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ARKANSAS SECURITIES DEPT

BEFORE THE ARKANSAS SECURITIES COMMISSIONER
CASE NO. S-14-0095
ORDER NO. S-14-0095-14-OR02

IN THE MATTER OF

RIVERSIDE LEASE, LLC
SCHAFFER FINANCIAL SERVICES
SCHAFFER FINANCIAL
TERINA CARNEY
aka TERINA HUMPHREY
aka TERINA SCHAFFER

RESPONDENTS

CEASE AND DESIST ORDER

On November 6, 2014, the Staff of the Arkansas Securities Department (“Staff”) filed its Request For Cease and Desist Order (“Request”) stating that it has information and evidence which indicates that Riverside Lease, LLC, Schafer Financial Services, Schafer Financial and Terina Carney aka Terina Humphrey aka Terina Schafer (collectively “Respondents”) have violated various provisions of the Arkansas Securities Act, Ark. Code Ann. §§ 23-42-101 through 23-42-509 (“Act”), and the Rules of the Arkansas Securities Commissioner (“Rules”). The Arkansas Securities Commissioner (“Commissioner”) has reviewed the Request and based upon representations made therein, finds as follows:

FINDINGS OF FACT

1. The Request asserts the following representations of fact:
 - a. Riverside Lease, LLC (“RL”) is a Missouri limited liability company created on or about December 12, 2012, with its principal office located in Kaiser, Missouri. Terina Humphrey is listed in the Articles of Organization as RL’s registered agent along with Stephen Humphrey listed as RL’s organizer. RL has never registered with the Arkansas Securities Department (“Department”) in any capacity.

- b. Schafer Financial Services (“SFS”) is a “fictitious name” registration in Missouri filed for record on or about September 20, 2012. Terina Schafer is listed as one hundred percent owner of SFS. SFS has never registered with the Department in any capacity.
- c. Schafer Financial (“SF”) is a “fictitious name” registration in Missouri filed for record on or about November 14, 2012. SFS is listed as fifty percent owner of SF along with Stephen Humphrey listed as fifty percent owner of SF. SF has never registered with the Department in any capacity.
- d. Terina Carney (“TC”) aka Terina Humphrey (“TH”) aka Terina Schafer (“TS”) (collectively referred to as “TC” unless specifically named otherwise) is a resident of the State of Missouri. At all times relevant herein, TH is listed as the registered agent and owner of RL; TS is listed as the owner of SFS and SFS is listed as fifty percent owner of SF. TC has never registered with the Department in any capacity.
- e. Stephen Humphrey (“SH”) is a resident of the State of Missouri. At all times relevant herein, SH is listed as the organizer of RL and fifty percent owner of SF. SH has never registered with the Department in any capacity.
- f. TC used documents and financial accounts of RL, SF, SFS, Lease One (“LO”) and other companies interchangeably to perpetuate her sale of unregistered securities and her scheme to defraud investors.
- g. TC, acting as the owner of RL/SFS, solicited investments in RL/SFS from AR1’s brother-in-law, father, and mother in 2012. TC claimed that RL/SFS provided short term loans to companies needing temporary financing to enter into long term equipment leases. TC promised twelve to twenty percent return on the investment

every thirty to forty-five days. AR1's brother-in-law, father and mother all invested various amounts of money in RL/SFS through TC.

- h. After watching relatives receive payments and account statements reflecting the promised returns on their investments in RL/SFS, AR1 invested \$16,000 in RL/SFS through TC on or about November 30, 2012. AR1 entered into a "Use of Funds Agreement" between AR1 and SFS. TS executed the "Use of Funds Agreement" on behalf of SFS. The Use of Funds Agreement provided that AR1 was to receive a twenty percent return on his investment every thirty days. AR1 was provided wiring instructions by TC directing him to wire \$16,000 to a bank account owned by SF. AR1 borrowed from his retirement funds and wired \$16,000 from his bank account to SF's bank account.
- i. AR1 received \$3,200 on or about February 8, 2014. AR1 has not received any further money from Respondents despite demanding payment of earned interest and a return of his initial investment. The last communication AR1 received from TC was an account statement dated June 6, 2013, reflecting an account balance of \$47,775.74. Respondents have stopped communicating with AR1.
- j. AR2 spoke to TC in March 2013 about investing in RL. On or about March 8, 2013, AR2 entered into a "Riverside Lease, LLC Lending Agreement" and a "Use of Funds Agreement" between AR2 and RL. TC executed the lending agreement and the use of funds agreement on behalf RL. The Use of Funds Agreement provided that AR2 was to receive a twenty percent return on her investment every thirty days. AR2 was provided wiring instructions by TC directing her to wire \$6,000 to an account owned by SF. AR2 used her tax refund and wired \$6,000 from her bank account to SF's bank account.

- k. AR2 received an account statement from RL reflecting an ending balance as of March 31, 2013, in the amount of \$7,200. AR2 further received an account statement from RL reflecting an ending balance as of June 30, 2013, in the amount of \$12,441.60.
- l. AR2 has not received any money from Respondents despite demanding payment of earned interest and a return of her initial investment. Respondents have stopped communicating with AR2.
- m. TC mailed out letters, on behalf of RL, attempting to explain why investors had not received payments as promised. The letters stated that payments to investors in RL/SFS were delayed as a result of changes in underwriting regulations in the leasing industry. TC met with concerned investors in October 2013 in an attempt to appease investors' concerns regarding lack of payments. TC stated that the investors' money was tied up in a construction project in Africa. TC claimed that LO, RL's parent company, sent RL's investors' money to Africa without TC's knowledge. TC later claimed to an investor in RL that she was being bought out and that all of RL investor's would be paid back when she finalized the sale of RL.
- n. When TC solicited the investments from AR1 and AR2, TC stated the funds invested would be used to fund equipment leases for companies attempting to obtain long term financing. A review of SF's bank records reflect both AR1 and AR2's investments being deposited into the bank account. A further review of SF's bank records reflect numerous payments being made for personal expenditures, including payments made to Walmart, Carmart, liquor stores, gas stations, cash withdraws, various restaurants, and prior investors in RL/SFS.

CONCLUSIONS OF LAW

2. This action is properly before the Commissioner in accordance with Ark. Code Ann. § 23-42-209

3. The definition of “security” includes investment contracts. Ark. Code Ann. § 23-42-102(17)(A)(xi).

4. “Fraud” “deceit”, and “defraud” are not limited to common-law deceit. Ark. Code Ann. § 23-42-102(7).

5. The definition of “person” includes an individual or a limited liability company. Ark. Code Ann. § 23-42-102(13).

6. An “issuer” is defined as every person who proposes to issue any security. Ark. Code Ann. § 23-42-102(10).

7. It is unlawful for any person to offer or sell any security in Arkansas unless it is registered under the Act, the security or transaction is exempted under Ark. Code Ann. §§ 23-42-503 or 23-42-504, or it is a covered security. Ark. Code Ann. § 23-42-501.

8. “Control” is defined as the power to direct or cause the direction of the management or policies of a person, whether through ownership of securities, by contract, or otherwise. Control of a person is presumed when any individual is a director, partner or officer exercising executive responsibility or has a similar status or performs similar functions; is entitled to twenty-five percent or more of the profits of a person. Rule 102.01(11) of the Rules.

9. It is unlawful for any person, in connection with the offer or sale of any security, directly or indirectly: to employ any device, scheme, or artifice to defraud; to make any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they are made, not misleading; or to

engage in any act, practice, or course of business which operates or would operate as a fraud or deceit upon any person. Ark. Code Ann. § 23-42-507.

10. Whenever it appears to the Commissioner, upon sufficient grounds and evidence satisfactory to the Commissioner, that any person has engaged or is about to engage in any act or practice constituting a violation of the Act, or any rule or order under the Act, the Commissioner may summarily order the person to cease and desist from the act or practice. Ark. Code Ann. § 23-42-209(a)(1)(A).

11. After notice and an opportunity for a hearing, the Commissioner may, for a violation of the Act, by order, levy a fine not to exceed \$10,000.00 for each violation or an amount equal to the total amount of money received in connection with each violation. Ark. Code Ann. § 23-42-209(a)(2)(C)(ii)(a).

12. At all times relevant hereto, TC controlled RL, SF and SFS as defined by the Rules.

13. RL and SFS are issuers and persons, pursuant to Ark Code Ann. § 23-42-102(10) and (13). TC and SF are persons, pursuant to Ark. Code Ann. § 23-42-102(13).

14. The RL/SFS sales contracts offered and sold in Arkansas through TC were securities pursuant to Ark. Code Ann. § 23-42-102(17)(A)(xi) and should have been registered in Arkansas pursuant to Ark. Code Ann. § 23-42-501.

15. TC sold securities in Arkansas to AR1 and AR2 without the securities being registered, exempt from registration, or covered securities, in violation of Ark. Code Ann. § 23-42-501.

16. TC employed a scheme or artifice to defraud in connection with the sale of unregistered securities to AR1 and AR2 in violation of Ark. Code Ann. § 23-42-507(1).

17. TC made unsubstantiated promises of high returns and use of proceeds in selling the sales contracts. TC made these untrue statements of material facts to AR1 and AR2 while selling AR1 and AR2 unregistered securities in Arkansas in violation of Ark. Code Ann. § 23-42-507(2).

18. TC used her control over RL, SFS and SF to engage in a course of business operated as a fraud while selling AR1 and AR2 unregistered securities in Arkansas in violation of Ark. Code Ann. § 23-42-507(3).

19. Based upon the Findings of Fact and Conclusions of Law, a cease and desist order against the Respondents is necessary or appropriate in the public interest or for the protection of investors, pursuant to Ark. Code Ann. § 23-42-209(a)(1)(A).

ORDER

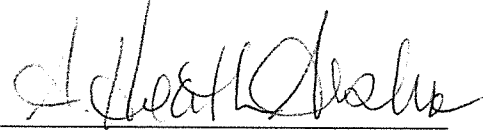
20. Riverside Lease, LLC, Schafer Financial Services, Schafer Financial and Terina Carney aka Terina Humphrey aka Terina Schafer shall immediately CEASE AND DESIST from the offer or sale of securities in Arkansas in violation of Ark. Code Ann. § 23-42-501.

21. Terina Carney aka Terina Humphrey aka Terina Schafer shall immediately CEASE AND DESIST from any further fraudulent acts constituting violations of Ark. Code Ann. §§ 23-42-507(1) through (3).

22. A hearing on this order shall be held if requested by Respondents in writing within thirty days of the date of the entry of this order, or if otherwise ordered by the Commissioner. Such request should be addressed to the Commissioner and submitted to the following address:

Arkansas Securities Commissioner
Heritage West Building
201 East Markham Street, Suite 300
Little Rock, Arkansas 72201

If no hearing is requested and none is ordered by the Commissioner, this order will remain in effect until it is modified or vacated by the Commissioner. Ark. Code Ann. § 23-42-209(a)(2).



A. Heath Abshure
Arkansas Securities Commissioner

November 24, 2014
Date