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1 BEFORE THE ARIZONA CORPORATIC

2

3 IN THE MATTER OF: )  
 )  
 4 SPORTS DIMENSIONS, INC., a )  
 North Carolina corporation, )  
 5 )  
 and )  
 6 )  
 MARC HUBBARD and JANE DOE )  
 7 HUBBARD, husband and wife, )  
 )  
 8 Respondents. )

DOCKET NO.  
S-20665A-09-0154

EVIDENTIARY  
HEARING

9

10

11 At: Phoenix, Arizona

12 Date: August 27, 2009

13 Filed: SEP -9 2009

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REPORTER'S TRANSCRIPT OF PROCEEDINGS

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Arizona Corporation Commission  
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1 BE IT REMEMBERED that the above-entitled and  
2 numbered matter came on regularly to be heard before the  
3 Arizona Corporation Commission, in Hearing Room 100 of  
4 said Commission, 1200 West Washington Street, Phoenix,  
5 Arizona, commencing at 9:30 a.m., on the 27th day of  
6 August, 2009.

7

8

9 BEFORE: MARC E. STERN, Administrative Law Judge

10

11 APPEARANCES:

12

13 For the Arizona Corporation Commission Securities  
14 Division:

15 Ms. Wendy Coy  
16 Staff Attorney, Securities Division  
17 1300 West Washington Street  
18 Phoenix, Arizona 85007

17

18

19

20 KATE E. BAUMGARTH, RPR  
21 Certified Reporter  
22 Certificate No. 50582

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25

1 ALJ STERN: This matter is now open in the matter  
2 of Sports Dimensions, Incorporated, a North Carolina  
3 corporation, Marc Hubbard and Jane Doe Hubbard, husband  
4 and wife, in Docket No. S-20665A-09-0154.

5 My name is Marc Stern, and I will preside over  
6 this matter this morning and make a Recommended Opinion  
7 and Order for Commission disposition.

8 All right. At this time we will take appearances  
9 on behalf of Securities Division.

10 MS. COY: Wendy Coy.

11 ALJ STERN: And I will note for the record  
12 apparently the respondents aren't participating today.

13 Ms. Coy, we issued a procedural order on June 17,  
14 2009 on the premise that it was going to be a settlement  
15 in this proceeding.

16 Were you in contact with the parties at the time?

17 MS. COY: Yes, we were.

18 ALJ STERN: And let me ask you this: Is the  
19 correct address for Sports Dimensions, Inc., and  
20 Mr. Hubbard 620 West Blackstock Road, Spartanburg, South  
21 Carolina 29301 or do you have knowledge of any other  
22 address other than the one we sent the last procedural  
23 order to?

24 MS. COY: I have had several addresses for them.

25 Let me see if I can find --

1 ALJ STERN: I want to make sure that they do know  
2 about this hearing because I know the certified notice of  
3 the original hearing that was sent to the respondents at  
4 the Spartanburg, South Carolina address was returned  
5 sender unclaimed and unable to forward.

6 I know our third procedural order did not come  
7 back in that phase, but I want to make sure we are using  
8 the right address for these people.

9 MS. COY: I have got several addresses, the most  
10 recent being, it appears -- just a second.

11 We have an address of 9219 Woodhaw Lake Drive.

12 ALJ STERN: Wait. Wait. 9219 Woodhaw, is that  
13 one word?

14 MS. COY: That is one word.

15 ALJ STERN: Woodhaw?

16 MS. COY: Lake Drive, Waxhaw, W-a-x-h-a-w, North  
17 Carolina.

18 ALJ STERN: North Carolina?

19 MS. COY: Yes, 28173.

20 ALJ STERN: I know North Carolina and South  
21 Carolina are adjacent.

22 Are these two areas close to each other, Waxhaw  
23 and Spartanburg?

24 MS. COY: From what I understand they are across  
25 the border from each other.

1 Now, I'm getting this from the Department of  
2 Secretary of State and the Corporation of North Carolina.  
3 The address I just gave you was the registered office.  
4 The principal office address was the Spartanburg, South  
5 Carolina address that you had.

6 ALJ STERN: Okay. You mean you got the  
7 address -- the register office of Sports Dimensions, Inc.  
8 is in North Carolina but the Spartanburg, South Carolina  
9 address is -- what is that address?

10 MS. COY: That is your principal address and  
11 mailing address.

12 ALJ STERN: And this company is incorporated;  
13 right?

14 MS. COY: Correct.

15 ALJ STERN: And where is it incorporated, South  
16 Carolina or North Carolina?

17 MS. COY: North Carolina.

18 ALJ STERN: Oh, it's incorporated in North  
19 Carolina?

20 MS. COY: Yes, sir.

21 ALJ STERN: Do we have a home address for  
22 Mr. Hubbard at all? I will explain why I'm asking you  
23 this.

24 MS. COY: I do, but I'm not sure I have that with  
25 me.

1 ALJ STERN: Okay. Well, the reason I'm asking is  
2 because we had somebody -- we have had people request  
3 hearings previously and sometimes we are not really sure  
4 if they are getting notices. You know, if they don't  
5 claim things, we don't know whether it just sat somewhere  
6 for a while or sometimes we will get cards back saying  
7 undeliverable as addressed or something such as that or  
8 refused; then we at least know it went to the right party.

9 MS. COY: I can tell you this, I have had contact  
10 with corporate counsel and have indicated on numerous  
11 occasions that the hearing was set for today.

12 ALJ STERN: You mean the company's corporate  
13 counsel?

14 MS. COY: Correct. He is not licensed in  
15 Arizona.

16 ALJ STERN: All right. I think we will proceed,  
17 but --

18 MS. COY: We can certainly get you any other  
19 alternative address I have.

20 ALJ STERN: Okay. Well, why don't you just  
21 perhaps make a filing and spell out each one of the  
22 addresses and what they are, and when we get around to the  
23 issuance of the -- some sort of Recommended Opinion and  
24 Order maybe we will send it to all the addresses and see  
25 if they are upset or something. We can send them out

1 certified and perhaps -- usually what we like to do is  
2 send a notice of a hearing certified mail, and docket  
3 control does that. But then when matters are continued,  
4 apparently we have noticed, that doesn't always happen.

5 Under the circumstances, you know, we have people  
6 that are either out of the state or even in Arizona; we  
7 want to make sure that people are at least getting notice  
8 of the hearing.

9 But, like you say, you have talked to the  
10 attorney for the company?

11 MS. COY: That's correct.

12 ALJ STERN: And Sports Dimensions, it's  
13 Mr. Hubbard's company, I assume. He is president or  
14 something?

15 MS. COY: Correct.

16 ALJ STERN: And he knew the date of the hearing;  
17 right?

18 MS. COY: Yes -- well, I notified his attorney of  
19 that date.

20 ALJ STERN: Yeah.

21 MS. COY: And I believe we sent updated exhibits  
22 to them also.

23 ALJ STERN: Okay. But as far as the service list  
24 goes, everything was going primarily to Mr. Hubbard or the  
25 company. Let's see. What address did we use?

1 I mean, the only address we have is that West  
2 Blackstock Road, and you said that was the principal  
3 address and mailing address for the company?

4 MS. COY: That's correct. And that is the  
5 address that he put on his answer.

6 ALJ STERN: Right, that Mr. Hubbard -- he filed  
7 his own answer; correct?

8 MS. COY: Correct.

9 ALJ STERN: I see. Okay. Well, Mr. Hubbard  
10 filed his answer and gave us that address. I would assume  
11 that that is his current address, but we don't know.

12 Let's just proceed. If I have any further  
13 questions, I can always put out a procedural order and  
14 address them in there.

15 So anything else you want to address at the  
16 outset? Do you want to offer your exhibits or make an  
17 opening statement? Whatever is your pleasure.

18 MS. COY: I can certainly offer the exhibits,  
19 Exhibit S-1 through S-10.

20 ALJ STERN: Okay.

21 MS. COY: Do you want me to identify each one  
22 separately?

23 ALJ STERN: Let's see.

24 No. I imagine your witness may refer to some of  
25 them, so I think they are noted in the record, and the

1 court reporter has copies of the ten exhibits; right?

2 MS. COY: She will have.

3 ALJ STERN: She will have, and she can list them  
4 as what they are according to what is on your description  
5 sheet; correct?

6 MS. COY: Correct.

7 ALJ STERN: Okay. All right. So do you want to  
8 move Exhibit S-1 through Exhibit S-10?

9 MS. COY: I would like to move Exhibits S-1  
10 through S-10 into evidence.

11 ALJ STERN: Okay. I don't believe there is any  
12 objection, so we will admit Exhibits S-1 through S-10.

13 (Exhibits S-1, S-2, S-3, S-4, S-5, S-6, S-7, S-8,  
14 S-9, S-10 were admitted into evidence.)

15 ALJ STERN: And as far as S-11 goes, we don't  
16 have any exhibits from the respondents, so that is a  
17 non-issue.

18 And then S-12, any document received by the  
19 Division after the date of the disclosure in this case,  
20 which was back in June, do you have any other documents  
21 that you are going to put in?

22 MS. COY: No, sir.

23 ALJ STERN: So just the ten that were  
24 preexchanged on or about June 1st?

25 All right. Do you want to proceed?

1 MS. COY: Yes, sir. I would like to call  
2 Peggy Scozzari to the witness stand, please.

3

4

PEGGY SCOZZARI,  
5 called as a witness herein, appearing on behalf of the  
6 Securities Division, having been first duly sworn by the  
7 certified court reporter, was examined and testified as  
8 follows:

9

10

DIRECT EXAMINATION

11

12 Q. (BY MS. COY) Please state your name.

13 A. Peggy Scozzari.

14 Q. Where are you employed?

15 A. The Arizona Corporation Commission Securities  
16 Division.

17 Q. What is your position?

18 A. I'm a special investigator.

19 Q. What is your background?

20 A. I am a certificate police officer. I worked with  
21 the Arizona Department of Public Safety as a police  
22 officer for eight and a half years. I am currently a  
23 special investigator with the Securities Division and have  
24 been so for approximately two years.

25 Q. What are your job duties as a special

1 investigator with the Securities Division?

2 A. As a special investigator we receive files  
3 assigned to us from our supervisor. We conduct background  
4 investigations consisting of Internet searches to various  
5 databases. We also conduct interviews of investors. We  
6 conduct undercover investigations to determine if there  
7 are violations of the Arizona Securities Act.

8 Q. Are you familiar with Sports Dimensions, Inc.,  
9 and Mr. Marc Hubbard?

10 A. Yes.

11 Q. Were you assigned to the Sports Dimensions, Inc.,  
12 and Marc Hubbard matter?

13 A. Yes.

14 Q. What was your assignment with respect to Sports  
15 Dimensions and Mr. Hubbard?

16 A. To get information on the investment opportunity.

17 Q. During the course of your investigation did you  
18 discover where Sports Dimensions is located?

19 A. Yes.

20 Q. And if you refer to Exhibit S-2 and Exhibit S-9,  
21 where is Sports Dimensions, Inc., incorporated?

22 A. North Carolina.

23 Q. And do you know where Mr. Hubbard resides?

24 A. I believe it's South Carolina.

25 Q. And is Sports Dimensions -- sorry.

1 Did you locate any type of registration in  
2 Arizona for Sports Dimensions as a foreign corporation?

3 A. No.

4 Q. Who is the president of Sports Dimensions?

5 A. Marc Hubbard.

6 Q. Is Mr. Hubbard the only officer listed in Exhibit  
7 S-9 and Exhibit S-2?

8 A. Yes.

9 Q. Okay. Can you tell me what is Exhibit S-2?

10 A. North Carolina Department of the Secretary of  
11 State, it looks to be the incorporation documents for  
12 Sports Dimensions.

13 Q. Did you obtain these documents on-line?

14 A. Yes.

15 Q. Now, looking at Exhibit S-9, what is Exhibit S-9?

16 A. It looks like certified copies of the articles of  
17 incorporation.

18 Q. And did you obtain those from North Carolina?

19 A. Yes.

20 Q. Through your investigation did you locate any  
21 information related to the prior securities offerings by  
22 Sports Dimensions or Mr. Hubbard?

23 A. Yes.

24 Q. Please look at Exhibit S-3.

25 What is Exhibit S-3?

1 A. It's the SEC Form D.

2 Q. What's the date of this document or when was it  
3 received by the SEC?

4 A. It looks like July 19, 2002, or July 2002. There  
5 are different dates on here actually. I'm looking at the  
6 stamped dates.

7 Q. Okay. In looking at this, if you turn to the  
8 second page, who is listed as the issuer, item No. 1?

9 A. Thank you. Sports Dimensions, Inc.

10 Q. And if you flip back towards the back -- sorry.  
11 These aren't numbered -- it starts at the top "C:  
12 Offering price, number of investors."

13 ALJ STERN: Just a second.

14 You are still on Exhibit S-3; right?

15 MS. COY: Correct.

16 ALJ STERN: And you don't have Bates stamps, but  
17 how far from the back is it?

18 MS. COY: It's seven pages back. It starts at  
19 the top page, "C: Offering price."

20 ALJ STERN: Okay.

21 Q. BY MS. COY: Are -- did they indicate in item  
22 No. 1 what the aggregate offering price for the securities  
23 would be?

24 A. Yes.

25 Q. And what is that?

1 A. It says "Aggregate offering price 1,000."

2 ALJ STERN: Does that mean \$1,000 per something  
3 or other?

4 THE WITNESS: It does have a dollar sign next to  
5 it.

6 ALJ STERN: But we don't know what he is selling  
7 for \$1,000. Is it shares? Do you know what they are? Do  
8 you know?

9 MS. COY: That is just listed as the offering  
10 price of the security.

11 ALJ STERN: Whatever it is.

12 (BY MS. COY) If you go back two more pages, who  
13 signs this document on behalf of Sports Dimensions?

14 A. Marc Hubbard.

15 Q. And what was his title?

16 A. President.

17 Q. Okay. And then did you find any other  
18 information about prior securities offerings by  
19 Mr. Hubbard and Sports Dimensions?

20 A. Yes.

21 Q. Could you turn to Exhibit S-4.

22 What is Exhibit S-4?

23 A. State of California Business Transportation and  
24 Housing Department of Corporations, a desist and refrain  
25 order.

1 Q And who is it to?

2 A It's to Sports Dimensions, Inc.

3 Q Anyone else?

4 A Sports Dimensions, Inc., SDI, Marc Hubbard.

5 Q And what is the date of this document?

6 ALJ STERN: I think at the back of it it has the  
7 proof of service. I don't know if it's a certification.

8 MS. COY: Just a second.

9 ALJ STERN: There is a seal of the supervisor  
10 from the State of California Commissioner of Corporations  
11 on page 3 of the cease and desist order.

12 MS. COY: Okay. I apologize. We collected  
13 certified documents along the way.

14 Q (BY MS. COY) All right. Looking towards the  
15 back of the document, you will see another copy of the  
16 desist and refrain order?

17 A You mean in the back of this file or this --

18 Q The next one there.

19 A Yes.

20 Q Is that one signed?

21 A Yes.

22 Q And what is the date of that document?

23 A Let's see. Very last --

24 Q Not the very last page, the third from the end.

25 A Okay. Date is September 26, 2006.

1 Q And in looking at the desist and refrain order at  
2 the start of it, first page of the desist and refrain  
3 order, item No. 3, does it talk about any type of  
4 securities offering?

5 A Yes.

6 Q Can you read the first sentence?

7 A "In or about August 2006 and through means of  
8 general solicitation, including posting on its web site,  
9 advertisements in the Los Angeles Times, and at  
10 latimes.com Internet site, SDI, and Hubbard offered to  
11 sell and continue to offer to sell securities in the form  
12 of promissory notes of SDI and investment contracts  
13 described as contract to the public, including California  
14 residents."

15 Q And does it talk about a confidential private  
16 placement memorandum?

17 A Yes.

18 Q And was that PPM on the web site?

19 A Yes.

20 Q Okay. And after you located the California  
21 desist and refrain, did you find any other  
22 securities-related matters related to SDI, which is Sports  
23 Dimensions, Inc., and Mr. Hubbard?

24 A Yes.

25 Q Can you look at S-5, please.

1           What is Exhibit S-5?

2           A.     State of Nevada Office of the Secretary of State  
3     Securities Division, summary order to cease and desist.

4           Q.     And what is the date of this document? There  
5     should be a date filed stamp.

6           A.     The file date is February 23rd of 2009.

7           Q.     Okay. Looking through the Exhibit S-5, do you  
8     see an amended summary order to cease and desist?

9           A.     Yes.

10          Q.     What is the date of that document?

11          A.     Date filed looks like May 29th, '09.

12          ALJ STERN: Where is that amendment?

13          MS. COY: It should be --

14          ALJ STERN: Oh, I see it. It just follows the  
15     other one.

16          MS. COY: Right.

17          ALJ STERN: Okay. Go ahead.

18          Q.     (BY MS. COY) And if you look at the second page  
19     of the amended summary order to cease and desist, item  
20     No. 4, can you read the first sentence there?

21          A.     In or about February of 2009 and through means of  
22     general solicitation through a bulk mailing, SDI, through  
23     Hubbard as the signatory on the offer letter, offered to  
24     sell securities in the form of 'Series 2009-A Convertible  
25     Corporate Notes' of SDI to residents of Nevada, including

1 to Steve H. Roebuck of Los Angeles, Nevada.

2 Q. Say that again. Las Vegas?

3 A. Las Vegas, Nevada. I'm sorry.

4 Q. And I don't think I mentioned it.

5 Who is the subject of this summary order to cease  
6 and desist on the first page of the amended order?

7 A. It's to Sports Dimensions, Inc., care of  
8 Marc Hubbard, its resident agent; to Marc Hubbard; and to  
9 Christian Genitrini.

10 Q. Thank you.

11 And throughout your investigation have you  
12 located any other information related to securities  
13 offerings by Sports Dimensions and Mr. Hubbard?

14 A. Yes.

15 Q. Can you turn to S-10.

16 Can you identify S-10 for me, please?

17 A. State of North Carolina Department of the  
18 Secretary of State final order to cease and desist.

19 Q. And who are the parties in this case?

20 A. The North Carolina Securities Division versus  
21 Sports Dimensions, Inc., and Marc Hubbard.

22 Q. What is the date of this document?

23 A. The last page is the 5th day of March, 2007.

24 Q. And based on your review did the -- and I'm  
25 looking at the fourth page back -- did the North Carolina

1 Secretary of State's Office find that Sports Dimensions  
2 and Mr. Hubbard should cease and desist from offering and  
3 selling securities?

4 A. Yes.

5 Q. And looking at No. 4 on that page, does it talk  
6 about the investment opportunities on a web site?

7 A. Yes.

8 Q. Okay. And offer to sell through a general  
9 solicitation?

10 A. Yes.

11 Q. Can you turn to Exhibit S-6 for me, please.  
12 Can you identify Exhibit S-6?

13 A. It's a mailing that we received in our office  
14 from a complainant regarding a letter to receive from the  
15 Sports Dimensions seeking accredited investors.

16 Q. Do you know if this complainant was an Arizona  
17 residence?

18 A. The information we gained, she is a resident of  
19 Arizona.

20 Q. Did you happen to find out if this individual is  
21 accredited?

22 A. The information we received, she is not  
23 accredited.

24 Q. Looking at this letter, Bates No. ACC116, also  
25 Exhibit S-6, who signed this letter?

1 A Well, it says "Sincerely, Marc Hubbard," but it  
2 is not a signature. It's a print.

3 Q It's a signature block?

4 A Yes.

5 Q And it lists himself as president.

6 A President.

7 Q And is SDI another name for Sports Dimensions,  
8 Inc.?

9 A Yes.

10 Q Anywhere in this letter does it talk about the  
11 type of return an investor could expect?

12 A Yes.

13 Q What is that return?

14 A Our notes yield 30 percent annually and mature in  
15 one year.

16 Q Okay. Does it also -- is there any type of  
17 guarantee on this return? Right under the first  
18 paragraph.

19 A Oh, the very first. I'm still in the bottom  
20 parts.

21 Yes. Yes. Yields 30 percent annually  
22 guaranteed.

23 Q Does it also talk about the ability to triple  
24 your money within 18 months?

25 A Yes.

1 Q. And does it disclose what type of product they  
2 are offering in the third paragraph down?

3 A. Yes.

4 Q. What is that?

5 A. They specialize in the concert business.

6 Q. I'm sorry. What does the first sentence say?

7 A. Of that -- underneath "The company does business  
8 in recession proof" or further down?

9 Q. No. The third paragraph down, the first  
10 sentence, what are they offering?

11 A. Okay. "We are offering Series 2009-A convertible  
12 corporate notes."

13 Q. And does this Exhibit 6 tell potential investors  
14 what the -- how much the investment is?

15 A. Yes.

16 Q. And how much would that be?

17 A. Units sell for \$10,000.

18 Q. Does the Exhibit S-6 also encourage potential  
19 investors to look on a web site?

20 A. Yes.

21 Q. And does the S-6 also talk about reviewing the  
22 offering documents on the web site?

23 A. Yes.

24 Q. Do you know -- do you have knowledge if the Staff  
25 at the Securities Division logged on to the SDI web site?

1 A. Yes.

2 Q. Turn to Exhibit S-7, please.

3 What is Exhibit S-7?

4 A. S-7 is an e-mail correspondence.

5 Q. What is the date of the document?

6 A. February 23rd, 2009.

7 Q. And what is the subject?

8 A. "Your SDI accredited investor log-in  
9 information."

10 Q. And is there a signature block on this e-mail?

11 A. Yes.

12 Q. And who is the signature block?

13 A. Marc Hubbard, president/CEO SDI.

14 ALJ STERN: Is this an e-mail that was sent to  
15 one of your investigators?

16 THE WITNESS: Yes.

17 ALJ STERN: Or yourself? Were you the  
18 investigator?

19 THE WITNESS: I was one of them, but this is  
20 another one of our investigators.

21 Q. (BY MS. COY) Looking at the second page, what is  
22 the second page Bates No. ACC 117?

23 A. It's looks to be a snapshot of the web site from  
24 SDI -- Sports Dimensions, Inc. -- investor accreditation  
25 representation and warranties.

1 Q Okay. On the last page of Exhibit S-7 Bates  
2 No. ACC 000118, what is this page?

3 A This is the information the undercover  
4 investigator filled out with their residence, their name,  
5 address, state and phone number to send back to get more  
6 information. This is a -- it says -- the information  
7 says, "An entity in which all equity owners are accredited  
8 investors." It's a form to fill out.

9 Q Did the undercover investigator indicate that he  
10 resided in Arizona?

11 A Yes.

12 Q Did he list a phone number with an Arizona  
13 address?

14 A Yes.

15 Q And that information -- some of the detailed  
16 information is redacted; correct?

17 A Yes.

18 Q All right. If you turn to Exhibit S-8, what is  
19 Exhibit S-8?

20 A It is an e-mail correspondence from Marc Hubbard  
21 to one of our investigators.

22 Q What is the date of the document?

23 A February 25th, 2009.

24 Q And who indicates that they wrote this e-mail?

25 A Marc Hubbard.

1 Q. And he signed -- and does he sign as an officer  
2 of SDI?

3 A. Yes.

4 Q. At any time did you or an investigator of the  
5 Securities Division take the information from Exhibits  
6 S-7, the log-in information, and log on to the web site?

7 A. Yes.

8 Q. Prior to that, when you typed in the name of  
9 the -- or the web site address, were you able to access  
10 any information prior to having to log in?

11 A. Yes.

12 Q. And if you turn to Exhibit S-8 Bates No. 1, is  
13 that the first page of the web site that you would see  
14 without having to log in?

15 A. Yes.

16 Q. And looking at Bates No. ACC 000001 of Exhibit  
17 S-8, were you able to get any information on the company  
18 or on the investment opportunity without logging in?

19 A. Yes.

20 Q. And where on this web page on Bates No. 1 would  
21 you be able to get that information? If you clicked on  
22 info on the company offering there, were you able to  
23 access the web site or some information on the investment  
24 opportunity?

25 A. Yes.

1 Q And if you turn to Bates No. ACC 000006, is this  
2 a document that you would be able to access without having  
3 to log in to the web site?

4 A Yes.

5 Q Is Bates No. ACC 6 similar to Exhibit S-6?

6 A It is.

7 Q And any other information you were able to obtain  
8 without having to log in?

9 A Yes.

10 Q Turn to Bates No. ACC 000007.

11 Is this the document you could also obtain  
12 without having to log in?

13 A Yes.

14 Q Looking at ACC 7, does it discuss the investment  
15 opportunity, if you look at the right hand side of the  
16 page?

17 A Yes.

18 Q How much capital are they seeking?

19 A \$10 million.

20 Q And does it list who the management of the  
21 company is?

22 A Yes.

23 Q And who is the management?

24 A Marc Hubbard.

25 Q And does he -- how does he state his position?

1 A. I'm sorry. Marc Hubbard, founder and CEO. And  
2 it also has Christian Genitrini, CFO.

3 Q. Once you logged in using the log in that is on  
4 ACC 1, the accredited investor log in, were you able to  
5 access any type of offering document?

6 A. Yes.

7 Q. Was that offering document attached to Exhibit  
8 S-8, Bates No. ACC 000008?

9 A. Yes.

10 Q. And on the first page, on ACC 08, does it mention  
11 what type of document it is?

12 A. It's a private placement.

13 Q. What is the date of the document?

14 A. January, 2009.

15 Q. Does it disclose how much money they are seeking?

16 A. \$10 million U.S.

17 Q. Does it list the type of investment?

18 A. Yes.

19 Q. What is the type of investment?

20 A. Private placement of convertible corporate notes  
21 Series 2009-A.

22 Q. Turning to Bates No. ACC 000009, does it give a  
23 summary of the offering?

24 A. Yes.

25 Q. How much per unit? It's in the top.

1 A. Oh, "\$10,000 per note in (unit)."

2 Q. Is there a minimum purchase?

3 A. Yes.

4 Q. How much is the minimum purchase?

5 A. It says one note, which would be \$10,000.

6 Q. Does the document list a rate of return?

7 A. Yes.

8 Q. And how much is the rate of return?

9 A. 30 percent rate of return per year.

10 Q. And is there a date of this document?

11 A. It has "Convertible at note maturity private  
12 placement memorandum dated January 15th, 2009, offering  
13 expires January 15th, 2010.

14 Q. Referring back to Exhibit S-6, does this document  
15 indicate how long the company has been in business?

16 ALJ STERN: Your S-6?

17 MS. COY: Yes, or you could look at Bates No. 6.

18 Q. (BY MS. COY) If you check the second  
19 paragraph --

20 A. Yes.

21 Q. -- how many years have they been in business?

22 A. It says, "We have been operating for over 12  
23 successful years."

24 Q. Okay. If you turn back to -- and I will try not  
25 to flip you back and forth -- but if you turn to Exhibit

1 S-8, Bates No. 7, does S-8 Bates No. 7 indicate how long  
2 the company has been in business? It's at the top of the  
3 page.

4 A. Yes.

5 Q. And how long does that say?

6 A. 11 years.

7 Q. Now, if you skip down to the third paragraph,  
8 does it talk about when SDI sponsored its first concert?

9 A. Yes, in 1986.

10 Q. And turn to Bates No. ACC 00 --

11 ALJ STERN: Wait. Wait. Wait. You just went by  
12 me there.

13 MS. COY: Sorry.

14 ALJ STERN: So it says SDI first sponsored its  
15 first music concert in 1986?

16 MS. COY: Correct.

17 ALJ STERN: So that is a lot longer than 11 or  
18 12 years then; right?

19 MS. COY: Correct.

20 ALJ STERN: I mean, it's 2009. Somebody's math  
21 is a little bad.

22 Q. (BY MS. COY) If you turn to Bates No. ACC 00028,  
23 looking at Bates No. 28, Exhibit S-8, does it list when  
24 Sports Dimensions was incorporated?

25 A. Yes.

1 ALJ STERN: Excuse me. Where are you at now?

2 MS. COY: Bates No. 28, right at the top of the  
3 page.

4 Q. (BY MS. COY) When was Sports Dimensions  
5 incorporated?

6 A. It says January 2002.

7 Q. Thank you.

8 And does it talk about how long the company has  
9 operated?

10 A. 11-year operating history.

11 Q. And if you go down on Bates No. 28, the third  
12 paragraph talks about 11 years also; correct?

13 A. Yes.

14 Q. And the next paragraph talks about 11 years also?

15 A. Yes.

16 Q. Now, if you turn to Bates No. 44 of Exhibit

17 S-8 --

18 ALJ STERN: Wait. Is it possible that someone  
19 can't add and subtract in North Carolina? Or they don't  
20 do math well? I don't know. I guess they didn't  
21 proofread very well. I mean, what is all this showing,  
22 that we don't know exactly how long we have been in  
23 business here?

24 MS. COY: The different representations about the  
25 business experience.

1 ALJ STERN: Okay.

2 MS. COY: I will do one more and that is it.

3 ALJ STERN: Okay. I'm not sure -- like I say,  
4 I'm not sure that they can't read or they don't proofread  
5 or they are real bad in math. Certainly there are  
6 differences in their representations.

7 MS. COY: Okay. This will be the last one.

8 Q. (BY MS. COY) Looking at Exhibit Bates No. 44 of  
9 Exhibit S-8, the last paragraph of the page, does it talk  
10 about when Sports Dimensions was formed?

11 ALJ STERN: Again?

12 MS. COY: Yes.

13 ALJ STERN: Let me get there.

14 THE WITNESS: Yes, 1996.

15 Q. (BY MS. COY) Okay. There are a few more, but I  
16 will hold off on those.

17 Looking at Exhibit S-8, does Exhibit S-8 provide  
18 any information related to how the funds raised from  
19 investors would be used?

20 A. Do you have a specific page?

21 Q. I'm sorry, ACC 13, and looking at paragraph 3.

22 A. Yes.

23 Q. And how is the money raised going to be used?

24 A. It is to be used as general working capital to  
25 execute the business plan contained herein.

1 Q Okay.

2 ALJ STERN: Wait a minute. Wait a minute.

3 You are at ACC 0013 and what paragraph?

4 MS. COY: Third paragraph, second line.

5 ALJ STERN: Okay. Go ahead. I'm sorry.

6 Q (BY MS. COY) Okay. And then can you turn to ACC

7 42 -- it would be 000042 -- and the last paragraph on that

8 page, first sentence; does it talk about what the funds

9 are going to be used for?

10 A Yes.

11 Q And what does it say on Bates No. 42 what the

12 funds will be used for?

13 A To promote several concurrent tours of top-level

14 artists.

15 Q And then on Bates No. 000048.

16 ALJ STERN: You said page 48?

17 BY MS. COY: Bates 48.

18 ALJ STERN: Okay.

19 Q (BY MS. COY) And it's right under capitalization

20 plan, the first sentence, does it say what the \$10 million

21 will be used for?

22 A Yes.

23 Q And what does it say?

24 A "To allow management to expand basic corporate

25 functions and attract further capital necessary for the

1 future of the company."

2 Q. Okay.

3 ALJ STERN: I guess they say things differently  
4 in three different places.

5 You are at 0048? Is that where that is?

6 MS. COY: That's correct, under capitalization  
7 plan in the middle of page, first sentence.

8 ALJ STERN: I guess if you are a promoter, you  
9 are promoting it.

10 Q. (BY MS. COY) Looking at -- did the company  
11 disclose in Exhibit S-8 the amount of return expected for  
12 investors?

13 A. Do you have a page?

14 Q. We can go with ACC 6, which is similar to S-6.

15 A. Yes.

16 Q. And how much was expected to be returned to  
17 investors -- or the investors could earn?

18 A. 30 percent annually in one year.

19 Q. Turning to Bates No. ACC 28 in Exhibit S-8, the  
20 fourth paragraph down, does it talk about SDI's average  
21 return in the last 11 years? It's the fourth paragraph  
22 right above the graph.

23 A. Yes.

24 Q. And what does that say?

25 A. "SDI has achieved an average return on investment

1 exceeding 30 percent."

2 Q Now, based on Bates No. 6 -- we are going back  
3 there again -- was the investment with SDI represented to  
4 be guaranteed?

5 A Yes.

6 Q And it says that in the letter; correct?

7 A Yes.

8 Q And if you look at --

9 ALJ STERN: And S-6 is that letter that some  
10 Arizona person received?

11 MS. COY: Correct, and Bates No. -- in Exhibit  
12 S-8, Bates No. 6 also is the same letter.

13 Q BY MS. COY: Now, in the actual private placement  
14 memorandum that is in Exhibit S-8, do you know if there is  
15 a contradictory statement regarding guarantees? If you  
16 look at Bates No. 14, it is the fourth paragraph down,  
17 last sentence.

18 A Yes.

19 Q I'm sorry. That is not the last one.

20 A It is contradictory.

21 Q Okay. Where is it?

22 Well, let's look at ACC 57, and under "No  
23 Guarantees of Profitability" section, about the fourth --  
24 third line down, what does it say?

25 A "There could be no guarantee that the business

1 will be profitable to the extent anticipated."

2 Q And if you go down to capital requirements,  
3 second line --

4 A "There could be no guarantee that the company may  
5 not require additional funds either through additional  
6 equity offering or debt placement in order to continue  
7 operating and seek profitability."

8 Q And then under financial projections starting in  
9 the second to the last line?

10 A "There could be no guarantee that the result  
11 shown in the enclosed projections will be realized in  
12 whole or in part."

13 Q And if you look at the bottom of ACC 57, starting  
14 with "neither" and going to the end of the sentence on  
15 page ACC 58, can you read that for me, please?

16 A "Neither the company nor its affiliates or  
17 professional advisors guarantee or warrant the projected  
18 results."

19 Q Does the private placement memorandum in Exhibit  
20 S-8 disclose any information regarding convertible notes,  
21 if you look at Bates No. 78?

22 A Yes.

23 Q Who is the borrower listed on this note?

24 A SDI.

25 Q And that is Sports Dimensions, Inc.; correct?

1 A. Yes.

2 Q. Does it list any type of collateral for these  
3 notes?

4 A. Yes.

5 Q. What is the collateral?

6 A. Security bond, concert ticket sales.

7 Q. And if you look at Bates No. 79 -- I'm sorry --  
8 80 under collateral, does it list who the surety bond is  
9 with?

10 A. Yes.

11 Q. And who is that?

12 A. "A Surety Bond issued by Liberty Reinsurance as  
13 well as concert ticket sales."

14 Q. I think there is a typo. It should be  
15 reinsurance, but it's r-e-i-s-s."

16 ALJ STERN: Where are you?

17 MS. COY: We are looking at Bates No. 80.

18 ALJ STERN: Oh, you are on 80. I thought you  
19 were on 79.

20 MS. COY: No, 80 under collateral.

21 ALJ STERN: Just a minute. It's Liberty Bond  
22 Reinsurance. So you are saying that they probably left  
23 out the n in reinsurance?

24 MS. COY: That is my guess.

25 ALJ STERN: All right.

1 Q (BY MS. COY) In your background check of SDI and  
2 Mr. Hubbard, do you know if Mr. Hubbard was registered as  
3 a securities salesman or broker/dealer or investment  
4 advisor?

5 A He was not.

6 Q And if you look at Exhibit S-1, do you see a  
7 certificate of nonregistration for Mr. Hubbard? I believe  
8 it's the second one.

9 A Yes.

10 Q And do you know if the product or the investment  
11 opportunity with SDI was registered to be offered or sold  
12 in Arizona?

13 A I'm sorry. Are you asking me if it was  
14 registered?

15 Q Yes.

16 A No, it was not registered.

17 Q And under S-1 is there a certificate for  
18 nonregulation for Sports Dimensions, Inc.?

19 A Yes.

20 Q Anywhere in Exhibit S-8 or any information  
21 provided by Sports Dimensions, Inc., did they disclose the  
22 California desist and refrain order?

23 A No.

24 Q Did they disclose the California order?

25 A No.

1 ALJ STERN: What was date of that private  
2 placement memorandum? I'm wondering if it predated those  
3 other matters.

4 Q BY MS. COY: If you look at S-8, Bates No. ACC 8,  
5 what was the date of the document?

6 A January 2009 of the private placement.

7 Q Anywhere in Exhibit S-8 or on the SDI web site,  
8 is there any disclosure that the securities are not being  
9 offered to Arizona residents?

10 A No.

11 Q Is there any disclosure or information related to  
12 what specific states the securities are being offered in?

13 A No.

14 Q Does the web site state that the offer is not  
15 specifically directed to any person in Arizona?

16 A Does not.

17 Q Or that no sales of securities are to be made in  
18 Arizona?

19 A No.

20 Q Do you know if the web site is still operating?

21 A It is not.

22 Q Do you know when they shut it down?

23 A I do not know exactly.

24 Q Approximately?

25 A I would say the last time I checked was at least

1 a month ago, but it could have been a couple months ago.

2 Q. Was it operating at the time the Securities  
3 Division filed the temporary cease and desist order?

4 A. When did we file it?

5 Q. March 27th of '09.

6 A. When we were investigating it, it was operating,  
7 and it was probably still operating at that time.

8 MS. COY: I have no further questions.

9

10

EXAMINATION

11

12 Q. (BY ALJ STERN) Ma'am, you just testified a  
13 minute ago that the SDI private placement memorandum that  
14 was on-line was dated January of 2009; correct?

15 A. The private placement of the convertible  
16 corporation notes?

17 Q. Yes.

18 A. Yes.

19 Q. And with respect to that it's not disclosed in  
20 there that the C & D -- cease and desist order -- dated  
21 September 26, 2006 issued by the State of California, that  
22 that would have been predated. That wasn't -- that  
23 predated the private placement memorandum. It wasn't  
24 disclosed there; right?

25 A. Correct.

1 Q Okay. Now, the other summary order to cease and  
2 desist dated February 23, 2009 from the State of Nevada,  
3 that was after the private placement memorandum went on;  
4 correct?

5 A Yes.

6 Q Now, you said you were involved in the  
7 information of this organization, I guess, sometime prior  
8 to March 27th of 2009 when the temporary order and notice  
9 of opportunity were filed with the Commission; correct?

10 A Yes.

11 Q How did the Division come to investigate  
12 Mr. Hubbard and Sports Dimensions, Inc.?

13 A We received a copy of the letter from an Arizona  
14 resident.

15 Q All right. So Exhibit S-6 was sent to the  
16 Division or transmitted somehow, someway to the Division?

17 A Yes.

18 Q Either sent to you in the form of a copy of a  
19 letter or e-mail or something?

20 A It was sent via fax to our office, to one of our  
21 other investors.

22 Q All right. So at that time -- when was that  
23 letter received approximately; do you know?

24 A It looks like February 11th of '09.

25 Q Okay. And so you were involved from that date on

1 with some sort of investigation of this entity?

2 A. Yes.

3 Q. What does SDI stand for? Do we know? Sports  
4 Dimensions?

5 A. Yes.

6 Q. Did they do anything besides concert promotions?  
7 Were they involved in sports promotions too or do you  
8 know?

9 A. I don't think they did sports. I think it was  
10 strictly music.

11 Q. Or represented to be music?

12 A. Right.

13 Q. And did you yourself ever talk to this gentleman  
14 Mr. Hubbard or deal with him directly?

15 A. Through e-mail.

16 Q. Through e-mail?

17 A. I did the similar thing: I logged in; I had to  
18 receive a password via e-mail to get further information.

19 Q. Is that how you got the private placement  
20 memorandum?

21 A. We may have had it from the previous investigator  
22 logging in or when I logged in myself.

23 Q. But you also dealt with Mr. Hubbard on-line with  
24 respect to the offer?

25 A. Yes.

1 Q And were any of the e-mails that -- there was an  
2 e-mail -- S-7, was that one you were involved in? That  
3 is -- well, I guess not. It says, "Ronald."

4 Well, I guess in your e-mail, no one knows  
5 whether it's you or Ronald?

6 A I was not Ronald.

7 Q Okay. And then the S-8 e-mail, was the sent to  
8 you or was it sent back to Ronald?

9 A It was still sent to Ronald.

10 Q Okay. And you say within the private placement  
11 memorandum there is no notification that these securities  
12 were not offered to Arizona residents; is that correct?

13 A Correct.

14 Q Isn't there some place -- there is something in  
15 there -- we went by it -- that notices to various states'  
16 residents. It says, "Notice to Arizona residents," and I  
17 think it says page 10.

18 MS. COY: Bates No. ACC 18.

19 ALJ STERN: 18?

20 MS. COY: Yes.

21 Q BY ALJ STERN: Do you recall what that tells  
22 Arizona residents? It tells us they are not -- I'm  
23 looking at Bates No. 18 on Exhibit S-8. It says, "The  
24 units hereby have not been" -- they just tell us they are  
25 not registered. That doesn't mean that they wouldn't sell

1 them; is that correct?

2 A. Yes. It's telling them they cannot resell it.

3 Q. I see. But it doesn't tell them they can't buy  
4 them; right?

5 A. Right.

6 Q. Okay. I guess I don't have any other  
7 questions -- were there any actual Arizona investors that  
8 we are aware of?

9 A. We are not able to find any Arizona investors.

10 Q. So as far as we know, after the Division issued  
11 its temporary order to cease and desist and its notice of  
12 opportunity for hearing and Mr. Hubbard and the company  
13 requested a hearing, filed an answer, at some point in  
14 time they took down their web site; is that correct?

15 A. I think when I called the web site, they hadn't  
16 paid to maybe renew it, so I don't know if they took it  
17 down because of our order or they just chose not to renew  
18 the web site.

19 Q. Have you checked it lately?

20 A. It's been -- I'm trying to think when I checked  
21 it last.

22 Not within the last couple days I have not.

23 Q. Wait. And not within the last couple days you  
24 haven't checked it?

25 A. I have not checked it within the last couple

1 days. The last time I checked it it was probably a month.

2 Q. About a month ago was it up?

3 A. It was not.

4 Q. Not operating.

5 And you have had no complaints from any investors  
6 other than somebody sent a -- faxed over a copy of this  
7 letter from Mr. Hubbard?

8 A. Correct.

9 Q. Or from someone, Mr. Hubbard's name is on it. We  
10 don't know because he didn't sign it, I guess.

11 How did that person get contacted; do you have  
12 any idea?

13 A. Oh, they received that in the mail.

14 Q. They just received that letter in the mail?

15 A. They received that letter in the mail, and they  
16 knew of our investigator and forwarded it on to us via  
17 fax.

18 Q. Okay. And this was an Arizona resident that  
19 received the letter?

20 A. Yes.

21 Q. Addressed to accredited investors?

22 A. Correct.

23 Q. And the Division received that letter around  
24 February 11th? Is that when you got it?

25 A. Yes.

1 Q Okay. And that is this year, 2009? I think that  
2 is what it says up in the corner.

3 A Yes.

4 ALJ STERN: I don't think I have any other  
5 questions.

6 Do you have any redirect?

7 MS. COY: Just to clarify.

8

9 REDIRECT EXAMINATION

10

11 Q (BY MS. COY) If you refer to Exhibit S-10 --  
12 this is the North Carolina Security Division Cease and  
13 Desist Order -- to clarify the date on this document, if  
14 you look at the last page, what is the date of this  
15 document?

16 A The 5th day of March, 2007.

17 MS. COY: Okay.

18 ALJ STERN: Let me ask a follow-up question.

19

20 FURTHER EXAMINATION

21

22 Q (BY ALJ STERN) Was that disclosed in the private  
23 placement memorandum?

24 A It was not.

25 ALJ STERN: Okay. Anything?

1 MS. COY: I have nothing -- no further redirect,  
2 Your Honor.

3 ALJ STERN: Okay. Any closing statement?

4 MS. COY: I can do a memo or if you would like a  
5 closing statement or I can do a proposed order, whatever.

6 ALJ STERN: Whichever you prefer. A proposed  
7 order is nice to follow along because you will put  
8 everything out there that is covered. You can do -- well,  
9 that will work. Usually it works out pretty well.

10 MS. COY: I can do a memo connecting everything  
11 also.

12 ALJ STERN: Okay. All right. That will be fine.

13 That will conclude this proceeding at this time.  
14 I will take the matter under advisement and issue a  
15 Recommended Opinion and Order to the Commission for final  
16 disposition.

17 MS. COY: Excuse me, Your Honor. When would you  
18 like the post-hearing brief?

19 ALJ STERN: Well, since no one showed up here  
20 today, I would say, you know -- how much time do you need?  
21 45 days?

22 MS. COY: I was thinking 30.

23 ALJ STERN: 30 is fine, 45, just in that time  
24 frame. It takes 10 days to get the court reporter's  
25 transcript, 10 business days or thereabouts, so if that is

1 worth figuring that in, I think, you know, that will give  
2 you a little extra time.

3 MS. COY: Thank you.

4 ALJ STERN: Thank you. That will conclude this  
5 proceeding.

6 (The hearing concluded at 10:40 a.m.)

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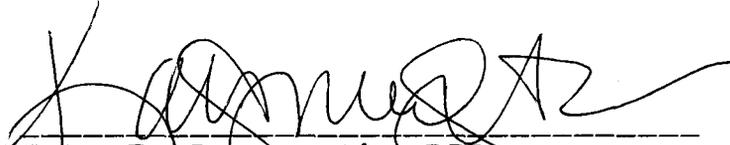
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1 STATE OF ARIZONA )  
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I, KATE E. BAUMGARTH, RPR, Certified Reporter  
 No. 50582, for the State of Arizona, do hereby certify  
 that the foregoing printed pages constitute a full, and  
 accurate transcript of the proceedings had in the  
 foregoing matter, all done to the best of my skill and  
 ability.

WITNESS my hand this 8th day of September, 2009.

  
 \_\_\_\_\_  
 Kate E. Baumgarth, RPR  
 Certified Reporter, No. 50582