

STATE OF OREGON
DEPARTMENT OF CONSUMER AND BUSINESS SERVICES
DIVISION OF FINANCE AND CORPORATE SECURITIES

In the Matter of

Case No. S-13-0158

GERALD THOMAS RAUSCHER,
aka Dominic Rauscher,

FINAL ORDER TO CEASE AND
DESIST, FINAL ORDER DENYING
USE OF EXEMPTIONS TO THE
SECURITIES REGISTRATION
REQUIREMENTS, FINAL ORDER
ASSESSING CIVIL PENALTY AND
CONSENT TO ENTRY OF ORDER

Respondent.

WHEREAS, the Director of the Department of Consumer and Business Services for the State of Oregon (the “Director”) has determined that Gerald Thomas “Dominic” Rauscher (“Respondent”) violated certain provisions of the Oregon Securities Law, ORS 59.005 to 59.451, 59.991 and 59.995; and

WHEREAS, the Respondent wishes to waive his right to an administrative hearing and resolve and settle this matter by allowing the Director to enter an administrative order against them.

NOW THEREFORE, the Director hereby issues the following Findings of Fact and Conclusions of Law, which Respondent neither admits nor denies, and Order, to which the Respondent consents, as evidenced by the Consent to Entry of Order attached hereto.

I. FINDINGS OF FACT

The Director FINDS that:

1. Gerald Thomas Rauscher, also known as Dominic T. Rauscher (“Rauscher”), was at all times relevant to this matter an Oregon resident.
2. Beginning in 2001, Rauscher solicited acquaintances, some of whom





1 were members of the Seventh Day Adventist Church in the Portland area, for money to
2 operate various businesses. These businesses included corporations Tesseract.net, Inc.;
3 Tesser Marketing, Inc.; and FSN, Inc. dba Family Savings Network, but all of the
4 businesses were essentially the same. Rauscher misrepresented the nature, size and
5 scope of the purported business for which he was soliciting money. He also neglected to
6 disclose the risks that investors assumed when they gave their money to him with the
7 expectation of profit.

8 *Investor SA*

9 3. At all times material to this matter, the individual identified herein as
10 “SA” was an Oregon resident.

11 4. From the 1970’s forward, SA owned three buildings on SE Stark Street
12 between 88th and 89th Avenues in Portland, Oregon. SA used one of the buildings for
13 his auto body repair and paint business; the others he leased. SA retired from the auto
14 body repair business in 1988.

15 5. At some point in early 2001, Rauscher approached SA with a proposal to
16 rent SA’s middle building on Stark Street, which was available for lease at that time.
17 Rauscher told SA that he owned a company which made educational games on the
18 Internet, although the purpose of the business was subsequently described as
19 conducting Internet advertising.

20 6. At this time Rauscher used the business names Tesseract.net and
21 Tesserak Studios. Rauscher had registered the business name Tesseract.net, Inc. with
22 the Oregon Secretary of State on February 2, 1998. The business name registration was
23 administratively dissolved by the Secretary of State on April 2, 2004. The business
24 name Tesserak Studios was never registered with the Oregon Secretary of State.

25 7. After renting one space from SA, Rauscher subsequently wanted to move
26 into SA’s office building space. SA leased the space to Rauscher for \$3,000 per month.



1 The occupants of the leased space and the managers of the business at that time were
2 Rauscher and his wife. Rauscher paid the rent only once. SA permitted this because he
3 believed that he and Rauscher had entered into a mutually beneficial business
4 partnership.

5 *Investment summary*

6 8. Beginning in May 2001 and running to March 2003, SA gave Rauscher
7 over \$250,000 as investments in the various Rauscher-operated businesses. Each time
8 SA gave money to Rauscher, he understood the money was going to the operations of
9 one of these businesses. For SA, these were passive investments. Rauscher promised
10 SA a return on his money, usually 12 percent annually or higher. SA relied on
11 Rauscher's knowledge and expertise in the operation of the businesses; SA had no role
12 in the operations of the businesses other than providing a continual stream of cash to
13 Rauscher.

14 *Stock sales*

15 9. On or about May 11, 2001, SA gave Rauscher \$30,000 as an investment
16 in Tesseract.net. In return, Rauscher gave SA a document that purported to be a stock
17 certificate. This document represented that the price tendered by SA was a 50 percent
18 discount for the stock over the established value of \$60,000, although as the stock was
19 not publicly traded, the value of the stock was arbitrarily set by Rauscher alone.

20 10. On May 22, 2001, SA gave Rauscher \$10,000 as an investment in
21 Tesseract.net. Again, Rauscher gave SA a stock certificate that purported to show that
22 the price tendered by SA was a 50 percent discount for the stock over the established
23 value of \$20,000. As with the prior investment, the stock price was arbitrarily set by
24 Rauscher.

25 11. On June 6, 2001, SA gave Rauscher \$10,500 as an investment in
26 Tesseract.net. Again, Rauscher gave SA a stock certificate that purported to show that



1 the price tendered by SA was a 50 percent discount for the stock over the established
2 value of \$21,000. As with the prior investments, the stock price was arbitrarily set by
3 Rauscher.

4 *Promissory notes*

5 12. On April 11, 2001, SA gave Rauscher \$10,000 and received the first of a
6 string of ten promissory notes from Rauscher. The note represented that it would be
7 repaid in 12 months and that SA would receive \$100 interest every month until the note
8 matured. Rauscher never paid the monthly interest and never repaid the note.

9 13. SA gave Rauscher additional funds, and Rauscher gave SA additional
10 promissory notes.

11 A. On September 10, 2001, SA gave Rauscher \$5,000 as an investment in
12 Tesseract.net and received a promissory note representing that SA should be paid 12
13 percent interest annually until repaid. The note had no maturity date stated, but allowed
14 the maker, Rauscher, to unilaterally extend the terms of the loan for no additional
15 consideration.

16 B. On December 14, 2001, SA gave Rauscher another \$5,000 and received
17 a promissory note.

18 C. On December 26, 2011, SA gave Rauscher \$10,000 with another
19 promissory note given.

20 D. On January 7, 2002, SA gave another \$5,000 and received another
21 promissory note.

22 E. On April 11, 2002, SA gave Rauscher another \$10,000 and received
23 another promissory note. This note represented that SA was to receive interest of one
24 percent per month until the principal balance was paid.

25 F. On April 20, 2001, SA gave Rauscher another \$10,000. On May 11,
26 2001, SA gave Rauscher another \$10,000.



1 G. On May 22, 2001, SA gave Rauscher another \$10,000. On June 6, 2001,
2 SA gave Rauscher another \$10,000.

3 In each of these cases, SA gave the money to Rauscher as an investment and
4 received a promissory note from Rauscher promising to pay annual interest of 12
5 percent to SA.

6 14. On March 17, 2003, SA gave Rauscher \$125,000 as an investment in
7 Tesser Marketing. Again, SA was to receive 12 percent interest annually until the
8 principal was paid.

9 15. Rauscher never made any of the interest payments required under the
10 terms of the various promissory notes given to SA. None of the principal invested by
11 SA in Rauscher's businesses was ever returned to SA.

12 16. SA invested the money with Rauscher to receive the promised 12 percent
13 return. Rauscher never paid anything back to SA. At some point, Rauscher told SA that
14 when he sold his car, SA would receive \$9,000. When the sale was completed, however,
15 Rauscher kept all of the money and SA received nothing.

16 *Investor LS*

17 17. At all times material to this matter, the individual identified herein as
18 "LS" was a resident of Washington State.

19 18. Around 2004 or 2005, LS met Rauscher through SA. Rauscher was
20 soliciting investors to fund a coupon book advertising company doing business as
21 Tesser Marketing, Inc., an Oregon domestic corporation registered by Rauscher with
22 the Oregon Secretary of State in January 2002. The corporation was administratively
23 dissolved in March 2004.

24 19. Rauscher told LS that Tesser Marketing sold discount coupon books.
25 Rauscher went to Portland area businesses and signed them up to provide discounted
26 goods and services for purchasers of the coupon books. The coupon books would



1 supposedly be sold to consumers for around \$10 or \$20 each and would feature
2 discounts such as, buy one/get one free, buy one/get the second at 50% off, or other
3 discounts of a similar nature.

4 20. Rauscher claimed that Tesser Marketing was a vehicle which would
5 provide money to needy children in remote locations of the world. The company would
6 do good works, like build orphanages. Rauscher told LS that while investors would
7 receive about one to two percent annual return on their investment, 20 cents of every
8 dollar made from the sale of the coupon books would go straight to needy children.

9 21. Rauscher claimed that the money received from each coupon book was
10 almost all profit, as the overhead was minimal. Rauscher told LS that Tesser Marketing
11 had no overhead apart from employee salaries.

12 22. Rauscher told LS that he would triple or quadruple his investment.

13 23. Rauscher never mentioned or alluded to the concept of any risk
14 connected with the investment.

15 24. Based on the information from Rauscher, LS invested \$50,000 into
16 Tesser Marketing. In either late 2004 or early 2005, LS obtained two cashiers' checks of
17 \$25,000 each, then drove to Portland and handed the checks to Rauscher. LS
18 understood that his \$50,000 was to be used for the capital startup for the Tesser
19 Marketing business, such as rent for the building, getting phones installed, and other
20 normal operating needs.

21 25. LS believed everything he was told by Rauscher. LS trusted Rauscher
22 because LS's friend, SA, apparently trusted Rauscher and had invested a large amount
23 of money with him. LS was also led to invest because of the charitable or religious
24 purpose claimed by Rauscher. Rauscher never returned LS's money and never gave any
25 money to anyone for any charitable purpose.

26 26. Rauscher provided information about Tesser Marketing to LS by

1 telephone. LS called the Tesser Marketing office in Portland from his home in Castle
2 Rock, Washington and obtained information from Rauscher about the company. LS also
3 received several letters updating him on the progress of the program. The letters were
4 mailed from Portland, Oregon to his home in Castle Rock.

5 *Investors CN and JC*

6 27. At all times material to this matter, the individuals identified herein as
7 “CN” and “JC” were Oregon residents.

8 28. CN and his wife JC were introduced to Rauscher by SA, who by the time
9 of this introduction had already invested a large amount of money with Rauscher. SA
10 recommended CN do the same as it was all going for a good cause. At this point,
11 Rauscher was soliciting money for a scheme which purported to provide an opportunity
12 for homeless people to sell ads in a coupon style book. According to Rauscher, these
13 people would be earning money for themselves.

14 29. The name of Rauscher’s company was Family Savings Network, or FSN.
15 The name was registered with the Oregon Secretary of State as an assumed business
16 name for FSN, Inc., an Oregon corporation first registered in November 2005. The
17 corporation filing was administratively dissolved in January 2007.

18 30. CN and JC gave Rauscher \$10,000 as an investment in FSN. Rauscher
19 promised CN and JC a return of one percent per month on the investment. Rauscher
20 gave CN a promissory note, dated November 21, 2006, attesting to the receipt of money
21 and the promised return. On January 17, 2007, CN and JC gave Rauscher an additional
22 \$25,000 for a total investment of \$35,000 in FSN. CN and JC received another
23 promissory note from Rauscher for the \$25,000.

24 31. CN and JC never received any return on their funds or a return of
25 principal.

26 32. None of the investors were involved in the management and/or control of





1 Rauscher's investment opportunities. The investors relied on Rauscher's management
2 decision making in operating the various businesses and for earning the promised return
3 on their investments.

4 33. To date, no investor has received the promised return or the return of
5 their principal.

6 *Misrepresentations, Omissions and Fraud*

7 34. Rauscher omitted to disclose to any of the investors: (1) the highly
8 speculative nature of his investment opportunities; (2) that he was not actually engaged
9 in conducting charitable activities as he had represented to investors; (3) that he was not
10 licensed to sell securities in Oregon; (4) that the securities being offered were not
11 registered with the U.S. Securities and Exchange Commission or under applicable
12 Oregon securities laws; and (5) the known foreseeable risks associated with the
13 investments being offered, including, but not limited to the risk that the investors may
14 not receive a return on their investment or the return of their investment principle.

15
16 **II. CONCLUSIONS OF LAW**

17 The Director CONCLUDES:

18 35. Rauscher sold interests in various investment schemes to Oregon
19 residents and sold investment interests from Oregon to residents of other states.

20 36. The interests sold by Rauscher—whether stock, promissory notes or
21 other interests—are securities as defined by ORS 59.015 (19)(a).

22 37. The securities sold by Rauscher were not registered with the Director as
23 required by ORS 59.055.

24 38. Rauscher transacted business as a securities salesperson in Oregon
25 without a license from the Director as required by ORS 59.165.

26 39. Rauscher made untrue statements of material fact, or omitted to state

1 material facts necessary in order to make the statements made, in light of the
2 circumstances under which they were made, not misleading in violation of ORS
3 59.135 (2).

4 40. In falsely representing material facts about the nature of the investments
5 and the companies he represented, Rauscher engaged in an act, practice or course of
6 business which operated as a fraud or deceit upon investors in violation of ORS
7 59.135 (3).

9 III. ORDERS

10 The Director issues the following ORDERS:

11 *Final Order to Cease and Desist*

12 41. Pursuant to ORS 59.245, the Director hereby ORDERS Rauscher to
13 CEASE AND DESIST from:

14 A. Offering or selling unregistered securities in the State of Oregon, in
15 violation of the Oregon Securities Law;

16 B. Transacting business in Oregon as a securities salesperson without a
17 license in violation of the Oregon Securities Law; and

18 C. Violating any provision of the Oregon Securities Law, ORS chapter 59,
19 or Oregon Administrative Rules chapter 441.

20 *Order Denying Use of Exemptions to the Securities Registration Requirements*

21 42. The Director, pursuant to the authority under ORS 59.045, DENIES
22 Rauscher and any business or corporation affiliated with Rauscher, the use of the
23 exemptions to the securities registration requirements allowed by ORS 59.025 and ORS
24 59.035.

25 *Final Order Assessing Civil Penalty*

26 43. Pursuant to the authority of ORS 59.995, the Director may assess a





1 CIVIL PENALTY in any amount determined by the Director of not more than \$20,000
2 for each violation of ORS chapter 59. In accordance with this provision, the Director
3 hereby assesses Rauscher a CIVIL PENALTY in the amount of \$60,000 (sixty thousand
4 dollars) as follows:

5 A. The Director assesses Rauscher a CIVIL PENALTY of \$10,000 (ten
6 thousand dollars) for offering or selling unregistered securities in Oregon in violation of
7 ORS 59.055.

8 B. The Director assesses Rauscher a CIVIL PENALTY of \$10,000 (ten
9 thousand dollars) for transacting business in Oregon as a securities salesperson without
10 a license in violation ORS 59.165.

11 C. The Director assesses Rauscher a CIVIL PENALTY of \$20,000 (twenty
12 thousand dollars) for omitting to disclose material facts to investors in violation of ORS
13 59.135 (2).

14 D. The Director assesses Rauscher a CIVIL PENALTY of \$20,000 (twenty
15 thousand dollars) for engaging in an act, practice or course of business which operated
16 as a fraud or deceit upon investors in violation of ORS 59.135 (3).

17 *Suspension of a Portion of the Civil Penalty*

18 44. The Director agrees to SUSPEND the collection of the \$60,000 CIVIL
19 PENALTY assessed herein, provided the Respondent complies with all terms and
20 conditions set out in this Consent Order and commits no new violations of the Oregon
21 Securities Law, ORS chapter 59, or any Administrative Rules adopted thereunder.

22 45. If the Respondent complies with all of the terms and conditions set out in
23 this Consent Order and commits no violations of the Oregon Securities Law during the
24 ten-year period from the effective date of this Order, the Director WAIVES the
25 collection of the suspended CIVIL PENALTY assessed herein.

26 46. The Director reserves the right to immediately impose the suspended

1 CIVIL PENALTY upon a determination that the Respondent has violated any term of
2 this Consent Order.

3
4 **AUTHORITY OF THE DIRECTOR TO ISSUE A DEFAULT ORDER
AND/OR TO SEEK FURTHER REMEDIES UNDER OREGON LAW**

5 47. This Order is a “Final Order” under ORS 183.310(6)(b). It not subject to
6 judicial review under ORS chapter 183. Subject to ORS 183.310(6)(b), the entry of this
7 Order does not limit other remedies that are available to the Director under Oregon Law
8 to enforce this Consent Order, for violations of this Consent Order, for conduct or
9 actions of the Respondent that are not covered by this Consent Order, or against any
10 party not covered by this Consent Order.

11 **IT IS SO ORDERED.**

12 Dated this 13th day of February, 2014 at Salem, Oregon.

13 **PATRICK M. ALLEN, Director**
14 **Department of Consumer and Business Services**

15 /s/ David Tatman
16 **David C. Tatman, Administrator**
Division of Finance and Corporate Securities

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CONSENT OF RESPONDENT TO ENTRY OF ORDER

As authorized by ORS 59.135(4), I attest that I have read the foregoing Consent Order and know and fully understand the contents hereof. I voluntarily, without admitting or denying the findings and conclusions herein, without any force or duress, consent to the entry of this Consent Order and will fully comply with its terms and conditions. Before signing this Consent Order, I was advised of my right to a hearing and waived any right to a hearing that I may have in this matter.

I understand that this Consent Order is a public document.

/s/ Dominic Rauscher
Gerald Thomas Rauscher
aka Dominic Rauscher

State of Washington

County of Cowlitz

Subscribed and sworn to me before me February 10th, 2014.

/s/ Amanda M. Bowen
Notary Public

[seal]

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