

**BEFORE THE COMMISSIONER OF COMMERCE AND INSURANCE  
OF THE STATE OF TENNESSEE AT NASHVILLE**

<b>TENNESSEE SECURITIES DIVISION</b>	)	
<b>Petitioner,</b>	)	
	)	
<b>VS.</b>	)	
	)	<b>File No.:     <u>04-012</u></b>
<b>ATC INVESTMENT GROUP, L.L.C.,</b>	)	
<b>PILATUS FINANCIAL CENTER, AND</b>	)	
<b>LAWRENCE PAUL SCHMIDT,</b>	)	
<b>Respondents.</b>	)	

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**ORDER TO CEASE AND DESIST**

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This Order issues as a result of a Petition and its exhibits attached hereto filed by the Tennessee Securities Division of the Department of Commerce and Insurance and is predicated upon the following Findings of Fact and Conclusions of Law:

**FINDINGS OF FACT**

1.     ATC Investment Group, L.L.C. (“ATC”) is a Georgia limited liability company. The business entity is located at 1860-F Spring Road, Smyrna, GA 30080. ATC is not registered with the Division pursuant to the Act.
  
2.     Pilatus Financial Center (“Pilatus”) is an unknown Georgia business entity. The business entity is located at 1860-F Spring Road, Smyrna, GA 30080. Pilatus is not registered with the Division pursuant to the Act.
  
3.     Lawrence Paul Schmidt (“Schmidt”) is believed to be an employee, agent, officer, director, owner or other affiliated person of ATC and/or Pilatus. Schmidt maintains his address at 1860-F Spring Road, Smyrna, GA 30080. Schmidt is not registered with the

Division as a broker-dealer or agent of a broker-dealer pursuant to the Act.

4. ATC is currently offering and/ or selling securities from, in, and/or into the State of Tennessee.

5. Pilatus is currently offering and/or selling securities from, in, and/or into the State of Tennessee.

6. Schmidt is currently offering and/ or selling securities from, in, and/or into the State of Tennessee.

7. On or about March 2003, Eddie Davis, an investigator with the Division of Securities, began a preliminary investigation regarding the matter. Specifically, on or about March 25, 2003, the Broker-Dealer Section of the Division received a call from a potential investor concerning whether ATC was registered to sell securities to residents of Tennessee. After a search of the CRD, the Division informed the caller that neither ATC nor Schmidt was registered with the Division to sell securities in Tennessee.

8. The caller had stated that he had responded to an advertisement by ATC in the USA Today regarding an investment opportunity. The caller stated that Schmidt had sent him an informational package that offered guaranteed annual rates of return of twelve percent (12%) and up with very low risk to the caller's principal.

9. An Internet search revealed a website for ATC and its sister company, Pilatus. The ATC website asserts that the investment opportunity is offered through the purchase of acquisition contracts having a renewable twelve (12) month period. The monies invested would then become the basis of payday advance loans offered to the general public by Pilatus through their offices, both current and future, in Tennessee and Georgia.

10. The ATC website claimed that the investment opportunity is registered with the

U.S. Securities and Exchange Commission (“SEC”) through a Regulation D, Rule 506 offering under the Securities Act of 1933. However, no exemption filing was found at the federal level. A search of the Division’s records did not reveal any covered security notice filing.

11. The ATC website also claims that the investment offered by ATC/Pilatus is conservative and that an annual return of ten to thirty-three percent (10 – 33%) were guaranteed annually and that the investment is “one of the safest...outside of the CD and Life Insurance market.”

12. The investment opportunity being offered appears to be an investment contract. The investor is required to invest a minimum of \$5,000; this \$5,000 constitutes the initial value. The \$5,000 is subjected to the risks of the enterprise. The investor provides the initial value because of the promises of ATC and Pilatus which give rise to an understanding that a valuable benefit, that is, a return on the investment, will accrue to the investor as a result of the operation of the enterprise. Specifically, “We use your investment to lend out to our customers, which is comprised of the general working public, at a higher rate. An investor can enjoy a great return of up to 30% for twelve months, by acting as an “Accounts Receivable Factor” or Debt Investor.” Investors do not have the right to exercise practical and actual control over the managerial decisions of the enterprise.

13. In conducting preliminary investigation, it was discovered that on March 11, 2003, the Pennsylvania Securities Commission (“Commission”) issued a Summary Order to Cease and Desist against ATC and Schmidt related to the sale or offer to sell unregistered securities at a time when the seller and/or offeror was unregistered with the Commission.

14. The website and offer for investment opportunities is still current. It is located

at [www.atcinvesting.com](http://www.atcinvesting.com). The website indicates that certain types of investments are ongoing until June 30, 2004; however, those investments are subject to twelve month renewals. The website indicates that additional investments are available and more will be forthcoming.

15. ATC is not currently, nor has the company ever been, registered as a broker-dealer or investment adviser with the Division pursuant to the Tennessee Securities Act of 1980, as amended. Moreover, ATC has never registered a securities offering with the Division.

16. Pilatus is not currently, nor has the company ever been, registered as a broker-dealer or investment adviser with the Division pursuant to the Tennessee Securities Act of 1980, as amended. Moreover, Pilatus has never registered a securities offering with the Division.

17. Schmidt is not currently, nor has he ever been, registered as a broker-dealer, agent of a broker-dealer, investment adviser, or investment adviser representative with the Division pursuant to the Tennessee Securities Act of 1980, as amended.

18. The Respondents, without the proper registration, are presently and will continue to issue, offer, and/or sell unregistered securities, also without the proper registration, from, in, or into the State of Tennessee. As result of this activity the public will suffer immediate and irreparable injury, loss or damage.

19. The Respondents, in connection with the offer, sale and purchase of the security in this state, will continue to violate Tennessee Code Annotated § 48-2-121(b) by stating that the investment opportunities offered are registered or omitting to state that the investment opportunities are unregistered with the State of Tennessee, Department of Commerce and Insurance, Division of Securities.

20. The Respondents, in connection with the offer, sale and purchase of the security in this state, will continue to violate Tennessee Code Annotated § 48-2-121(b) by guaranteeing returns of 12% to 24% annually.

21. The Respondents, in connection with the offer, sale and purchase of the security in this state, will continue to violate Tennessee Code Annotated § 48-2-121(b) by incorrectly stating that the investment opportunity has been registered with the SEC under Regulation D.

22. This Order is in the public interest and necessary for the protection of investors, and consistent with the purposes fairly intended by the Act.

### **CONCLUSIONS OF LAW**

1. Tennessee Code Annotated §48-2-104 provides that it is unlawful for any person to sell any security in this state unless it is registered with the Division, qualified for an exemption pursuant to §48-2-103, or a covered security.

2. Tennessee Code Annotated § 48-2-102 provides that a security includes investment contracts. In King v. Pope, 91 S.W.3d 314, 320-322 (Tenn. 2002), the court held that an instrument or agreement would be considered an investment contract when (1) an offeree furnishes initial value to an offeror, (2) a portion of this initial value is subjected to the risks of the enterprise, (3) the furnishing of the initial value is induced by the offeror's promises or representations which give rise to a reasonable understanding that a valuable benefit of some kind, over and above the initial value, will accrue to the offeree as a result of the operation of the enterprise, and (4) the offeree does not receive the right to exercise practical and actual control over the managerial decisions of the enterprise.

3. Based upon the Findings of Fact and the Exhibits filed by the Petitioner, the Respondents have violated and are violating Tennessee Code Annotated §48-2-104 by offering, issuing, and/or selling unregistered securities to Tennessee residents.

4. Tennessee Code Annotated §48-2-102(3) provides that a “broker-dealer” means any person engaged in the business of effecting transactions in securities for the account of others, or any person engaged in the business of buying or selling securities issued by one (1) or more other persons for such person’s own account and as part of a regular business rather than in connection with such person’s investment activities.

5. Tennessee Code Annotated §48-2-102(2) provides that an “agent” means any individual, other than a broker-dealer, who represents a broker-dealer in effecting or attempting to effect purchases or sales of securities from, in, or into this state.

6. Tennessee Code Annotated §48-2-109(a) provides that it is unlawful for any person to transact business from, in, or into this state as a broker-dealer or agent unless such person is registered as a broker-dealer or agent under this part.

7. Tennessee Code Annotated §48-2-109(b) provides that it is unlawful for any broker-dealer to employ an agent to transact business as an agent unless the agent is registered under this part.

8. Based upon the Findings of Fact and the Exhibits filed by the Petitioner, Respondents have violated and are violating Tennessee Code Annotated §48-2-109(a) and (b) by acting as unregistered broker-dealers and/or agents and/or employing unregistered agents to solicit Tennessee residents.

9. Tennessee Code Annotated § 48-2-121 provides that it is unlawful for any person, in connection with the offer, sale or purchase of any security in this state, directly or indirectly, to make any untrue statement of a material fact or 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.

10. Based upon the Findings of Fact, the Respondents have violated and are violating Tennessee Code Annotated § 48-2-121 by stating that the investment opportunities offered are registered or omitting to state that the investment opportunities offered are unregistered with the State of Tennessee, Department of Commerce and Insurance, Division of Securities.

11. Based upon the Findings of Fact, the Respondents have violated and are violating Tennessee Code Annotated § 48-2-121 by guaranteeing returns of 12% to 24% annually.

12. Based upon the Findings of Fact, the Respondents have violated or are violating Tennessee Code Annotated § 48-2-121 by incorrectly stating that the investment opportunity has been registered with the SEC under Regulation D.

13. Tennessee Code Annotated §48-2-116 provides that the Commissioner may make, promulgate, amend, and rescind such Orders as are necessary to carry out the provisions of the Tennessee Securities Act of 1980, as amended, and that such Order is in the public interest, necessary for the protection of investors and consistent with the purposes fairly intended by the policy and provisions of the Act.

14. Tennessee Code Annotated §48-2-116(e)(2) states, in pertinent part, that no Order may be entered without: 1) prior notice to affected parties, unless the Commissioner

determines that prior notice would not be in the public interest and would be detrimental to the protection of investors; 2) an opportunity for a hearing before the Commissioner; and 3) written Findings of Fact and Conclusions of Law.

15. Based upon the Findings of Fact, it would not be in the public interest and it would be detrimental to the protection of investors if prior notice of this Order were given to affected parties.

**NOW, THEREFORE**, in consideration of the foregoing, it is **ORDERED** that:

1. The Respondents, ATC Investment Group, L.L.C., Pilatus Financial Center, and Lawrence Paul Schmidt, shall comply with the provisions of the Tennessee Securities Act of 1980, as amended.

2. The Respondents, ATC Investment Group, L.L.C., Pilatus Financial Center, and Lawrence Paul Schmidt, shall cease and desist in the further conduct as a broker-dealers from, in, or into the State of Tennessee until such time as it is effectively registered with the Division to engage in such activity. Specifically, IT IS ORDERED that the Respondents immediately cease and desist from the issuance, offer to sell, and/or sale of investment opportunities, including investment contracts or any other investment interest in ATC Investment Group, L.L.C. and/or Pilatus Financial Center, including any successor entities to individuals in Tennessee, as well as immediately cease and desist from any activity associated with the sale of these and any other securities to individuals in Tennessee.

3. The Respondent, Lawrence Paul Schmidt, shall cease and desist in further conduct as an agent of a broker-dealer from or in the State of Tennessee until such time he is effectively registered with the Division to engage in such activity. Specifically, IT IS

ORDERED that the Respondent immediately cease and desist from the issuance, offer to sell, and/or sale of investment opportunities, including investment contracts or any other investment interest in ATC Investment Group, L.L.C. and/or Pilatus Financial Center, including any successor entities to individuals in Tennessee, as well as immediately cease and desist from any activity associated with the sale of these and any other securities to individuals in Tennessee.

4. All Respondents shall cease and desist the further offer and/or sale and/or issuance of unregistered securities from and in the State of Tennessee. Specifically, IT IS ORDERED that the Respondents immediately cease and desist from the issuance, offer to sell, and/or sale of investment opportunities, including investment contracts or any other investment interest in ATC Investment Group, L.L.C. and/or Pilatus Financial Center, including any successor entities to individuals in Tennessee, as well as immediately cease and desist from any activity associated with the sale of these and any other securities to individuals in Tennessee.

5. The Respondents shall cease and desist, from and in the State of Tennessee, in making any untrue statement of a material fact or omitting 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.

6. All persons in any way assisting, aiding, or helping any of the aforementioned Respondents in any of the aforementioned violations of the Tennessee Securities Act of 1980, as amended, Tennessee Code Annotated §§48-2-101 et seq. shall cease and desist from all such activities in violation of the Tennessee Securities Act of 1980, as amended.

This Order is not intended to prohibit any lawful conduct in which any of the Respondents might be engaged.

Entry of this Order shall not in any way restrict the Tennessee Securities Division or the Commissioner of Commerce and Insurance from taking further action with respect to these or other possible violations by Respondents of the Act or any of the Rules promulgated there under.

This Order shall become a Final Order 30 days from the date of its entry, unless written notification requesting a hearing is made within that 30-day period.

You are advised that you have the right to a hearing as to all matters raised in this Order. If you wish to exercise your right to a hearing, please notify:

**DAPHNE D. SMITH  
ASSISTANT COMMISSIONER FOR SECURITIES  
STATE OF TENNESSEE, DEPARTMENT OF COMMERCE AND INSURANCE  
DAVY CROCKETT TOWER, SUITE 680  
500 JAMES ROBERTSON PARKWAY  
NASHVILLE, TENNESSEE 37243**

Such request must be received within 30 days of the date of entry of this Order.

Entered this 23<sup>rd</sup> day of July, 2004.

*Paula A. Flowers*

Paula A. Flowers,  
Commissioner

ISSUANCE REQUESTED BY:

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