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Arizona Corporation Commission

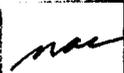
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AZ CORP COMMISSION
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COMMISSIONERS

MAR 31 2003

MARC SPITZER, Chairman
JIM IRVIN
WILLIAM A. MUNDELL
JEFF HATCH-MILLER
MIKE GLEASON

DOCKETED BY 

In the matter of:)
)
)
CLAY EUGENE LAMBERT)
3711 East Minton Place)
Mesa, Arizona 85215,)
)
Respondent.)

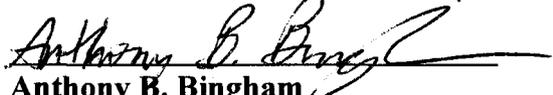
DOCKET NO. S-03413A-01-0000
**NOTICE OF SECURITIES
DIVISION'S FILING OF
PROPOSED PROCEDURAL
HISTORY, FINDINGS OF FACT,
CONCLUSIONS OF LAW AND
ORDER**

The Securities Division ("Division") of the Arizona Corporation Commission ("Commission"), by and through undersigned counsel, hereby gives notice that on March 31, 2003, the Division filed with the Commission a Proposed Procedural History, Findings of Fact, Conclusions of Law and Order which is attached as Exhibit A.

The Division is providing a copy of the Proposed Procedural History, Findings of Fact, Conclusions of Law and Order on a computer floppy disc to Administrative Law Judge Philip J. Dion III for his convenience.

Respectfully Submitted this 31st day of March, 2003.

Terry Goddard
Attorney General for the State of Arizona


Anthony B. Bingham

Special Assistant Attorney General
Moira McCarthy
Assistant Attorney General
Attorneys for the Securities Division of the
Arizona Corporation Commission

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1 Original and thirteen copies
of the foregoing docketed
2 this 31st day of March, 2003, with:

3 Docket Control
Arizona Corporation Commission
4 1200 W. Washington St.
Phoenix, AZ 85007

5
6 A copy of the foregoing hand-delivered
this 31st day of March, 2003, to:

7 Philip J. Dion III
Administrative Law Judge
8 Arizona Corporation Commission
1200 W. Washington St.
9 Phoenix, AZ 85007

10 A copy of the foregoing mailed this
11 31st day of March, 2003, to:

12 Clay E. Lambert
1901B W. Falcon Way
Amado, AZ 86545
13 Respondent

EXHIBIT A

PROCEDURAL HISTORY

1
2 On September 26, 2001, the Securities Division ("Division") of the Arizona Corporation
3 Commission ("Commission") filed a Notice of Opportunity for Hearing Regarding Proposed
4 Order To Cease And Desist, For Restitution, For Administrative Penalties, For Revocation, And
5 For Other Affirmative Action ("Notice") against Clay Eugene Lambert ("Respondent") in which
6 the Division alleged violations of the Securities Act of Arizona ("Securities Act") in connection
7 with the offer and sale of securities and alleged that Respondent's registration as a securities
8 salesman in Arizona should be revoked. Respondent was duly served with the Notice on
9 September 28, 2001.

10 On October 3, 2001, Respondent filed a request for a hearing and for a pre-hearing
11 conference through his attorney Michael Salcido. A pre-hearing conference was scheduled for
12 November 26, 2001.

13 On November 6, 2001, Respondent filed a chapter 13 bankruptcy case in the United
14 States Bankruptcy Court, District of Arizona, Phoenix Division.

15 On November 21, 2001, Mr. Salcido delivered to the Division and to the Administrative
16 Law Judge ("ALJ") a letter informing both that Respondent had filed a petition for bankruptcy
17 under Chapter 13. In his letter, Mr. Salcido argued that the administrative action and the pre-
18 hearing conference scheduled for November 26, 2001, were stayed pursuant to the automatic stay
19 provision in the bankruptcy code. The Division, also on November 21, 2001, responded with a
20 letter faxed to Mr. Salcido and hand delivered to the ALJ. The Division contended in its
21 response letter that an exception to the automatic stay in bankruptcy for the continuation of an
22 action by a governmental unit to enforce the governmental unit's police and regulatory powers
23 allowed the administrative proceeding against Respondent to go forward.

24 On November 26, 2001, a pre-hearing conference was held. Respondent was represented
25 by Mr. Salcido at the pre-hearing conference. At the conference, Respondent's counsel argued
26 that the bankruptcy case stayed the administrative proceeding before the Commission. The

1 Division argued that an exemption to the automatic stay allowed the proceeding to go forward.
2 The ALJ verbally ordered both sides to file a brief in support of their position.

3 On January 10, 2002, a Procedural Order was issued by the ALJ in this case. The ALJ
4 ordered that each party file a brief in support of their position by February 1, 2002, regarding
5 whether the automatic stay in bankruptcy was applicable to the administrative proceeding. A
6 hearing was ordered to begin on March 5, 2002.

7 On January 31, 2002, the Division filed a brief regarding the inapplicability of the
8 automatic stay in bankruptcy to the administrative proceeding. In the brief, the Division argued
9 that the administrative proceeding against Respondent was exempt from the automatic stay in
10 bankruptcy because it was a continuation of a proceeding by a governmental unit to enforce the
11 governmental unit's police and regulatory powers. The Division also argued that the
12 Commission could enter an order to cease and desist, an order for penalties, an order for
13 restitution and an order suspending or revoking Respondent's securities registration in Arizona.

14 On February 1, 2002, Mr. Salcido filed for Respondent a document titled "Lambert's
15 Position Re: Bankruptcy." Respondent merely reiterated his prior position which was that the
16 bankruptcy automatic stay prohibited the Commission from conducting a hearing in this matter.

17 On February 22, 2002, a Procedural Order in this matter was issued. The ALJ held that
18 the bankruptcy automatic stay was not applicable to the administrative proceeding against
19 Respondent. The ALJ confirmed the hearing date of March 5, 2002.

20 On March 1, 2002, Mr. Salcido filed a motion to continue the hearing set for March 5,
21 2002. The purpose of the motion was to allow Respondent's counsel time to apply to bankruptcy
22 court to be appointed to represent Respondent in the administrative case and to obtain permission
23 from the court to incur legal fees on behalf of Respondent's bankruptcy estate. Subsequently, a
24 telephonic conference was held to discuss the motion to continue.

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26 ...

1 On March 11, 2002, after the telephonic conference concerning Respondent's motion to
2 continue, a Procedural Order was issued. The hearing in this matter was continued to April 10,
3 2002.

4 On April 8, 2002, Mr. Salcido filed a Notice Of Withdrawal Of Counsel.

5 On April 10, 2002, the parties appeared for the scheduled hearing in this matter.
6 Respondent was represented by Mr. Salcido at the hearing. Attorney Lawrence Moon was
7 present and willing to replace Mr. Salcido as counsel for Respondent. The ALJ did not allow Mr.
8 Salcido to withdraw as counsel for Respondent. However, the ALJ ruled that Mr. Moon and Mr.
9 Salcido could represent Respondent as co-counsel with Mr. Moon as lead counsel. Based on this
10 ruling, the hearing was continued to June 3, 2002.

11 On May 24, 2002, Mr. Salcido on behalf of Respondent, filed with the Commission a
12 motion to stay the administrative proceeding. Respondent requested expedited oral argument on
13 the motion. On May 29, 2002, the Division filed a response to this motion. On May 30, 2002, a
14 hearing was held on Respondent's motion to stay the administrative proceeding. Both parties
15 appeared with counsel. A short continuance of the hearing was granted to Respondent.

16 On or about June 3, 2002, Mr. Moon, as counsel for Respondent, filed in the United
17 States Bankruptcy Court a petition to enforce the automatic stay in bankruptcy or in the
18 alternative, an application for an expedited order to show cause. A notice of this filing with a
19 copy of the petition was filed with the Commission on June 11, 2002. On June 18, 2002, the
20 Division filed a response in the United States Bankruptcy Court to the petition.

21 On June 11, 2002, Respondent was indicted on eight counts by an Arizona State Grand
22 Jury. Respondent was indicted on one count of fraudulent schemes and artifices, one count of
23 theft, three counts of forgery and three counts of insurance fraud.¹ The indictment counts arise
24 from the same facts as alleged in the Notice. None of the counts in the indictment are for
25 violations of the Securities Act.

26 _____
¹ See case history for CR 2002-010391 on Maricopa County Superior Court website.

1 On June 19, 2002, a hearing was held in bankruptcy court to address the petition filed by
2 Respondent. Both parties appeared by counsel and presented brief arguments. The judge signed
3 an order holding that the administrative proceeding against Respondent is exempt from the
4 automatic stay in bankruptcy, that the Commission can enter an order to cease and desist, an
5 order for restitution and penalties and the Commission can revoke or suspend Respondent's
6 Arizona securities registration.²

7 On June 21, 2002, a Procedural Order was issued. The hearing in this matter was reset to
8 September 23, 2002. Respondent's motion filed with the Commission to stay the administrative
9 proceeding was denied.

10 On July 25, 2002, Mr. Salcido and Mr. Moon, jointly filed a motion to withdraw as legal
11 counsel for Respondent. One of the reasons they sought to withdraw from representation of
12 Respondent was because he had not informed them of his current location. A hearing was held
13 on this motion and Mr. Salcido and Mr. Moon were allowed to withdraw as counsel of record.

14 On September 12, 2002, the Division filed a motion for a pre-hearing status conference to
15 discuss the attendance of Respondent at the hearing scheduled for September 23, 2002. As of
16 September 12, 2002, Respondent was incarcerated in the Maricopa County Jail on a bench
17 warrant for his failure to appear at his arraignment on the charges in the indictment.

18 On September 23, 2002, a procedural conference instead of a pre-hearing conference was
19 held. Due to Respondent's incarceration, the hearing in this matter was rescheduled to January
20 28, 2003. Subsequent to the procedural conference, Respondent's criminal defense attorney
21 confirmed with counsel for the Division that Respondent was aware of the hearing date on
22 January 28, 2003. Hearing Transcript, page 11, lines 7-9 (hereafter, citations to the hearing
23 transcript will be designated as HT page #, line #). A letter was delivered to Respondent's
24 criminal defense attorney confirming the hearing date of January 28, 2003. HT 11, 15-19. The
25

26 ² See attached Exhibit 1 which is not part of the record in this matter and is provided for convenience and proof of the
outcome of the hearing in bankruptcy court.

1 Division's hearing exhibits also accompanied this letter. HT 11, 15-19. With permission of
2 Respondent's criminal defense attorney, the same letter was sent to Respondent at an address
3 provided by his attorney. HT 11, 10-14. This letter was mailed certified mail, return receipt
4 requested, and the Division has received the signed green return receipt card evidencing that
5 Respondent received this letter. HT 11, 10-14.

6 On January 28, 2003, a public hearing was held before the assigned ALJ in a hearing
7 room at the Phoenix, Arizona location of the Commission. Counsel for the Division appeared.
8 Neither Respondent nor any counsel for Respondent appeared at the hearing. On the date of the
9 hearing, Respondent was no longer incarcerated and could have attended the hearing. The ALJ
10 found that Respondent had more than adequate notice of the hearing and choose not to attend.
11 Respondent did not present any evidence at the hearing to refute the testimony and evidence
12 presented by the Division.

13 The Division presented an abbreviated case at the hearing. Testimony was taken from
14 two witnesses at the hearing. The first witness was Lisa Busse. Mrs. Busse, is employed with
15 the Division as an investigator. She assisted with the investigation of this matter and was
16 familiar with the facts of the case. The second and last witness in the hearing was, Tom Woods.
17 Mr. Woods, along with his wife, were the only investors with Respondent. A total of fifty-three
18 exhibits were admitted into evidence in the course of the hearing.

19 On March 26, 2003, Respondent entered into a criminal plea agreement in Maricopa
20 County Superior Court. Respondent pled guilty to theft as a class three felony and forgery as a
21 class four felony. The sentencing hearing in Respondent's criminal case is scheduled for May 2,
22 2003.

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1 6. On October 3, 1994, the Woods invested \$150,000 with Respondent to finance
2 farming operations on the farm Respondent claimed to own in North Dakota. HT 18, 19-25; 21,
3 21-25; 22, 1-2. For their investment, Respondent issued the Woods a promissory note dated
4 October 3, 1994, with his signature on it. Exh. S-4. The interest rate on the note was fifteen
5 percent per year.

6 7. Evidence in the form of checks presented at the hearing support the Woods
7 investment with Respondent of \$150,000 for the promissory note dated October 3, 1994. Exh.'s S-
8 5; S- 6; S-7; S-8 and S-8a.

9 8. In May 1996, the Woods invested \$200,000 with Respondent. Respondent solicited
10 the Woods before this investment telling them he needed more money from them to purchase
11 additional farmland. HT 27, 15-25; 28, 1-20. For this investment, the Woods received a
12 promissory note dated May 15, 1996, payable to W.C. Contracting, Inc., a company Mr. Woods
13 was the president of. Exh. S-9. This note was to pay interest at the rate of twelve-percent
14 annually. This note was signed by Respondent and by Mr. Woods as President of W.C.
15 Contracting, Inc. Exh. S-9.

16 9. Testimony and documents introduced into evidence at the hearing support the
17 Wood's investment of \$200,000 for the promissory note dated May 15, 1996. For this investment,
18 the Woods gave Respondent a check for \$100,000 and transferred by wire into Respondent's bank
19 account in North Dakota another \$100,000. Exh.'s S-10 and S-21. The memo line on the check
20 reads "Investment/Land" in corroboration of the Wood's belief that his investment was to be used
21 by Respondent to buy more farmland. Exh. S-10.

22 10. Both promissory notes, October 3, 1994 and May 15, 1996, contain a term requiring
23 Respondent to maintain term life insurance on his life payable to the payee of each note in an
24 amount sufficient to pay the principal and accrued interest in full should the Respondent die.
25 Exh.'s S-4 and S-9. The Woods relied on this term in both notes and considered it vital in their
26 decision to invest with Respondent. HT 20, 15-21; 26, 19-25; 27, 1-6.

1 11. Despite Respondent's guarantee in the two promissory notes that he would maintain
2 a term life insurance policy on his life payable to the Woods, the evidence introduced at the hearing
3 unmistakably proved that he failed to follow through with this promise. In an Agricultural
4 Financial Statement to Norwest Bank, signed by him and his wife on March 24, 1997, for the
5 purpose of obtaining credit, Respondent listed two life insurance policies on his life in the total
6 amount of \$900,000 payable to his wife as the only beneficiary. Exh. S-26, pg. ACC02442.
7 Furthermore, in September 2001, Respondent's legal counsel, in response to a letter from the
8 Division, acknowledged that Respondent never held term life insurance or any other insurance on
9 his life payable to either or both of the Woods. Exh. S-27.

10 12. The third and last investment the Woods made with Respondent was by a check
11 dated April 23, 1997, in the amount of \$101,700 payable to Respondent. Exh. S-11. Prior to this
12 investment by the Woods, Respondent solicited them for money to purchase farm equipment and
13 for farming operations. HT 40, 25; 41, 1-4. The Woods never received from Respondent a
14 promissory note for this investment. HT 41, 15-17. The Woods expected the terms of this
15 investment to be like the terms of the prior two investments. HT 41, 18-23; 42, 3-6. The Woods
16 particularly expected Respondent to maintain life insurance on his life payable to the Woods in an
17 amount sufficient to pay the principal and accrued interest in full on this third investment should
18 the Respondent die. HT 42, 7-14.

19 13. Information in the Agricultural Financial Statement Respondent and his wife
20 completed and signed on March 24, 1997, clearly demonstrated that Respondent did not own any
21 farmland in North Dakota until 1995. Exh. S-26, pg. ACC02437 ("Real Estate Owned"). This is
22 contrary to what Respondent told the Woods before their October 1994 investment, which was that
23 he did own farmland in North Dakota that he had already purchased from his father-in-law. HT
24 111, 3-11; 115, 19-22.

25 14. In March 1995, August 1995, August 1996 and on an unknown date in 1996,
26 Respondent mortgaged farmland he owned in North Dakota. Exh.'s S-23; S-24; S-25; S-26, pg.

1 ACC-2437 and S-19. Respondent never disclosed to the Woods before or even after their
2 investments in May 1996 and April 1997 that the farmland was encumbered with a mortgage and
3 monthly mortgage payments were being made from farm income. HT 53, 2-25; 54, 5-12; 116, 3-6.

4 15. In early April 2001, Respondent sold all the farmland he owned. HT 101, 25; 102,
5 1-15. The Woods did not receive any proceeds from the sale of the farmland. HT 102, 5-7.

6 16. The Woods were never involved in any of the operations of the farm, including how
7 their money was spent. HT 22, 3-15; 117, 2-6. Respondent never specified a particular piece of
8 farmland or specific expenses for operating the farm the Wood's money was to pay for. HT 56,
9 22-25; 57, 1-9.

10 17. The Woods relied solely upon Respondent to run the farm with the help of his
11 father-in-law and to generate profits from the farm. HT 22, 3-18; 113, 14-19; 116, 18-25; 117, 1.
12 The Woods never received any return from Respondent on their investments. HT 42, 23-25; 43, 1-
13 10.

14 18. Respondent never presented any financial information to the Woods about the farm
15 in North Dakota before their first investment in October 1994. HT 117, 13-25; HT 118, 1-8.
16 Respondent did show one income statement for the farm to the Woods sometime after their first
17 investment. HT 117, 13-25. According to the income statement, the farm returned over eighteen
18 percent profit for that year. HT 117, 13-22. Respondent presented only one balance sheet for the
19 farm to the Woods. HT 118, 1-8. That balance sheet was shown to the Woods in connection with
20 their second investment in May 1996. HT 118, 1-8. Other than being shown one income statement
21 and one balance sheet, the Woods were never shown any other financial information and did not
22 have access to any financial information or statements on Respondent's farm. HT 118, 15-24.

23 19. On several occasions, the Woods asked Respondent about their investments. HT
24 114, 14-24. Respondent always assured them that their money was being reinvested in the farm
25 and the farm was doing well. HT 114, 14-24. Respondent also told the Woods that anytime they
26 needed some of their invested money back, they could ask for it and he would return the money to

1 them. HT 92, 4-15; 114, 14-24.

2 20. Respondent viewed the money he received from the Woods as investments not as
3 loans. Two statements created by Respondent, both dated in 1995, show the balance for each
4 investment in the Woods securities portfolio. HT 43, 12-22; Exh.'s S-12 and S-13. Both
5 statements show the balance of \$150,000 for "INVESTMENT C. LAMBERT." Exh.'s S-12 and S-
6 13. The Woods second and third investments with Respondent do not appear on these statements
7 because the statements were created after their first investment and before their second investment.

8 21. From January 1999 to mid December 1999, Respondent was the bookkeeper for a
9 company owned and operated by the Woods called Direct Utility Contractors, LLC. HT 63, 22-25;
10 64, 1-9. Besides keeping the books for the company, Respondent printed all the company checks
11 to deliver to Mr. Woods for his signature. HT 64, 4-9.

12 22. The record reflects that from January 20, 1999, to December 5, 1999, Respondent
13 misappropriated \$305,404.36 from Direct Utility Contractors, LLC's checking account. Exh. S-34.
14 Respondent accomplished this by signing Mr. Wood's name to twenty-four checks and making one
15 withdrawal from the business checking account, all without authorization from the Woods. HT 63,
16 2-21; 69, 14-25; 70, 1-4; 74, 7-21; 89, 11-23; 109, 2-25. The checks were payable to Lambert
17 Financial Group, LLC except for one that was payable to Clay Lambert. Exh. S-14; S-15; S-16 and
18 S-29. The unauthorized withdrawal was deposited into the bank account of Lambert Financial
19 Group, LLC. Exh.'s S-28, ACC00654; S-29. Lambert Financial Group, LLC, which was located
20 in Mesa, Arizona, was owned and operated by Respondent who transacted his securities and
21 insurance business through this limited liability company. Exh.'s S-14; S-15; S-16 (address for
22 Lambert Financial Group, LLC on each check); HT 64, 24-25; 65, 1.

23 23. Initially, the Woods discovered only the checks misappropriated in November and
24 December 1999. HT 70, 19-25; 71, 1-2; Exh. S-15. These checks totaled \$41,080.86. Exh. S-15.
25 Mr. Woods confronted Respondent regarding these misappropriated checks. Respondent
26 apologized to Mr. Woods and admitted to misappropriating the money. HT 71, 3-17. In February,

1 2000, Respondent delivered to the Woods a cashier's check for \$41,080.86 as restitution for the
2 check he misappropriated in November and December 1999. HT 72, 24-25; 73, 1-4.

3 24. In early 1999, the Woods asked Respondent for \$100,000 of the money they had
4 invested with him. HT 92, 4-15. Respondent told the Woods he would obtain the money from his
5 bank account in North Dakota. HT 92, 16-22. Unbeknownst to the Woods, Respondent wrote
6 three letters to an insurance company to acquire approximately \$100,000 from an annuity he had
7 previously sold the Woods. Exh. S-17; HT 91, 11-25; 92, 1-3; 95, 23-25; 96, 1-25; 97, 1-25; 98, 1-
8 8; 110, 18-25; 111, 1-2. Two of these letters had the purported signatures of Tom and Becky
9 Woods. Exh. S-17. One of these three letters was signed by Respondent. Exh. S-17.

10 25. In April 1999, the insurance company mailed two checks from the annuity account
11 to the Woods. Exh. S-17. When the Woods discovered the source of funds for the two checks was
12 from their annuity account, they were very upset. HT 95, 23-25; 96, 1. Respondent returned the
13 checks to the insurance company with a cover letter directing that the checks be deposited back
14 into the Woods annuity account. Exh. S-17; HT 98, 9-21; 99, 1-5. This letter had the purported
15 signatures of Tom and Becky Woods. Exh. S-17; HT 98, 22-25; 99, 1-5.

16 26. The Woods never authorized Respondent to acquire approximately \$100,000 from
17 their annuity account. HT 97, 22-25; 98, 1-2. The Woods never knew about any of these letters
18 sent to the insurance company nor did they authorize Respondent to sign their names on three of
19 the letters. HT 91, 11-25; 92, 1-3; 96, 2-25; 97, 1-25; 98, 1-25; 99, 1-5.

20 27. The checks at issue in this matter, except for one check recently discovered (Exh. S-
21 14, ACC 02611, check 5202), along with the three letters concerning the withdrawal of
22 approximately \$100,000 from the Woods annuity account with the purported signatures of the
23 Woods, and handwriting samples from the Woods, were submitted to a Criminalist with the
24 Arizona Department of Public Safety for a forensic documentation examination. Exh.'s S-32
25 through S-32Q4. The Criminalist prepared two written scientific examination reports concerning
26 the checks and letters. Exh.'s S-32; S-32-1. After conducting an examination, the Criminalist

1 opined that Tom Woods did not sign the checks or the first two letters to the insurance company
2 with his purported signature. Exh.'s S-32; S-32-1. The Criminalist opined that Becky Woods did
3 not sign the first two letters to the insurance company with her purported signature. Exh. S-32-1.
4 Three of the checks submitted for examination and the third and last letter to the insurance
5 company, purportedly signed by the Woods, could not be examined due to poor copy quality of
6 these items. Exh. S-32-1.

7 CONCLUSIONS OF LAW

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

10 2. Respondent offered and sold securities in the form of promissory notes on or about
11 October 3, 1994 and May 15, 1996, within the definition of A.R.S. §§ 44-1801(15), 44-1801(21),
12 and 44-1801(26).

13 3. Respondent offered and sold a security in the form of an investment contract and
14 evidence of indebtedness on or about April 23, 1997, within the definition of A.R.S. §§ 44-
15 1801(15), 44-1801(21), and 44-1801(26).

16 4. Respondent violated A.R.S. § 44-1841 by offering and selling securities that were
17 neither registered nor exempt from registration.

18 5. Respondent violated A.R.S. § 44-1842 by offering and selling securities while
19 neither registered as a dealer nor exempt from registration.

20 6. Respondent violated A.R.S. § 44-1991 by (a) making untrue statements or
21 misleading omissions of material facts, and (b) engaging in transactions, practices or courses of
22 business which operate or would operate as a fraud or deceit. Respondent's conduct includes, but
23 is not limited to the following:

- 24 a. making untrue statements to the Woods before their first investment in October
25 1994, that he had purchased his father-in-law's farm, when in fact, he had not yet
26 purchased the farm;

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- b. failing to disclose to the Woods that most if not all of the farmland he purchased would be encumbered with a mortgage or other lien that he would be required to service from farm income;
- c. failing to disclose to the Woods financial statements about his farming operations in North Dakota other than the one income statement after the Wood's first investment and the one balance sheet in connection with the Wood's second investment;
- d. failing to disclose to the Woods the specific parcels of farmland and the specific operational expenses their investment monies were to be used for; and
- e. making untrue statements to the Woods that he would maintain term life insurance on his life payable to the couple as beneficiaries in an amount sufficient to pay the principal and accrued interest of their investments when in fact he never did maintain this insurance payable to the Woods.

7. Respondent's conduct subjects Respondent to an order of revocation pursuant to A.R.S. § 44-1962(A)(4), (9), and (10).

8. Respondent's conduct is grounds for a cease and desist order pursuant to A.R.S. § 44-2032.

9. Respondent's conduct is grounds for an order of restitution pursuant to A.R.S. § 44-2032.

10. Respondent's conduct is grounds for an administrative penalty pursuant to A.R.S. § 44-2036.

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ORDER

IT IS THEREFORE ORDERED that pursuant to the authority granted to the Commission under A.R.S. § 44-2032, Respondent shall cease and desist from his actions described hereinabove in violation of A.R.S. §§ 44-1841, 44-1842, and 44-1991.

IT IS FURTHER ORDERED that pursuant to the authority granted to the Commission under A.R.S. § 44-2032, Respondent shall pay restitution in the amount of \$451,700³ plus accrued interest for the three investments dated October 3, 1994, May 15, 1996 and April 23, 1997, within 30 days of the effective date of this Order.

IT IS FURTHER ORDERED that the restitution ordered hereinabove shall bear interest for the first investment from October 3, 1994, at the rate of fifteen percent per year, for the second investment from May 15, 1996, at the rate of twelve percent per year, and for the last investment from April 23, 1997, at the rate of ten percent per year.

IT IS FURTHER ORDERED that restitution shall be made payable to the "State of Arizona" to be deposited into an interest-bearing account, if appropriate, until distribution is made.

IT IS FURTHER ORDERED that pursuant to the authority granted to the Commission under A.R.S. § 44-2036, Respondent shall pay as administrative penalties: for the violations of A.R.S. § 44-1841, the sum of \$15,000; for the violations of A.R.S. § 44-1842, the sum of \$15,000, and for the violations of A.R.S. § 44-1991, the sum of \$30,000, for total penalties of \$60,000, within 30 days of the effective date of this Order.

IT IS FURTHER ORDERED that administrative penalties shall be made payable to the "State of Arizona" for deposit into the general fund of the State of Arizona.

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³ Restitution for the misappropriated checks and the one unauthorized withdrawal by Respondent are not included in this amount because the Division is unable to seek restitution for those transactions under the Securities Act since they are not related to the offer or sale of securities. The Division choose to include evidence of the misappropriated checks and the one unauthorized withdrawal by Respondent in its case presented to the Commission as a further reason to revoke Respondent's registration as a securities salesman in Arizona.

1 IT IS FURTHER ORDERED that the administrative penalties ordered hereinabove shall
2 bear interest at the rate of ten percent per year for any outstanding balance from the effective date
3 of this Order.

4 IT IS FURTHER ORDERED that pursuant to the authority granted to the Commission
5 under A.R.S. § 44-1962, Respondent Lambert's registration as a securities salesman in Arizona is
6 revoked.

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

8 BY ORDER OF THE ARIZONA CORPORATION COMMISSION
9

10
11 CHAIRMAN

COMMISSIONER

COMMISSIONER

12
13 COMMISSIONER

COMMISSIONER

14 IN WITNESS WHEREOF, I, BRIAN C. McNEIL,
15 Executive Secretary of the Arizona Corporation
16 Commission, have hereunto set my hand and caused the
17 official seal of the Commission to be affixed at the
18 Capitol, in the City of Phoenix, this _____ day of
19 _____, 2003.

20 _____
21 BRIAN C. McNEIL
22 Executive Secretary

23 _____
24 DISSENT

EXHIBIT 1

FILED

JUL 11 2002

IN THE UNITED STATES BANKRUPTCY COURT

DISTRICT OF ARIZONA

KEVIN E. O'BRIEN, CLERK
UNITED STATES
BANKRUPTCY COURT
FOR THE DISTRICT OF ARIZONA

In re:) (Chapter 11 Case)

) Case No. 01-14885-PHX-RTB

ORDER

CLAY EUGENE LAMBERT AND RENEE
JOANNE LAMBERT,

Debtors.

On June 19, 2002, at 1:30 p.m., a hearing on Debtor's Petition To Enforce Automatic Stay Or Alternatively, Debtor's Application For An Expedited Order To Show Cause was held before this Court. After considering the pleadings by both parties and any oral arguments made at the hearing,

IT IS HEREBY ORDERED, ADJUDGED AND DECREED that the administrative proceeding against Debtor Clay Eugene Lambert before the Arizona Corporation Commission, is exempt under 11 U.S.C. §362(b)(4) from the automatic stay of 11 U.S.C. §362(a);

IT IS FURTHER ORDERED, that the Arizona Corporation Commission can enter an order to Cease and Desist from violating the Securities Act of Arizona, and an order for restitution and/or penalties against Debtor Clay Eugene Lambert;

IT IS FURTHER ORDERED, that the Arizona Corporation Commission can revoke or suspend the Arizona securities registration of Debtor Clay Eugene Lambert.

DATED this 11 day of JUL 11 2002, 2002.

By Redfield T. Baum
Honorable Redfield T. Baum
United States Bankruptcy Court Judge

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