

**UNITED STATES OF AMERICA**  
**Before the**  
**SECURITIES AND EXCHANGE COMMISSION**

**SECURITIES ACT OF 1933**  
**Release No. 9035 / May 29, 2009**

**SECURITIES EXCHANGE ACT OF 1934**  
**Release No. 60009 / May 29, 2009**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-13497**

**In the Matter of**

**THOMAS S. BLACKWELL**

**Respondent.**

**ORDER INSTITUTING  
ADMINISTRATIVE AND CEASE-AND-  
DESIST PROCEEDINGS, PURSUANT TO  
SECTION 8A OF THE SECURITIES ACT  
OF 1933 AND SECTIONS 15(b) AND 21C  
OF THE SECURITIES EXCHANGE ACT  
OF 1934, MAKING FINDINGS, AND  
IMPOSING REMEDIAL SANCTIONS AND  
A CEASE-AND-DESIST ORDER**

**I.**

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative and cease-and-desist proceedings be, and hereby are, instituted pursuant to Section 8A of the Securities Act of 1933 (“Securities Act”) and Sections 15(b) and 21C of the Securities Exchange Act of 1934 (“Exchange Act”) against Thomas S. Blackwell (“Respondent” or “Blackwell”).

**II.**

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the “Offer”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over him and the subject matter of these proceedings, which are admitted, Respondent consents to the entry of this Order Instituting Administrative and Cease-and-Desist Proceedings, Pursuant to Section 8A of the Securities Act of 1933 and Sections 15(b) and 21C of the Securities Exchange Act of 1934, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order (“Order”), as set forth below.

### III.

On the basis of this Order and Respondent's Offer, the Commission finds<sup>1</sup> that:

#### **Summary**

These proceedings arise out of Blackwell's fraudulent offers and sales of securities outside of his association with a registered broker-dealer. From August 2007 through January 2008, Blackwell sold interests in two investment programs and promised to pay at least 5% in returns each month. However, Blackwell never performed the diligence to determine if there was a reasonable basis for his representations. Blackwell also failed to disclose the increasingly troubling signs he encountered demonstrating that one of these programs was nothing more than a Ponzi scheme.

#### **Respondent**

1. Respondent Thomas S. Blackwell, age 30, is a resident of Tempe, Arizona. He holds Series 6 and 63 licenses. From April 2002 through his resignation in February 2008, Blackwell was a registered representative associated with World Group Securities, Inc. ("World Group") in its Tempe, Arizona, branch office.

#### **Other Relevant Entity**

2. World Group Securities, Inc., a Delaware corporation headquartered in Duluth, Georgia, has been registered with the Commission as a broker-dealer since 2002. World Group has approximately 5,000 registered representatives in 493 branch offices throughout the United States.

#### **Facts**

3. In August 2007, Blackwell solicited \$330,000 from a World Group customer to place with a third party for options trading. Blackwell entered into a written agreement with the investor and agreed to pay him a monthly rate of return of at least 5%. This investor selected an option in the written agreement to reinvest his profits automatically each month, thereby compounding his anticipated returns. Blackwell did not explain how his own compensation would be calculated, but he told the investor that he would be paid only after the investor received his return.

4. In his agreement with the investor, Blackwell stated that the anticipated rate of return was "based on past performance" and that the trader "had a good track record" in options trading. However, Blackwell had not investigated the past performance of the trader and had no reasonable basis for these representations. Within a few weeks, the trader lost approximately \$155,000 of the investor's funds. Blackwell did not disclose these losses to the investor.

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<sup>1</sup> The findings herein are made pursuant to Respondent's Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.

5. From August 2007 through January 2008, Blackwell raised a total of approximately \$1.43 million from eleven investors, including the investor referenced above and four other World Group customers. Blackwell told these investors that he planned to use their money to invest in a highly profitable venture that funded television advertisements for a variety of products. In written agreements, Blackwell promised to pay investors a monthly return of at least 5%. Blackwell also represented to investors that he would be paid from the investments only after paying them their monthly profits.

6. In reality, the purported advertising program for which Blackwell raised funds had no business operations and was simply a Ponzi scheme. Although Blackwell received some payments from the operators of the Ponzi scheme, he lost approximately \$445,000 by investing in the scheme.

7. Before soliciting investments for the purported advertising program, Blackwell conducted internet searches, visited the offices of the advertising program, reviewed the program's website, and spoke with its sales representatives. However, he did not perform any other investigation that would provide a reasonable basis for his representations to investors about their anticipated profits of at least 5% each month.

8. Throughout the time Blackwell was raising funds from investors, he received information which should have prompted him to make further inquiries about the legitimacy of the advertising program. In August 2007, Blackwell viewed the advertising program's website, which made the incredible claim that investors would earn annual returns of anywhere from 4,800% to 12,000%. Furthermore, Blackwell learned in September 2007 that the purported advertising program was transitioning its operations offshore to a supposed business partner and would make future payments through a mysterious debit card system. In early November 2007, the advertising program abruptly stopped making payments, and, except for one instance, Blackwell was unable to obtain any promised returns or a refund of principal from the operators of the program. In late December 2007, Blackwell learned that the Commission had filed an enforcement action alleging fraud against the principals of the advertising program and that a Court had frozen bank accounts used by the program. Still, Blackwell failed to investigate further or to disclose any of these important facts to the investors he solicited.

9. Blackwell used some of the money he raised to make payments to other investors. He also used more than \$122,000 of investor funds to pay his personal expenses, including \$5,400 in lease payments on a luxury automobile. Blackwell did not disclose either of these uses of investor funds. Moreover, his use of investor funds to pay his personal expenses contradicted his affirmative statements that he would not receive compensation until after investors' returns were paid.

10. In January 2008, Blackwell tried to recoup investors' losses by allowing another individual to use approximately \$470,000 of remaining investor funds in high-risk, foreign currency trading. Blackwell did not disclose this use of funds to investors. After just a few days of foreign currency trading, Blackwell lost additional amounts and ceased further use of investor funds.

11. In early February 2008, Blackwell told investors simply that the advertising program had lost money. He refunded \$542,000 to them, which constituted the balance of investors' remaining funds.

12. The investments Blackwell sold to fund the options trading program and the purported advertising program were securities in the form of investment contracts. Blackwell did not offer and sell these securities through World Group, the broker-dealer with which he was associated, or any other registered broker-dealer.

13. As a result of the conduct described above, Blackwell willfully violated Section 17(a) of the Securities Act, Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, which prohibit fraudulent conduct in the offer and sale of securities and in connection with the purchase or sale of securities.

14. As a result of the conduct described above, Blackwell willfully violated Section 15(a) of the Exchange Act, which prohibits a broker or dealer from using interstate commerce to effect or attempt to induce transactions in securities unless registered with the Commission.

15. Respondent has submitted a sworn Statement of Financial Condition dated July 15, 2008, and other evidence and has asserted his inability to pay disgorgement plus prejudgment interest and a civil penalty.

#### **IV.**

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanctions agreed to in Respondent Blackwell's Offer.

Accordingly, pursuant to Section 8A of the Securities Act and Sections 15(b) and 21C of the Exchange Act, it is hereby ORDERED that:

A. Respondent Blackwell cease and desist from committing or causing any violations and any future violations of Section 17(a) of the Securities Act and Sections 10(b) and 15(a) of the Exchange Act and Rule 10b-5 thereunder;

B. Respondent Blackwell be, and hereby is barred from association with any broker or dealer, with the right to reapply for association after five (5) years to the appropriate self-regulatory organization, or if there is none, to the Commission; and

C. Any reapplication for association by the Respondent will be subject to the applicable laws and regulations governing the reentry process, and reentry may be conditioned upon a number of factors, including, but not limited to, the satisfaction of any or all of the following: (a) any disgorgement ordered against the Respondent, whether or not the Commission has fully or partially waived payment of such disgorgement; (b) any arbitration award related to the conduct that served as the basis for the Commission order; (c) any self-regulatory organization arbitration award to a customer, whether or not related to the conduct that served as the basis for the Commission order; and (d) any restitution order by a self-regulatory organization, whether or not related to the conduct that served as the basis for the Commission order.

D. Respondent shall pay disgorgement of \$122,465.89 and prejudgment interest of \$4,015.62, but that payment of such amount for \$126,481.51 is waived based upon Respondent's sworn representations in his Statement of Financial Condition dated July 15, 2008, and other documents submitted to the Commission. Also, based upon Respondent's sworn representations in his Statement of Financial Condition dated July 15, 2008, and other documents submitted to the Commission, the Commission is not imposing a penalty against Respondent.

E. The Division of Enforcement may, at any time following the entry of this Order, petition the Commission to: (1) reopen this matter to consider whether Respondent provided accurate and complete financial information at the time such representations were made; (2) seek an order directing payment of disgorgement and pre-judgment interest; and (3) seek an order directing payment of the maximum civil penalty allowable under the law. No other issue shall be considered in connection with this petition other than whether the financial information provided by Respondent was fraudulent, misleading, inaccurate, or incomplete in any material respect. Respondent may not, by way of defense to any such petition: (1) contest the findings in this Order; (2) assert that payment of disgorgement and interest or a penalty should not be ordered; (3) contest the amount of disgorgement and interest to be ordered; (4) contest the imposition of the maximum penalty allowable under law; or (5) assert any defense to liability or remedy, including, but not limited to, any statute of limitations defense.

By the Commission.

Elizabeth M. Murphy  
Secretary