STATE OF OREGON
DEPARTMENT OF CONSUMER AND BUSINESS SERVICES
DIVISION OF FINANCIAL REGULATION

In the Matter of:	Case No. MT-23-0064
DANIEL HERRINGTON AND CASEY NYE-HERRINGTON, Respondents.	FINAL ORDER TO CEASE AND DESIST, FINAL ORDER ASSESSING CIVIL PENALTIES AND PERMANENT BAR FROM INDUSTRY, AND CONSENT TO ENTRY OF ORDER

The Division of Financial Regulation (the "Division"), acting on behalf of the Director of the Department of Consumer and Business Services for the State of Oregon (the "Director"), conducted an investigation of Daniel Herrington ("Herrington") and Casey Nye-Herrington ("Nye-Herrington") (collectively, "Respondents"). The Division determined that Respondents violated provisions of Oregon Revised Statutes ("ORS") 717.200 to 717.320, 717.900 and 717.905 (the "Oregon Money Transmitters Act") and the Oregon Administrative Rules ("OAR") promulgated under those laws.

Respondents submit to the Director's jurisdiction and agree to waive their rights to notice and an administrative hearing under ORS 183.415 and wish to resolve this matter by consenting to entry of this Order.

Now, therefore, as evidenced by the authorized signature(s) subscribed herein, the Director issues the following Findings of Fact, Conclusions of Law, and Final Orders.

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FINDINGS OF FACT

The Director FINDS that:

1. At all relevant times, Respondents have been a married couple.

2. Respondents formed Left Coast Financial Solutions, Inc. ("Left Coast Financial Solutions") in or about May 2016. Initially Herrington served as the president, chief operating

office, and sole director of Left Coast Financial Solutions. In or about November 2017, Nye-Herrington became chief executive officer of the company and Herrington became chief operations officer. Respondents held those positions and otherwise served as directors and control persons of Left Coast Financial Solutions until November 2022.

3. On or about June 6, 2019, Respondents incorporated Left Coast Financial Solutions with the Oregon Secretary of State.

4. Respondents operated Left Coast Financial Solutions as a money transmission business whose clients consisted exclusively of those in cannabis-related businesses in Oregon, such as growers and dispensaries. In general, those clients used Left Coast Financial Solutions because they had trouble directly accessing the services of banks and other traditional financial institutions. Accordingly, Left Coast Financial Solutions operated as an intermediary to transfer cash between those cannabis businesses and a financial institution.

5. A number of financial institutions would not accept Left Coast Financial Solutions as a customer because its clientele were all involved in the cannabis industry. Respondents ultimately identified one bank that would accept their business. That bank, located in Saipan in the Mariana Islands, charged Left Coast Financial Solutions substantial monthly account maintenance fees on top of other fees and charges.

6. For a time, Respondents, through Left Coast Financial Solutions, employed a chief financial officer who created and maintained the company's financial records. Following that individual's death in or about November 2021, Respondents did not replace him nor did Respondents undertake to do their own proper financial recordkeeping for the company.

7. Under Respondents' management, Left Coast Financial Solutions had dozens of clients and hundreds of thousands of dollars going in and out of the company's bank accounts every

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month.

8. The company maintained two accounts with its bank, one primarily to receive deposits and the other to disburse payments to its clients' vendors, employees, and other individuals and entities to whom the clients owed money. Respondents allowed the company to make disbursements at the direction of their clients. Following the death of the former chief financial officer, Respondents did not maintain any appropriate bookkeeping records, including any ledger identifying or segregating money coming in and money going out by client. Instead, Respondents attempted to keep track of funds in their heads, which proved to be an impossible task. Disbursements were made without verifying whether clients had enough money associated to their accounts. Respondents used money deposited by some clients to pay the debts of other clients.

9. As a result of the significant banking fees, employee costs, and other overhead, coupled with a lack of proper bookkeeping, Respondents caused Left Coast Financial Solutions to experience significant financial troubles. This included, among other things, overdrawn accounts, checks returned for insufficient funds, and the like. Many of the company's clients lost their deposits and have been unable to access their money.

10. Under Respondents' leadership, the company's money transmitter license was deficient. Such deficiency included the failure to file with the Division a required audited financial statement for the year 2021 as well as quarterly Money Service Businesses ("MSB") Call Reports since the fourth quarter of 2021.

11. For the time period during which they were running Left Coast Financial Solutions, Respondents have been unable to provide to the Division many standard and customary records required to be maintained by licensed money transmitters in Oregon. This includes, among other things, records from the past three years of all payment instruments sold, a general ledger, bank

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statements and bank reconciliation records, and records of outstanding payment instruments and payment instruments paid.

12. In or about November 2022, Left Coast Financial Solutions underwent changes to its ownership, including its board of directors, officers, and stockholders. Respondents claim that they separated from the company at that time.[1]

13. Following the foregoing changes to its ownership, Left Coast Financial Solutions did not file necessary documents with the Division, including updated information regarding changes in ownership or control. The company also did not report any other material changes to the information submitted on its original license application or subsequent renewal applications.

14. During the time period that Respondents were operating Left Coast Financial Solutions, Respondents are unable to demonstrate to the Division the net worth of Left Coast Financial Solutions or whether it was a solvent entity.

15. On January 9, 2023, the Division entered a final order by consent against Left Coast Financial Solutions. In that order, the Division found that the company had failed to submit a required audited financial statement, failed to notify the Director within 15 days of a change or acquisition of control, and failed to maintain its required net worth and was otherwise unable to prove that it was solvent. Accordingly, the order resulted in an order to cease and desist from those violations and an order suspending the money transmitter license of Left Coast Financial Solutions. That order against Left Coast Financial Solutions remains in effect.[2]

16. On January 1, 2023, the money transmitter license of Left Coast Financial Solutions

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[1] There appears to be some dispute between Respondents and those who took over Left Coast Financial Solutions as to whether Respondents lawfully resigned from their positions with the company in accordance with corporate governance requirements. Likewise, the bank with whom Respondents established accounts for the company also questions whether Respondents' separation was proper. Those issues are beyond the scope of this Consent Order.
[2] See Division case MT-22-0125.

expired and remains expired.

CONCLUSIONS OF LAW

The Director CONCLUDES that:

17. Under ORS 717.240(2)(a), at the time the licensee pays the renewal fee, a money transmitter licensee shall submit an annual report on a date and in a form and format the Director prescribes by rule. The annual report must describe the condition and operations of the money transmission business during the preceding calendar year and must include a copy of the licensee's most recent audited consolidated annual financial statement, including a balance sheet, statement of income or loss, statement of changes in shareholder equity and statement of changes in financial position. In the case of a licensee that is a wholly owned subsidiary of another corporation, the consolidated audited annual financial statement of the parent corporation may be filed in lieu of the licensee's audited annual financial statement.

18. By failing to submit an audited financial statement for the year 2021, Respondents caused Left Coast Financial Solutions to violate ORS 717.240(2)(a).

19. Under ORS 717.250(1), within 15 days of a change or acquisition of control of a licensee, the money transmitter licensee shall provide notice of the change to the Director in writing and in a form the director may prescribe by rule. The notice shall be accompanied by such information, data and records as the director may require by rule.

20. By failing to notify the Director within 15 days of a change or acquisition of control, Respondents caused Left Coast Financial Solutions to violate ORS 717.250(1).

21. Under ORS 717.235(1)(b), the Director may disapprove an application for a money transmitter license if the applicant has engaged in dishonest, fraudulent or illegal practices or conduct in any business or profession.

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22. By causing the bank accounts of Left Coast Financial Solutions to be overdrawn, and by failing to maintain required books and records, including records of all payment instruments sold, general ledgers, bank account statements, and bank reconciliations, Respondents engaged in dishonest or illegal practices or conduct in connection with the money transmission business.

23. Because Respondents engaged in dishonest or illegal practices or conduct in connection with the money transmission business, the Director would have had grounds to deny their application for a money transmitter license for such misconduct if it existed at the time of application under ORS 717.235(1)(b).

24. Under ORS 717.265(1), the Director may suspend or revoke a license issued under ORS 717.200 to 717.320, 717.900 and 717.905 if the Director finds that:

> (a) any fact or condition exists that, if it had existed at the time when the licensee applied for a license, would have been grounds for denying the application;
>
> (b) the licensee's net worth is inadequate and the licensee, following 10 days' written notice from the director, fails to take such steps as the director considers necessary to remedy the inadequacy;
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> (c) the licensee has violated any material provision of the Oregon Money Transmitters Act or any rule validly adopted thereunder;
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> ***
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> (e) the licensee is insolvent;
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> (f) the licensee has suspended payment of its obligations, has made an assignment for the benefit of its creditors or has admitted in writing its inability to pay its debts as they become due;
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> ***

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(i) the licensee knowingly fails to make any report required by the Oregon Money Transmitters Act; [or]

25. Because the Director finds that Respondents violated or caused Left Coast Financial Solutions to violate ORS 717.265(1)(a), (b), (c), (e), (f), and (i), the Director may suspend or revoke Respondents' licenses.

26. Under ORS 717.290(1)(a), if the Director determines that any person has engaged in, is engaging in, or is about to engage in any act or practice constituting a violation of ORS 717.200 to 717.320 or of any rule adopted or order issued under ORS 717.200 to 717.320, the Director may order the person to cease and desist from the unlawful act or practice.

27. Because the Director has determined that Respondents have violated ORS 717.240(2)(a) and ORS 717.250(1), the Director may order Respondents to cease and desist from those violations under ORS 717.290(1)(a).

28. Under ORS 717.900(1), if the Director finds that a person has violated any provision of ORS 717.200 to 717.320, 717.900 and 717.905, or of a rule adopted or order issued under ORS 717.200 to 717.320, 717.900 and 717.905, the Director may impose a civil penalty in an amount specified by the Director, not to exceed $1,000 for each violation or, in the case of a continuing violation, $1,000 for each day that the violation continues.

29. Because the Director finds that Respondents have violated provisions of the Oregon Money Transmitters Act, and that such violations constitute continuing violations, the Director may impose a civil penalty not to exceed $1,000 per violation or $1,000 for each day that the violation continues under ORS 717.900(1).

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ORDERS

The Director issues the following ORDERS:

Order to Cease and Desist

30. Pursuant to the authority of ORS 717.290(1)(a), the Director hereby orders Respondents to CEASE AND DESIST from violating ORS 717.240(2)(a) and ORS 717.250(1).

Order Assessing Civil Penalties and Permanent Bar From Industry

31. Pursuant to the authority of ORS 717.900(1), the Director hereby orders the assessment of CIVIL PENALTIES against Respondents, jointly and severally, twenty-four thousand dollars ($24,000) for continuously violating the Oregon Money Transmitters Act, including ORS 717.240(2)(a), ORS 717.250(1), and ORS 717.265(1) from November 2021 through November 2022.

32. The Director SUSPENDS collection of the foregoing twenty-four thousand dollars ($24,000) civil penalty, provided:

A. Respondents agree to refrain from applying for any license or registration in Oregon that is administered or regulated by the Division, including but not limited to the following: money transmitter, investment advisor, investment advisor representative, broker-dealer, securities salesperson, insurance producer, mortgage broker, or any other securities, insurance, consumer finance, collection agency, or mortgage lending license or registration; and

B. Respondents comply with all terms of this Consent Order and the Oregon Money Transmitters Act.

33. The Director agrees to waive the foregoing suspended twenty-four thousand dollars ($24,000) civil penalty at the end of a period of five (5) years from the effective date of this Consent

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Order provided that Respondents comply with the Oregon Money Transmitters Act and the terms and conditions of this Order. If Respondents fail to comply with the Oregon Money Transmitters Act or otherwise fails to comply with the terms and conditions of this Consent Order, then the suspended civil penalty shall become immediately due and payable.

NONDISCHARGEABILITY

34. Respondents agree the facts and violations set forth in this Order may be taken as true without further proof in any bankruptcy case or subsequent civil litigation the Director may pursue to enforce its rights to any payment or money judgment under the terms of this Order, including but not limited to, any nondischargeablity complaint in any bankruptcy proceeding and that this Order shall have collateral estoppel effect in any bankruptcy case.

FINAL ORDER

35. This Order is a "Final Order" under ORS 183.310(6)(b). Subject to that provision, entry of this Order in no way limits or prevents further remedies, sanctions, or actions which may be available to the Director under Oregon law to enforce this Order, for violations of this Order, for conduct or actions of Respondents that are not covered by this Order, or against any party not covered by this Order.

IT IS SO ORDERED.
Dated this 21st day of December, 2023.

ANDREW R. STOLFI, Director
Department of Consumer and Business Services

/s/ Dorothy Bean
Dorothy Bean, Chief of Enforcement
Division of Financial Regulation

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CONSENT TO ENTRY OF ORDER

I, Daniel Herrington, state that I have read the foregoing Order and I fully understand the contents hereof. I have been advised of the right to a hearing and of the right to be represented by counsel in this matter, and I have been represented by counsel. I voluntarily consent to the entry of this Order without any force or duress, expressly waiving any right to a hearing in this matter, as well as any rights to administrative or judicial review of this order. I understand that this is a "Final Order" under ORS 183.310(6)(b). I understand that the Director reserves the right to take further action to enforce this Order or to take appropriate action upon discovery that I have committed other violations of the Oregon Money Transmitters Act. I will fully comply with the terms and conditions stated herein.

I understand that this Order is a public document.

Signature: /s/ Daniel Herington

State of Oregon

County of Multnomah

Signed or attested before me on this 12th day of December, 2023 by Daniel Herrington.

/s/ Karla Morales Galica

Notary Public

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CONSENT TO ENTRY OF ORDER

I, Casey Nye-Herrington, state that I have read the foregoing Order and I fully understand the contents hereof. I have been advised of the right to a hearing and of the right to be represented by counsel in this matter, and I have been represented by counsel. I voluntarily consent to the entry of this Order without any force or duress, expressly waiving any right to a hearing in this matter, as well as any rights to administrative or judicial review of this order. I understand that this is a "Final Order" under ORS 183.310(6)(b). I understand that the Director reserves the right to take further action to enforce this Order or to take appropriate action upon discovery that I have committed other violations of the Oregon Money Transmitters Act. I will fully comply with the terms and conditions stated herein.

I understand that this Order is a public document.

Signature: /s/ Casey Nye-Herrington

State of Oregon

County of Multnomah

Signed or attested before me on this 12th day of December, 2023 by Casey Nye-Herrington.

/s/ Karla Morales Galica

Notary Public

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