

1 **FINDINGS OF FACT**

2 **I. RESPONDENTS**

3 1. The Henson Group Inc. ("THG") is a closely-held for-profit California corporation authorized to do
4 business in California on December 30, 1999. THG is not registered as a foreign corporation authorized to
5 do business in the State of Washington. THG describes the business of the corporation as "telemarketing
6 sales." THG is located in California.

7 2. James B. "Jamie" Duncan ("Duncan") is the CEO, CFO, President, and sole director of THG. At all
8 times material to this action, Duncan and THG were solely responsible for offering and selling their
9 securities in Washington State. Duncan resides in California.

10 **II. LICENSING/REGISTRATION BACKGROUND**

11 3. At all times material to this matter, the investment opportunities offered by Duncan and THG were not
12 registered with the Securities Division, and no notification or claim of exemption was on file.

13 4. At all times material to this matter, The Henson Group, Inc. was not registered as a securities broker
14 dealer. THG is not currently licensed as a broker-dealer in Washington State, and does not appear to have
15 ever been so licensed.

16 5. At all times material to this matter, James B. Duncan was not licensed as a securities salesperson in
17 Washington State. Duncan was registered with Chatfield Dean & Co., Inc., from September 1991 through
18 January 1992, and with Olde Discount Corporation (now H & R Block Financial Advisors) from February
19 1992 through October 1995. Duncan was discharged from Olde Discount on October 5, 1995 for allegedly
20 misappropriating corporate funds and engaging in unauthorized trading. While employed with Olde
21 Discount, Duncan was registered in Washington State from May 1994 through November 1995.

1 III. NATURE OF THE VIOLATIONS

2 6. In August 1998, a 25 year-old woman with limited investment experience ("Ms. L"), inherited a
3 portfolio of stock from her grandmother. Ms. L opened an account with Morgan Stanley Dean Witter
4 (MSDW). After experiencing unsatisfactory service, Ms. L tried unsuccessfully to close her account. In
5 October 2000, a friend referred Ms. L to Duncan for assistance in getting the account closed.

6 7. Duncan told Ms. L that he had worked as a broker but that he had gotten out of the business. He said
7 that her broker at MSDW had broken numerous securities laws and that he would assist her in recovering
8 her losses. He also suggested that Ms. L let Duncan and THG invest her remaining assets after she closed
9 the MSDW account. Duncan did not disclose that neither he nor THG were registered, or that Duncan had
10 been terminated from Olde Discount for alleged theft and unauthorized trading.

11 8. On or about December 1, 2000, Duncan assisted Ms. L in getting her account with MSDW closed. In
12 January 2001, Ms. L flew to California to meet with Duncan and talk about his plans for her money.

13 9. Duncan told Ms. L that he would invest her money in a no-risk, high-yield investment fund that would
14 mature in November 2001. The investment opportunity was available by invitation only, and she needed to
15 get him the money as quickly as possible. Duncan did not have any documents concerning the investment
16 opportunity, but promised to send them to her. In January 2001, Ms. L received a check for \$68,439 from
17 MSDW. She endorsed the check payable to Duncan and shipped it to him via Federal Express. Duncan
18 deposited the check to his account on January 3, 2001. Ms. L has never received the promised paperwork.

19 10. In April 2001, Ms. L spoke with Duncan about her investment and the lack of paperwork. Duncan told
20 her that instead of investing in the no-risk, high-yield investment fund as he had promised, he had used her
21 money to purchase stock in a company called Empire Business Solutions, Inc. ("EBS"). According to
22 Duncan, the company was planning to break up into a number of smaller divisions to make the company
23 appear to be a large enterprise. EBS was then going to locate "preferred buyers" to invest in the individual

1 divisions, which would somehow inflate the value of her pre-division shares. EBS would then re-purchase
2 her shares, doubling her investment.

3 11. Duncan did not provide Ms. L with any disclosure documents, transaction confirmations, receipts, or
4 stock certificates evidencing her investment in EBS.

5 12. In December 2001, having received no information concerning her investment, Ms. L spoke with
6 Duncan about the status of her investment. Duncan admitted to her that he had not invested her money with
7 EBS. He has repeatedly refused to return her investment, and in April 2002 advised her that he is not
8 obligated to return her funds.

9
10 Based upon the above Findings of Fact, the following Conclusions of Law are made:

11 **CONCLUSIONS OF LAW**

- 12 1. The offer or sale of investments by Respondents as described above constitutes the offer or sale of
13 securities as defined in RCW 21.20.005(10) and (12).
- 14 2. Respondents have each willfully violated RCW 21.20.140 by offering or selling said securities while no
15 registration for such offer or sale is on file with the Securities Division of the State of Washington.
- 16 3. Respondent James B. Duncan has willfully violated RCW 21.20.040 by offering or selling said
17 securities while not registered as securities salesperson in the state of Washington.
- 18 4. Respondent The Henson Group, Inc. has willfully violated RCW 21.20.040 by offering or selling said
19 securities while not registered as a broker dealer in the state of Washington.
- 20 5. Respondents have each recklessly and knowingly violated RCW 21.20.010 in connection with the offer
21 or sale of securities because the representations made regarding the investment were misleading and made
22 with no reasonable basis in fact. Respondent Duncan also omitted material information in his statements
23 that made his statements misleading.

1 **FINAL ORDER**

2 Based on the foregoing, NOW, THEREFORE, IT IS HEREBY ORDERED, pursuant to RCW
3 21.20.390, that Respondents James B. Duncan and The Henson Group, Inc., their officers, directors,
4 employees, partners, agents, affiliates, subsidiaries, predecessors, and successors, shall each cease and
5 desist from offering and/or selling securities in any manner in violation of RCW 21.20.140, the securities
6 registration provision of the Securities Act of Washington.

7 IT IS FURTHER ORDERED, pursuant to RCW 21.20.390, that Respondents James B. Duncan and
8 The Henson Group, Inc., their officers, directors, employees, partners, agents, affiliates, subsidiaries,
9 predecessors, and successors, shall each cease and desist from violation of RCW 21.20.010, the anti-
10 fraud provision of the Securities Act of Washington.

11 IT IS FURTHER ORDERED, pursuant to RCW 21.20.390, that Respondents James B. Duncan and
12 The Henson Group, Inc., their officers, directors, employees, partners, agents, affiliates, subsidiaries,
13 predecessors, and successors, shall each cease and desist from violation of RCW 21.20.040, the broker-
14 dealer and securities salesperson registration provision of the Securities Act of Washington.

15 IT IS FURTHER ORDERED, pursuant to RCW 21.20.390 and .395, that Respondents James B.
16 Duncan and The Henson Group, Inc. are hereby jointly and severally liable for restitution in the amount of
17 \$68,439 and a fine in the amount of \$5,000, which is due and owing upon entry of this Order. Such payments
18 shall be: (a) made by United States postal money order, certified check, bank cashier's check or bank money
19 order; (b) made payable to the Washington State Treasurer; (c) delivered by certified mail to Deborah R.
20 Bortner, Securities Administrator, Department of Financial Institutions, PO Box 9033, Olympia, Washington
21 98507-9033; and (d) submitted with the attached Remittance Form.

1 **Exemptions Withdrawn**

2 IT IS FURTHER ORDERED, pursuant to RCW 21.20.325, that the exemptions available to
3 Respondents James B. Duncan and The Henson Group, Inc. pursuant to RCW 21.20.320(1), (9), (11), and
4 (17) shall be permanently withdrawn.

5 **AUTHORITY AND PROCEDURE**

6 This Order is entered pursuant to the provisions of RCW 21.20.110, RCW 21.20.390, and RCW
7 21.20.395, and is subject to the provisions of RCW 21.20.120 and Chapter 34.05 RCW. A certified copy
8 of this order filed in Superior Court shall be treated in the same manner as a Superior Court judgment, and
9 may be recorded, enforced, or satisfied in like manner. Accordingly, if filed, Respondent will be liable for
10 costs and interest on the amount of judgment at the interest rate on judicial judgments, and may be liable for
11 attorney fees.

12
13 **WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.**

14
15 ENTERED this 2nd day of December 2003.

16 Order Entered by:

17 

18 Deborah R. Bortner
19 Securities Administrator

20 Approved by:

21 

22 Michael E. Stevenson
23 Chief of Enforcement

Presented by:

24 

25 Anthony W. Carter
Financial Legal Examiner