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State issues cease-and-desist orders for unregistered securities

(Salem) – The Oregon Department of Consumer and Business Services (DCBS) recently issued cease-and-desist orders to four companies in cases involving unregistered securities.

DCBS issued an order against three Arizona companies that were actively selling unregistered securities in Oregon from 2001 to 2005. Trend Management Group, Inc., Trend Capital, LLC, and The Trend Group, Inc., raised more than \$15.9 million nationwide from more than 300 investors, many of them elderly. The companies sold stock and investment contracts involving the purchase, servicing, and sale of distressed consumer receivables (“bad debt”). In Oregon, losses exceeded \$80,000.

The unregistered securities were sold to investors by unregistered dealers and salespeople. The company owners used much of the investment money to pay their personal expenses.

The order also named the Trend businesses’ principal, Ryan James Herndon of Phoenix. Herndon misappropriated about \$2.76 million of investor money, which he spent on luxury homes, automobiles, and in supporting an extravagant lifestyle that included traveling and gambling. In June, Maricopa County circuit court in Arizona sentenced Herndon to 42 months in prison for his role in the Trend investment scheme.

In addition, DCBS entered into consent agreements in July with two sales agents who had enrolled Oregon residents in the Trend scams. Royal H. Edwards, an insurance agent based in Redmond, Ore., and Lawrence L. Beard of Prineville, Ore., both signed consent orders arising out of their sales of interests in the Trend scheme. Each was assessed a civil penalty of \$15,000, issued a cease-and-desist order for selling securities without a license, and must register to sell any securities, including to people deemed accredited investors. A portion of each penalty will be suspended if they make partial restitution to their victims. The Trend businesses are now in receivership, and the receiver is handling the remainder of the restitution. So far, the receiver has sent about one-third of the principal to investors.

In another case, DCBS issued an order against GigaPix Studios, Inc., and president and CEO Christopher J. Blauvelt for offering unregistered securities to at least one Oregon resident.

The department fined GigaPix \$20,000, but suspended \$15,000 of the penalty pending GigaPix’s compliance with the remaining terms of the order. GigaPix, based in Chatsworth, Calif., must file quarterly reports with the department for three years documenting any securities sales made in Oregon under the sales exemptions in the Oregon securities law.

GigaPix produces animation for films, television, and interactive programs. The company unlawfully solicited securities investments from at least one Oregon resident in March 2008.

“Oregonians should always check out investments offered to them either through trusted advisers or our office,” said David Tatman, administrator of the Division of Finance and Corporate Securities, part of DCBS. “Often the best due diligence a person can do is to call our office before investing.”

DFCS can help investors find licensing, registration, and enforcement history information on individuals, companies, and securities products. Call DFCS toll-free 866-814-9710, 503-378-4140 in Salem, or go to dfcs.oregon.gov and click on “Securities.”

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The Division of Finance and Corporate Securities, part of the Department of Consumer & Business Services, helps ensure that a wide range of financial products and services are available to Oregonians and helps protect consumers from financial fraud and abuse. For more information, visit www.dfcs.oregon.gov.

The Department of Consumer and Business Services is Oregon’s largest business regulatory and consumer protection agency. For more information, visit www.dcbs.oregon.gov.