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BEFORE THE ARIZONA CORPORATION COMMISSION

Arizona Corporation Commission

DOCKETED

MAR 25 2002

WILLIAM A. MUNDELL  
Chairman  
JIM IRVIN  
Commissioner  
MARC SPITZER  
Commissioner

DOCKETED BY 

In the matter of )  
MICHAEL LYNN BILL )  
d/b/a Arizona Viaticals Settlements and )  
Annuities )  
5810 West Mescal )  
Glendale, AZ 85034 )  
BENEFICIAL ASSISTANCE )  
a/k/a Beneficial Assurance, Ltd. )  
t/a Imtek Funding Corporation )  
8003 Corporate Drive, Ste. C )  
Baltimore, MD 21236 )  
WILLIAM R. EVANS, CHARTERED )  
8003 Corporate Drive, Ste. C )  
Baltimore, MD 21236 )  
RUTTENBERG & ASSOCIATES )  
INSURANCE MARKETING, INC. )  
d/b/a Viatical Center )  
1603 Visa Drive, Ste. 3 )  
Normal, IL 61761, )  
Respondents. )

DOCKET NO. S-03460A-01-0000

DECISION NO. 64652

**ORDER TO CEASE AND DESIST, ORDER OF REVOCATION, ORDER OF RESTITUTION, ORDER OF DISGORGEMENT AND CONSENT TO SAME BY: MICHAEL LYNN BILL**

RESPONDENT MICHAEL LYNN BILL elects to permanently waive any right to a hearing and appeal under Articles 11 and 12 of the Securities Act of Arizona, A.R.S. § 44-1801 *et seq.* ("Securities Act") with respect to this Order To Cease And Desist, Order of Revocation, Order of Restitution, Order of Disgorgement and Consent to Same ("Order"). MICHAEL LYNN BILL admits the jurisdiction of the Arizona Corporation Commission ("Commission"); admits the Findings of Fact and Conclusions of Law contained in this Order; and consents to the entry of this Order by the Commission for purposes of this proceeding only.

I.

**FINDINGS OF FACT**

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

5 2. MICHAEL LYNN BILL ("BILL"), whose business address is 5810 West Mescal,  
6 Glendale, Arizona 85034, was an Arizona registered securities salesman (CRD # 2353538),  
7 whose registration was in suspension or expired during all times relevant to this matter in that  
8 BILL was not employed by a registered dealer pursuant to A.R.S. §§ 44-1947 and 44-1949.  
9 BILL is also an Arizona licensed insurance agent. BILL has done business under the name of  
10 Arizona Viaticals Settlements and Annuities, an Arizona registered trade name. BILL has also  
11 done business as an agent for BENEFICIAL ASSISTANCE ("BENEFICIAL") and for  
12 RUTTENBERG & ASSOCIATES INSURANCE MARKETING, INC., d/b/a Viatical Center  
13 ("VC").  
14

15 3. Respondents BILL, BENEFICIAL, and VC may be collectively referred to as  
16 "RESPONDENTS."

17 4. From at least June 1998 through at least April 1999, BILL offered and sold  
18 securities in the form of viatical settlement contracts and investment contracts to at least four  
19 Arizona investors. BILL also sold purported stock options to at least one of the four Arizona  
20 investors.

21 5. A viatical settlement contract involves the purchase of an interest in the proceeds  
22 from a life insurance policy of a terminally ill individual. Various viatical companies purchase the  
23 policies at a discount and re-sell the benefits to investors at less than the full face value. When the  
24 policy matures, that is when the insured dies, the investor receives the full face value as return of  
25 investment plus profit.  
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1           6.     On or around June 1998, BILL entered into a "Producer agreement" with  
2 respondent BENEFICIAL, whereby BILL agreed to sell viatical programs of BENEFICIAL.  
3 BENEFICIAL agreed to compensate BILL from 4% for sales of 12-month policies to 9% for sales  
4 of 48 month policies. BILL also entered into an agent agreement with VC, which provided  
5 marketing services for BENEFICIAL.

6           7.     BILL provided potential investors with a brochure from VC. The brochure stated  
7 that investors could earn fixed returns as high as 65% in a "perfect no risk investment." The  
8 brochure stated that VC took the guesswork out of viatical settlements, because VC chose viatical  
9 policies with an assurance of safety. The brochure stated that the viatical settlement contracts  
10 selected by VC were "a proven investment," an "act of compassion," and a "win/win situation."  
11 The brochure stated that using a VC representative would assure an investor of "competitive fixed  
12 returns through reputable Viatical Settlement companies." Potential investors were given no  
13 information about the location, principals, or business background of VC.

14           8.     BILL told potential investors that investing in a viatical settlement contract was  
15 similar to investing in a bank CD. BILL told potential investors that their account would only go  
16 up, never down. BILL told potential investors that their annual returns were guaranteed to be at  
17 least 12%.

18           9.     BILL told potential investors that a viatical settlement contract serves as a "white  
19 knight" to a terminally ill person. By investing in the life insurance policy of a person with AIDS,  
20 various forms of cancer, heart disease, Lou Gehrig's disease, or Alzheimer's disease, an investor  
21 would give the insured "the dignity they deserve in their final days."

22           10.    Once an individual decided to invest, BILL filled out a "Purchase Authorization  
23 Agreement" for the investor's signature. The agreement was between the investor and  
24 BENEFICIAL as "agent." BENEFICIAL agreed to act on the investor's behalf to identify and  
25 qualify a policy for purchase, and to receive 20% of the purchase funds for administrative costs.  
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1           11.     The investor could choose a viatical policy with a life expectancy of from 12 to 48  
2 months. BILL failed to tell investors that investing in policies of longer duration provided BILL  
3 with a higher commission, but provided the investor with an effectively lower annual return.

4           12.     BILL instructed the investor to write a check to respondent WILLIAM R. EVANS,  
5 CHARTERED, ("EVANS") to be placed in a trust account maintained by EVANS. EVANS  
6 would become the owner of the purchased policies and attorney-in-fact for the investor. EVANS  
7 would be responsible for continuing premium payments, tracing patient progress, monitoring  
8 medical history, notifying the investor of policy maturity, filing death claims and making other  
9 disbursements from the trust account, including fees to various participants. Investors were given  
10 no information about the background or business history of EVANS. Investors were given no  
11 financial information with which to determine the continuing ability of EVANS or BENEFICIAL  
12 to pay premiums until maturity of a policy.

13           13.     The Purchase Authorization Agreement provided no other information about the  
14 use of proceeds, including but not limited to costs to purchase the policy, fees to VC, fees to  
15 EVANS, and commissions to BILL.

16           14.     BILL sold interests in policies to at least three individuals for a total of \$187,481.  
17 BILL received at least \$12,819 in commissions for the sales.

18           15.     On or around July 1998, BILL began doing business as Arizona Viaticals  
19 Settlements and Annuities (AVSA) for the purpose of seeking out insurance policies to purchase  
20 and viaticate. BILL did not use the services of BENEFICIAL or EVANS in doing business as  
21 AVSA. BILL provided at least one investor with oral information about the opportunity to invest  
22 in AVSA viatical investments. BILL had earlier taken control of the investor's assets along with  
23 her checkbook for her living trust. BILL assisted the investor from time to time in paying her bills.  
24 The investor was in her late 80's.

25           16.     On or around July 14, 1998, BILL approached the investor with the opportunity to  
26 purchase viatical settlement contracts. BILL asked the investor to sign her name to a blank check

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1 from her trust checking account. The investor believed that the check would be used to purchase  
2 viatical settlement contracts. BILL then filled out the check for \$30,000 payable to "Arizona  
3 Viatical." The money was not used to buy viatical settlement contracts.

4 17. On or around December 12, 1998, BILL asked the investor to sign another blank  
5 check from her trust checking account. BILL filled out the check for \$30,000 payable to "Arizona  
6 Viatical." The money was not used to buy viatical settlement contracts.

7 18. BILL provided the investor with documents that appeared to indicate that viatical  
8 settlement contracts had been purchased on her behalf. In fact, no viatical settlement contracts had  
9 been purchased.

10 19. On or around April 15, 1999, BILL asked the investor to sign another blank check  
11 from her personal checking account. The investor did not know what the check was to be used for.  
12 BILL filled out the check for \$10,000 payable to "Arizona Viaticals." The money was purportedly  
13 used to purchase stock options.

14 20. In connection with the offer or sale of securities within or from Arizona, BILL  
15 directly or indirectly engaged in conduct in violation of A.R.S. § 44-1991. BILL's conduct includes,  
16 but is not limited to, the following:

- 17 a) BILL failed to provide material information about BENEFICIAL or EVANS,  
18 including but not limited to past operations, balance sheets, statements of income,  
19 retained earnings, cash flows and uses of proceeds that would reflect the financial  
20 position of these entities.
- 21 b) BILL represented the investment as a "no risk" opportunity and failed to disclose  
22 several risks including but not limited to:
- 23 i. the fact that the investor would be wholly dependent on the  
24 continuing viability and fiduciary obligations of EVANS and  
25 BENEFICIAL for funding and payment of premiums, and for  
26 monitoring of the investment;

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- ii. the fact that medical advisors may have misdiagnosed or miscalculated the extent and gravity of an insured's condition;
- iii. the fact that an insured person, having received payment on the policy, may fail to comply with requests for continued contact, and may in fact become impossible to locate;
- iv. the fact that all involved parties, such as BENEFICIAL, EVANS, BILL, VC, and any medical advisors or other participants receive their commissions and fees from the investment up front, thus the investor is reliant on the continuing operations of these parties in order to receive a return;
- v. the fact that an investment made with IRA funds may require mandatory withdrawals before the investment itself matures, thereby causing tax issues for the investor.

- c) BILL failed to provide investors with any information about the use of investor proceeds, such as the cost to purchase the policy, the fees and commissions payable to EVANS, BENEFICIAL, BILL, VC, medical advisors, or any other participants in the program.
- d) BILL failed to provide investors with information that would allow them to verify the existence and terms of a policy or its provisions.
- e) BILL provided certain documentation to one investor which had the appearance of documenting her purchase of six viatical settlement contracts through AVSA; in fact, no purchases of viatical contracts were made on behalf of the investor.
- f) BILL represented that funds provided by one investor would be used in the purchase of viatical settlement contracts through AVSA, when in fact, no such purchases were made.

1 II.

2 CONCLUSIONS OF LAW

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

5 2. BILL offered or sold securities within or from Arizona, within the meaning of A.R.S.  
6 §§ 44-1801(15), 44-1801(21), and 44-1801(26).

7 3. BILL violated A.R.S. § 44-1841 by offering or selling securities that were neither  
8 registered nor exempt from registration.

9 4. BILL violated A.R.S. § 44-1842 by offering or selling securities while neither  
10 registered as a dealer or salesman nor exempt from registration.

11 5. BILL's conduct violated A.R.S. § 44-1991.

12 6. BILL's conduct subjects BILL to an order of revocation pursuant to A.R.S. § 44-  
13 3201(A)(2), (4), (9), and (10).

14 7. BILL's conduct is grounds for an order of restitution and disgorgement pursuant to  
15 A.R.S. § 44-2032.

16 8. BILL's conduct is grounds for administrative penalties under A.R.S. § 44-2036.

17 III.

18 ORDER

19 THEREFORE, on the basis of the Findings of Fact, Conclusions of Law, and BILL's  
20 consent to the entry of this Order, the Commission finds that the following relief is appropriate, in  
21 the public interest, and necessary for the protection of investors:

22 IT IS ORDERED, pursuant to A.R.S. § 44-2032, that BILL, and any of BILL's agents,  
23 employees, successors and assigns, permanently cease and desist from violating the Securities Act.

24 IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2032, that BILL shall pay restitution  
25 to investor Doris Beattie in the amount of \$70,000 plus interest at the rate of 10% per annum from  
26 the date of each investment until the date of this Order. Payment shall be made upon entry of this

1 Order by cashier's check or money order payable to the "State of Arizona" to be placed in an  
2 interest-bearing account maintained and controlled by the Arizona Attorney General. Any funds  
3 that the Attorney General is unable to disburse shall revert to the state of Arizona.

4 IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2032, that BILL shall pay \$12,819  
5 plus interest at the rate of 10% per annum as disgorgement of commissions earned on sales to  
6 investors. Payment shall be made upon entry of this Order by cashier's check or money order  
7 payable to the "State of Arizona." To the extent that other respondents in this matter do not pay  
8 restitution in full, the above disgorgement shall be applied jointly and severally to the remaining  
9 restitution, subject to prior full payment on the Beattie restitution. If restitution is paid in full, the  
10 above amount shall be deemed a penalty for deposit into the general fund of the state of Arizona.

11 IT IS FURTHER ORDERED that if BILL does not comply with this order of restitution  
12 and order for disgorgement outstanding balance may be deemed in default and shall be  
13 immediately due and payable. For the purposes of this Order, a bankruptcy filing by BILL or his  
14 marital community shall be an act of default on BILL's restitution obligations.

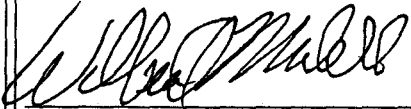
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1 IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-1962, that BILL's securities  
2 salesman registration is revoked.

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

4 BY ORDER OF THE ARIZONA CORPORATION COMMISSION

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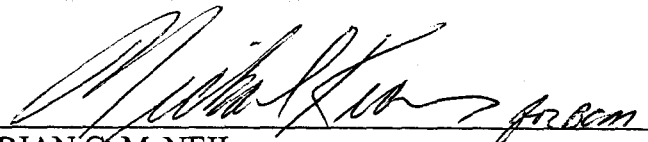
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7 CHAIRMAN

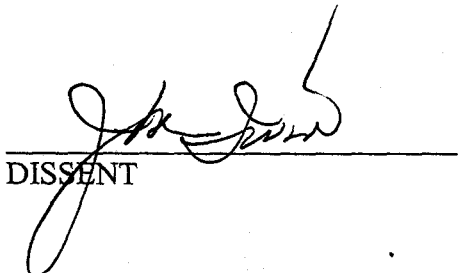
7 COMMISSIONER

7 COMMISSIONER

8 IN WITNESS WHEREOF, I, BRIAN C. McNEIL,  
9 Executive Secretary of the Arizona Corporation  
10 Commission, have hereunto set my hand and caused the  
11 official seal of the Commission to be affixed at the  
12 Capitol in the City of Phoenix, this 25<sup>TH</sup> day of  
13 March, 2002.

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14 BRIAN C. McNEIL  
15 Executive Secretary

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15 

16 DISSENT

17  
18 This document is available in alternative formats by contacting Shelly M. Hood, Exec. Asst. to  
19 Exec. Secretary, voice phone number 602-542-3931, E-mail [shood@cc.state.az.us](mailto:shood@cc.state.az.us).

20 enforce/cases/Arizona Viaticals/pleadings/consent re Bill  
21 (sf)

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**CONSENT TO ENTRY OF ORDER**

1  
2 1. RESPONDENT MICHAEL LYNN BILL ("BILL"), admits the jurisdiction of the  
3 Commission over the subject matter of this proceeding. BILL acknowledges that he has been fully  
4 advised of his right to a hearing to present evidence and call witnesses and BILL knowingly and  
5 voluntarily waives any and all rights to a hearing before the Commission and all other rights  
6 otherwise available under Article 11 of the Securities Act [Article 7 of the Investment  
7 Management Act] and Title 14 of the Arizona Administrative Code. BILL acknowledges that this  
8 Order to Cease and Desist, Order of Revocation, Order of Restitution, Order of Disgorgement and  
9 Consent to Same ("Order") constitutes a valid final order of the Commission.

10 2. BILL knowingly and voluntarily waives any right under Article 12 of the Securities Act  
11 to judicial review by any court by way of suit, appeal, or extraordinary relief resulting from the  
12 entry of this Order.

13 3. BILL acknowledges and agrees that this Order is entered into freely and voluntarily and  
14 that no promise was made or coercion used to induce such entry.

15 4. BILL acknowledges that he has been represented by counsel in this matter, he has  
16 reviewed this Order with his attorney and understands all terms it contains.

17 5. BILL admits the Findings of Fact and Conclusions of Law contained in this Order for  
18 purposes of this proceeding only.

19 6. By consenting to the entry of this Order, BILL agrees not to take any action or to make,  
20 or permit to be made, any public statement denying, directly or indirectly, any Finding of Fact or  
21 Conclusion of Law in this Order or creating the impression that this Order is without factual basis.  
22 BILL will undertake steps necessary to assure that all of his agents and employees understand and  
23 comply with this agreement.

24 7. While this Order settles this administrative matter between BILL and the Commission,  
25 BILL understands that this Order does not preclude the Commission from instituting other  
26 administrative proceedings based on violations that are not addressed by this Order.

1           8. BILL understands that this Order does not preclude the Commission from referring this  
2 matter to any governmental agency for administrative, civil, or criminal proceedings that may be  
3 related to the matters addressed by this Order.

4           9. BILL understands that this Order does not preclude any other agency or officer of the  
5 state of Arizona or its subdivisions from instituting administrative, civil or criminal proceedings  
6 that may be related to matters addressed by this Order.

7           10. BILL agrees that he will not apply to the state of Arizona for registration as a securities  
8 dealer or salesman or for licensure as an investment adviser or investment adviser representative at  
9 any time in the future.

10           11. BILL agrees that he will not exercise any control over any entity that offers or sells  
11 securities or provides investment advisory services, within or from Arizona.

12           12. BILL agrees that until restitution, disgorgement and penalties are paid in full, BILL  
13 will notify the Director of the Securities Division within 30 days of any change in home address or  
14 any change in BILL's ability to pay amounts due under this Order.

15           13. BILL understands that default shall render him liable to the Commission for its costs of  
16 collection and interest at the maximum legal rate.

17           14. BILL agrees that he will continue to cooperate with the Securities Division including,  
18 but not limited to, providing complete and accurate testimony at any hearing in this matter and  
19 cooperating with the state of Arizona in any related investigation or any other matters arising from  
20 the activities described in this Order.

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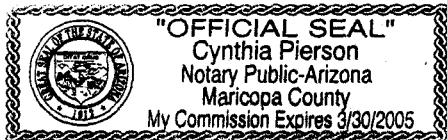
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1 15. BILL consents to the entry of this Order and agrees to be fully bound by its terms and  
2 conditions. If BILL breaches any provision of this Order, the Commission may vacate this Order  
3 and restore this case to its active docket.

4  
5  
6 Michael Lynn Bill  
MICHAEL LYNN BILL

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9 SUBSCRIBED AND SWORN TO BEFORE me this 24 day of January, 2002



13 Cynthia Pierson  
NOTARY PUBLIC

14 My Commission Expires:  
3/30/05

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