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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

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

Arizona Corporation Commission

DOCKETED

FEB 24 2009



In the matter of:) DOCKET NO. S-20624A-08-0478
)
MAYRA JEANETTE ANGULO, CRD#) DECISION NO. 70753
2221337, individually and dba International)
Financial Services Group ("IFS GROUP"))
MARK ISLAS, CRD# 1953882, individually) **ORDER TO CEASE AND DESIST, ORDER**
and dba International Financial Services) **FOR RESTITUTION, FOR**
Group ("IFS GROUP")) **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

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

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

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

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

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).

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...

7. Respondents acted for the benefit of their marital community and, pursuant to A.R.S. §§ 25-214 and 25-215, this Order for restitution and administrative penalties also is a debt of the community.

III.

ORDER

THEREFORE, on the basis of the Findings of Fact and Conclusions of Law, the Commission finds that the following relief is appropriate, in the public interest, and necessary for the protection of investors:

IT IS ORDERED, pursuant to A.R.S. §§ 44-2032 and 44-1962, that Respondents ANGULO and ISLAS, their agents, employees, successors and assigns, permanently cease and desist from violating the Securities Act. Respondents shall not sell any securities in or from Arizona without being registered in Arizona as dealers or salesmen, or exempt from such registration. Respondents shall not sell securities in or from Arizona unless the securities are registered in Arizona or exempt from registration. Respondents shall not transact business in Arizona as investment advisers or investment adviser representatives unless licensed in Arizona or exempt from licensure.

IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2032 and A.R.S. § 44-1962, that Respondents, jointly and severally, shall pay restitution to the Commission in the amount of \$914,317.00. Payment shall be made in full within 60 days of the date of this Order. Any amount outstanding shall accrue interest at the rate of 10% per annum from the date of this Order until paid in full. Payment shall be made to the "State of Arizona" to be placed in an interest-bearing account controlled by the Commission. The Commission shall disburse the funds on a pro-rata basis to investors shown on the records of the Commission. Any restitution funds that the Commission cannot disburse because an investor refuses to accept such payment shall be disbursed on a pro-rata basis to the remaining investors shown on the records of the Commission. Any funds

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

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

5 BY ORDER OF THE ARIZONA CORPORATION COMMISSION

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 7 
 8 CHAIRMAN


 COMMISSIONER

9
 10
 11 COMMISSIONER


 COMMISSIONER


 COMMISSIONER

12 IN WITNESS WHEREOF, I, MICHAEL P. KEARNS,
 13 Interim Executive Director of the Arizona Corporation
 14 Commission, have hereunto set my hand and caused the
 15 official seal of the Commission to be affixed at the
 Capitol, in the City of Phoenix, this 23rd day of
February, 2009.

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 17 
 18 MICHAEL P. KEARNS
 19 INTERIM EXECUTIVE DIRECTOR

20
 21 DISSENT

22
 23 DISSENT

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

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