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**ORIGINAL**

**BEFORE THE ARIZONA CORPORATION COMMISSION  
RECEIVED**

- 2 **MIKE GLEASON**  
Chairman
- 3 **WILLIAM A. MUNDELL**  
Commissioner
- 4 **JEFF HATCH-MILLER**  
Commissioner
- 5 **KRISTIN K. MAYES**  
Commissioner
- 6 **GARY PIERCE**  
Commissioner

2008 NOV 10 P 4: 36  
AZ CORP COMMISSION  
DOCKET CONTROL

Arizona Corporation Commission  
**DOCKETED**

NOV 10 2008

DOCKETED BY

8 In the matter of:

9 DEAN A. SEVERNS, a married man

10 CHERYL E. SEVERNS, a married woman

11 SEVERNS PROPERTIES, LLC, an Arizona  
12 limited liability company

13 SEVERNS CAPITAL, LLC, an Arizona limited  
liability company

14 J.DEAN, LLC, an Arizona limited liability  
15 company

16 Respondents.

DOCKET NO. S-20634A-08-0519

**RESPONDENTS DEAN A. SEVERNS,  
CHERYL E. SEVERNS, SEVERNS  
PROPERTIES, LLC, SEVERNS  
CAPITAL, LLC AND J.DEAN, LLC'S  
ANSWER**

17 Respondents Dean A. Severns ("Mr. Severns"), Cheryl E. Severns ("Ms. Severns"),  
18 Severns Properties, LLC ("Severns Properties"), Severns Capital, LLC ("Severns Capital") and  
19 J.Dean, LLC ("J.Dean") (collectively "Respondents") submit their Answer to the Notice of  
20 Opportunity for Hearing Regarding Proposed Order to Cease and Desist, Order for Restitution, for  
21 Administrative Penalties and for Other Affirmative Action (the "Notice"). Respondents respond to  
22 the numbered paragraphs of the Notice as follows:

**I.**

**JURISDICTION**

- 26 1. Respondents deny the allegations in paragraph 1 of the Notice.

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**II.**

**RESPONDENTS**

- 2. Respondents admit the allegations in paragraph 2 of the Notice.
- 3. Respondents admit the allegations in paragraph 3 of the Notice.
- 4. Respondents admit that Dean Severns and Cheryl Severns are husband and wife.

Respondents deny the remaining allegations in paragraph 4 of the Notice.

- 5. Respondents admit the allegations in paragraph 5 of the Notice.
- 6. The Commission's records speak for themselves. This paragraph requires no response.
- 7. Respondents admit the allegations in paragraph 7 of the Notice.
- 8. The Commission's records speak for themselves. This paragraph requires no response.
- 9. Respondents admit the allegations in paragraph 9 of the Notice.
- 10. The Commission's records speak for themselves. This paragraph requires no response.
- 11. This paragraph requires no response.

**III.**

**FACTS**

- 12. The allegations in paragraph 12 of the Notice contain an incomplete, inaccurate and misleading statement of the facts, and are therefore denied.
- 13. Respondents admit the allegations in paragraph 13 of the Notice.
- 14. Respondents admit the allegations in paragraph 14 of the Notice.

1           15.     The allegations in paragraph 15 of the Notice contain an incomplete, inaccurate and  
2 misleading statement of the facts, and are therefore denied.

3           16.     The allegations in paragraph 16 of the Notice contain an incomplete, inaccurate and  
4 misleading statement of the facts, and are therefore denied.

5 **A.     MILLONAIRE BOUND INVESTMENT GROUP (MBIG)**

6           17.     The allegations in paragraph 17 of the Notice contain an incomplete, inaccurate and  
7 misleading statement of the facts, and are therefore denied.

8           18.     The allegations in paragraph 18 of the Notice contain an incomplete, inaccurate and  
9 misleading statement of the facts, and are therefore denied.

10          19.     The allegations in paragraph 19 of the Notice contain an incomplete, inaccurate and  
11 misleading statement of the facts, and are therefore denied.

12          20.     The allegations in paragraph 20 of the Notice contain an incomplete, inaccurate and  
13 misleading statement of the facts, and are therefore denied.

14          21.     The allegations in paragraph 21 of the Notice contain an incomplete, inaccurate and  
15 misleading statement of the facts, and are therefore denied.

16          22.     The allegations in paragraph 22 of the Notice contain an incomplete, inaccurate and  
17 misleading statement of the facts, and are therefore denied.

18          23.     The allegations in paragraph 23 of the Notice contain an incomplete, inaccurate and  
19 misleading statement of the facts, and are therefore denied.

20          24.     The allegations in paragraph 24 of the Notice contain an incomplete, inaccurate and  
21 misleading statement of the facts, and are therefore denied.

22          25.     Respondents deny the allegations in paragraph 25 of the Notice.  
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1           26.     The allegations in paragraph 26 of the Notice contain an incomplete, inaccurate and  
2 misleading statement of the facts, and are therefore denied.

3           27.     The allegations in paragraph 27 of the Notice contain an incomplete, inaccurate and  
4 misleading statement of the facts, and are therefore denied.

5           28.     The allegations in paragraph 28 of the Notice contain an incomplete, inaccurate and  
6 misleading statement of the facts, and are therefore denied.

7           29.     The allegations in paragraph 29 of the Notice contain an incomplete, inaccurate and  
8 misleading statement of the facts, and are therefore denied.

9           30.     The allegations in paragraph 30 of the Notice contain an incomplete, inaccurate and  
10 misleading statement of the facts, and are therefore denied.

11           31.     The allegations in paragraph 31 of the Notice contain an incomplete, inaccurate and  
12 misleading statement of the facts, and are therefore denied.

13           32.     The allegations in paragraph 32 of the Notice contain an incomplete, inaccurate and  
14 misleading statement of the facts, and are therefore denied.

15           **B.     INVESTORS-4-INVESTORS (I4I), SEVERNS PARTNERS, and SUBSEQUENT**  
16 **INVESTORS**

17           33.     The allegations in paragraph 33 of the Notice contain an incomplete, inaccurate and  
18 misleading statement of the facts, and are therefore denied.

19           34.     The allegations in paragraph 34 of the Notice contain an incomplete, inaccurate and  
20 misleading statement of the facts, and are therefore denied.

21           35.     The allegations in paragraph 35 of the Notice contain an incomplete, inaccurate and  
22 misleading statement of the facts, and are therefore denied.

23           36.     The allegations in paragraph 36 of the Notice contain an incomplete, inaccurate and  
24 misleading statement of the facts, and are therefore denied.

1           36.     The allegations in paragraph 36 of the Notice contain an incomplete, inaccurate and  
2 misleading statement of the facts, and are therefore denied.

3           37.     The allegations in paragraph 37 of the Notice contain an incomplete, inaccurate and  
4 misleading statement of the facts, and are therefore denied.

5           38.     The allegations in paragraph 38 of the Notice contain an incomplete, inaccurate and  
6 misleading statement of the facts, and are therefore denied.

7           39.     The allegations in paragraph 39 of the Notice contain an incomplete, inaccurate and  
8 misleading statement of the facts, and are therefore denied.

9           40.     The allegations in paragraph 40 of the Notice contain an incomplete, inaccurate and  
10 misleading statement of the facts, and are therefore denied.

11           41.     The allegations in paragraph 41 of the Notice contain an incomplete, inaccurate and  
12 misleading statement of the facts, and are therefore denied.

13           42.     The allegations in paragraph 42 of the Notice contain an incomplete, inaccurate and  
14 misleading statement of the facts, and are therefore denied.

15           43.     The allegations in paragraph 43 of the Notice contain an incomplete, inaccurate and  
16 misleading statement of the facts, and are therefore denied.

17           44.     The allegations in paragraph 44 of the Notice contain an incomplete, inaccurate and  
18 misleading statement of the facts, and are therefore denied.

19           45.     The allegations in paragraph 45 of the Notice contain an incomplete, inaccurate and  
20 misleading statement of the facts, and are therefore denied.

21           **C.     GENERAL ALLEGATIONS**

22           46.     The allegations in paragraph 46 of the Notice contain an incomplete, inaccurate and  
23 misleading statement of the facts, and are therefore denied.

1           47.     The allegations in paragraph 47 of the Notice contain an incomplete, inaccurate and  
2 misleading statement of the facts, and are therefore denied.

3           48.     The allegations in paragraph 48 of the Notice contain an incomplete, inaccurate and  
4 misleading statement of the facts, and are therefore denied.

5           49.     The allegations in paragraph 49 of the Notice contain an incomplete, inaccurate and  
6 misleading statement of the facts, and are therefore denied.

7           50.     The allegations in paragraph 50 of the Notice contain an incomplete, inaccurate and  
8 misleading statement of the facts, and are therefore denied.

9           51.     The allegations in paragraph 51 of the Notice contain an incomplete, inaccurate and  
10 misleading statement of the facts, and are therefore denied.

11           52.     The allegations in paragraph 52 of the Notice contain an incomplete, inaccurate and  
12 misleading statement of the facts, and are therefore denied.

13           53.     The allegations in paragraph 53 of the Notice contain an incomplete, inaccurate and  
14 misleading statement of the facts, and are therefore denied.

15           54.     The allegations in paragraph 54 of the Notice contain an incomplete, inaccurate and  
16 misleading statement of the facts, and are therefore denied.

17           55.     The allegations in paragraph 55 of the Notice contain an incomplete, inaccurate and  
18 misleading statement of the facts, and are therefore denied.

19           56.     The allegations in paragraph 56 of the Notice contain an incomplete, inaccurate and  
20 misleading statement of the facts, and are therefore denied.

21           57.     Respondents are without sufficient knowledge or information to admit or deny the  
22 allegations contained in paragraph 57 of the Notice, and, therefore deny those allegations.  
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**IV.**

**VIOLATION OF A.R.S. § 44-1841  
(Offer or Sale of Unregistered Securities)**

- 58. Respondents deny the allegations in paragraph 58 of the Notice.
- 59. Respondents deny the allegations in paragraph 59 of the Notice.
- 60. Respondents deny the allegations in paragraph 60 of the Notice.

**V.**

**VIOLATION OF A.R.S. § 44-1842  
(Transactions by Unregistered Dealers or Salesmen)**

- 61. Respondents deny the allegations in paragraph 61 of the Notice.
- 62. Respondents deny the allegations in paragraph 62 of the Notice.

**VI.**

**VIOLATION OF A.R.S. § 44-1991  
(Fraud in Connection with the Offer or Sale of Securities)**

- 63. Respondents deny the allegations in paragraph 63 of the Notice.
- 64. Respondents deny the allegations in paragraph 64 of the Notice.
- 65. Respondents deny the allegations in paragraph 65 of the Notice.
- 66. Respondents deny each and every allegation not specifically admitted.

**AFFIRMATIVE DEFENSES**

The following affirmative defenses nullify any potential claims asserted by the Division. Respondents reserve the right to amend this Answer to assert additional defenses after completion of discovery.

**First Affirmative Defense**

No violation of the Arizona Securities Act occurred because the program at issue is not a security.



1 Purchasers of the program at issue approved and/or authorized and/or directed all of the  
2 transactions at issue.

3 **Eleventh Affirmative Defense**

4 If the program at issue was a security it was exempt from registration and/or sold in an  
5 exempt transaction.

6 **Twelfth Affirmative Defense**

7 This proceeding before the Arizona Corporation Commission denies Respondents essential  
8 due process and is lacking in fundamental fairness. Respondents' constitutional rights will be  
9 further denied if they are not afforded trial by jury of this matter.  
10

11 **Thirteenth Affirmative Defense**

12 The Division cannot meet the applicable standards for any of the relief it is seeking in the  
13 Notice.

14 **Fourteenth Affirmative Defense**

15 Respondents did not offer or sell securities within the meaning of the Arizona Securities  
16 Act.  
17

18 **Fifteenth Affirmative Defense**

19 Respondents did not offer or sell or participate in the offer or sale of securities.

20 **Sixteenth Affirmative Defense**

21 Respondents did not act as controlling persons within the meaning of A.R.S. § 44-1999.

22 **Seventeenth Affirmative Defense**

23 If Respondents were controlling persons they acted in good faith and did not directly or  
24 indirectly induce the conduct at issue.  
25

26 **Eighteenth Affirmative Defense**

27

**BADE & BASKIN PLC**  
80 EAST RIO SALADO PARKWAY  
SUITE 515  
TEMPE, ARIZONA 85281  
TELEPHONE NO 480-968-1225  
FACSIMILE 480-968-6255

1 Restitution is not an appropriate remedy.

2 **Nineteenth Affirmative Defense**

3 To the extent an award of restitution is appropriate, the Commission should use its  
4 discretion to reduce the amount, if any, Respondents must pay.

5 **Twentieth Affirmative Defense**

6 Respondents allege such other affirmative defenses set forth in the Arizona Rules of Civil  
7 Procedure 8(c) as may be determined to be applicable during discovery.  
8

9  
10 RESPECTFULLY SUBMITTED this 10<sup>th</sup> day of November, 2008.

11 BADE & BASKIN PLC

12  
13  
14 By 

15 Alan S. Baskin  
16 80 East Rio Salado Parkway, Suite 515  
17 Tempe, Arizona 85281  
18 Attorneys for Respondents

19 ORIGINAL and thirteen copies of the foregoing  
20 filed this 10<sup>th</sup> day of November, 2008 with:

21 Docket Control  
22 Arizona Corporation Commission  
23 1200 West Washington Street  
24 Phoenix, AZ 85007

25 COPY of the foregoing hand-delivered  
26 this 10<sup>th</sup> day of November, 2008 to:

27 Matthew J. Neubert  
Director of Securities  
Securities Division  
Arizona Corporation Commission  
1300 W. Washington Street, 3<sup>rd</sup> Floor  
Phoenix, AZ 85007

1 COPY of the foregoing mailed  
this 16<sup>th</sup> day of November, 2008 to:

2 Aikaterine Vervilos  
3 Securities Division  
4 Arizona Corporation Commission  
5 1300 W. Washington, 3<sup>rd</sup> Floor  
6 Phoenix, AZ 85007



7 severns.acc/pld/answer.doc

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