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**AZ CORP COMMISSION  
DOCUMENT CONTROL**

**BEFORE THE ARIZONA CORPORATION COMMISSION**

MARC SPITZER  
Chairman  
JIM IRVIN  
Commissioner  
WILLIAM A. MUNDELL  
Commissioner  
JEFF HATCH-MILLER  
Commissioner  
MIKE GLEASON  
Commissioner

In the matter of:

INTERSECURITIES, INC.  
570 Carillon Parkway  
St. Petersburg, Fl 33716-1202  
CRD# 16164

GREGORY RUSSELL BROWN and JANE DOE )  
BROWN, husband and wife )  
16417 South 15<sup>th</sup> Drive )  
Phoenix, Arizona 85045 )  
CRD# 2233684 )

Respondents. )

DOCKET NO. S-03482A-03-0000

**NOTICE OF OPPORTUNITY FOR  
HEARING REGARDING PROPOSED  
ORDER TO CEASE AND DESIST, FOR  
RESTITUTION, FOR  
ADMINISTRATIVE PENALTIES, OF  
REVOCATION AND/OR SUSPENSION,  
AND FOR OTHER AFFIRMATIVE  
ACTION**

**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 INTERSECURITIES, INC. ("ISP") and GREGORY RUSSELL BROWN ("BROWN") have engaged in acts, practices and transactions, which 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.

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**II.**

**RESPONDENTS**

2. ISI is and was at all pertinent times a registered securities dealer in Arizona, since 1985, CRD# 16164. ISI's home office is located at 570 Carillon Parkway, St. Petersburg, Florida, 33716-1202. At all pertinent times, ISI's Arizona office was located at 7373 N. Scottsdale Road, A-287, Scottsdale, Arizona 85353.

3. BROWN is and was at all pertinent times a registered securities salesman in Arizona, since October 16, 1995, CRD# 2233684, and operated as an investment advisor and financial planner. BROWN's last known address is 16417 South 15<sup>th</sup> Drive, Phoenix, Arizona 85045. At all times pertinent to this action, BROWN was registered in Arizona in association with ISI, from 1995 through October 19, 2001. BROWN is currently registered with Jonathan Roberts Financial Group, Inc. since July 3, 2002. At all pertinent times, BROWN was licensed as an insurance salesman in Arizona.

4. JANE DOE BROWN was at all pertinent times the spouse of BROWN. JANE DOE BROWN is joined in this action under A.R.S. § 44-2031(C) solely for purposes of determining the liability of the marital community.

5. At all pertinent times, BROWN and JANE DOE BROWN were acting for their own benefit, and for the benefit or in furtherance of the marital community.

6. ISI and BROWN may be collectively referred to as "RESPONDENTS." JANE DOE BROWN may be referred to as RESPONDENT SPOUSE.

**III.**

**FACTS**

**BROWN Sold Payphone Investment Contracts In Arizona.**

7. Beginning in or around April 1999 through about August 2000, BROWN offered and sold investments marketed as "business opportunities" involving payphones sold together with service or

1 lease-back agreements. These investments were securities in the form of investment contracts, notes,  
2 or evidences of indebtedness.

3 8. BROWN solicited approximately \$2,752,850 from 49 Arizona investors for these payphone  
4 investments. BROWN presented the payphone "business opportunities" as a passive investment,  
5 where investors made a single payment and entered into two contracts, one to purchase equipment  
6 and the other to lease or to service the equipment. Investors were not required to exercise  
7 managerial or entrepreneurial duties in connection with the payphones or to be involved in the  
8 day-to-day operations of the enterprise, and did not take possession or control of the payphones.  
9 Investors had no expertise or experience in operating pay telephones and were dependent on the  
10 sales and service companies to manage and operated the pay telephones.

11 9. BROWN acted as a sales agent for various companies that sold "customer-owned, coin-  
12 operated" payphone packages. The payphone vendors and service providers teamed up to offer  
13 investors a package of services, including locating sites for the phones, installing the phones,  
14 monitoring and maintaining the payphone investments, paying the investors monthly distributions  
15 from the investments, and repurchasing the payphones at the end of the investment term:

16 a) Investors entered into lease agreements with Phoenix Telecom, LLC ("Phoenix"),  
17 located in Georgia, after purchasing payphones sold by TSI Group, Inc ("TSI") or Tri-  
18 Financial Group, Inc. ("Tri-Financial"), located in Michigan. These investments will be  
19 referred to as the "Phoenix" investments.

20 b) Investors entered into lease agreements with ETS Payphone, Inc. ("ETS"), a Georgia  
21 company, after purchasing payphones sold by BCI Financial, Inc. ("BCF"), BEE  
22 Communications, Inc. ("BEE"), National Communications Marketing, Inc. ("NMCF"), or  
23 Communications Marketing, Associates ("CMA"), located in Georgia and Florida. These  
24 investments will be referred to as the "ETS" investments.

1 c) Investors entered into service agreements with Alpha Telecom, Inc. ("Alpha"), an  
2 Oregon company, after purchasing payphones sold by American Telecommunications  
3 Company, Inc. ("ATC"), a Nevada corporation located in Oregon, Alpha's subsidiary. These  
4 investments will be referred to as the "Alpha" investments.

5 10. Under the full service options of the lease and service agreements, investors were offered  
6 monthly income distributions, or profits, and the opportunity to sell their equipment for the full  
7 purchase price, i.e., the return of their principal, at the end of the term of their investments.

8 11. Although the service and lease contracts presented options that varied in the amount of  
9 service provided, all of BROWN's investors purchased full service options, which included the  
10 service or leasing company choosing a site and installing the telephone, collecting all revenue  
11 from the telephone's operation, repairing the telephone when necessary, and repurchasing the  
12 telephone at the end of the term unless the investor chose to renew the contract.

13 12. Although the contracts provided that the investors could choose other companies to  
14 manage their phones, all of BROWN's investors purchased full service contracts with Phoenix,  
15 ETS, or Alpha. Other service companies were not even discussed.

16 13. Investors were told that a "typical return" on each pay telephone was 14% per year, under  
17 the full service options. In the Phoenix and ETS investments, the price of each phone was \$7,000  
18 under the full-service option; the distribution was \$82.25 per month for each phone. Alpha  
19 investors paid \$5,000 per phone regardless of the service option chosen. Alpha was to pay the  
20 investor a monthly base amount of \$58.34 per telephone, and to split the net proceeds from the  
21 operation of the phone with the investor on a 70/30 basis, Alpha retaining 70% and the investor  
22 receiving 30%.

23 14. In or around late 1999 or early 2000, Phoenix transferred all of its lease agreements with  
24 investors to ETS. On September 11, 2000, ETS filed for bankruptcy protection under chapter 11  
25 of the Bankruptcy Code, and investors stopped receiving their monthly payments.

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1 15. Alpha's monthly payments to investors ceased prior to August, 2001, when Alpha sought  
2 bankruptcy protection in Florida pursuant to chapter 11 of the Bankruptcy Code. A court-  
3 appointed trustee subsequently took over the remaining operations of Alpha. In August 2001, the  
4 Securities and Exchange Commission brought an action against Alpha in the United States District  
5 Court, District of Oregon (Case No. CV 01-1283 PA) ("District Court Case"). On February 7,  
6 2002, the judge in the District Court Case issued a ruling determining that the payphone sales  
7 program constituted the sale or offer to sell unregistered securities in violation of the Securities  
8 Act of 1933. In making its rulings in the District Court Case, the court also found that the Alpha  
9 pay telephone operations resulted in losses and that Alpha used money from new investors to  
10 make payments to existing investors.

11 **ISI Approved BROWN's Sale of Payphone Investment Contracts in Arizona**  
12 **Despite Prior Regulatory Problems in Other Sates.**

13 16. On or about November 1, 1996, in an Annual Regulatory Questionnaire, BROWN responded  
14 to a question regarding participation in multi-level marketing programs, and reported to ISI that he  
15 had "signed up for TSI phone cards."

16 17. On September 25, 1998, the Kansas Securities Commission issued an Emergency Cease  
17 and Desist Order against ETS, NCMI and others, for the sale of unregistered securities in Kansas.  
18 On September 21, 1999, the Kansas Securities Commission executed a Memorandum of  
19 Understanding, in which the Commission alleged, *inter alia*, that the sale of the phones and leases  
20 were securities in violation of the Kansas securities laws. NCMI agreed to discontinue the  
21 previous arrangements, and ETS agreed to refund the purchase price of the telephones to all  
22 Kansas customers. On February 8, 2000, the Kansas Securities Commission dismissed the prior  
23 Emergency Cease and Desist Order.

24 18. On February 2, 1999, the Pennsylvania Securities Commission issued a Summary Order to  
25 Cease and Desist against Alpha and others, for the sale of unregistered securities in Pennsylvania.  
26

1 19. On or about April 19, 1999, BROWN requested ISI to approve as "outside business activity"  
2 his sale of payphone "business opportunities." BROWN sent ISI a package of materials to review  
3 relating to these payphone investments. Upon information and belief, those materials included  
4 marketing and offering documents relating to the ETS and Phoenix investments.

5 20. On April 26, 1999, ISI's home office Compliance Department instructed BROWN that  
6 "Arizona was one of the states that uncovered fraudulent payphone operations" and to contact the  
7 Arizona Securities Division to inquire whether the BCI/ETS Payphones operation "(A) operated in  
8 Arizona, (B) Has a clean record."

9 21. On April 28, 1999, BROWN responded to ISI that he had spoken with an attorney at the  
10 Division named "Wendy," who informed him that certain payphone investments offered in Arizona  
11 had problems because they were sold as limited partnerships and were securities. BROWN  
12 extrapolated on Wendy's cautionary statement, telling ISI in his Memo that, because the ETS and  
13 Phoenix payphones were not sold as limited partnerships, these payphone sales had no problems.  
14 BROWN's interpretation was unfounded. Apparently ISI did no independent investigation or legal  
15 interpretation to determine whether these investments constituted securities under Arizona law, or  
16 due diligence investigation to determine the background or track record of these companies in other  
17 states.

18 22. On April 29, 1999, ISI approved BROWN's sale of "ETS Payphones/BEE Communications"  
19 as outside business activity.

20 23. On June 30, 1999, the Illinois Secretary of State issued a Temporary Order of Prohibition  
21 against Alpha, prohibiting the continued offering in Illinois of its public pay telephone investment  
22 program, finding that the offering of said opportunity constituted the offering of unregistered  
23 securities. On January 18, 2000, the Illinois Secretary of State issued a Consent Order of  
24 Prohibition against Alpha for the sale of unregistered securities, and Alpha, without admitting or  
25 denying the allegations, agreed to offer rescission to all Illinois purchasers.

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1       24. On July 21, 1999, the South Carolina Division of Securities, Office of the Attorney  
2 General issued an Order to Cease and Desist from the sale of unregistered securities in South  
3 Carolina, against Alpha.

4       25. On November 17, 1999, the North Carolina Secretary of State issued a Summary Order to  
5 Cease and Desist from the sale of unregistered securities and securities fraud in North Carolina,  
6 against Alpha and ATC. On March 20, 2001, the North Carolina Securities Division issued a  
7 Consent Order in which Alpha and ATC, without admitting or denying the allegations the  
8 Summary Order to Cease and Desist, agreed to rescind the purchase agreements and service  
9 agreements entered into with all residents of North Carolina.

10       26. On November 24, 1999, the Wisconsin Division of Securities Department of Financial  
11 Institutions issued an Order of Prohibition and Revocation (Summary), prohibiting Alpha and  
12 ATC from sales of unregistered securities in Wisconsin.

13       27. On November 25, 1999, ISI approved BROWN's outside business activity request to sell  
14 payphones sponsored by Phoenix.

15       28. Upon information and belief, sometime in 1999, BROWN reported his sales of the  
16 Alpha/ATC payphones to ISI as outside business activity.

17       29. On March 7, 2000, the Rhode Island Department of Business Regulation issued a  
18 Temporary Order to Cease and Desist from the sale of unregistered securities in Rhode Island,  
19 against Alpha and ATC.

20       30. In April 2000, BROWN reported his activity involving the sale of Alpha payphones in his  
21 Annual Compliance Review Questionnaire for Calendar Year 1999. ISI approved the activity.

22       31. On or about July 14, 2000, BROWN reported to ISI that the "phone deals" comprised  
23 approximately 50% of his business, with year-to-date sales of \$200,000.

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1 32. On or about July 17, 2000, the Florida Department of Banking and Finance filed an  
2 administrative action against Alpha and others, seeking an Order to Cease and Desist from the sale  
3 of unregistered securities in Florida.

4 33. On or about August 18, 2000, ISI instructed BROWN to stop selling any telephone leasing or  
5 pay telephone "arrangements" for any company.

6 34. Among actions that have proceeded more recently against ETS, Phoenix, Alpha and/or the  
7 companies or individuals that marketed their contracts, finding that these purchases of pay  
8 telephones and accompanying service contracts were unregistered securities in the form of  
9 investment contracts that were sold by unregistered persons and/or entities, and ordering the  
10 companies to cease and desist from further violations of state or federal securities laws, are the  
11 following:

- 12 a. On October 23, 2000, the California Department of Corporations issued Orders to Desist  
13 and Refrain from the sale of unregistered securities and securities fraud in California,  
against ETS, NCMI and others.
- 14 b. On October 23, 2000, the California Department of Corporations issued Orders to Desist  
15 and Refrain from the sale of unregistered securities and securities fraud in California,  
against Alpha and ATC.
- 16 c. On February 6, 2001, the Alabama Securities Division issued an Order to Cease and  
17 Desist from the sale of unregistered securities in Alabama, against ETS and others.
- 18 d. On February 26, 2001, the Washington Securities Division issued a Summary Order to  
19 Cease and Desist from the sale of unregistered securities and securities fraud in  
Washington, against ETS, NMCI.
- 20 e. On February 28, 2001, the Indiana Securities Division Office of the Secretary of State  
21 issued an Order to Cease and Desist from the sale of unregistered securities and securities  
22 fraud in Indiana, against ETS, NCMI.
- 23 f. On March 5, 2001, the Indiana Securities Division Office of the Secretary of State issued  
24 an Order to Cease and Desist from the sale of unregistered securities and securities fraud  
25 in Indiana, against Phoenix, Tri-Financial and others.
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- 1 g. On July 26, 2001, the Ohio Commissioner of Securities issued a Final Order to Cease  
and Desist Order the sale of unregistered securities in Ohio, after a hearing, against  
2 Alpha.
- 3 h. On August 27, 2001, the United States District Court, District of Oregon issued a  
Temporary Restraining Order against Alpha, for the sale of unregistered securities.  
4 On September 6, 2001, the United States District Court, District of Oregon issued a  
Preliminary Injunction against Alpha, ATC, and others. February 7, 2002, the United  
5 States District Court, District of Oregon issued a Final Judgment of Permanent  
Injunction against Alpha from the sale of unregistered securities and fraud, ordering  
6 disgorgement and civil penalties, freezing assets and appointing a receiver.
- 7 i. On September 5, 2001, the Arkansas Securities Department issued a Cease and Desist  
Order for the sale of unregistered and securities fraud in Arkansas, against Alpha.
- 8 j. On November 6, 2001, and November 30, 2001, the Minnesota Department of  
Commerce issued Consent Orders to cease and desist and for censure against a  
9 salesman of ATC and Alpha for the sale of unregistered securities by unregistered  
salesmen, and failure to disclose material facts, in Minnesota.
- 10 k. On January 25, 2002, the Connecticut Department of Banking, Securities and  
Business Investments Division issued an Order to Cease and Desist the sale of  
11 unregistered securities and fraud in Connecticut, against Alpha and ATC.
- 12 l. March 13, 2002, the Washington Department of Financial Institutions issued a Final  
13 Order to Cease and Desist the sale of unregistered securities and fraud in Washington,  
against Alpha and ATC.  
14

15 The SEC's Complaint in the United States District Court, District of Oregon, alleged that Alpha  
16 and its affiliates engaged in a Ponzi-like scheme that never generated enough income to pay  
17 expenses, and that the money paid to existing investors always came from sales to new investors.  
18 Alpha consented on October 19, 2001 to entry of the Final Judgment of Permanent Injunction  
19 against it, without admitting the allegations of the Complaint.

20 **ISI Failed to Properly Supervise Brown's Sale of the Payphone Investment Contracts.**

21 35. ISI failed to maintain a system of supervision reasonably designed to achieve compliance  
22 with applicable securities laws and regulations.

23 36. After approving BROWN's sale of ETS, Phoenix, and Alpha payphone investment  
24 contracts, ISI failed to supervise BROWN in connection with his sale of these securities.

1 37. In many cases, BROWN used high pressure sales techniques to solicit investors who relied  
2 on him as their financial planner or investment advisor. BROWN persuaded some investors and  
3 clients of ISI who had purchased annuities from BROWN to transfer their funds from the annuities to  
4 the payphone investments, assuring them that the payphone investments were as safe as the annuities  
5 but produced higher income. BROWN persuaded some investors by telling them that he himself had  
6 invested in the payphones, showing them copies of his profit checks, and telling him that he had sold  
7 the payphone investments to his own relatives. BROWN further reassured some investors by telling  
8 them that he had thoroughly investigated the investments, including contacting the Securities  
9 Division, and that he had determined that they were safe investments. In some cases, BROWN's  
10 clients suffered penalties on early withdrawal of their funds from annuities that BROWN had  
11 previously sold them. Some, if not all, of these investors were elderly and/or unsuitable for this type  
12 of speculative investment.

13 38. Investors who purchased payphone investments from BROWN have sustained substantial  
14 losses from these investments.

15 39. BROWN received commissions up to 16% from the sale of the ETS Payphones investment  
16 totaling around \$200,000. BROWN received commissions up to 14% from the sale of the Alpha  
17 investments totaling around \$30,000.

18 **IV.**

19 **VIOLATION OF A.R.S. § 44-1841**

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

21 40. From on or about April 1999, RESPONDENTS offered or sold securities in the form of  
22 investment contracts, notes, and/or evidences of indebtedness, within or from Arizona.

23 41. The securities referred to above were not registered pursuant to the provisions of Articles 6  
24 or 7 of the Securities Act.

25 42. This conduct violates A.R.S. § 44-1841.

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V.

**VIOLATION OF A.R.S. § 44-1991**

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

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4 43. In connection with the offer or sale of securities within or from Arizona, RESPONDENTS  
5 directly or indirectly: (i) employed a device, scheme or artifice to defraud; (ii) made untrue  
6 statements of material fact or omitted to state material facts which were necessary in order to make  
7 the statements made not misleading in light of the circumstances under which they were made;  
8 and/or (iii) engaged in transactions, practices or courses of business which operated or would operate  
9 as a fraud or deceit upon offerees and investors. RESPONDENTS' conduct includes, but is not  
10 limited to, the following:

- 11 a. Misrepresenting the safety of the investments;
- 12 b. Misrepresenting that the investments offered preservation of capital and income;
- 13 c. Misrepresenting to some investors that their investments were insured against  
14 loss;
- 15 d. Misrepresenting that the investments were suitable for elderly investors, when in  
16 fact there was no reasonable basis to believe that these securities were suitable for  
17 the investment objectives of elderly investors who had conservative investment  
18 objectives or desired safe fixed income generating investments to help finance  
19 their retirement;
- 20 e. Failing to adequately disclose the risks, including the potential loss of investment  
21 funds.
- 22 f. Misrepresenting to investors that the payphone "business opportunities" were not  
23 securities;
- 24 g. Failing to inform investors that the investments were not registered as securities  
25 in Arizona, and that the investments were not exempt from registration;
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- 1 h. Failing to adequately disclose the background or track record of ETS, Phoenix or  
2 Alpha, the companies that were to manage the operation of the payphones to  
3 generate a profit for the investors;
- 4 i. Failing to provide investors with disclosure statements, prospectuses or financial  
5 statements including, but not limited to, past operations, balance sheets,  
6 statements of income, retained earnings, cash flows and uses of proceeds that  
7 would reflect the financial position of ETS, Phoenix, or Alpha, the entities that  
8 were to manage the phones to produce a profit for investors;
- 9 j. Failing to disclose RESPONDENTS' own lack of due diligence in investigating  
10 the investments;
- 11 k. Failing to disclose the high commissions to BROWN from his sale of the  
12 investments; and
- 13 l. Failing to disclose the following state and federal actions against ETS and the  
14 companies that sold the payphones leased to ETS, involving in the offer and sale  
15 of these payphone investments, which found violations of state or federal  
16 securities laws:
- 17 (1) September 25, 1998, Emergency Cease and Desist Order issued against ETS  
18 and NCMI by Kansas Securities Commission in *In the Matter of National  
Communications Marketing, Inc., et al.*, No. 99E039; and
- 19 (2) September 21, 1999, Memorandum of Understanding, against NCMI, ETS,  
20 and others, by the Kansas Securities Commission, alleging, *inter alia*, that the  
21 sale of the phones and leases were securities in violation of the Kansas  
22 securities laws, in which NCMI agreed to discontinue the previous  
arrangements, and ETS agreed to refund the purchase price of the telephones  
to all Kansas customers.
- 23 m. Failing to disclose the following state and federal actions against Alpha and/or  
24 ATC, involving in the offer and sale of these payphone investments, which found  
25 violations of state or federal securities laws:  
26

- 1 (1) February 2, 1999, Cease and Desist Order issued against Alpha and ATC by  
2 the Pennsylvania Securities Commission in *In the Matter of Alpha Telcom,*  
3 *Inc., et al.*, No. 9812-06.
- 4 (2) June 30, 1999, Temporary Order of Prohibition issued by Illinois Secretary of  
5 State in *In the Matter of Alpha Telcom, Inc.*, No. 9900201.
- 6 (3) On July 21, 1999, Cease and Desist Order issued against Alpha by the South  
7 Carolina Division of Securities, Office of the Attorney General.
- 8 (4) November 17, 1999, Cease and Desist Order issued by North Carolina  
9 Secretary of State in *In the Matter of the North Carolina Securities Division v.*  
10 *ATC, Inc., Paul Rubera, et al.*, No. 99-038-CC.
- 11 (5) November 24, 1999, Cease and Desist Order issued against Alpha and ATC  
12 by the Wisconsin Department of Financial Institutions Division of Securities  
13 in *In the Matter of Alpha Telcom aka ATC, Inc., et al.*, No. S-99225(EX).
- 14 (6) January 14, 2000, Consent Order of Prohibition issued by Illinois Secretary of  
15 State in *In the Matter of Alpha Telcom, Inc.*, No. 9900201, Alpha agreeing to  
16 offer rescission to all Illinois purchasers.
- 17 (7) March 7, 2000, Temporary Cease and Desist Ordered issued by Rhode Island  
18 Department of Business Regulation in *In the Matter of Alpha Telcom, Inc.*  
19 *and ATC, Inc.*

20 44. This conduct violates A.R.S. § 44-1991.

21 45. ISI directly or indirectly controlled BROWN within the meaning of A.R.S. § 44-1999.

22 Therefore, ISI is liable to the same extent as BROWN for his violations of A.R.S. § 44-1991.

23 46. ISI made, participated in or induced the sales of securities within the meaning of A.R.S. §  
24 44-2003(A). Therefore, ISI is jointly and severally liable for the above violations of A.R.S. § 44-  
25 1841 and 44-1991.

## 26 VI.

### REMEDIES PURSUANT TO A.R.S. § 44-1961

#### (Denial, Revocation or Suspension of Dealer Registration)

47. ISI's conduct is grounds to revoke or suspend ISI's registration as a securities dealer with the  
Commission pursuant to A.R.S. § 44-1961. Specifically, ISI has violated §§ 44-1841 and 44-1991 of  
the Securities Act within the meaning of A.R.S. § 44-1961(A)(3), by offering and selling

1 unregistered securities and failing to disclose material facts in connection with the sale of those  
2 securities, and has failed to reasonably supervise its salesman, as provided in A.R.S. § 44-1961(12).

3 **VII.**

4 **REMEDIES PURSUANT TO A.R.S. § 44-1962**

5 **(Denial, Revocation or Suspension of Registration of Salesman)**

6 48. BROWN's conduct is grounds to revoke or suspend BROWN's registration as a securities  
7 salesman with the Commission pursuant to A.R.S. § 44-1962. Specifically, RESPONDENT has  
8 violated §§ 44-1841 and 44-1991 of the Securities Act within the meaning of A.R.S. § 44-  
9 1962(A)(2), by offering and selling unregistered securities and failing to disclose material facts in  
10 connection with the sale of those securities.

11 **VIII.**

12 **REQUESTED RELIEF**

13 The Division requests that the Commission grant the following relief against  
14 RESPONDENTS:

15 1. Order RESPONDENTS to permanently cease and desist from violating the Securities  
16 Act, pursuant to A.R.S. §§ 44-2032, and 44-1961 or 44-1962;

17 2. Order RESPONDENTS to take affirmative action to correct the conditions resulting from  
18 their acts, practices or transactions, including a requirement to make restitution pursuant to A.R.S. §§  
19 44-2032;

20 3. Order RESPONDENTS to pay the state of Arizona administrative penalties of up to  
21 five thousand dollars (\$5,000) for each violation of the Securities Act, pursuant to A.R.S. § 44-  
22 2036;

23 4. Order the revocation or suspension of ISI's registration as a securities dealer pursuant to  
24 A.R.S. § 44-1961;



1 [shood@cc.state.az.us](mailto:shood@cc.state.az.us). Requests should be made as early as possible to allow time to arrange the  
2 accommodation.

3 X.

4 **ANSWER REQUIREMENT**

5 Pursuant to A.A.C. R14-4-305, if any RESPONDENT or RESPONDENT SPOUSE  
6 requests a hearing, such RESPONDENT or RESPONDENT SPOUSE must deliver or mail an  
7 Answer to this Notice of Opportunity for Hearing to Docket Control, Arizona Corporation  
8 Commission, 1200 W. Washington, Phoenix, Arizona 85007, within 30 calendar days after the  
9 date of service of this Notice of Opportunity for Hearing. A Docket Control cover sheet must  
10 accompany the Answer. A cover sheet form and instructions may be obtained from Docket  
11 Control by calling (602) 542-3477 or on the Commission's Internet web site at  
12 [www.cc.state.az.us/utility/forms/index.htm](http://www.cc.state.az.us/utility/forms/index.htm).

13 Additionally, such RESPONDENT or RESPONDENT SPOUSE must serve the Answer  
14 upon the Division. Pursuant to A.A.C. R14-4-303, service upon the Division may be made by  
15 mailing or by hand-delivering a copy of the Answer to the Division at 1300 West Washington, 3<sup>rd</sup>  
16 Floor, Phoenix, Arizona, 85007, addressed to Pamela Johnson.

17 The Answer shall contain an admission or denial of each allegation in this Notice and the  
18 original signature of each RESPONDENT, RESPONDENT SPOUSE or  
19 RESPONDENT/RESPONDENT SPOUSE's attorney. A statement of a lack of sufficient  
20 knowledge or information shall be considered a denial of an allegation. An allegation not denied  
21 shall be considered admitted.

22 When a RESPONDENT or RESPONDENT SPOUSE intends in good faith to deny only a  
23 part or a qualification of an allegation, such RESPONDENT or RESPONDENT SPOUSE shall  
24 specify that part or qualification of the allegation and shall admit the remainder. Each  
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1 RESPONDENT or RESPONDENT SPOUSE waives any affirmative defense not raised in the  
2 answer.

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

5 Dated this 6<sup>th</sup> day of May, 2003.



6  
7 Mark Sendrow  
Director of Securities

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**Memorandum**

**NEW RECEIVED**

**DATE:** May 6, 2003

2003 MAY -6 P 3:44

**TO:** Nancy Cole  
Docket Control

**AZ CORP COMMISSION  
DOCUMENT CONTROL**

**FROM:** Pam Johnson *PJ*  
Securities Division

**RE:** In the Matter of Intersecurities, Inc., Gregory Russell  
Brown and Jane Doe Brown  
Docket No. S-03482A-03-0000  
Assigned Staff

**CC:** LaShunda Duty

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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

Pam Johnson (Staff Attorney)

Frank Samprone (Staff Investigator)

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