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ARIZONA CORPORATION COMMISSION RECEIVED

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WILLIAM A. MUNDELL  
Chairman  
JIM IRVIN  
Commissioner  
MARC SPITZER  
Commissioner

2002 APR 10 P 2: 54

AZ CORP COMMISSION  
DOCUMENT CONTROL

In the matter of:

) Docket No. S-03445A-01-0000

) Accelerated Success, Inc.  
) 500 N. Rainbow Blvd., Ste. 300  
) Las Vegas, NV 89107  
) and  
) 6671 E. Baseline Rd. #105  
) Mesa, AZ 85206

) **TEMPORARY ORDER TO CEASE AND  
) DESIST AND NOTICE OF  
) OPPORTUNITY FOR HEARING**

) Kenneth R. Morris  
) 500 N. Rainbow Blvd., Ste. 300  
) Las Vegas, NV 89107

) Robert D. Pierson  
) 6671 E. Baseline Rd. #105  
) Mesa, AZ 85206

) Integrity Assured Life Settlements, Inc.  
) 1218 Pulaski Highway, Ste. 342  
) Bear, DE 19701

) Steven S. Levine, d/b/a  
) Steven S. Levine Chartered  
) 11403 Cronridge Road, Ste. 230  
) Owings Mills, MD 21117-2295,

) Respondents.

**NOTICE: THIS ORDER IS EFFECTIVE IMMEDIATELY**

**EACH RESPONDENT HAS 20 DAYS TO REQUEST A HEARING**

The Securities Division ("Division") of the Arizona Corporation Commission ("Commission") alleges that RESPONDENTS, ACCELERATED SUCCESS, INC., KENNETH R. MORRIS, ROBERT D. PIERSON, INTEGRITY ASSURED LIFE SETTLEMENTS, INC.,

1 and STEVEN S. LEVINE d/b/a STEVEN S. LEVINE CHARTERED engaged in or are about to  
2 engage in acts and practices that constitute violations of the Securities Act of Arizona, A.R.S. §  
3 44-1801, *et seq.*, (Securities Act”), and that the public welfare requires immediate action.

4 **I.**

5 **JURISDICTION**

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

8 **II.**

9 **RESPONDENTS**

10 2. ACCELERATED SUCCESS, INC. (“ASI”) is a Nevada corporation, not authorized  
11 to do business in Arizona. ASI’s last known business address is 500 N. Rainbow Blvd., Ste. 300,  
12 Las Vegas, NV 89107. ASI also operates from a mail drop at 6671 E. Baseline Rd., #105, Mesa,  
13 AZ 85206. At all relevant times, ASI has offered and/or sold investment programs in Arizona.

14 3. KENNETH R. MORRIS (“MORRIS”), whose last known business address is 500  
15 N. Rainbow Blvd., Ste. 300, Las Vegas, NV 89107, is the President of ASI.

16 4. ROBERT D. PIERSON (“PIERSON”), whose last known business address is 6671  
17 E. Baseline Rd., #105, Mesa, AZ 85206, is the marketing director and a salesman for ASI.

18 5. INTEGRITY ASSURED LIFE SETTLEMENTS, INC. (“INTEGRITY”), whose  
19 last known address is 1218 Pulaski Highway, Ste. 342, Bear, DE 19701 is a viatical provider that  
20 offered and/or sold viatical settlement contracts through ASI.

21 6. STEVEN S. LEVINE, d/b/a STEVEN S. LEVINE CHARTERED (“LEVINE”),  
22 whose last known address is 11403 Cronridge Drive, Ste. 230, Owings Mills, MD 21117-2295, is a  
23 participant in the investment programs as a purported escrow agent, trustee, and power of attorney  
24 on behalf of investors.

25 7. ASI, MORRIS, PIERSON, INTEGRITY, and LEVINE may be collectively referred  
26 to as “RESPONDENTS.”

**III.****FACTS**

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2  
3 8. From on or around March 27, 2001, RESPONDENTS advertised in a local  
4 newspaper, offering investors the opportunity to “earn 15% insured; CD safety without stock  
5 market risks.” Investors who responded to the Arizona telephone number in the advertisement  
6 were told that the investment opportunity was for a viatical contract, that is, the purchase of the  
7 beneficial interest in a life insurance policy of a terminally ill or elderly individual. INTEGRITY,  
8 LEVINE, and/or ASI would purchase a policy at a price below the face value of the death benefit,  
9 and the right to the benefit would be re-sold to investors at a mark-up, while still less than face  
10 value. At maturity, that is, upon the death of the insured, investors would receive a return in the  
11 form of the full face value.

12 9. RESPONDENTS, through ASI, MORRIS and PIERSON, told investors that  
13 INTEGRITY was a “funding company” that used its expertise to seek out life insurance policies  
14 that “provide an unprecedented level of security and prosperity for our clients.” Investors were  
15 told that INTEGRITY was directly responsible for raising over \$120 million “used to fund the  
16 needs of the terminally ill.” Investors were told that INTEGRITY would utilize its established  
17 contacts with policy brokers, medical underwriters, regulatory attorneys, and financial institutions  
18 to “allow unlimited access to policies of the highest quality.” Investors were provided with no  
19 financial statements, nor were they told of the business history of INTEGRITY or the background  
20 and identity of its principals.

21 10. RESPONDENTS stated that investors could expect “pre-determined profits” of up  
22 to 60% on a policy where the insured person had a predicted life expectancy of 48 months.  
23 Policies where life expectancy was predicted to be less than 48 months were also available for a 12  
24 to 42% return.

25 11. RESPONDENTS stated that INTEGRITY used the services of certain “medical  
26 underwriters” in evaluating the medical condition and life expectancy of insured persons whose

1 policies were for sale. Those “underwriters” were identified as Amscot Medical Laboratory and  
2 American Viatical Services. However, RESPONDENTS gave no location, telephone number, or  
3 business information for these two entities. Further, REPSONDENTS stated that should an insured  
4 live beyond the predicted life expectancy, RESPONDENTS were not responsible for any errors  
5 made by physicians in determining life expectancies.

6 12. Investors were told that their money would be initially placed in escrow with  
7 STEVEN S. LEVINE CHARTERED, to be held until INTEGRITY located a policy for purchase.  
8 Investors were required to sign a limited power of attorney giving INTEGRITY and LEVINE the  
9 power to handle all documentation related to the purchase and assignment of the policy. Although  
10 the brochure given to investors states that after investing “the investor will receive a closing  
11 package . . . to verify that he/she is now named as a beneficiary on the policy”, investors are asked  
12 to sign an agreement when they invest stating that LEVINE would be named as the “irrevocable  
13 beneficiary” on the purchased policy. Investors were told that they would be “silent partners” and  
14 LEVINE would be the owner of the policy. Investors were told that LEVINE would “make sure  
15 everything gets done for you.”

16 13. Investors would have no choice of policies or insured persons, nor would they  
17 receive any information about the policy or insured until after the investment. Decisions regarding  
18 the policy would be made by INTEGRITY and LEVINE. At least one salesman told investors that  
19 ASI sought out and purchased policies. After closing the purchase with the investor’s money, the  
20 investor would be sent a closing packet verifying the purchase with the name of the insurance  
21 company, policy number, issue date, face value and projected life expectancy. Insured parties  
22 would not be identified by name, nor would investors have access to their medical histories.

23 14. According to documents provided to investors, after purchase of a policy, LEVINE  
24 would monitor the policy, track the insured’s medical history, pay any premiums due on the policy  
25 until maturity, file death certificates, and distribute insurance proceeds. LEVINE would also  
26 release up to 20% of investors’ money for administrative costs to INTEGRITY. Investors were not

1 given any information about the actual cost of the policy, the amount withheld to pay premiums,  
2 the commissions or fees paid to other brokers by INTEGRITY, or paid to LEVINE, ASI or its  
3 salesmen. Investors were not given any other financial background information about ASI,  
4 INTEGRITY and LEVINE.

5 **IV.**

6 **VIOLATION OF A.R.S. § 44-1841**

7 **(Offer and Sale of Unregistered Securities)**

8 15. From on or around March 2001, RESPONDENTS offered or sold securities in the  
9 form of viatical settlement contracts within or from Arizona.

10 16. The securities referred to above were not registered pursuant to Articles 6 or 7 of the  
11 Securities Act, nor had the Division received any filing under A.R.S. § 44-1850.

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

13 **V.**

14 **VIOLATION OF A.R.S. § 44-1842**

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

16 18. RESPONDENTS offered or sold securities within or from Arizona while not  
17 registered as dealers or salesmen pursuant to Article 9 of the Securities Act, nor exempt from  
18 registration under A.R.S. § 44-1850.

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

20 **VI.**

21 **VIOLATION OF A.R.S. § 44-1991**

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

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

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

4 a) RESPONDENTS failed to tell investors that they had not filed required  
5 documentation with the Corporation Commission, thus RESPONDENTS' offering of viatical  
6 settlement contracts would constitute an unregistered sale of securities, subjecting RESPONDENTS  
7 to rescission, restitution, fines, or other remedies;

8 b) RESPONDENTS failed to tell investors the names and background of the  
9 principals of INTEGRITY, including the fact that in April 2000, three of these individuals had been  
10 fired and then sued by companies for which they were officers or directors, for fraud, certain  
11 breaches of corporate loyalties, and the improper diversion of funds. In settlement of matters related  
12 to the lawsuit, the principals, John C. Hoover, David P. Hoover and Steven B. Warren, agreed to be  
13 jointly and severally liable to reimburse the plaintiff companies, collectively known as Imtek, the  
14 amount of \$6,000,000. Imtek was in the viatical business;

15 c) RESPONDENTS failed to tell investors that the above principals of  
16 INTEGRITY were operating another viatical company, Answer Care, when they were sued by  
17 Imtek, and that Answer Care was placed in receivership in October 2000 in an action by the  
18 Maryland Attorney General's Office;

19 d) RESPONDENTS represented that the viatical settlement contracts had the  
20 "safety" of a CD, when in fact, there was no basis for comparing the risks associated with viatical  
21 settlement contracts to an FDIC insured product such as a CD;

22 e) RESPONDENTS misrepresented that investors could "earn 15% insured," when  
23 in fact, returns to investors were dependent upon the financial stability and continuing business of  
24 INTEGRITY and/or LEVINE, as attorney in fact, trustee, owner and irrevocable beneficiary of the  
25 policy, for the return of investors' funds upon death of the insured;

26

1 f) RESPONDENTS failed to provide material information about the background of  
2 INTEGRITY and LEVINE, including, but not limited to, past operations, balance sheets, statements  
3 of income, retained earnings and cash flows that would reflect the financial position of these entities;

4 g) RESPONDENTS failed to provide other material information to investors,  
5 including but not limited to, rights to rescind or cancel the investment under Arizona law, purchase  
6 price paid to the insured, amount of money that would be set aside to pay premiums, amounts held  
7 for broker's commissions, INTEGRITY's commissions, LEVINE's compensation, ASI's  
8 commission, and commissions to various salesmen.

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

10 **VII.**

11 **TEMPORARY ORDER**

12 **Cease and Desist from Violating the Securities Act**

13 THEREFORE, based on the above allegations, and because the Division has determined that  
14 the public welfare requires immediate action,

15 IT IS ORDERED, pursuant to A.R.S. §§ 44-2032, 44-1972 and A.A.C. R14-4-307, that the  
16 RESPONDENTS, their agents, servants, employees, successors, assigns, and those persons in active  
17 concert or participation with them CEASE AND DESIST from any violations of the Securities Act.

18 IT IS FURTHER ORDERED that this Temporary Order to Cease and Desist shall remain in  
19 effect for 120 days unless sooner vacated, modified or made permanent by the Commission.

20 IT IS FURTHER ORDERED that this Order shall be effective immediately.

21 **VIII.**

22 **REQUESTED RELIEF**

23 The Division will request that the Commission grant the following relief against  
24 RESPONDENTS:

25 1. Order RESPONDENTS to permanently cease and desist from violating the  
26 Securities Act pursuant to A.R.S. § 44-2032.



1 Hood, ADA Coordinator, voice phone number 602/542-3931, e-mail shood@cc.state.az.us.

2 Requests should be made as early as possible to allow time to arrange the accommodation.

3 BY ORDER OF THE ARIZONA CORPORATION COMMISSION, this 10<sup>th</sup> day of

4 April, 2001.



5 Mark Sendrow  
6 Director of Securities

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9 (HIO/sf/accelerated temp order)

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# Memorandum

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2002 APR 10 P 2:54

AZ CORP COMMISSION  
DOCUMENT CONTROL

**DATE:** April 10, 2001  
**TO:** Nancy Cole  
Docket Control  
**FROM:** Mark Sendrow  
Securities Division  
**RE:** Accelerated Success, Inc.  
Docket No. S-03445A-01-0000  
Assigned Staff  
**CC:** Mabel Aldridge

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This is to notify you that the following individuals have been assigned to the above-mentioned case.

- Mark Sendrow
- LeRoy Johnson
- Matthew Neubert

Sharon Fox (Staff Attorney)

Alan Walker (Staff Investigator)

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**Note:** The Assistant Attorney General assigned to this matter is: Jennifer Boucek.