

ORIGINAL

NEW APPLICATION



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BEFORE THE ARIZONA CORPORATION COMMISSION

2011 DEC 20 A 11: 09

COMMISSIONERS

GARY PIERCE, Chairman
BOB STUMP
SANDRA D. KENNEDY
PAUL NEWMAN
BRENDA BURNS

AZ CORP COMMISSION
DOCKET CONTROL

In the matter of:
ROGER D. WOODS, an individual,
PHOENIX FUNDING, LLC, an Arizona
limited liability company,
Respondents.

DOCKET NO. S-20825A-11-0454

TEMPORARY ORDER TO CEASE AND
DESIST AND NOTICE OF
OPPORTUNITY FOR HEARING

NOTICE: THIS ORDER IS EFFECTIVE IMMEDIATELY

EACH RESPONDENT HAS 20 DAYS TO REQUEST A HEARING

EACH RESPONDENT HAS 30 DAYS TO FILE AN ANSWER

The Securities Division ("Division") of the Arizona Corporation Commission
("Commission") alleges that respondents ROGER D. WOODS and PHOENIX FUNDING, LLC
are engaging in or are about to engage in acts and practices that constitute violations of A.R.S. §
44-1801, et seq., the Arizona Securities Act ("Securities Act"), and that the public welfare requires
immediate action.

I.

JURISDICTION

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

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Arizona Corporation Commission
DOCKETED

DEC 20 2011

DOCKETED BY
[Signature]

1 II.

2 RESPONDENTS

3 2. At all relevant times, Respondent ROGER D. WOODS (“WOODS”) has been an
4 Arizona resident. At all relevant times, WOODS has been offering and selling the credit building
5 and repair program investments discussed below within or from Arizona on behalf of Respondent
6 PHOENIX FUNDING, LLC (“PHOENIX FUNDING”) as its manager, “President,” owner and
7 investment salesman.

8 3. At all relevant times, WOODS has not been registered by the Commission as a
9 securities salesman or dealer.

10 4. PHOENIX FUNDING was organized by WOODS as a manager-managed Arizona
11 limited liability company on or about March 10, 2009. At all relevant times, PHOENIX FUNDING
12 has maintained its principal place of business in Chandler, Arizona, and it has been issuing, offering
13 and selling the credit building and repair program investments discussed below within or from
14 Arizona.

15 5. PHOENIX FUNDING has not been registered by the Commission as a securities
16 dealer.

17 6. WOODS and PHOENIX FUNDING may be referred to as “Respondent(s).”

18 III.

19 FACTS

20 A. Respondents’ Credit Building, Repair, and Financial Services Business

21 7. From approximately October 2010 to the present, Respondents have been
22 representing to offerees and investors within and from Arizona that PHOENIX FUNDING is a
23 “consulting” company, and that Respondents provide individuals and businesses with: (a) credit
24 building and/or credit score repair enhancement; (b) hard money lending; (c) debt reduction; (d)
25 real estate investments; (e) aged shelf corporations; and (f) other financial management services
26 and products (the “Business(es)”).

1 8. From approximately November 2011 to the present, the “Home” page of
2 Respondents’ website at www.phxfundingus.com (“Website”) has further stated that
3 Respondents’ “Mission” is to:

4 Assist individuals, business owners, investors and organizations in raising capital by
5 generating business and personal credit for start-ups and expansion. We offer an
6 integrated suite of marketing, legal, consulting, corporate and personal credit
services and provide investing opportunities in real estate, [a] credit repair program
and lucrative businesses.

7 9. From approximately October 2010 to the present, Respondents have been publically
8 offering and selling investments to the general public to raise a “pool” of capital to fund their
9 Business operations (the “Investment(s)”).

10 10. From at least November 2011 to the present, the “Products” page of Respondents’
11 Website has described Respondents’ Investment opportunities (the “Prospectus Page”). Regarding
12 projected Investment profits, the Prospectus Page prominently displays the phrase “**Raise Your**
13 **Net Worth.**” This phrase is similarly included at the top of all of the other pages of Respondents’
14 Website. (Emphasis in originals)

15 11. In addition to the Prospectus Page, the Website includes a page titled “More...”
16 which when clicked, displays two additional pages titled “Opportunities” and “Application Form.”

17 12. The Opportunities and Application Form pages include forms that prospective
18 Arizona investors and/or salesmen can complete to obtain additional information from
19 Respondents regarding the Investments.

20 13. With respect to Investment salesmen, the Opportunities page of the Website
21 includes color photos of gold coins and states that Respondents “offer great opportunities for you
22 and affiliates by partnering with us. We pay great commissions and referral fees for people that
23 you refer to us with excellent credit scores and that we can qualify to get funded.”

24 **B. The Investments**

25 14. From at least November 2011 to the present, the Prospectus Page has stated that
26 Respondents are offering and selling the following Investments titled:

- 1 a. **“RAISING CAPITAL AND INVESTING IN CREDIT REPAIR PROGRAM”**
- 2 (the “Credit Repair Program” Investments);
- 3 b. **“TRADING PLATFORMS”** (the “Trading” Investments);
- 4 c. **“INVESTMENTS IN REAL ESTATE”** (the “Real Estate” Investments);
- 5 d. **“OIL AND GAS”** (the “Oil & Gas” Investments);
- 6 e. **“GOLD MINE”** (the “Gold Mine” Investments);
- 7 f. **“FILMS”** (the “Film” Investments); and
- 8 g. **“Funding businesses”** (the “Loan” Investments)

9 (Emphasis in original). The Credit Repair Program Investments are discussed in detail further
10 below.

11 15. From at least November 2011 to the present, the Prospectus Page has stated that the
12 Trading Investments can be purchased in principal amounts of at least \$10,000, and that the “ROI”
13 or return on the Investments range from 34% to 150% per month.

14 16. From at least November 2011 to the present, the Prospectus Page has stated that
15 there are two types of Real Estate Investments being offered by Respondents including those
16 relating to: (a) “Non-Performing Notes” that can be purchased for amounts ranging from \$200,000
17 with the profit, or return on such principal Investments being capped at \$10,000,000; and (b) “REO
18 Bulk Properties” or real estate or bank owned properties ranging in price from \$5,000 to
19 \$35,000,000.

20 17. From at least November 2011 to the present, the Prospectus Page has stated that the
21 Oil & Gas Investments are comprised of “Shares/Ownership” in oil and gas wells, can be
22 purchased for principal amounts ranging in price from \$2,000,000 to \$15,000,000, and that such
23 Investments provide investors with profits on the principal Investment amounts of 1,000% per
24 year.

25 18. From at least November 2011 to the present, the Prospectus Page has stated that the
26 Gold Mine Investments are comprised of “Shares/Ownership” in gold mines, can be purchased for

1 amounts ranging in price from \$60,000 to \$30,000,000, and that such Investments provide
2 investors with returns on the principal Investment amounts of up to \$200,000,000.

3 19. In November 2011, the Prospectus Page of the Website stated that: (a) the Film
4 Investments cost approximately \$1,000,000 each; (b) the proceeds of the Film Investments would
5 be used to fund an "Animated Film Project" titled "JONAH;" and that such Investments would
6 provide investors with returns on their principal Investments of approximately 200%.

7 20. From at least November 2011 to the present, the Prospectus Page of the Website has
8 stated that principal Loan Investment funds would be used by Respondents to make loans to
9 persons or entities involved in medical research, transportation, technology, retail and wholesale,
10 import and export, advertising and marketing, files and video games and green projects including
11 "Solar Energy."

12 **C. The Credit Repair Program Investments**

13 21. From at least November 2011 to the present, the Prospectus Page of Respondents'
14 Website has stated that there are two types of Credit Repair Program Investments available for
15 purchase, depending on whether the investor has an "excellent credit score" or a "lesser credit"
16 score.

17 22. From at least November 2011 to the present, the Prospectus Page has stated that
18 those with excellent credit scores can purchase Credit Repair Program Investments for
19 approximately \$100,000 each, while investors with lesser credit scores can purchase Credit Repair
20 Program Investments for principal amounts ranging from \$10,000 to \$200,000.

21 23. From at least November 2011 to the present, the Prospectus Page has further stated
22 that those investors with lesser credit scores can receive a return on such principal Investments of
23 approximately 15% percent within six months.

24 24. From at least November 2011 to the present, the Website has also included a
25 "Protected Program" page that describes in detail how Respondents manage Credit Repair Program
26 Investment funds on behalf of investors to repair the credit of third parties:

1 **Investing today is safer** and more available than ever.

2 BUT nobody has any money AND those that do have it, they want to keep it safe.
3 We take **no risk**. We have a **protected** [credit repair Investment] program.

4 Did you know that your excellent credit can be the seed that can jump start \$1M in 5
5 months?

6 We are looking to fund people who have excellent [FICO] credit scores of 720 and
7 above and get up to \$100K funding without upfront fees. People who do not need
8 credit repair will qualify for this program. This is no cost to us or to them.

9 **This is how the process goes.**

10 When a person that has an excellent credit score qualifies and gets funded within 21
11 days, we invest the money to repair the credit of 6 other people. After these 6
12 people get their credit repaired within a period of time, they go into a funding
13 process totaling up to \$600K. The first \$100K [of the newly raised \$600,000] pays
14 back the person who invested into repairing these 6 people's credit. 2nd round of
15 funding for these 6 people occurs in the 4th month for another \$600K added to the
16 remaining balance of the 1st round of funding in the amount of \$500K (of which
17 \$100K has been paid back to the credit investor). Now we have a total of over \$1M
18 in the **investment pool** for the 7 people.

19 When we repair people's credit, we find those who need small amounts of money in
20 their debt to income ratio (at least under 10K) or either we will build their credit
21 status to get them fundable. Once credit is repaired, they become qualified for up to
22 \$100K in personal or business credit within 60 days. We can go up to 2 rounds of
23 funding within 5 months. We can get up to \$200K in total funding per person
24 combining business and personal credit.

25 For example, after going through credit repair, a married couple has a potential of
26 \$400K available to help others repair their credit and use a portion of these funds to
continue the process of repairing credit, buy real estate and raise capital for lucrative
businesses.

This program is safe, conservative and highly leveraged to protect our partners [i.e.,
investors]. We can pay back the money that was utilized in [the] credit repair
process within 90 days. (Emphasis added and in original)

25. With respect to Respondents' management of Credit Repair Program Investment
funds, the "Products and Services" page of Respondents' Website has further stated from at least
November 2011 to the present as follows:

Corporate and Personal Credit Services...With our creative process of obtaining
business and personal credit through your excellent credit, we assure stability in
funding your deals. We have designed a unique process that you can invest in
[called the] Credit Building Program that will propel you to have a residual income
and get into the investment world. Contact us for consultation about your credit and

1 how you can partake in this phenomenal money-making program. (Emphasis in
2 original)

3 26. The Credit Repair Program Investments are documented, in part, by written
4 contracts prepared and provided to investors by Respondents titled "PHOENIX FUNDING
5 LLC...JOINT VENTURE AGREEMENT[s]" (the "Contracts").

6 27. The Contracts state that the Credit Repair Program Investments have a term of two
7 years.

8 28. The Contracts are executed by WOODS on behalf of PHOENIX FUNDING as its
9 "Manager," and by investors.

10 29. The Contracts purport to grant Respondents and/or their agents "a limited power of
11 attorney" to have access to and/or acquire "Credit Funding" in the name of and/or on behalf of the
12 investor "from various financial institutions, private money lenders, venture capitalists" and other
13 "financing resources" (the "Debt(s)").

14 30. As a result, purchase money for the Credit Repair Program Investments is most
15 often derived from funds obtained by Respondents from investors via investor credit cards, loans or
16 types of credit accounts.

17 31. On information and belief, the Debts are on paper owed by the Credit Repair
18 Program investors themselves, and not by Respondents. However, to induce investors to purchase
19 the Credit Repair Program Investments, Respondents promise investors that Respondents will
20 timely pay the Debts.

21 32. The Contracts further purport to grant Respondents the power to use the funds
22 obtained via the investors' credit and related Debt to repair the credit scores of other persons, fund
23 Respondents' Businesses and otherwise purchase or make "investments in various profitable
24 business ventures, real estate investments, and private placement platforms."

25 33. In return, Respondents promise investors both verbally and in writing that
26 Respondents and investors will share the "residual income" generated from Respondents'
27 Businesses or related Investments made by Respondents with Credit Repair Program Investment

1 funds including, without limitation, the funding of the shelf companies set forth in paragraph seven
2 above.

3 **D. Credit Repair Program Investment Examples**

4 34. Respondents sold a Credit Repair Program Investment to an Illinois resident for
5 several thousand dollars in approximately November 2010 (the "First Investor").

6 35. As part of the First Investor's Credit Repair Program Investment purchase, the First
7 Investor allowed Respondents and/or their authorized agents to obtain credit and/or create
8 thousands of dollars of Debt in the name of the First Investor. They did.

9 36. The First Investor's Credit Repair Program Investment is documented, in part, by:
10 (a) a Contract signed by WOODS on behalf of PHOENIX FUNDING; and (b) an amendment to
11 the articles of organization of an Arizona limited liability company (*i.e.*, shelf company), organized
12 and/or controlled by Respondents and/or their agents, that names the First Investor as a manager of
13 the company.

14 37. In return, WOODS promised the First Investor that Respondents and/or their agents
15 would timely pay the Debt created by Respondents' use of the First Investor's credit, and pay the
16 First Investor profits totaling approximately \$3,000 per month during the term of the Investment.

17 38. On information and belief, Respondents have to date failed to timely repay the Debt
18 created in the name of the First Investor as promised.

19 39. Respondents also sold a Credit Repair Program Investment to an Arizona resident in
20 or around October 2010 totaling several thousand dollars (the "Second Investor").

21 40. The purchase money for the First Investor's Credit Repair Program Investment was
22 derived from a cash advance that the Second Investor obtained from one of his existing credit
23 cards.

24 41. The Second Investor converted these funds into a cashier's check made payable to a
25 shelf company organized and/or controlled by Respondents and/or their agent(s).

26

1 42. On information and belief, Respondents obtained additional money from the Second
2 Investor via credit cards or other Debt created in the name of the Second Investor.

3 43. Like the First Investor, Respondents promised the Second Investor that Respondents
4 would repay the related Debt owed by the Second Investor, and pay the Second Investor profits of
5 approximately \$5,000 per month during the term of the Credit Repair Program Investment.

6 44. On information and belief, Respondents did not repay all of the money Respondents
7 and/or their agents obtained from the Second Investor via the Second Investor's credit as promised.

8 **E. WOODS' Bankruptcy**

9 45. From at least November 2011 to the present, Respondents' Website has described
10 Respondents' Business experience and expertise. For example, the Home page of Respondents'
11 Website has stated at all relevant times, in part, as follows:

12 We raise capital for your investments or lucrative businesses. In short, we can fund
13 your deals and you can co-venture with our projects. **With 20 years of business**
14 **experience**, we have assisted various businesses, real estate deals and individuals
obtain funding. **We have the expertise** in consulting and helping clients and
partners meet their goals. (emphasis added)

15 46. Additionally, the Products and Services page of the Website discussed above has
16 also stated that WOODS has "over decade of experience providing strategic advice" and
17 management services to business owners.

18 47. Despite this purported Business expertise and experience, WOODS voluntarily filed
19 a Chapter 13 bankruptcy petition in the United States District Court, District of Arizona, No. 2:07-
20 bk-04792-GBN, on September 20, 2007 (the "Bankruptcy").

21 48. WOODS' Bankruptcy schedules listed total liabilities or debts of approximately
22 \$352,369.

23 49. Under the Bankruptcy Trustee's repayment plan, WOODS repaid a portion of his
24 debts by repaying his creditors approximately \$15,084.

V.

VIOLATION OF A.R.S. § 44-1842

(Transactions by Unregistered Dealers or Salesmen)

57. Respondents are offering or selling securities within or from Arizona while not registered as dealers or salesmen pursuant to Article 9 of the Securities Act.

58. This conduct violates A.R.S. § 44-1842.

VI.

VIOLATION OF A.R.S. § 44-1991

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

59. In connection with the offer or sale of securities within or from Arizona, Respondents are, directly or indirectly: (i) employing a device, scheme, or artifice to defraud; (ii) making untrue statements of material fact or omitting to state material facts that are necessary in order to make the statements made not misleading in light of the circumstances under which they are made; or (iii) engaging in transactions, practices, or courses of business that operate or would operate as a fraud or deceit upon offerees and investors. Respondents' conduct includes, but is not limited to, representing to offerees and investors that Respondents are able and experienced in the credit repair and financial services Business, and the Investments, while further failing to disclose altogether and/or adequately disclose to Investment offerees and investors the existence of the Bankruptcy including, without limitation, that the Bankruptcy was pending until August 2011 when WOODS obtained the discharge of a large portion of his debts.

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

VII.

TEMPORARY ORDER

Cease and Desist from Violating the Securities Act

THEREFORE, based on the above allegations, and because the Commission has determined that the public welfare requires immediate action,

1 IT IS ORDERED, pursuant to A.R.S. § 44-1972(C) and A.A.C. R14-4-307, that
2 Respondents, their agents, servants, employees, successors, assigns, and those persons in active
3 concert or participation with Respondents CEASE AND DESIST from any violations of the
4 Securities Act.

5 IT IS FURTHER ORDERED that this Temporary Order to Cease and Desist shall remain in
6 effect for 180 days unless sooner vacated, modified, or made permanent by the Commission.

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

8 **VIII.**

9 **REQUESTED RELIEF**

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

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

19 **IX.**

20 **HEARING OPPORTUNITY**

21 Each Respondent may request a hearing pursuant to A.R.S. § 44-1972 and A.A.C. Rule 14-
22 4-307. **If a Respondent requests a hearing, the requesting respondent must also answer this**
23 **Temporary Order and Notice.** A request for hearing must be in writing and received by the
24 Commission within 20 days after service of this Temporary Order and Notice. The requesting
25 respondent must deliver or mail the request for hearing to Docket Control, Arizona Corporation
26 Commission, 1200 West Washington, Phoenix, Arizona 85007. Filing instructions may be obtained

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

3 If a request for hearing is timely made, the Commission shall schedule a hearing to begin 10
4 to 30 days from the receipt of the request unless otherwise provided by law, stipulated by the parties,
5 or ordered by the Commission. **Unless otherwise ordered by the Commission, this Temporary**
6 **Order shall remain effective from the date a hearing is requested until a decision is entered.**
7 After a hearing, the Commission may vacate, modify, or make permanent this Temporary Order,
8 with written findings of fact and conclusions of law. A permanent Order may include ordering
9 restitution, assessing administrative penalties, or other action.

10 If a request for hearing is not timely made, the Division will request that the Commission
11 make permanent this Temporary Order, with written findings of fact and conclusions of law, which
12 may include ordering restitution, assessing administrative penalties, or other relief.

13 Persons with a disability may request a reasonable accommodation such as a sign language
14 interpreter, as well as request this document in an alternative format, by contacting Shaylin A.
15 Bernal, ADA Coordinator, voice phone number 602/542-3931, e-mail sabernal@azcc.gov.
16 Requests should be made as early as possible to allow time to arrange the accommodation.

17 **X.**

18 **ANSWER REQUIREMENT**

19 Pursuant to A.A.C. R14-4-305, if a Respondent requests a hearing, the requesting
20 respondent must deliver or mail an Answer to this Temporary Order and Notice to Docket Control,
21 Arizona Corporation Commission, 1200 W. Washington, Phoenix, Arizona 85007, within 30
22 calendar days after the date of service of this Temporary Order and Notice. Filing instructions
23 may be obtained from Docket Control by calling (602) 542-3477 or on the Commission's Internet
24 web site at www.azcc.gov/divisions/hearings/docket.asp.

25 Additionally, the answering respondent must serve the Answer upon the Division.
26 Pursuant to A.A.C. R14-4-303, service upon the Division may be made by mailing or by hand-

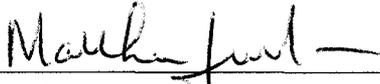
1 delivering a copy of the Answer to the Division at 1300 West Washington, 3rd Floor, Phoenix,
2 Arizona, 85007, addressed to Mike Dailey.

3 The Answer shall contain an admission or denial of each allegation in this Temporary
4 Order and Notice and the original signature of the answering respondent or the respondent's
5 attorney. A statement of a lack of sufficient knowledge or information shall be considered a denial
6 of an allegation. An allegation not denied shall be considered admitted.

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

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

12 BY ORDER OF THE ARIZONA CORPORATION COMMISSION, this 20 day of
13 December, 2011.

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15 Matthew J. Neubert
16 Director of Securities
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