

8/25/05



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



SECURITIES DIVISION
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BRIAN C. McNEIL
EXECUTIVE SECRETARY

ARIZONA CORPORATION COMMISSION

MEMORANDUM

TO: Jeff Hatch-Miller, Chairman
William A. Mundell
Marc Spitzer
Mike Gleason
Kristin K. Mayes

FROM: Matthew J. Neubert
Director, Securities Division

DATE: August 9, 2005

RE: STEVEN LEE HUTCHINSON, Docket No. S-20399A-05-0555

CC: Brian C. McNeil, Executive Director

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AZ CORP COMMISSION
DOCUMENT CONTROL

This matter involves a consent Order by Steven Lee Hutchinson. Hutchinson is a resident of the State of Arizona. In 1998, Hutchinson, a licensed insurance producer, solicited his insurance clients and professional colleagues for stock purchase investments with Jeffrey Newton and Aleph Group, LTD. Hutchinson soliciting nine investors, six of whom resided in Arizona, for approximately \$455,000.00 in investments in Aleph, Newton's company. Aleph, whose business purpose was to remediate contaminated soil, is not licensed as a securities broker/dealer.

Additionally, Newton paid referral fees to Hutchinson's business entity trust, for Hutchinson's participation in the investment sales. Those resulting referral fees amounted to approximately \$87,000.00 to Hutchinson.

During the time period that Hutchinson offered or sold securities, he was not a licensed securities salesperson or investment advisor in the State of Arizona since 2004. However, Hutchinson was a licensed securities salesperson prior to 1998 and is currently licensed by the State as an investment adviser. The securities were not registered, nor were they exempt from registration.

The proposed Order finds that Hutchinson violated A.R.S. §§ 44-1841 and 44-1842 by selling unregistered securities while being unlicensed.

Under the proposed Order, Hutchinson shall pay restitution in the amount of \$87,000.00 by February 2006. Additionally, Hutchinson must pay \$20,000.00 in administrative penalties, which shall be reduced to \$10,000.00 if Hutchinson is in compliance with the payment schedule. If Hutchinson is not in compliance with the payment schedule, he has consented to the revocation of his investment adviser license, and the restitution and fines will continue to accrue at 10% interest per annum.

Originator: Michelle M. Allen

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

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

In the matter of

DOCKET NO. S-20399A-05-0555

STEVEN LEE HUTCHINSON
11652 S. Tusayne Court
Phoenix, AZ 85044

DECISION NO. _____

Respondent.

**ORDER TO CEASE AND DESIST, ORDER
OF RESTITUTION, ORDER FOR
ADMINISTRATIVE PENALTIES AND
CONSENT TO SAME**

STEVEN LEE HUTCHINSON elects to permanently waive any right to a hearing and appeal under Articles 11 and 12 of the Securities Act of Arizona, A.R.S. § 44-1801 *et seq.* ("Securities Act") and under Articles 7 and 8 of the Arizona Investment Management Act, A.R.S. § 44-3101 *et seq.* ("Investment Management Act") with respect to this Order To Cease And Desist, Order of Restitution, Order for Administrative Penalties and Consent to Same ("Order"). STEVEN LEE HUTCHINSON admits the jurisdiction of the Arizona Corporation Commission ("Commission"); neither admits nor denies the Findings of Fact and Conclusions of Law contained in this Order; and consents to the entry of this Order by the Commission.

I.

FINDINGS OF FACT

1. STEVEN LEE HUTCHINSON ("HUTHCHINSON"), an individual, is a resident of

1 the state of Arizona, with a last known residential address at 11652 S. Tusayne Court, Phoenix, AZ
2 85044.

3 2. At all times material to this action, HUTCHINSON was not registered as a
4 securities salesman in the state of Arizona.

5 3. HUTCHINSON was registered as a securities salesman in Arizona from April 7,
6 1994, to September 10, 1995, and from June 27, 1996, to April 1, 1997.

7 4. HUTCHINSON is currently a licensed investment adviser in Arizona and has been
8 so licensed since June 14, 2004.

9 5. HUTCHINSON is currently a licensed insurance producer in Arizona, and has been
10 so licensed since March 19, 1993.

11 6. From 1998 through 1998, HUTCHINSON offered for sale and sold securities in the
12 form of the right to receive stock in the future, when issued, within and from the state of Arizona.
13 The security was not registered, nor was the security exempt from registration.
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15 7. HUTCHINSON offered and sold the right to receive stock in the future, when
16 issued, of Aleph Group, Ltd. ("Aleph"), a Cayman Islands' corporation whose business purpose
17 was to remediate contaminated soil through a patented process of georemediation. Jeffrey Newton
18 was, at all times relevant to this action, the President of Aleph.

19 8. On behalf of Jeffrey Newton and Aleph, HUTHCHINSON offered and sold the
20 right to receive Aleph stock in the future, when issued, to his insurance clients and professional
21 associates. HUTCHINSON was not registered in Arizona as a securities dealer or salesman during
22 that time.
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24 9. HUTCHINSON participated in the offer and sale of the securities to nine investors,
25 six of whom resided in Arizona. The nine investors paid approximately \$455,000.00 for the right to
26 receive stock in the future, when issued.

1 Commission finds that the following relief is appropriate, in the public interest, and necessary for
2 the protection of investors:

3 IT IS ORDERED, pursuant to A.R.S. § 44-2032, that HUTCHINSON and any of
4 HUTCHINSON's agents, employees, successors and assigns, permanently cease and desist from
5 violating the Securities Act. HUTCHINSON shall not sell any securities in or from Arizona
6 without being registered in Arizona as a dealer or salesman, or exempt from such registration.
7 HUTCHINSON shall not sell securities in or from Arizona unless the securities are registered in
8 Arizona or exempt from registration.

9 IT IS FURTHER ORDERED that HUTCHINSON comply with the attached Consent to
10 Entry of Order.

11 IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2032, that HUTCHINSON shall pay
12 restitution to investors shown on the records of the Commission in the amount of \$87,000.00.
13 Payment shall be made in installments as follows: \$10,000.00 received by the Commission's
14 Securities Division on or before the date of this Order; \$20,000.00 received by the Commission's
15 Securities Division on or before September 25, 2005; \$30,000.00 received by the Commission's
16 Securities Division on or before November 25, 2005; \$27,000.00 received by the Commission's
17 Securities Division on or before the February 25, 2006. Payment shall be made by cashier's check
18 or money order payable to the "State of Arizona," and shall be received by the Commission's
19 Securities Division no later than 5:00 p.m. on the date due. Payments are to be placed in an
20 interest-bearing account maintained and controlled by the Commission. The Commission shall
21 disburse the funds on a pro rata basis to investors. Any funds that the Commission is unable to
22 disburse shall be transferred to the general fund of the state of Arizona. If HUTCHINSON does
23 not comply with this order of restitution or the restitution payment schedule, any outstanding
24 balance shall be in default and shall be immediately due and payable, without further demand or
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1 notice. Any amount in default shall accrue interest at the rate of 10% per annum from the date of
2 default until paid in full.

3 IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2036, that HUTCHINSON shall pay
4 an administrative penalty in the amount of \$20,000.00. However, if HUTCHINSON makes
5 payment of the restitution of \$87,000.00 in accordance with the above payment schedule, the
6 administrative penalty shall be reduced to \$10,000.00. Payment shall be made in full on or before
7 February 25, 2006 by cashier's check or money order, payable to the "State of Arizona" and
8 received by the Commission's Securities Division no later than 5:00 p.m., February 25, 2006. The
9 payment obligation for the administrative penalty shall be subordinate to the restitution obligation
10 ordered herein and shall become immediately due and payable only after all restitution payments
11 have been paid in full, or if HUTCHINSON has defaulted prior to fulfilling HUTCHINSON's
12 restitution obligation. For the purposes of this Order, a bankruptcy filing by HUTCHINSON shall
13 be an act of default on HUTCHINSON's restitution obligation. If HUTCHINSON does not
14 comply with this order for the administrative penalty, any outstanding balance may be deemed in
15 default and shall be immediately due and payable, without further demand or notice. Any amount
16 in default shall accrue interest at the rate of 10% per annum from the date of default until paid in
17 full.
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19 IT IS FURTHER ORDERED, that if HUTCHINSON fails to comply with this Order, the
20 Commission may bring further legal proceedings against HUTCHINSON, including application to
21 the superior court for an order of contempt.
22

23 IT IS FURTHER ORDERED, that if HUTCHINSON is in default under this Order,
24 including but not limited to, in default with respect to the restitution payment schedule,
25 HUTCHINSON's investment adviser license is immediately and automatically revoked by the
26 state of Arizona, without further notice or additional opportunity for hearing.

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IT IS FURTHER ORDERED that this Order shall become effective immediately.

BY ORDER OF THE ARIZONA CORPORATION COMMISSION

CHAIRMAN

COMMISSIONER

COMMISSIONER

COMMISSIONER

COMMISSIONER

IN WITNESS WHEREOF, I, BRIAN C. McNEIL,
Executive Director of the Arizona Corporation
Commission, have hereunto set my hand and caused the
official seal of the Commission to be affixed at the
Capitol, in the City of Phoenix, this _____ day of
August, 2005.

BRIAN C. McNEIL
Executive Director

DISSENT

DISSENT

This document is available in alternative formats by contacting Linda Hogan, Executive Assistant
to the Executive Director, voice phone number 602-542-3931, E-mail lhogan@azcc.gov.

(MMA)

CONSENT TO ENTRY OF ORDER

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1. STEVEN LEE HUTCHINSON, an individual, admits the jurisdiction of the Commission over the subject matter of this proceeding. STEVEN LEE HUTCHINSON acknowledges that he has been fully advised of his right to a hearing to present evidence and call witnesses and STEVEN LEE HUTCHINSON knowingly and voluntarily waives any and all rights to a hearing before the Commission and all other rights otherwise available under Article 11 of the Securities Act, Article 8 of the Arizona Investment Management Act, and Title 14 of the Arizona Administrative Code. STEVEN LEE HUTCHINSON acknowledges that this Order To Cease And Desist, Order of Rescission, Order for Administrative Penalties (“Order”) constitutes a valid, final order of the Commission.

2. STEVEN LEE HUTCHINSON knowingly and voluntarily waives any right under Article 12 of the Securities Act and Article 8 of the Arizona Investment Management Act to judicial review by any court by way of suit, appeal, or extraordinary relief resulting from the entry of this Order.

3. STEVEN LEE HUTCHINSON acknowledges and agrees that this Order is entered into freely and voluntarily and that no promise was made or coercion used to induce such entry.

4. STEVEN LEE HUTCHINSON acknowledges that he is represented by an attorney in this matter, he has reviewed this Order with his attorney, and understands all terms it contains.

5. STEVEN LEE HUTCHINSON neither admits nor denies the Findings of Fact and Conclusions of Law contained in this Order. STEVEN LEE HUTCHINSON agrees that he shall not contest their validity in any present or future administrative proceeding before the Commission or any other state agency concerning the denial or issuance of any license or registration required by the State to engage in the practice of any business or profession.

6. By consenting to the entry of this Order, STEVEN LEE HUTCHINSON agrees not to take any action or to make, or permit to be made, any public statement denying, directly or indirectly, any Finding of Fact or Conclusion of Law in this Order or creating the impression that

1 this Order is without factual basis. STEVEN LEE HUTCHINSON will undertake steps necessary
2 to assure that all of his agents and employees understand and comply with this agreement.

3 7. While this Order settles this administrative matter between STEVEN LEE
4 HUTCHINSON and the Commission, STEVEN LEE HUTCHINSON understands that this Order
5 does not preclude the Commission from instituting other administrative proceedings based on
6 violations that are not addressed by this Order.

7 8. STEVEN LEE HUTCHINSON understands that this Order does not preclude the
8 Commission from referring this matter to any governmental agency for administrative, civil, or
9 criminal proceedings that may be related to the matters addressed by this Order.

10 9. STEVEN LEE HUTCHINSON understands that this Order does not preclude any
11 other agency or officer of the state of Arizona or its subdivisions from instituting administrative,
12 civil or criminal proceedings that may be related to matters addressed by this Order.

13 10. STEVEN LEE HUTCHINSON agrees that he will not sell any securities in or from
14 Arizona without being properly registered in Arizona as a dealer or salesman, or exempt from such
15 registration; he will not sell any securities in or from Arizona unless the securities are registered in
16 Arizona or exempt from registration; and he will not transact business in Arizona as an investment
17 adviser or an investment adviser representative unless properly licensed in Arizona or exempt from
18 licensure.

19 11. STEVEN LEE HUTCHINSON acknowledges and understands that if he fails to
20 comply with the provisions of the Order, the Commission may bring further legal proceedings
21 against him, including application to the superior court for an order of contempt.

22 12. STEVEN LEE HUTCHINSON acknowledges and understands that if he is in
23 default under this Order with respect to the restitution payment schedule, that his Investment
24 Adviser license is immediately and automatically revoked by the state of Arizona, without further
25 notice or additional opportunity for hearing.

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1 13. STEVEN LEE HUTCHINSON acknowledges and understands that he will be in
2 default under this Order if he does not strictly comply with the Order, including the restitution
3 payment schedule.

4 14. STEVEN LEE HUTCHINSON acknowledges and understands that, in the event his
5 investment adviser license is automatically revoked, he cannot apply for licensure in Arizona as an
6 investment adviser or for registration in Arizona as a securities salesman or dealer until the
7 expiration of one year from the date of revocation, pursuant to § A.R.S. 44-3201(D).

8 15. STEVEN LEE HUTCHINSON acknowledges and understands that the automatic
9 revocation of his investment adviser license does not relieve him of his obligation to pay the
10 restitution and administrative penalty under this Order.

11 16. STEVEN LEE HUTCHINSON agrees that until the restitution and penalty are paid
12 in full, STEVEN LEE HUTCHINSON shall notify the Director of the Securities Division within
13 30 days of any change in home address and any change in STEVEN LEE HUTCHINSON's ability
14 to pay amounts due under this Order. STEVEN LEE HUTCHINSON agrees that he shall provide
15 the Commission with an updated financial statement every six months from entry of this Order or
16 when any change in his ability to pay restitution occurs. STEVEN LEE HUTCHINSON agrees
17 that failure to perform any action in this paragraph shall result in his being in default with any
18 outstanding balance being immediately due and payable without notice or demand.

19 17. STEVEN LEE HUTCHINSON understands that default shall render him liable to
20 the Commission for its costs of collection and interest at the maximum legal rate.

21 18. STEVEN LEE HUTCHINSON agrees and understands that if he fails to make any
22 payment as required in the Order, any outstanding balance shall be in default and shall be
23 immediately due and payable without notice or demand. STEVEN LEE HUTCHINSON agrees
24 and understands that acceptance of any partial or late payment by the Commission is not a waiver
25 by the Commission of default.

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19. STEVEN LEE HUTCHINSON agrees that he will continue to cooperate with the Securities Division including, but not limited to, providing complete and accurate testimony at any hearing in this matter and cooperating with the State of Arizona in any related investigation or any other matters arising from the activities described in this Order.

20. STEVEN LEE HUTCHINSON consents to the entry of this Order and agrees to be fully bound by its terms and conditions.



STEVEN LEE HUTCHINSON

SUBSCRIBED AND SWORN TO BEFORE me this 7TH ^{AUGUST} day of ~~July~~, 2005.



NOTARY PUBLIC

My Commission Expires:

