

ORIGINAL

NEW APPLICATION



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BEFORE THE ARIZONA CORPORATION COMMISSION

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COMMISSIONERS

2009 SEP 23 P 4: 40

Arizona Corporation Commission

DOCKETED

SEP 23 2009

KRISTIN K. MAYES, Chairman, ARIZONA CORPORATION COMMISSION  
GARY PIERCE DOCKET CONTROL  
PAUL NEWMAN  
SANDRA D. KENNEDY  
BOB STUMP

DOCKETED BY [nr]

In the matter of:  RICHARD MILES DORMAN and REBECCA DORMAN, husband and wife,  MICHAEL VINCENT RING and KELLY RING, husband and wife,  ELYSIUM CAPITAL GROUP, L.L.C., a Nevada limited liability company,  Respondents.	) DOCKET NO. S-20702A-09-0460 ) ) <b>NOTICE OF OPPORTUNITY FOR HEARING</b> ) <b>REGARDING PROPOSED ORDER TO</b> ) <b>CEASE AND DESIST, ORDER FOR</b> ) <b>RESTITUTION, FOR ADMINISTRATIVE</b> ) <b>PENALTIES AND FOR OTHER</b> ) <b>AFFIRMATIVE ACTION</b>
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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 RICHARD MILES DORMAN, MICHAEL VINCENT RING and ELYSIUM CAPITAL GROUP, L.L.C. 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.

2. At all times material hereto, Respondents have conducted business, including the offer and sale of securities, from a home and/or office located in Maricopa County, Arizona.

1 **II. RESPONDENTS**

2 3. RICHARD MILES DORMAN (“DORMAN”), MICHAEL VINCENT RING  
3 (“RING”) and ELYSIUM CAPITAL GROUP, L.L.C. (“ELYSIUM”) may be referred to  
4 collectively as “Respondents.”

5 4. At all times material hereto, DORMAN was married to REBECCA DORMAN. All  
6 action taken by DORMAN was in furtherance of and for the benefit of the marital community of  
7 DORMAN and REBECCA DORMAN. REBECCA DORMAN therefore is joined in this action,  
8 pursuant to A.R.S. §44-2031(C), to determine the liability of the marital community for the  
9 violations alleged herein.

10 5. At all time material hereto, RING was married to KELLY RING. All action taken  
11 by RING was in furtherance of and for the benefit of the marital community of RING and KELLY  
12 RING. KELLY RING therefore is joined in this action, pursuant to A.R.S. §44-2031(C), to  
13 determine the liability of the marital community for the violations alleged herein.

14 6. REBECCA DORMAN and KELLY RING may be referred to collectively as  
15 “Respondent Spouses.”

16 7. ELYSIUM CAPITAL GROUP, L.L.C., a Nevada limited liability company, was  
17 formed on or about August 28, 2008. The articles of organization for ELYSIUM list DORMAN  
18 and RING as managers. On October 7, 2008, RING filed an annual list of managers or managing  
19 members that did not list DORMAN as a manager.

20 **III. FACTS**

21 8. Respondents DORMAN and RING offered and sold securities from Arizona in the  
22 form of investment contracts since at least July 2008 to at least eight investors in an amount  
23 totaling \$356,056. After the formation of ELYSIUM on August 28, 2008, DORMAN and RING,  
24 through ELYSIUM, continued to offer and sell securities from Arizona in the form of investment  
25 contracts.

1           9.       At all times material hereto, Respondents have not been registered as dealers or  
2 securities salesman.

3           10.       Prior to forming ELYSIUM, DORMAN worked as a manager in the mortgage loan  
4 industry and employed RING as a loan officer.

5           11.       Respondents solicited potential investors through advertisements placed on an  
6 internet website known as Craig's List.

7           12.       Respondents represented to prospective investors, through the ad on Craig's List,  
8 that they were offering various types of investment programs.

9           13.       On or about July 22, 2008, a prospective investor, on behalf of a group of investors,  
10 responded to the Craig's List ad seeking information on the investment opportunity offered through  
11 the ad.

12           14.       On July 30, 2008, four representatives from the group of investors who had  
13 responded to the Craig's List ad traveled to Arizona to meet with DORMAN and RING to discuss  
14 an investment opportunity involving leased bank guarantees.

15           15.       On August 20, 2008, DORMAN and RING flew to Southern California to meet  
16 with a group of approximately 20 potential investors, some of whom were affiliated with the group  
17 who had responded to the Craig's List ad. The purpose of the meeting was to allow DORMAN  
18 and RING to present the investment opportunity involving leased bank guarantees to the group of  
19 prospective investors.

20           16.       Leased bank guarantees are bank guarantees that are leased to a third party for a fee.  
21 The issuing bank conducts due diligence on the creditworthiness of the customer looking to secure  
22 a bank guarantee, then leases the guarantee to that customer for a certain amount of money over a  
23 specified timeframe. The issuing bank then sends the guarantee to the borrower's main bank, and  
24 the issuing bank then becomes a backer for the debts incurred by the borrower, up to the  
25 guaranteed amount. There are a number of worldwide banks that lease bank guarantees, usually  
26 involving a minimum amount of \$5 million and, in some instances, exceeding \$10 billion.

1           17.     On September 2, 2008, based upon the instructions received from DORMAN and  
2 RING, investors wired \$356,056 into an escrow account based in Arizona.

3           18.     DORMAN and RING informed investors that once the funds were received in the  
4 escrow account, they would be wired to a bank in Spain that would then use the funds to purchase a  
5 leased bank guarantee from a nationally chartered bank known worldwide and based in the United  
6 Kingdom.

7           19.     DORMAN and RING informed investors that the amount invested (\$356,056)  
8 would purchase a \$200,000,000 bank guarantee that would result in a total payout to investors of  
9 \$109,970,500 within one year from the date of the investment.

10          20.     Pursuant to the fee agreement ("agreement") investors executed with ELYSIUM,  
11 the fee to be paid to DORMAN and RING was six percent (6%) of the instrument amount  
12 (\$200,000,000).

13          21.     The fee was contingent upon financing being obtained and was to be paid at the  
14 time of closing of the transaction involving the leased bank guarantee.

15          22.     In exchange for the fee to be received, RING and DORMAN agreed to complete the  
16 compliance package and other necessary documentation required to initiate the leased bank  
17 guarantee investment.

18          23.     Pursuant to the escrow instructions established by DORMAN and RING in  
19 connection with the escrow account that was opened to receive investor funds, DORMAN and  
20 RING were the only individuals authorized to disburse funds from the escrow account.

21          24.     From investor funds wired into the escrow account and without the authorization of  
22 investors, DORMAN initiated escrow instructions to transfer \$124,130 to himself and \$114,100 to  
23 RING. The funds transferred to DORMAN and RING were for their own personal use and benefit.

24          25.     Without the authorization of investors, DORMAN initiated instructions to transfer  
25 additional investor funds from the escrow account to an individual in the form of loans.

26

1 26. DORMAN and RING failed to inform investors that their investment funds had not  
2 been invested as promised and instead had been used for the personal use and benefit of DORMAN  
3 and RING and to make loans to an individual.

4 27. DORMAN continued to misrepresent to investors as late as December 2008 that  
5 investors' funds had been wired out of the escrow account to a bank responsible for issuing the  
6 leased bank guarantee for the benefit of investors.

7 28. DORMAN misrepresented to several investors that he and RING had invested their  
8 own funds in the leased bank guarantee program.

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

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

11 29. From on or about July 2008, DORMAN and RING, through ELYSIUM, offered or  
12 sold securities in the form of investment contracts, within or from Arizona.

13 30. The securities referred to above were not registered pursuant to Articles 6 or 7 of the  
14 Securities Act.

15 31. This conduct violates A.R.S. § 44-1841.

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

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

18 32. DORMAN and RING, through ELYSIUM, offered or sold securities within or from  
19 Arizona while not registered as dealers or salesmen pursuant to Article 9 of the Securities Act.

20 33. This conduct violates A.R.S. § 44-1842.

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

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

23 34. In connection with the offer or sale of securities within or from Arizona, DORMAN  
24 and RING, through ELYSIUM, directly or indirectly: (i) employed a device, scheme, or artifice to  
25 defraud; (ii) made untrue statements of material fact or omitted to state material facts that were  
26 necessary in order to make the statements made not misleading in light of the circumstances under

1 which they were made; or (iii) engaged in transactions, practices, or courses of business that  
2 operated or would operate as a fraud or deceit upon offerees and investors. Respondents' conduct  
3 includes, but is not limited to, the following:

4 a) DORMAN and RING failed to inform investors that their investment funds  
5 had not been invested as promised and instead had been used for DORMAN and RING's own  
6 personal use and benefit and loaned to another individual without the authorization of investors; and

7 b) DORMAN misrepresented to investors that he had invested his own funds in  
8 the offered investment opportunity.

9 35. This conduct violates A.R.S. § 44-1991.

#### 10 **VII. REQUESTED RELIEF**

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

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

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

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

19 4. Order that the marital communities of Respondents and Respondent Spouses be  
20 subject to any order of restitution, rescission, administrative penalties, or other appropriate  
21 affirmative action pursuant to A.R.S. § 25-215; and

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

#### 23 **VIII. HEARING OPPORTUNITY**

24 Each respondent, including Respondent Spouses, may request a hearing pursuant to A.R.S.  
25 § 44-1972 and A.A.C. R14-4-306. **If a Respondent or a Respondent Spouse requests a hearing,**  
26 **the requesting respondent must also answer this Notice.** A request for hearing must be in writing

1 and received by the Commission within 10 business days after service of this Notice of Opportunity  
2 for Hearing. The requesting respondent must deliver or mail the request to Docket Control, Arizona  
3 Corporation Commission, 1200 W. Washington, Phoenix, Arizona 85007. Filing instructions may  
4 be obtained from Docket Control by calling (602) 542-3477 or on the Commission's Internet web  
5 site at <http://www.azcc.gov/divisions/hearings/docket.asp>.

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

11 Persons with a disability may request a reasonable accommodation such as a sign language  
12 interpreter, as well as request this document in an alternative format, by contacting Shaylin A.  
13 Bernal, ADA Coordinator, voice phone number 602/542-3931, e-mail [sabernal@azcc.gov](mailto:sabernal@azcc.gov).  
14 Requests should be made as early as possible to allow time to arrange the accommodation.

#### 15 **IX. ANSWER REQUIREMENT**

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

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

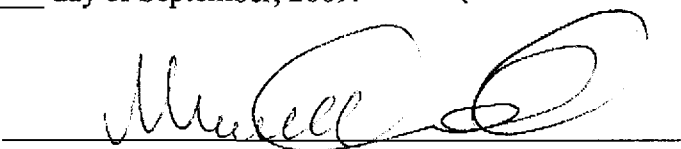
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The Answer shall contain an admission or denial of each allegation in this Notice and the original signature of the answering respondent or respondent's attorney. A statement of a lack of sufficient knowledge or information shall be considered a denial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

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

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

Dated this 23<sup>rd</sup> day of September, 2009.



Mark Dinell  
Assistant Director of Securities