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10 Douglas Warren and Jane Doe Warren; and
11 Matthew W. Warren and Jane Doe Warren

BEFORE THE ARIZONA CORPORATION COMMISSION

10 WILLIAM A. MUNDELL
11 Chairman
12 JIM IRVIN
13 Commissioner
14 MARC SPITZER
15 Commissioner

14 _____)
15 In the matter of:)
16)
17 AMERICAN AUTOMOTIVE GROUP, INC.;)
18 DOUGLAS WARREN and JANE DOE WARREN;)
19 MATTHEW W. WARREN and JANE DOE)
20 WARREN; and ROBERT D. BJERKEN AND)
21 JANE DOE BJERKEN,)
22 _____)
23 Respondents.)

Docket No. S-03437A-02-0000

**ANSWER OF RESPONDENTS
AMERICAN AUTOMOTIVE
GROUP, INC.; DOUGLAS
WARREN and JANE DOE
WARREN; MATTHEW W.
WARREN and JANE DOE
WARREN**

22 The Respondents, American Automotive Group, Inc.; Douglas Warren and Jane Doe Warren;
23 Matthew W. Warren and Jane Doe Warren (collectively, "Respondents"), answering the
24 Commission's Proposed Order to Cease and Desist, for Restitution, for Administrative Penalties, and
25 for Other Affirmative Action (the "Order"), admit, deny, and allege as follows:
26

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I.

JURISDICTION

1. Respondents admit the Commission has jurisdiction over this matter pursuant to Article 15 of the Arizona Constitution and the Securities Act.

II.

RESPONDENTS

- 2. Respondents admit the factual allegations contained in paragraph number 2.
- 3. Respondent Douglas Warren admits the factual allegations contained in paragraph number 3.
- 4. Respondents admit the factual allegations contained in paragraph number 4.
- 5. Respondent Matthew Warren admits the factual allegations contained in paragraph number 5.
- 6. Respondents admit the factual allegations contained in paragraph number 6.
- 7. The factual allegations contained in paragraph number 7 do not apply to Respondents, and, therefore, no response is provided.
- 8. The factual allegations contained in paragraph number 8, do not apply to Respondents, and, therefore, no response is provided.
- 9. The allegations contained in paragraph number 9 do not require a response.

III.

FACTS

- 10. Respondents admit the factual allegations contained in paragraph number 10.
- 11. Respondents admit the factual allegations contained in paragraph number 11.
- 12. Respondents admit the factual allegations contained in paragraph number 12.
- 13. Respondents admit the factual allegations contained in paragraph number 13.
- 14. Respondents admit the factual allegations contained in paragraph number 14.

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- 15. Respondents admit the factual allegations contained in paragraph number 15.
- 16. Respondents admit the factual allegations contained in paragraph number 16.
- 17. Respondents lack information sufficient to admit or deny the factual allegations contained in paragraph 17. To the extent a response is required, Respondents deny the factual allegations contained therein.

18. The Respondents admit the factual allegations contained in paragraph number 18. The Respondents do not respond to the legal conclusions contained therein. To the extent a response is required, Respondents deny the legal conclusions contained therein.

- 19. Respondents admit the factual allegations contained in paragraph number 19.
- 20. Respondents admit the factual allegations contained in paragraph number 20.
- 21. Respondents admit the factual allegations contained in paragraph number 21.
- 22. Respondents admit the factual allegations contained in paragraph number 22.
- 23. Respondents admit the factual allegations contained in paragraph number 23.
- 24. Respondents admit AAG entered into an agreement with Future Carz, Inc. ("FCI")

(the "Acquisition Agreement"). Respondents admit that, pursuant to the Acquisition Agreement, FCI agreed to acquire AAG. Respondents deny the Acquisition Agreement provided that FCI would issue FCI shares to the holders of the AAG Notes in exchange for the AAG Notes.

- 25. Respondents admit the factual allegations contained in paragraph number 25.
- 26. Respondents admit the factual allegations contained in paragraph number 26.
- 27. Respondents admit the factual allegations contained in paragraph number 27.

IV.
VIOLATION OF A.R.S. § 44-1841
(Offer or Sale of Unregistered Securities)

- 28. Respondents admit the factual allegations contained in paragraph number 28.
- 29. Respondents admit the factual allegations contained in paragraph number 29, but deny

1 the implication that Arizona law required registration of the securities, in that an exemption
2 authorized by Arizona law applied.

3 30. The allegations contained in paragraph number 30 contain a legal conclusion, but to the
4 extent a response is required, the Respondents specifically deny the legal conclusion contained
5 therein.

6
7 **V.**

8 **VIOLATION OF A.R.S. § 44-1842**

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

10 31. Respondents admit the factual allegations contained in paragraph number 31, but deny
11 the implication that Arizona law required them to be registered as dealers or salesmen.

12 32. The allegations contained in paragraph number 32 contain a legal conclusion, but to the
13 extent a response is required, the Respondents specifically deny the legal conclusion contained
14 therein.

15 **VI.**

16 **VIOLATION OF A.R.S. § 44-1991**

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

18 33. Respondents specifically deny that they intended to scheme or defraud, mislead, made
19 untrue statements of material fact or omitted to state material facts which were necessary in order to
20 make the statements made not misleading in light of circumstances under which they were made, and
21 engaged in transactions, practices or courses of business which operated or would operate as a fraud
22 or deceit upon offerees and investors.

- 23 (a) Respondents admit the allegations contained in paragraph number 33(a).
24 (b) Respondents admit the factual allegations contained in paragraph number 33(b).
25 (c) Respondents admit the factual allegations contained in paragraph number 33(c),

26 but specifically deny knowledge of the facts contained therein.

1 (d) The allegations contained in paragraph number 33(d) do not apply to
2 Respondents and, therefore, no response is provided.

3 34. The allegations contained in paragraph number 34 contain a legal conclusion, but to the
4 extent a response is required, the Respondents specifically deny the legal conclusion contained
5 therein.

6 35. The Respondents admit the factual allegations contained in paragraph number 35. The
7 Respondents do not respond to the legal conclusions contained therein, but to the extent a response is
8 required, the Respondents specifically deny the legal conclusion contained therein..

9 36. Respondents admit the factual allegations contained in paragraph number 36. To the
10 extent that the remaining allegations contained in paragraph number 36 call for a legal conclusion, no
11 response is provided. To the extent a response is required, the Respondents specifically deny the
12 legal conclusion contained therein.

13
14 **VII.**

15 **REQUESTED RELIEF**

16 **AFFIRMATIVE DEFENSES**

17 1. For their first affirmative defense, Respondents allege that the alleged investors did not
18 rely, reasonably or otherwise, on any alleged misrepresentations by Respondents.

19 2. For their second affirmative defense, Respondents allege that they did not know, and in
20 the exercise of reasonable care, could not have known of certain untrue statements or material
21 omissions.

22 3. For their third affirmative defense, Respondents allege that they have not acted with
23 requisite scienter.

24 4. For their fourth affirmative defense, Respondents allege that they did not initially
25 employ a deceptive or manipulative device in connection with the purchase or sale of any security.

26 5. For their fifth affirmative defense, Respondents allege that the alleged investors or

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lenders suffered no injuries or damages as a result of Respondents' acts.

6. For their sixth affirmative defense, Respondents allege that they did not initially make any misrepresentations or omissions, material or otherwise.

7. For their seventh affirmative defense, Respondents allege that the violations, if any, of the Securities Act, were proximately caused and contributed to by the improper conduct or intervening acts of the other persons or entities named as Respondents in the Order and/or other third persons who were not named in this action as parties.

8. For their eighth affirmative defense, Respondents allege that to the extent the Commission determines the transactions at issue to involve securities, said transactions were exempt from registration.

9. For their ninth affirmative defense, Respondents allege that they initially acted in good faith and did not directly or indirectly induce the conduct at issue.

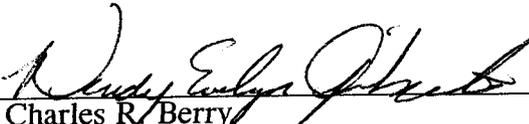
10. For their tenth affirmative defense, Respondents allege that any and all investors waived and/or ratified Respondents' use of the funds upon the approval of the Acquisition Agreement, and that claims by any such investors are estopped.

Respondents request that the Commission grant the following relief:

1. Dismiss the Proposed Order to Cease and Desist and for Restitution and Notice of Opportunity for Hearing;
2. Award Respondents their attorneys' fees and costs pursuant to A.R.S. § 41 1007; and
3. Award any other relief that it believes is just and proper.

1 **RESPECTFULLY SUBMITTED** this 27th day of December, 2002.

2 **TITUS, BRUECKNER & BERRY, P.C.**

3
4
5 By 
6 Charles R. Berry
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11 Douglas Warren and Jane Doe Warren; and
12 Matthew W. Warren and Jane Doe Warren

13
14 ORIGINAL and THIRTEEN (13) COPIES
15 filed this 27th day of December, 2002, to:

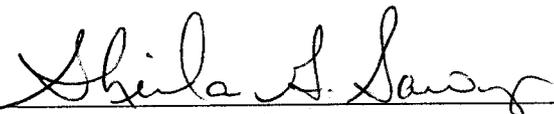
16 Docket Control
17 Arizona Corporation Commission
18 1200 W. Washington
19 Phoenix, Arizona 85007

20 COPY of the foregoing hand-delivered
21 this 27th day of December, 2002, to

22 Kathleen Coughenour DeLaRosa
23 Division of Arizona Corporation Commission
24 1300 W. Washington, 3rd Floor
25 Phoenix, Arizona 85007

26 COPY of the foregoing mailed
this 27th day of December, 2002, to:

Mark Sendrow
Director of Securities
Securities Division
Arizona Corporation Commission
1300 West Washington Street
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