

1 salesman with LifeUSA Securities, Inc. from on or about September 28, 1998, to the present. From on
2 or about January 22, 1993, to December 31, 1997, McCREA was registered with the Commission as a
3 securities salesman associated with Intersecurities, Inc. (ISI).

4 3. ESTATE SERVICES II, INC. (ESTATE SERVICES) is an Arizona corporation since
5 1991, owned by McCREA. At all times relevant hereto, McCREA was the president of ESTATE
6 SERVICES.

7 4. McCREA and ESTATE SERVICES may be collectively referred to as
8 "RESPONDENTS."

9 III.

10 FACTS

11 5. Each of the preceding paragraphs is incorporated by reference.

12 6. While associated with ISI during February and March 1997, McCREA offered and sold
13 securities in the form of promissory notes or investment contracts issued by PCO, Inc. (PCO Notes).

14 7. PCO, Inc. a/k/a Personal Choice Opportunities (PCO), a California-based company,
15 raised funds from investors to purchase group life insurance policies from terminally ill patients,
16 "viatical settlements." Pursuant to the viatical settlements, upon the death of an insured, the proceeds
17 of the life insurance policy would be distributed to the designated policy beneficiary, David W. Laing
18 (Laing), who was the president and sole owner of PCO.

19 8. Pursuant to loan agreements with PCO and escrow agreements with both PCO and
20 Escrow Plus, Inc. (Escrow Plus), investors' funds were to be deposited in an escrow account
21 established by Escrow Plus, at Union Bank, Burbank, California Branch. PCO was to use the
22 investors' funds to purchase paid up life insurance policies and to pay fees and commissions to
23 "finders" who solicited the funds. PCO was also to deposit into the escrow documents including
24 verifications of value relating to the purchase of the policies and assignments of policy proceeds to
25 Escrow Plus.

1 9. Pursuant to the agreements, participating investors were to be paid "an annual rate of
2 return of Twenty-Five Percent" and interest payments were to be made semi-annually by Escrow Plus
3 from a pooling of the proceeds of the policies held in the escrow account. Investors were not to be tied
4 into any specific policy purchase. All policies were to be pooled and held as collateral in the Escrow.

5 10. McCREA sold the PCO Notes through his corporate entity, ESTATE SERVICES, as an
6 "Agent Representative" of New Life Trust Group Company ("New Life") of Medford, Oregon,
7 pursuant to a Finders Commission Agreement (Agreement) between PCO and DVR Consulting Group
8 (DVR). New Life, an agent of DVR, was obligated to pay ESTATE SERVICES a commission of 4%
9 of the funds McCREA solicited from each investor pursuant to the sale of the PCO Notes.

10 11. In a period of approximately 30 days, from on or about February 27, 1997, to on or
11 about March 27, 1997, McCREA sold 21 PCO Notes to investors, who invested approximately
12 \$1,336,000 in the PCO Notes. McCREA was to earn commissions of approximately \$53,440 for these
13 sales, which was to be paid not later than 30 days from the time the funds were placed in the escrow
14 account.

15 12. Some retired investors liquidated annuities that McCREA had sold them less than one
16 year earlier in order to obtain the investment funds for the PCO Notes. RESPONDENTS received
17 commissions on both the sales of the annuities and the sales of the PCO Notes; the investors incurred
18 penalties as a result of the early liquidation of the annuities.

19 13. In connection with the offer and sale of the PCO Notes, McCREA represented to
20 investors that the PCO Notes were a safe or "risk-free" investment, fully secured by a bonded escrow
21 company, when in fact McCREA had no reasonable basis for these statements.

22 14. On February 28, 1997, the Commissioner of Corporations of the State of California
23 issued a "Desist and Refrain" order to PCO and Laing that ordered them to desist and refrain from the
24 further offer or sale in the State of California of securities in the form of interests in promissory notes,
25 joint venture agreements and investment contracts in the form of "loans" to acquire "viatical
26 agreements" unless and until qualification had been made under applicable California law.

1 15. On April 2, 1997, federal prosecutors filed a criminal complaint in United States
2 District Court, Southern District of New York, alleging violations related to the "PCO Loan Program"
3 against the principals of PCO and Escrow Plus. The allegations included a statement that no life
4 insurance benefits had been received or deposited in the PCO Loan Program Escrow Account at the
5 time of the filing of the complaint.

6 16. On April 24, 1997, and May 7, 1997, the California Department of Corporations filed
7 actions in Superior Court on behalf of the People of the State of California, against PCO, Escrow Plus,
8 and their principals, to freeze monies and to turn those monies over to a Receiver.

9 17. McCREA knew that Laing was the principal of PCO when he offered and sold the PCO
10 Notes, and did nothing to investigate him.

11 18. McCREA relied upon vague representations of third parties concerning the reputation of
12 the escrow company when he represented to investors that the PCO Notes were fully secured against risk
13 by the escrow company.

14 19. McCREA's dealer during this time period, ISI, prohibited the sale of securities or other
15 products that were not specifically approved in advance by the dealer, and had specifically advised its
16 registered salesmen, including McCREA, against any involvement in the sale of viatical contracts.

17 20. In February 1996, McCREA acknowledged and certified to his dealer, ISI, that he had
18 read and understood the section of ISI's Compliance and Procedures Manual dealing with the
19 prohibition of the sale of products not explicitly approved by ISI, a practice known as "Selling Away."

20 21. McCREA neither requested nor received approval from ISI to engage in the sale of the
21 PCO Notes.

22 22. McCREA's sales of PCO Notes were not recorded on the books and records of ISI.

23 23. McCREA sold PCO Notes to at least five ISI clients.

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IV.

VIOLATION OF A.R.S. § 44-1841

(Offer and Sale of Unregistered / Unauthorized Securities)

24. Each of the preceding paragraphs is incorporated by reference.

25. RESPONDENTS offered and sold securities in the form of notes or evidences of indebtedness within and/or from Arizona.

26. The securities referred to above were not registered under A.R.S. §§ 44-1871 through 44-1875, or 44-1891 through 44-1902; were not securities for which a notice filing has been made under A.R.S. § 44-3321; were not exempt under A.R.S. §§ 44-1843 or 44-1843.01; were not offered or sold in exempt transactions under A.R.S. § 44-1844; and were not exempt under any rule or order promulgated by the Commission.

27. This conduct violates A.R.S. § 44-1841.

V.

GROUNDS FOR REVOCATION PURSUANT TO A.R.S. § 44-1962

(Denial, Revocation or Suspension of Registration of Salesman)

28. Each of the preceding paragraphs is incorporated by reference.

29. McCREA's conduct constitutes grounds for the revocation of McCREA's registration as a securities salesman with the Commission pursuant to A.R.S. § 44-1962, based upon one or more of the following:

- a) Violations of a provision of the Securities Act within the meaning of A.R.S. § 44-1962(2). Specifically, McCREA violated A.R.S. § 44-1841.
- b) Engaging in dishonest or unethical practices within the meaning of A.R.S. § 44-1962(10) as defined by A.A.C. R14-4-130(A)(17). Specifically, McCREA's sales of PCO Notes were not recorded on the records of ISI, the dealer with whom he was registered at the time of the transactions.

1 delay of processing or the refusal to accept documents. RESPONDENTS may obtain a copy of the cover
2 sheet by calling Docket Control at (602) 542-3477.

3 The date set for the hearing shall be within 15 to 30 days after the request for the hearing has been
4 docketed, unless otherwise provided by law, stipulated by the parties, or ordered by the Commission.
5 Any respondent who does not request a hearing within the time prescribed is subject to the Commission
6 issuing an order against that respondent containing such relief as the Commission deems appropriate,
7 including but not limited to the relief requested above.

8 Persons with a disability may request a reasonable accommodation such as a sign language
9 interpreter, as well as request this document in an alternative format, by contacting Cynthia Mercurio-
10 Sandoval, ADA Coordinator, voice phone number 602/542-0838, e-mail csandoval@cc.state.az.us.
11 Requests should be made as early as possible to allow time to arrange the accommodation.

12 Dated this 27th day of December, 1999.

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15 Mark Sendrow
16 Director of Securities