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State orders former Portland-area stockbroker to pay restitution to investors

(Salem) — The Department of Consumer and Business Services (DCBS) ordered a former Portland-area stockbroker who promoted an illegal investment program to pay up to \$270,000 if he fails to meet his commitment to repay \$80,000 in victim restitution for scores of fraudulent securities transactions.

In a “Cease and Desist” order signed Jan. 17, 2007, DCBS officials levied civil penalties, and imposed restitution and other sanctions against Larry M. Pember of West Linn, Ore., and his company, Corporate Executives Inc. Under the terms of an agreement reached with DCBS, Pember must pay the state no less than \$1,000 per month, with 80 percent of each payment to be distributed to scam victims. The balance of the amount will go toward reimbursing state investigative costs and providing investor education.

The order also prohibits Pember from illegally selling securities in Oregon, and permanently bars Pember and his business from having any securities license or registration in Oregon and from obtaining other licenses or registrations required to provide financial services in Oregon.

The order concludes an administrative action filed last year by DCBS's Finance and Corporate Securities Division (DFCS) alleging securities fraud and other violations of Oregon Securities Law. The action arose from a multi-state investigation spearheaded by the Washington Department of Financial Institutions, Securities Division.

According to the Oregon order, Pember sold, to at least 50 investors, unregistered securities issued by Health Maintenance Centers Inc. (HMC), Znetix Inc., and Cascade Pointe LLC without a securities license. In addition, Pember failed to provide necessary written information to investors to adequately disclose:

- The risks of investment in those companies;
- The highly speculative nature of the investment;
- The lack of securities licensing/registration by the promoters and issuers; and
- That the Washington Department of Financial Institutions issued a cease and desist order in May 2001 barring further offers and sales of HMC stock.

“Investors in this scheme lost their hard-earned money,” said David Tatman, administrator of the Division of Finance and Corporate Securities. “It is appropriate that Mr. Pember and his company have been sanctioned in this case because he knew and understood that those selling securities in Oregon must be licensed, that securities sold in Oregon must be reviewed and registered, and securities transactions must be free from fraud. We want to prevent this from happening to others by showing that scammers will be caught, and must answer for their bad deeds.”

Tatman encourages investors to do their financial homework before they commit their money, including checking with DFCS about the background of the investments and the person and company offering them. To get more information, call toll-free (866) 814-9710, (503) 378-4140 in Salem, or go to www.dfcs.oregon.gov and click on “FAQs.”

DCBS officials said Pember’s license to sell securities in Oregon expired nearly 10 years before he sold the investments underlying the order. Some of the investors were Portland-area residents, and many others lived elsewhere in Oregon.

Pember told investors that an initial public offering was imminent, and they would receive shares of stock in Znetix. Znetix never went public. Instead, HMC/Znetix operated a massive securities fraud scam from Bainbridge Island, Wash., resulting in investor losses of more than \$90 million from at least 5,000 investors nationwide. Pember acted as a sales agent for those companies, promoting their stock. Pember raised at least \$1 million from investors between 2001 and 2002, kept approximately \$80,000 of those funds, and forwarded the rest of the money to the HMC/Znetix organization. After the scheme unraveled, Pember filed for bankruptcy in Portland. Following a federal criminal investigation, several HMC officers and directors in Washington were sentenced to lengthy prison sentences, of up to 20 years each, for their roles in the scheme. Pember was not charged after that investigation.

For a copy of the Director’s order, go to www.dfcs.oregon.gov/securities/enf/orders/s-05-0067.pdf.

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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.