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BEFORE THE ARIZONA CORPORATION COMMISSION

Arizona Corporation Commission

DOCKETED

OCT 21 2009

COMMISSIONERS

KRISTIN K. MAYES, Chairman  
GARY PIERCE  
PAUL NEWMAN  
SANDRA D. KENNEDY  
BOB STUMP

DOCKETED BY  
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In the matter of

THOMAS S. BLACKWELL (CRD #  
4370822) and KIMBERLY BLACKWELL,  
husband and wife,

TEAM HEAT, LLC, a terminated Arizona  
limited liability company,

Respondents.

DOCKET NO. S-20673A-09-0198

DECISION NO. 71302

**ORDER TO CEASE AND DESIST, FOR  
RESTITUTION, OF REVOCATION, AND  
FOR ADMINISTRATIVE PENALTIES**

On April 24, 2009, the Securities Division ("Division") of the Arizona Corporation Commission ("Commission") filed a Notice of Opportunity for Hearing Regarding Proposed Order to Cease and Desist, for Restitution, of Revocation, for Administrative Penalties, and for Other Affirmative Action ("Notice") against THOMAS S. BLACKWELL, KIMBERLY BLACKWELL, and TEAM HEAT, LLC.

On April 29, 2009, the Division served the Notice upon THOMAS S. BLACKWELL, KIMBERLY BLACKWELL, and TEAM HEAT, LLC by delivering a copy to their attorney Kevin Jensen.

On May 20, 2009, a request for hearing was filed by THOMAS S. BLACKWELL and KIMBERLY BLACKWELL. On September 2, 2009, this request for hearing was withdrawn.

THOMAS S. BLACKWELL and KIMBERLY BLACKWELL did not file an answer to the Notice and TEAM HEAT, LLC filed neither a request for hearing nor an answer to the Notice.

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I.

FINDINGS OF FACT

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3 1. THOMAS S. BLACKWELL ("BLACKWELL") is an individual who, at all relevant  
4 times, resided in Maricopa County, Arizona. BLACKWELL is the manager of TEAM HEAT, LLC.

5 2. KIMBERLY BLACKWELL was, at all relevant times, the spouse of BLACKWELL  
6 and may be referred to as "Respondent Spouse." Respondent Spouse is joined in this action under  
7 A.R.S. §44-2031(C) solely for purposes of determining the liability of the marital community.

8 3. At all relevant times, BLACKWELL acted for his own benefit and for the benefit or in  
9 furtherance of the marital community.

10 4. TEAM HEAT, LLC ("TEAM HEAT") is a terminated, Arizona limited liability  
11 company with a last known principal place of business in Maricopa County, Arizona.

12 5. BLACKWELL and TEAM HEAT may be referred to collectively as "Respondents."

13 6. At all relevant times, BLACKWELL was a registered securities salesman affiliated  
14 with World Group Securities, Inc. ("WGS"), an Arizona registered securities dealer.  
15 BLACKWELL resigned from WGS in February 2008.

16 7. At all relevant times, TEAM HEAT was not registered as a securities dealer.

17 8. From on or about August 2007 to January 2008 in Maricopa County, Arizona,  
18 Respondents offered and sold \$1,429,000 of investment contracts with the title Rate of Return  
19 Agreement issued by TEAM HEAT to 11 investors. Respondents have repaid to investors  
20 amounts totaling \$683,365.

21 9. At all relevant times, the investment contracts referred to above were not registered  
22 pursuant to Articles 6 or 7 of the Securities Act.

23 10. The offers and sales of the Rate of Return Agreements were not recorded on the  
24 records of WGS. Investments associated with TEAM HEAT were not authorized investment  
25 products of WGS and BLACKWELL was not authorized by WGS to sell them.  
26

1           11.     The Rate of Return Agreements state as follows: "Investors are to provide funds  
2 and TEAM HEAT is to provide the rate of return on the funds. A rate of return is projected to be  
3 5% if a monthly withdrawal is taken. A return on investment is projected to be 6% monthly or  
4 101% annually if funds are left to compound without any withdrawals. Return is...based on past  
5 performance."

6           12.     TEAM HEAT had no past performance generating returns on investments. TEAM  
7 HEAT was formed by BLACKWELL for tax purposes, self-employment status, tax deductions,  
8 and to pay his bills (e.g., office rent, assistant, office supplies). Prior to the offers and sales of the  
9 Rate of Return Agreements, the business activity of TEAM HEAT did not include investments.

10          13.     Respondents deposited all of the investors' money into one of Respondents' bank  
11 accounts for investment by Respondents and Respondents expected to keep as their compensation  
12 the difference between what the investments would actually yield and the return to be paid to  
13 investors pursuant to the Rate of Return Agreements.

14          14.     BLACKWELL represented that he and TEAM HEAT would put the investors'  
15 money into "investments that he has looked at," including a highly profitable venture that funded  
16 television advertisements for a variety of products (the "TV AD Venture"). In August 2007,  
17 BLACKWELL viewed the TV AD Venture's website that claimed investors would earn annual  
18 returns between 4,800% and 12,000%.

19          15.     In September 2007, BLACKWELL learned that the TV AD Venture's operations  
20 were transitioning offshore. In early November 2007, the TV AD Venture stopped making  
21 payments to its investors and BLACKWELL was unable to obtain a refund of principal from the  
22 operators of the TV AD Venture. In late December 2007, BLACKWELL learned that the  
23 Securities and Exchange Commission had filed an enforcement action against the principals of the  
24 TV AD Venture for fraud, alleging that the TV AD Venture really had no business operations and  
25 that it was simply a Ponzi scheme. Respondents did not disclose to the investors any of the  
26 foregoing information.



1           7.       Respondents violated A.R.S. § 44-1991 by (a) employing a device, scheme, or  
2     artifice to defraud; (b) making untrue statements of material facts or omitting to state material facts  
3     necessary in order to make the statements made, in the light of the circumstances under which they  
4     were made, not misleading; and, (c) engaging in transactions, practices, or courses of business that  
5     operate or would operate as a fraud or deceit. Respondents' conduct includes, but is not limited to,  
6     the following:

7           a)       Misrepresenting that the return to have been paid to the investors would  
8     have been based on past performance;

9           b)       Failing to disclose information that contradicted the representation that the  
10    TV AD Venture was highly profitable;

11          c)       Failing to adequately disclose that some investors would be repaid in full  
12    before other investors and that Respondents would decide which investors that would be; and,

13          d)       Failing to disclose that Respondents would spend \$122,466 of the investors'  
14    money on personal and business expenses, including \$5,400 in automobile lease payments, before  
15    all of the investors have been repaid.

16          8.       BLACKWELL directly or indirectly controlled TEAM HEAT as its managing  
17    member. Therefore, BLACKWELL is jointly and severally liable under A.R.S. § 44-1999 to the  
18    same extent as TEAM HEAT for its violations of A.R.S. § 44-1991.

19          9.       The conduct of BLACKWELL subjects him to an order of revocation of his  
20    securities salesman registration pursuant to:

21           a)       A.R.S. § 44-1962(A)(2) for violating A.R.S. §§ 44-1841 and 44-1991; and,

22           b)       A.R.S. § 44-1962(A)(10) for engaging in dishonest or unethical practices as  
23    defined by A.A.C. R14-4-130(A)(17) (effecting securities transactions that were not recorded on  
24    the records of the dealer with whom he was registered at the time of the transactions).

25          10.       Respondents' conduct is grounds for a cease and desist order pursuant to A.R.S.  
26    §§ 44-2032 and 44-1962.

1 11. Respondents' conduct is grounds for an order of restitution pursuant to A.R.S.  
2 §§ 44-2032 and 44-1962.

3 12. Respondents' conduct is grounds for administrative penalties under A.R.S. §§ 44-  
4 2036 and 44-1962.

5 13. BLACKWELL acted for the benefit of his marital community and, pursuant to  
6 A.R.S. §§ 25-214 and 25-215, this Order of restitution and administrative penalties is a debt of the  
7 community.

### 8 III.

### 9 ORDER

10 THEREFORE, on the basis of the Findings of Fact and Conclusions of Law, the  
11 Commission finds that the following relief is appropriate, in the public interest, and necessary for  
12 the protection of investors:

13 IT IS ORDERED, pursuant to A.R.S. §§ 44-2032 and 44-1962, that Respondents, and any  
14 of Respondents' agents, employees, successors and assigns, permanently cease and desist from  
15 violating the Securities Act.

16 IT IS FURTHER ORDERED, pursuant to A.R.S. §§ 44-2032 and 44-1962, that  
17 Respondents, individually, and the marital community of BLACKWELL and Respondent Spouse,  
18 jointly and severally, shall pay restitution to the Commission in the amount of \$947,931. Payment  
19 shall be made in full on the date of this Order. Any amount outstanding shall accrue interest at the  
20 rate of 10% per annum from the date of this Order until paid in full. Payment shall be made to the  
21 "State of Arizona" to be placed in an interest-bearing account controlled by the Commission. The  
22 Commission shall disburse the funds on a pro-rata basis to investors shown on the records of the  
23 Commission. Any restitution funds that the Commission cannot disburse because an investor  
24 refuses to accept such payment, or any restitution funds that cannot be disbursed to an investor  
25 because the investor is deceased and the Commission cannot reasonably identify and locate the  
26 deceased investor's spouse or natural children surviving at the time of the distribution, shall be

1 disbursed on a pro-rata basis to the remaining investors shown on the records of the Commission.  
2 Any funds that the Commission determines it is unable to or cannot feasibly disburse shall be  
3 transferred to the general fund of the state of Arizona.

4 IT IS FURTHER ORDERED, pursuant to A.R.S. §§ 44-2036 and 44-1962, that  
5 Respondents, individually, and the marital community of BLACKWELL and Respondent Spouse,  
6 jointly and severally, shall pay an administrative penalty in the amount of \$100,000. Payment  
7 shall be made to the "State of Arizona." Any amount outstanding shall accrue interest at the rate  
8 of 10% per annum from the date of this Order until paid in full. The payment obligations for these  
9 administrative penalties shall be subordinate to any restitution obligations ordered herein and shall  
10 become immediately due and payable only after restitution payments have been paid in full or  
11 upon default by Respondents or Respondent Spouse with respect to the restitution obligations of  
12 Respondents and Respondent Spouse.

13 IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-1962, that the securities salesman  
14 registration of BLACKWELL is revoked.

15 For purposes of this Order, a bankruptcy filing by any of the Respondents or Respondent  
16 Spouse shall be an act of default. If any Respondent or Respondent Spouse does not comply with  
17 this Order, any outstanding balance may be deemed in default and shall be immediately due and  
18 payable.

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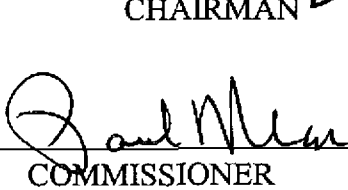
1 IT IS FURTHER ORDERED that, if any Respondent or Respondent Spouse fails to  
2 comply with this order, the Commission may bring further legal proceedings against that  
3 Respondent or Respondent Spouse, including application to the superior court for an order of  
4 contempt.

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

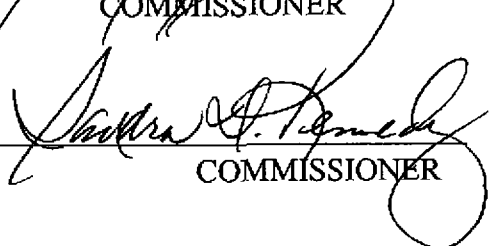
6 BY ORDER OF THE ARIZONA CORPORATION COMMISSION

7  
8   
9 CHAIRMAN

  
COMMISSIONER

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11   
COMMISSIONER

  
COMMISSIONER

  
COMMISSIONER

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13 IN WITNESS WHEREOF, I, ERNEST G. JOHNSON,  
14 Executive Director of the Arizona Corporation  
15 Commission, have hereunto set my hand and caused the  
16 official seal of the Commission to be affixed at the  
17 Capitol, in the City of Phoenix, this 21<sup>st</sup> day of  
October, 2009.

18   
19 ERNEST G. JOHNSON  
20 EXECUTIVE DIRECTOR

21 \_\_\_\_\_  
DISSENT

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](mailto:sabernal@azcc.gov).

26 (ASL)



1 SERVICE LIST FOR: In the Matter of Thomas S. Blackwell, et al.

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