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NEW

BEFORE THE ARIZONA CORPORATION COMMISSION

WILLIAM A. MUNDELL
Chairman
JIM IRVIN
Commissioner
MARC SPITZER
Commissioner

2001 OCT -9 P 2: 13
AZ CORP COMMISSION
DOCUMENT CONTROL

In the matter of:)	Docket No. S-03215A-01-0000
)	
RICHARD DEAN CARRINGTON)	TEMPORARY ORDER TO CEASE AND
a/k/a Richard Dean Frank)	DESIST AND NOTICE OF
d/b/a Carrington Estate Planning Services)	OPPORTUNITY FOR HEARING
d/b/a Carrington Investment Services)	
7600 East Doubletree Ranch Road, Ste. 130)	
Scottsdale, AZ 85258)	
)	
ROBERT WITT)	
a/k/a Harry Robert Witt)	
7600 East Doubletree Ranch Road, Ste. 130)	
Scottsdale, AZ 85258,)	
)	
Respondents.)	

**NOTICE: THIS ORDER IS EFFECTIVE IMMEDIATELY
EACH RESPONDENT HAS 20 DAYS TO REQUEST A HEARING**

The Securities Division ("Division") of the Arizona Corporation Commission ("Commission") alleges that RESPONDENTS RICHARD DEAN CARRINGTON and ROBERT WITT engaged in, are engaging in, or are about to engage in acts and practices that constitute violations of A.R.S. § 44-1801, *et seq.*, the Securities Act of Arizona ("Securities Act"), and that the public welfare requires immediate action.

**I.
JURISDICTION**

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

1 Specialists.” The brochure stated that the investment opportunity involved the purchase of the
2 right to benefits from terminally ill individuals who sold their policies to CEPS at a discount.

3 9. The brochure stated that terminally ill insured individuals had contacted
4 CARRINGTON expressing a desire to sell their life insurance policies. CARRINGTON would be
5 granted access to the individual’s medical records. CARRINGTON would then determine the life
6 expectancy of the insured based on the insured’s own physician’s estimate, and based on an
7 independent physician review obtained by CARRINGTON.

8 10. The brochure stated that based on the estimated life expectancy, CARRINGTON
9 would determine a “fair amount” to pay for the policy. According to CARRINGTON, the amount
10 paid to the insured would be as high as 88% of the face amount for policies when the estimated life
11 expectancy of the insured was low, such as 6 to 12 months.

12 11. The brochure stated that CARRINGTON would purchase and own the policy.
13 CARRINGTON would then sell the death benefits of the policy to a group of investors at a higher
14 price than CARRINGTON paid to acquire the policy. CARRINGTON thus received a profit on
15 the transaction up front. CARRINGTON would assign an irrevocable right to the benefits of the
16 policy to the investors. Investors would receive a return on their investment when the policy
17 “matured,” that is, upon the death of the insured. The brochure stated that investors would be
18 helping somebody “who *really* needs the help.” The investor would be providing a “humanitarian
19 service.” The brochure also stated, “It’s truly an investment you can feel good about.”

20 12. The brochure stated that CARRINGTON imposed “legal standards” on policies it
21 purchased, including that the policies must be beyond the two-year “contestability” period. The
22 brochure included no explanation of “contestability”. In fact, most insurance companies include a
23 contract provision allowing the insurance company to cancel a policy within two years of purchase
24 (the “contestability period”), if the policy application has been found to be fraudulent or otherwise
25 subject to cancellation. Policies that are within the contestability period carry high risks to
26 investors due to potential cancellation.

1 13. The brochure stated that policies would be purchased from insurance companies
2 whose rating was "A" or better according to the industry's leading insurance rating firms. If
3 continuing premiums were required to keep the policy in force, CARRINGTON would pay the
4 insurance company an amount equal to 36 months of premiums so the policy would "stay active"
5 without "possibility of lapsing." According to CEPS, the money to pay continuing premiums
6 would be withheld from the amount paid to the insured person to buy the policy.

7 14. The brochure stated that CARRINGTON's fees were paid by the insured person,
8 thus there were "no loads or commissions applied to Viatical Settlements."

9 15. The brochure stated that returns of 10 to 20% could be earned "safely."

10 16. The brochure stated that CARRINGTON usually purchased policies from AIDS
11 patients, because there was "a high degree of accuracy in projecting the life expectancy of a
12 terminally ill AIDS sufferer."

13 17. The brochure stated that premiums due to keep policies in force until maturity
14 would be paid by CARRINGTON from funds withheld from the insured.

15 18. Individuals who decided to invest were given a one-page "Policy Purchase
16 Agreement" ("the Agreement") to sign. The Agreement stated that the investor was to make a
17 check out to Arizona Escrow & Financial Corporation ("Arizona Escrow"). Investors were told
18 that funds would be pooled at Arizona Escrow until CARRINGTON found a policy to purchase for
19 the benefit of investors. Investors were not told how long CARRINGTON would maintain an
20 account at Arizona Escrow before a policy would be purchased.

21 19. The Agreement stated that CARRINGTON would provide to the investor medical
22 and other pertinent information on "the applicants for Viatical Funding" prior to the investor's
23 purchase of a policy. In fact, investors were given only sample information, with no specifics on
24 actual policies that they might evaluate for purchase.

25 20. The Agreement stated that an attached addendum labeled "Attachment A" would
26 provide investors with a "policy breakdown" and the percent of interest acquired. In fact, no

1 Attachment A was given to investors until after CARRINGTON had used their money to purchase
2 a policy. At that time, the investor found out how many other investors were on the same policy,
3 as well as the interests of each. While CARRINGTON initially provided investors with other
4 investor names and addresses on each policy after the policy was funded, he later began to black
5 out all names so that investors had no way of knowing or contacting other investors who held a
6 portion of the same benefits as the investor.

7 21. Investors were told that either CARRINGTON or Arizona Escrow would own the
8 policy, while the investor would be named as an irrevocable beneficiary, entitled to receive a pro
9 rata portion of the face value upon death of the insured.

10 22. Investors were provided with no background or financial information on CEPS or its
11 "division", CIS. Investors were given no basis for projections that the "rate of return varies from
12 11 - 26%."

13 23. The ultimate return to investors was a *fixed* amount based on maturity of the policy.
14 However, the ultimate *annual* rate of return to an investor was significantly dependent on
15 CARRINGTON's ability to accurately determine life expectancy in selecting a policy.

16 24. The brochure stated that CARRINGTON took several steps to "insure" that the
17 predicted life expectancy was as accurate as possible, including obtaining both an attending and
18 secondary physician opinion on life expectancy. However, CARRINGTON failed to provide
19 investors with any information that would allow them to verify that such reviews had been done.

20 25. Investors were asked to sign an "Agency Agreement and Special Power of
21 Attorney" ("POA") once they decided to invest. The POA required CARRINGTON to purchase
22 policies that were beyond the contestability period from insurance companies with a rating of "A"
23 or better.

24 26. On or around mid-1996, the national news media announced breakthroughs in the
25 treatment of AIDS, with the advent of protease inhibitors. Deaths from AIDS began to drop
26 substantially. As other "cocktail" medicines entered the market, many AIDS patients, whose

1 medical diagnoses had previously reflected "full blown AIDS," began to see their health improve
2 to levels that made the prospect of survival beyond earlier predicted time periods not only a
3 possibility, but a reality. As a result, life expectancy became highly difficult to predict.

4 27. The life expectancy of an AIDS patient formed the fundamental basis for calculation
5 of an investor's expected annual return. As life expectancy became highly speculative, so the
6 projections of annual returns to investors became highly speculative.

7 28. CARRINGTON continued to provide a written brochure to potential investors that
8 failed to reflect the risk to investors that medical breakthroughs might make determination of life
9 expectancy highly unreliable. In fact, CARRINGTON utilized sample "case histories" in the
10 brochure to demonstrate the calculation of annual return to investors. The samples were all based
11 on death of the insured occurring before the predicted life expectancy had expired. The samples
12 reflected annual returns to investors of 21% to 88%. The brochure continued to state, "there is no
13 hope of survival for current Full Blown Aids [sic] patients."

14 29. In April 1997, WITT joined CARRINGTON and began offering and selling viatical
15 settlement contracts to investors, as well as handling telephone calls from investors who were
16 waiting for their investments to mature.

17 30. In May 1997, the Commission ordered CARRINGTON, along with other agents, to
18 temporarily cease and desist from the fraudulent sale of promissory notes, another product offered
19 along with viatical settlement contracts. From May 1997 to the present, RESPONDENTS failed to
20 tell investors that CARRINGTON had been subject to the cease and desist order.

21 31. In October 1997, an article appeared in the business section of the Mesa Tribune
22 newspaper ("the article"), an Arizona daily newspaper of wide circulation. The article was titled
23 "Viatical Settlements Catch On." The article featured CARRINGTON's viatical business and
24 quoted CARRINGTON several times. In the article, CARRINGTON described viatical settlement
25 contracts with statements such as "a win-win situation," "Our clients are very happy," and "95
26 percent of the time, when a policy matures, they reinvest into a new insurance policy."

1 CARRINGTON stated in the article that his business had "more than 3500 clients who [had]
2 invested in viatical settlements." In fact, by the date of the article, CARRINGTON had sold
3 viaticals to approximately 330 investors. Many of those investors had purchased policies based on
4 CARRINGTON's life expectancy predictions, which had turned out to be inaccurate.

5 32. CARRINGTON copied the article and included it in future mailings to potential
6 investors. However, CARRINGTON removed sections of the article that quoted the Arizona
7 Department of Insurance and the Arizona Securities Division warning about the safety and honesty
8 of viatical investments.

9 33. In February 1998, after an administrative hearing, the temporary order issued
10 against CARRINGTON in May of 1997 became final. CARRINGTON and several agents were
11 fined \$10,000. CARRINGTON did not tell future investors about the fine or about his sale of
12 fraudulent unregistered promissory notes.

13 34. On or around the end of 1997 through the beginning of 1999, RESPONDENTS
14 engaged in a practice known as "clean-sheeting" in the insurance industry. CARRINGTON
15 located AIDS patients who were willing to apply for life insurance policies that could then be sold
16 to CARRINGTON. CARRINGTON entered into an agreement with the AIDS patient whereby the
17 patient would apply for a policy and deny on the application that the patient had AIDS. The face
18 value of the policy was below \$100,000, generally an amount that would not trigger a requirement
19 for a medical exam before the policy could be issued.

20 35. CARRINGTON paid each AIDS patient a nominal amount for the fraudulent
21 policies, usually 10% of the face value. Some AIDS patients applied to several different insurance
22 companies in order to sell multiple policies to CARRINGTON. The policies were contestable for a
23 period of two years.

24 36. Within a short time after CARRINGTON purchased the "clean-sheeted" policies,
25 RESPONDENTS sold the policy benefits to investors as viatical settlement contracts. Because
26 CARRINGTON had paid such a small amount to purchase the policies, CARRINGTON realized a

1 substantial profit in re-selling the policy benefits to investors. However, RESPONDENTS
2 continued to tell investors that the insured received a fair amount for the policy allowing the
3 insured to "live out their life free of monetary concerns." RESPONDENTS did not tell investors
4 the amount of profit that CARRINGTON made on sale of the "clean-sheeted" policies.

5 37. RESPONDENTS did not tell investors that they were placed in "clean-sheeted"
6 policies that had been fraudulently obtained with RESPONDENTS' knowledge. RESPONDENTS
7 did not tell investors that CARRINGTON had paid to the insured only a small portion of the value
8 of the policy, thus there was little or no humanitarian act performed for the financial assistance to
9 the AIDS patient. RESPONDENTS included the term "contestable" in some purchase agreements
10 and other forms signed by the investors, but investors were not told the meaning of the term, nor
11 explained the specific risks caused by RESPONDENTS' own actions.

12 38. Many insurance companies discovered the fraudulent policy applications within the
13 two-year contestability period. The insurance companies cancelled the policies returning
14 premiums paid to CARRINGTON. CARRINGTON kept the returned premiums and the profits
15 from the original sale of the contestable policies to investors. Investors were left with no
16 investment in the policy.

17 39. CARRINGTON sent letters to investors telling them that their policies had been
18 cancelled. CARRINGTON did not return investor funds nor allow investors to rescind their
19 investment. CARRINGTON instead placed investors into other policies. Some of these policies
20 had already been sold to earlier investors and the estimated life expectancy had been told to those
21 investors in order to establish profits on the policy. CARRINGTON provided some new investors
22 with the same estimated life expectancy that had already been running for earlier investors.

23 40. CARRINGTON provided some investors with information that they would be
24 credited for the fact that their policy had been cancelled with an interest payment that would then
25 be applied to a new policy purchase price. Other investors were given no interest credit.
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1 41. In late 1998 through some time in 2000, RESPONDENTS began using a revised
2 offering brochure to solicit viatical investments (“the new brochure”). In the new brochure,
3 RESPONDENTS continued to promote viaticals as offering “high returns” with “low risk.”
4 RESPONDENTS added new categories to the investment options including “senior settlements”
5 (policies from persons over 65 years old) and life insurance policies on other terminal illnesses,
6 such as cancer and Lou Gehrig’s disease. The new brochure offered “rates of return” at between
7 26% and 100%. The new brochure stated that policies would be purchased from insureds whose
8 insurance company was rated “B” or better.

9 42. At the time that the new brochure began to be utilized, CARRINGTON’s track
10 record in the business of viaticals had produced results far below the expectations given to
11 investors. CARRINGTON’s predictions of life expectancy had proven to be very inaccurate. For
12 instance, by the end of 1998, only one out of every five policies sold to investors had matured
13 within the predicted life expectancy. RESPONDENTS did not disclose this information in the new
14 brochure.

15 43. The new brochure offered investors an opportunity to invest in viatical settlements
16 through “The Contestable Program.” It stated that investing in contestable policies would provide
17 investors with “substantially higher returns” with “some additional risk if the insured should pass
18 away before the end of the two-year Contestable period.” The new brochure stated that the
19 Contestable Program “has become extremely popular.” RESPONDENTS did not tell investors that
20 CARRINGTON had engaged in paying AIDS patients to fraudulently obtain insurance policies that
21 CARRINGTON would then purchase at a deep discount and re-sell to investors during the
22 contestable period.

23 44. RESPONDENTS provided a letter to investors in contestable policies asking that
24 they not contact the insurance company about their purchase. RESPONDENTS failed to tell
25 investors that the reason RESPONDENTS did not want them to contact the insurance company
26 was because the insurance company might then find out that it had been defrauded.

1 45. The new brochure continued to assure investors that policies purchased by
2 CARRINGTON were from individuals in "the late stages of their disease" where there was "no
3 hope of survival." The life expectancies offered ranged from one to five years, with a higher "fixed
4 return" for longer time periods.

5 46. By the end of 1998, CARRINGTON had sold fractional interests in over 300
6 policies to at least 440 investors. Two thirds of those investors were still waiting for policies that
7 had failed to mature by the life expectancy as estimated by CARRINGTON's expertise. The new
8 brochure continued to promote the viatical settlement investment as providing "an exceptional rate
9 of return." The new brochure did not disclose that CEPS' viatical program had failed to provide
10 timely returns to investors and that a majority of investors were still waiting for any return at all.

11 47. Investors were told that they would receive regular updates on the condition of the
12 insured, however, many investors have received no updates, and if investors called for an update,
13 they received a boilerplate letter stating that the condition of the insured was "as good as could be
14 expected under the circumstances." In fact, CARRINGTON failed to tell investors that in many
15 cases, the condition of the insured had improved substantially, such that the life expectancy given
16 to investors was no longer accurate.

17 48. The new brochure no longer provided that the investor would be assigned a
18 beneficial interest in a policy. Instead, CARRINGTON would be the owner of the policy, and
19 Arizona Escrow would become the beneficiary. Upon maturity, Arizona Escrow would receive the
20 face value and distribute it to investors pro rata. Thus, investors were wholly reliant on a
21 contractual agreement between CARRINGTON and Arizona Escrow. Investors held no equity
22 interest in a policy, nor did they have any ability to get information from any insurance company
23 about the policy, without being a named owner or beneficiary. Investors were not told of this risk.

24 49. In October 1999, the Securities Division and the Attorney General's Office issued
25 subpoenas for testimony and documents to CARRINGTON d/b/a CEPS under the Securities Act
26 and the Consumer Fraud Act. CARRINGTON challenged the subpoenas, but ultimately was

1 ordered to produce records to the Attorney General in March 2000. After further delay,
2 CARRINGTON was found in contempt in December 2000 and given three days to produce the
3 records.

4 50. In August 2000 new Arizona statutes took effect providing for an exemption from
5 registration for the sale of viatical settlement contracts. The statutes required that certain
6 information be filed with the Commission before viatical settlement contracts could be sold within
7 or from Arizona. CARRINGTON had employed a lobbyist to participate in the legislative process
8 leading to the new viatical laws. After the new law took effect, CARRINGTON did not file for an
9 exemption to allow CARRINGTON to sell viatical settlement contracts within or from Arizona.
10 RESPONDENTS continued to offer and sell viatical settlement contracts within and from Arizona.

11 51. RESPONDENTS have continued to offer and sell viatical settlement contracts up to
12 the present, without providing investors with material facts, including CARRINGTON's historical
13 and continuing failure to produce results as represented to investors.

14 52. Since 1995 up to October of 2000, approximately 638 investors paid
15 CARRINGTON over \$29,000,000 in approximately 378 policies. Only around half of that amount
16 was spent on the purchase of policies.

17 53. As of October, 2000, only 52 of the 378 policies sold had matured on or before
18 CARRINGTON's estimated life expectancy. Further, only 123 policies out of 378 sold had ever
19 matured at all. At least 33 policies were cancelled because of clean-sheeting, litigation, or other
20 reasons. More than 250 investors had been waiting as long as three years or more for the maturity
21 of policies that were estimated to be 12 month policies. Many of those investors had been told in
22 the offering brochure that "it is uncommon for an insured to live beyond their determined life
23 expectancy."

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1 IV.

2 VIOLATION OF A.R.S. § 44-1841

3 (Offer and Sale of Unregistered Securities)

4 54. From on or about January 1995, CARRINGTON offered or sold securities in the
5 form of investment contracts and viatical settlement contracts within or from Arizona. From on or
6 about April 1997, WITT offered or sold securities in the form of investment contracts and viatical
7 settlement contracts within or from Arizona.

8 55. The securities referred to above were not registered pursuant to Articles 6 or 7 of the
9 Securities Act, nor exempt from registration by any filing under A.R.S. § 44-1850.

10 56. This conduct violates A.R.S. § 44-1841.

11 V.

12 VIOLATION OF A.R.S. § 44-1842

13 (Transactions by Unregistered Dealers or Salesmen)

14 57. CARRINGTON and WITT offered or sold securities within or from Arizona while
15 not registered as dealers or salesmen pursuant to Article 9 of the Securities Act, nor exempt from
16 registration by any filing under A.R. S. § 44-1850.

17 58. This conduct violates A.R.S. § 44-1842.

18 VI.

19 VIOLATION OF A.R.S. § 44-1991

20 (Fraud in Connection with the Offer or Sale of Securities)

21 59. In connection with the offer or sale of securities within or from Arizona,
22 CARRINGTON and/or WITT directly or indirectly: (i) employed a device, scheme or artifice to
23 defraud; (ii) made untrue statements of material fact or omitted to state material facts which were
24 necessary in order to make the statements made not misleading in light of the circumstances under
25 which they were made; or (iii) engaged in transactions, practices or courses of business which
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1 operated or would operate as a fraud or deceit upon offerees and investors. The above conduct
2 includes, but is not limited to, the following:

3 a) RESPONDENTS represented life expectancy as a reliable basis for determining
4 investor returns, when in fact, a majority of CARRINGTON's estimates of life expectancy were
5 inaccurate and misleading.

6 b) RESPONDENTS represented that investors would pay no "loads, fees, or
7 commissions," because such amounts would be paid by the insured, when in fact, "commissions,
8 fees and loads" were paid from investor money.

9 c) RESPONDENTS failed to tell investors in contestable policies that
10 RESPONDENTS had solicited terminally ill patients to fraudulently purchase life insurance for
11 resale to CARRINGTON, thus subjecting investors to a high risk of cancellation.

12 d) RESPONDENTS failed to tell investors that if an insurance company cancelled a
13 contestable policy, investors would receive no reimbursement; however, CARRINGTON, as owner
14 of the policy, would receive reimbursement of all premiums paid with investor money, along with
15 the profits he had already realized in the initial sale of the policy to investors.

16 e) RESPONDENTS represented that CARRINGTON would conduct a separate
17 medical evaluation of the insured; however, RESPONDENTS failed to provide investors with any
18 information that would allow them to verify the source and independence of any medical evaluation,
19 the existence of such evaluation, or the accuracy of the medical condition as stated on the
20 application for insurance.

21 f) RESPONDENTS failed to provide investors with an accurate track record,
22 including CARRINGTON's failure to produce timely returns in the viatical investment program.

23 k) RESPONDENTS sold fractional investments in the same policy on the same
24 insured during a span of several months. In each sale RESPONDENTS told investors that the life
25 expectancy of the insured was the same. RESPONDENTS did not tell later investors that earlier
26 investors in the same policy had been given the same life expectancy estimates.

1 l) RESPONDENTS misrepresented the investment in the brochure as “absolutely
2 safe”; RESPONDENTS stated in the new brochure that there was “some degree of risk”; however,
3 RESPONDENTS failed to specify several risks, including but not limited to:

- 4 i. the risk that the investor would be wholly dependent on the continuing
5 economic viability of CARRINGTON for funding and payment of
6 insurance premiums, and for monitoring of the investment;
- 7 ii. the risk that medical advisors may have misdiagnosed or
8 miscalculated the extent and gravity of an insured’s condition;
- 9 iii. the risk that the insured may have provided misleading information to
10 medical personnel;
- 11 iv. the risk that new medical developments may significantly impact life
12 expectancy with a corresponding detrimental effect on profits;
- 13 v. the risk that certain policies, such as group policies, may be subject to
14 change, and may not provide returns as promised;
- 15 vi. the risk that third party providers or brokers of policies or medical
16 evaluations may not provide accurate information;
- 17 vii. the risk that the insured person, having received payment for the
18 policy, may fail to keep up continued contacts with CARRINGTON,
19 and may even become impossible to locate;
- 20 viii. the risk that the investment may not be suitable for persons who have a
21 need for a regular income from their investments;
- 22 ix. the risk that an investment made with IRA funds may require
23 mandatory withdrawals before the investment itself matures, thereby
24 causing tax issues for the investor;

25 n) RESPONDENTS failed to disclose specific costs paid by investors as
26 “acquisition costs” of the policy, including how much was paid to the insured for purchase of the

1 policy, the amount allocated for future premium payments, the amounts paid in fees and
2 commissions, and the profit to CARRINGTON.

3 o) RESPONDENTS failed to tell investors who invested after the fact that
4 CARRINGTON had been ordered by the Arizona Corporation Commission in May 1997 to cease
5 and desist in the sale of securities, specifically promissory notes. Further, RESPONDENTS failed to
6 tell investors that a final Order to Cease and Desist was entered on February 9, 1998, finding that
7 CARRINGTON and CARRINGTON had committed fraud in the sale of notes totaling \$1,875,102.

8 60. This conduct violates A.R.S. § 44-1991.

9 **VII.**

10 **TEMPORARY ORDER**

11 **Cease and Desist from Violating the Securities Act**

12 THEREFORE, based on the above allegations, and because the Division has determined that
13 the public welfare requires immediate action,

14 IT IS ORDERED, pursuant to A.R.S. §§ 44-2032, 44-1972 and A.A.C. R14-4-307, that the
15 RESPONDENTS, their agents, servants, employees, successors, assigns, and persons in active
16 concert or participation with them, and those entities under their direct or indirect control, CEASE
17 AND DESIST from any violations of the Securities Act.

18 IT IS FURTHER ORDERED that this Temporary Order to Cease and Desist shall remain in
19 effect for 120 days unless sooner vacated, modified or made permanent by the Commission.

20 IT IS FURTHER ORDERED that this Temporary Order to Cease and Desist does not
21 prohibit RESPONDENTS from continuing to maintain policies under RESPONDENTS' ownership
22 or control, including continuing payments of premiums on behalf of investors, and continuing tasks
23 related to maintenance of the policies until maturity.

24 IT IS FURTHER ORDERED that this Order shall be effective immediately.

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2 **VIII.**

3 **REQUESTED RELIEF**

4 The Division will request that the Commission grant the following relief against
5 RESPONDENTS:

6 1. Order RESPONDENTS to permanently cease and desist from violating the
7 Securities Act, pursuant to A.R.S. § 44-2032;

8 2. Order RESPONDENTS to take affirmative action to correct the conditions resulting
9 from their acts, practices or transactions, including a requirement to make restitution pursuant to
10 A.R.S. § 44-2032;

11 3. Order RESPONDENTS to pay the state of Arizona administrative penalties of up to
12 five thousand dollars (\$5,000) for each violation of the Securities Act, pursuant to A.R.S. § 44-2036;

13 4. Order any other relief that the Commission deems appropriate.

14 **IX.**

15 **HEARING OPPORTUNITY**

16 RESPONDENTS may request a hearing pursuant to A.R.S. § 44-1972 and A.A.C. R14-4-
17 307. A request for hearing must be in writing and received by the Commission within 20 days after
18 service of this Temporary Order to Cease and Desist. Each RESPONDENT must deliver or mail the
19 request for hearing to Docket Control, Arizona Corporation Commission, 1200 West Washington,
20 Phoenix, Arizona 85007. A Docket Control cover sheet must also be filed with the request for
21 hearing. A cover sheet form and instructions may be obtained from Docket Control at (602) 542-
22 3477 or on the Commission's Internet web site at www.cc.state.az.us/utility/forms/index.htm.

23 If a request for hearing is timely made, the Commission shall schedule a hearing to begin 5
24 to 15 days from the receipt of the request unless otherwise provided by law, stipulated by the parties,
25 or ordered by the Commission. After a hearing, the Commission may vacate, modify or make
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permanent this Temporary Order, with written findings of fact and conclusions of law. A permanent Order may include ordering restitution, assessing administrative penalties or other action.

If a request for hearing is not timely made, the Division will request that the Commission make permanent this Temporary Order, with written findings of fact and conclusions of law, which may include ordering restitution, assessing administrative penalties or other relief.

Persons with a disability may request a reasonable accommodation such as a sign language interpreter, as well as request this document in an alternative format, by contacting Shelly M. Hood, ADA Coordinator, voice phone number 602/542-3931, e-mail shood@cc.state.az.us. Requests should be made as early as possible to allow time to arrange the accommodation.

BY ORDER OF THE ARIZONA CORPORATION COMMISSION, this 9th day of OCTOBER, 2001.


Victor Rodarte
Assistant Director of Securities

n/enforce/cases/Carriviat/pleadings/temporary order