

ORIGINAL

OPEN MEETING ITEM



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1/14-15/14

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

JODI JERICH  
EXECUTIVE DIRECTOR



DIRECTOR

SECURITIES DIVISION  
1300 West Washington, Third Floor  
Phoenix, AZ 85007  
TELEPHONE: (602) 542-4242  
FAX: (602) 388-1335  
E-MAIL: securitiesdiv@azcc.gov

ARIZONA CORPORATION COMMISSION

MEMORANDUM

Arizona Corporation Commission

DOCKETED

DEC 30 2013

DOCKETED BY

2013 DEC 30 AM 10 17

RECEIVED  
AZ CORP COMMISSION  
DOCKET CONTROL

TO: Bob Stump, Chairman  
Gary Pierce  
Brenda Burns  
Bob Burns  
Susan Bitter Smith

FROM: Matthew J. Neubert, Director of Securities

DATE: December 30, 2013

RE: *In re James F. Liebes, et al.*, Docket No. S-20876A-13-0376

CC: Jodi Jerich, Executive Director

Attached for your consideration is a proposed Order to Cease and Desist, Order for Restitution, and Order for Administrative Penalties ("Order") against James F. Liebes and Lanesborough Financial Group LLC, an Arizona limited liability company of which Liebes is the sole member ("Respondents").

The Order is a default order. On November 14, 2013, the Division served each respondent with a copy of a Temporary Order to Cease and Desist and Notice of Opportunity for Hearing. The times for requesting a hearing and answering the Notice passed without either respondent requesting a hearing or filing an answer.

The Order finds that respondents entered agreements to sell shares in a publicly-traded company. Liebes represented to the buyers that he was selling shares that he owned. These buyers paid respondents a total of \$684,725 for the stock. Liebes never delivered the shares to the buyers; he never owned the shares in the first place. Additionally, Liebes failed to disclose to these buyers that the Division had already filed a Notice of Opportunity against respondents for selling securities without being licensed by the Commission (that matter is still pending).

The Order requires respondents to permanently cease and desist from violating the Securities Act, to pay a \$75,000 administrative penalty, and to pay restitution of \$684,725 to the stock-purchasers. The Division recommends the Order as appropriate, in the public interest and necessary for the protection of investors.

Originator: Ryan J. Millecam

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**BEFORE THE ARIZONA CORPORATION COMMISSION**

COMMISSIONERS

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

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

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 **Liebes'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 **Liebess'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.

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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.

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     **Liebes'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 1<sup>st</sup> 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.

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

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3 **BY ORDER OF THE ARIZONA CORPORATION COMMISSION**

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6 CHAIRMAN

COMMISSIONER

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8 COMMISSIONER

COMMISSIONER

COMMISSIONER

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11 IN WITNESS WHEREOF, I, JODI JERICH, Executive  
12 Director of the Arizona Corporation Commission, have  
13 hereunto set my hand and caused the official seal of the  
14 Commission to be affixed at the Capitol, in the City of  
15 Phoenix, this \_\_\_\_\_ day of \_\_\_\_\_, 2014.

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19 JODI JERICH  
20 EXECUTIVE DIRECTOR

21  
22 \_\_\_\_\_  
23 DISSENT

24  
25 \_\_\_\_\_  
26 DISSENT

27 This document is available in alternative formats by contacting Shaylin A. Bernal, ADA  
28 Coordinator, voice phone number 602-542-3931, e-mail [sabernal@azcc.gov](mailto:sabernal@azcc.gov).  
29 (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
		<b>Total Investments:</b>		<b>Total Owed at Order Date:</b>
		\$684,725		\$684,725

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1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

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3 COMMISSIONERS

4 BOB STUMP, Chairman  
5 GARY PIERCE  
6 BREND A BURNS  
BOB BURNS  
SUSAN BITTER SMITH

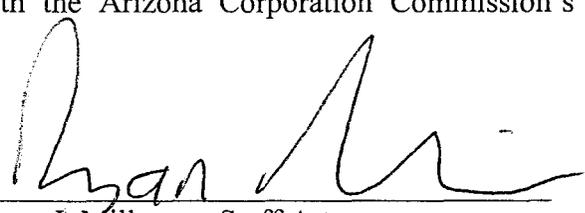
7 In the matter of: )  
8 JAMES F. LIEBES, CRD #2332174, a single )  
man, and )  
9 LANESBOROUGH FINANCIAL GROUP LLC, )  
10 an Arizona limited liability company, )  
11 Respondent. )  
12 )  
13 )

DOCKET NO. S-20876A-13-0376

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

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

18 Dated: 12/30/13

19 By:   
Ryan J. Millecam, Staff Attorney

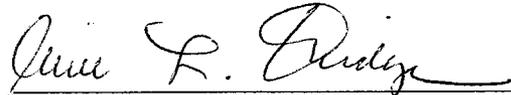
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Decision No. \_\_\_\_\_

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

James F. Liebes  
6301 E. Vista Drive  
Paradise Valley, AZ 85253  
  
Lanesborough Financial Group LLC  
Attn: James Liebes, statutory agent  
7373 E. Doubletree Ranch Rd. #125  
Scottsdale, AZ 85258

Dated: 12/30/13

By:   
Emie R. Bridges, Executive Assistant