

538
ORIGINAL



0000008720

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

MARC SPITZER, Chairman
WILLIAM A. MUNDELL
JEFF HATCH-MILLER
MIKE GLEASON
KRISTIN K. MAYES

Arizona Corporation Commission

DOCKETED

AUG 23 2004

DOCKETED BY

In the matter of:

INTERSECURITIES, INC.
570 Carillon Parkway
St. Petersburg, Fl 33716-1202
CRD# 16164

GREGORY RUSSELL BROWN and JANE DOE
BROWN, husband and wife
16417 South 15th Drive
Phoenix, Arizona 85045
CRD# 2233684

Respondents.

DOCKET NO. S-03482A-03-0000

**DIVISION'S LIST OF
WITNESSES AND EXHIBITS**

AZ CORP COMMISSION
DOCUMENT CONTROL

2004 AUG 23 P 4: 12

RECEIVED

The Securities Division of the Arizona Corporation commission hereby submits the following list of witnesses and exhibits.

I.

WITNESSES

The Division intends on calling the following individuals to testify at hearing:

1. Donald Hillston, investor in Alpha Telcom
2. Mary E. Bard, investor in Alpha Telcom and Phoenix Telecom
3. Florence Kusek, investor in ETS
4. Dorothy M. Olesberg, investor in ETS and/or Albert H. Olesberg, investor in Alpha
5. Virgil C. Gladney, investor in Alpha Telcom
6. Elene Cregut, invested in Alpha Telcom

- 1 7. Luella Gamelgard, husband Robert H. Gamelgard investor in ETS and Luella investor in
- 2 Alpha Telcom
- 3 8. Mary E. Acker, investor in ETS
- 4 9. Verlayne Richardson, investor in Phoenix Telecom and Alpha Telcom and ETS
- 5 10. Jerry Richardson, investor in Alpha Telcom
- 6 11. Rayond Machniki, investor in ETS
- 7 12. Gregory Russell Brown
- 8 13. Robert Beatty, ISI Supervisor
- 9 14. Ronald Thomas Klimas, former ISI Vice President of Compliance and Counsel
- 10 15. Rodney A. Tidwell, former ISI Vice President of Compliance
- 11 16. Don L. Nance, ISI Compliance Officer
- 12 17. Dion McClellan, former Securities Division Supervisor of Registration and Compliance
- 13 18. Phillip Hofling, Assistant Director, Securities Division
- 14 19. Wendy Coy, Senior Counsel, Securities Division
- 15 20. Sharleen Day, Director of Registration and Compliance, Securities Division

16 The Division reserves the right to call any witness listed by respondents and any investor in
 17 payphones purchased from Gregory Russell Brown.

18 **II.**

19 **EXHIBITS**

20 2. The Division intends to use the following exhibits at hearing:

21 S-1	Certificate of Non-Registration of Securities, Alpha Telcom, Inc.	
22 S-2	Certificate of Non-Registration of Securities, Tri-Financial Group, Inc.	
23 S-3	Certificate of Non-Registration of Securities, Phoenix Telecom, LLC.	
24 S-4	Certificate of Non-Registration of Securities, ETS Payphones, Inc.	
25 S-5	Certificate of Non-Registration of Securities, NCMI.	

1	S-6	Certificate of Non-Registration of Securities, CMA.	
2	S-7	ISI's Answer to Notice	
3	S-8	NASD Conduct Rules 3010, 3030, and 3040.	
4	S-9	Transmittal message from Greg Brown to "Rod", stamped "Received" by ISI Compliance Dept. on April 26, 1999. (Bate-stamped GBROWN 003 and ACC00886) ("Brown Exhibit 3").	
6	S-10	ISI letter dated January 25, 2002, from Fowler White Boggs Banker to Pamela T. Johnson, with attached responses to Requests A through J.	
8	S-11	Copies of all documents produced to the Securities Division ("Division") under Tab "B" of ISI letter dated January 25, 2002 (S-10), regarding ISI's supervision of Brown with regard to his private securities transactions and/or outside business activities":	
10	S-11a	"ISI Outside Business Activity Questionnaire" for Brown, dated November 1, 1996 (ISI00001-2).	
12	S-11b	Correspondence dated April 28, 1999, from Brown to Rodney A. Tidwell, Assistant Vice President Compliance, ISI Re: "Legitimacy of Pay Phone Business Opportunity." (ISI 00003, 6).	
14	S-11c	ISI FAX transmittal dated April 26, 1999, from Rodney A. Tidwell, Assistant Vice President Compliance to Greg Brown, with attached "Activity Report" (ISI 00004-5 also produced as ISI 000014-15).	
16	S-11d	"Activity Report" dated 5/3/99 (ISI 00007).	
17	S-11e	FAX transmittal memo dated April 29, 1999, from Rodney A. Tidwell, Assistant Vice President of Compliance for ISI, to Greg Brown, with attached "Activity Report" (ISI 00008-9).	
19	S-11f	Correspondence dated November 8, 1999, from Robert A. Beatty/ Branch Manager, to Don Nance/ISI Compliance, RE: "Outside business questionnaires from Reps in our branch" (ISI 000010).	
21	S-11g	ISI letter dated November 25, 1999, from Don L. Nance, Compliance Officer, to Gregory R. Brown Re: Outside Business Activity Request (ISI 000011).	
23	S-11h	ISI Compliance Department Outside Business Activity Request Form for Gregory Brown dated October 12, 1999, with attached hand-written answers to question 1 (ISI 000012-13).	
25	S-11i	ISI letter dated July 18, 2001, from Don L. Nance to Brown re: Outside Business Activity Request with attached Form dated March 22, 2001 (ISI 000016-17).	
26			

1	S-11j	ISI letter dated August 8, 2001 from Don L. Nance to Brown re: Outside Business Activity Request (ISI 000018).	
2			
3	S-11k	ISI Memo dated May 5, 1999, from Suzanne L. Risser, Regional Compliance Manager to Brown re 1999 Annual Regulatory Questionnaire with attached response from Brown (ISI 000019-20).	
4			
5	S-11(l)	ISI letter dated July 20, 1998, from Rodney A. Tidwell to Robert A. Beatty re Annual Regulatory Questionnaire and response thereto dated September 8, 1998 (ISI 000021-23).	
6			
7	S-11m	ISI Compliance and Procedures Manual Acknowledgement and Certifications by Brown dated April 3, 2001 (ISI 000024), August 9, 1996 (ISI 000025), December 15, 1995 (ISI 000026), July 18, 1995 (ISI 000027).	
8			
9	S-11n	ISI 1996 Compliance Outline (ISI 000028-29).	
10	S-11o	ISI 1997 Compliance Conference Outline (ISI 000030-33).	
11	S-11p	ISI 1998 Compliance Conference (Outline) (ISI 000034-37).	
12	S-11q	ISI annual "Compliance Conference" Outline (ISI 000038-56).	
13	S-11r	Brown's ISI 1998 and 1999 Compliance Conference certifications of attendance, dated July 16, 1998 and October 12, 1999 (ISI 000057-58).	
14			
15	S-12	Copies of all documents produced to the Division under Tab "D" of S-10: offering materials for ETS pay telephone investments (ISI 000061-150).	
16	S-13	Copies of all documents produced to the Division under Tab "E" of S-10, "the portions of the compliance manual(s) addressing private securities transactions and outside business activity provided to Brown, and verification of his receipt" thereof:	
17			
18			
19	S-13a	ISI Compliance Bulletin #95-04 dated February 22, 1995, from Gordon E. Hippner, Vice President, Compliance, to All ISI Registered Representatives re Certificates of Deposit, Private Securities Transactions, Outside Business Activity (ISI 000151).	
20			
21	S-13b	ISI Compliance Bulletin #96-01 dated May 8, 1996, to All Florida Representatives re: Private Securities Transactions (ISI 000152).	
22			
23	S-13c	ISI Compliance Bulletin dated September 13, 1997, from Compliance Department to All ISI Representatives re Outside Business Activities (ISI 000153).	
24			
25	S-13d	ISI Compliance Bulletin #97-08 dated August 4, 1997, from ISI Compliance Department to All ISI Representatives re Viatical Contracts (ISI 000154).	
26			

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26

S-13e	ISI Compliance Bulletin No. 98-03 dated January 30, 1998 re Prime Bank Notes/Private Securities Transactions (ISI 000155).
S-13f	ISI Compliance Bulletin dated January 12, 1999, Issue 99-01, with attached Outside Business Activity Request Form" (ISI 000156-157).
S-13g	ISI Compliance Bulletin #2000-15 dated December 7, 2000, to All ISI Registered Representatives re Promissory Notes (ISI 000158).
S-13h	ISI Compliance Bulletins 98-15 dated December 1, 1998, and #2000-13 dated December 7, 2000, to All ISI Registered Representatives re Handling of Customer Funds & Securities (ISI 000159-160).
S-13i	Portions of ISI Compliance and Procedures Manual, pages 8-10, "InterSecurities, Inc. Company Policies (ISI 000161-164).
S-13j	NASD notice to members 85-84, dated December 18, 1985, RE: New Rule of Fair Practice Relating to Private Securities Transactions (ISI 000170-171).
S-13k	"1999 ISI Firm Element Continuing Education Outside Business & Selling Away Course Outline" (4 pages) (ISI 000172-175)
S-13(l)	"2000 ISI Firm Element Continuing Education Outside Business & Selling Away Course Outline" (4 pages) (ISI 000176-179)
S-13m	Dearborn, "Outside Business Activities and Selling Away" (ISI 000180-242).
S-13n	Certificates of Brown's attendance at ISI annual Compliance Conferences for 1998 and 1999; and receipt of Compliance and Procedures Manuals materials prohibiting unauthorized practices such as "selling away" or "private securities transactions" for 1995, 1996, and 2001 (ISI 000243-248).
S-14	Copies of all documents produced to the Division under Tab "F" of S-10: ISI/Brown Sales Representative Agreement dated October 16, 1995 (ISI 00249-258).
S-15	Copies of selected documents produced to the Division under Tab "G", attached to ISI letter dated January 25, 2002, from Fowler White Boggs Banker to Pamela T. Johnson:
S-15a	ISI Off-Site Representative Examination dated October 27, 1998 (ISI 000259-262 and ISI Brown/ACC 985).
S-15b	ISI Off-Site Representative Examination dated October 12, 1999 (ISI 000263-270 and ISI Brown/ACC 980).

1	S-15c	ISI Unregistered Office Audit Checklist and Unregistered Office Interview dated July 14, 2000 (ISI 000271-281 and ISI Brown/ACC 964).	
2	S-15d	ISI Memorandum dated July 26, 2001 from Suzanne Risser to Teresa Rooney re Unannounced Audit of Greg Brown (ISI 000282).	
3	S-15e	ISI Pre-Audit Checklist (ISI 000298-299).	
4	S-15f	Compliance Department Annual Regulatory Questionnaire dated April 14, 1999 (ISI 000310-314).	
5	S-15g	ISI letter dated November 6, 2000 to Brown from Donald L. Nance, Compliance Officer w/o enclosed OBA Form (ISI 000315).	
6	S-15h	ISI Compliance Department Annual Regulatory Questionnaire for Calendar Year 1999, (pages 1 and 2 of 7 incomplete/no date) (ISI 000316-317).	
7	S-16	Copies of selected documents produced to the Division under Tab "T" to S-10, relating to complaints filed with ISI relating to Brown's sales of pay telephones: Letter dated December 4, 2001, from Fowler White Boggs Banker lawfirm to Edward T. Anderson, NASD Dispute Resolution, Inc. Re: Lowell D. Mills v. ISI (ISI 000371-377).	
8	S-17	ISI letter dated February 5, 2002, from Fowler White Boggs Banker lawfirm to Pamela T. Johnson, with attached list of individuals who purchased ETS pay telephones through Brown (ISI 000528-529).	
9	S-18	ISI letter dated June 21, 2002, from Fowler White Boggs Banker to Pamela T. Johnson, with responses to Requests Nos. 1-3, and copies of offering materials relating to Alpha Telcom, Inc. (ISI 000531-636).	
10	S-19	ISI letter dated June 25, 2002, from Fowler White Boggs Banker to Pamela T. Johnson, including a copy of Brown's ISI Compliance Department Annual Regulatory Questionnaire for Calendar Year 1999, dated April 24, 2000 (7 pages) (ISI 000644-653).	
11	S-20	ISI letter dated August 5, 2002, from Fowler White Boggs Banker to Pamela T. Johnson, with responses to Requests Nos. 1-5, and fax of same date with copy of Compliance Bulletin 99-01 dated January 12, 1999 (2 pages).	
12	S-21	Division's letter dated June 10, 2003 to Fowler White Boggs Banker and responding letter dated June 27, 2003, from Fowler White Boggs Banker to Pamela T. Johnson, producing ISI's compliance manuals that were in effect from April 1999 through April 2000, including the following selected documents:	
13	S-21a	Compliance Bulletin #96-01 dated May 8, 1996, re: "Private Securities Transactions" (ISI 000840).	
14			
15			
16			
17			
18			
19			
20			
21			
22			
23			
24			
25			
26			

1	S-21b	Compliance Bulletin #97-07 dated September 13, 1997, re: "Outside Business Activities" (ISI 000858-860).
2	S-21c	Letter dated April 8, 1998, from the SEC to Securities Industry Association re: Supervision of Independent Contractors (ISI 000876).
3	S-21d	Compliance Bulletin No. 98-09 dated July 15, 1998, re: Guidelines for Business Cards & Letterhead (ISI 000882-888).
4	S-21e	Supervision Procedures cover page and Table of Contents (ISI 000938-940).
5	S-21f	II. Types of Business and How they are Supervised (ISI 000942-943).
6	S-21g	V. Supervision of Branch Offices (ISI 000965, 967-968).
7		
8	S-22	ISI letter dated September 11, 2003, from Fowler White Boggs Banker to Pamela T. Johnson (6 pages), and copies of selected documents including:
9	S-22a	ISI letter dated August 27, 1997, from Carol Ann Mac Lean, Registration Control Manager to Brown re: Investment Adviser Representative (ISI Brown/ACC 110).
10	S-22b	U-5 Form for Greg Brown date-stamped May 7, 2003 (ISI Brown/ACC 562-567).
11	S-22c	Disclosure Occurrence Composite for Brown re Customer Complaints re Slifer, Cox, Stewart, McCune (ISI Brown/ACC 577-581).
12	S-22d	Form U-5 Uniform Termination Notice re Brown dated 1/3/02, and Disclosure of Customer Complaint re Mary Bard (ISI Brown/ACC 653-659).
13	S-22e	Correspondence dated December 13, 2001, from Jeffrey S. Cappellini to ISI re Mary Bard (ISI Brown/ACC 660-663).
14	S-22f	ISI Off-Site Representative Inspection Report dated 1/20/98 for Greg Brown (ISI Brown/ACC 986-990).
15	S-22g	ISI correspondence to Brown dated August 18, 2000, from Scott Lenhart, Assistant Vice President Compliance Dept. (ISI Brown/ACC 1042).
16	S-22h	Memo to ISI Reps from Doug Cowley, dated 7/27/98, Subject: Compliance – Stationery (ISI Brown/ACC 1073).
17	S-22i	ISI correspondence to Arizona Department of Insurance dated March 11, 1997, from Robert A. Beatty, Branch Manager – ISI (ISI Brown/ACC 1075).
18	S-22j	Brown business cards and letterhead (4 pages) (ISI Brown/ACC 1106-1109).
19		
20		
21		
22		
23		
24		
25		
26		

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26

S-22k	ISI Compliance Bulletin dated August 6, 1998, Issue # 98-10, with NASD Notice to Members 98-38 (4 pages) (ISI Brown/ACC 1121-1125).	
S-23	ISI "1999 Compliance Talk Outline" (7 pages).	
S-24	ISI Compliance Conference "1999" "Overheads" (23 pages).	
S-25	Copy of ISI letter dated July 25, 1996, to Mr. Robert Shearburn from Ronald T. Klimas, Assistant Vice President and Counsel, with attached ISI Facsimile cover sheet memo dated December 18, 1997, to Dion B. McClellan, Arizona Corporation Commission re: "Per your conversation with Ron Klimas" (ACC009937-9938).	
S-26	ISI correspondence dated March 10, 2000, from Don L. Nance, Compliance Director, to Vernon W. Altmann, denying Outside Business Activity Request to sell Phoenix Telecom.	
S-27	Certified copy of Arizona Corporation Commission Order dated March 13, 1996, Decision No. 59551 re: Paramount Payphones and Pinnacle Payphones.	
S-28	Certified copy of Kansas Securities Commission Emergency Cease and Desist Order dated September 25, 1998 re: ETS, NCMI and others.	
S-29	Certified copy of Pennsylvania Securities Commission Summary Order to Cease and Desist dated February 2, 1999 re: Alpha and others.	
S-30	Certified copy of Illinois Secretary of State Securities Department Temporary Order of Prohibition dated June 30, 1999 re: Alpha Telcom, Inc.	
S-31	Certified copy of Kansas Securities Commission Memorandum of Understanding dated September 21, 1999 re: ETS and NCMI.	
S-32	Certified copies of the North Carolina Department of the Secretary of State Securities Division Summary Order to Cease and Desist, Administrative Petition, and Notice of Rights dated November 17, 1999 re: Alpha Telcom, Inc., ATC, Inc., et al.	
S-33	Certified copy of Wisconsin Department of Financial Institutions Division of Securities Order of Prohibition and Revocation (Summary) issued on November 24, 1999, and Petition for Order filed on November 18, 1999, re: Alpha Telecom, Inc. a/k/a ATC, Inc.	
S-34	Certified copy of Illinois Secretary of State Securities Department Consent Order of Prohibition dated January 18, 2000 re: Alpha Telcom, Inc.	

1 2 3 4	S-35 Certified copy of Florida Department of Banking and Finance, Division of Investigations Administrative Complaint and Notice of Rights dated July 17, 2000 re: Alpha Telcom, Inc., ATC, Inc., and Paul Rubera.	
5 6 7 8	S-36 Various ETS, Phoenix and Alpha Telecom investor payphone contracts sold by Brown (Brown EUO Exhibit Nos. 14A and 14B).	

3. The Division reserves the right to use any exhibits listed by respondents, whether or not introduced by respondents, and any additional exhibits identified before or at hearing, or for purposes of rebuttal, including any portions of ISI's Compliance Manuals produced to the Division on June 27, 2003, with Bates Nos. ISI000659-1038.

This list is subject to amendment and/or supplement at any time prior to or during the scheduled hearing.

RESPECTFULLY SUBMITTED this 23rd day of August, 2004.

By:



Pamela T. Johnson
Attorney for the Securities Division of the
Arizona Corporation Commission

ORIGINAL AND 13 COPIES filed
this 23rd day of August, 2004, with:

Docket Control
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

Copies of the foregoing mailed on this
23rd day of August, 2004, to:

Mark Stern, Esq.
Administrative Law Judge
Arizona Corporation Commission
1200 West Washington Street
Phoenix AZ 85007

1 COPY of the foregoing mailed
this 23rd day of August, 2004, to:

2 Alan S. Baskin, Esq.
3 Bade & Baskin PLC
80 East Rio Salado Parkway, Suite 515
4 Tempe, Arizona 85281

5 Burton W. Wiand, Esq.
6 Fowler White Boggs Banker, P.A.
501 East Kennedy Blvd., Suite 1700
Tampa FL 33602
7 Attorneys for Respondent InterSecurities, Inc.

8
9
10
11
12
13  A handwritten signature in black ink, appearing to be 'RW', is written over a horizontal line that spans across the page at approximately line 13.