

ORIGINAL

OPEN MEETING ITEM

12/6/12



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

ERNEST G. JOHNSON
EXECUTIVE DIRECTOR



SECURITIES DIVISION
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Phoenix, AZ 85007
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FAX: (602) 388-1335
E-MAIL: securitiesdiv@azcc.gov

ARIZONA CORPORATION COMMISSION

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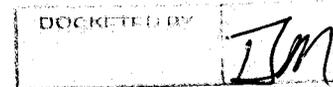
MEMORANDUM

TO: Gary Pierce, Chairman
Bob Stump
Sandra D. Kennedy
Paul Newman
Brenda Burns

Arizona Corporation Commission
DOCKETED

NOV 26 2012

FROM: Matthew J. Neubert *MJN*
Director of Securities



DATE: November 20, 2012

RE: In the Matter of Deborah Cheryl Bennett and A. James Bennett, M.D.
Docket No. S-20591A-08-0202

CC: Ernest G. Johnson, Executive Director

Before you is a proposed Order of Dismissal of the Administrative Proceeding without Prejudice ("Order of Dismissal").

On April 17, 2008, the Division filed a Notice of Opportunity for Hearing Regarding Proposed Order to Cease and Desist, Order for Restitution, for Administrative Penalties and for Other Affirmative Action against Deborah Cheryl Bennett (n/k/a Deborah Cheryl Paura) ("Paura") and A. James Bennett, M.D. ("Bennett"), her then spouse ("Notice"). The Notice alleged that from approximately early 2006 through September 2007, Paura and Bennett, unregistered dealer/salesmen, raised approximately \$10 million from fifteen investors through the offer and sale of an unregistered investment opportunity involving "channel trading" (i.e., the trading of stock based on the charting of a stock's price). During this time, the Bennetts resided in Tucson, Arizona. Some of the investors met the Bennetts through their involvement in art functions at the Phoenix Art Museum or through business relationships. Others were family members. The Notice alleges that in order to entice investors to invest, Paura falsely represented to investors that they would receive returns ranging from 20%-40% and that she was a "Class A" trader, possessed "floor-level" trading capabilities and had been provided special software access by Charles Schwab. The Notice further alleged that unbeknownst to investors, the Bennetts expended approximately \$3 million of investor funds for the payment of personal expenses. Paura and Bennett have since divorced.

On October 11, 2007, involuntary petitions for bankruptcy were filed against Paura and Bennett by creditors in the U.S. Bankruptcy Court for the District of Arizona, which matters have been voluntarily converted to Chapter 11 bankruptcies and jointly administered. David M. Reaves ("Reaves") was appointed as trustee on July 18, 2008. Reaves took possession of approximately \$2.4 million in cash in addition to other assets, including 78 pieces of jewelry, owned by the Bennetts to be marshaled for the benefit of the Bennetts' creditors. On April 15, 2009, the Court confirmed the Bennetts' respective plans of reorganization and created a Liquidating Trust with Reaves as its trustee. Records in the bankruptcy proceeding indicate that approximately \$2.3 million had been repaid to investors by Paura. In addition, as of September 27, 2012, approximately \$2.1 million has been returned to investors by Reaves pursuant to the terms of the Liquidating Trust.

Following the filing of the Notice, the Division referred the matter to the Office of the Arizona Attorney General for criminal prosecution. On January 20, 2010, Paura was indicted by a state grand jury on one count of fraudulent schemes and artifices and five counts of theft, both class 2 felonies; and one count of securities fraud and one count of transactions by unregistered dealers or salesmen, both class 4 felonies. The attorney representing Paura challenged her competency to stand trial.

On May 15, 2011, a criminal competency hearing was held wherein the court found that Paura was unable to understand the nature of the proceedings and/or unable to assist counsel in her defense, and was therefore criminally incompetent. The court further found that, with treatment, Paura could be restored to competency within fifteen months. In January 2012, Paura was found competent to stand trial. On June 15, 2012, she entered a plea of no contest to one count of fraudulent schemes and artifices and one count of theft and also pled guilty to one count of transactions by an unregistered securities dealer. On September 27, 2012, a sentencing hearing was held. Relying, in part, on expert testimony during the June competency hearing, the Court found that although Paura was competent, she also was medically dependent because she suffered from degenerative dementia which likely began during the time of the alleged criminal conduct. Accordingly, the Court sentenced Paura to probation for a period of seven years with White Collar terms, including that she not be involved in any trading or investment activity on behalf of third parties. In addition, Paura was ordered to pay criminal restitution in the amount of \$5,589,787, subject to payments made to investors pursuant to the terms of the Liquidating Trust. The stated probationary period will be automatically extended until such time as the restitution is paid in full.

Paura has been criminally prosecuted for the same conduct alleged in the Notice. In addition, the Bennetts have repaid to investors their funds which were used to pay personal expenses. Based on the foregoing, the Division recommends that the administrative proceeding against the Respondents be dismissed without prejudice, with both parties paying their respective attorneys' fees and costs.

Originator: Julie Coleman

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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

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

In the matter of:
DEBORAH CHERYL BENNETT, a married
woman, and
A. JAMES BENNETT, M.D., a married man
Respondents.

DOCKET NO. S-20591A-08-0202
DECISION NO. _____
**ORDER OF DISMISSAL OF
ADMINISTRATIVE PROCEEDINGS
WITHOUT PREJUDICE**

On April 17, 2008, the Division filed a Notice of Opportunity for Hearing Regarding Proposed Order to Cease and Desist, Order for Restitution, for Administrative Penalties and for Other Affirmative Action against Deborah Cheryl Bennett (n/k/a Deborah Cheryl Paura) and A. James Bennett, M.D. ("Respondents") alleging multiple violations of the Arizona Securities Act. On April 21, 2008, the Respondents filed a request for hearing.

The Arizona Corporation Commission having reviewed this matter and being advised in the premises,

IT IS HEREBY ORDERED that these proceedings are hereby dismissed without prejudice and that each party shall be responsible for their respective costs and attorney's fees.

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

2 BY ORDER OF THE ARIZONA CORPORATION COMMISSION

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5 CHAIRMAN

COMMISSIONER

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7 COMMISSIONER

COMMISSIONER

COMMISSIONER

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9 IN WITNESS WHEREOF, I, ERNEST G. JOHNSON,
10 Executive Director of the Arizona Corporation
11 Commission, have hereunto set my hand and caused the
12 official seal of the Commission to be affixed at the Capitol,
13 in the City of Phoenix, this _____ day
14 of _____, 2012.

15 _____
16 ERNEST G. JOHNSON
17 EXECUTIVE DIRECTOR

18
19 _____
20 DISSENT

21
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.

26 (JC)

1 SERVICE LIST FOR: In the Matter of Deborah Cheryl Bennett and A. James Bennett, M.D.

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Cory L. Braddock
4 SNELL & WILMER, L.L.P.
One Arizona Center
5 400 E. Van Buren
6 Phoenix, AZ 85004-2202
Attorney for Respondents

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1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 COMMISSIONERS

3 GARY PIERCE, Chairman
4 BOB STUMP
5 SANDRA D. KENNEDY
6 PAUL NEWMAN
7 BRENDA BURNS

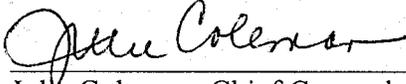
8 In the matter of:)
9 DEBORAH CHERYL BENNETT, a married)
10 woman, and)
11 A. JAMES BENNETT, M.D., a married man)
12 Respondents.)

DOCKET NO. S-20591A-08-0202

**NOTICE OF FILING OF PROPOSED
OPEN MEETING AGENDA ITEM**

13 Pursuant to A.A.C. R14-4-303, you are hereby notified that the attached: Order of
14 Dismissal of Administrative Proceeding without Prejudice was filed with the Arizona Corporation
15 Commission's Docket Control.

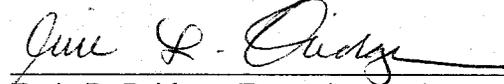
16 Dated: 11/26/12

17 By: 
18 Julie Coleman, Chief Counsel of Enforcement

19 I hereby certify that I have this day served the foregoing document on all parties of record
20 in this proceeding by mailing a copy thereof, properly addressed with first class postage prepaid to:

21 Cory L. Braddock
22 SNELL & WILMER, L.L.P.
23 One Arizona Center
24 400 E. Van Buren
25 Phoenix, AZ 85004-2202
26 Attorney for Respondents

Dated: 11/26/12

By: 
Emie R. Bridges, Executive Assistant