



0000150041

BEFORE THE ARIZONA CORPORATION

Arizona Corporation Commission

DOCKETED

JAN 29 2014

COMMISSIONERS

BOB STUMP, Chairman
GARY PIERCE
BRENDA BURNS
BOB BURNS
SUSAN BITTER SMITH

DOCKETED BY nr

In the matter of: JAMES F. LIEBES, CRD #2332174, a single man, and LANESBOROUGH FINANCIAL GROUP LLC, an Arizona limited liability company, Respondents.) DOCKET NO. S-20876A-13-0376)) DECISION NO. <u>74302</u>)) ORDER TO CEASE AND DESIST, ORDER) FOR RESTITUTION, AND ORDER FOR) ADMINISTRATIVE PENALTIES)))
--	---

On November 5, 2013, the Securities Division ("Division") of the Arizona Corporation Commission ("Commission") filed a Temporary Order to Cease and Desist and Notice of Opportunity for Hearing (the "Temporary Order") against respondents JAMES F. LIEBES, CRD #2332174 and LANESBOROUGH FINANCIAL GROUP LLC (LIEBES and LANESBOROUGH may be referred to collectively as "Respondents").

The Division served the Temporary Order on each respondent on November 14, 2013. Respondents did not file a request for a hearing or an answer to the Temporary Order within the respective filing deadlines and has not filed a request or an answer as of the date of this filing.

I.

Findings of Fact

1. LIEBES is a single man who at all relevant times resided in Maricopa County, Arizona.
2. LANESBOROUGH is a member-managed Arizona limited liability company organized on October 21, 2008. LIEBES is the only member listed in LANESBOROUGH's articles of organization.

[Type text]

1 3. In 2009, LIEBES was a registered securities salesman associated with Lawson
2 Financial Corporation.

3 4. On December 23, 2009, LIEBES voluntarily terminated his employment with
4 Lawson.

5 5. After his voluntary termination from Lawson, LIEBES has not been employed by a
6 registered securities dealer. Consequently, after December 23, 2009, LIEBES's securities salesman
7 registration was automatically suspended under A.R.S. § 44-1949. LIEBES's registration then
8 expired on December 31, 2009 for failure to renew, pursuant to A.R.S. § 44-1947.

9 6. On January 23, 2013, the Division filed a Notice of Opportunity against
10 Respondents at Commission Docket No. S-20876A-13-14 (the "Prior Notice").

11 7. As set forth in Paragraphs 8 through 12 of the Prior Notice, despite LIEBES's lack
12 of registration, during the years 2010, 2011 and 2012, LIEBES continued to be a securities dealer
13 by engaging full- or part-time as an agent or broker for sellers and buyers of securities for a fee.

14 8. The securities described in the Prior Notice were private shares of an Arizona
15 corporation (the "Company").

16 9. On October 3, 2012, the Company completed a public offering of its common stock.
17 Since then, the Company's shares have been publicly traded.

18 10. As described in more detail below, throughout 2012 and 2013, in his capacity as
19 executive officer and the sole member of LANESBOROUGH, LIEBES continued to be a securities
20 dealer either full- or part-time, in the business of offering, buying selling or otherwise dealing in
21 securities, including securities issued by the Company.

22 **Liebess's Stock Sales to Buyer #1**

23 11. In December 2011 through June 2012, LIEBES agreed to sell shares of stock that he
24 purportedly owned to a Maricopa County resident ("Buyer #1").

25 12. Buyer #1 and LIEBES entered into two stock purchase agreements for the purchase
26 and sale of a Nevada corporation's stock. The first agreement was dated December 13, 2011; the

1 second was dated December 21, 2011. Under the terms of these agreements, LIEBES agreed to sell
2 200,000 shares in the Nevada corporation for a total purchase price of \$220,000.

3 13. On April 24 and June 5, 2013, respectively, Buyer #1 and LIEBES entered into two
4 additional stock purchase agreements. Under these respective agreements, LIEBES agreed to sell
5 9,000 Company shares for \$45,000 and 20,000 Company shares for \$90,000.

6 14. Pursuant to these four agreements, Buyer #1 paid LIEBES a total of \$355,000.

7 15. LIEBES did not deliver the stock as he was required to do under these four
8 agreements.

9 16. Subsequent to LIEBES's failure to deliver the shares, Buyer #1 contacted LIEBES.
10 LIEBES assured Buyer #1 that LIEBES would provide the shares on January 31, 2013. LIEBES
11 did not provide the shares on that date and subsequently ceased responding to Buyer #1's
12 communication attempts.

13 **Liebes's Stock Sales to Buyer #2**

14 17. During October 2012, LIEBES contacted a potential buyer who resided in Maricopa
15 County ("Buyer #2") regarding purchasing Company stock.

16 18. Buyer #2 knew LIEBES as a person who frequently bought and sold securities as
17 part of LIEBES's profession. Buyer #2 met LIEBES during a transaction that occurred in
18 approximately 2006, where LIEBES was involved with a sale of Company stock. Subsequent to
19 that transaction, LIEBES frequently contacted Buyer #2 regarding purchasing interests in start-up
20 companies.

21 19. Much of LIEBES's correspondence with Buyer #2 came from LIEBES's
22 LANESBOROUGH email address.

23 20. LIEBES entered four transactions with Buyer #2 in which LIEBES agreed to sell
24 Company common stock to Buyer #2.

25
26

1 21. LIEBES represented to Buyer #2 that LIEBES owned the shares he was selling and
2 LIEBES is named as the "Seller" in each of the four stock purchase agreements that he entered with
3 Buyer #2.

4 22. The terms of each "Stock Purchase Agreement" that LIEBES and Buyer #2 entered
5 into are as follows:

6 a) In the agreement dated October 29, 2012, LIEBES agreed to sell 15,000
7 Company shares for a purchase price of \$75,000;

8 b) In the agreement dated November 8, 2012, LIEBES agreed to sell 5,000
9 Company shares for a purchase price of \$25,000;

10 c) In the agreement dated January 23, 2013, LIEBES agreed to sell 4,500
11 Company shares for a purchase price of \$24,750;

12 d) In the agreement dated February 20, 2013, LIEBES agreed to sell 20,000
13 Company shares for a purchase price of \$130,000.

14 23. Buyer #2 paid LIEBES the purchase price specified in each these agreements, a total
15 of \$254,750.

16 24. LIEBES never delivered any of the purchased shares to Buyer #2.

17 25. For the first two transactions, LIEBES explained to Buyer #2 that LIEBES's
18 Company shares were restricted until the fourth week of December and that LIEBES would deliver
19 the stock to Buyer #2 around that time. The delivery never occurred.

20 26. Buyer #2 frequently contacted LIEBES about delivery of the stock certificates.
21 LIEBES offered several excuses and frequently proposed alternate, later dates when LIEBES
22 would deliver stock certificates to Buyer #2.

23 27. Although LIEBES represented that he owned the Company shares, there are no
24 Company records showing that LIEBES owned the Company shares he agreed to sell to Buyer #2.

25

26

1 28. In May 2013, LIEBES told Buyer #2 that LIEBES would, in fact, be obtaining the
2 shares from a third-party partnership; LIEBES did not provide Buyer #2 with the name of this
3 partnership.

4 29. LIEBES never informed Buyer #2 about LIEBES's failed transactions with Buyer
5 #1.

6 30. LIEBES never informed Buyer #2 that the Division was investigating LIEBES or
7 that the Division had filed the Prior Notice against LIEBES.

8 **Liebess's Sale of Stock to Buyer #3**

9 31. During the summer of 2013, LIEBES contacted another potential buyer located in
10 Maricopa County ("Buyer #3") regarding purchasing Company stock.

11 32. Buyer #3 knew LIEBES as a person who frequently bought and sold securities as his
12 profession. Buyer #3 met LIEBES during a 2009 transaction where LIEBES and
13 LANESBOROUGH acted as a broker for an individual selling Company shares to Buyer #3. After
14 that transaction and throughout 2013, LIEBES contacted Buyer #3 several times regarding
15 purchasing interests in start-up companies.

16 33. Much of LIEBES's correspondence with Buyer #3 came from LIEBES's
17 LANESBOUROUGH email address.

18 34. LIEBES entered into four transactions with Buyer #3 in which LIEBES agreed to
19 sell Company common stock to Buyer #3.

20 35. LIEBES represented to Buyer #3 that LIEBES had an option to purchase the shares.
21 LIEBES would exercise his option, purchase the shares, and then sell them to Buyer #3. LIEBES
22 further explained that the shares would be restricted until July 1, 2013; LIEBES would transfer the
23 shares to Buyer #3 after this date.

24 36. LIEBES and Buyer #3 executed four documents each titled "Stock Purchase
25 Agreement" in which LIEBES agreed to sell the Company's common stock to Buyer #3.

26 37. Each of the four agreements names LIEBES as the "Seller."

1 38. The provisions of each respective agreement are as follows:

2 a) In the agreement dated June 10, 2013, LIEBES agreed to sell 3,000
3 Company shares for a purchase price of \$23,250;

4 b) In the agreement dated June 11, 2013, LIEBES agreed to sell 1,000
5 Company shares for a total purchase price of \$7,250;

6 c) In the agreement dated June 18, 2013, LIEBES agreed to sell 5,000
7 Company shares for a purchase price of \$35,000;

8 d) In the agreement dated July 11, 2013, LIEBES agreed to sell 2,050 Company
9 shares for a purchase price of \$9,225.

10 39. Buyer paid LIEBES the purchase price specified in each of the four agreements, a
11 total of \$74,975.

12 40. LIEBES failed to deliver the stock to Buyer #3 under the terms of the agreements.

13 41. After July 1st passed (the date when the purported "restrictions" on LIEBES's shares
14 were to be removed), Buyer #3 sent several demands that LIEBES provide the stock or return the
15 purchase price. In responses to some of these demands, LIEBES assured Buyer that the certificates
16 would be delivered shortly. On some occasions, LIEBES specified stock-certificate delivery dates
17 at the end of July.

18 42. LIEBES explained that there were legal delays in removing the restriction. LIEBES
19 offered no explanation as to why common stock in a publicly-traded company would be restricted.

20 43. LIEBES's representation that he owned restricted, Company shares and options to
21 purchase shares was false. The Company has no records indicating that LIEBES owned the stock
22 he was purporting to sell or any options to purchase stock.

23 44. LIEBES did not inform Buyer #3 that LIEBES had failed to transfer Company
24 shares to Buyer #1 and Buyer #2 as required under their respective agreements.

25 45. LIEBES did not inform Buyer #3 that the Division was investigating LIEBES and
26 had filed the Prior Notice.

1 the protection of investors:

2 IT IS ORDERED, pursuant to A.R.S. § 44-2032, that Respondents, and any of
3 Respondents' agents, employees, successors and assigns, permanently cease and desist from
4 violating the Securities Act.

5 IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2032, that Respondents shall jointly
6 and severally pay restitution to the Commission in the principal amount of \$684,725, the total
7 amount of the purchase price paid to Respondents for the stock (as described above and shown in
8 the attached *Exhibit A*), plus interest calculated pursuant to R14-4-308(C)(1) from the date of
9 purchase until paid in full, subject to legal setoffs pursuant to A.A.C. R14-4-308. Payment is due
10 in full on the date of this Order. Payment shall be made to the "State of Arizona" to be placed in an
11 interest-bearing account controlled by the Commission.

12 IT IS FURTHER ORDERED that the restitution ordered in the preceding paragraph will
13 accrue interest at the rate of the lesser of (i) ten percent per annum or (ii) at a rate per annum that is
14 equal to one per cent plus the prime rate as published by the board of governors of the federal
15 reserve system in statistical release H.15 or any publication that may supersede it on the date that
16 the judgment is entered.

17 The Commission shall disburse the funds on a pro-rata basis to investors shown on the
18 records of the Commission. Any restitution funds that the Commission cannot disburse because an
19 investor refuses to accept such payment, or any restitution funds that cannot be disbursed to an
20 investor because the investor is deceased and the Commission cannot reasonably identify and
21 locate the deceased investor's spouse or natural children surviving at the time of the distribution,
22 shall be disbursed on a pro-rata basis to the remaining investors shown on the records of the
23 Commission. Any funds that the Commission determines it is unable to or cannot feasibly disburse
24 shall be transferred to the general fund of the state of Arizona.

25 IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2036 that Respondents shall jointly
26 and severally pay an administrative penalty in the amount of \$75,000. Payment is due in full on the

1 date of this Order. Payment shall be made to the "State of Arizona." Any amount outstanding shall
2 accrue interest as allowed by law.

3 IT IS FURTHER ORDERED that the administrative penalty ordered in the preceding
4 paragraph will accrue interest at the rate of the lesser of (i) ten percent per annum or (ii) at a rate
5 per annum that is equal to one per cent plus the prime rate as published by the board of governors
6 of the federal reserve system in statistical release H.15 or any publication that may supersede it on
7 the date that the judgment is entered.

8 IT IS FURTHER ORDERED that the payments received by the state of Arizona will first
9 be applied to the restitution obligation. Upon payment in full of the restitution obligation,
10 payments will be applied to the penalty obligation.

11 IT IS FURTHER ORDERED that, pursuant to A.R.S. § 44-1974, upon application the
12 Commission may grant a rehearing of this Order. The application must be received by the
13 Commission at its offices within twenty calendar days after entry of this Order. Unless otherwise
14 ordered, filing an application for rehearing does not stay this Order. If the Commission does not
15 grant a rehearing within twenty calendar days after filing the application, the application is
16 considered to be denied. No additional notice will be given of such denial.

17 IT IS FURTHER ORDERED, that if either Respondent fails to comply with this order, the
18 Commission may bring further legal proceedings against Respondents including application to the
19 superior court for an order of contempt.

20
21
22
23
24
25
26

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

BY ORDER OF THE ARIZONA CORPORATION COMMISSION

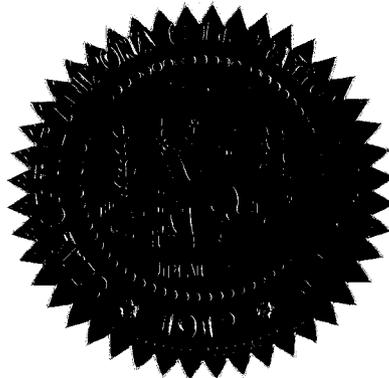
[Signature]
CHAIRMAN

[Signature]
COMMISSIONER

[Signature]
COMMISSIONER

[Signature]
COMMISSIONER

[Signature]
COMMISSIONER



IN WITNESS WHEREOF, I, JODI JERICH, Executive Director of the Arizona Corporation Commission, have hereunto set my hand and caused the official seal of the Commission to be affixed at the Capitol, in the City of Phoenix, this 29th day of January, 2014.

[Signature]
JODI JERICH
EXECUTIVE DIRECTOR

DISSENT

DISSENT

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

Exhibit A**Liebes/Lanesborough investment date, principal investment amount, and repayment amount**

Investor	Investment Date	Original Investment Amount	Money Returned	Amount of Principal Owed at Order Date
1	6/5/2013	\$355,000	\$0	\$355,000
2	2/20/2013	\$254,750	\$0	\$254,750
3	7/11/2013	\$74,975	\$0	\$74,975
		Total Investments:		Total Owed at Order Date:
		\$684,725		\$684,725

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

BOB STUMP, Chairman
GARY PIERCE
BRENDA BURNS
BOB BURNS
SUSAN BITTER SMITH

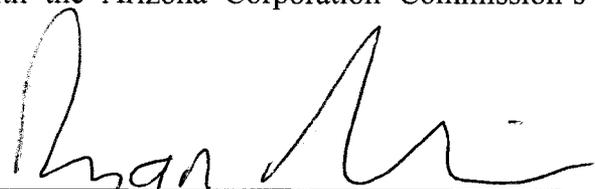
In the matter of:)
)
JAMES F. LIEBES, CRD #2332174, a single)
man, and)
)
LANESBOROUGH FINANCIAL GROUP LLC,)
an Arizona limited liability company,)
)
Respondent.)
)

DOCKET NO. S-20876A-13-0376

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

Pursuant to A.A.C. R14-4-303, you are hereby notified that the attached: Order to Cease and Desist, Order for Restitution, and Order for Administrative Penalties, Re: James F. Liebes and Lanesborough Financial Group LLC, was filed with the Arizona Corporation Commission's Docket Control.

Dated: 12/30/13

By: 
Ryan J. Millicam, Staff Attorney

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

3 James F. Liebes
4 6301 E. Vista Drive
Paradise Valley, AZ 85253

5 Lanesborough Financial Group LLC
6 Attn: James Liebes, statutory agent
7 7373 E. Doubletree Ranch Rd. #125
Scottsdale, AZ 85258

8
9 Dated: 12/30/13

By: 
Emie R. Bridges, Executive Assistant

10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26