

ORIGINAL

NEW APPLICATION



0000095874

BEFORE THE ARIZONA CORPORATION COMMISSION

RECEIVED

COMMISSIONERS

KRISTIN K. MAYES, Chairman
GARY PIERCE
PAUL NEWMAN
SANDRA D. KENNEDY
BOB STUMP

2009 APR 22 P 4: 06

AZ CORP COMMISSION
DOCKET CONTROL

Arizona Corporation Commission
DOCKETED

APR 22 2009

DOCKETED BY [signature]

In the matter of:

LAMONT C. PATTERSON II, aka Folo
Patterson, a married man, individually and
doing business as OLOF Enterprises, an
Arizona registered trade name,

ELETREA L. PATTERSON, a married
woman,

OLOF ENTERPRISES, L.L.C, an Arizona
limited liability company,

Respondents.

DOCKET NO. S-20672A-09-0192

NOTICE OF OPPORTUNITY FOR HEARING
REGARDING PROPOSED ORDER TO
CEASE AND DESIST, ORDER FOR
RESTITUTION, FOR ADMINISTRATIVE
PENALTIES, AND FOR OTHER
AFFIRMATIVE ACTION

**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 LAMONT C. PATTERSON II, aka Folo Patterson, doing business as OLOF Enterprises, an Arizona registered trade name, ELETREA L. PATTERSON and OLOF ENTERPRISES, L.L.C. an Arizona limited liability company, 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").

The Division further alleges that LAMONT C. PATTERSON II and ELETREA L. PATTERSON are persons controlling OLOF ENTERPRISES, L.L.C. within the meaning of A.R.S. § 44-1999, so that they are jointly and severally liable under A.R.S. § 44-1999 to the same extent as OLOF ENTERPRISES, L.L.C. for violations of the Securities Act.

1 **I. JURISDICTION**

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

4 **II. RESPONDENTS**

5 2. Respondent LAMONT C. PATTERSON II ("L. PATTERSON") has been, at all
6 times material hereto, a resident of Arizona.

7 3. OLOF Enterprises is an Arizona registered trade name since April 22, 2004. L.
8 PATTERSON is the agent/owner of the Arizona registered trade name OLOF Enterprises.

9 4. Respondent ELETREA L. PATTERSON ("E. PATTERSON") has been, at all times
10 material hereto, a resident of Arizona.

11 5. L. PATTERSON and E. PATTERSON are husband and wife and, at all times
12 relevant, have been acting for their own benefit and for the benefit or in furtherance of their marital
13 community.

14 6. OLOF ENTERPRISES, L.L.C. ("OLOF, L.L.C."), an Arizona limited liability
15 company, was formed on or about November 1, 2007. According to the articles of organization for
16 OLOF, L.L.C., L. PATTERSON is a member and E. PATTERSON is the statutory agent.

17 7. Promotional material and other investment documentation provided to investors
18 represent L. PATTERSON to be the owner and CEO of OLOF L.L.C. and E. PATTERSON to be
19 the Chief Financial Officer. At all times relevant, E. PATTERSON was an authorized signor on the
20 bank accounts of OLOF, L.L.C. In addition, at all times relevant, L. PATTERSON and/or E.
21 PATTERSON were authorized signors on the bank accounts into which investors' funds were
22 deposited.

23 8. L. PATTERSON and E. PATTERSON communicated regularly with investors
24 regarding the status of their investments. In addition, E. PATTERSON was responsible for
25 processing all deposits and disbursements related to investors.

26

1 18. Respondents informed investors that L. PATTERSON was a retail trader of foreign
2 currency on the forex market and that L. PATTERSON had been trading on the forex market for
3 five years.

4 19. The third step involved providing investors with some investment strategies to
5 invest the \$500,000 to be paid to investors by Respondents.

6 20. According to promotional materials, these strategies were to be provided by
7 Respondents through workshops, newsletters and Respondents' website.

8 21. From about September 2006 to in or around November 2007, investors, in
9 connection with their investment, were required to sign a document referred to as a "Contract of
10 Agreement."

11 22. The Contract of Agreement ("Contract") purports to be an agreement between the
12 investor and L. PATTERSON dba Olof Enterprises or an authorized representative acting on behalf
13 of and through the dba Olof Enterprises.

14 23. The Contract acknowledges receipt of funds from the investor for the purposes of an
15 investment.

16 24. The Contract also sets forth that while in possession of the funds, Olof Enterprises
17 would have sole control over how the funds would be invested and that the return on the initial
18 investment would be two hundred percent (200%), inclusive of principal.

19 25. According to the Contract, the return of the investment will take place within sixty
20 (60) days of the day after funds were received.

21 26. Investors were provided with a schedule setting forth the increments by which their
22 initial investment would increase. According to the schedule, an investor's initial investment
23 would double every two months. For an investor who chose to reinvest their return, their initial
24 investment plus the amount of their return re-invested would continue to double every two months.

25 27. In addition, the Contract sets forth that Olof Enterprises agrees there will be no
26 percentage taken for the services to be provided.

1 28. Pursuant to the terms of the Contract, at the time due for payment of the return
2 earned on the investment, the investor can choose to reinvest all or part of the amount of the return,
3 but is required to leave the principal amount invested. According to the Contract, Olof Enterprises
4 agrees that in the event the terms of the Contract are not met in full, an additional ten percent
5 (10%) of the unpaid amount will be added to the return every thirty days thereafter until the terms
6 of the Contract are satisfied.

7 29. In or around November 2007 at about the time OLOF, L.L.C. was formed,
8 Respondents began requiring new investors as well as early investors who had executed the
9 Contract and who chose to re-invest some or all of their return, to sign a document titled "Member
10 Agreement" in place of the Contract.

11 30. Like the Contract, the Member Agreement purports to be an agreement between the
12 investor and L. PATTERSON dba Olof Enterprises or an authorized representative acting on behalf
13 of and through the dba Olof Enterprises. In addition, some Member Agreements are executed
14 between the investor and L. PATTERSON on behalf of OLOF, L.L.C. or an authorized
15 representative acting on behalf of and through OLOF, L.L.C.

16 31. The Member Agreement is similar to the Contract, but characterizes the transaction
17 as a purchase of a membership in a voluntary association as opposed to an investment.

18 32. For example, where the Contract acknowledges receipt of funds from the investor
19 for the purposes of an "investment" to be made by Olof Enterprises, the Member Agreement
20 acknowledges receipt of funds from the investor for the purposes of "initial capital for association."

21 33. Although the Contract sets forth that while in possession of the funds, Olof
22 Enterprises will have sole control over how the funds will be "invested," the Member Agreement
23 sets forth that while in possession of the capital, Olof Enterprises will have sole control over how
24 the capital is to be "administered."

25 34. The Member Agreement, like the Contract, promises a two hundred percent (200%)
26 return, inclusive of principal, but unlike the Contract, the Member Agreement requires that in order

1 to remain an active member of the voluntary association, a member's funds must remain active for
2 the duration of the program.

3 35. Investors' funds were deposited into accounts in the name of E. PATTERSON,
4 OLOF, L.L.C. or into one of two joint accounts held by L. PATTERSON.

5 36. Respondents failed to use all of the amounts invested by investors to trade currency
6 on the forex market as represented to investors prior to their investment. Instead, Respondents
7 utilized other investors' funds to pay returns and repay principal to some investors.

8 37. L. PATTERSON and E. PATTERSON also used investor funds for their own
9 personal use and benefit including making cash withdrawals, payments to medical providers, utility
10 companies, retail stores and payments for child support.

11 38. L. PATTERSON was not successful in his limited attempts at trading currency on
12 the forex market with some of the funds deposited with Respondents by investors.

13 39. As a result, any amounts paid to investors via checks signed by E. PATTERSON
14 and represented as being for returns were not derived solely from gains achieved through forex
15 trading.

16 40. In or around May 2008, L. PATTERSON informed investors via letter that the FFP
17 program was being discontinued, effective immediately. According to the letter, the reason for the
18 termination was that:

19 "There are very specific Securities Laws and Regulations that the
20 OLOF FFP would be out of compliance with if the program
21 continued. Based on the nature of the Financial Freedom Program,
it would be impossible to meet those requirements."

22 41. The letter further set forth that each member would be paid double the amount they
23 had invested. The payments were scheduled to start May 30, 2008 and continue every two weeks
24 until all payment were made.

25 42. Respondents failed to make the payments to investors as outlined in the May 2008
26 correspondence to investors.

1 43. To date, investors have not been paid their promised returns nor received a refund of
2 their principal amount invested.

3 **IV. VIOLATION OF A.R.S. § 44-1841**

4 **(Offer or Sale of Unregistered Securities)**

5 44. From on or about April 2006, Respondents offered or sold securities in the form of
6 investment contracts and/or commodity investment contracts, within or from Arizona.

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

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

10 **V. VIOLATION OF A.R.S. § 44-1842**

11 **(Transactions by Unregistered Dealers or Salesmen)**

12 47. Respondents offered or sold securities within or from Arizona while not registered as
13 dealers or salesmen pursuant to Article 9 of the Securities Act.

14 48. This conduct violates A.R.S. § 44-1842.

15 **VI. VIOLATION OF A.R.S. § 44-1991**

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

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

24 a) Failing to inform investors that Respondents had not utilized the funds
25 deposited by investors for trading in the forex market;

26

1 b) Failing to inform investors that L. PATTERSON and E. PATTERSON had
2 utilized investor funds for their own personal use and benefit including making cash withdrawals,
3 payments to medical providers, utility companies, retail stores and payments for child support;

4 c) Misrepresenting to investors that L. PATTERSON had been successful in the
5 trading of currency on the forex market with funds deposited with Respondents by investors;

6 d) Misrepresenting to investors that they would make substantial profits by
7 investing with Respondents;

8 e) Failing to inform investors that Respondents had used investors' investment
9 funds to pay returns and principal to other investors;

10 50. This conduct violates A.R.S. § 44-1991.

11 51. L. PATTERSON and E. PATTERSON directly or indirectly controlled OLOF, L.L.C.
12 within the meaning of A.R.S. § 44-1999. Therefore, L. PATTERSON and E. PATTERSON are
13 liable to the same extent as OLOF, L.L.C. for its violations of A.R.S. § 44-1991.

14 **VII. REQUESTED RELIEF**

15 The Division requests that the Commission grant the following relief:

16 1. Order Respondents to permanently cease and desist from violating the Securities
17 Act, pursuant to A.R.S. § 44-2032;

18 2. Order Respondents to take affirmative action to correct the conditions resulting from
19 Respondents' acts, practices, or transactions, including a requirement to make restitution pursuant to
20 A.R.S. § 44-2032;

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

23 4. Order that the marital community of LAMONT C. PATTERSON II and ELETREA
24 L. PATTERSON be subject to any order of restitution, rescission, administrative penalties, or other
25 appropriate affirmative action pursuant to A.R.S. § 25-215; and

26 5. Order any other relief that the Commission deems appropriate.

VIII. HEARING OPPORTUNITY

1
2 Each respondent may request a hearing pursuant to A.R.S. § 44-1972 and A.A.C. R14-4-
3 306. **If a Respondent or a Respondent Spouse requests a hearing, the requesting respondent**
4 **must also answer this Notice.** A request for hearing must be in writing and received by the
5 Commission within 10 business days after service of this Notice of Opportunity for Hearing. The
6 requesting respondent must deliver or mail the request to Docket Control, Arizona Corporation
7 Commission, 1200 W. Washington, Phoenix, Arizona 85007. Filing instructions may be obtained
8 from Docket Control by calling (602) 542-3477 or on the Commission's Internet web site at
9 <http://www.azcc.gov/divisions/hearings/docket.asp>.

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

15 Persons with a disability may request a reasonable accommodation such as a sign language
16 interpreter, as well as request this document in an alternative format, by contacting Shaylin A.
17 Bernal, ADA Coordinator, voice phone number 602/542-3931, e-mail sabernal@azcc.gov.
18 Requests should be made as early as possible to allow time to arrange the accommodation.

IX. ANSWER REQUIREMENT

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

26

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

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

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

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

14 Dated this 22nd day of April, 2009.



Mark Dinell
Assistant Director of Securities

15
16
17
18
19
20
21
22
23
24
25
26