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3 BEFORE THE ARIZONA CORPORATION COMMISSION

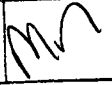
4 COMMISSIONERS

5 MIKE GLEASON, Chairman  
6 WILLIAM A. MUNDELL  
7 JEFF HATCH-MILLER  
8 KRISTIN K. MAYES  
9 GARY PIERCE

Arizona Corporation Commission

DOCKETED

DEC 23 2008

DOCKETED BY 

2008 DEC 23 A 11: 21  
AZ CORP COMMISSION  
DOCKET CONTROL

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9 In the matter of:

10 MAYRA JEANETTE ANGULO, CRD#  
11 2221337, individually and dba International  
12 Financial Services Group ("IFS GROUP")

13 MARK ISLAS, CRD# 1953882, individually  
14 and dba International Financial Services  
15 Group ("IFS GROUP")

16 Respondents.

DOCKET NO. S-20624A-08-0478

AMENDED NOTICE OF OPPORTUNITY  
FOR HEARING REGARDING PROPOSED  
ORDER TO CEASE AND DESIST, ORDER  
FOR RESTITUTION, FOR  
ADMINISTRATIVE PENALTIES, OF  
REVOCATION, AND FOR OTHER  
AFFIRMATIVE ACTION

17 **NOTICE: EACH RESPONDENT HAS 10 DAYS TO REQUEST A HEARING**

18 **EACH RESPONDENT HAS 30 DAYS TO FILE AN ANSWER**

19 The Securities Division ("Division") of the Arizona Corporation Commission ("Commission")  
20 alleges that respondents MAYRA JEANETTE ANGULO ("ANGULO") and MARK ISLAS  
21 ("ISLAS"), individually and doing business as International Financial Services Group ("IFS  
22 GROUP") have engaged in acts, practices, and transactions that constitute violations of the Securities  
23 Act of Arizona, A.R.S. § 44-1801 *et seq.* ("Securities Act").

24 **I.**

25 **JURISDICTION**

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

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**II.**

**RESPONDENTS**

2. ANGULO was at all pertinent times a registered securities salesman in Arizona since on or about January 1, 1992, CRD# 2221337, operating from Tucson, Arizona. At all times pertinent to this action, ANGULO was registered in Arizona in association with Woodbury Financial Services, Inc. ("Woodbury"), a subsidiary company of The Hartford, from December 13, 2001, until November 8, 2007, when Woodbury discharged ANGULO for violating company policy. ANGULO was also at all pertinent times licensed as an insurance producer with the Arizona Department of Insurance.

3. ISLAS was at all pertinent times a registered securities salesman in Arizona since on or about May 11, 1989, CRD# 1953882, operating from Tucson, Arizona. At all times pertinent to this action, ISLAS was registered in Arizona in association with Woodbury, from March 8, 2001, until November 8, 2007, when Woodbury discharged ISLAS for violating company policy. ISLAS was also at all pertinent times licensed as an insurance producer with the Arizona Department of Insurance.

4. At all times relevant, ANGULO and ISLAS were married to one another, until August 21, 2007.

5. At all times relevant, both ANGULO and ISLAS were acting for their own benefit and for the benefit or in furtherance of Respondents' marital community.

6. ANGULO and ISLAS may be referred to collectively as "Respondents".

**III.**

**FACTS**

7. ANGULO and ISLAS operated as a team from Tucson, Arizona, engaging in the offer and sale of securities in the form of money market funds, i.e., securities, through Woodbury, and variable annuities and variable life insurance products, i.e., securities, through Hartford Life and Annuity Insurance Company ("Hartford").

1           8.       Until they divorced, Respondents conducted their securities and insurance business  
2 through their dba, IFS GROUP, selling securities including money market funds, variable annuities  
3 and variable life contracts.

4           9.       Respondents opened brokerage accounts for some customers using Arizona post  
5 office boxes for customer addresses, including some residents of Mexico who had no Arizona  
6 address. Respondents, in some instances used their own post office boxes for customers, or used  
7 the same post office box for several customers.

8           10.      Respondents used the Arizona post office boxes to receive payments from some  
9 customers for the purchases of securities.

10          11.      Respondents instructed some customers to make payments for securities directly to  
11 IFS GROUP, and to mail their checks to IFS GROUP in Tucson, Arizona.

12          12.      Respondents also used the Arizona post office boxes to intercept some customer  
13 premium payments, customer account statements, information notices, and brokerage money market  
14 account checkbooks.

15          13.      In some instances, Respondents misappropriated customers' money intended to  
16 purchase money market securities or to make premium payments on the variable securities products.

17          14.      In other instances, Respondents failed to forward customers' premium payments to  
18 Hartford, causing policies to lapse or terminate without customers' knowledge.

19          15.      Respondents intercepted some customer brokerage account statements from the  
20 Arizona post office boxes, and altered the statements to reflect purported growing cash value in the  
21 customers' money market securities accounts.

22          16.      Respondents used customers' money market account check books to withdraw  
23 customer funds from the customers' accounts for Respondents' own purposes, including paying  
24 funds to themselves or to Respondents' family members, associates, or other customers.

25          17.      In some instances Respondents used customers' funds to make minimal payments to  
26 cover premiums for lapsed policies.

1 18. In some instances, Respondents told customers that their funds were used to  
 2 purchase securities that were paying the customers interest when, in fact, purported "interest"  
 3 payments were paid from the customers' own money market brokerage accounts.

4 19. One of Respondents' customers, who had residences in both Mexico and Arizona,  
 5 complained to Hartford about the handling of her account, which initiated an investigation by the  
 6 dealer.

7 20. To date, investigation of Respondents' fraudulent conduct has revealed 30 residents  
 8 of Arizona or Mexico who have claimed losses of approximately \$2,238,566.00 in connection with  
 9 the sale of money market securities and variable life and annuity products. Woodbury has  
 10 reimbursed approximately \$1,320,538.00 to those customers.

11 **IV.**

12 **VIOLATION OF A.R.S. § 44-1991**

13 **(Fraud in Connection with the Offer or Sale of Securities)**

14 21. In connection with the transactions within or from Arizona involving the offer and  
 15 sale of securities, Respondents directly or indirectly: (i) employed a device, scheme, or artifice to  
 16 defraud; (ii) made untrue statements of material fact or omitted to state material facts that were  
 17 necessary in order to make the statements made not misleading in light of the circumstances under  
 18 which they were made; or (iii) engaged in transactions, practices, or courses of business that  
 19 operated or would operate as a fraud or deceit upon offerees and investors. Respondents' conduct  
 20 includes, but is not limited to, the following:

- 21 a) Altering and misrepresenting customers' addresses in order to perpetrate a
- 22 fraud;
- 23 b) Altering and distributing fictitious customer securities brokerage account
- 24 statements;
- 25 c) Engaging in unauthorized transactions in customers' money market securities
- 26 accounts;

- d) Misrepresenting and failing to disclose Respondents' diversion of customers' funds from post office boxes and securities accounts;
- e) Misappropriating customer funds.

22. This conduct violates A.R.S. § 44-1991.

V.

**REMEDIES PURSUANT TO A.R.S. § 44-1962**

**(Denial, Revocation, or Suspension of Registration of Salesman; Restitution, Penalties, or other Affirmative Action)**

23. Pursuant to A.R.S. §§ 44-1962(A)(2), (A)(10), and (A)(12), Respondents' conduct is grounds to revoke Respondents' registrations with the Commission as securities salesmen. Specifically, Respondents have:

- a. Engaged in conduct providing grounds for revocation under A.R.S. § 44-1962(A)(2) by violating A.R.S. § 44-1991 of the Securities Act by misrepresenting and failing to disclose material facts in connection with the sale of those securities.
- b. Engaged in conduct providing grounds for revocation under A.R.S. § 44-1962(A)(10), for dishonest and unethical practices in the securities industry as defined in A.A.C. Rule R14-4-130(A)(16) and (17) by:
  - i. Making unauthorized use of securities or funds of customers or converting customer securities or funds for personal benefit, within the meaning of A.A.C. Rule R14-4-130(A)(16); and
  - ii. Effecting securities transactions that have not been recorded on the records of the dealer with whom Respondents were registered at the time of the transactions, within the meaning of A.A.C. R14-4-130(A)(17).
- c. Engaged in dishonest or unethical practices in business and financial matters within the meaning of A.R.S. § 44-1962(12).

1 24. Respondents' conduct is grounds to assess restitution, penalties, and/or take  
2 appropriate affirmative action pursuant to A.R.S. § 44-1962. Specifically, Respondents have  
3 engaged in conduct providing grounds for revocation under A.R.S. § 44-1962(A)(10), for  
4 dishonest and unethical practices in the securities industry, by making unauthorized use of  
5 securities or funds of customers or converting customer securities or funds for personal benefit,  
6 within the meaning of A.A.C. Rule R14-4-130(A)(16) and effecting securities transactions that  
7 were not recorded on the records of the dealer with whom Respondents were registered at the  
8 time of the transactions, within the meaning of A.A.C. R14-4-130(A)(17).

9 VI.

10 REQUESTED RELIEF

11 The Division requests that the Commission grant the following relief:

- 12 1. Order Respondents to permanently cease and desist from violating the Securities  
13 Act, pursuant to A.R.S. §§ 44-2032 and 44-1962;
- 14 2. Order Respondents to take affirmative action to correct the conditions resulting from  
15 Respondents' acts, practices, or transactions, including a requirement to make restitution pursuant to  
16 A.R.S. §§ 44-2032 and 44-1962;
- 17 3. Order Respondents to pay the state of Arizona administrative penalties of up to five  
18 thousand dollars (\$5,000) for each violation of the Securities Act, pursuant to A.R.S. § 44-2036;
- 19 4. Order Respondents to pay the state of Arizona administrative penalties, pursuant to  
20 A.R.S. § 44-1962;
- 21 5. Order the revocation of Respondents' registrations as securities salesmen pursuant  
22 to A.R.S. § 44-1962; and
- 23 6. Order any other relief that the Commission deems appropriate.

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**VII.****HEARING OPPORTUNITY**

Each respondent may request a hearing pursuant to A.R.S. § 44-1972 and A.A.C. R14-4-306. **If a Respondent requests a hearing, the requesting respondent must also answer this Notice.** A request for hearing must be in writing and received by the Commission within 10 business days after service of this Notice of Opportunity for Hearing. The requesting respondent must deliver or mail the request to Docket Control, Arizona Corporation Commission, 1200 W. Washington, Phoenix, Arizona 85007. Filing instructions may be obtained from Docket Control by calling (602) 542-3477 or on the Commission's Internet web site at <http://www.azcc.gov/divisions/hearings/docket.asp>.

If a request for a hearing is timely made, the Commission shall schedule the hearing to begin 20 to 60 days from the receipt of the request unless otherwise provided by law, stipulated by the parties, or ordered by the Commission. If a request for a hearing is not timely made the Commission may, without a hearing, enter an order granting the relief requested by the Division in this Notice of Opportunity for Hearing.

Persons with a disability may request a reasonable accommodation such as a sign language interpreter, as well as request this document in an alternative format, by contacting Linda Hogan, ADA Coordinator, voice phone number 602/542-3931, e-mail [lhogan@azcc.gov](mailto:lhogan@azcc.gov). Requests should be made as early as possible to allow time to arrange the accommodation.

**VIII.****ANSWER REQUIREMENT**

Pursuant to A.A.C. R14-4-305, if a Respondent requests a hearing, the requesting respondent must deliver or mail an Answer to this Notice of Opportunity for Hearing to Docket Control, Arizona Corporation Commission, 1200 W. Washington, Phoenix, Arizona 85007, within 30 calendar days after the date of service of this Notice. Filing instructions may be obtained from

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1 Docket Control by calling (602) 542-3477 or on the Commission's Internet web site at  
2 <http://www.azcc.gov/divisions/hearings/docket.asp>.

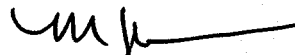
3 Additionally, the answering respondent must serve the Answer upon the Division.  
4 Pursuant to A.A.C. R14-4-303, service upon the Division may be made by mailing or by hand-  
5 delivering a copy of the Answer to the Division at 1300 West Washington, 3<sup>rd</sup> Floor, Phoenix,  
6 Arizona, 85007,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

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

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

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

16 Dated this 23 day of December, 2009.

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20 Matthew J. Neubert  
21 Director of Securities  
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