

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-02-0005

7 CAFFE' DIVA GROUP, LTD, VISTA)
8 CONSULTING, NEW ENGLAND)
9 INTERNATIONAL SURETY, RONALD)
10 DAVIS, and STEVE BOLEN,)

) FINAL ORDER TO CEASE AND
) DESIST, DENYING EXEMPTIONS,
) AND ASSESSING CIVIL PENALTIES
) AS TO VISTA CONSULTING AND
) STEVE BOLEN BY DEFAULT

11 Respondents.

12 On June 26, 2002 the Director of the Department of Consumer and Business Services for
13 the State of Oregon (hereafter the "Director"), acting by and pursuant to the authority of Oregon
14 Securities Law, Chapter 59 of the Oregon Revised Statutes, and other applicable authority,
15 issued Administrative Order No. A-02-0005 to **CEASE AND DESIST, DENYING
16 EXEMPTIONS, AND ASSESSING CIVIL PENALTIES AND NOTICE OF RIGHT TO
17 CONTESTED CASE HEARING** (hereafter "the Order") against Respondents **VISTA
18 CONSULTING AND STEVE BOLEN .**

19 On June 27, 2002 Respondent **VISTA CONSULTING** was duly served with a true copy
20 of the Order and Notice by United States Mail, postage prepaid, and addressed to Respondent
21 **VISTA CONSULTING**. at the following last known address: 17176 Escalon Drive #400,
22 Encino, California 91436. This mailing was not returned.

23 On June 27, 2002 Respondent **VISTA CONSULTING** was duly served with a true copy
24 of the Order and Notice by certified United States Mail (Item #7000 1670 0010 4289 2874),
25 postage prepaid, and addressed to Respondent **VISTA CONSULTING** at the following last
26 known address: 17176 Escalon Drive #400, Encino, California 91436.

On June 27, 2002 Respondent **STEVE BOLEN** was duly served with a true copy of the
Order and Notice by United States Mail, postage prepaid, and addressed to Respondent **STEVE**

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Salem, OR 97301-3881
Telephone: (503) 378-4387



1 **BOLEN** at the following last known address: 17176 Escalon Drive #400, Encino, California
2 91436. This mailing was not returned.

3 On June 27, 2002 Respondent **STEVE BOLEN** was duly served with a true copy of the
4 Order and Notice by certified United States Mail, restricted delivery (Item #7000 1670 0010
5 4289 2881), postage prepaid, and addressed to Respondent **STEVE BOLEN** at the following
6 last known address: 17176 Escalon Drive #400, Encino, California 91436. This mailing was
7 signed for by Steve Bolen.

8 Respondents **VISTA CONSULTING AND STEVE BOLEN** retained the services of
9 counsel to attempt to negotiate a consensual settlement of the Director's charges. While the
10 parties have engaged in discussions, counsel for Respondents was notified in writing that the
11 deadline for said discussions would be October 24, 2002. This deadline has now passed.

12 Respondents **VISTA CONSULTING AND STEVE BOLEN** have not made a written
13 request for a contested case hearing in this matter and the time to do so has expired.

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

17 **FINDINGS OF FACT**

18 The Director **FINDS** that:

- 19
- 20 1. Respondent **CAFFE' DIVA** was, at all times material herein,
21 a for profit corporation organized under the laws of the State of Oregon. Caffe' Diva Group,
22 Ltd's last known address is 40 Main Street, Los Altos, California 94022.
 - 23 2. Respondent **VISTA CONSULTING** was, at all times material herein, an
24 assumed business name registered in the State of California. Vista Consulting's last known
25 address is 17176 Escalon Dr. #400, Encino, California 91436.
26

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1 3. Respondent **NEW ENGLAND INTERNATIONAL SURETY** was, on
2 information and belief, at all times material herein, a foreign corporation organized under the
3 laws of Panama. New England International Surety's last known address is 7 Rue des Alpes,
4 Geneva, Switzerland.

5 4. Respondent **RONALD DAVIS** was, at all times material herein, the President
6 and Chief Executive Officer of Caffe' Diva Group, Ltd. His last known address is 9590 SW
7 Wilshire Street, Portland, Oregon 97225.

8 5. Respondent **STEVE BOLEN** was, at all times material herein, the
9 Proprietor of Vista Consulting. His last known address is 17176 Escalon Dr. #400, Encino,
10 California 91436.

11 6. Respondent **CAFFE' DIVA** did, at all times material herein, conduct business in
12 and from the State of Oregon; specifically, its headquarters were located at
13 15688 SW 72 Avenue, Portland, Oregon 97224.

14 7. Caffe' Diva operated mostly drive thru kiosks selling premium coffee and related
15 items on a retail basis. The chain began with one small store in Eugene, Oregon in 1995, and by
16 mid 2000 had 46 stores in Oregon, Washington, Idaho, California, Arizona, and Texas operating
17 under the names Caffe' Diva, Latte' Express, Bagel Basket (non drive thru), Marsee Baking (non
18 drive thru), Cowboy Espresso, Olympic Coffee, and Human Bean.

19 8. Davis was CEO of Caffe' Diva from June, 1996 until September, 2000. Davis
20 holds both a BS and an MBA from the University of Southern California and has worked for
21 Goldman Sachs, where he acquired a general securities license after passing NYSE
22 examinations. After his tenure at Caffe' Diva concluded, Davis taught a graduate level course at
23 Portland State University entitled "New Venture Creation."

24 9. Vista Consulting was a California firm that initiated and coordinated promissory
25 note programs for many companies, including Caffe' Diva. In return for hefty fees, Vista would
26 retain and compensate sales agents (almost all independent insurance agents) across the United

1 States that sold notes issued by these corporations to members of the public. In essence, Vista
2 Consulting acted as a marketing company, although it went a step further by preparing the actual
3 notes for issuance and arranging for the promissory notes to have a guarantor.

4 10. Steve Bolen was the proprietor of Vista Consulting, an assumed business name
5 registered in the State of California.

6 11. New England International Surety was a Geneva, Switzerland based surety firm
7 that was purportedly chartered in Panama but has never been licensed to do business in the
8 United States. In exchange for a share of Vista Consulting's fees (five percent of each note sold),
9 New England International Surety issued "guarantee certificates" for all promissory notes sold
10 by Caffè' Diva, as well as all the other companies in the Vista Consulting "portfolio."

11 12. Hendrik Reinstra was the President of New England International Surety.
12 Reinstra was indicted by a Texas grand jury on several counts of securities fraud, and was being
13 sought by the Federal Bureau of Investigation up until the time of his death.

14 13. Ronald Davis wanted Caffè' Diva to grow rapidly. While Caffè' Diva's store
15 operations were profitable, it was not possible for Davis' large scale expansion plans to be
16 funded internally.

17 14. Caffè' Diva obtained funds from a variety of sources, including \$100,000.00
18 from a Small Business Administration loan and \$987,000.00 from the sale of common shares in
19 a Small Corporate Offering Registration (SCOR) approved by the Oregon Division of Finance
20 and Corporate Securities. However, Caffè' Diva required significant sums of money if it was
21 going to expand and become a strong regional chain, and full scale bank financing proved to be
22 elusive.

23 15. When Caffè' Diva had about a dozen stores, a series of consultants and venture
24 capitalists led Davis to believe that Caffè' Diva needed \$5,000,000.00 to build a strong presence
25 up and down the I-5 corridor.

26

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1 16. Caffe' Diva retained a Tampa Bay, Florida firm that specialized in advising
2 rapidly growing businesses and assisting them in acquiring institutional funding (Gordon
3 Tunstall, Inc). The firm prepared a detailed report for Caffe' Diva management describing where
4 additional stores should be located or acquired and how funds could best be allocated.

5 17. Davis formally committed to a series of acquisitions, leases, and store build outs
6 that would be very costly without tangible proof that funding would come through by any
7 specific date. (Tunstall purportedly advised Davis to obtain a short term loan to tide the
8 company over.)

9 18. Steve Bolen of Vista Consulting contacted Davis in the summer of 1998,
10 asserting that his California venture capital firm could commit to raising \$5,000,000 in the form
11 of nine month corporate promissory notes sold to investors. Between the significant fees,
12 charges, and mandatory monthly consulting hours and the 11.37% interest rate Caffe' Diva could
13 expect to see only around fifty cents of each dollar raised by Vista Consulting. Ronald Davis saw
14 this infusion as a necessary "band aid" until institutional funds were acquired, at which point the
15 promissory note was to be paid off in full by Caffe' Diva. Vista Consulting and Caffe' Diva
16 signed an agreement in August, 1998.

17 19. Ronald Davis did no substantive due diligence on the firm
18 he was borrowing \$5,000,000 from, or its proprietor, someone that he did not have even a
19 cursory business or personal relationship with. Of even greater import, Vista Consulting did no
20 real due diligence on Caffe' Diva, a fledgling company it was about to lend a substantial sum to.
21 Davis asked Bolen where he got his funds from, and was told that Vista Consulting had "a
22 network of European and American investors backed by a surety company."

23 20. Bolen did not have "a network of European and American investors"; what he had
24 was a network of independent insurance agents across the nation (none were located in Oregon)
25 that he pieced together. Typically, these agents, lured by commissions around fifteen percent,
26 would approach clients who had assets in fixed income investments (such as certificates of



1 deposit) and convince them to transfer their funds to the higher yielding and purportedly equally
2 safe "corporate promissory notes." While the insurance agents were usually properly licensed in
3 their respective jurisdictions to sell insurance (but not securities), they were generally not
4 financially sophisticated. Most did no due diligence on the issuer at all, and the few who did only
5 thought to call the persons involved for assurance (such as Steve Bolen and Ron Davis), instead
6 of requesting information that would provide insight on Caffe' Diva's ability to repay principal
7 and interest (such as audited financial statements or a prospectus).

8 21. Bolen asserted that the notes were backed by a surety company, New England
9 International Surety. (The surety company actually had no connection to New England, being
10 chartered in Panama and headquartered in Brussels. It was not licensed to conduct business as a
11 surety anywhere in the United States.) Davis did no substantive due diligence on New England
12 International Surety. In fact, Davis did not communicate at all with its principal, Hendrik
13 Reinstra, until it became apparent that Caffe' Diva would not be able to repay noteholders.

14 22. The process by which Caffe' Diva corporate promissory notes were sold to the
15 public was relatively simple, and was usually concluded in a single visit by the insurance agent
16 to a client's home. The agent, who had already sold one or more insurance policies to the client,
17 almost always cited that previous (successful) interaction before inquiring whether the client
18 would like to earn significantly higher interest rates than what a bank was paying while still
19 having a *safe, fully guaranteed* investment. The agent would then describe what a promissory
20 note was (the clients were almost always elderly and financially unsophisticated), and talk about
21 Caffe' Diva and its coffee kiosks. (Since few agents had spoken to Ron Davis, and because Steve
22 Bolen knew little beyond what his sole visit to a Caffe' Diva kiosk had taught him, agents
23 inevitably parroted the slick, professionally printed Caffe' Diva brochure and its accompanying
24 question and answer sheet that was devoted almost exclusively to the false proposition that the
25 notes were safe investments, copies of which they would then leave with the client.) A few days
26

1 later, the agent would follow up to determine if the client was going to invest funds and make
2 arrangements to receive the funds.

3 23. The above referenced brochures were provided in bulk to Vista Consulting by
4 Caffè' Diva, and were then passed on to the various sales agents. The brochures – which were
5 investors sole source of written information about Caffè' Diva - are replete with optimistic
6 projections and happy talk but are completely devoid of any financial information or a disclosure
7 of the risks involved, and could not begin to take the place of a formal offering prospectus.

8 24. Neither Vista Consulting nor Steve Bolen ever wrote a single, substantial check to
9 Caffè' Diva from its own account. Instead, the money came into Caffè' Diva's corporate offices
10 in small increments. Once investors tendered funds to the sales agents, the moneys were
11 forwarded to Vista Consulting's California escrow account. Vista Consulting would prepare a
12 Caffè' Diva promissory note and New England International Surety Certificate of Guarantee
13 and forward the documents to Caffè' Diva for Davis' signature, at which time they were mailed
14 to the investor. (Payment was due in nine months, although some investors renewed the note for
15 another nine month period.) Upon notice of issuance, Vista Consulting would tender principal to
16 Caffè' Diva (due to high points, mandatory consulting fees, and commissions this generally
17 amounted to about fifty percent of a note's face value) and a commission to the sales agent.
18 Caffè' Diva kept a ledger with the name, address, and investment amount of each investor and
19 the name of the investor's sales agent (sometimes referred to in Caffè' Diva's records as
20 "broker.")

21 25. Shortly after the notes were issued, Tunstall Inc, citing the unexpected crash in
22 the Initial Public Offering (IPO) market (to which institutional investments are tied), informed
23 Caffè' Diva that it would not be able to raise any institutional money after all.

24 26. Davis was able to "buy some time" by renewing some of the notes for additional
25 nine month periods, but he still had to face the fact that Caffè' Diva would not be able to pay the
26 notes off out of operating cash flow. Investors became increasingly concerned as the notes

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1 became due and owing; Davis repeatedly assured the noteholders that payment would be
2 forthcoming shortly.

3 27. Davis turned to his surety (the relationship between New England International
4 Surety and Caffè Diva was codified in a "NEIS Guarantee Agreement") with the expectation
5 that his inability to obtain large scale financing would be sufficient grounds to collect on the
6 guarantee. Davis traveled to Los Angeles in November, 1999 to meet Reinstra, and provided him
7 with details of the problem. Davis, who expected Reinstra to be agitated to learn that his firm
8 suddenly found itself on the hook for just under \$5,000,000.00, was surprised at Reinstra's calm
9 demeanor. Davis presented the New England International Surety executive with a plan: as a
10 means of expressing gratitude for the immediate payment of all outstanding promissory notes,
11 Davis would tender thirty percent of Caffè Diva's outstanding shares to New England
12 International Surety, and give Reinstra a seat on the Board of Directors as well. (Reinstra
13 eventually negotiated a slightly higher percentage, and then agreed to the proposal, which was
14 memorialized in a contract.)

15 28. New England International Surety actually paid less than \$75,000 to noteholders.
16 Davis repeatedly pestered Reinstra's assistants to no avail. Davis attempted to lull the sales
17 agents and individual note holders with excuses he knew were false throughout 2000 (for
18 example, he told one agent that the Caffè Diva Board of Directors needed to authorize payment,
19 and that the agent should call back after a scheduled Board meeting. When the agent called after
20 that date, Davis stated that the minutes had not yet been transcribed and ratified.)

21 29. When it became clear that New England International Surety would not pay off
22 the notes, Davis "rescinded" the transfer of shares to New England International Surety. Davis
23 then formed a firm called "Arrowhead Capital Management" to "receive" the rescinded shares
24 without diluting current equity holders. His plan – purportedly crafted without assistance – was
25 to register the shares with the Division of Finance and Corporate Securities, sell them to the
26 public, and pay off the notes – and thereby clean up Caffè Diva's bloodied balance sheet. In the

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1 end, no shares were registered with the Oregon Division of Finance or Corporate Securities nor
2 were they offered to the public.

3 30. Davis' plan was likely not so innocent or so straightforward, as evidenced by a
4 June 7, 2000 letter (roughly concurrent in time with Arrowhead Capital's formation) sent over
5 his signature to an Iowa resident who had invested in another company in the Vista
6 Consulting/New England International Surety portfolio called "Pacific Air."

7 *The purpose of this letter is to offer you a way to recover your investment in*
8 *Pacific Air. As a favor to John Raines for his help to Caffe' Diva, I will issue*
9 *you 20,000 shares of Caffe' Diva Group, Limited common stock to cover the*
10 *\$50,000.00 you invested with Pacific Air. Today's market is \$5.25 per share*
11 *and of course these shares will have to be registered before they can be sold to*
12 *cover your money. John has helped us through some difficult times and has*
13 *expressed real concern as to the status of your investment. By accepting this*
14 *stock you can recover your investment. When this occurs I would like you to*
15 *send all Pacific Air documents to me so I can pursue New England Surety to*
16 *recover my money. I believe, but cannot guarantee, that your stock in our*
17 *company will be liquid within 90 to 120 days. Sincerely, Ronald A. Davis.*

18 Davis purportedly never had an equity stake in Pacific Air, was never employed or
19 affiliated with the company, and when asked what John Raines did to help Caffe Diva, Davis
20 testified that he did not recall. It is unclear why Davis, in the midst of severe financial
21 difficulties, would issue shares of his own company to help investors in a totally unrelated entity
22 recoup their assets.

23 31. By mid 2000 the stores were operating at a slight profit, the company was almost
24 \$5,000,000 in debt, and potential acquirers were impressed by store operations but frightened
25 away by the scary balance sheet. As Caffe' Diva's problems mounted representatives of KAL
26 Equity, a California venture capital firm that had poured roughly \$1,000,000.00 into Caffe' Diva
in exchange for Caffe' Diva debt obligations (and thereby became the largest secured creditor)
found themselves spending more time managing operations. Kim Lorz, a KAL partner, took
over day to day operations. (Davis believed he was fired; Lorz' attorney states that Davis just left
and gave up, leaving the company in a vacuum.) Regardless, Davis conveyed, for no





1 consideration, all his interest in both Caffè' Diva and Arrowhead Capital to KAL Equity. The
2 firm shuttered all but six of the stores, and a fully owned subsidiary of KAL Equity (Coffee Five,
3 Inc) now operates the remaining units. While Caffè Diva has never been formally dissolved, it is
4 now just a corporate shell with many civil judgments against it.

5 32. Of the \$4,775,217.40 that was borrowed, \$634,714.57 was repaid by Caffè' Diva
6 or New England International Surety. Not counting whatever interest may be accruing, investors
7 are currently owed \$4,140,502.83.

8 33. The corporate promissory notes offered by Respondents were not registered with
9 the Oregon Division of Finance and Corporate Securities.

10 34. Respondents were not licensed to sell securities in Oregon. Furthermore,
11 Respondents were not licensed to sell securities in any jurisdiction.

12 35. Respondents, in connection with the offer and/or sale of Caffè' Diva promissory
13 notes and accompanying New England International Surety Guarantee Certificates failed to
14 disclose the following to investors: that Caffè' Diva promissory notes were, given the state of the
15 company, highly speculative investments that were not appropriate for investors who were in or
16 nearing retirement; that Caffè' Diva promissory notes were not registered with the Oregon
17 Division of Finance and Corporate Securities; that New England International Surety Guarantee
18 Certificates were not registered with the Oregon Division of Finance and Corporate Securities;
19 that none of the Respondents was licensed to sell securities in the State of Oregon; that New
20 England International Surety was not licensed as a surety with any state licensing authority and
21 was in fact a foreign corporation despite its name; an accurate description of the backgrounds
22 and management histories of the officers of Caffè' Diva Group, Ltd and New England
23 International Surety; a detailed, specific description of the financial condition of both Caffè Diva
24 Group, Ltd and New England International Surety, such that a prospective investor would be
25 able to determine the ability and/or likelihood of both Caffè Diva Group, Ltd and New England
26

1 International Surety to pay principal and interest on the promissory notes; and a disclosure of the
2 true and substantial risks of this investment.

3
4 **CONCLUSIONS OF LAW**

5
6 The Director **CONCLUDES** that:

7 1. The Caffè' Diva promissory notes which were offered and sold by
8 Respondents **CAFFE' DIVA , VISTA CONSULTING, RONALD DAVIS, AND STEVE**
9 **BOLEN** are a "security" as defined in ORS 59.015(19)(a).

10 2. The Guarantee Certificates which were offered and sold by
11 Respondents **NEW ENGLAND INTERNATIONAL SURETY, CAFFE' DIVA , AND**
12 **RONALD DAVIS** are a "security" as defined in ORS 59.015(19)(a).

13 3. Respondents offered and/or sold unregistered securities in the State of Oregon in
14 violation of ORS 59.055.

15 4. Respondents offered and/or sold a security in the State of Oregon without being
16 licensed as a broker-dealer or salesperson in violation of ORS 59.165(1).

17 5. Respondents, in connection with the offer and/or sale of Caffè' Diva promissory
18 notes and accompanying New England International Surety Guarantee Certificates failed to
19 disclose the following to investors: that Caffè' Diva promissory notes were, given the state of the
20 company, highly speculative investments that were not appropriate for investors that were in or
21 nearing retirement; that Caffè' Diva promissory notes were not registered with the Oregon

22 Division of Finance and Corporate Securities; that New England International Surety Guarantee
23 Certificates were not registered with the Oregon Division of Finance and Corporate Securities;

24 that none of the Respondents was licensed to sell securities in the State of Oregon; that New
25 England International Surety was not licensed as a surety with any state licensing authority and
26 was in fact a foreign corporation despite its name; an accurate description of the backgrounds

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1 and management histories of the officers of Caffè Diva Group, Ltd and New England
2 International Surety; a detailed, specific description of the financial condition of both Caffè Diva
3 Group, Ltd and New England International Surety, such that a prospective investor would be
4 able to determine the ability of both Caffè Diva Group, Ltd and New England International
5 Surety to pay principal and interest on the promissory notes; a disclosure of the true risks of this
6 investment, all of which are untrue statements of a material fact and/or omissions to state a
7 material fact necessary in order to make the statements made, in the light of the circumstances
8 under which they were made, not misleading in violation of ORS 59.135(2).

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10

11

ORDER

12

13

Therefore, the Director **ORDERS**

14

1. That Respondents shall cease and desist from offering and/or selling securities to
15 persons in the State of Oregon in violation of ORS Chapter 59, OAR Chapter 441, or the Oregon
16 securities law.

16

17

2. That Respondents **VISTA CONSULTING AND STEVE BOLEN** are, jointly
18 and severally, ordered to pay the sum of **SEVENTY FIVE THOUSAND DOLLARS**

18

19

(\$75,000.00) as a civil penalty for violations of ORS 59.055, ORS 59.135, and ORS 59.165

20

described herein.

21

3. That Respondent **STEVE BOLEN** Respondent **DAVIS** is prohibited from
22 applying for an Oregon securities license for a period of ten years.

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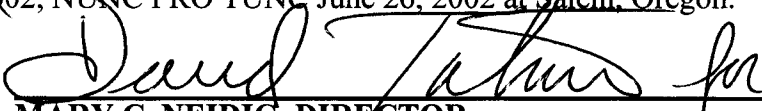
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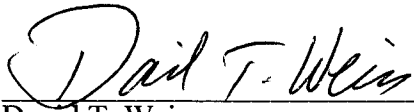


1 4. That Respondents are hereby denied use of any exemptions authorized by ORS
2 59.025 and ORS 59.035, until further order of the Director, pursuant to ORS 59.045.

3 **IT IS SO ORDERED.**

4 Dated this 24th day of October, 2002, NUNC PRO TUNC June 26, 2002 at Salem, Oregon.

5 
6 **MARY C. NEIDIG, DIRECTOR**
7 **DEPARTMENT OF CONSUMER & BUSINESS**
8 **SERVICES**
9 **STATE OF OREGON**

10 
11 **David T. Weiss**
12 **Securities Enforcement Officer**
13 **Division of Finance and Corporate Securities**
14 **Department of Consumer and Business Services**
15 **State of Oregon**

Dated: 10-24-02

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