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**STATE OF WASHINGTON  
DEPARTMENT OF FINANCIAL INSTITUTIONS  
SECURITIES DIVISION**

IN THE MATTER OF DETERMINING  
whether there has been a violation  
of the Securities Act of Washington by:

U.S. RECYCLING CORPORATION,  
METALS RECYCLING DEPOT, INC.,  
GREGORY G. WHITE, JOHN H.  
MALMROSE, and TODD A. SIMON,

Respondents.

SDO - 84 - 01

CONSENT ORDER TO CEASE AND DESIST AND  
VACATING SUMMARY ORDER SDO 028-01 AS  
TO RESPONDENTS U.S. RECYCLING  
CORPORATION, METALS RECYCLING DEPOT,  
INC., GREGORY G. WHITE, and JOHN H.  
MALMROSE

Case No. 01 - 03 - 112

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THE STATE OF WASHINGTON TO: U.S. Recycling Corporation  
Metals Recycling Depot, Inc.  
Gregory G. White  
John H. Malmrose

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Pursuant to the Securities Act of Washington, RCW 21.20, the Securities Division of the Department of Financial Institutions, State of Washington, and Respondents U.S. Recycling Corporation, Metals Recycling Depot, Inc., Gregory G. White, and John H. Malmrose, do hereby enter into this Consent Order in settlement of the matters alleged herein. Respondents wish to obtain final disposition of this matter without invoking any rights to a hearing before the Securities Division. For purposes of this administrative action only, and for purposes of reaching a complete and final settlement of this matter, Respondents admit to the Findings of Fact and Conclusions of Law.

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**FINDINGS OF FACT  
I. Respondents**

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1. U.S. Recycling Corporation ("USRC") is a Delaware for-profit corporation authorized to do business in the year 1999. USRC is engaged in the business of metals recycling, and is a holding company for several related businesses. USRC maintains its principal place of business in Boca Raton, Florida.

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METALS RECYCLING DEPOT, INC., GREGORY G.  
WHITE, and JOHN H. MALMROSE

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DEPARTMENT OF FINANCIAL INSTITUTIONS  
Securities Division  
PO Box 9033  
Olympia, WA 98507-9033  
360-902-8760

1 2. Metals Recycling Depot, Inc. ("MRDI") is a Florida for-profit corporation authorized to do business in  
2 the year 2000. MRDI is engaged in the business of building and operating metal recycling buy-back  
3 centers in the Southeastern United States. MRDI is a wholly owned subsidiary of USRC, and maintains  
4 its principal place of business in Boca Raton, Florida.

5 3. Gregory G. White ("White") is the President and Chief Executive Officer of USRC and MRDI. White  
6 resides in Boca Raton, Florida.

7 4. John H. Malmrose ("Malmrose") is the Secretary and Treasurer of USRC and MRDI. Malmrose  
8 resides in Boca Raton, Florida.

## 9 **II. Nature of Respondents' Conduct**

10 5. Respondent MRDI prepared a Private Placement memorandum ("PPM") dated January 9, 2001. The  
11 PPM described an offering of 5,000,000 shares of 12% cumulative preferred stock for financing the  
12 establishment and expansion of a network of metal buy-back centers. Respondents offered shares of  
13 their stock to at least two Washington residents through direct telephone solicitation.

14 6. The PPM states that the offering was being made pursuant to Regulation D of the Securities Act of  
15 1933. The Division's investigation revealed that Respondents never filed a Form D with the Washington  
16 State Securities Division.

17 7. The "Management" section of the PPM failed to disclose information regarding the success and/or  
18 failure of Respondents' past business ventures, and failed to include audited financial statements for  
19 either USRC or MRDI.

20 8. The "Risk Management, Insurance, and Litigation" section of the PPM failed to disclose three  
21 administrative orders issued by other states. On June 1, 1995, the California Department of Corporations  
22 issued a Desist and Refrain order against Respondent White. The order required White, doing business  
23 as El Dorado Investments, Inc., to desist and refrain from the offer and/or sale of unregistered securities.  
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1 On March 27, 1997, the Securities Division of South Dakota issued a Cease and Desist order against  
2 Respondent White. The order required White, doing business as Aluminum Recycling Corporation and  
3 ARC Partners Jacksonville, to cease and desist the offer and/or sale of unregistered securities. On  
4 February 17, 1998, the Securities Division of Wisconsin issued an Order of Prohibition against  
5 Respondents White and Malmrose. The order required the respondents, doing business as Aluminum  
6 Recycling Corporation, ARC Partners Jacksonville, and ARC Partners Tampa Bay to cease and desist  
7 offering and/or selling unregistered securities and violating the state's anti-fraud provision.

8 9. The MRDI stock is not currently registered in the State of Washington, has not previously been so  
9 registered, and no claim of exemption for said securities is on file with the Division.

10 10. Neither USRC, MRDI, nor their officers, directors, employees, or partners are currently registered as  
11 broker-dealers or salespersons in the State of Washington, and none of them has previously been so  
12 registered.

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14 Based upon the above Findings of Fact, the following Conclusions of Law are made:

#### 15 **CONCLUSIONS OF LAW**

- 16 1. The offer and/or sale of MRDI stock by Respondents constitutes the offer and/or sale of a security as  
17 defined in RCW 21.20.005(10) and (12).
- 18 2. The offer and/or sale of said securities by Respondents was made in violation of RCW 21.20.140, the  
19 securities registration provision of the Securities Act of Washington, because no registration, notification of  
20 claim of exemption for such offer and/or sale, or notice filing of federal covered securities was or is on file  
21 with the Securities Division, and it appears that the Respondents do not otherwise qualify for an exemption  
22 from registration.
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1 3. Respondents have each violated RCW 21.20.040, the broker-dealer and salesperson registration  
2 provision of the Securities Act of Washington, because Respondents offered and/or sold said securities  
3 while not registered as broker-dealers or salespersons in the state of Washington.

4 4. The offer and/or sale of said securities by Respondents was made in violation of RCW 21.20.010, the  
5 anti-fraud provision of the Securities Act of Washington, because Respondents engaged in a scheme or  
6 artifice to defraud, made untrue statements of material fact which were made with no reasonable basis in  
7 fact, and omitted to state material facts necessary in order to make the statements made, in light of the  
8 circumstances under which they were made, not misleading.

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10 **CONSENT ORDER**

11 The Securities Division and Respondents USRC, MRDI, White, and Malmrose have agreed upon a  
12 basis for resolution of the matters alleged above. Respondents agree to the entry of this Consent Order  
13 pursuant to the Securities Act of Washington. Respondents acknowledge the Securities Division's  
14 jurisdiction over this matter and its authority to enter this order. Based upon the foregoing:  
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16 It is AGREED AND ORDERED that Respondents, their officers, directors, employees, partners,  
17 agents, affiliates, subsidiaries, predecessors, and successors shall each cease and desist from offering  
18 and/or selling unregistered securities in violation of RCW 21.20.140, the registration section of the  
19 Securities Act of Washington.

20 It is AGREED AND ORDERED that Respondents, their officers, directors, employees, partners,  
21 agents, affiliates, subsidiaries, predecessors, and successors, shall each cease and desist from offering  
22 and/or selling securities in any manner in violation of RCW 21.20.040, the broker-dealer and salesperson  
23 registration section of the Securities Act of Washington.  
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1 It is AGREED AND ORDERED that Respondents, their officers, directors, employees, partners,  
2 agents, affiliates, subsidiaries, predecessors, and successors, shall each cease and desist from offering and/or  
3 selling securities in any manner in violation of RCW 21.20.010, the anti-fraud section of the Securities Act  
4 of Washington.

5 It is AGREED AND ORDERED that Respondents shall be jointly and severally liable for and shall  
6 pay the Securities Division the amount of Five Thousand Dollars (\$5,000.00) for partial reimbursement of  
7 its costs of the investigation into this matter. It is further AGREED AND ORDERED that pursuant to RCW  
8 21.20.395, and based on findings of five knowing and/or reckless violations of the Washington State  
9 Securities Act, Respondents shall be jointly and severally liable for and shall pay the Securities Division a  
10 fine of Twenty Five Thousand Dollars (\$25,000). Twenty Thousand Dollars (\$20,000) of that amount shall  
11 be suspended contingent upon future compliance with this Consent Order. The total of Ten Thousand  
12 Dollars (\$10,000) in costs and fines is to be paid to the Division prior to the entry of this Order, and shall be  
13 (a) made by U.S. postal money order, certified check, bank cashier's check, or bank money order; (b) made  
14 payable to the Washington State Treasurer; (c) delivered by certified mail to Deborah R. Bortner, Securities  
15 Administrator, Department of Financial Institutions, PO Box 9033, Olympia, Washington 98507-9033; and  
16 (d) submitted with a cover letter that identifies this matter by caption, order number, and case number.  
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18 It is further AGREED that in consideration of the foregoing, the State of Washington, Department of  
19 Financial Institutions, vacates Summary Order SDO 028-01, waives all other pending administrative claims  
20 against Respondents, and all other pending administrative claims relating to this matter are hereby dismissed  
21 with prejudice.  
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1 It is further AGREED that in consideration of the foregoing, Respondents each waive their right to a  
2 hearing on this matter and to judicial review of this Order under RCW 21.20.440.

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4 **WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.**

5 SIGNED this \_\_\_\_\_ day of \_\_\_\_\_, 2001.

6  
7 Signed by:

Approved as to form by:

8  
9 \_\_\_\_\_  
10 Gregory G. White, Individually and as  
11 President and CEO of U.S. Recycling  
12 Corporation and Metals Recycling Depot, Inc.

\_\_\_\_\_

Joseph E. Lynam, Esq.  
Lane Powell Spears Lubersky, LLP  
Attorneys for Gregory G. White,  
John H. Malmrose, U.S. Recycling  
Corporation, and Metals Recycling Depot, Inc.

13 \_\_\_\_\_  
14 John H. Malmrose, Individually and as  
15 Secretary and Treasurer of U.S. Recycling  
16 Corporation and Metals Recycling Depot, Inc.

17 ENTERED this 7th day of November, 2001.

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19 DEBORAH R. BORTNER  
20 Securities Administrator

21 Approved by:

Presented by:

22 \_\_\_\_\_  
23 Michael E. Stevenson  
24 Chief of Enforcement

\_\_\_\_\_

Anthony W. Carter  
Securities Examiner