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

5 **BEFORE THE DIRECTOR OF THE DEPARTMENT**
6 **OF CONSUMER AND BUSINESS SERVICES**

7 **In the Matter of:**

S-08-0009-2

8 **TREND MANAGEMENT GROUP,**
9 **INC, an Arizona corporation, TREND**
10 **CAPITAL LLC, an Arizona limited**
11 **liability corporation, THE TREND**
12 **GROUP, INC, an Arizona**
13 **corporation, and RYAN JAMES**
14 **HERNDON,**

FINAL ORDER TO CEASE AND
DESIST AND DENIAL OF
EXEMPTIONS ENTERED BY
DEFAULT

15 **Respondents.**

16 On June 27, 2008, the Director of the Department of Consumer and Business Services
17 for the State of Oregon (hereafter "the Director"), acting by and pursuant to the authority of
18 the Oregon Securities Law, Oregon Revised Statutes ("ORS") chapter 59, and other
19 applicable authority, issued Administrative Order No. S-08-0009-2, ORDER TO CEASE
20 AND DESIST, DENIAL OF EXEMPTIONS AND NOTICE OF RIGHT TO PUBLIC
21 HEARING ("the Notice Order") against Respondents Trend Management Group, Inc., Trend
22 Capital LLC, The Trend Group, Inc. (hereafter, collectively, "the Trend entities") and Ryan
23 James Herndon ("Herndon").

24 On or about June 30, 2008, the Respondent Trend entities were duly served with a true
25 copy of the Notice Order by United States Certified Mail, postage prepaid, and addressed to
26 Peter S. Davis, Receiver; Simon Consulting, LLC; 3200 N. Central Avenue, Suite 850;
27 Phoenix, Arizona 85012.

28 On or about June 30, 2008, Respondent Herndon was duly served with a true copy of
29 the Notice Order by United States Certified Mail, postage prepaid, and addressed to Ryan



1 James Herndon; ASPC – Phoenix; ADC # 230789; P.O. Box 52109; Phoenix, Arizona 85072-
2 2109.

3 Respondent Trend entities have not made a written request for a contested case
4 hearing in this matter and time to do so has now expired. Respondent Herndon has not made
5 a written request for a contested case hearing in this matter and the time to do so has now
6 expired.

7 NOW THEREFORE, after consideration of the Investigation Report and
8 accompanying exhibits submitted in this matter by Margaret V. Green, Investigator for the
9 Division of Finance and Corporate Securities, as well as any submissions of the Respondents,
10 the Director hereby issues the following Findings of Fact, Conclusions of Law, and Final
11 Order.

12 FINDINGS OF FACT

13 The Director **FINDS** that:

14 1. Trend Management Group, Inc., Trend Capital LLC (“Trend Capital”), and
15 The Trend Group, Inc. are, by information and belief, Arizona corporations with offices
16 located at 4025 E. Chandler Blvd. Suite 70F15, Phoenix, AZ 85048 or 9180 South Kyrene
17 Rd., Suite 112, Tempe, AZ 85284. At the relevant times herein, the managing member of
18 Trend Capital was Herndon, who by information and belief, was an Arizona resident during
19 the period described herein and formed the Trend entities. None of the Trend entities were
20 Oregon registered securities broker-dealers or issuers.

21 2. Lawrence Lewis Beard, age 58, is an Oregon resident currently residing at 597
22 SE Knight Street, Prineville, Oregon 97754.

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

26 4. Between August 2001 and October 2005, the Trend entities and Herndon



1 raised more than \$15.9 million from over 300 investors, many of whom were elderly, by
2 selling securities in the form of stock and investment contracts involving the purchase,
3 servicing and sale of distressed consumer receivables (bad debt). These securities were
4 unregistered and were being sold to investors by unregistered dealers and salespersons. Trend
5 Capital guaranteed investors a return on investment variously stated to be between 8.05 and
6 8.15 percent per annum, paid quarterly. The Trend entities investment effectively operated as
7 an investment scheme and much of the money invested was “skimmed off” to pay the
8 personal expenses of the owners of the companies and their family members. Herndon was
9 convicted in Arizona of misappropriating approximately \$2.76 million of investor funds that
10 he spent on luxury homes in Arizona and Mexico, automobiles, and an extravagant lifestyle
11 that included traveling, drinking and gambling. On June 3, 2008, Herndon was sentenced to
12 forty-two months in prison for his part in the scheme. He is also required to make restitution
13 to the victims.

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

17 6. On or about September 2, 2004, John Wangler (“Wangler”) of Prineville,
18 Oregon gave Beard a check for \$10,000, made payable to Trend Capital, as an investment.
19 Beard then sent the check to Trend Capital. In return for his check, Wangler received from
20 Trend Capital a “certificate of participation,” signed by Herndon, dated September 14, 2004.
21 The certificate of participation specified that Wangler was to receive a return on investment of
22 8.15 percent, paid quarterly, for 60 months. Wangler received two payments: a payment of
23 \$37 representing his return on investment for the remainder of the third quarter of 2004, and a
24 payment of \$205 as his return for the fourth quarter of 2004. After receiving these two
25 payments, Wangler never received any additional payments from Trend Capital on his
26 investment. Wangler has been unable to contact Trend Capital and his principal has not been



1 returned.

2 7. Beard, as an agent of or for Trend, was paid a sales commission of eight
3 percent on investments he facilitated or forwarded to Trend Capital from Oregon investors.

4 8. On or about September 2, 2004, Edwards met with Violet Freeman
5 (“Freeman”) of Redmond, Oregon, then aged 74, and solicited her to invest in Trend Capital.
6 He told Freeman that she could earn a return of 8.15 percent per annum. Freeman, an
7 insurance client of Edwards’, agreed to transfer or roll over an individual retirement account
8 (“IRA”) annuity valued at approximately \$15,000 into Trend Capital. Freeman also agreed to
9 roll over the expected quarterly interest payment into the investment. Edwards falsely
10 represented to Freeman that the Trend Capital investment was a tax-qualified investment,
11 which was untrue. Freeman completed the paperwork that day authorizing the roll over. The
12 Trend Capital investment was represented as a “membership”. In return for this investment,
13 Freeman received a “certificate of participation” from Trend Capital signed by Herndon.
14 After the initial investment, Freeman did not hear from Herndon or Trend Capital. She was
15 subsequently contacted by the State of Arizona and informed that her investment was lost.

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

26 10. Edwards was an agent of, or for, Trend Capital and was paid a sales



1 commission of eight percent on investments he facilitated or forwarded to Trend Capital from
2 Oregon investors. Edwards received a sales commission of \$750 for the Freeman sale and
3 \$500 for the Boothe sale.

4 11. An investment contract is defined as: (i) an investment of money (or money's
5 worth); (ii) in a common enterprise, (iii) with the expectations of a profit, (iv) to be made
6 through the management and control of others.

7 12. The sale to Wangler was an investment contract as defined by the Oregon
8 Securities Law and relevant court decisions.

9 13. Wangler gave money to Beard that was placed in the Trend Capital certificates
10 of participation as an investment with the expectation that Wangler would earn a profit.

11 14. Wangler had no role in the essential managerial efforts of Trend Capital.

12 15. The success of Wangler's investment in Trend Capital was interwoven with
13 and dependent upon the efforts and success of Beard and Trend Capital.

14 16. At no time relevant to this matter were the interests in the Trend Capital
15 certificate of participation sold by Beard and Edwards registered with the Director for offer or
16 sale in Oregon.

17 17. At no time relevant to this matter was Herndon ever licensed to sell securities
18 in Oregon.

19 CONCLUSIONS OF LAW

20 The Director **CONCLUDES** that:

21 18. The Trend Capital certificates of participation sold by Beard and Edwards to
22 Oregon residents were investment contracts.

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

24 20. The Trend entities violated ORS 59.055 by selling securities that were not
25 registered for sale in Oregon in the form of the Trend Capital certificate of participation to
26 Wangler.

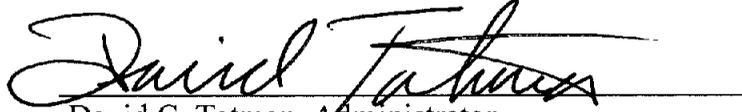


1 26. The date of this Order is the date the Director or her designee signs the Order.

2 Dated this 29th day of July, 2008 at Salem, Oregon, NUNC

3 PRO TUNC June 27, 2008.

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

6 

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

9 NOTICE OF APPEAL RIGHTS

10 You are entitled to seek judicial review of this final order. Judicial review may be
11 obtained by filing a petition for review with the Oregon Court of Appeals in Salem, Oregon
12 within sixty (60) days from the date of service of this Final Order. Judicial review is pursuant
13 to the provisions of ORS 183.482.

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