

1 3. WEBB has not been registered with the Commission as a securities salesperson since on
2 or about June 7, 2000. From on or about December 3, 1999, to June 6, 2000, WEBB was registered
3 through Legacy Financial Services, Inc. ("LFS"). From on or about March 9, 1999, to November
4 12, 1999, WEBB was registered through San Clemente Securities, Inc. ("SCS"). From on or about
5 August 24, 1998, to March 16, 1999, WEBB was registered through Sunset Financial Services, Inc.
6 ("SFS"). From on or about April 7, 1998 to August 24, 1998, WEBB was registered through
7 SunAmerica Securities, Inc. ("SAS"). Prior to this, WEBB was registered in Arizona through three
8 other securities dealers.

9 4. From on or about April 1, 1998, to May 31, 1999, WEBB also worked for The Chamber
10 Group, Inc. in Prescott, Arizona. In December 2000, the Division issued a Temporary Order To
11 Cease And Desist And Notice Of Opportunity For Hearing against The Chamber Group, Inc., and
12 three of its principals, in Docket No. S-03438A-00-0000. The Temporary Order To Cease And
13 Desist alleged that The Chamber Group, Inc. and its principals committed securities fraud in the sale
14 of CD's brokered by SCS, and that they sold unregistered securities in the form of viaticals and
15 investments in a tax lien program. The Respondents requested a hearing that was held in April and
16 May of 2001. To date, no Order has been entered in The Chamber Group case.

17 5. On or about June 1, 1999, WEBB opened her own office in Prescott, Arizona. Initially,
18 she conducted business under the name of Webb Financial Group. Subsequently, she conducted
19 business under the name of Michelle Webb Financial Group. On or about June 15, 2000, WEBB
20 closed her office.

21 6. From on or about April 22, 1996, until on or about April 30, 2001, WEBB held the
22 following insurance licenses in Arizona: disability, life, and variable contracts. WEBB does not
23 currently hold any insurance license in Arizona.

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1 11. WEBB failed to disclose to investors whether the ownership of their CD's would be
2 properly documented on the records of the issuing bank and the clearing firm to ensure FDIC
3 insurance coverage.

4 12. WEBB failed to disclose to investors that sales commissions and custodial fees were
5 deducted "up front" from the investor's principal, thus reducing the amount of principal actually
6 invested. WEBB also failed to disclose the dollar amount of these sales commissions and
7 custodial fees.

8 **B. Tax Lien Certificates And Real Estate Opportunity Properties**

9 13. From on or about August 26, 1998, to December 7, 1999, WEBB offered and sold
10 investments in a Tax Lien Certificate program and investments in a Real Estate Opportunity
11 Properties program within or from Arizona to at least 12 investors. WEBB'S customers invested
12 at least \$500,000 in these two investment programs. These programs were marketed by TLC
13 America, Inc. ("TLC"), a California corporation. These investment programs were securities
14 that were neither registered nor exempt from registration in Arizona.

15 14. TLC was a company that invested in tax lien certificates, tax deeds, and real property
16 throughout the United States. WEBB and TLC promoted these investment programs as safe, liquid,
17 fixed-rate investments. WEBB promised investors guaranteed principal and a guaranteed fixed rate
18 of return typically ranging from 10% to 14%. In fact, principal and interest was not guaranteed.

19 15. On October 5, 2000, the Securities and Exchange Commission obtained a temporary
20 restraining order and asset freeze against TLC, entities affiliated with TLC, and some of the
21 principals of TLC. On that same date, a Temporary Receiver was appointed over the assets of the
22 company and its affiliates. On November 1, 2000, a preliminary injunction was issued making
23 permanent the appointment of the Receiver.

24 16. TLC and its investment programs were a Ponzi scheme according to the opinion of the
25 Receiver. In addition, some of the money TLC received from investors was not used for the

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1 purpose it was invested. Part of investors' money was spent to invest in a prime bank scheme, buy
2 racehorses, make charitable donations and for other misappropriations.

3 17. WEBB failed to disclose to investors risks associated with investments in the Tax Lien
4 Certificate and Real Estate Opportunity Properties programs such as the risk that TLC may not
5 correctly evaluate investment opportunities and the effect of changing economic factors such as
6 interest rates. WEBB failed to disclose to investors commissions paid to her and commissions and
7 fees paid to TLC. In addition, WEBB failed to disclose to investors that their money would be
8 spent on a prime bank scheme, to buy racehorses, for charitable donations, and for other
9 misappropriations.

10 **C. Viatical Contracts**

11 18. From on or about July 9, 1999, to October 14, 1999, WEBB offered and sold viatical
12 contracts within or from Arizona to at least eight investors. WEBB'S customers invested at least
13 \$230,000 in viatical contracts. These viatical contracts were sold through Trade Partners, Inc.
14 ("TPI"), a Michigan corporation. These viatical contracts were securities which were neither
15 registered nor exempt from registration in Arizona.

16 19. WEBB advertised these viatical contracts as safe, high-yield investments with
17 guaranteed principal and interest. In fact, the return of principal and interest on these viatical
18 contracts was not guaranteed.

19 20. WEBB failed to disclose to investors: that they had no access to or opportunity to
20 review the medical records or insurance policies of viators; that their annualized return could be
21 significantly reduced if TPI, its affiliate, or independent contractor failed to properly evaluate the
22 viator's health and insurance policy; and, that the insurer could become insolvent before the
23 death benefit is paid and the investor could lose all or a portion of his or her investment funds.

24 **D. Dishonest Or Unethical Practices In The Securities Industry**

25 21. While WEBB was registered with SAS, she sold at least six CD's that were not
26 recorded on the records of SAS.

1 operated or would operate as a fraud or deceit upon offerees and investors. WEBB'S conduct
2 includes, but is not limited to, the following:

3 a) With respect to the CD's:

- 4 (1) making untrue statements to investors that their principal was guaranteed;
5 (2) omitting to disclose to most investors the true maturity date;
6 (3) making untrue statements to investors that the CD's could be liquidated after one
7 year without loss of principal and without early withdrawal penalties;
8 (4) omitting to disclose to investors that the value received upon liquidation depended on
9 the prevailing market interest rate, which fluctuates;
10 (5) omitting to disclose to investors that SCS created and controlled the secondary
11 market for liquidation of CD's;
12 (6) omitting to disclose to investors that sales commissions and custodial fees would be
13 deducted up-front and failing to disclose the dollar amount of these commissions and
14 fees; and
15 (7) omitting to disclose to investors whether the ownership of their CD's would be
16 properly documented to ensure FDIC insurance coverage.

17 b) With respect to the Tax Lien Certificate program and the Real Estate Opportunity
18 Properties program:

- 19 (1) making untrue statements to investors that their principal and interest were
20 guaranteed;
21 (2) failing to disclose to investors that their money would not be used for the purpose
22 invested;
23 (3) omitting to disclose to investors the risks associated with investments in these
24 investment programs; and
25 (4) omitting to disclose to investors commissions paid to her and commissions and fees
26 paid to TLC.

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- c) With respect to Viatical Contracts:
 - (1) making untrue statements to investors that their principal and interest were guaranteed;
 - (2) omitting to disclose to investors that they would have no access to or opportunity to review medical records or insurance policies of viators;
 - (3) omitting to disclose to investors that their annualized return could be significantly reduced if TPI, its affiliate, or independent contractor, did not properly evaluate the viator's health and insurance policy; and
 - (4) omitting to disclose to investors that the insurer could become insolvent before the death benefit is paid resulting in the investor losing all or a portion of his or her principal.

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

VI.

REVOCATION PURSUANT TO A.R.S. § 44-1962

(Denial, Revocation or Suspension of Registration of Salesman)

30. WEBB'S conduct is grounds to revoke her registration as a securities salesman with the Commission pursuant to A.R.S. § 44-1962. Specifically, WEBB has:

- a) violated Chapter 12 of the Securities Act, pursuant to A.R.S. § 44-1962(A)(2), by offering and selling unregistered securities within or from Arizona in violation of A.R.S. § 44-1841(A);
- b) as described in the prior section, been guilty of fraudulent acts or practices in connection with the purchase or sale of securities, pursuant to A.R.S. § 44-1962(A)(9);
- c) engaged in dishonest or unethical practices in the securities industry, pursuant to A.R.S. § 44-1962(A)(10), by effecting securities transactions that were not recorded on the records of the dealer with whom she was registered at the time of the transactions, pursuant to A.A.C. R14-4-130(A)(17); and

1 d) engaged in dishonest or unethical practices in the securities industry, pursuant to A.R.S.
2 § 44-1962(A)(10), by signing a securities contract for a customer without first obtaining
3 authority in writing from the customer, pursuant to A.A.C. R14-4-130(A).

4 **VII.**

5 **REQUESTED RELIEF**

6 The Division requests that the Commission grant the following relief against WEBB:

- 7 1. Order WEBB to permanently cease and desist from violating the Securities Act,
8 pursuant to A.R.S. § 44-2032 ;
- 9 2. Order WEBB to take affirmative action to correct the conditions resulting from her
10 acts, practices or transactions, including a requirement to make restitution pursuant to A.R.S. § 44-
11 2032;
- 12 3. Order WEBB to pay the state of Arizona administrative penalties of up to five
13 thousand dollars (\$5,000) for each violation of the Securities Act, pursuant to A.R.S. § 44-2036;
- 14 4. Order the revocation of WEBB'S registration as a securities salesman pursuant to
15 A.R.S. § 44-1962; and
- 16 5. Order any other relief that the Commission deems appropriate.

17 **VIII.**

18 **HEARING OPPORTUNITY**

19 WEBB may request a hearing pursuant to A.R.S. § 44-1972 and A.A.C. R14-4-306. A
20 request must be in writing and received by the Commission within 10 business days after service of
21 this Notice of Opportunity for Hearing. WEBB or her attorney must deliver or mail the request to
22 Docket Control, Arizona Corporation Commission, 1200 W. Washington, Phoenix, Arizona 85007.
23 A Docket Control cover sheet must accompany the request. A cover sheet form and instructions
24 may be obtained from Docket Control by calling (602) 542-3477 or on the Commission's Internet
25 web site at www.cc.state.az.us/utility/forms/index.htm.

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1 If a request for a hearing is timely made, the Commission shall schedule the hearing to begin
2 20 to 60 days from the receipt of the request unless otherwise provided by law, stipulated by the
3 parties, or ordered by the Commission. If a request for a hearing is not timely made the Commission
4 may, without a hearing, enter an order against WEBB granting the relief requested by the Division
5 in this Notice of Opportunity for Hearing.

6 Persons with a disability may request a reasonable accommodation such as a sign language
7 interpreter, as well as request this document in an alternative format, by contacting Shelly M.
8 Hood, ADA Coordinator, voice phone number 602/542-3931, e-mail shood@cc.state.az.us.
9 Requests should be made as early as possible to allow time to arrange the accommodation.

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11 Dated this 3RD day of October, 2001.

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14 Mark Sendrow
15 Director of Securities
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Memorandum

RECEIVED **NEW**

2001 OCT -3 P 3:23

DATE: October 3, 2001

TO: Nancy Cole
Docket Control

AZ CORP COMMISSION
DOCUMENT CONTROL

FROM: Anthony Bingham
Securities Division

RE: Michelle L. Webb
Docket No. S-03408A-01-0000
Assigned Staff

CC: Mabel Aldridge

This is to notify you that the following individuals have been assigned to the above-mentioned case.

- Mark Sendrow
- LeRoy Johnson
- Matthew Neubert

Anthony Bingham (Staff Attorney)

Lisa Busse (Staff Investigator)

Note: The Assistant Attorney General assigned to this matter is: Moira McCarthy.