

Division of Securities
Utah Department of Commerce
160 East 300 South, 2nd Floor
Box 146760
Salt Lake City, UT 84114-6760
Telephone: (801) 530-6600
FAX: (801)530-6980

**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.

ORDER TO SHOW CAUSE

Docket No.

Docket No.

~~SD-10-0050~~
~~SD-10-0051~~

It appears to the Director of the Utah Division of Securities (Director) that ABBC Management Group, Inc. and Adrienne Canata have engaged in acts and practices that violate the Utah Uniform Securities Act, Utah Code Ann. § 61-1-1, et seq. (the Act). Those acts are more fully described herein. Based upon information discovered in the course of the Utah Division of Securities' (Division) investigation of this matter, the Director issues this Order to Show Cause in accordance with the provisions of § 61-1-20(1) of the Act.

STATEMENT OF JURISDICTION

1. Jurisdiction over Respondents and the subject matter is appropriate because the Division alleges that they violated § 61-1-1 (securities fraud) of the Act while engaged in the offer

and sale of securities in or from Utah.

STATEMENT OF FACTS

THE RESPONDENTS

2. ABBC Management Group, Inc. (ABBC) is a Utah corporation, formed on March 22, 2006. Adrienne 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.
3. Adrienne 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

4. 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
5. Canata made material misrepresentations and omissions in connection with the offer and sale of securities to the investors below.
6. The investors lost \$58,000 in principal.

INVESTOR DN

7. In or about June 2007, DN met Canata through a friend. Between that initial meeting and

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

October 26, 2007, DN and his wife, KN, again met with Canata and the friend on at least two occasions to discuss an investment opportunity with Canata. One meeting occurred in Spanish Fork Canyon, Utah, and the other in South Jordan, Utah.

8. During the conversations, Canata made the following representations:
 - a. There were certain investment “spots” or investment opportunities available with her;
 - b. Each spot 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% or lower loan-to-value ratio; and

²On 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).

- j. Burr would have contracts for the properties and would be the person on the title of the properties.
9. DN asked Canata about documentation on the investment, but Canata said there was none since everything was done in Burr's name.
 10. 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.
 11. DN also said he did not want to put money into anything risky and that the investment needed to be guaranteed.
 12. 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.”
13. Based on Canata’s representations, DN decided to invest \$15,000.
 14. 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.
 15. Over about the next ninety days, Canata hand-delivered two \$4,000 checks to DN.
 16. Canata asked DN if he would invest additional funds, but DN declined.
 17. According to a source and use analysis of Canata’s credit union records, the \$25,000 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 toward 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.
 18. To date, Canata still owes DN \$7,000 in principal.

INVESTORS EG AND SO (MOTHER AND SON)

19. In or about 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.
20. SO met with Canata and had several telephone conversations with her regarding the investment opportunity. All conversations occurred in Utah County, Utah.
21. 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 was 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.
22. SO asked Canata for the names of the attorneys, but Canata said SO would not need Canata if she told him who they were.
 23. SO asked about investment documentation, but Canata said the investment was usually just a "handshake deal." Canata agreed to give a promissory note, however.
 24. Based on Canata's representations, SO invested EG's \$50,000 IRA funds with Canata.
 25. 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.
 26. 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.
 27. 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.
 28. 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.
29. Canata still owes EG \$45,000 in principal.

INVESTOR JH

30. In or about mid-October 2008, JH learned about an investment opportunity with Canata from a friend.
31. 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.
32. After hearing these representations about Canata, JH told the friend that he wanted to meet Canata.
33. 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.
34. 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.
35. Based on Canata's representations, JH invested \$10,000 in Canata.
36. On October 29, 2008, JH met with Canata in Utah County, Utah and gave her a \$10,000 cashier's check made payable to ABBC.
37. 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.
38. 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.
39. 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.
40. Canata still owes JH \$6,000 in principal.

CAUSES OF ACTION

COUNT I

Securities Fraud under § 61-1-1 of the Act

41. The Division incorporates and re-alleges paragraphs 1 through 40.
42. The investment opportunities offered and sold by Respondents are securities under § 61-1-13 of the Act.
43. In connection with the offer and sale of securities to the investors, 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 investors, 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
 - 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;

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

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

- 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.

ORDER

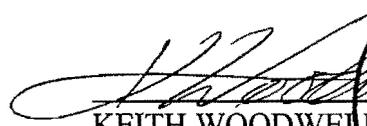
The Director, pursuant to § 61-1-20 of the Act, hereby orders Respondents to appear at a formal hearing to be conducted in accordance with Utah Code Ann. §§ 63G-4-202, -204 through -208, and held before the Utah Division of Securities. The hearing will occur on Tuesday, September 7, 2010, at 9:00 a.m., at the office of the Utah Division of Securities, located in the Heber Wells Building, 160 East 300 South, 2nd Floor, Salt Lake City, Utah. The purpose of the hearing is to establish a scheduling order and address any preliminary matters. If Respondents fail to file an answer and appear at the hearing, the Division of Securities may hold Respondents in default, and a fine may be imposed in accordance with Utah Code Ann. § 63G-4-209. In lieu of default, the Division may decide to proceed with the hearing under § 63G-4-208. At the hearing, Respondents may show cause, if any they have:

- a. Why Respondents should not be found to have engaged in the violations alleged by the Division in this Order to Show Cause;
- b. Why Respondents should not be ordered to cease and desist from engaging in any further conduct in violation of Utah Code Ann. § 61-1-1, or any other section of

the Act; and

- c. Why Respondents should not be ordered to pay a fine, jointly and severally, of \$75,000 to the Division of Securities, which may be reduced by restitution paid to the investor.

DATED this 20th day of July, 2010.


KEITH WOODWELL
Director, Utah Division of Securities



Approved:


JEFF BUCKNER
Assistant Attorney General
J.N.

Division of Securities
Utah Department of Commerce
160 East 300 South, 2nd Floor
Box 146760
Salt Lake City, UT 84114-6760
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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,**

Respondent.

NOTICE OF AGENCY ACTION

Docket No.

Docket No.

SP-11-0050
SP-11-0051

THE DIVISION OF SECURITIES TO THE ABOVE-NAMED RESPONDENTS:

You are hereby notified that agency action in the form of an adjudicative proceeding has been commenced against you by the Utah Division of Securities (Division). The adjudicative proceeding is to be formal and will be conducted according to statute and rule. See Utah Code Ann. §§ 63G-4-201 and 63G-4-204 through 209; see also Utah Admin. Code R151-46b-1, *et seq.* The legal authority under which this formal adjudicative proceeding is to be maintained is Utah Code Ann. § 61-1-20. You may be represented by counsel or you may represent yourself in this proceeding. Utah Admin. Code R151-46b-6.

You must file a written response with the Division within thirty (30) days of the mailing date of this Notice. Your response must be in writing and signed by you or your representative. Your response must include the file number and name of the adjudicative proceeding, your version of the

facts, a statement of what relief you seek, and a statement summarizing why the relief you seek should be granted. Utah Code Ann. § 63G-4-204(1). In addition, pursuant to Utah Code Ann. § 63G-4-204(3), the presiding officer requires that your response:

- (a) admit or deny the allegations in each numbered paragraph of the Order to Show Cause, including a detailed explanation for any response other than an unqualified admission. Allegations in the Order to Show Cause not specifically denied are deemed admitted;
- (b) identify any additional facts or documents which you assert are relevant in light of the allegations made; and
- (c) state in short and plain terms your defenses to each allegation in the Order to Show Cause, including affirmative defenses, that were applicable at the time of the conduct (including exemptions or exceptions contained within the Utah Uniform Securities Act).

Your response, and any future pleadings or filings that should be part of the official files in this matter, should be sent to the following:

Signed originals to:

Administrative Court Clerk
c/o Julie Price
Utah Division of Securities
160 E. 300 South, 2nd Floor
Box 146760
Salt Lake City, UT 84114-6760
(801) 530-6600

A copy to:

Jeff Buckner
Assistant Attorney General
160 East 300 South, 5th Floor
Salt Lake City, UT 84114-0872
(801) 366-0310

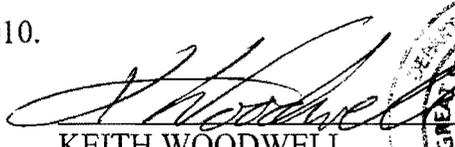
An initial hearing in this matter has been set for September 7, 2010 at the Division of Securities, 2nd Floor, 160 East 300 South, Salt Lake City, Utah, at 9:00 A.M.

If you fail to file a response, as described above, or fail to appear at any hearing that is set, the presiding officer may enter a default order against you without any further notice. Utah Code Ann. § 63G-4-209; Utah Admin. Code R151-46b-10(11). After issuing the default order, the presiding officer may grant the relief sought against you in the Order to Show Cause, and will conduct any further proceedings necessary to complete the adjudicative proceeding without your participation and will determine all issues in the proceeding. Utah Code Ann. § 63G-4-209(4); Utah Admin. Code R151-46b-10(11)(b). In the alternative, the Division may proceed with a hearing under § 63G-4-208.

The Administrative Law Judge will be J. Steven Eklund, Utah Department of Commerce, 160 East 300 South, P.O. Box 146701, Salt Lake City, UT 84114-6701, telephone (801) 530-6648. This adjudicative proceeding will be heard by Mr. Eklund and the Utah Securities Commission. You may appear and be heard and present evidence on your behalf at any such hearings.

You may attempt to negotiate a settlement of the matter without filing a response or proceeding to hearing. To do so, please contact the Utah Securities Division. Questions regarding the Order to Show Cause should be directed to the Division's attorney, Jeff Buckner, at (801) 366-0310.

Dated this 20th day of July, 2010.


KEITH WOODWELL
Director, Division of Securities

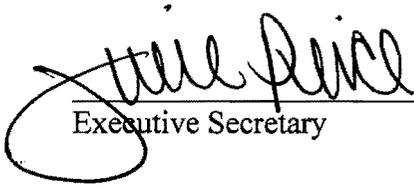


Certificate of Mailing

I certify that on the 20th day of July, 2010, I mailed, by certified mail, a true and correct copy of the Notice of Agency Action and Order to Show Cause to:

Adrienne Canata
5176 N. Grey Hawk Dr.
Lehi, UT, 84043

Certified Mail # 7008 1140 0004 1042 2927



Executive Secretary