

STATE OF WASHINGTON
DEPARTMENT OF FINANCIAL INSTITUTIONS
SECURITIES DIVISION

IN THE MATTER OF DETERMINING) S-02-259-03-TO01
whether there has been a violation of the)
Securities Act of Washington by:)
THE HENSON GROUP, INC. and JAMES B.) STATEMENT OF CHARGES AND NOTICE
DUNCAN, individually and as President of) OF INTENT TO ENTER ORDER TO CEASE
The Henson Group, Inc.,) AND DESIST, WITHDRAW EXEMPTIONS,
) IMPOSE FINES, AND ORDER APPROPRIATE
) AFFIRMATIVE ACTION
)
Respondents.) Case #S-02-259

THE STATE OF WASHINGTON TO: The Henson Group, Inc. James B. Duncan
James B. Duncan, President 141 S El Dorado Lane
1700 W Katella Avenue, #200 Anaheim, CA 92807
Orange, CA 92867

STATEMENT OF CHARGES

Please take notice that the Securities Administrator of the State of Washington has reason to believe that Respondents, The Henson Group, Inc. and James B. Duncan, have each violated the Securities Act of Washington by selling unregistered, non-exempt securities and by making material misrepresentations and omissions in the course of those offers and sales. The Securities Administrator believes that these violations justify the entry of an order against each by the Securities Administrator pursuant to RCW 21.20.390 to cease and desist from such violations, and under RCW 21.20.325 withdrawing the availability of certain exemptions. The Securities Administrator finds as follows:

TENTATIVE FINDINGS OF FACT

I. RESPONDENTS

1. The Henson Group Inc. ("THG") is a closely-held for-profit California corporation authorized to do business in California on December 30, 1999. THG is not registered as a foreign corporation authorized to

STATEMENT OF CHARGES AND NOTICE OF INTENT TO ENTER ORDER TO CEASE AND DESIST, WITHDRAW EXEMPTIONS, IMPOSE FINES, AND ORDER APPROPRIATE AFFIRMATIVE ACTION 1

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PO Box 9033
Olympia, WA 98507-9033
360-902-8760

1 do business in the State of Washington. THG describes the business of the corporation as "telemarketing
2 sales." THG is located in California.

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

6 II. LICENSING/REGISTRATION BACKGROUND

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

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

12 5. At all times material to this matter, James B. Duncan was not licensed as a securities salesperson in
13 Washington State. Duncan was registered with Chatfield Dean & Co., Inc., from September 1991 through
14 January, 1992; and with Olde Discount Corporation (now H & R Block Financial Advisors) from February
15 1992 through October 1995. Duncan was discharged from Olde Discount on October 5, 1995 for allegedly
16 misappropriating corporate funds and engaging in unauthorized trading. While employed with Olde
17 Discount, Duncan was registered in Washington State from May 1994 through November 1995.

18 III. NATURE OF THE VIOLATIONS

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

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

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

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

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

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

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

5 13. On February 4, 2002, the Iowa Securities Bureau of issued a Cease and Desist Order against Duncan
6 for selling more than \$250,000 in unregistered securities involving a self-help business.

7
8 Based upon the Tentative Findings of Fact, the following Conclusions of Law are made:

9 **CONCLUSIONS OF LAW**

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

1 **NOTICE OF INTENT TO ORDER THE RESPONDENT TO CEASE AND DESIST**

2 Pursuant to RCW 21.20.390, and based on the above Tentative Findings of Fact and Conclusions of
3 Law, the Securities Administrator intends to order that Respondents James B. Duncan and the Henson
4 Group, Inc., their officers, directors, employees, partners, agents, attorneys, accountants, affiliates,
5 subsidiaries, and successors, shall each permanently cease and desist from violations of RCW 21.20.010,
6 RCW 21.20.040, and RCW 21.20.140.

7
8 **NOTICE OF INTENT TO IMPOSE FINES**

9 Pursuant to RCW 21.20.395, based upon Respondent Duncan's knowing and reckless violation of RCW
10 21.20.010 by failing to disclose his lack of registration and prior termination for theft, and upon the
11 Tentative Findings of Fact and Conclusions of Law, the Securities Administrator intends to order that James
12 B. Duncan and The Henson Group, Inc., shall be jointly and severally liable for and pay a fine of \$5,000.

13
14 **NOTICE OF INTENT TO ORDER APPROPRIATE AFFIRMATIVE ACTION**

15 Pursuant to RCW 21.20.390, and based upon the Tentative Findings of Fact and Conclusions of Law, the
16 Securities Administrator intends to order that Respondents shall be jointly and severally liable for and shall
17 provide appropriate affirmative action, including, without limitation, providing full restitution to all
18 Washington investors.

19
20 **NOTICE OF INTENT TO WITHDRAW EXEMPTIONS**

21 Pursuant to RCW 21.20.325, and based upon the Tentative Findings of Fact and Conclusions of Law, the
22 Securities Administrator intends to order that the exemptions available to Respondents under RCW
23 21.20.320(1), (9), (11), and (17) shall be permanently withdrawn.

1 **AUTHORITY AND PROCEDURE**

2 This Statement of Charges is entered pursuant to the provisions of RCW 21.20.390 and RCW
3 21.20.325, and is subject to the provisions of RCW 34.05. Respondents may make a written request for a
4 hearing as set forth in the Notice of Opportunity to Defend and Opportunity for Hearing accompanying this
5 Statement of Charges. If any Respondent does not request a hearing, as to that Respondent, the Securities
6 Administrator intends to adopt the above Tentative Findings of Fact and Conclusions of Law as final, and
7 enter a final cease and desist order against that Respondent imposing fines, ordering affirmative action, and
8 withdrawing exemptions as described above.


9
10 Dated this 5 day of August, 2003

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12 Order Entered by:

13 

14 DEBORAH R. BORTNER
15 Securities Administrator

16 Approved by:

17 

18 Michael E. Stevenson
19 Chief of Enforcement

20 Presented by:

21 

22 Anthony W. Carter
23 Financial Legal Examiner