

WILLIAM A. MUNDELL
CHAIRMAN

JIM IRVIN
COMMISSIONER

MARC SPITZER
COMMISSIONER

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ARIZONA CORPORATION COMMISSION

OPEN MEETING ITEM
MEMORANDUM

TO: Chairman William A. Mundell
Commissioner Jim Irvin
Commissioner Marc Spitzer

FROM: Mark Sendrow
Director of Securities

DATE: October 18, 2001

RE: Proposed Consent Order - Integrity Assured Life Settlements, Inc.

Accelerated Success, Inc., S-03445A-01-0000

CC: Brian C. McNeil, Executive Secretary

Arizona Corporation Commission

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Beginning around March 2001, Integrity Assured Life Settlements, Inc. ("Integrity") offered and sold viatical settlement contracts to at least 12 Arizona residents. Integrity is located in Delaware. Integrity had not made any filing for exemption from the securities registration laws at the time the viaticals were sold.

Integrity employed the marketing services of respondent Accelerated Success, Inc. ("ASI"), located in Las Vegas, Nevada, to promote the investment. ASI in turn hired and trained sales agents from various states, including respondent, Robert Pierson, of Arizona.

The Securities Division discovered that sales were taking place when it responded to an ad that Pierson placed in the newspaper promoting the opportunity to "earn 15% insured, CD safety without stock market risks." A Division investigator took an undercover sales pitch, and the Division began investigating Integrity and the other named parties. Within 10 days, the Division filed a Temporary Order to Cease and Desist against Integrity, ASI, its President, Ken Morris, Pierson, and escrow/trustee, Steven S. Levine Chartered of Maryland.

Integrity responded by stopping all sales in Arizona and providing the Division with documentation of total sales of \$558,128.31. Integrity refunded \$480,278.31 to all known Arizona investors, representing the amount of money it had on deposit from sales of the viaticals. ASI refunded its commissions of \$22,900 to all known Arizona investors. Pierson had remitted a

portion of his sales commissions prior to the state's action, under a separate agreement. Respondents Integrity and ASI agreed to assume separate liability for equal portions of the remaining restitution amount plus interest. Integrity has provided the Division with a cashier's check for an additional \$25,646.74 along with a penalty of \$5,000.

Integrity has cooperated fully in resolving the issues. Integrity has consented to an Order finding that it violated the registration and fraud provisions of the Arizona Securities Act. Integrity has provided restitution payments plus interest on all of the amounts that it received, minus commissions paid to other respondents. The amount provided by Integrity, plus amounts contributed by ASI thus far, equal a return of 97% of the investors' funds. Negotiations are ongoing with respondent, ASI. A hearing is set for November 19, should negotiations fail.

The Securities Division believes that it has achieved the best possible result under the circumstances in dealing with several out-of-state respondents and by responding quickly to local sales efforts. The Securities Division recommends that the Commission accept the proposed Consent Order.

Originator: Sharon Fox

AG: Moira McCarthy

n/enforce/cases/accelerated/memos/Commissioners re Integrity

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 WILLIAM A. MUNDELL

3 Chairman

4 JIM IRVIN

5 Commissioner

MARC SPITZER

Commissioner

6 In the matter of)

7 Accelerated Success, Inc.)

8 500 N. Rainbow Blvd., Ste. 300)

Las Vegas, NV 89107)

9 and)

6671 E. Baseline Rd. #105)

10 Mesa, AZ 85206)

11 Kenneth R. Morris)

500 N. Rainbow Blvd., Ste. 300)

12 Las Vegas, NV 89107)

13 Robert D. Pierson)

6671 E. Baseline Rd. #105)

14 Mesa, AZ 85206)

15 Integrity Assured Life Settlements, Inc.)

16 1218 Pulaski Highway, Ste. 342)

17 Bear, DE 19701)

18 Steven S. Levine Chartered)

11403 Cronridge Drive, Ste. 230)

19 Owings Mills, MD 21117-2295,)

20 Respondents.)

DOCKET NO. S-03445A-01-0000

DECISION NO. _____

**ORDER TO CEASE AND DESIST,
ORDER OF RESTITUTION, ORDER
FOR ADMINISTRATIVE PENALTIES
AND CONSENT TO SAME
BY: RESPONDENT INTEGRITY
ASSURED LIFE SETTLEMENTS, INC.**

21 Respondent INTEGRITY ASSURED LIFE SETTLEMENTS, INC. elects to permanently
22 waive its right to a hearing and appeal under Articles 11 and 12 of the Securities Act of Arizona,
23 A.R.S. § 44-1801, *et seq.* ("Securities Act") with respect to this Order To Cease And Desist, Order
24 of Restitution, Order for Administrative Penalties and Consent to Same ("Order"). INTEGRITY
25 ASSURED LIFE SETTLEMENTS, INC. admits the jurisdiction of the Arizona Corporation
26

1 Commission ("Commission"); neither admits nor denies the Findings of Fact and Conclusions of
2 Law contained in this Order; and consents to the entry of this Order by the Commission.

3 **I.**

4 **FINDINGS OF FACT**

5 1. INTEGRITY ASSURED LIFE SETTLEMENTS, INC. ("INTEGRITY"), located at
6 1218 Pulaski Highway, Ste. 342, Bear, DE 19701 is a viatical provider.

7 2. From on or around March 1, 2001, INTEGRITY, through other respondents, offered
8 Arizona investors the opportunity to purchase viatical settlement contracts. INTEGRITY entered
9 into an agreement with Accelerated Insurance & Investment Services, Inc., which changed its name
10 to ACCELERATED SUCCESS, INC. ("ASI"), a respondent in this matter. Pursuant to the
11 agreement, INTEGRITY granted ASI permission to solicit and take orders for viatical settlement
12 products offered by INTEGRITY.

13 3. A viatical contract is the purchase of the beneficial interest in a life insurance policy
14 of a terminally ill or elderly individual. A viatical provider purchases life insurance policies at a
15 price below the face value of the death benefit, and re-sells the benefits to purchasers at less than
16 face value. At maturity, that is, upon the death of the insured, the purchasers receive a return in the
17 form of the full face value.

18 4. INTEGRITY prepared marketing material that stated that INTEGRITY had
19 assembled a "team of industry leaders" to evaluate the life settlement industry and provide an
20 unprecedented level of security and prosperity for its clients. This marketing material stated that
21 the principals of INTEGRITY were "directly responsible for raising over \$120 million used to fund
22 the needs of the terminally ill." The marketing material also stated that INTEGRITY had
23 established relationships with the nation's most respected policy brokers, medical underwriters,
24 regulatory attorneys, and financial institutions and INTEGRITY would utilize its strategic alliance
25 with the nation's most respected policy broker to allow unlimited access to policies of the highest
26 quality.

1 5. The marketing material stated that purchasers could expect "pre-determined profits"
2 of up to 60% on a policy where the insured person had a predicted life expectancy of 48 months.
3 Policies where life expectancy was predicted to be less than 48 months were also available for a 12
4 to 42% return.

5 6. The marketing material stated that INTEGRITY used the services of certain
6 "medical underwriters" in evaluating the medical condition and life expectancy of insured persons
7 whose policies were for sale. Those "underwriters" were identified as Amscot Medical Laboratory
8 and American Viatical Services. However, INTEGRITY gave no location, telephone number, or
9 business information for these two entities.

10 7. The marketing material stated that a purchaser's money would initially be placed in
11 escrow with STEVEN S. LEVINE CHARTERED ("LEVINE"), to be held until INTEGRITY
12 located a policy for purchase. Purchasers were required to sign a limited power of attorney giving
13 INTEGRITY and LEVINE the power to handle all documentation related to the purchase and
14 assignment of the policy. Purchasers were asked to sign an agreement when they invest stating that
15 LEVINE would be named as the owner and "irrevocable beneficiary" on the purchased policy.

16 8. Purchasers would have only limited input into the choice of policies or insured
17 persons. Purchasers would not receive any information about the specific policy or insured until
18 after the investment. Decisions regarding the purchase of the policy would be made by
19 INTEGRITY. Decisions regarding the maintenance of the policy would be made by INTEGRITY
20 and LEVINE. After INTEGRITY instructed LEVINE to close the purchase, the purchaser would
21 be sent a closing packet verifying the purchase with certain medical and insurance information.
22 Insured parties would not be identified by name, nor would purchasers have access to additional
23 information regarding the insured's medical history.

24 9. The marketing material stated that after purchase of a policy, LEVINE would
25 monitor the policy, track the insured's medical history, and pre-pay policy premiums for one year
26 past maturity. In the case of certain programs, INTEGRITY would provide LEVINE with funds to

1 pay any premiums due on the policy until maturity. LEVINE would also file death certificates, and
2 distribute insurance proceeds. LEVINE was granted authority to release up to 20% of purchasers'
3 money for administrative costs to INTEGRITY at INTEGRITY's sole discretion. Investors were
4 not given any information about the actual cost of the policy, the amount utilized to prepay
5 premiums, the commissions or fees paid to other brokers by INTEGRITY, or paid to LEVINE, ASI
6 or its salesmen. Other than what was provided in the marketing materials, investors were not given
7 any other financial background information about INTEGRITY or LEVINE.

8 10. INTEGRITY failed to tell investors the names and backgrounds of the principals of
9 INTEGRITY, including the fact that in early 2000, three of these individuals had been involved in
10 a civil lawsuit with their former employer, a viatical company. In settlement of matters related to
11 the lawsuit, the principals, John C. Hoover, David P. Hoover and Steven B. Warren, in
12 combination with other individuals and companies, collectively paid the plaintiff companies,
13 collectively known as Imtek, the amount of \$6,000,000 prior to the creation of INTEGRITY.

14 11. INTEGRITY failed to provide material information about the background of
15 INTEGRITY and LEVINE, including, but not limited to, past operations, balance sheets, statements
16 of income, retained earnings and cash flows that would reflect the financial position of these entities.

17 12. At least 12 Arizona residents purchased a total of \$558,128.31 in the viatical contracts
18 offered by INTEGRITY and the other respondents. Upon receipt of the Temporary Order to Cease
19 and Desist, INTEGRITY voluntarily returned at least \$480,278.31 to purchasers. The remaining
20 \$77,850 represents amounts INTEGRITY paid to ASI.

21 **II.**

22 **CONCLUSIONS OF LAW**

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

25 2. INTEGRITY offered or sold securities within or from Arizona through agents, within
26 the meaning of A.R.S. §§ 44-1801(15), 44-1801(21), and 44-1801(26).

1 3. INTEGRITY violated A.R.S. § 44-1841 by offering or selling unregistered and non-
2 exempt securities through agents within Arizona.

3 4. INTEGRITY violated A.R.S. § 44-1842 by offering or selling securities through agents
4 who were neither registered as dealers or salesmen nor exempt from registration.

5 5. INTEGRITY violated A.R.S. § 44-1991 by offering or selling securities through agents
6 within or from Arizona by making untrue statements or misleading omissions of material facts.

7 6. The conduct of INTEGRITY is grounds for a cease and desist order pursuant to A.R.S.
8 § 44-2032.

9 7. The conduct of INTEGRITY is grounds for an order of restitution pursuant to A.R.S. §
10 44-2032.

11 8. The conduct of INTEGRITY is grounds for administrative penalties under A.R.S. § 44-
12 2036.

13 **III.**

14 **ORDER**

15 THEREFORE, on the basis of the Findings of Fact, Conclusions of Law, and
16 INTEGRITY's consent to the entry of this Order, the Commission finds that the following relief is
17 appropriate, in the public interest, and necessary for the protection of investors:

18 IT IS ORDERED, pursuant to A.R.S. § 44-2032, that INTEGRITY, its successors and
19 assigns, permanently cease and desist from violating the Securities Act.

20 IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2032, that INTEGRITY shall pay
21 restitution to all Arizona investors as shown on the records of the Commission in the amount of
22 \$558,128.31, less set-offs for amounts already paid and amounts ordered against respondent ASI.
23 In no case shall the remaining restitution obligation exceed \$20,035. INTEGRITY shall pay
24 interest to investors of \$5,611.74 representing 50% of the interest due at the rate of 10% per annum
25 from the date of each investment until June 8, 2001, the date at which INTEGRITY repaid
26 investors. Payment of restitution and interest shall be made to the "State of Arizona" upon entry of

1 this Order to be placed in an interest-bearing account maintained and controlled by the Arizona
2 Attorney General. The Arizona Attorney General shall disburse the funds on a pro rata basis to
3 investors less set-offs for amounts already paid. If any investors cannot be located, any unclaimed
4 restitution funds shall revert to the state of Arizona.

5 IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2036, that INTEGRITY shall pay an
6 administrative penalty in the amount of \$5,000 payable to the "State of Arizona." Payment shall
7 be made in full by cashier's check or money order upon entry of this Order. Any outstanding
8 balance will accrue interest at the rate of 10% per annum.

9 IT IS FURTHER ORDERED that this Order shall become effective immediately.

10 BY ORDER OF THE ARIZONA CORPORATION COMMISSION

11
12
13 CHAIRMAN

COMMISSIONER

COMMISSIONER

14 IN WITNESS WHEREOF, I, BRIAN C. McNEIL,
15 Executive Secretary of the Arizona Corporation
16 Commission, have hereunto set my hand and caused the
17 official seal of the Commission to be affixed at the
18 Capitol, in the City of Phoenix, this _____ day of
19 _____, 2001.

20 _____
21 BRIAN C. McNEIL
22 Executive Secretary

23 _____
24 DISSENT

25 This document is available in alternative formats by contacting Shelly M. Hood, ADA Coordinator,
26 voice phone number 602-542-3931, E-mail shood@cc.state.az.us.

(SF)

CONSENT TO ENTRY OF ORDER

1
2 1. RESPONDENT INTEGRITY ASSURED LIFE SETTLEMENTS, INC. admits the
3 jurisdiction of the Commission over the subject matter of this proceeding. INTEGRITY
4 ASSURED LIFE SETTLEMENTS, INC. acknowledges that it has been fully advised of its right to
5 a hearing to present evidence and call witnesses and INTEGRITY ASSURED LIFE
6 SETTLEMENTS, INC. knowingly and voluntarily waives any and all rights to a hearing before
7 the Commission and all other rights otherwise available under Article 11 of the Securities Act and
8 Title 14 of the Arizona Administrative Code. INTEGRITY ASSURED LIFE SETTLEMENTS,
9 INC. acknowledges that this Order to Cease and Desist, Order of Restitution, Order for
10 Administrative Penalties and Consent to Same ("Order") constitutes a valid final order of the
11 Commission.

12 2. INTEGRITY ASSURED LIFE SETTLEMENTS, INC. knowingly and voluntarily
13 waives any right it may have under Article 12 of the Securities Act to judicial review by any court
14 by way of suit, appeal, or extraordinary relief resulting from the entry of this Order.

15 3. INTEGRITY ASSURED LIFE SETTLEMENTS, INC. acknowledges and agrees that
16 this Order is entered into freely and voluntarily and that no promise was made or coercion used to
17 induce such entry.

18 4. INTEGRITY ASSURED LIFE SETTLEMENTS, INC. acknowledges that it has been
19 represented by counsel in this matter, it has reviewed this Order with its attorney and understands
20 all terms it contains.

21 5. INTEGRITY ASSURED LIFE SETTLEMENTS, INC. neither admits nor denies the
22 Findings of Fact and Conclusions of Law contained in this Order.

23 6. By consenting to the entry of this Order, INTEGRITY ASSURED LIFE
24 SETTLEMENTS, INC. agrees not to take any action or to make, or permit to be made, any
25 statement that is inconsistent with the terms of this Order. However, nothing in this Order will in
26 any way limit INTEGRITY ASSURED LIFE SETTLEMENT; INC.'s or its principals' ability to

1 conduct themselves in any subsequent litigation in which the Commission is not a party.
2 INTEGRITY ASSURED LIFE SETTLEMENTS, INC. will undertake steps necessary to assure
3 that all of its agents and employees understand and comply with this agreement.

4 7. While this Order settles this administrative matter between INTEGRITY ASSURED
5 LIFE SETTLEMENTS, INC. and the Commission, INTEGRITY ASSURED LIFE
6 SETTLEMENTS, INC. understands that this Order does not preclude the Commission from
7 instituting other administrative proceedings based on violations that are not addressed by this
8 Order.

9 8. INTEGRITY ASSURED LIFE SETTLEMENTS, INC. understands that this Order
10 does not preclude any other agency or officer of the state of Arizona or its subdivisions from
11 instituting administrative, civil or criminal proceedings that may be related to matters addressed by
12 this Order. INTEGRITY ASSURED LIFE SETTLEMENTS, INC. understands that the
13 Commission may share any information related to this matter with any other agency.

14 9. INTEGRITY ASSURED LIFE SETTLEMENTS, INC. agrees that it will not apply to
15 the state of Arizona for registration as a securities dealer nor for licensure as an investment adviser
16 nor file for an exemption from registration until such time as all restitution and penalties under this
17 Order are paid in full.

18 10. INTEGRITY ASSURED LIFE SETTLEMENTS, INC. states that it has provided the
19 Securities Division with a complete list of investors who were sold viatical settlement contracts
20 within or from Arizona. INTEGRITY ASSURED LIFE SETTLEMENTS, INC. agrees that should
21 the Securities Division discover other investors after execution of this Order, who were not
22 previously disclosed, INTEGRITY will be fully bound for restitution and interest to such investors.

23 11. INTEGRITY ASSURED LIFE SETTLEMENTS, INC. agrees that it will not exercise
24 any control over any entity that offers or sells securities or provides investment advisory services,
25 within or from Arizona unless properly authorized to do so by the Commission.
26

1 12. INTEGRITY ASSURED LIFE SETTLEMENTS, INC. understands that default shall
2 render it liable to the Commission for its costs of collection and interest at the maximum legal rate.

3 13. INTEGRITY ASSURED LIFE SETTLEMENTS, INC. agrees that it will continue to
4 cooperate with the Securities Division including, but not limited to, providing complete and
5 accurate testimony at any hearing in this matter and cooperating with the state of Arizona in any
6 related investigation or any other matters arising from the activities described in this Order.
7 INTEGRITY ASSURED LIFE SETTLEMENTS, INC. will be reimbursed for all reasonable
8 expenses incurred under this provision.

9 14. INTEGRITY ASSURED LIFE SETTLEMENTS, INC. consents to the entry of this
10 Order and agrees to be fully bound by its terms and conditions. If INTEGRITY ASSURED LIFE
11 SETTLEMENTS, INC. materially breaches any provision of this Order, the Commission may
12 vacate this Order and restore this case to its active docket.

13 INTEGRITY ASSURED LIFE SETTLEMENTS,
14 INC.

15 By David P. Hoover
16 David P. Hoover
17 President

18 SUBSCRIBED AND SWORN TO BEFORE me this 29 day of August, 2001.

19 Duane P. Sider
20 NOTARY PUBLIC

21 My Commission Expires:

22 8/17/2004

23 enforce/cases/Accelerated/pleadings
24
25
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