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DOCKET APPLICATION

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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

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

Arizona Corporation Commission

LOCKETED

SEP 30 2008

DOCKETED BY **NR**

In the matter of: RANDIE BALBAS, a married man and LEILA BALBAS, a married woman, Respondents.) DOCKET NO. S-20632A-08-0504)) NOTICE OF OPPORTUNITY FOR HEARING) REGARDING PROPOSED ORDER TO) CEASE AND DESIST, ORDER FOR) RESTITUTION, FOR ADMINISTRATIVE) PENALTIES AND FOR OTHER) AFFIRMATIVE ACTION)
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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 Respondents RANDIE BALBAS and LEILA BALBAS have engaged in acts, practices, and transactions that constitute violations of the Securities Act of Arizona, A.R.S. § 44-1801 *et seq.* ("Securities Act").

I.

JURISDICTION

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

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II.
RESPONDENT

2. RANDIE BALBAS ("BALBAS"), is an individual whose last known address is in Mesa, Arizona.

3. LEILA BALBAS ("L. BALBAS"), is an individual whose last know address is in Mesa, Arizona.

4. BALBAS AND L. BALBAS were at all relevant times married.

5. RANDIE BALBAS and LEILA BALBAS may be referred to as "Respondents."

6. At all times relevant, each Respondent was acting for their own benefit and for the benefit or in furtherance of Respondents' marital community.

III.
FACTS

7. In or about January of 2007, Respondents, while located in Mesa, Arizona, began raising money from investors in Arizona and other states, to invest in BALBAS' stock option trading business. Between January of 2007 and January of 2008, Respondents raised about \$379,000 from approximately twelve investors through the issuance of promissory notes. The funds raised from investors were to be placed in a stock options trading program controlled by BALBAS.

8. In February of 2006, BALBAS opened a personal OptionsXpress trading account. In about April of 2007, Respondents represented to some potential investors that BALBAS already had a number of investors who had invested money in the program. At this time, Respondents stated that they were seeking more investors in order to have additional investment capital to trade stock options.

9. Respondents offered investors the opportunity to participate in BALBAS' options trading program. The investors entered into Personal Loan Agreements with BALBAS. The Personal Loan Agreements listed the terms of the agreement. The investment was to last twelve

1 months. After the twelve months, the investors were able to request their principal be paid in full.
2 Respondents promised to pay investors four percent per month on funds placed with BALBAS. In
3 the Personal Loan Agreements, there was no explanation of how the funds would be used. The
4 investors had no ability to manage their investment.

5 10. Respondents provided no disclosure information to the investors that explained how
6 their funds would be used or how Respondents would be compensated. Respondents did not
7 provide any type of information on the risk of investing with Respondents. In one instance,
8 Respondents showed a presentation to a potential investor. According to the potential investor,
9 Respondents stated that they "guaranteed the monies" and stating the investment a "win-win
10 situation."

11 11. In about October of 2007, some of the investors inquired how their investments
12 were doing and questioned whether they should invest more money. BALBAS stated that the
13 investment was doing very well. After receiving BALBAS' response, those investors invested
14 additional funds into the trading program. These investment funds were not deposited into the
15 OptionsXpress trading account controlled by BALBAS.

16 12. The investor funds were initially deposited into BALBAS' personal bank accounts.
17 Then, BALBAS transferred some of the investors' funds to his OptionsXpress trading account.
18 Without notifying the investors, the remaining funds stayed in BALBAS' personal bank accounts
19 and were used for purposes other than options trading.

20 13. On about January 11, 2008, Respondents notified investors that their personal
21 finances and the trading account were close to bankruptcy and they could not repay the investors'
22 money.

23 14. Respondents are not registered to sell securities.

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1 IV.

2 VIOLATION OF A.R.S. § 44-1841

3 (Offer or Sale of Unregistered Securities)

4 15. From on or about January of 2007 through January of 2008, Respondents offered or
5 sold securities in the form of investment contract, promissory note and/or evidence of indebtedness,
6 within or from Arizona.

7 16. The securities referred to above were not registered pursuant to Articles 6 or 7 of the
8 Securities Act.

9 17. This conduct violates A.R.S. § 44-1841.

10 V.

11 VIOLATION OF A.R.S. § 44-1842

12 (Transactions by Unregistered Dealers or Salesmen)

13 18. Respondents offered or sold securities within or from Arizona while not registered as
14 a dealer or salesman pursuant to Article 9 of the Securities Act.

15 19. This conduct violates A.R.S. § 44-1842.

16 VI.

17 VIOLATION OF A.R.S. § 44-1991

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

19 20. In connection with the offer or sale of securities within or from Arizona,
20 Respondents directly or indirectly: (i) employed a device, scheme, or artifice to defraud; (ii) made
21 untrue statements of material fact or omitted to state material facts that were necessary in order to
22 make the statements made not misleading in light of the circumstances under which they were
23 made; or (iii) engaged in transactions, practices, or courses of business that operated or would
24 operate as a fraud or deceit upon offerees and investors. Respondents conduct includes, but is not
25 limited to, the following:
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1 **Notice.** A request for hearing must be in writing and received by the Commission within 10
2 business days after service of this Notice of Opportunity for Hearing. The requesting respondent
3 must deliver or mail the request to Docket Control, Arizona Corporation Commission, 1200 W.
4 Washington, Phoenix, Arizona 85007. Filing instructions may be obtained from Docket Control by
5 calling (602) 542-3477 or on the Commission's Internet web site at
6 <http://www.azcc.gov/divisions/hearings/docket.asp>.

7 If a request for a hearing is timely made, the Commission shall schedule the hearing to begin
8 20 to 60 days from the receipt of the request unless otherwise provided by law, stipulated by the
9 parties, or ordered by the Commission. If a request for a hearing is not timely made the Commission
10 may, without a hearing, enter an order granting the relief requested by the Division in this Notice of
11 Opportunity for Hearing.

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

16 **XIV.**

17 **ANSWER REQUIREMENT**

18 Pursuant to A.A.C. R14-4-305, if a respondent request a hearing, the requesting respondent
19 must deliver or mail an Answer to this Notice of Opportunity for Hearing to Docket Control,
20 Arizona Corporation Commission, 1200 W. Washington, Phoenix, Arizona 85007, within 30
21 calendar days after the date of service of this Notice. Filing instructions may be obtained from
22 Docket Control by calling (602) 542-3477 or on the Commission's Internet web site at
23 <http://www.azcc.gov/divisions/hearings/docket.asp>.

24 Additionally, the answering respondent must serve the Answer upon the Division.
25 Pursuant to A.A.C. R14-4-303, service upon the Division may be made by mailing or by hand-
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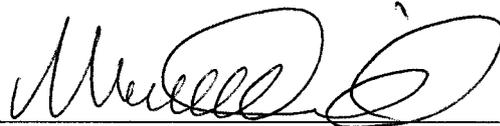
1 delivering a copy of the Answer to the Division at 1300 West Washington, 3rd Floor, Phoenix,
2 Arizona, 85007, addressed to Wendy Coy, Senior Counsel.

3 The Answer shall contain an admission or denial of each allegation in this Notice and the
4 original signature of the answering respondent or respondent's attorney. A statement of a lack of
5 sufficient knowledge or information shall be considered a denial of an allegation. An allegation
6 not denied shall be considered admitted.

7 When the answering respondent intends in good faith to deny only a part or a qualification
8 of an allegation, the respondent shall specify that part or qualification of the allegation and shall
9 admit the remainder. Respondents waive any affirmative defense not raised in the Answer.

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

12 Dated this 30th day of September, 2008.

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16 Mark Dinell
17 Assistant Director of Securities
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