

ORIGINAL

NEW APPLICATION



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BEFORE THE ARIZONA CORPORATION COMMISSION

AZ CORP COMMISSION  
DOCKET CONTROL

Arizona Corporation Commission

DOCKETED

APR 17 2008

COMMISSIONERS

MIKE GLEASON, Chairman  
WILLIAM A. MUNDELL  
JEFF HATCH-MILLER  
KRISTIN K. MAYES  
GARY PIERCE

DOCKETED BY *mm*

In the matter of:  
DEBORAH CHERYL BENNETT, a married woman and  
A. JAMES BENNETT, M.D., a married man,  
Respondents.

DOCKET NO. S-20591A-08-0202  
NOTICE OF OPPORTUNITY FOR HEARING  
REGARDING PROPOSED ORDER TO  
CEASE AND DESIST, ORDER FOR  
RESTITUTION, FOR ADMINISTRATIVE  
PENALTIES AND FOR OTHER  
AFFIRMATIVE ACTION

NOTICE: EACH RESPONDENT HAS 10 DAYS TO REQUEST A HEARING  
EACH RESPONDENT HAS 30 DAYS TO FILE AN ANSWER

The Securities Division ("Division") of the Arizona Corporation Commission ("Commission") alleges that Respondents Deborah Cheryl Bennett and A. James Bennett, M.D. have engaged in acts, practices, and transactions that constitute violations of the Securities Act of Arizona, A.R.S. § 44-1801 *et seq.* ("Securities Act").

I. JURISDICTION

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

II. RESPONDENTS

2. At all times relevant, Deborah Cheryl Bennett and A. James Bennett (collectively referred to as "Respondents") have been married to each other and were acting for their own benefit, and for the benefit or in furtherance of the marital community.

3. At all times relevant, Respondents were residents of Arizona.



1 investors' funds to them. Each of Respondents' two sons appears to have invested in excess of  
2 \$400,000.

3 12. There was no formal contract between D. Bennett and investors, investors were not  
4 provided any documentation describing the investment and investors were not required to provide  
5 any information related to their risk tolerance. Investors were informed that D. Bennett would  
6 utilize investors' funds to trade stocks based on her research and investment plan while paying  
7 investors their promised returns.

8 13. The returns promised to investors by D. Bennett on amounts invested for the  
9 purpose of channel trading varied over time, but included promises in some instances of 20-30%  
10 **monthly.**

11 14. D. Bennett continued to solicit existing investors with additional investment  
12 opportunities she claimed were "very, very private" and reserved for her "wealthier people." One  
13 such opportunity involved an opportunity to invest in an initial public offering (IPO) for a stock  
14 that she represented as offering a 40% return on investment with a required minimum investment  
15 of \$1,000,000.

16 15. D. Bennett informed one investor via e-mail that she was not earning a fee for the  
17 services that she was providing to her investors, but that "you should know I make more money on  
18 your investment than you are receiving back, each month."

19 16. D. Bennett represented to investors that they should classify their investments as a  
20 "loan" and urged them "not to disclose to anyone" that they were investing with her. She advised  
21 investors that they should not have to pay taxes on returns received on their investment until such  
22 time as the entire investment amount had been repaid to the investor. D. Bennett also indicated  
23 that investors were entitled to classify, from a tax perspective, a portion of their investment as a gift  
24 which would result in them receiving a significant tax benefit.

25 17. Respondents met prospective investors and continued to lure existing investors, in  
26 part, through involvement in various social and charitable organizations and activities.

1 Respondents contributed significant amounts of money to several social charitable organizations  
2 and showered several investors with cash and gifts. This conduct served to further convince  
3 investors that D. Bennett was successful in her channel trading venture.

4 18. Respondents failed to disclose to investors that investor money was being used to  
5 make charitable contributions and purchase gifts for investors.

6 19. J. Bennett solicited and received investor funds in the form of check(s) made  
7 payable to him personally. Said checks were deposited directly into the Respondents' personal  
8 checking account. J. Bennett represented that the funds would be used by D. Bennett to conduct  
9 stock trades and that he planned to quit his medical practice and work full time with his wife in the  
10 trading business since she had been so successful. J. Bennett also represented that his wife had  
11 never lost money while trading.

12 20. Contrary to Respondents' assertions, D. Bennett was not successful in her channel  
13 trading of stocks. As a result, the amounts paid to investors as returns were not derived solely from  
14 gains achieved through stock trades. To the contrary, Respondents were using other investors'  
15 funds to pay returns and repay principal to investors.

16 21. Respondents failed to disclose to investors any risks associated with the alleged  
17 investments and, in fact, represented that there were no risks.

18 22. Respondents failed to inform investors that they spent investor funds for their own  
19 personal use or benefit by making payments/withdrawals of:

- 20 a) Approximately \$2,000,000 to credit card companies;
- 21 b) Approximately \$108,000 to charitable/social organizations;
- 22 c) Approximately \$328,000 to mortgage companies;
- 23 d) Approximately \$225,000 to retail stores; and
- 24 e) Approximately \$37,000 in ATM machine withdrawals.







1 30 calendar days after the date of service of this Notice. Filing instructions may be obtained from  
2 Docket Control by calling (602) 542-3477 or on the Commission's Internet web site at  
3 <http://www.azcc.gov/divisions/hearings/docket.asp>.

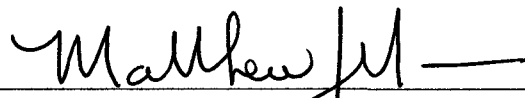
4 Additionally, the answering respondent must serve the Answer upon the Division.  
5 Pursuant to A.A.C. R14-4-303, service upon the Division may be made by mailing or by hand-  
6 delivering a copy of the Answer to the Division at 1300 West Washington, 3<sup>rd</sup> Floor, Phoenix,  
7 Arizona, 85007, addressed to William W. Black.

8 The Answer shall contain an admission or denial of each allegation in this Notice and the  
9 original signature of the answering respondent or respondent's attorney. A statement of a lack of  
10 sufficient knowledge or information shall be considered a denial of an allegation. An allegation  
11 not denied shall be considered admitted.

12 When the answering respondent intends in good faith to deny only a part or a qualification  
13 of an allegation, the respondent shall specify that part or qualification of the allegation and shall  
14 admit the remainder. Respondent waives any affirmative defense not raised in the answer.

15 The officer presiding over the hearing may grant relief from the requirement to file an  
16 Answer for good cause shown.

17 Dated this 17 day of April, 2008.

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21 Matthew J. Neubert  
22 Director of Securities

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