

**STATE OF ARKANSAS
SECURITIES DEPARTMENT**

IN THE MATTER OF

WILLIAM WESLEY "BILL" WEBB, III,
WILLIAM WESLEY HODGES AND
WEBB FINANCIAL SERVICES

CEASE & DESIST ORDER
S-04-090-04-CD01

CEASE AND DESIST ORDER

The Arkansas Securities Department ("Department") has received information and has in its possession certain evidence that indicates that William Wesley "Bill" Webb, III., Webb Financial Services and William Wesley Hodges have violated provisions of the Arkansas Securities Act ("Act"), Ark. Code Ann. § 23-42-101 *et seq.*

FINDINGS OF FACT

William Wesley "Bill" Webb, III. ("Webb") is an individual currently residing in El Dorado, Arkansas. Other recent addresses for Webb include Hot Springs, Nashville, Murfreesboro and Crossett, Arkansas. Webb has been operating a business using the name Webb Financial Services ("Webb Financial") that purported to generate financial profits for investors through the purchase and sale of securities in trading accounts with a broker dealer.

William Wesley Hodges ("Hodges") assisted Webb by soliciting investors, obtaining funds from investors and transferring those funds to Webb. Hodges had an agreement with Webb that provided for payments to Hodges in return for obtaining funds from investors.

Webb entered into written agreements with investors in which Webb Financial guaranteed interest payments of up to ten percent of the investment

principal per month. Interest payments were to be paid by the tenth day of the following month. The agreements were for a term of twelve months and guaranteed the full return of the initial investment at the end of twelve months. According to the terms of the investment contracts the individual investors were to be paid interest payments over the twelve month period that would generate returns of up to 120% on their principal investments.

The Department has received information indicating at least ten individuals have invested funds with the total exceeding \$279,000 with Webb in the year 2004. Additional information indicates that investors have not received their promised interest payments due from Webb or Webb Financial. Broker dealer account documents indicate that a large amount of investors funds have been used for personal expenses by Webb and account balances are insufficient to return principal investments to investors.

Records of the Arkansas Securities Department reflect that neither Webb, Webb Financial nor Hodges is registered in the State of Arkansas as an investment adviser, broker dealer, representative of an investment adviser or agent of a broker dealer. In addition, records of the Department do not reflect a registration filing or exemption filing for the investment contracts sold by Webb.

CONCLUSIONS OF LAW

Ark. Code Ann. § 23-42-209 provides in part that whenever it appears to the Commissioner, upon sufficient grounds or evidence satisfactory to the Commissioner, that any person has engaged or is about to engage in any act or practice constituting a violation of any provision of this chapter or any rule or order

under this chapter, he may summarily order the person to cease and desist from the act or practice.

Ark. Code Ann. § 23-42-301 states that it is unlawful for any person to transact business in this State as a broker-dealer, agent, investment adviser or representative unless such person is registered under the terms of the Act.

Ark. Code Ann. § 23-42-501 states that it is unlawful for any person to offer or sell any security in Arkansas unless it is registered or exempt from registration.

Ark. Code Ann. § 23-42-507 provides in part that it is unlawful for any person, in connection with the offer, sale, or purchase of any security, directly or indirectly to engage in any act, practice, or course of business which operates or would operate as a fraud or deceit upon any person.

Ark. Code Ann. § 23-42-104 sets out criminal penalties for violations of the Securities Act. A person who knowingly violates § 23-42-507 is guilty of "securities fraud", a Class B felony. A knowing violation of § 23-42-501 is "felony offer or sale of unregistered and nonexempt securities", a Class D felony. A knowing violation of § 23-42-301 is a Class D felony.

OPINION

This matter has been properly brought before the Arkansas Securities Commissioner in accordance with Ark. Code Ann. § 23-42-201 and 209.

From the facts known by the Department, the Commissioner has reason to believe that Webb, Webb Financial and Hodges have engaged in activity in violation of the Act by transacting business in this State as an investment adviser,

representative, broker-dealer or agent without registering under the terms of the Act. Information obtained by the Department also indicates that investment contracts sold to investors by Webb, Webb Financial and Hodges are unregistered, non-exempt securities sold in the State of Arkansas.

From the facts known by the Department, the Commissioner has reason to believe that Webb and Webb Financial have engaged in activity that operated as a fraud or deceit upon individuals in violation of the Act.

Pursuant to Ark. Code Ann. § 23-42-209(a)(1), the Arkansas Securities Commissioner can and should order Webb, Webb Financial and Hodges to immediately Cease and Desist from further actions in the State of Arkansas in connection with the offer and sale of investment contracts and other securities.

This Order is in the public interest.

ORDER

IT IS THEREFORE ORDERED that Webb, Webb Financial and Hodges CEASE AND DESIST from any further actions in the State of Arkansas in connection with the offer and sale of investment contracts and other securities and related activities as described in this Order.

WITNESS MY HAND AND SEAL THIS 7th DAY OF DECEMBER, 2004.


MICHAEL JOHNSON
Securities Commissioner