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EXECUTIVE DIRECTOR

ORIGINAL



1300 West Washington, Third Floor
Phoenix, AZ 85007
TELEPHONE: (602) 542-4242
FAX: (602) 594-7470
E-MAIL: securitiesdiv@azcc.gov

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ARIZONA CORPORATION COMMISSION

MEMORANDUM

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

Arizona Corporation Commission
DOCKETED

AUG 24 2007

FROM: Matthew J. Neubert *mjn*
Director of Securities

DOCKETED BY *nr*

AZ CORP COMMISSION
DOCKET CONTROL

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DATE: August 16, 2007

RE: Default Order Against Leonard Francis Alcaro
Docket No. S-20520A-07-0155

CC: Dean Miller, Interim Executive Director

On March 20, 2007, the Securities Division ("Division") of the Arizona Corporation Commission ("Commission") filed a Notice of Opportunity for Hearing Regarding Proposed Order to Cease and Desist, For Restitution, For Administrative Penalties And For Other Affirmative Action ("Notice") against Respondents Leonard Francis Alcaro ("Alcaro") and his spouse Mary Brigid Lavin Alcaro ("Spouse"). The Spouse separately filed her answer, and requested the hearing currently set for December 11 to 13, 2007. Alcaro has not appeared in or defended this matter within the required time limits, despite his actual notice of the same.

Please find attached a proposed default Order to Cease and Desist, For Restitution and For Administrative Penalties against Alcaro ("Order"). The Order finds that from July 1995 to July 2002, Alcaro sold unregistered securities in the form of: (1) forex; (2) high interest loan; (3) offshore Trinity Court; (4) offshore money market; (5) gold market; (6) coin; and (7) stock securities. Alcaro sold \$472,779 of the securities to 21 Arizona residents. Many of Alcaro's investors were retired or senior citizens who could not afford to invest in the risky or speculative investments sold by Alcaro. Alcaro met and solicited the majority of his investors by virtue of their mutual membership in a Tucson Church and related organization.

The Order requires Alcaro to pay \$403,998.73 in restitution, and \$100,000 in administrative penalties. The Order finds that Alcaro violated A.R.S. §§ 44-1841 & 44-1842 for selling unregistered securities while not being registered as a dealer or salesman, or exempt from

registration. The Order also finds that Alcaro violated the anti-fraud provision of the Securities Act, A.R.S. § 44-1991.

The Division recommends this Order is appropriate, in the public interest, and necessary for the protection of investors.

Originator: Mike Dailey

1 Respondent Leonard Francis Alcaro did not appear at, or participate in the first or second
2 pre-hearing conferences held on May 7, 2007 and June 28, 2007 respectively. Respondent Leonard
3 Francis Alcaro also failed to appear at or participate in his lawfully noticed examination under oath
4 on March 21, 2007.

5 At the second, June 28, 2007 pre-hearing conference, counsel for Respondent Mary Brigid
6 Lavin Alcaro confirmed that he did not also represent Respondent Leonard Francis Alcaro. Thus,
7 Respondent Leonard Francis Alcaro has not properly appeared in or defended this action despite his
8 actual notice of all aspects of the same.

9 I.

10 **FINDINGS OF FACT**

11 1. At all times relevant, LEONARD FRANCIS ALCARO (a/k/a "LENNY ALCARO")
12 (hereafter, "ALCARO") was a Tucson, Arizona resident. According to the Answer filed by his
13 spouse Mary Brigid Lavin Alcaro, ALCARO'S current address is 43 Lillian Court, Ramsey, New
14 Jersey 07446.

15 **A. GENERAL FINDINGS OF FACT**

16 2. From on or about July 1995 to at least July 2002, ALCARO offered and sold
17 unregistered securities within and from Arizona in the form of, inter alia, investment contracts,
18 commodity investment contracts, promissory notes and stock (sometimes collectively referred to as
19 the "Investments").

20 3. ALCARO offered and sold \$472,779 worth of the Investments to 21 Arizona
21 residents.

22 4. ALCARO met and solicited the majority of his investors by virtue of their mutual
23 membership in a Tucson Church and related organization.

24 5. At or about the time ALCARO offered and sold the Investments, he held leadership
25 positions in the Church and related organization. ALCARO used his membership with the Church
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1 and related organization to gain the trust and friendship of his investors and sell them the
2 Investments. ALCARO sold the Investments to the Church related organization itself.

3 6. The majority of ALCARO's investors were retired or senior citizens who could not
4 afford to: (a) invest in risky, unsecured or inadequately collateralized investments; or (b) lose any
5 portion of their investment funds. One investor withdrew money invested in certificates of deposit
6 prior to maturity and incurred early withdraw penalties to invest in an ALCARO Investment. One
7 family who invested substantial amounts of their money in ALCARO's Investments ultimately
8 needed their investment money returned to them to pay for their children's college tuition.

9 7. ALCARO represented that he was an experienced and successful investor or
10 investment counselor. ALCARO represented that he had successfully invested substantial amounts
11 of his own money in at least one of the Investments. ALCARO represented to at least one investor
12 that he had even been able to build his pool with the profits he earned from investing in at least one
13 of the Investments.

14 8. The underlying nature of the Investments varied and included, without limitation, an
15 alleged foreign currency exchange, high interest loans, offshore Trinity Court accounts, offshore
16 money market accounts, gold market investments, and coin and stock investments.

17 **B. THE FOREX SECURITIES**

18 9. At all times relevant, ALCARO offered and sold unregistered securities in the form
19 of unsecured foreign currency exchange ("forex") investments within or from Arizona. "Forex" is
20 an acronym often used to describe the global market by which one nation's currency can be traded
21 or exchanged for that of another through various investment vehicles, including futures and
22 options.

23 10. ALCARO represented that he would invest his investors' money in pooled forex
24 investments that provided substantial, guaranteed and risk-free profits ranging from 10 to 28
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1 percent per year. ALCARO represented to at least one investor that the profits she would earn from
2 her forex investment would be sufficient to pay her housing and living expenses.

3 11. ALCARO represented to offerees and investors that timing was crucial with respect
4 to the forex investments, and that they had to act fast to earn the represented substantial profits.
5 Thus, ALCARO often pressured his investors to invest quickly in the forex investments at the time
6 of his offer.

7 12. Profits from ALCARO's forex investments were not guaranteed or risk-free. Forex
8 investments are inherently risky due, in part, to unforeseen global economic and currency market
9 fluctuations. Forex investments are often made pursuant to leveraged margin accounts with
10 borrowed broker money such that forex investment losses are magnified. Moreover, ALCARO's
11 forex investments were not guaranteed or risk-free as evidenced by the fact that the majority of his
12 forex investors lost the majority of their forex investment money.

13 **C. THE HIGH INTEREST LOAN SECURITIES**

14 13. At all times relevant, ALCARO offered and sold unregistered securities in the form
15 of unsecured high interest loan investments within or from Arizona.

16 14. ALCARO represented that he would invest his investors' money in high interest
17 loan investments that provided investors with substantial profits of up to 100 percent or more per
18 year.

19 **D. THE OFFSHORE TRINITY COURT SECURITIES**

20 15. At all times relevant, ALCARO offered and sold unregistered securities in the form
21 of unsecured offshore account investments within and from Arizona that were allegedly managed
22 by Trinity Court Management ("Trinity Court") in the Guernsey (Channel) Islands.

23 16. ALCARO represented that he would invest his investors' money in the offshore
24 Trinity Court investments that provided investors with substantial and insured profits of up to 27
25 percent per year.

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1 **G. THE COIN SECURITIES**

2 24. At all times relevant, ALCARO offered and sold unregistered securities in the form
3 of coin investments within or from Arizona.

4 25. ALCARO represented that he would invest his investors' money in the coin
5 investments that provided substantial, risk-free and guaranteed profits.

6 26. Profits from ALCARO's coin investments were not substantial, guaranteed or risk-
7 because they are subject to unforeseen global economic and related market fluctuations. The
8 profits from ALCARO's coin investments were also not guaranteed or risk-free as evidenced by the
9 fact that ALCARO's coin investors lost all of their coin investment money.

10 **H. THE STOCK SECURITIES**

11 27. At all times relevant, ALCARO offered and sold unregistered securities in the form
12 of stock within or from Arizona.

13 28. ALCARO represented that he would invest his investors' money in the stock
14 investments that provided substantial profits.

15 **I. ADDITIONAL FINDINGS OF FACT**

16 29. ALCARO often signed and issued standard form "unsecured" promissory notes to
17 his investors to document the Investments. Some of the promissory notes executed by ALCARO
18 were notarized.

19 30. In or about 2005, ALCARO voluntarily filed a Chapter 7 Bankruptcy in the United
20 States Bankruptcy Court, District of Arizona, No. 4:05-bk-02539-EWH. ALCARO identified
21 many of his investors and some of their Investments in his bankruptcy schedules, further
22 evidencing his investments with his investors.

23 31. ALCARO failed to provide the vast majority of his investors with any written
24 information or disclosures prior to their Investments. ALCARO failed to disclose to offerees and
25 investors any risks associated with the Investments.

1 IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2032, that ALCARO shall pay
2 restitution to the Commission in the amount of FOUR HUNDRED AND THREE THOUSAND,
3 NINE HUNDRED AND NINETY EIGHT DOLLARS AND SEVENTY THREE CENTS
4 (\$403,998.73). Any outstanding restitution amount shall accrue interest at the rate of 10% per
5 annum from the date of this Order until paid in full. Payments shall be made payable to the "State
6 of Arizona" to be placed in an interest-bearing account maintained and controlled by the
7 Commission. The Commission shall disburse the funds on a pro rata basis to investors shown on
8 the records of the Commission. Any restitution funds that the Commission cannot disburse
9 because an investor refuses to accept such payment shall be disbursed on a pro-rata basis to the
10 remaining investors shown on the records of the Commission. Any funds that the Commission
11 determines it is unable to or cannot feasibly disburse shall be transferred to the general fund of the
12 state of Arizona.

13 IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2036, that ALCARO shall pay an
14 administrative penalty in the amount of ONE HUNDRED THOUSAND DOLLARS
15 (\$100,000.00). Any amount outstanding shall accrue interest at the rate of 10% per annum from
16 the date of this Order until paid in full. The payment obligations for these administrative penalties
17 shall be subordinate to any restitution obligations ordered herein and shall become immediately
18 due and payable only after restitution payments have been paid in full or upon ALCARO's default
19 with respect of ALCARO's restitution obligations.

20 For purposes of this Order, a bankruptcy filing by ALCARO shall be an act of default. If
21 ALCARO does not comply with this Order, any outstanding balance may be deemed in default and
22 shall be immediately due and payable.

23 ...

24 ...

25 ...

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1 IT IS FURTHER ORDERED, that if ALCARO fails to comply with this Order, the
2 Commission may bring further legal proceedings against ALCARO, including application to the
3 superior court for an order of contempt.

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

5 BY ORDER OF THE ARIZONA CORPORATION COMMISSION

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7 CHAIRMAN

COMMISSIONER

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9
10 COMMISSIONER

COMMISSIONER

COMMISSIONER

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

18 _____
19 DEAN MILLER
20 Interim Executive Director

21 _____
22 DISSENT

23 _____
24 DISSENT

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