

OPEN MEETING ITEM
ORIGINAL 7/12/07



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



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BRIAN C. McNEIL
EXECUTIVE DIRECTOR

ARIZONA CORPORATION COMMISSION

MEMORANDUM

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

Arizona Corporation Commission

DOCKETED

JUN 25 2007

FROM: Matthew J. Neubert
Director of Securities

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AZ CORP COMMISSION
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DATE: June 21, 2007

RE: Proposed Order to Cease and Desist, Order for Restitution, Order of Revocation, Order for Administrative Penalties and Consent to Same: Alonzo Russell dba Guardian Angel Advisers ("GAA") and Linda Russell, husband and wife, Docket No. S-20518A-07-0146

CC: Brian C. McNeil, Executive Director

Attached is a proposed Order to Cease and Desist, Order for Restitution, Order of Revocation, Order for Administrative Penalties and Consent to Same ("Order") by Respondent Alonzo Russell ("Russell") dba Guardian Angel Advisers ("GAA") and Linda Russell, husband and wife. Russell is an Arizona registered securities salesman who operated out of Mesa, Arizona in association with AIG Financial Advisers, Inc. ("AIG") fka SunAmerica Securities, Inc. ("SAS"). On April 26, 2006, AIG discharged Russell for violating company policy in connection with the sale of an unapproved product. Russell was also licensed in Arizona as an investment adviser representative affiliated with The Householder Group, Estate & Retirement Specialists ("Householder"), a licensed investment adviser with the Securities and Exchange Commission, operating in Arizona.

The proposed Order finds that in December 2001, acting on Russell's advice, a customer sold \$50,000.00 in mutual fund shares held in his SAS account, to use the funds to invest in an equipment fund investment recommended by Russell. Unknown to the customer, Russell deposited the customer's \$50,000.00 check into his own Bank of America account in California, held under the name "Alonzo Russell DBA Guardian Angel Advisers DBA GAA." Russell did not use the customer's funds to purchase an equipment fund or any other product. Instead Russell spent the customer's funds at clothing stores, restaurants and golf courses.

In this proposed Order, Russell and the marital community of Russell and Linda Russell, have agreed to the following:

- An order to cease and desist from violations of the Securities Act and the Investment Advisory Act;
- Restitution of the \$50,000.00 misappropriated, plus interest at the rate of 10% from the date of the misappropriation;
- Revocation of Russell's Arizona securities salesman registration and his investment adviser representative license, and an agreement not to apply in Arizona for registration as a securities salesman or licensing as an investment adviser representative at any time in the future; and
- Administrative penalties in the amount of \$20,000.00.

The Division believes the proposed Order to be in the public interest, and a fair and equitable resolution of this matter.

Originated by: Pam Johnson

MJN/ptj

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

10 2. LINDA RUSSELL was at all relevant times the spouse of RUSSELL. LINDA
11 RUSSELL is joined in this action solely under A.R.S. § 44-2031(C), for purposes of determining the
12 liability of the marital community.

13 3. At all times relevant, RUSSELL was acting for his own benefit, and for the benefit
14 or in furtherance of the marital community.

15 4. RUSSELL may be referred to individually as "Respondent." LINDA RUSSELL
16 may be referred to individually as "Respondent Spouse." RUSSELL and LINDA RUSSELL may
17 be referred to collectively herein as "Respondent and Respondent Spouse."

18 5. In or around November 2001, shortly after Respondent became affiliated with
19 SAS/Householder, he notified a former customer of Linsco of his move to SAS/Householder.

20 6. The customer, an Arizona resident, was a retired truck driver after 22 years service
21 in the U.S. Army, and unsophisticated in investments. In November 2001, the customer transferred
22 his investment accounts from Linsco to SAS/Householder, so that Respondent could continue as his
23 investment adviser.

24 7. In or around December 2001, Respondent told the customer that he could move some
25 of his money around to earn more profit from an investment in an equipment fund. Respondent told
26

1 his customer that the company invested in rental equipment; that the company was making money;
2 that the customer could request withdrawals but would incur a penalty.

3 8. In December 2001, acting on Respondent's advice, the customer sold \$50,000.00 in
4 mutual fund shares held in his SAS account, to use the funds to invest in the equipment fund
5 investment recommended by Respondent.

6 9. On December 21, 2001, SAS issued a check to the customer for \$50,000.00 from
7 the sale of mutual fund shares in his account.

8 10. Respondent instructed the customer to make out a personal check for \$50,000.00
9 payable to "GAA" for the equipment fund investment. Respondent did not tell the customer that
10 GAA was Respondent's own company, which was also referred to as Guardian Angel Advisors.

11 11. Respondent deposited the customer's \$50,000.00 into his own Bank of America
12 account in California, held under the name "Alonzo Russell DBA Guardian Angel Advisors DBA
13 GAA."

14 12. Respondent did not use the customer's funds to purchase an equipment fund or any
15 other product. Instead Respondent spent the customer's funds at clothing stores, restaurants and golf
16 courses.

17 13. Respondent sent the customer periodic account statements under the name of GAA,
18 which showed a purported investment in an "ATEL Insured" fund, and reflected purported profits.

19 14. The customer received purported "interest" payments in the amount of \$3,327.13
20 and \$3,441.53, from Respondent's GAA bank account, and has received a total of \$6,768.66.

21 15. Respondent's conduct described herein includes, but is not limited to, the following
22 conduct, which violates A.R.S. §§ 44-1991 and 44-3241:

23 a) Misrepresenting to a customer that his investment funds would be used to
24 invest in a purported equipment fund;

25 b) Failing to disclose that the customer's funds were to be deposited into an
26 account controlled by Respondent;

1 c.) Misrepresenting that "income" or "profits" would be generated from an
2 investment;

3 d.) Misusing and/or misappropriating a customer's investment funds.

4 II.

5 CONCLUSIONS OF LAW

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

8 2. Respondent offered or sold securities within or from Arizona, within the meaning of
9 A.R.S. §§ 44-1801(15), 44-1801(21), and 44-1801(26).

10 3. Respondent violated A.R.S. § 44-1991.

11 4. Respondent's conduct subjects Respondent to an order of revocation of his
12 securities salesman registration pursuant to:

13 a. A.R.S. § 44-1962(A)(2), for violating A.R.S. § 44-1991; and

14 b. A.R.S. § 44-1962(A)(10), for making unauthorized use of securities or funds of
15 customers or converting customer securities or funds for personal benefit.

16 5. Respondent's conduct subjects Respondent to an order of revocation of his
17 investment adviser representative license pursuant to A.R.S. § 44-3241.

18 6. Respondent's conduct is grounds for a cease and desist order pursuant to A.R.S. §§
19 44-2032, 44-3292, 44-1962, and 44-3201.

20 7. Respondent's conduct is grounds for an order of restitution pursuant to A.R.S. §§
21 44-2032, 44-3292, 44-1962, and 44-3201.

22 8. Respondent's conduct is grounds for administrative penalties under A.R.S. §§ 44-
23 2036, 44-3296, 44-1962, and 44-3201.

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1 determines it is unable to or cannot feasibly disburse shall be transferred to the general fund of the
2 state of Arizona.

3 IT IS FURTHER ORDERED, pursuant to A.R.S. §§ 44-2036, 44-3296, 44-1962, and 44-
4 3201, that Respondent, and the marital community of Respondent and Respondent Spouse, shall
5 pay administrative penalties in the amount of \$20,000.00. Any amount outstanding shall accrue
6 interest at the rate of 10% per annum from the date of this Order until paid in full. The payment
7 obligations for these administrative penalties shall be subordinate to any restitution obligations
8 ordered herein and shall become immediately due and payable only after restitution payments have
9 been paid in full or upon Respondent's default with respect of Respondent's restitution obligations.

10 IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-1962, that Respondent's securities
11 salesman registration is revoked.

12 IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-3201, that Respondent's investment
13 adviser representative license is revoked.

14 For purposes of this Order, a bankruptcy filing by Respondent shall be an act of default. If
15 Respondent does not comply with this Order, any outstanding balance may be deemed in default
16 and shall be immediately due and payable.

17 IT IS FURTHER ORDERED, that if any Respondent fails to comply with this order, the

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1 Commission may bring further legal proceedings against that Respondent, including application to
2 the superior court for an order of contempt.

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

4 BY ORDER OF THE ARIZONA CORPORATION COMMISSION

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6 _____
CHAIRMAN

COMMISSIONER

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COMMISSIONER

COMMISSIONER

COMMISSIONER

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11 IN WITNESS WHEREOF, I, BRIAN C. McNEIL,
12 Executive Director of the Arizona Corporation
13 Commission, have hereunto set my hand and caused the
14 official seal of the Commission to be affixed at the
15 Capitol, in the City of Phoenix, this _____ day of
16 _____, 2007.

17 _____
BRIAN C. McNEIL
Executive Director

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19 _____ DISSENT

20
21 _____ DISSENT

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

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25 (ptj)

CONSENT TO ENTRY OF ORDER

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1. Respondent ALONZO RUSSELL (“RUSSELL”) dba Guardian Angel Advisors (“GAA”) and his spouse, LINDA RUSSELL, (“Respondent RUSSELL’S SPOUSE”), admit the jurisdiction of the Commission over the subject matter of this proceeding. Respondent and Respondent RUSSELL’S SPOUSE acknowledge that they have been fully advised of their right to a hearing to present evidence and call witnesses and Respondent and Respondent RUSSELL’S SPOUSE knowingly and voluntarily waive any and all rights to a hearing before the Commission and all other rights otherwise available under Article 11 of the Securities Act, Article 7 of the Investment Management Act, and Title 14 of the Arizona Administrative Code. Respondents acknowledge that this Order To Cease And Desist, Order of Restitution, Order of Revocation, Order for Administrative Penalties and Consent to Same (“Order”) constitutes a valid final order of the Commission.

2. Respondent RUSSELL and Respondent RUSSELL’S SPOUSE knowingly and voluntarily waive any right under Article 12 of the Securities Act and Article 8 of the 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. Respondent RUSSELL and Respondent RUSSELL’S SPOUSE acknowledge and agree that this Order is entered into freely and voluntarily and that no promise was made or coercion used to induce such entry.

4. Respondent RUSSELL and Respondent RUSSELL’S SPOUSE acknowledge that they have been represented by Alan Baskin, an attorney, in this matter. Respondent RUSSELL and Respondent RUSSELL’S SPOUSE have reviewed this Order with their attorney and understand all terms it contains.

5. Respondent RUSSELL and Respondent RUSSELL’S SPOUSE neither admit nor deny the Findings of Fact and Conclusions of Law contained in this Order.

1 6. By consenting to the entry of this Order, Respondent RUSSELL and Respondent
2 RUSSELL'S SPOUSE agree not to take any action or to make, or permit to be made, any public
3 statement denying, directly or indirectly, any Finding of Fact or Conclusion of Law in this Order
4 or creating the impression that this Order is without factual basis. Respondent RUSSELL and
5 Respondent RUSSELL'S SPOUSE will undertake steps necessary to assure that all of their agents
6 and employees understand and comply with this agreement.

7 7. While this Order settles this administrative matter between Respondents and the
8 Commission, Respondent RUSSELL and Respondent RUSSELL'S SPOUSE understand that this
9 Order does not preclude the Commission from instituting other administrative proceedings based
10 on violations that are not addressed by this Order.

11 8. Respondent RUSSELL and Respondent RUSSELL'S SPOUSE understand that this
12 Order does not preclude the Commission from referring this matter to any governmental agency
13 for administrative, civil, or criminal proceedings that may be related to the matters addressed by
14 this Order.

15 9. Respondent RUSSELL and Respondent RUSSELL'S SPOUSE understand that this
16 Order does not preclude any other agency or officer of the state of Arizona or its subdivisions from
17 instituting administrative, civil or criminal proceedings that may be related to matters addressed by
18 this Order.

19 10. Respondent RUSSELL agrees that he will not apply to the state of Arizona for
20 registration as a securities dealer or salesman or for licensure as an investment adviser or
21 investment adviser representative at any time in the future.

22 11. Respondent RUSSELL agrees that he will not exercise any control over any entity
23 that offers or sells securities or provides investment advisory services within or from Arizona at
24 any time in the future.

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1 12. Respondent RUSSELL agrees that he will not sell any securities in or from
2 Arizona, and that he will not transact business in Arizona as an investment adviser or investment
3 adviser representative in or from Arizona.

4 13. Respondent RUSSELL and Respondent RUSSELL's SPOUSE acknowledge that
5 any restitution or penalties imposed by this Order are obligations of Respondent RUSSELL as well
6 as the marital community.

7 14. Respondent RUSSELL and Respondent RUSSELL'S SPOUSE consent to the entry
8 of this Order and agree to be fully bound by its terms and conditions.

9 15. Respondent RUSSELL and Respondent RUSSELL'S SPOUSE acknowledge and
10 understand that if they fail to comply with the provisions of the order and this consent, the
11 Commission may bring further legal proceedings against them, including application to the
12 superior court for an order of contempt.

13 16. Respondent RUSSELL and Respondent RUSSELL'S SPOUSE understand that
14 default shall render them liable to the Commission for its costs of collection and interest at the
15 maximum legal rate.

16 17. Respondent RUSSELL and Respondent RUSSELL'S SPOUSE agree and
17 understand that if they fail to make any payment as required in the Order, any outstanding balance
18 shall be in default and shall be immediately due and payable without notice or demand.

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1 18. Respondent RUSSELL and Respondent RUSSELL'S SPOUSE agree and
2 understand that acceptance of any partial or late payment by the Commission is not a waiver of
3 default by the Commission.

4 
5 ALONZO RUSSELL

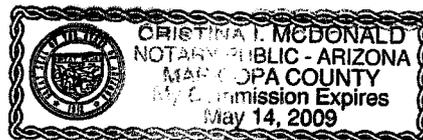
6 State of Arizona)
7)
8 County of Maricopa)

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10 SUBSCRIBED AND SWORN TO BEFORE me this 18th day of June, 2007.

11 
12 NOTARY PUBLIC

13 My Commission Expires:

14 May 14, 2009



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LINDA RUSSELL

19 State of Arizona)
20)
21 County of Maricopa)

22 SUBSCRIBED AND SWORN TO BEFORE me this 18th day of June, 2007.

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25 May 14, 2009

