

MAR 5 2003

DEPT. OF INSURANCE  
BY CB

STATE OF ARIZONA  
DEPARTMENT OF INSURANCE

In the Matter of:

WALLACE BUTTERWORTH,  
Respondent.

Docket No. 03A-008-INS  
CONSENT ORDER

On February 4, 2003, the State of Arizona, Department of Insurance (the "Department"), issued a Notice of Hearing of in the matter of Wallace Butterworth ("Butterworth"). Butterworth wishes to resolve this matter without the commencement of formal proceedings, and admits the following Findings of Fact are true and consents to entry of the following Conclusions of Law and Order.

FINDINGS OF FACT

1. Wallace Butterworth ("Butterworth") is, and was, at all material times licensed to transact insurance as a resident life and accident/health and variable life/annuities producer, Arizona license number 52738, which license expires July 31, 2003.

2. Butterworth was registered as a securities salesman in Arizona with Russian River Financial Services, Inc. from December 9, 1999, to August 3, 2001. From April 12, 1995, to December 6, 1999, Butterworth was associated with Oak Tree Securities, Inc. ("Oak Tree"), an Arizona registered dealer.

3. Beginning around 1998, Butterworth and another Arizona licensed insurance agent, Roger Lancette, collaborated together in Senior Advisory Services, offering financial planning services and products to seniors and retired persons.

4. Beginning in August 1999, Butterworth participated with Lancette in the offer and sale of membership interests in Hotel Connect LLC ("Hotel Connect") to clients of Senior Advisory Services. Butterworth participated in the sale of interests in Hotel Connect to four investors, who were told that their funds would be used to operate a hotel long distance and

1 operator service for the purpose of generating a profit for investors.

2 5. Investors in Hotel Connect were also told that they could expect yields on their  
3 investments of 14% during year one and up to 20% annual yields during year five of the program.

4 6. Investors in Hotel Connect never received any returns on their investment.

5 7. From January 2000 through June 2000, Butterworth offered and sold business  
6 opportunities for Mobile Cash Systems, LLC, consisting of the sale of wireless terminal cash  
7 ticket machines ("WTMs") together with service agreements. Investors were supposed to receive  
8 monthly payments resulting from a share of the profits generated from the operation of their  
9 equipment.

10 8. On February 2, 2000, Butterworth sent a letter to two insurance clients  
11 recommending that they withdraw funds from annuities they held and invest the money in a  
12 program called Mobile Cash Systems ("Mobile Cash"). If the clients agreed with this  
13 recommendation, Butterworth promised to rebate the full amount of the surrender penalties they  
14 would incur from the early withdrawal of the annuity funds. Butterworth claimed that if the  
15 clients invested \$175,000 in the Mobile Cash program, they would receive a monthly minimum  
16 income, tax-free, of \$1895.83.

17 9. Investors in the Mobile Cash program received monthly payments beginning in  
18 April 2000, even though no WTM machines were ever placed in operation. Around March 2001,  
19 the payments to investors stopped.

20 10. On or about July 18, 2001, the Arizona Corporation Commission filed a Notice of  
21 Opportunity for Hearing Regarding Proposed Order to Cease and Desist, for Restitution, for  
22 Administrative Penalties, for Revocation, and for Other Affirmative Action *In the Matter of*  
23 *Hotel Connect LLC, Mark Alan Melkowski, Sr., Eagle Communications, Inc., Ronald Lee Goble*  
24 *dba Southwest Trust & Financial, Gary Lyle Christian dba Cornerstone Senior Planning,*  
25 *Hyland A. Stokes dba Estate Planning Protection, Roger Lancette dba National Advisory*  
26 *Services and Senior Advisory Services, and Wallace Butterworth dba Senior Advisory Services,*



1 Docket No. S-03444A-01-0000. The Corporation Commission alleged that Butterworth and the  
2 other named respondents sold membership units in Hotel Connect and wireless cash ticket  
3 machines through Mobile Cash as unregistered securities and failed to fully disclose the risks of  
4 these investments.

5 11. On October 30, 2001, Butterworth consented to a Corporation Commission Order  
6 to Cease and Desist, Order of Restitution and Order for Administrative Penalties in Docket No.  
7 S-03444A-01-0000, Decision No. 64185. Butterworth admitted encouraging his insurance  
8 clients to sell their annuities and invest the funds in Mobile Cash investments. He also admitted  
9 that he failed to disclose all of the risks of these investments. Finally, Butterworth admitted that  
10 investors in Hotel Connect did not receive their promised returns on their investment, and that  
11 investors in Mobile Cash received some monthly payments even though the cash ticket machines  
12 were never placed in service. Butterworth was ordered to cease and desist from selling  
13 unregistered securities and was ordered, along with other named Respondents, to pay restitution  
14 of \$260,000 plus 10% interest to Hotel Connect investors and \$505,000 plus 10% interest to  
15 Mobile Cash investors. Butterworth was also ordered to pay a civil penalty in the amount of  
16 \$25,000.

17 12. Butterworth admitted the Findings of Fact and Conclusions of Law contained in  
18 this Order both for the purposes of the proceedings before the Corporation Commission and any  
19 other administrative proceedings before the Corporation Commission or any other agency of the  
20 State of Arizona. In this same Order, Butterworth further agreed not to take any action or to  
21 make, or permit to be made, any public statement denying directly, or indirectly, any Finding of  
22 Fact or Conclusion of Law in the Order or creating the impression that the Order was without  
23 factual basis.

24 13. On January 28, 2003, Butterworth Consented to an Order to Cease and Desist,  
25 Order of Restitution, Order for Administrative Penalties, Decision No. 65558, Docket No. S-

1 03472A-02-0000, *In The Matter of Scottsdale Financial Funding Group, LLC; Martin & Griffin,*  
2 *LLC; Gregory B. Gill aka Gregory P. Gill; Hayden Keith Holland; Tad L. Ulrich & Associates,*  
3 *LLC; Tad Lyn Ulrich, Senior Advisory Services, LLC; and Wallace Butterworth.* In the Consent,  
4 Butterworth admitted the Findings of Fact and Conclusions of Law contained in this Order both  
5 for the purposes of the proceedings before the Corporation Commission and any other  
6 administrative proceedings before the Corporation Commission or any other agency of the State  
7 of Arizona. In this same Order, Butterworth further agreed not to take any action or to make, or  
8 permit to be made, any public statement denying directly, or indirectly, any Finding of Fact or  
9 Conclusion of Law in the Order or creating the impression that the Order was without factual  
10 basis. Butterworth admitted that he solicited investors in two investment programs: the “Credit  
11 Investors, LLC Non-Performing or Consumer Debt Program” (“Credit Investors”) and the “M&G  
12 Factoring or Accounts Receivable Management Program” (“M&G Program”). He further  
13 admitted that he persuaded 10 investors to invest at least \$617, 855 in Credit Investors and seven  
14 investors to invest at least \$310,902 in the M&G Program.

#### 16 **CONCLUSIONS OF LAW**

- 17 1. The Director has jurisdiction over this matter.
- 18 2. Respondent’s conduct as alleged above constitutes violating any provision of  
19 this Title or any rule, subpoena or order of the Director, within the meaning of A.R.S. § 20-  
20 295(A)(2).
- 21 3. Respondent’s conduct as alleged above constitutes using fraudulent, coercive  
22 or dishonest practices, or demonstrating incompetence, untrustworthiness or financial irresponsibility  
23 in the conduct of business in this state or elsewhere, within the meaning of A.R.S. §20-295(A)(8).
- 24 4. Respondent's conduct as alleged above constitutes an unfair method of  
25 competition or an unfair or deceptive act or practice in the business of insurance, within the meaning  
26 of A.R.S. §20-442.

1 5. Respondent's conduct as alleged above constitutes making any representation  
2 to any policyholder for the purpose of inducing or tending to induce the policyholder to lapse, forfeit,  
3 surrender, retain or convert any insurance policy, within the meaning of A.R.S. §20-443(5).

4 6. Grounds exist to suspend, revoke or refuse to renew Respondent's insurance  
5 licenses, impose a civil penalty upon them and order restitution pursuant to A.R.S. §§20-295(A),  
6 20-295(D) and 20-295(F) and §20-456(B).

7 **ORDER**

8 IT IS ORDERED:

9 1. Butterworth's insurance producer's license shall be revoked upon the  
10 issuance of this Order.

11 2. The hearing set for March 6, 2003, at 9:00 a.m. shall be vacated.  
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13  
14 DATED AND EFFECTIVE this 4<sup>th</sup> day of March, 2003.  
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18 CHARLES R. COHEN, Director  
19 Arizona Department of Insurance  
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3 **CONSENT TO ORDER**

4 1. Respondent Butterworth has reviewed the foregoing Findings of Fact,  
5 Conclusions of Law and Order.

6 2. Respondent Butterworth admits the jurisdiction of the Director of Insurance,  
7 State of Arizona and admits the foregoing Findings of Fact and consents to the entry of the foregoing  
8 Conclusions of Law and Order.

9 3. Respondent Butterworth is aware of his right to notice and a hearing at which  
10 he may be represented by counsel, present evidence and cross-examine witnesses. Respondent  
11 Butterworth irrevocably waives his right to such notice and hearing and to any court appeals relating  
12 to this Consent Order.

13 4. Respondent Butterworth states that no promise of any kind or nature  
14 whatsoever, except as expressly contained in this Consent Order, was made to him to induce him to  
15 enter into this Consent Order, and that he has entered into this Consent Order voluntarily.

16 5. Respondent Butterworth acknowledges that the acceptance of this Consent  
17 Order by the Director is solely to settle this matter against it and does not preclude any other agency,  
18 officer or subdivision of this state from instituting civil or criminal proceedings as may be  
19 appropriate now or in the future.

20  
21 Date 3-3-03

22  
23  
24 By 

25 Wallace Butterworth  
26

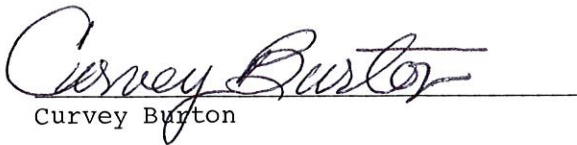
1 COPY of the foregoing mailed/hand-delivered  
2 this 5<sup>th</sup> day of \_\_\_\_\_ March \_\_\_\_\_, 2003, to:

3 Nicolas Cornelius  
4 7501 N. 16th Street, Suite 200  
5 Phoenix, Arizona 85020

6 Eric Bryant, Administrative Law Judge  
7 Office of Administrative Hearings  
8 1400 West Washington, Suite 101  
9 Phoenix, Arizona 85007

10 Sara M. Begley, Deputy Director  
11 Gerrie L. Marks, Executive Assistant for Regulatory Affairs  
12 Mary Butterfield, Assistant Director  
13 Catherine M. O'Neil, Consumer Legal Affairs Officer  
14 Rebecca Sanchez, Licensing Administrator  
15 Bob Hill, Investigator  
16 Arizona Department of Insurance  
17 2910 North 44th Street, Suite 210  
18 Phoenix, AZ 85018

19 Jennifer A. Boucek  
20 Assistant Attorney General  
21 1275 West Washington Street  
22 Phoenix, Arizona 85007  
23 Attorney for the Department  
24 779425 [CPA01-021]

25  
26  
  
Curvey Burton