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BEFORE THE ARIZONA CORPORATION COMMISSION

Arizona Corporation Commission

2003 JAN 22 P 4: 42

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WILLIAM A. MUNDELL, Chairman
JIM IRVIN, Commissioner
MARC SPITZER, Commissioner

JAN 22 2003

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In the Matter of
 ELLIOT CROSBY d/b/a
 ADVANCE SENIOR ESTATE
 PLANNING; MARSHA CROSBY
 Respondents.

DOCKET NO. S-03510A-02-0000

ANSWER TO COMPLAINT

COMES NOW Elliot Crosby, Respondent, by and through his counsel undersigned, and respectfully file their answer to the Proposed Order to Cease and Desist, for Restitution, for Administrative Penalties and for Other Affirmative Action, filed by the Securities Division ("Division") of the Arizona Corporation Commission ("Commission") as follows:

I

- Respondent admits the allegations contained in Paragraph 1.

II

- Respondent admits the allegations contained in Paragraph 2.
- Respondent admits the allegations contained in Paragraph 3.
- Respondent admits the allegations contained in Paragraph 4.

III

- Respondent is without sufficient knowledge and information to form a belief as to the truth or falsity of the allegations contained in Paragraph 5 and, therefore, denies the same.

1 6. Respondent is without sufficient knowledge and information to form
2 a belief as to the truth or falsity of the allegations contained in Paragraph 6 and, therefore,
3 denie the same.

4 7. Respondent is without sufficient knowledge and information to form
5 a belief as to the truth or falsity of the allegations contained in Paragraph 7 and, therefore,
6 denies the same. Respondent had been told that Alpha Telcom, American Telecommunica-
7 tions and Spa Marketing were three separate entities.

8 8. Elliot Crosby was told that ATC and ALPHA were separate entities
9 with different ownership and that Rubera had no ownership interest in ATC. As a result
10 of these representations, Respondent Crosby denies all allegations in paragraph 8.

11 9. Admit to all allegations set forth in paragraph 9 save and except
12 Respondent is without sufficient knowledge and information to form a belief as to the truth
13 or falsity as to whether all Arizona investor picked any company other than Alpha to manage
14 their phones. Respondent is further without knowledge and information to form a belief
15 as to whether all purchasers received \$58.34 per month per pay telephone purchased.

16 10. Respondent admits the allegations contained in paragraph 10.

17 11. Respondent admits that ATC was presented to the public as a sales
18 organization for Alpha. Crosby further admits that ATC engaged Strategic Partnership
19 Alliance and/or SPA Marketing as its independent marketing and sales firm. Respondent
20 does not know when ATC engaged SPA Marketing. Respondent admits all remain portions
21 of paragraph 11.

22 12. Respondent contracted through Michael Ford to sell Alpha Investments
23 and is without knowledge and information as to which entity (Alpha, ATC and/or SPA)
24 he had contracted with to sell these products. Respondent admits that all contracts sold
25 by him were Level 4 contracts.

26

1 13. Respondent admits that he told prospective investors their investments
2 were insured based upon assurances from SPA Marketing and ATC. Alpha first told Crosby
3 that the investments were insured by Lloyd's of London. Later, Crosby was told that they
4 could no longer say that the investments were insured by Lloyds of London. Alpha told
5 him that Northern and Western insurance Company were the primary insurance companies,
6 and that the purchasers were further reinsured by four separate companies. Crosby looked
7 up in AM Best on these four companies and discovered each of the four were legitimate,
8 highly rated companies. Crosby was not told that Northern and Western Insurance Company
9 was located in the Grand Turk, Turks and Caicos Islands, British West Indies. Respondent
10 is without sufficient knowledge and information to form a belief as to whether Northern
11 and Western Insurance Companies were captive, and wholly owned by Paul S. Rubera.
12 He further had no knowledge or information that Robert S. Harrison was an owner of N&W
13 Insurance Company. Respondent was without knowledge or information that N&W was
14 not authorized to write insurance in Arizona or any other state where it did business, and
15 therefore denies the same. Crosby further had no knowledge or information that Robert
16 S. Harrison wrote in a letter dated August 15, 2001 that there never was any insurance
17 coverage for Alpha Telcom, Inc. and therefore denies the same.

18 14. Respondent admits the allegations contained in paragraph 14.

19 15. Respondent denies that sales agents were paid from 12% to 19% per
20 telephone sold. Crosby admits that he was paid commissions of 12% for each sale, plus
21 occasional bonuses based upon sales volume.

22 16. Respondent is without sufficient knowledge and information to form
23 a belief as to the truth or falsity of the allegations contained in Paragraph 16 and, therefore,
24 denies the same. Respondent does admit that he sold a substantial number of telephones
25 to at least 23 individuals or entities from May, 2000 through May, 2001 but is unsure of
26 the exact number of telephones sold or the exact amount of sales or the exact amount of

1 they be registered.

2 22. Respondent denies that he violated A.R.S. §44-1841.

3 V.

4 23. Respondent denies that he offered or sold securities within or from
5 Arizona while not registered as a dealer or salesman since the products sold were not
6 securities.

7 24. Respondent denies that he violated A.R.S. §44-1842.

8 VI.

9 25. Respondent denies the allegations set forth in paragraph 25 and demands
10 strict proof thereof. As to paragraphs a, b and c of paragraph 25, Respondent did not advise
11 purchasers of state regulatory actions against Alpha because he was either unaware of such
12 actions or, in some instances, had been told that such actions were going to be dismissed.
13 Further, Respondent Crosby represented to purchasers that their pay telephone purchases
14 were fully insured because he had been assured, both in person and through company
15 literature, that they were insured. Crosby had further engaged in due diligence to check
16 on the sufficiency of the companies reportedly insurance the purchasers, and learned that
17 all companies were substantial entities. Additionally, Crosby had no knowledge that monies
18 received from investments were supposedly returns paid from subsequent investors, and
19 believed that such payments represented returns from profits of the pay telephones.

20 26. Respondent denies that his conducted violated ARS §44-1991.

21 VII.

22 27. Respondent opposes any order that he permanently cease and desist
23 from violating the Securities Act, and opposes any order that he take affirmative action
24 to correct the conditions allegedly resulting from his acts, including a requirement that he
25 make restitution. Respondent further opposes the imposition of any administrative penalties
26 of five thousand dollars (\$5,000) for each alleged violation of the Securities Act.

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RESPECTFULLY SUBMITTED this 22 day of January, 2003.

JONES, SKELTON & HOCHULI

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ORIGINAL AND 13 COPIES filed
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