

CARL J. KUNASEK
CHAIRMAN

JIM IRVIN
COMMISSIONER

WILLIAM A. MUNDELL
COMMISSIONER



ORIGINAL



0000044174
DIRECTOR

RECEIVED

ARIZONA CORPORATION COMMISSION

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SECURITIES DIVISION
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Phoenix, AZ 85007-2996
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MEMORANDUM

Arizona Corporation Commission
DOCKETED

APR 12 2000

DOCKETED BY	<i>[Signature]</i>
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TO: Chairman Carl J. Kunasek
Commissioner Jim Irvin
Commissioner William A. Mundell

FROM: Mark Sendrow *MS*
Director of Securities

DATE: April 12, 2000

RE: Proposed Order for Relief and Consent to Same: William McCrea, Docket No. S-03334A-99-0000

CC: Brian C. McNeil, Executive Secretary

Attached is a proposed Order for Relief and Consent to Same, fully executed by Respondents William Keith McCrea and his private corporation, Estate Services II, Inc., ordering McCrea to cease and desist from violations of the Securities Act, suspending his securities salesman's registration, and ordering him to pay restitution and penalties for the sale of unregistered and non-exempt securities. The securities McCrea sold were promissory notes issued by a California corporation, which is now in receivership and making restitution payments to investors.

McCrea's securities salesman's registration will be suspended in Arizona for a period of six months pursuant to the proposed Order.

McCrea will pay restitution to investors in the amount of \$10,000, based upon the commissions he was paid from the sale of the notes, and penalties in the amount of \$5,000, to be increased to \$10,000 if he does not pay any amount as ordered.

In the event of a default on any of the terms of this proposed order, McCrea has agreed that his securities salesman's registration in Arizona will be revoked.

Originator: Pam Johnson
AG Assigned: Robert Zumoff

1200 WEST WASHINGTON, PHOENIX, ARIZONA 85007 / 400 WEST CONGRESS STREET, TUCSON, ARIZONA 85701

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1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 **CARL J. KUNASEK**

Chairman

3 **JIM IRVIN**

Commissioner

4 **WILLIAM A. MUNDELL**

Commissioner

5 In the matter of

6 **WILLIAM KEITH McCREA**

13424 Gable Hill Drive

7 Sun City West, AZ 85375

8 CRD 2234553,

9 **ESTATE SERVICES II, INC.**

201 W. Wood Drive

10 Phoenix, AZ 85029,

11 Respondents.

) DOCKET NO. S-03334A-99-0000

) DECISION NO. _____

) **FINAL ORDER FOR RELIEF AND**
) **CONSENT TO SAME**

12 **I.**

13 **INTRODUCTION**

14 WILLIAM KEITH McCREA (McCREA) and ESTATE SERVICES II, INC. (ESTATE
15 SERVICES) elect to permanently waive their rights to a hearing and appeal under Articles 11 and 12 of
16 the Securities Act of Arizona, A.R.S. Section 44-1801, et seq. (the Act) with respect to this Final Order
17 for Relief and Consent to Same (the Order); admit the jurisdiction of the Arizona Corporation
18 Commission (Commission); neither admit nor deny the Findings of Fact and Conclusions of Law
19 contained in the Order; and consent to entry of the Order by the Commission.
20

21 **II.**

22 **FINDINGS OF FACT**

23 1. McCREA, whose last known address is 13424 Gable Hill Drive, Sun City West, Arizona
24 85375, has been registered with the Commission as a securities salesman with LifeUSA Securities, Inc.
25 from on or about September 28, 1998, to the present. From on or about January 22, 1993, to
26

1 December 31, 1997, McCREA was registered with the Commission as a securities salesman
2 associated with Intersecurities, Inc. (ISI).

3 2. ESTATE SERVICES is an Arizona corporation since 1991, owned by McCREA. At
4 all times relevant hereto, McCREA was the president of ESTATE SERVICES.

5 3. McCREA and ESTATE SERVICES may be collectively referred to as
6 "RESPONDENTS."

7 4. While McCREA was associated with ISI during February and March 1997,
8 RESPONDENTS offered and sold securities in the form of promissory notes or investment contracts
9 issued by PCO, Inc. (PCO Notes).

10 5. PCO, Inc. a/k/a Personal Choice Opportunities (PCO), a California-based company,
11 raised funds from investors to purchase group life insurance policies from terminally ill patients,
12 "viatical settlements." Pursuant to the viatical settlements, upon the death of an insured, the proceeds
13 of the life insurance policy would be distributed to the designated policy beneficiary, David W. Laing
14 (Laing), who was the president and sole owner of PCO.

15 6. Pursuant to loan agreements with PCO and escrow agreements with both PCO and
16 Escrow Plus, Inc. (Escrow Plus), investors' funds were to be deposited in an escrow account
17 established by Escrow Plus, at Union Bank, Burbank, California Branch. PCO was to use the
18 investors' funds to purchase paid up life insurance policies and to pay fees and commissions to
19 "finders" who solicited the funds. PCO was also to deposit into the escrow documents including
20 verifications of value relating to the purchase of the policies and assignments of policy proceeds to
21 Escrow Plus.

22 7. Pursuant to the agreements, participating investors were to be paid "an annual rate of
23 return of Twenty-Five Percent" and interest payments were to be made semi-annually by Escrow Plus
24 from a pooling of the proceeds of the policies held in the escrow account. Investors were not to be
25 tied into any specific policy purchase. All policies were to be pooled and held as collateral in the
26 Escrow.

1 8. McCREA sold the PCO Notes through his corporate entity, ESTATE SERVICES, as an
2 “Agent Representative” of New Life Trust Group Company (New Life) of Medford, Oregon, pursuant
3 to a Finders Commission Agreement (Agreement) between PCO and DVR Consulting Group (DVR).
4 New Life, an agent of DVR, was obligated to pay ESTATE SERVICES a commission of 4% of the
5 funds McCREA solicited from each investor pursuant to the sale of the PCO Notes.

6 9. In a period of approximately 30 days, from on or about February 27, 1997, to on or
7 about March 27, 1997, RESPONDENTS solicited \$1,336,008 from 21 private investors, for which
8 RESPONDENTS received \$10,000 in commissions.

9 10. On February 28, 1997, the Commissioner of Corporations of the State of California
10 issued a “Desist and Refrain” order to PCO and Laing, ordering them to desist and refrain from the
11 further offer or sale in the State of California of securities in the form of interests in promissory notes,
12 joint venture agreements and investment contracts in the form of “loans” to acquire “viatical
13 agreements” unless and until qualification had been made under applicable California law.

14 11. On April 2, 1997, federal prosecutors filed a criminal complaint in United States
15 District Court, Southern District of New York, alleging violations related to the “PCO Loan Program”
16 against the principals of PCO and Escrow Plus. The allegations included a statement that no life
17 insurance benefits had been received or deposited in the PCO Loan Program Escrow Account at the
18 time of the filing of the Complaint.

19 12. On April 24, 1997, and on May 7, 1997, the California Department of Corporations
20 filed actions in Superior Court on behalf of the People of the State of California, against PCO, Escrow
21 Plus, and their principals, to freeze monies and to turn those monies over to a Receiver.

22 13. McCREA neither requested nor received approval from ISI to engage in the sale of the
23 PCO Notes.

24 14. McCREA’s sales of PCO Notes were not recorded on the books and records of ISI.

25 ...

26 ...

III.

CONCLUSIONS OF LAW

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3 1. The Commission has jurisdiction over this matter pursuant to Article XV of the
4 Arizona Constitution and pursuant to the Act.

5 2. From on or about February 27, 1997, to on or about March 27, 1997, RESPONDENTS
6 offered and/or sold securities in the form of promissory notes and/or investment contracts within
7 and/or from Arizona.

8 3. The securities referred to above were not registered under A.R.S. §§ 44-1871 through
9 44-1875, or 44-1891 through 44-1902; were not securities for which a notice filing has been made
10 under A.R.S. § 44-3321; were not exempt under A.R.S. §§ 44-1843 or 44-1843.01; were not offered or
11 sold in exempt transactions under A.R.S. § 44-1844; and were not exempt under any rule or order
12 promulgated by the Commission. This conduct constitutes a violation of A.R.S. § 44-1841.

13 4. RESPONDENTS' conduct constitutes grounds for the Commission to order them to
14 cease and desist from violations of the Act, pursuant to A.R.S. § 44-2032.

15 5. RESPONDENTS' conduct constitutes grounds for the Commission to order restitution
16 under A.R.S. § 44-2032.

17 6. RESPONDENTS' conduct constitutes grounds for the Commission to order penalties
18 under A.R.S. § 44-2036.

19 7. McCREA's conduct constitutes grounds for the suspension or revocation of McCREA's
20 registration as a securities salesman with the Commission pursuant to A.R.S. §§ 44-1962(2) and (10) on
21 the grounds that the PCO Notes were not registered nor exempt from registration and McCREA's sales
22 of PCO Notes were not recorded on the records of ISI, the dealer with whom he was registered at the time
23 of the transactions.

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25 ...
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IV.

ORDER

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3 THEREFORE, on the basis of the Findings of Fact and Conclusions of Law, the Commission
4 finds that the following Order is appropriate, in the public interest and necessary for the protection of
5 investors.

6 1. IT IS ORDERED pursuant to A.R.S. § 44-2032 that RESPONDENTS permanently
7 CEASE AND DESIST from violations of the Act.

8 2. IT IS FURTHER ORDERED pursuant to A.R.S. § 44-2032 that RESPONDENTS,
9 jointly and severally, shall pay restitution in the amount of \$10,000.00, based upon return of
10 commissions, together with interest at the statutory rate of 10% per annum on all unpaid amounts
11 accruing from the date of entry of the Order. Restitution funds shall be paid to the Arizona Attorney
12 General and shall be deposited into an interest-bearing account. The Arizona Attorney General shall
13 disburse the available funds on a pro rata basis to investors who purchased PCO Notes from
14 RESPONDENTS as reflected in the records of the Securities Division. If any disbursement check issued
15 by the Arizona Attorney General either is not deliverable or has not cleared the trust account within 120
16 days of the date of issuance, the funds related to such check shall be redistributed to the known investors.
17 If all investors are paid in full, any returned funds shall revert to the State of Arizona payable to the
18 Treasurer. The \$10,000 plus interest may be paid in monthly installments, as provided in paragraph 4
19 below.

20 3. IT IS FURTHER ORDERED pursuant to A.R.S. § 44-2036 that RESPONDENTS, jointly
21 and severally, shall pay administrative penalties of \$5,000 together with interest at the statutory rate of
22 10% per annum on all unpaid amounts accruing from the date of entry of the Order, to the "Arizona State
23 Treasurer" for deposit in the General Fund of Arizona. The \$5,000 may be paid in monthly installments,
24 as provided in paragraph 4 below.

25 4. IT IS FURTHER ORDERED, that RESPONDENTS may pay the restitution and penalties
26 amounts ordered as follows: \$5,000 upon entry of this Order, and no less than \$394.67 per month on or

1 before the 1st day of each month beginning November 1, 2000, until paid in full. Failure to make any
2 payment as provided under this Order shall be deemed a default, and all amounts ordered as restitution and
3 penalties shall become immediately due and payable.

4 5. IT IS FURTHER ORDERED that if RESPONDENTS fail to fully comply with the
5 payment terms under this Order, including the payment due dates, the amount of the administrative
6 penalties will be increased to \$10,000.

7 6. IT IS FURTHER ORDERED pursuant to A.R.S. § 44-1962 that McCREA's securities
8 salesman registration be suspended for a period of six months upon entry of this Order.

9 7. IT IS FURTHER ORDERED that if McCREA fails to comply with any term of this Order,
10 McCREA's securities salesman registration will be immediately revoked.

11 8. IT IS FURTHER ORDERED that this Order shall become effective immediately upon the
12 date set forth below.

13 BY ORDER OF THE ARIZONA CORPORATION COMMISSION

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15
16
17 CHAIRMAN

COMMISSIONER

COMMISSIONER

18 IN WITNESS WHEREOF, I, Brian C. McNeil, Executive
19 Secretary of the Arizona Corporation Commission, have
20 hereunto set my hand and caused the official seal of the
21 Commission to be affixed at the Capitol, in the City of
22 Phoenix, this ____ day of _____, 2000.

23 _____
24 BRIAN C. McNEIL
25 Executive Secretary

26 _____
DISSENT
(PTJ)

25 This document is available in alternative formats by contacting Cynthia Mercurio-Sandoval, ADA
26 Coordinator, voice phone number 602/542-0838, E-mail csandoval@cc.state.az.us.

1 CONSENT BY WILLIAM KEITH McCREA TO THE ENTRY, BY THE CORPORATION
2 COMMISSION, OF A FINAL ORDER FOR RELIEF AND WAIVER OF HEARING

3
4 1. Respondent, WILLIAM KEITH McCREA (McCREA) admits the jurisdiction of the
5 Arizona Corporation Commission (Commission) over the subject matter of this proceeding, and
6 acknowledges that he has been fully advised of his right to a hearing to present evidence and call
7 witnesses. McCREA knowingly and voluntarily waives all rights to a hearing before the Commission
8 and all other procedures otherwise available under Article 11 of the Securities Act of Arizona (Act)
9 and Title 14 of the Arizona Administrative Code. McCrea acknowledges that the accompanying Final
10 Order for Relief and Consent to Same (Order) constitutes a valid final order duly rendered by the
11 Commission.

12 2. McCREA knowingly and voluntarily waives any right he may have under Article 12 of
13 the Act to judicial review by any court by way of suit, appeal or extraordinary relief resulting from the
14 entry of the Order.

15 3. McCREA acknowledges and agrees that he enters into the Order freely and voluntarily
16 and that no promise was made nor any coercion used to induce McCREA to enter into it.

17 4. McCREA acknowledges that he has been represented by counsel in this matter.

18 5. McCREA neither admits nor denies the Findings of Fact and Conclusions of Law
19 contained in the Order. McCREA agrees that he shall not challenge their validity in any present or
20 future administrative proceedings before the Commission or any state agency concerning the denial or
21 issuance of any licenses or registrations required by the State in order to engage in the practice of any
22 business or profession.

23 6. Nothing in this Order affects McCREA's right to take legal positions in litigation, in
24 which neither the Commission nor any other Arizona State agency is a party.

25 7. McCREA consents to the entry of the Order and agrees to be fully bound by its terms
26 and conditions. McCREA further acknowledges that should he fail to comply with any and all

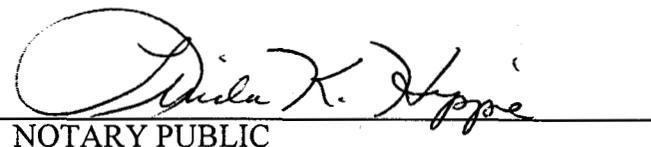
1 provisions of the Order, the Commission may enforce the Order in Superior Court pursuant to A.R.S.
2 § 44-2036(C). In addition, the Commission may impose additional sanctions and costs and seek other
3 appropriate relief subject to McCREA's right to a hearing pursuant to the Act.

4 8. McCREA further understands that his default will render him liable to the Commission
5 for its costs of collection and interest at the maximum legal rate.

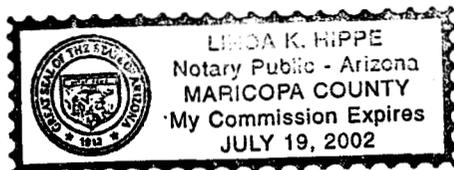
6 9. McCREA acknowledges that the Order resolves only alleged administrative violations
7 of the Act and that nothing contained in the Order purports to resolve any other issues which may exist
8 between McCREA and the State. Nothing in the Order shall be construed to restrict or preclude any
9 other agency or officer of the State of Arizona or its subdivisions from initiating other civil or criminal
10 proceedings against McCREA, now or in the future, that may be related to the matter addressed by the
11 Order and the Consent. Nothing in the Order shall be construed to restrict the State's right in a future
12 proceeding to bring an action against McCREA from or related to facts not set forth in the Order.

13
14 
15 WILLIAM KEITH McCREA

16
17 SUBSCRIBED TO AND SWORN BEFORE me this 11TH day of APRIL, 2000,
18 by WILLIAM KEITH McCREA.

19 
20 NOTARY PUBLIC

21 My Commission Expires:



1 CONSENT BY ESTATE SERVICES II, INC. TO THE ENTRY, BY THE CORPORATION
2 COMMISSION, OF A FINAL ORDER FOR RELIEF AND WAIVER OF HEARING

3 1. Respondent, ESTATE SERVICES II, INC. (ESTATE SERVICES) admits the
4 jurisdiction of the Arizona Corporation Commission (Commission) over the subject matter of this
5 proceeding, and acknowledges that it has been fully advised of its right to a hearing to present
6 evidence and call witnesses. ESTATE SERVICES knowingly and voluntarily waives all rights to a
7 hearing before the Commission and all other procedures otherwise available under Article 11 of the
8 Securities Act of Arizona (the Act) and Title 14 of the Arizona Administrative Code. ESTATE
9 SERVICES acknowledges that the accompanying Final Order for Relief and Consent to Same (Order)
10 constitutes a valid final order duly rendered by the Commission.

11 2. ESTATE SERVICES knowingly and voluntarily waives any right it may have under
12 Article 12 of the Act to judicial review by any court by way of suit, appeal or extraordinary relief
13 resulting from the entry of the Order.

14 3. ESTATE SERVICES acknowledges and agrees that this Order is entered into freely
15 and voluntarily and that no promise was made nor any coercion used to induce Estate Services to enter
16 into it.

17 4. ESTATE SERVICES acknowledges that it has been represented by counsel in this
18 matter.

19 5. ESTATE SERVICES neither admits nor denies the Findings of Fact and Conclusions of
20 Law contained in the Order. ESTATE SERVICES agrees that it shall not challenge their validity in
21 any present or future administrative proceedings before the Commission or any other state agency
22 concerning the denial or issuance of any licenses or registration required by the State in order to
23 engage in the practice of any business or profession.

24 6. Nothing in this Order affects McCREA's right to take legal positions in litigation, in
25 which neither the Commission nor any other Arizona State agency is a party.

26

1 7. ESTATE SERVICES consents to the entry of the Order and agrees to be fully bound by
2 its terms and conditions. ESTATE SERVICES further acknowledges that should it fail to comply with
3 any and all provisions of the Order, the Commission may enforce the Order in Superior Court pursuant to
4 A.R.S. § 44-2036(C). In addition, the Commission may impose additional sanctions and costs and seek
5 other appropriate relief subject to ESTATE SERVICES's right to a hearing pursuant to the Act.

6 8. ESTATE SERVICES further understands that default will render it liable to the
7 Commission for its costs of collection and interest at the maximum legal rate.

8 9. ESTATE SERVICES acknowledges that the Order resolves only alleged administrative
9 violations of the Act and that nothing contained in the Order purports to resolve any other issues which
10 may exist between Estate Services and the State. Nothing in the Order shall be construed to restrict or
11 preclude any other agency or officer of the State of Arizona or its subdivisions from initiating other
12 civil or criminal proceedings against Estate Services, now or in the future, that may be related to the
13 matter addressed by the Order. Nothing in the Order shall be construed to restrict the State's right in a
14 future proceeding to bring an action against Estate Services from or related to facts not set forth in the
15 Order.

16 10. WILLIAM KEITH McCREA represents that he is President of ESTATE SERVICES
17 and has been authorized by ESTATE SERVICES to enter into the Order for and on behalf of ESTATE
18 SERVICES.

19 ESTATE SERVICES II, INC.
William Keith McCrea
20 By its President WILLIAM KEITH McCREA

21 SUBSCRIBED TO AND SWORN BEFORE me this 11th day of APRIL, 2000,
22 by WILLIAM KEITH McCREA, on behalf of ESTATE SERVICES II, INC.

23 *Linda K. Hippe*
24 NOTARY PUBLIC

25 My Commission Expires:

