Division of Securities
Utah Department of Commerce
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**BEFORE THE DIVISION OF SECURITIES
OF THE DEPARTMENT OF COMMERCE
OF THE STATE OF UTAH**

IN THE MATTER OF: **ABBC MANAGEMENT GROUP, INC., ADRIANNE CANATA,** **Respondents.**	**NOTICE OF ENTRY OF DEFAULT AND ORDER** **Docket No. SD 10-0050** **Docket No. SD 10–0051**

I. BACKGROUND

A formal adjudicative proceeding was initiated by the Division's Order to Show Cause (OSC) and Notice of Agency Action (Notice) dated July 20, 2010, against ABBC Management Group, Inc. and Adrianne Canata, advising them to file an answer or appear at a hearing set for September 7, 2010 or default would be entered against them. The OSC and Notice were served by certified mail, a hearing was convened on that day, but they failed to appear, communicate with the Division and no response was received or filed by either Respondent.

II. FINDINGS OF FACT

THE RESPONDENTS

1. ABBC Management Group, Inc. (ABBC) is a Utah corporation, formed on March 22, 2006. Adrianne Canata is listed as the officer, director, and registered agent for ABBC. ABBC's status as a business entity is expired. ABBC has never been licensed as a broker-dealer, agent, investment advisor, or investment advisor representative in Utah.

2. Adrianne Canata (Canata) was, at all relevant times, a resident of the State of Utah. Canata has never been licensed as a broker-dealer, agent, investment advisor, or investment advisor representative in Utah.

GENERAL ALLEGATIONS

3. From approximately October 2007 to October 2008, Respondents offered and sold securities to three investors, in or from Utah, and collected a total of $75,000.[1]

4. Canata made material misrepresentations and omissions in connection with the offer and sale of securities to the investors below.

5. The investors lost $75,000 in principal.

INVESTOR DN

6. In or about June 2007, DN met Canata through a friend. Between that initial meeting and October 26, 2007, DN and his wife, KN, again met with Canata and the friend on a couple of occasions to discuss an investment opportunity with Canata. One meeting

[1]According to Canata, she raised about $640,000 from about fifteen investors between about October 2007 and February 2009.

occurred in Spanish Fork Canyon, Utah, and the other in South Jordan, Utah.

7. During the conversations, Canata made the following representations:

a. There were certain investment "spots" or investment opportunities available with her;

b. Each spot was required a $15,000 investment and would earn a $4,000 per month profit;

c. DN's friend, who was at the meeting, was earning $15,000 per month on his investment;

d. Investors could only enter a "spot" once one opened from another investor withdrawing;

e. Investment funds were given to an individual named Virginia Burr (Burr),[2] who Canata said, was her boss and the person who set up the investment;

f. The investment funds would be pooled for property purchases;

g. Investors made money once the properties were flipped for a profit;

h. Investments were secured by the real estate purchased with the pooled funds;

i. Real estate purchased would have a 50% loan-to-value or lower; and

j. Burr would have contracts for the properties and would be the person on the title

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[2]On June 23, 2010, Burr pled guilty to two counts of third degree felony charges of securities fraud in *State of Utah v. Virginia Raye Burr*, Case No. 101400662, Fourth District Court of Utah (2010).

of the properties.

8. DN asked Canata about documentation on the investment, but Canata said there was none since everything was done in Burr's name.

9. Canata wanted DN to invest between $30,000 to $45,000, but DN declined to invest more than $15,000 because he could not afford to lose more than that amount;.

10. DN also said he did not want to put money into anything risky and that the investment needed to be guaranteed;.

11. In response, Canata made the following representations:

    a. She guaranteed to pay back the entire amount of the investment to DN if something went wrong with it;

    b. She had $90,000 in her bank account;

    c. DN's friend was earning $15,000 per month, which could be used to cover the funds;

    d. The real estate added protection because it could be sold to cover the investment;

    e. DN would be paid interest every thirty days;

    f. None of the other previous investors had ever missed interest payments;

    g. DN would have $15,000 in interest back in about four months;

    h. DN could request funds back at any time and those funds would be returned when the monthly interest was paid;

i. The investment funds would only be used to provide to Burr for real estate deals; and

j. The investment was tax free because Burr paid investors "under the table."

12. Based on Canata's representations, DN decided to invest $15,000.

13. On or about October 26, 2007, DN gave Canata a $15,000 personal check, made payable to Canata. The $15,000 was deposited into Canata's University Federal Credit Union (UFCU) account as part of a $25,000 deposit, bringing the balance to $56,054.87.

14. Over about the next ninety days, Canata hand-delivered two $4,000 checks to DN.

15. Canata asked DN if he would invest additional funds, but DN declined.

16. According to a source and use analysis of Canata's credit union records, the $15,000 investment funds were distributed in the following manner:

a. $10,313.92 paid to Burr;

b. $1,000 transferred to ABBC's own UFCU account;

c. $823.40 paid towards Canata's mortgage;

d. $2,000 withdrawn in cash;

e. $1,548.21 paid towards Canata's personal expenses;

f. $2,000 paid to another investor;

g. $500 paid to another individual; and

h. $6,814.47 cashed as a draft.

17. To date, Canata still owes DN $8,000 in principal.

INVESTORS EG AND SO (MOTHER AND SON)

18. In or abut December 2007, a real estate agent introduced SO to Canata to discuss an investment opportunity. SO was helping his mother, EG, invest $50,000 from her self-directed IRA.

19. SO met with Canata and had several telephone conversations with her regarding the investment opportunity. All conversations occurred in Utah County, Utah.

20. During the conversations, Canata made the following representations about the investment opportunity:

    a. Investment funds would be pooled and used by a group of attorneys to buy and sell foreclosed properties every month;

    b. Attorneys paid interest monthly to investors from profits earned by selling the properties;

    c. Buyers for the properties would be found before the properties were purchased so the investment a "no-brainer";

    d. "Spots" in the investment were available in increments of $10,000;

    e. In return for EG's $50,000, the investment would pay EG $5,000 in profit per month;

    f. Canata needed a thirty-day notice to get the investment principal returned to SO

and EG;

g. Canata had invested and been receiving interest payments monthly from the attorneys for about ten months;

h. Other investors, including Canata's close friends and relatives, had been paid and were happy with the investment; and

i. Pooled investments in the project totaled $1 million.

21. SO asked Canata for the names of the attorneys, but Canata said SO would not need Canata if she told him who they were.

22. SO asked about investment documentation, but Canata said the investment was usually just a "handshake deal." Canata agreed to give a promissory note, however.

23. Based on Canata's representations, SO invested EG's $50,000 IRA funds with Canata.

24. On December 20, 2007, SO gave the real estate agent a $50,000 cashier's check made payable to Canata. The check was drawn from an America First Credit Union in Orem, UT.

25. On or about January 23, 2008, Canata sent a document entitled *Cash Loan Promissory Note* by e-mail to the real estate agent, who then forwarded the document to SO. The note states Canata would "hereby agree to offer and (*sic*) underlying guarantee of repayment for the above promissory note." SO never received a signed copy of the note from Canata.

26. On or about the end of February 2008, Canata made a $5,000 interest payment to EG. This was the only payment EG ever received from Canata.

27. On or about December 20, 2007, Canata deposited the $50,000 into her UFCU account, less $1,000 in cash, bringing the account balance to $51,174.37. A source and use analysis of the credit union records shows that the $50,000 was used in the following manner:

a. $18,097.44 paid to a company called ROI Development;

b. $2,000 transferred to ABBC;

c. $7,000 paid to an investor and his company;

d. $2,500 paid to a separate investor of ABBC;

e. $2,176.53 paid towards Canata's mortgage;

f. $11,760 cashed in withdrawals and drafts;

g. $841.55 paid for "loan servicing;";

h. $100 paid towards unknown expenses;

i. $656.07 paid towards Canata's credit cards balances;

j. $1,300 donated to A-train for Youth; and

k. $2,568.41 paid towards Canata's personal expenses.

28. Canata still owes EG $45.000 in principal.

INVESTOR JH

29. In or about mid-October 2008, JH learned about an investment opportunity with Canata from a friend.

30. The friend had shown interest in investing with Canata earlier and had several conversations with her. Based on these conversations, the friend told JH the following:

a. Canata was looking for individuals to invest between $10,000 and $25,000 for a 20% profit;

b. Canata placed the money with "private investors" who were car lot owners or boat salesmen with deals in place, but needed funds to complete the deals;

c. Canata placed the funds with builders who needed cash to close on estate deals; and

d. The investment was short term and low risk since purchasers were already in place.

31. After hearing these representations about Canata, JH told the friend that he wanted to meet Canata.

32. On or about October 30, 2008, JH and his friend met with Canata in Utah County, Utah. JH brought a $10,000 cashier's check with him to the meeting in case he decided to invest with Canata.

33. During the meeting, Canata made the following representations:

a. Canata was looking for people to invest a minimum of $10,000, which Canata

would use for short-term hard money loans to "private investors' and "professional business people";

b. The private investors did not want to be known, so Canata did not disclose who they were;

c. Canata and Burr were business partners;

d. Burr worked for some attorneys who drafted contracts with the private investors;

e. Canata needed JH's funds for about two or three weeks, at which time JH would receive his principal plus a 20% profit;

f. JH could roll over his investment at the end of each investment term;

g. JH's investment was "no risk" because JH's funds were earmarked for a specific private investor deal, but Canata did not provide information about the specific deal;

h. JH's investment funds would only be used for this specific private investor deal;

i. Canata and Burr had been offering the "safe" investments to people for years; and

j. Canata had others lined up to invest with her if JH declined to invest.

34. Based on Canata's representations, JH invested $10,000 in Canata.

35. On October 29, 2008, JH met with Canata in Utah County, Utah and gave her a $10,000 cashiers check made payable to ABBC.

36. In exchange for the investment funds, Canata gave JH a $10,000 promissory note, which

Canata and JH signed during the meeting. Canata did not provide disclosure documents.

37. On or about October 30, 2008, JH's $10,000 investment funds were deposited into ABBC's UFCU account bringing the account balance to $11,698.56. A source and use analysis of the credit union records shows that the $10,000 was used in the following manner:

a. $7,864.94 paid to Burr;

b. $2,000 transferred into another ABBC UFCU account, which was used in the following manner:

i. $791.88 paid towards Canata's mortgage premiums;

ii. $545 in cash withdrawals;

iii. $50 transferred back to the first ABBC UFCU account;

iv. $2 paid in bank fees; and

v. $611.12 paid toward personal expenses.

c. $7 paid in bank fees; and

d. $128.06 paid toward personal expenses.

38. In January 2009, JH met Canata in Park City, Utah and received a $4,000 interest check. JH has not received any other payments to date.

III. CONCLUSIONS OF LAW

39. The service of the OSC and the Notice initiating these proceedings is valid upon

Respondents.

40. Despite notice, Canata failed to file a response or otherwise appear.

41. Because she failed to file a written response to the OSC dated July 20, 2010 within 30 days she is in default.

42. The stock offered and sold by Respondents is a security under § 61-1-13 of the Act.

43. In connection with the offer and sale of securities, Canata, directly or indirectly, made false statements, including, but not limited to, the following:

In connection with the offer and sale of securities to the investor, Respondents, directly or indirectly, made false statements, including, but not limited to, the following:

a. To DN:

i. That Canata guaranteed she would pay back DN if something went wrong with the investment, when in fact, Canata had no reasonable basis on which to make this representation, since Canata did not offer any form of collateral to DN;

ii. That Canata had $90,000 in her bank account to back DN's investment, when in fact, Canata only had $90,000 or more in her account for a period of four days between June and October 26, 2007.

b. To EG and SO:

i. That EG's investment funds would be used by a group of attorneys to buy

and sell foreclosed properties every month, when in fact, much of her funds went to other investors, mortgage payments, personal expenses, and cash withdrawals.

c. To JH:

i. That JH's investment was "no risk" because JH's funds were earmarked for a specific private investor deal, when in fact, Canata had no reasonable basis on which to make this representation, since Canata did not offer any form of collateral to JH;

ii. That Canata and Burr had been offering "safe" investments to people for years, when in fact, Canata had no reasonable basis on which to make this representation, since Canata had already defaulted on payments to prior investors.

44. In connection with the offer and sale of securities to the investor, Respondents, directly or indirectly, failed to disclose material information, including, but not limited to, the following, which was necessary in order to make representations made not misleading:

a. How many "spots" were available;

b. How Canata would be compensated for selling the investments;

c. That Canata had filed for Chapter 7 bankruptcy in 2003;[3]

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[3] *United States Trustee v. Adrianne Canata*, Case #03-21056 (Utah 2003).

d. That Burr had filed for Chapter 7 bankruptcy in 2002;[4]

e. That Canata and ABBC had been delinquent in making payments to other investors prior to accepting DN's, EG's, and JH's funds; and

f. Some or all of the information typically provided in an offering circular or prospectus regarding ABBC, such as:

   i. Financial statements;

   ii. Risk factors for investors;

   iii. Suitability factors for the investment;

   iv. ABBC's business and operating history;

   v. The identities of ABBC's principals, along with the principals' business experience;

   vi. The number of other investors;

   vii. ABBC's track record to investors;

   viii. Whether the investment is a registered security or exempt from registration; and

   ix. Whether Canata was licensed to sell securities.

45. Based upon the foregoing, Respondents violated § 61-1-1 of the Act.

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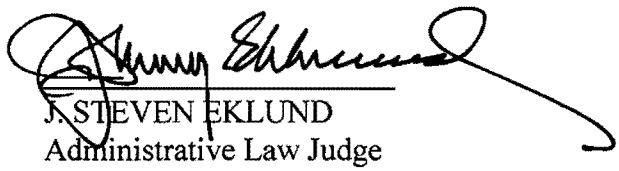
[4] *United States Trustee v. Virginia Raye Burr*, Case #02-23118 (Utah 2002).



J. STEVEN EKLUND
Administrative Law Judge

Approved:

_____
Jeff Buckner
Assistant Attorney General
J. N.

IV. ORDER

Based on the above, the Securities Commission hereby:

1. Declares ABBC Management Group, Inc. and Adrianne Canata in default for failing to file a written response to the July 20, 2010 OSC.
2. Enters, as its own findings, the Finding of Fact described in Section II above.
3. Enters, as its own conclusions, the Conclusions of Law described in Section III above.
4. Finds that Respondents violated the Utah Uniform Securities Act by misrepresenting material facts in connection with the offer and sale of a security in or from Utah in violation of § 61-1-1(2).
5. Finds that Respondents violated the Utah Uniform Securities Act by failing to disclose material information which was necessary to make the statements made not misleading, in connection with the offer and sale of a security in or from Utah in violation of § 61-1-1(2).
6. Orders Respondent to permanently CEASE and DESIST from any violations of the Act.

7. Orders ABBC Management Group, Inc. and Adrianne Canata to pay a fine of ($75,000) to the Division within 30 days of the entry of this Order.

DATED this 28th day of October 2010.

Tim Bangerter

Jane Cameron

Erik Christiansen

Laura Polacheck

Michael O'Brien

Pursuant to § 63-46b-11(3), Respondents may seek to set aside the Default Order entered in this proceeding by filing such a request with the Division consistent with the procedures outlined in the Utah Rules of Civil Procedure.

CERTIFICATE OF MAILING

I certify that on the 15th day of ~~October~~ November, 2010, I mailed a true and correct copy of the Notice of Entry of Default and Order to:

ABBC Management Group, Inc.
Adrianne Canata
5176 N. Grey Hawk Dr.
Lehi, UT 84043

Executive Secretary

Division of Securities
Utah Department of Commerce
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**BEFORE THE DIVISION OF SECURITIES
OF THE DEPARTMENT OF COMMERCE
OF THE STATE OF UTAH**

IN THE MATTER OF: **ABBC MANAGEMENT GROUP, INC., ADRIANNE CANATA,** **Respondents.**	**AFFIDAVIT OF SERVICE AND NON RESPONSE** **Docket No. SD 10-0050** **Docket No. SD 10-0051**

I, Julie Price, first being duly sworn, depose and state as follows:

1. I am the Executive Secretary for the Department of Commerce Division of Securities (the Division).

2. As executive secretary for the Division, I am responsible for supervising the mailing of the Division's Orders to Show Cause and for receiving any responses filed by Respondents.

3. On July 20, 2010, the Division served, by certified mail, an Order to Show Cause (OSC) dated July 20, 2010, to Adrianne Canata along with a Notice of Agency Action (Notice), advising that a default order would be entered if she failed to appear at a hearing set for

Tuesday September 7, 2010, or file a written response to the OSC within thirty (30) days of the mailing date of the Notice. The Notice designated the adjudicative proceeding as formal.

4. The Notice and OSC were left on July 21, 2010 and delivered on August 16, 2010. Respondents did not file a Response.

5. As of the date of this Affidavit, neither Respondent has filed the required response.

DATED this 15th day of ~~October~~ November 2010.

Julie Price
~~Executive~~ Secretary

SALT LAKE COUNTY)
) ss
STATE OF UTAH)

Signed and subscribed to before me this 15th day of ~~October~~ November 2010.

Notary Public

CHRISHEL JAMES
NOTARY PUBLIC - STATE OF UTAH
My Comm. Exp. 09/07/2014
Commission # 600666