

STATE OF INDIANA
OFFICE OF THE SECRETARY OF STATE
SECURITIES DIVISION

FILED
FEB 02 2010

IN THE MATTER OF:)
)
ARVINA JOYCE CARLSON d/b/a STATE BONDING) Cause No. 09-0261 SC
d/b/a STATE BONDING CALIFORNIA)
)
Respondent.)

ORDER TO SHOW CAUSE

The Office of the Secretary of State, Securities Division, filed an Administrative Complaint against Respondent, Arvina Joyce Carlson d/b/a State Bonding d/b/a State Bonding California, alleging violations of the Indiana Securities Act, Ind. Code 23-2-1, and the Indiana Uniform Securities Act, Ind. Code 23-19-1 (collectively known as “the Act”).

Pursuant to I.C. 23-19-6-4(a), the Securities Commissioner (“Commissioner”) may enter an order to show cause without a prior hearing when in the public interest.

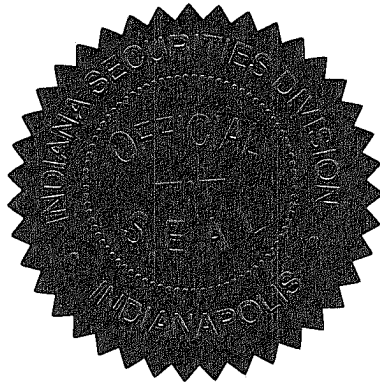
After reviewing the Administrative Complaint and being duly advised, the Commissioner finds that grounds exist under the Act to order Respondents to show cause as to why they should not be barred permanently from the securities industry in Indiana, why an administrative penalty should not be levied against them, and why an order of rescission, restitution or disgorgement should not be entered against Respondent. The Commissioner finds this order is in the public interest.

The Commissioner therefore ORDERS the Respondent to file a written answer or other response to the Administrative Complaint within fifteen (15) days of receipt of this Order AND to appear at a hearing on MARCH 2nd, 2010 at 9:00 A.M. in

the conference room of the Securities Division, located in room E-111 of the Indiana Government Center South, 302 West Washington Street, Indianapolis, Indiana 46204.

If Respondent requests an earlier hearing in writing, a hearing will be set within fifteen (15) days after receipt of a request in writing from the person. The Commissioner is seeking a civil penalty and costs of the investigation against the Respondent.

ORDERED at Indianapolis, Indiana, this 2ND day of FEBRUARY, 2010.



TODD ROKITA
SECRETARY OF STATE

A handwritten signature in black ink, appearing to read "CNaylor", written over the printed name of the Commissioner.

CHRIS NAYLOR
SECURITIES COMMISSIONER

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ADMINISTRATIVE COMPLAINT

Statement

The Staff of the Indiana Secretary of State, Securities Division (“Staff”), files this Administrative Complaint to commence an adjudicative proceeding against Respondent for violating the Indiana Securities Act, I.C. 23-2-1, and the Indiana Uniform Securities Act, I.C. 23-19-1, (collectively known as “the Act”).

Jurisdiction and Authority

1. The Securities Division (“Division”) is a division of the Office of the Secretary of State with jurisdiction over matters relating to securities, as provided by the Securities Act. The Securities Act authorizes the Division to regulate: 1) the offer and/or sale of securities; 2) those individuals offering and/or selling securities; and 3) prohibits fraud in connection with the offer and/or sale of securities.
2. The Division brings this action pursuant to the enforcement authority conferred upon it by I.C. 23-2-1-15 (2007) and 710 IAC 1-19, or I.C. 23-19-6. The Division has the authority to conduct an adjudicative proceeding to enforce the provisions of the Act and all Rules promulgated thereunder.

Respondent

3. Arvina Joyce Carlson (“Joyce”) is an Indiana citizen and can be served at 3227 W 48th Street, Indianapolis, IN 46222.

Facts

4. Anthony Trae Carlson (“Trae”) is the son of Richard and Joyce Carlson. Richard Carlson passed away in March of 2009. Before Richard Carlson (“Richard”) died, Joyce and Richard were husband and wife and resided in Indianapolis, Indiana. Trae resides in California.
5. State Bonding is a bail bonds business owned by Richard and Joyce Carlson as a partnership. State Bonding’s office is located at 22 N Delaware Street, Indianapolis, Indiana.
6. Joyce has been licensed as a bail agent through the Indiana Department of Insurance.
7. State Bonding California (“SBC”) is a “d/b/a” used by Joyce and Trae.
8. According to a letter dated 8/31/04 from Joyce to Jeffrey Eisen of Los Angeles, CA, Joyce is the owner, president and managing partner of SBC. This letter was on State Bonding letterhead which indicates the address is 22 N Delaware Street, Indianapolis, Indiana.
9. In 2005, Trae approached Garrison Leigh and Alex Venneri with an investment opportunity in SBC.
10. Trae told Garrison Leigh and Alex Venneri that his family owned a large insurance business based in Indianapolis, Indiana called State Bonding which did business in 44 states and produced over \$1 billion in revenue. Trae also said State Bonding had an affiliate known as State Bonding California.

11. On 12/31/04 the Lili Haydn Living Trust dated March 1, 2002, sold the Venneri Family Trust dated June 11, 2002, 1.625% of the total membership interest of SBC for \$100,000. This transaction was memorialized by an "Agreement for Sale and Transfer of Membership Interest in State Bonding California." This Agreement was signed by Lili Haydn and Alex Venneri. This Agreement was also consented to by the managers of SBC: Richard, Joyce, and Trae as evident by their signatures to the portion of this Agreement entitled, "Consent of Managers."
12. On 1/17/05 Trae sent Alex Venneri a letter on State Bonding's letterhead. The letterhead indicates State Bonding's address is 22 N Delaware Street, Indianapolis. This letter enclosed 2 checks written on a SBC account at United California Bank. The first check was dated 5/15/03 for \$2,325,567 made payable to Trae and signed by Joyce. The second check was dated 6/21/04 for \$2,234,595 made payable to Trae and signed by Joyce.
13. On 2/1/05, Trae sold Garrison and Patrice Leigh 1% of the total membership interest of SBC for \$320,000. This transaction was memorialized by an "Agreement for Sale and Transfer of Membership Interest in State Bonding California." This Agreement was signed by Trae and Garrison and Patrice Leigh. This Agreement was also consented to by the managers of SBC: Richard, Joyce, and Trae as evident by their signatures to the portion of this Agreement entitled, "Consent of Managers."
14. On 2/1/05, Trae sold Oscar and Carmen Crespo .25% of the total membership interest of SBC for \$80,000. This transaction was memorialized by an "Agreement for Sale and Transfer of Membership Interest in State Bonding California." This Agreement was signed by Trae and Oscar and Carmen Crespo. This Agreement was also consented to by

the managers of SBC: Richard, Joyce, and Trae as evident by their signatures to the portion of this Agreement entitled, "Consent of Managers."

15. On 2/4/05, the Venneri Family Trust entered into a "Guaranty" with Trae to purchase 1.25% of the outstanding interest in SBC for \$400,000. This Guaranty was signed by Trae and Alex and Rosa Venneri.
16. On 2/5/05, Garrison and Patrice Leigh entered into a "Guaranty" with Trae to purchase 1% of the outstanding membership interest in SBC for \$320,000. This Guaranty is signed by Garrison and Patrice Leigh and Trae.
17. Following Garrison and Patrice Leigh's purchase of an interest in SBC, Joyce welcomed Garrison Leigh to SBC while at a charity event in Hollywood, CA.
18. On 3/1/05, Trae sold the Venneri Family Trust 1.25% of the total membership interest of SBC for \$200,000. This transaction was memorialized by an "Agreement for Sale and Transfer of Membership Interest in State Bonding California." This Agreement was signed by Trae and Alex Venneri. This Agreement was also consented to by the managers of SBC: Richard, Joyce, and Trae as evident by their signatures to the portion of this Agreement entitled, "Consent of Managers."
19. On 8/23/05, the Venneri Family Trust entered into a "Guaranty" with Richard and Joyce to purchase .75% of the outstanding membership interest in SBC for \$255,000. This Guaranty is signed by Alex Venneri, Joyce on behalf of Richard, and Joyce. This Guaranty is notarized by Virginia Carson, as to Joyce's signature only.
20. On 8/23/05, Oscar and Carmen Crespo entered into a "Guaranty" with Richard and Joyce to purchase .25% of the outstanding membership interest in SBC for \$85,000. This Guaranty was signed by Joyce on behalf of Richard, by Joyce, Trae, and Oscar and

Carmen Crespo. This Guaranty was notarized by Virginia Carson, as to Joyce's signature only.

21. On 8/23/05, Union Global Corporation sold Creative Management Services (which is owned by Garrison and Patrice Leigh) 2% of the total membership interest of SBC for \$340,000. This transaction was memorialized by an "Agreement for Sale and Transfer of Membership Interest in State Bonding California." This Agreement was signed by Martin Sheere on behalf of Union Global Corporation and Garrison Leigh. This Agreement was also consented to by the managers of SBC: Richard, Joyce, and Trae as evident by their signatures to the portion of this Agreement entitled, "Consent of Managers."
22. On 8/23/05, Union Global Corporation sold the Venneri Family Trust dated June 11, 2002, 2.375% of the total membership interest of SBC for \$255,000. This transaction was memorialized by an "Agreement for Sale and Transfer of Membership Interest in State Bonding California." This Agreement was signed by Martin Sheere on behalf of Union Global Corporation and Alex Venneri. This Agreement was also consented to by the managers of SBC: Richard, Joyce, and Trae as evident by their signatures to the portion of this Agreement entitled, "Consent of Managers."
23. On 8/23/05, Union Global Corporation sold Oscar and Carmen Crespo .5% of the total membership interest of SBC for \$85,000. This transaction was memorialized by an "Agreement for Sale and Transfer of Membership Interest in State Bonding California." This Agreement was signed by Martin Sheere on behalf of Union Global Corporation and Oscar and Carmen Crespo. This Agreement was also consented to by the managers of

SBC: Richard, Joyce, and Trae as evident by their signatures to the portion of this Agreement entitled, "Consent of Managers."

24. On 11/1/05, Garrison and Patrice Leigh entered into a "Guaranty" with Richard, Joyce, and Trae to purchase 1% of the outstanding membership interest in SBC from Union Global for \$340,000. This Guaranty was signed by Joyce on behalf of Richard, by Joyce, and by Trae. This Guaranty was notarized by Virginia Carson, as to Joyce's signature only.
25. In 2006, an "Operating Agreement for State Bonding California" was executed by Richard, Joyce, Trae and Garrison and Patrice Leigh. Section 1.1 of this Agreement states in part, "The Members have heretofore formed a Company ("the Company") known as State Bonding California pursuant to the provisions of the California Limited Liability Company Act..."
26. There is no limited liability company created in California by the name of State Bonding California.
27. On 10/2/06 Union Global Corporation sold Creative Management Services (which is owned by Garrison and Patrice Leigh) 7% of the total membership interest of SBC for \$1,700,000. This transaction was memorialized by an "Agreement for Sale and Transfer of Membership Interest in State Bonding California." This Agreement was signed by Martin Sheere on behalf of Union Global Corporation and Garrison Leigh. This Agreement was also consented to by the managers of SBC: Richard, Joyce, and Trae as evident by their signatures to the portion of this Agreement entitled, "Consent of Managers."

28. All transactional documents for investments in SBC executed between SBC, Joyce, Trae, and Alex and Rosa Venneri were done as such: 1) Alex and Rosa Venneri would sign at their home in California, 2) Then send the document to Trae's home in Los Angeles, CA, for Trae's signature, 3) Trae would send the document to Joyce and Richard in Indianapolis for their signature, 4) Joyce and Richard would then send the fully executed document from Indianapolis to Alex and Rosa Venneri in California.
29. All transactional documents for investments in SBC executed between SBC, Joyce, Trae, and Oscar and Carmen Crespo were done as such: 1) Oscar and Carmen Crespo would sign at their home in California, 2) Trae would then sign the documents, 3) Trae would send the document to Joyce and Richard in Indianapolis for their signature, 4) Joyce and Richard would then send the fully executed document from Indianapolis to Oscar and Carmen Crespo in California via overnight delivery service.
30. On 6/19/08 Joyce sent a letter to SBC Members on State Bonding's letterhead which indicates the address is 22 N Delaware Street, Indianapolis, Indiana. This letter asks that all members sign a confidentiality agreement.
31. On 7/14/08 Joyce sent a letter to SBC Members on State Bonding's letterhead which indicates the address is 22 N Delaware Street, Indianapolis, Indiana. This letter states SBC was in the process of acquiring all information to submit a proposal for an involuntary buyout and was appraising all real estate at the request of the Department of Insurance.
32. On 7/25/08 Joyce sent a letter to SBC Members on State Bonding's letterhead which indicates the address is 22 N Delaware Street, Indianapolis, Indiana. This letter states the members accountings will go out in the mail soon.

33. On 8/19/08 Joyce sent a letter to SBC Members on State Bonding's letterhead which indicates the address is 22 N Delaware Street, Indianapolis, Indiana. This letter states they have not received a response from the Department of Insurance and the buyout is taking longer than expected.
34. On 9/5/08 Joyce sent a letter to SBC Members on State Bonding's letterhead which indicates the address is 22 N Delaware Street, Indianapolis, Indiana. This letter states that the Department of Insurance needs to meet with SBC representatives to discuss the buyout.
35. On 9/16/08 Joyce sent a letter to SBC Members on State Bonding's letterhead which indicates the address is 22 N Delaware Street, Indianapolis, Indiana. This letter states they have completed their meetings with the Department of Insurance where the Department offered a compromise and SBC accepted. SBC would then forward the approved offer to the California Department of Insurance for final approval.
36. The Indiana Department of Insurance and the California Department of Insurance never had a buyout proceeding with SBC.
37. Garrison Leigh received the 6 letters sent by Joyce in the Summer of 2008 via fax and mail. One of the letters prompted Garrison Leigh to call Joyce. In this telephone call Joyce told Garrison Leigh that she could not own more than 15% of SBC due to department of insurance regulations and that is why Joyce and Trae were selling investments in SBC. Joyce also told Garrison Leigh that the investors would get paid their share when a piece of real estate owned by SBC in Montecito, CA, was sold.
38. Alex Venneri received the 6 letters sent by Joyce in the Summer of 2008 via fax, mail and overnight delivery service.

39. Oscar Crespo received the 6 letters sent by Joyce in the Summer of 2008 via mail.
40. Garrison and Patrice Leigh invested \$875,000 in SBC. Garrison and Patrice Leigh made the following payments to SBC as an investment:
 - a. On 2/4/05 Creative Management Services Corporation (which is owned by Garrison and Patrice Leigh) made a check payable to SBC for \$320,000. The check was deposited at City National Bank.
 - b. On 8/23/05 Garrison Leigh made an Official Check from CitiBank payable to Trae for \$80,000. This Official Check was deposited into SBC's account at City National Bank.
 - c. On 9/6/05, Creative Management Services Corporation made a check payable to SBC for \$260,000. This check was deposited into SBC's account at City National Bank.
 - d. On 9/6/05 Garrison Leigh made a check payable to SBC for \$90,000. This check was deposited into SBC's account at City National Bank.
 - e. On 10/30/06 Garrison Leigh made a check payable to SBC for \$30,000. The check was deposited at City National Bank into SBC's account.
 - f. On 10/30/06 Creative Management Services Corporation made a check payable to SBC for \$95,000. The check was deposited at City National Bank into State Bonding's account.
41. Alex and Rosa Venneri invested \$365,000 in SBC. Alex and Rosa Venneri made the following payments to SBC as an investment:
 - a. On 2/4/05 Alex and Rosa Venneri made a check payable to State Bonding for \$100,000. This check was deposited at City National Bank.

- b. On 6/9/05 the Venneri Family Trust made a check payable to the Lili Hayden Living Trust for \$50,000. The memo line of this check states, "SBC Membership."
 - c. On 6/9/05 Alex and Rosa Venneri made a check payable to State Bonding for \$50,000. The memo line of this check states, "SBC Membership." This check was deposited into an account at City National Bank.
 - d. On 9/6/05 Alex and Rosa Venneri made a check payable to State Bonding for \$165,000. The memo line of this check states, "Investment." This check was deposited into State Bonding's account at City National Bank.
42. Oscar and Carmen Crespo invested \$165,000 in SBC. Oscar and Carmen Crespo made the following payments to SBC as an investment:
- a. On 1/31/05 Mark and Maria Gutierrez made a check payable to SBC for \$80,000. The memo line states, "Repay loan for Oscar Crespo." Mark and Maria Gutierrez owed Oscar Crespo \$80,000 from a loan that was given to them. As such, Oscar Crespo had his borrowers write SBC a check for his investment. This check was deposited into an account at City National Bank.
 - b. On 9/6/05 Oscar and Carmen Crespo made a check payable to SBC for \$85,000. This check was deposited into State Bonding's account at City National Bank.
43. Neither Alex and Rosa Venneri, Garrison and Patrice Leigh, nor Oscar and Carmen Crespo ("the Investors") have any background in the bail bonds or insurance business.
44. None of the Investors were to have any involvement in SBC or State Bonding, other than provide their investment funds.

45. The Guarantys and Agreement for Sale and Transfer of Membership Interest in State Bonding California executed by the Investors promised a return on their investment in SBC.
46. The funds invested by the Investors were to be used for the benefit of SBC. Instead, the investment funds were used for the personal benefit of Trae.
47. Since 2002, State Bonding (located at 22 N Delaware, Indianapolis) has provided SBC funds. The State Bonding checks were written on a Union Federal Bank account owned by State Bonding and signed by Joyce. These checks were then endorsed by Trae and deposited into an account at Bank of the West.
48. On 3/15/01 the Indiana Department of Insurance began a disciplinary matter against Joyce by filing a Statement of Charges, IDOI-BB01-002. This Statement of Charges alleges that Joyce committed conversion and she failed to properly disclose a debt owed to an insurance company.
49. On 11/1/01 a Final Order and Approval was entered in Joyce's disciplinary matter before the Indiana Department of Insurance, IDOI-BB01-002.
50. Joyce's disciplinary matter, IDOI-BB01-002, was not disclosed to the Investors.
51. Neither Richard, Trae or Joyce Carlson disclosed to the Investors that the interests being sold in SBC were not licensed with the Indiana Securities Division or the Securities and Exchange Commission.
52. Neither Richard, Trae or Joyce Carlson disclosed to the Investors that they were not licensed to sell securities with the Indiana Securities Division or the Securities and Exchange Commission.

Count 1-Offer and Sale of Unregistered Securities

53. This section incorporates by reference all preceding sections and paragraphs.
54. “It is unlawful for any person to offer or sell any security in Indiana unless: (1) it is registered under this chapter; (2) the security or transaction is exempted under section 2 [] of this chapter; or (3) it is a federal covered security.” I.C. 23-2-1-3 (2007).
55. “‘Security’ means a . . . stock, certificate of interest or participation in a profit-sharing agreement, . . . investment contract, . . . or, in general, an interest or instrument commonly known as a “security”, or a certificate of interest or participation in, temporary or interim certificate for, receipt for, guarantee of, or warrant, option, or right to subscribe to or purchase, any of the foregoing.” I.C. 23-2-1-1(k) (2007).
56. Four elements are required for an “investment contract”: (1) an investment, (2) in a common venture, (3) premised upon a reasonable expectation of profits, and (4) to be derived from the entrepreneurial or managerial efforts of others. *Securities and Exchange Commission v. W.J. Howey Co.*, 328 U.S. 293, 300 (1946).
57. The Guarantys and Agreement for Sale and Transfer of Membership Interest in State Bonding California executed between SBC, Trae, Joyce and the Investors are securities.
58. A check of the records maintained by the Securities Division confirmed no registration, granted exemption, or notice filing indicating status as a “federal covered security” for the securities offered by Joyce, SBC or State Bonding.
59. Joyce offered and sold unregistered securities, in violation of I.C. 23-2-1-3 (2007).

Count 2-Offer by Unregistered Agent

60. This section incorporates by reference all preceding sections and paragraphs.
61. “It is unlawful for a person to transact business in Indiana as . . . [an] agent unless the

person is registered under this chapter.” I.C. 23-2-1-8 (2007).

62. “‘Agent’ means an individual . . . who represents . . . [an] issuer in effecting or attempting to effect purchases or sales of securities. A partner, officer, or director of . . . [an] issuer or a person occupying a similar status or performing similar functions is an agent only if the person effects or attempts to effect a purchase or sale of securities in Indiana.” I.C. 23-2-1-1(b) (2007).
63. “‘Issuer’ means a person who issues or proposes to issue a security.” I.C. 23-2-1-1(f) (2007).
64. Joyce executed the Guarantys and Agreements for Sale and Transfer of Membership Interest in State Bonding California executed between SBC, Joyce, Trae and the Investors. Joyce effected these transactions meaning she acted as the agent and the issuer.
65. Joyce was not registered in the State of Indiana to offer or sell securities.
66. Joyce violated I.C. 23-2-1-8 (2007) by offering and selling securities as an unregistered agent.

Count 3-Fraudulent or Deceitful Acts

67. This section incorporates by reference all preceding sections and paragraphs.
68. “It is unlawful for any person in connection with the offer, sale or purchase of any security, either directly or indirectly, (1) To employ any device, scheme or artifice to defraud, or (2) To make any untrue statements of a material fact or to omit to state a material fact necessary in order to make the statements made in the light of circumstances under which they are made, not misleading, or (3) To engage in any act, practice or course of business which operates or would operate as a fraud or deceit upon any

person.” I.C. 23-2-1-12 (2007) and I.C. 23-19-5-1 (2008).

69. Joyce executed the Operating Agreement with Garrison and Patrice Leigh indicating that SBC was a limited liability company created in California. Joyce then sold Garrison and Patrice Leigh an investment in SBC. The fact that SBC was not a limited liability company created in California was a material fact that should have been disclosed by Joyce, and her failure to disclose this material fact is in violation of I.C. 23-2-1-12 (2007).
70. Joyce violated I.C. 23-2-1-12 (2007) and I.C. 23-19-5-1 (2008) by making untrue statements of a material fact in order to make the statements made in the light of circumstances under which they are made, not misleading by sending the Investors 6 letters regarding the status of the buyout with the Department of Insurance, when no such buyout existed.
71. Joyce’s disciplinary matter before the Indiana Department of Insurance, IDOI-BB01-002, was a material fact that should have been disclosed to the Investors. Joyce’s failure to disclose this material fact violates I.C. 23-2-1-12.
72. It is a material fact that the Guarantys and Agreements for Sale and Transfer of Membership Interest in State Bonding California that were sold to the Investors were not registered with the Indiana Securities Division or the Securities and Exchange Commission. Joyce’s failure to disclose this material fact violates I.C. 23-2-1-12.

Relief Requested

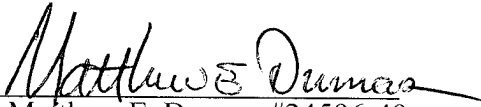
The Division requests that the Commissioner take the following actions:

- a) Find as fact the allegations set forth in this Administrative Complaint;

- b) Impose a civil penalty in an amount not to exceed \$10,000 for each violation of the Act committed by Respondent;
- c) Permanently bar Respondent from the securities industry in Indiana;
- d) Order Respondent to pay the costs of the investigation of this matter;
- e) Restitution for anyone damaged by the Respondent;
- f) Find that all the sanctions and remedies requested are in the public interest and necessary for the protection of Indiana investors and borrowers; and,
- g) All other proper relief.

Respectfully submitted,

INDIANA SECRETARY OF STATE
SECURITIES DIVISION



Matthew E. Dumas, #24596-49

Enforcement Attorney

302 W Washington Street, Room E-111

Indianapolis, IN 46204

317.232.6686 (Phone)

317.233.3675 (Fax)

medumas@sos.in.gov