

1 The Securities Division (“Division”) of the Arizona Corporation Commission (“Commission”)
2 alleges that respondents have engaged in acts, practices and transactions, which constitute violations of the
3 Securities Act of Arizona, A.R.S. § 44-1801 *et seq.*, (“Securities Act”).

4 **I.**

5 **JURISDICTION**

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

8 **II.**

9 **RESPONDENTS**

10 2. SCOTTSDALE FINANCIAL FUNDING GROUP, LLC (“SFF”) is an Arizona
11 limited liability company organized on December 14, 1998, and was doing business in Arizona at all
12 pertinent times. Its last known address is 4000 North Scottsdale Road, Scottsdale, Arizona. It was
13 formerly located at 7336 E. Shoeman Lane, Suite 111, Scottsdale, Arizona 85251.

14 3. MARTIN & GRIFFIN, LLC (“M&G”) is an Arizona limited liability company
15 organized on August 4, 1998, and was doing business in Arizona at all pertinent times. Its last known
16 address is 4000 North Scottsdale Road, Scottsdale, Arizona. It was formerly located at 7336 E.
17 Shoeman Lane, Suite 111, Scottsdale, Arizona 85251.

18 4. GREGORY B. GILL aka GREGORY P. GILL (“GILL”) is an individual whose last
19 known address is 4015 N. 78th St. #141, Scottsdale, Arizona 85251. GILL was a principal, owner,
20 officer, director, or shareholder of SFF and M&G at all pertinent times, and a purported principal,
21 owner, officer, director, or shareholder of Credit Investors, LLCs. On July 20, 1988, a federal grand
22 jury indicted GILL and another co-founder of a company in Newport Beach, California called First
23 Capital Corporation, alleging various instances of mail and wire fraud. A jury convicted GILL on one
24 count of conspiracy and two counts of wire fraud relating to charges of preparing a phony financial
25 statement and guaranty used to defraud investors. GILL was sentenced to five years imprisonment, five
26 years probation, and an order to pay \$89,300 in restitution. GILL appealed the conviction, and the

1 judgment was affirmed by the United States Court of Appeals for the Seventh Circuit in Opinion No.
2 89-1372, *United States of America v. Gregory B. Gill*, decided on August 3, 1990.

3 5. HAYDEN KEITH HOLLAND (“HOLLAND”) is an individual whose last known
4 address is 5618 E. Montecito, Phoenix, Arizona 85018-3223. At all pertinent times, HOLLAND was
5 a principal, owner, officer, director, or shareholder of SFF and M&G, and a purported principal,
6 owner, officer, director, or shareholder of Credit Investors, LLCs.

7 6. TAD L. ULRICH & ASSOCIATES, LLC is an Arizona limited liability company
8 organized on March 3, 1999. It is and was at all pertinent times located at 13386 N. 88th Place,
9 Scottsdale, Arizona, 85260.

10 7. TAD LYN ULRICH (“TAD ULRICH”) is an individual whose last known address is
11 13386 N. 88th Place, Scottsdale, Arizona, 85260. TAD ULRICH was at all pertinent times managing
12 member of TAD L. ULRICH & ASSOCIATES, LLC. TAD ULRICH and TAD L. ULRICH &
13 ASSOCIATES, LLC may be collectively referred to as “ULRICH”. At all pertinent times, ULRICH
14 was a sales agent for M&G and/or SFF. ULRICH is a licensed insurance salesman in Arizona.

15 8. SENIOR ADVISORY SERVICES, LLC (“SAS”) is a limited liability company
16 organized in the State of Florida on May 10, 1999. Its principal office was identified in corporate filings
17 as 1401 Kimdale Street, Lehigh Acres, Florida 33936. WALLACE BUTTERWORTH
18 (“BUTTERWORTH”) was identified as a managing member. BUTTERWORTH and Roger Lancette
19 applied as “owners” to use SAS as a trade name in Arizona on or about July 24, 1998. SAS’s last
20 known location in Arizona was 1411 E. Orangewood Ave. #239, Phoenix, Arizona 85020.

21 9. BUTTERWORTH is an individual whose last known address is 1411 E. Orangewood
22 Ave. #239, Phoenix, Arizona 85020. During the pertinent time period, BUTTERWORTH was
23 registered as a securities salesman in Arizona. On October 30, 2001, BUTTERWORTH consented to
24 Decision No. 64184, ordering, *inter alia*, revocation of his securities salesman registration for alleged
25 violations of the Securities Act involving the offer and sale of investments that are not the subject of this
26 proceeding. According to the consent order, one of the grounds for BUTTERWORTH’s revocation

1 was that he allegedly engaged in dishonest or unethical practices within the meaning of A.R.S. § 44-
2 1962(A)(10) as defined by A.A.C. R14-4-130(A)(17), by effecting securities transactions that were
3 not recorded on the records of the dealer with whom he was registered at the time of the transactions
4 from August to December 1999. SAS and BUTTERWORTH may be collectively referred to as
5 “BUTTERWORTH”. At all pertinent times, BUTTERWORTH was a sales agent for M&G and/or
6 SFF. BUTTERWORTH is a licensed insurance salesman in Arizona.

7 10. The respondents may be collectively referred to as “RESPONDENTS”.

8 **III.**

9 **FACTS**

10 11. Beginning in or around 1997, RESPONDENTS solicited investors in two or more
11 investment programs, in which investors were told that they would receive profits from the management
12 efforts of others.

13 12. RESPONDENTS solicited private investors through public media advertisements and
14 publicly advertised investment seminars primarily targeted to retired persons and senior citizens, within
15 or from Arizona.

16 13. RESPONDENTS distributed written materials to investors representing that “SFF is a
17 finance company that specializes in analyzing and acquiring select investment alternatives for the
18 discriminating investor demanding better than average returns without taking undue risk.” SFF promises
19 to provide investors with alternatives to the traditional market place, with returns that are competitive
20 with stocks and bonds, and that will allow them to diversify their portfolio so that they are not dependent
21 on the volatility that usually accompanies the traditional market place. Investors are assured that only
22 quality investments will be made available for their benefit, and that SFF is committed to provide them
23 profitable investment alternatives, minimize risk, and provide high growth yield.

24 14. Beginning around December 1997 through at least November 2001, RESPONDENTS
25 solicited passive investments in a program involving the sale of membership interests in a series of
26 companies called “Credit Investors, LLCs,” RESPONDENTS distributed marketing materials to

1 investors describing this investment program as a “Purchase of Non-Performing and Consumer Debt,”
2 with management services to be provided by SFF.

3 15. Beginning around June 1998 through at least December 2001, RESPONDENTS
4 solicited passive investments in another program involving factored receivables allegedly purchased from
5 a Phoenix-based company, American Business Funding Group, Inc. (“ABF”). RESPONDENTS
6 distributed marketing materials that represented that ABF’s professional credit management team with
7 over 20 years of experience would “perform all credit, accounting and other technical and servicing
8 functions,” and that ABF proposed to expand its business “by selling commercial accounts receivable to
9 various independent third-party buyers. For this servicing and marketing function, ABF will receive a
10 fee comprised of a portion of the gross fees earned by the buyer.” Marketing materials referred to this
11 program as “Factoring and Accounts Receivable Management” (the “M&G factoring program”). M&G
12 was to purchase the accounts receivable, and the investors were to share in the profits of those
13 investments.

14 16. Since around 1998, ULRICH placed monthly ads in the Senior World monthly
15 newspaper promising “CD Alternatives” earning up to 8.5%. When prospective investors called
16 ULRICH about CD investments in response to his ad, ULRICH placed them in SFF’s and/or M&G’s
17 investment programs.

18 17. Since around 1998, BUTTERWORTH placed ads in the Arizona Republic newspaper
19 offering “free information workshops” for seniors; BUTTERWORTH held an average of one to two
20 workshops per month in churches, clubs and various retirement communities in Arizona, including Sun
21 City, Sun Lakes, Coyote Lakes, and Mesa. After obtaining leads from these publicly advertised
22 workshops, BUTTERWORTH scheduled meetings with individual investors in the investors’ homes,
23 and solicited them to invest in the SFF and/or M&G investment programs.

24 18. Some offerees and investors in the SFF investment programs are unsophisticated and
25 inexperienced in investments. As a result of the solicitations, some investors believed that they were
26 investing in certificates of deposit (CDs).

1 19. Some investors were instructed to sign blank signature pages at the time of their
2 investments; they were given only promotional materials and receipts or IRA custodial applications.

3 **“Purchase of Non-Performing and Consumer Debt Program”**

4 20. Investor contracts for the “Purchase of Non-Performing and Consumer Debt” program
5 include an “Operating Agreement” whereby the investor is to become a member of a limited liability
6 company called “Credit Investors, LLCs,” and a “Member Representation Agreement.” The Operating
7 Agreement represents that the nature of the business and of the purposes to be conducted and
8 promoted by the Company shall be to engage the acquisition, collection and disposition of non-
9 performing receivables. Salesmen describe the investment as involving “non-collected consumer credit
10 card-type paper.”

11 21. RESPONDENTS represented to investors in written promotional materials that their
12 investments in the “Purchase of Non-Performing and Consumer Debt” program involve certain risks but
13 that SFF has taken steps to reduce the risks to investors. SFF represents that those steps include a
14 strategic partnership between SFF and Intervention & Recovery Specialist Corp. (IRSC), a collections
15 company that purportedly engages in the management and collection of consumer and commercial paper
16 for profit. SFF represents that IRSC has been successfully collecting on non-performing commercial
17 and consumer debt for over 38 years. SFF further represents that “because IRSC scrutinizes the debt
18 first hand, we know exactly what we are purchasing, thereby minimizing the risk to our investors.”
19 RESPONDENTS do not disclose the address or telephone number for IRSC or the identity of any of
20 its principals, or its financial condition. IRSC has made no filing with the Arizona Corporation
21 Commission for authorization to operate in Arizona as a domestic or foreign corporation.

22 22. Credit Investors, LLCs have made no filings with the Arizona Corporation Commission
23 for authorization to operate in Arizona as limited liability companies.

24 23. Approximately 30 investors, most of them Arizona residents, have invested
25 approximately \$ 4,090,397 in SFF’s Non-Performing and Consumer Debt “Credit Investors, LLC”
26 program.

1 24. At the time of the filing of this Notice, investors have not received any distributions since
2 October 2001.

3 **“Factoring and Accounts Receivable Management Program”**

4 25. SFF promoted its “Commercial Factoring” investment program as a “business
5 opportunity” in which a “participant” “can project returns of 10%+ per annum – in a fully secured AND
6 INSURED environment” and “Returns with safety – a promise from Scottsdale Financial Funding
7 Group, LLC.”

8 26. Respondents told investors that ABF and third parties manage and monitor the
9 investment and do everything to service the investors; that SFF and M&G and their principals have a
10 procuring agreement with ABF and perhaps other suppliers of factored paper, under which SFF and/or
11 M&G own the receivables and that investors will share the profits from administration of the factored
12 paper; that investors can get a distribution quarterly or reinvest the dividends, accrued quarterly, for a
13 one-year, two-year, or three-year term; that at the end of the investment term, investors will get a return
14 of their investment capital plus interest if any has accrued, or they have an opportunity to reinvest if they
15 choose.

16 27. The amount of the interest or profit varies in accordance with the amount invested and
17 the term of the investment. Although marketing materials represent the minimum investment as
18 \$100,000, investments of \$25,000 have been accepted in the program.

19 ...

20 ...

21 28. RESPONDENTS gave investors promotional materials that described the commercial
22 factoring program as a “Factoring and Accounts Receivable Management” program. Investor contracts
23 included an “Accounts Receivable Purchase Agreement” and a “Purchaser Representation Agreement.”

24 29. The Purchaser Representation Agreement represents that M&G is in the business of
25 acquiring the receivables from “Clients,” and describes a sharing of interests in the receivables as
26 follows: M&G “agrees to sell and assign to Purchaser all of its rights, title, and interest in and to each

1 Receivable or pro rata portion thereof that Purchaser agrees to purchase. M&G shall not be obligated
2 to sell any specific Receivables to Purchaser and nothing provided herein shall be construed to obligate
3 M&G to provide any minimum or maximum amount of Receivables for sale to Purchaser.”

4 30. The Purchaser Representation Agreement represents that the profits to be obtained by
5 the investor are dependent on the efforts and expertise of third parties: “Since one of the most critical
6 aspects of the Factoring business is proper due diligence with respect to the Clients, the Account
7 Debtors, and monitoring of payments, the role of the servicers of these activities will be important in
8 determining whether Purchasers receive a return of, or any return on, their investment. . . . [T]hird
9 parties will provide these services.”

10 31. The Purchaser Representation Agreement provides that profits to investors
11 (“Purchasers”) will be paid from fees paid to M&G and other third parties: “Clients will receive a
12 discounted purchase price for Receivables they sell directly or indirectly to M&G. Upon payment of the
13 Receivables by the Account Debtor, the Client will receive its remaining funds. Until such repayment,
14 these Clients will pay monthly fees to M&G and the servicers of the Receivables, Purchasers will receive
15 a portion of those fees. . . . This compensation may vary depending upon the amount invested by
16 Purchasers and the terms of their investment.”

17 32. Investors were given no disclosure documents relating to the financial condition of SFF
18 or M&G, or their principals.

19 33. Investors were provided no background or financial information concerning any of the
20 third parties or principals of these third parties who will purportedly provide the services that would
21 produce a profit for investors.

22 34. Investors were provided no background or financial information concerning any
23 companies whose receivables SFF and/or M&G were allegedly buying or selling.

24 35. The contracts include statements that the investors are all “accredited,” as that term is
25 defined under securities laws. RESPONDENTS directed unaccredited investors to sign the documents.
26

1 36. SFF represented in written promotional materials provided to investors prior to their
2 investments that SFF receivables, in most cases, are insured to their full-face amount by insurance
3 provided by nationally-known insurance companies and that debtors are financially sound. However,
4 contrary to the representations contained in the promotional materials, the Purchaser Representation
5 Agreements state: “Certain of the Receivables purchased from M&G are or will be insured to a limited
6 extent by certain insurance policies. However, not all of the Receivables will be covered by insurance,
7 and thus no Purchaser should acquire Receivables in reliance on insurance.”

8 37. Investors were given no specific information concerning the alleged insurance.

9 38. Investors were given no background or financial information concerning the debtors who
10 were allegedly obligated to pay the receivables.

11 39. SFF promotional materials provided to investors through sales agents prior to their
12 investments represent that “You are secured by an assignment of our security to you plus we pass title to
13 the purchased invoices to your entity. SFF manages the entire process on your behalf” However,
14 contrary to these representations, there is no provision in the investor contracts for assigning security or
15 passing title to purchased invoices to the investor, or for providing any security for the investments.

16 40. Investors’ funds were paid to M&G. Although the records of ABF reflect some
17 investment by M&G, there is no record on the books of ABF reflecting any investment by or on behalf
18 of any of M&G’s investors.

19 41. On February 24, 2000, ABF filed a petition in the United States Bankruptcy Court for
20 the District of Arizona, for protection under Chapter 11 of the United States Bankruptcy Code.

21 42. Sometime prior to December 1999, according to ABF’s bankruptcy filings, ABF
22 allegedly discovered that its controlling principal, Angelo Tullo, had been engaging in fraudulent activities
23 including forging signatures to create phony receivables and companies; destroying documents and
24 altering bank statements, client statements, buyer accounts, and other records; and misappropriating
25 ABF investor funds “to support his lavish lifestyle and to further his ponzi scheme.” As a result of the
26 alleged fraudulent activities of former management, ABF estimated that investors lost about \$8 million.

- 1 f) Misrepresenting or failing to fully disclose the use of investors' funds;
- 2 g) Misrepresenting that Credit Investors, LLCs were limited liability companies or
- 3 failing to disclose that Credit Investors, LLCs were not authorized to do business as
- 4 limited liability companies in Arizona;
- 5 h) Failing to disclose that IRSC, the company responsible for providing
- 6 management services and producing a profit for investors in the Credit Investors, LLCs,
- 7 is not authorized to conduct business as a domestic or foreign corporation in Arizona.
- 8 i) Failing to disclose, after February 24, 2000, that ABF filed a petition for
- 9 bankruptcy protection under Chapter 11 of the United States Bankruptcy Code;
- 10 j) Failing to disclose, after February 2000, the alleged fraudulent conduct of the
- 11 former controlling principal of ABF that resulted in the alleged loss of approximately \$8
- 12 million of investor funds;
- 13 k) Misrepresenting after February 2000 that M&G was using investor funds to
- 14 purchase factoring paper from ABF;
- 15 l) Misrepresenting that all the investors are "accredited," as that term is defined
- 16 under the securities laws; and
- 17 m) Failing to disclose GILL's prior felony conviction for fraud involving
- 18 misrepresentations in soliciting an investment and misuse of investor funds.

19 55. This conduct violates A.R.S. § 44-1991.

20 56. RESPONDENT GILL directly or indirectly controlled M&G within the meaning of
21 A.R.S. § 44-1999. Therefore, RESPONDENT GILL is liable to the same extent as M&G for their
22 violations of A.R.S. § 44-1991.

23 57. RESPONDENT GILL directly or indirectly controlled SFF within the meaning of
24 A.R.S. § 44-1999. Therefore, RESPONDENT GILL is liable to the same extent as SFF for their
25 violations of A.R.S. § 44-1991.

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Director of Securities

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