

OPEN MEETING ITEM

ORIGINAL 2/19/09



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COMMISSIONERS
KRISTIN K. MAYES, Chairman
GARY PIERCE
PAUL NEWMAN
SANDRA D. KENNEDY
BOB STUMP



MATTHEW J. NEUBERT
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MICHAEL P. KEARNS
INTERIM EXECUTIVE DIRECTOR

ARIZONA CORPORATION COMMISSION
MEMORANDUM

TO: Kristin K. Mayes, Chairman
Gary Pierce
Paul Newman
Sandra D. Kennedy
Bob Stump

Arizona Corporation Commission
DOCKETED
FEB -2 2009

FROM: Matthew J. Neubert
Director of Securities

DOCKETED BY [Signature] NR

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2009 FEB -2 P 3:57
AZ CORP COMMISSION
DOCKET CONTROL

DATE: February 2, 2009

RE: Proposed Order re: Mayra Jeanette Angulo and Mark Islas dba IFS Group, Inc., Docket No. S-20624A-08-0478

CC: Michael P. Kearns, Interim Executive Director

On September 12, 2008, the Securities Division ("Division") filed a Notice of Opportunity for Hearing ("Notice") against Mayra Jeanette Angulo ("Angulo") and Mark Islas ("Islas") dba IFS Group, Inc. The Notice alleged that while employed by Woodbury Financial Services, Inc., an Arizona registered dealer, from around 2001 through 2007, Angulo and Islas operated as a married team from Tucson, Arizona, offering and selling securities in the form of money market funds, variable annuities and variable life insurance products. Angulo and Islas used post office boxes under their control to misappropriate funds from several of their securities customers. On December 23, 2008, the Division filed an Amended Notice alleging that 30 residents of Arizona and Mexico have claimed losses of approximately \$2,234,855.00 as a result of Respondents' fraudulent conduct. Woodbury reimbursed \$1,320,538.00 of those losses to date.

Angulo and Islas were served with the Notice and Amended Notice by certified mail. Neither Angulo nor Islas requested a hearing or filed an Answer. Attached is a proposed default Order, which requires Angulo and Islas to cease and desist from violations of the Securities Act and dishonest and unethical conduct and to pay, jointly and severally, restitution totaling \$914,317.00 and administrative penalties of \$150,000. The Order also revokes Angulo's and Islas's Arizona securities salesman registrations.

The Division recommends approval of the proposed Order as in the public interest.

Originator: Pam Johnson

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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

KRISTIN K. MAYES, Chairman
GARY PIERCE
PAUL NEWMAN
SANDRA D. KENNEDY
BOB STUMP

In the matter of:)	DOCKET NO. S-20624A-08-0478
MAYRA JEANETTE ANGULO, CRD# 2221337, individually and dba International Financial Services Group ("IFS GROUP"))	DECISION NO. _____
MARK ISLAS, CRD# 1953882, individually and dba International Financial Services Group ("IFS GROUP"))	ORDER TO CEASE AND DESIST, ORDER FOR RESTITUTION, FOR ADMINISTRATIVE PENALTIES, AND OF REVOCATION AGAINST RESPONDENTS
Respondents.)	

On September 12, 2008, the Securities Division ("Division") of the Arizona Corporation Commission ("Commission") filed a 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 ("Notice") against Respondents MAYRA JEANETTE ANGULO ("ANGULO") and MARK ISLAS ("ISLAS") ("Respondent") alleging violations of the Arizona Securities Act (the "Securities Act"). The Notice specified that Respondents would be afforded an opportunity for an administrative hearing upon written request filed with the Commission's Docket Control within ten (10) days after receipt of the Notice, in accordance with A.A.C. R14-4-306(B).

Respondents were served pursuant to A.A.C. Rule R14-4-303(C), by service upon their respective attorneys. Service was effected against Respondent ANGULO at the law offices of Thomas S. Hartzell in Tucson, Arizona, September 17, 2008. Service was effected against Respondent ISLAS at the law offices of Bruce Heurlin in Tucson, Arizona, on September 17, 2008. Both Respondents failed to request an administrative hearing within 10 days after receipt of the

1 Notice, pursuant to A.R.S. § 44-1972 and A.A.C. R14-4-306(B). Both Respondents failed to file an
2 Answer within 30 days of service of the Notice, pursuant to A.A.C. R14-4-305.

3 On December 23, 2008, the Securities Division ("Division") of the Arizona Corporation
4 Commission ("Commission") filed an Amended Notice of Opportunity for Hearing Regarding
5 Proposed Order To Cease and Desist, Order for Restitution, for Administrative Penalties, of
6 Revocation, and for Other Affirmative Action ("Notice") against Respondents MAYRA
7 JEANETTE ANGULO ("ANGULO") and MARK ISLAS ("ISLAS") ("Respondent") alleging
8 violations of the Arizona Securities Act (the "Securities Act"). The Notice specified that Respondents
9 would be afforded an opportunity for an administrative hearing upon written request filed with the
10 Commission's Docket Control within ten (10) days after receipt of the Notice, in accordance with
11 A.A.C. R14-4-306(B).

12 Respondents were served pursuant to A.A.C. Rule R14-4-303(C), by service upon their
13 respective attorneys. Service was effected against Respondent ANGULO at the law offices of
14 Thomas S. Hartzell in Tucson, Arizona, on December 28, 2008. Service was effected against
15 Respondent ISLAS at the law offices of Bruce Heurlin in Tucson, Arizona, on December 26, 2008.
16 Both Respondents failed to request an administrative hearing within 10 days after receipt of the
17 Notice, pursuant to A.R.S. § 44-1972 and A.A.C. R14-4-306(B). Both Respondents failed to file an
18 Answer within 30 days of service of the Notice, pursuant to A.A.C. R14-4-305.

19 I.

20 FINDINGS OF FACT

21 1. ANGULO was at all pertinent times a registered securities salesman in Arizona
22 since on or about January 1, 1992, CRD# 2221337, operating from Tucson, Arizona. At all times
23 pertinent to this action, ANGULO was registered in Arizona in association with Woodbury
24 Financial Services, Inc. ("Woodbury"), a subsidiary company of The Hartford, from December 13,
25 2001, until November 8, 2007, when Woodbury discharged ANGULO for violating company
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1 policy. ANGULO was also at all pertinent times licensed as an insurance producer with the Arizona
2 Department of Insurance.

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

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

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

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

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

18 7. Until they divorced, Respondents conducted their securities and insurance business
19 through their dba, IFS GROUP, selling securities including money market funds, variable annuities
20 and variable life contracts.

21 8. Respondents opened brokerage accounts for some customers using Arizona post
22 office boxes for customer addresses, including some residents of Mexico who had no Arizona
23 address. Respondents, in some instances used their own post office boxes for customers, or used
24 the same post office box for several customers.

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

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

3 11. Respondents also used the Arizona post office boxes to intercept some customer
4 premium payments, customer account statements, information notices, and brokerage money market
5 account checkbooks.

6 12. In some instances, Respondents misappropriated customers' money intended to
7 purchase money market securities or to make premium payments on the variable securities products.

8 13. In other instances, Respondents failed to forward customers' premium payments to
9 Hartford, causing policies to lapse or terminate without customers' knowledge.

10 14. Respondents intercepted some customer brokerage account statements from the
11 Arizona post office boxes, and altered the statements to reflect purported growing cash value in the
12 customers' money market securities accounts.

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

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

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

21 18. One of Respondents' customers, who had residences in both Mexico and Arizona,
22 complained to Hartford about the handling of her account, which initiated an investigation by the
23 dealer.

24 19. To date, investigation of Respondents' fraudulent conduct has revealed 30 residents
25 of Arizona or Mexico who have claimed losses of approximately \$2,234,855.00 in connection with
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1 the sale of money market securities and variable life and annuity products. Woodbury has
2 reimbursed approximately \$1,320,538.00 to those customers.

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

- 10 a) Altering and misrepresenting customers' addresses in order to perpetrate a
11 fraud;
- 12 b) Altering and distributing fictitious customer securities brokerage account
13 statements;
- 14 c) Engaging in unauthorized transactions in customers' money market securities
15 accounts;
- 16 d) Misrepresenting and failing to disclose Respondents' diversion of customers'
17 funds from post office boxes and securities accounts;
- 18 e) Misappropriating customer funds.

19 II.

20 CONCLUSIONS OF LAW

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

23 2. Respondents offered or sold securities within or from Arizona, within the meaning of
24 A.R.S. §§ 44-1801(15), 44-1801(21), and 44-1801(26).

25 3. Respondents violated A.R.S. § 44-1991 by offering or selling securities within or from
26 Arizona by (a) employing a device, scheme or artifice to defraud, (b) making untrue statements or

1 misleading omissions of material facts, and (c) engaging in transactions, practices or courses of
2 business which operate or would operate as a fraud or deceit.

3 4. Respondents' conduct is grounds for a cease and desist order pursuant to A.R.S. §§ 44-
4 2032 and 44-1962.

5 5. Respondents' conduct is grounds for administrative penalties under A.R.S. §§ 44-2036
6 and 44-1962.

7 6. Respondents' conduct is grounds to revoke Respondents' registration as securities
8 salesmen with the Commission pursuant to A.R.S. § 44-1962, as follows:

9 a. Engaged in conduct providing grounds for revocation under A.R.S. § 44-
10 1962(A)(2) by violating A.R.S. § 44-1991 of the Securities Act by
11 misrepresenting and failing to disclose material facts in connection with the
12 sale of those securities.

13 b. Engaged in conduct providing grounds for revocation under A.R.S. § 44-
14 1962(A)(10), for dishonest and unethical practices in the securities industry as
15 defined in A.A.C. Rule R14-4-130(A)(16) and (17) by:

16 i. Making unauthorized use of securities or funds of customers or
17 converting customer securities or funds for personal benefit, within the
18 meaning of A.A.C. Rule R14-4-130(A)(16); and

19 ii. Effecting securities transactions that have not been recorded on the
20 records of the dealer with whom Respondents were registered at the
21 time of the transactions, within the meaning of A.A.C. R14-4-
22 130(A)(17).

23 c. Engaged in dishonest or unethical practices in business and financial matters
24 within the meaning of A.R.S. § 44-1962(12).

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1 that the Commission determines it is unable to or cannot feasibly disburse shall be transferred to
2 the general fund of the state of Arizona.

3 IT IS FURTHER ORDERED, pursuant to A.R.S. §§ 44-2036 and 44-1962, that
4 Respondents, jointly and severally, shall pay an administrative penalty in the amount of
5 \$150,000.00. Payment shall be made to the "State of Arizona." Any amount outstanding shall
6 accrue interest at the rate of 10% per annum from the date of this Order until paid in full. The
7 payment obligations for these administrative penalties shall be subordinate to any restitution
8 obligations ordered herein and shall become immediately due and payable only after restitution
9 payments have been paid in full or upon Respondents' default with respect to Respondents'
10 restitution obligations.

11 IT IS FURTHER ORDERED that the marital community of ANGULO and ISLAS is
12 subject to this Order for restitution and administrative penalties.

13 IT IS FURTHER ORDERED that ANGULO's and ISLAS's registrations as a securities
14 salesmen are revoked pursuant to A.R.S. § 44-1962.

15 IT IS FURTHER ORDERED that default shall render Respondents liable to the
16 Commission for its costs of collection and interest at the maximum legal rate.

17 IT IS FURTHER ORDERED that acceptance of any partial or late payment by the
18 Commission is not a waiver of default by Commission.

19 For purposes of this Order, a bankruptcy filing by any of the Respondents shall be an act of
20 default. If any Respondent does not comply with this Order, any outstanding balance may be
21 deemed in default and shall be immediately due and payable.

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IT IS FURTHER ORDERED, that if any Respondent fails to comply with this order, the Commission may bring further legal proceedings against that Respondent, including application to the superior court for an order of contempt.

IT IS FURTHER ORDERED that this Order shall become effective immediately.

BY ORDER OF THE ARIZONA CORPORATION COMMISSION

CHAIRMAN	COMMISSIONER	
COMMISSIONER	COMMISSIONER	COMMISSIONER

IN WITNESS WHEREOF, I, MICHAEL P. KEARNS, Interim Executive Director of the Arizona Corporation Commission, have hereunto set my hand and caused the official seal of the Commission to be affixed at the Capitol, in the City of Phoenix, this _____ day of _____, 2009.

MICHAEL P. KEARNS
INTERIM EXECUTIVE DIRECTOR

DISSENT

DISSENT

This document is available in alternative formats by contacting Shaylin A. Bernal, ADA Coordinator, voice phone number 602-542-3931, e-mail sabernal@azcc.gov.

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