll  
6 over. The Trend Capital investment was represented as a "membership". In return for this  
7 investment, Freeman received a "certificate of participation" from Trend Capital signed by  
8 Herndon. After the initial investment, Freeman did not hear from Herndon or Trend Capital.  
9 She was subsequently contacted by the State of Arizona and informed that her investment was  
10 lost.

11 6. On or about September 13, 2004, Edwards met with Charles Boothe  
12 ("Boothe") of Prineville, Oregon, then age 75, at Boothe's home. Edwards solicited Boothe  
13 to invest in Trend Capital. Edwards represented that Boothe could earn an annual return of  
14 8.15 percent by investing in Trend Capital for five years. Boothe, an insurance client of  
15 Edwards', agreed to invest \$10,000 in Trend Capital. Boothe also agreed to roll over the  
16 expected quarterly interest payment into the investment. In return for this transaction, Boothe  
17 received from Trend Capital a "certificate of participation," signed by Herndon, dated  
18 September 14, 2004. The certificate of participation specified that Boothe was to receive a  
19 return on investment of 8.15 percent, paid quarterly, for 60 months. Boothe was not able to  
20 contact Trend Capital and his principal has not been returned.

21 7. Edwards was an agent of, or for, Trend Capital and was paid a sales  
22 commission of eight percent on investments he facilitated or forwarded to Trend Capital from  
23 Oregon investors. Edwards received a sales commission of \$750 for the Freeman sale and  
24 \$500 for the Boothe sale.

25 8. An investment contract is defined as: (i) an investment of money (or money's  
26 worth); (ii) in a common enterprise, (iii) with the expectations of a profit, (iv) to be made



1 through the management and control of others.

2 9. The sales to Freeman and Boothe were investment contracts as defined by the  
3 Oregon Securities Law and relevant court decisions.

4 10. Both Freeman and Boothe gave money to Edwards that was placed in the  
5 Trend Capital certificates of participation as investments with the expectation that they would  
6 earn a profit.

7 11. Neither Freeman nor Boothe had a role in the essential managerial efforts of  
8 Trend Capital.

9 12. The success of Freeman's and Boothe's investments in Trend Capital was  
10 interwoven with and dependent upon the efforts and success of Edwards and Trend Capital.

11 13. At no time relevant to this matter were the interests in the Trend Capital  
12 certificates of participation sold to Freeman and Boothe by Edwards registered with the  
13 Director for offer or sale in Oregon.

14 14. At no time relevant to this matter was Edwards ever licensed to sell securities  
15 in Oregon.

### 16 CONCLUSIONS OF LAW

17 The Director **CONCLUDES** that:

18 15. The Trend Capital certificates of participation sold by Edwards to Freeman and  
19 Boothe were investment contracts.

20 16. Investment contracts are securities as defined in ORS 59.015(19)(a).

21 17. Edwards violated ORS 59.165(1) by selling securities in the form of Trend  
22 Capital certificates of participation to Freeman and Boothe without holding a license from the  
23 Director to sell securities in Oregon.

24 18. Edwards violated ORS 59.055 by selling securities that were not registered for  
25 sale in Oregon in the form of Trend Capital certificates of participation to Freeman and  
26 Boothe.



1 19. Edwards violated ORS 59.135 by making untrue material representations to  
2 Freeman and Boothe concerning the guaranteed rate of return for the Trend certificate of  
3 participation.

4 **ORDER**

5 **NOW, THEREFORE, THE DIRECTOR ISSUES THE FOLLOWING ORDERS:**

6 1. Pursuant to ORS 59.245, Respondent Royal Hannon Edwards is **ORDERED**  
7 to **CEASE AND DESIST** from:

8 A. Offering or selling unregistered securities in the State of Oregon, in violation  
9 of ORS 59.055;

10 B. Transacting business in Oregon as a securities salesperson without a license, in  
11 violation of ORS 59.165;

12 C. Making any untrue statement of a material fact or omitting to state a material  
13 fact necessary in order to make the statements made, in light of the circumstances under  
14 which they are made, not misleading, in violation of ORS 59.135(2); and

15 D. Violating any provision of ORS chapter 59 or Oregon Administrative Rules  
16 chapter 441.

17 2. Pursuant to ORS 59.045(2), Edwards is **DENIED** the use of any exemptions  
18 that would otherwise be available to him under ORS 59.025 and 59.035, concerning securities  
19 and transactions exempt from the registration requirements of the Oregon Securities Law.

20 3. Pursuant to the authority of ORS 59.995, the DIRECTOR hereby **ASSESSES**  
21 Edwards a **CIVIL PENALTY** in the amount of \$15,000 (fifteen thousand dollars) as follows:

22 A. \$5,000 (five thousand dollars) for violation of ORS 59.055 (sale of  
23 unregistered securities in selling the Trend Capital certificate of participation to at least one  
24 Oregon resident);

25 B. \$5,000 (five thousand dollars) for violation of ORS 59.165 (sale of securities  
26 by unlicensed person in selling the Trend Capital certificate of participation to at least one





1 Oregon resident); and

2 C. \$5,000 (five thousand dollars) for violation of ORS 59.135 (making an untrue  
3 statement of a material fact when guaranteeing at least one Oregon resident a return of 8.15  
4 percent on the investment in the Trend Capital certificate of participation).

5 4. The Director hereby **SUSPENDS** the penalty assessed against Edwards so long  
6 as he fully complies with all terms of this Order; **PROVIDED HOWEVER**, that the  
7 suspended portion of the civil penalty and statutory interest accruing from the date of this  
8 Order will be immediately due and payable upon a determination by the Director that  
9 Respondent Edwards has violated any term of this Order, or any provision of ORS chapter 59  
10 or Oregon Administrative Rules chapter 441.

11 5. Respondent Edwards must pay a total of \$2,500 (two thousand five hundred  
12 dollars) in restitution in two payments of \$1,250 (one thousand two hundred fifty dollars)  
13 each to Violet Freeman and Charles Boothe. Payments must be made no later than August  
14 31, 2008.

15 6. Respondent Royal Hannon Edwards must provide a report addressed to the  
16 Division of Finance and Corporate Securities, Enforcement Section, P.O. Box 14480, Salem,  
17 OR 97309-0405, no later than October 15, 2008 listing the dates and the amounts of  
18 restitution he paid to Violet Freeman and Charles Boothe. The report must also include  
19 copies of the front and back of the canceled restitution checks paid to Violet Freeman and  
20 Charles Boothe showing that Respondent Edwards is in compliance with the restitution terms  
21 of this Order.

22 20. Respondent Edwards agrees to provide his full cooperation and assistance to  
23 the Director in any further investigations of allegations of the Oregon Securities Law arising  
24 from or related to this matter.

25 21. The date of this Order is the day the Director signs the Order.

26 22. The entry of this Order in no way limits further remedies which may be

1 available to the Director under Oregon law.

2 Dated this 21<sup>st</sup> day of July, 2008 at Salem, Oregon.

3 CORY STREISINGER, Director  
4 Department of Consumer and Business Services

5 David C. Tatman  
6 David C. Tatman, Administrator  
7 Division of Finance and Corporate Securities

7 **CONSENT TO ENTRY OF ORDER**

8 I, Royal Hannon Edwards, state that I am a resident of the State of Oregon, that I have  
9 read the foregoing Order and that I know and fully understand the contents hereof; that I  
10 execute this Consent as a settlement of the matter referred to in the Order; that I have been  
11 advised of my right to a hearing, and that I have the right to be represented by counsel in this  
12 matter; that I voluntarily consent to the entry of this Order without any force or duress,  
13 expressly waiving any right to a hearing in this matter; that I understand that the Director  
14 reserves the right to take further actions against me to enforce this Order or to take  
15 appropriate action upon discovery of other violations of the Oregon Securities Law by me;  
16 and that I will fully comply with the terms and conditions stated herein.

17 I further assure the Director that I will not engage in the activities of a securities  
18 broker-dealer or investment adviser, or act as a salesperson for any of these unless such  
19 activities are in full compliance with chapter 59 of the Oregon Revised Statutes.

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

21 Dated this 11<sup>th</sup> day of July, 2008.

22 Royal Hannon Edwards  
23 Royal Hannon Edwards

24 SUBSCRIBED AND SWORN to before me this 11<sup>th</sup> day of July, 2008.

25 Lisa Hevern  
26 Signature of Notary Public

My commission expires: 10/04/08



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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

