



BEFORE THE ARIZONA CORPORATION COMMISSION

Arizona Corporation Commission

COMMISSIONERS

2007 MAR 13 P 3: 55

DOCKETED

MIKE GLEASON, Chairman
WILLIAM A. MUNDELL
JEFF HATCH-MILLER
KRISTIN K. MAYES
GARY PIERCE

AZ CORP COMMISSION
DOCUMENT CONTROL

MAR 13 2007

DOCKETED BY	<i>MM</i>
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In the matter of:
ALONZO RUSSELL, CRD# 1993366, dba
Guardian Angel Advisers ("GAA"), and
LINDA RUSSELL, CRD# 4462936, husband
and wife,
Respondents.

DOCKET NO. S-20518A-07-0146
**NOTICE OF OPPORTUNITY FOR HEARING
REGARDING PROPOSED ORDER TO
CEASE AND DESIST, ORDER FOR
RESTITUTION, FOR ADMINISTRATIVE
PENALTIES, OF REVOCATION, AND FOR
OTHER AFFIRMATIVE ACTION**

**NOTICE: EACH RESPONDENT HAS 10 DAYS TO REQUEST A HEARING
EACH RESPONDENT HAS 30 DAYS TO FILE AN ANSWER**

The Securities Division ("Division") of the Arizona Corporation Commission ("Commission") alleges that respondent ALONZO RUSSELL ("RUSSELL") doing business as ("dba") Guardian Angel Advisers dba GAA has engaged in acts, practices and transactions that constitute violations of the Securities Act of Arizona, A.R.S. § 44-1801 *et seq.* ("Securities Act") and the Arizona Investment Management Act, A.R.S. § 44-3101 *et seq.* ("IM Act").

I.

JURISDICTION

1. The Commission has jurisdiction over this matter pursuant to Article XV of the Arizona Constitution, the Securities Act and the IM Act.

II.

RESPONDENT

2. RUSSELL, a resident of Mesa, Arizona, was at all relevant times a registered securities salesman in Arizona since on or about November 29, 1989, CRD# 1993366. At all times

1 pertinent to this action, RUSSELL was registered in Arizona in association with AIG Financial
2 Advisors, Inc. ("AIG") formerly known as SunAmerica Securities, Inc. ("SAS"), from September
3 18, 2001 until April 26, 2006, when AIG discharged RUSSELL for violating company policy in
4 connection with the sale of an unapproved product. Prior to affiliating with SAS, RUSSELL was
5 registered as a securities salesman in Arizona in association with Linsco/Private Ledger Corp.
6 ("Linsco"), from February 11, 2000 until September 18, 2001. At all times pertinent hereto, while
7 RUSSELL was affiliated with SAS, he was also licensed in Arizona as an investment adviser
8 representative affiliated with The Householder Group, Estate & Retirement Specialists
9 ("Householder"), a licensed investment adviser with the Securities and Exchange Commission,
10 operating in Arizona.

11 3. LINDA RUSSELL, CRD#4462936, was at all relevant times the spouse of
12 RUSSELL. Upon information and belief, LINDA RUSSELL was affiliated with AIG/Householder
13 since October 4, 2001, apparently working out of the same Mesa office as RUSSELL, and is
14 currently licensed in Arizona with the Department of Insurance, since February 1995. LINDA
15 RUSSELL is joined in this action under A.R.S. § 44-2031(C), for purposes of determining the
16 liability of the marital community.

17 4. At all times relevant, RUSSELL and LINDA RUSSELL were acting for their own
18 benefit, and for the benefit or in furtherance of the marital community.

19 5. RUSSELL and LINDA RUSSELL may be referred to collectively herein as
20 "Respondents". LINDA RUSSELL may be referred to individually as "Respondent Spouse."

21 III.

22 FACTS

23 6. In or around November 2001, shortly after RUSSELL became affiliated with
24 SAS/Householder, he notified a former customer of Linsco of his move to SAS/Householder.

25 7. The customer, an Arizona resident, was a retired truck driver after 22 years service
26 in the U.S. Army, and unsophisticated in investments. While at Linsco, RUSSELL had advised the

1 customer to invest in low risk mutual funds. In November 2001, the customer transferred his
2 investment accounts from Linsco to SAS/Householder, so that RUSSELL could continue as his
3 investment adviser.

4 8. In or around December 2001, RUSSELL told the customer that he could move some
5 of his money around to earn more profit from an investment in an equipment fund, which would pay a
6 minimum of 7% and a maximum of 12% for a 5-year term. RUSSELL told his customer that the risk
7 was low to minimum; that the company invested in rental equipment; that the company was making
8 money; that RUSSELL had checked the company out and thought it was a good investment; and that
9 the customer could request withdrawals but would incur a penalty.

10 9. In December 2001, acting on RUSSELL'S advice, the customer sold \$50,000.00 in
11 mutual fund shares held in his SAS account, to use the funds to invest in the equipment fund
12 investment recommended by RUSSELL.

13 10. On December 21, 2001, SAS issued a check to the customer for \$50,000.00.

14 11. RUSSELL instructed the customer to make out a personal check for \$50,000.00
15 payable to "GAA" for the equipment fund investment.

16 12. Without the knowledge or consent of the customer, RUSSELL deposited the
17 customer's \$50,000.00 into a Bank of America account in California, controlled by RUSSELL and
18 LINDA RUSSELL, under the name "Alonzo Russell DBA Guardian Angel Advisors DBA GAA."

19 13. Respondents did not use the funds for the investment purposes specified for the
20 customer but instead misappropriated the customer's \$50,000.

21 14. From 2001 through 2003, RUSSELL sent the customer annual statements from
22 "GAA" and "GAA, LLC," which identified the investment as "ATEL Insured Capital Equipment
23 Fund" ("ATEL Insured"), and reflected income earned on the investment.

24 15. In or around June 2003, the customer needed cash from his purported investment.
25 RUSSELL told the customer that he could withdraw only the profits earned on his investment to
26

1 date, and loaned the customer a few hundred dollars until his withdrawal request could be
2 processed.

3 16. In July 2003, RUSSELL told the customer that RUSSELL had received a check for
4 the customer from his investment. The customer endorsed the purported "interest" check in the
5 amount of \$3,327.13, and repaid the funds loaned by RUSSELL. The purported interest payment
6 was drawn on the same GAA bank account owned and controlled by the RUSSELL's, where
7 RUSSELL had deposited the customer's money.

8 17. On or about April 17, 2006, the customer notified RUSSELL that he wanted to cash
9 out his investment. The customer had received no statements for the prior two years, and did not
10 know where his money was or how to locate ATEL Insured to get his investment funds.
11 RUSSELL told the customer that he could not get his investment funds at that time, and that the
12 customer could not contact the company that had received his funds directly, because the company
13 would only talk to RUSSELL.

14 18. The customer then complained to AIG. AIG contacted ATEL Capital Equipment
15 Group ("ATEL Capital"), which offered an AIG-approved product named the ATEL Capital
16 Equipment Fund. ATEL Capital informed AIG that it did not have an account for the customer,
17 and did not offer a product named ATEL Insured.

18 19. AIG interviewed RUSSELL concerning the ATEL Insured investment on April 21,
19 2006. RUSSELL told AIG that a subscription agreement and application would be in the
20 customer's file. AIG found no documents relating to the transaction in RUSSELL's customer file.
21 RUSSELL told AIG that the investment company had paid him a commission directly for the
22 customer's investment, which was another violation of SAS's policies and procedures. RUSSELL
23 did not inform his AIG supervising manager ("OSJ") of this transaction.

24 20. ATEL Insured was not an AIG-approved product. RUSSELL sold ATEL Insured
25 without authorization from SAS, which violated the dealer's rules and procedures and resulted in
26 RUSSELL's discharge from SAS on April 26, 2006.

V.

REMEDIES PURSUANT TO A.R.S. § 44-1962

(Denial, Revocation or Suspension of Registration of Salesman; Restitution, Penalties, or other Affirmative Action)

26. RUSSELL's conduct is grounds to revoke RUSSELL's registration as a securities salesman with the Commission pursuant to A.R.S. § 44-1962. Specifically, RUSSELL:

a) Violated A.R.S. § 44-1991, within the meaning of A.R.S. § 44-1962(A)(2).

b) Is subject to an order of an administrative tribunal, an SRO or the SEC denying, suspending or revoking membership or registration as a broker or dealer in securities or an investment adviser or investment adviser representative for at least six months, within the meaning of A.R.S. § 44-1962(A)(8).

c) Committed dishonest and unethical practices in the securities industry as defined in A.R.S. § 44-1962(A)(10), for making unauthorized use of securities or funds of customers or converting customer securities or funds for personal benefit, within the meaning of A.A.C. Rule R14-4-130(A)(16).

d) Engaged in dishonest or unethical practices in business or financial matters, within the meaning of A.R.S. § 44-1962(A)(12).

27. RUSSELL's conduct is grounds to assess restitution, penalties and/or take appropriate affirmative action pursuant to A.R.S. § 44-1962. Specifically, RUSSELL has committed dishonest and unethical practices in the securities industry, as defined in A.R.S. § 44-1962(A)(10), for making unauthorized use of securities or funds of customers or converting customer securities or funds for personal benefit, within the meaning of A.A.C. Rule R14-4-130(A)(16).

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VI.

REMEDIES PURSUANT TO A.R.S. § 44-3201

(Denial, Revocation or Suspension of Investment Adviser or Investment Adviser Representative License; Restitution, Penalties, or other Affirmative Action)

28. RUSSELL's conduct is grounds to revoke RUSSELL's license as an investment adviser representative with the Commission pursuant to A.R.S. § 44-3201. Specifically, revocation of RUSSELL's license would be in the public interest, and RUSSELL has:

a) Become subject to an order of an administrative tribunal, an SRO or the SEC denying, suspending or revoking membership or registration as a broker or dealer in securities or an investment adviser or investment adviser representative for at least six months, within the meaning of A.R.S. § 44-3201(A)(10).

b) Engaged in dishonest or unethical practices in the securities industry as defined in A.A.C. Rule R14-6-203(7), for loaning money to a client unless the investment adviser representative is a financial institution or other entity engaged in the business of loaning funds or the client is an affiliate or relative of the investment adviser representative, within the meaning of A.R.S. § 44-3201(A)(13).

c) Engaged in dishonest or unethical conduct in business and financial matters, within the meaning of A.R.S. § 44-3201(A)(14).

29. RUSSELL's conduct is grounds to assess restitution, penalties, and/or take appropriate affirmative action pursuant to A.R.S. § 44-3201. Specifically, RUSSELL has engaged in dishonest or unethical practices in the securities industry as defined in A.A.C. Rule R14-6-203(7), for loaning money to a client unless the investment adviser representative is a financial institution or other entity engaged in the business of loaning funds or the client is an affiliate or relative of the investment adviser representative, within the meaning of A.R.S. § 44-3201(A)(13).

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VII.

VIOLATION OF A.R.S. § 44-3241

(Fraud in the Provision of Investment Advisory Services)

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4 30. RUSSELL engaged in a transaction or transactions within or from Arizona involving
5 the provision of investment advisory services in which RUSSELL, directly or indirectly: (i)
6 employed a device, scheme or artifice to defraud; (ii) made untrue statements of material fact or
7 omitted to state material facts which were necessary in order to make the statements made not
8 misleading in light of the circumstances under which they were made; (iii) misrepresented
9 professional qualifications with the intent that the client rely on the misrepresentation; or (iv)
10 engaged in transactions, practices or courses of business which operated or would operate as a fraud
11 or deceit. RUSSELL's conduct includes, but is not limited to, the following:

- 12 a) Misrepresenting the use of customer's funds;
- 13 b) Failing to disclose that the customer's funds were to be deposited into an
14 account controlled by RUSSELL
- 15 c.) Misrepresenting that "income" or "profits" would be generated from an
16 investment;
- 17 d.) Misrepresenting that withdrawals of "interest" or "profits" would be
18 available from an investment; and
- 19 e.) Misappropriating investment funds.

20 31. This conduct violates A.R.S. § 44-3241.

VIII.

REQUESTED RELIEF

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23 The Division requests that the Commission grant the following relief:

- 24 1. Order RUSSELL to permanently cease and desist from violating the Securities Act and IM
25 Act, pursuant to A.R.S. §§ 44-2032, 44-3292, 44-1962, and 44-3201;

1 A cover sheet form and instructions may be obtained from Docket Control by calling (602) 542-
2 3477 or on the Commission's Internet web site at www.cc.state.az.us/utility/forms/index.htm.

3 If a request for a hearing is timely made, the Commission shall schedule the hearing to begin
4 20 to 60 days from the receipt of the request unless otherwise provided by law, stipulated by the
5 parties, or ordered by the Commission. If a request for a hearing is not timely made the Commission
6 may, without a hearing, enter an order granting the relief requested by the Division in this Notice of
7 Opportunity for Hearing.

8 Persons with a disability may request a reasonable accommodation such as a sign language
9 interpreter, as well as request this document in an alternative format, by contacting Linda Hogan,
10 Executive Assistant to the Executive Director, voice phone number 602/542-3931, e-mail
11 lhogan@azcc.gov. Requests should be made as early as possible to allow time to arrange the
12 accommodation.

13 XIV.

14 ANSWER REQUIREMENT

15 Pursuant to A.A.C. R14-4-305, if Respondent or Respondent Spouse requests a hearing,
16 Respondent or Respondent Spouse must deliver or mail an Answer to this Notice of Opportunity
17 for Hearing to Docket Control, Arizona Corporation Commission, 1200 W. Washington, Phoenix,
18 Arizona 85007, within 30 calendar days after the date of service of this Notice. A Docket Control
19 cover sheet must accompany the Answer. A cover sheet form and instructions may be obtained
20 from Docket Control by calling (602) 542-3477 or on the Commission's Internet web site at
21 www.cc.state.az.us/utility/forms/index.htm.

22 Additionally, Respondent or Respondent Spouse must serve the Answer upon the Division.
23 Pursuant to A.A.C. R14-4-303, service upon the Division may be made by mailing or by hand-
24 delivering a copy of the Answer to the Division at 1300 West Washington, 3rd Floor, Phoenix,
25 Arizona, 85007, addressed to Pam Johnson.

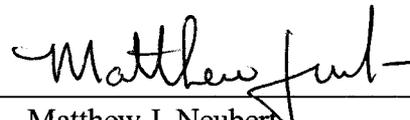
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1 The Answer shall contain an admission or denial of each allegation in this Notice and the
2 original signature of each Respondent or attorney or Respondent Spouse or attorney. A statement
3 of a lack of sufficient knowledge or information shall be considered a denial of an allegation. An
4 allegation not denied shall be considered admitted.

5 When Respondent or Respondent Spouse intends in good faith to deny only a part or a
6 qualification of an allegation, Respondent or Respondent Spouse shall specify that part or
7 qualification of the allegation and shall admit the remainder. Respondent and Respondent Spouse
8 waive any affirmative defense not raised in the answer.

9 The officer presiding over the hearing may grant relief from the requirement to file an
10 Answer for good cause shown.

11 Dated this 13 day of March, 2007.

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15 Matthew J. Neubert
16 Director of Securities

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