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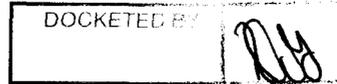
AZ CORP COMMISSION  
DOCUMENT CONTROL

Arizona Corporation Commission  
DOCKETED

January 17, 2001

JAN 18 2001

Docket Control  
Arizona Corporations Commission  
1200 W. Washington St.  
Phoenix, AZ 85007



Re: Tower Equities, Inc. and Philip A. Lehman  
Docket Control No.S-03439A-00-0000

Dear Sir or Madam:

Enclosed please find an original and ten copies of a Docket Control Sheet and and Answer and Request fro Hearing filed on behalf of the above-captioned respondents. Please file in your office and send a copy to Amy Leeson of the Arizona Corporation Commission, Enforcement Division. I have also enclosed a copy to be file-stamped for my records. Please stamp and return to me in the enclosed self-addressed envelope.

If you have any questions, please call me at (312) 346-8890.

BAM:bt  
Enc/

Very truly yours,

Barbara A. Mallon

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BEFORE THE ARIZONA CORPORATIONS COMMISSION

IN THE MATTER OF:

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**Tower Equities, Inc.**

ARIZONA CORPORATIONS  
COMMISSION  
SECURITIES DIVISION

and

**Philip A. Lehman**

**DOCKET NO. S-03439A-00-0000**

Respondents.

**ANSWER AND REQUEST FOR HEARING OF RESPONDENTS**  
**TOWER EQUITIES, INC. AND PHILIP A. LEHMAN**

In response to the filing by the Arizona Corporations Commission ("Commission") of an Administrative Complaint ("Complaint") against Respondents, Tower Equities, Inc. and Philip A. Lehman, the Respondents answer as follows:

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

**Answer: Respondents admit the facts in paragraph 1 of the Complaint.**

2. Tower Equities, Inc. ("Tower Equities"), is an Ohio corporation, the last known address of which is 8141 N. Main Street, Dayton, Ohio 45415-1747. Tower Equities is a registered securities dealer in Arizona, and an investment adviser registered with the United Securities and Exchange Commission (the "SEC") since in or about 1988.

**Answer: Respondents admit the facts in paragraph 1 of the Complaint.**

3. Philip A. Lehman, whose last known business address is that of Tower Equities is a registered securities salesman in Arizona and the sole shareholder, chairman, vice president and chief compliance officer of Tower Equities.

**Answer: Respondents admit that Mr. Lehman is a registered securities salesman in Arizona but deny that he is the sole shareholder, chairman, vice president and chief compliance officer of Tower Equities.**

4. On or about September 7, 2000, the SEC entered its order in Administrative Proceeding No. 3-10024 before the SEC. Among other things in the order, the SEC:

A. Suspended Lehman from association with any broker, dealer, investment adviser or investment company for a period of nine months, effective on the second Monday following entry of the order;

- B. Ordered Lehman to cease and desist from committing or causing any violation of the anti-fraud provisions of the federal securities law or investment adviser laws; and
- C. Ordered Tower Equities to cease and desist from committing or causing any violation of the anti-fraud provisions of the federal securities laws or investment adviser law.

**Answer: Respondents admit the allegations of Paragraph 4 of the Complaint.**

5. The SEC order resulted from Offers of Settlement submitted by Tower Equities and Lehman after public administrative proceedings and cease and desist proceedings had been commenced against them by the SEC on September 22, 1999.

**Answer: Respondents admit the allegations of paragraph 5 of the Complaint.**

6. Tower Equities and Lehman neither admitted nor denied the findings of fact made by the SEC in its order. The SEC found that Tower Equities and Lehman had willfully violated the Securities Act of 1933, the Securities Exchange Act of 1934, and the Investment Advisers Act of 1940, in that they made misrepresentations of material facts and omitted to state material facts to investors regarding several offerings- specifically, offerings of Tower Venture 97-A. Ltd., an Ohio limited liability company, Lifetime Assets, LLC, an Ohio limited liability company of which Lehman was the president and managing partner, Baylor/Gavic, LLC, an Ohio limited liability company of which Lehman was the president and managing partner, and Wellington LLC, an Ohio limited liability company of which Lehman was the president and managing partner. From in or about February 1997 to in or about December 1998, Tower Equities and Lehman raised a total of approximately \$16.5 million from their investment advisory clients for these four issuers, according to the SEC's findings. The purported use of investment proceeds in each of the offerings was "transactions" involving "traders" and European banks, which transactions could not in fact exist. Tower Equities and Lehman told investors they could expect to earn returns of up to 100 % on their investment within 25 days, or an annualized rate of 1440 per cent, with minimal risk. In one of the offerings Tower Equities and Lehman represented to investors that a portion of the proceeds would be used to purchase viatical insurance policies for which investors could expect to earn a return of approximately 33% after one year. However, Tower Equities and Lehman had no reasonable basis for this representation since they had no agreement with any viatical company to purchase viatical insurance policies and had not conducted adequate due diligence.

**Answer: Respondents admit that the SEC made findings within the Order. The Respondents deny that they raised \$16.5 million from their investment advisory clients. Respondents admit that they raised \$10,125,000 as spelled out clearly in the SEC order, paragraphs G and J.**

7. At all relevant times, Lehman was a person controlling Tower Equities.

**Answer: Respondents admit that during the relevant time period, Lehman was an officer and shareholder of Tower Equities. Respondents deny that he is currently affiliated in any way, by ownership or position, with Tower Equities.**

8. Respondent Tower Equities' conduct is grounds to revoke Respondent's registration as a securities dealer with the Commission pursuant to A.R.S. § 44-1961. Specifically, Tower Equities:

- A. Has been permanently enjoined by order of an administrative tribunal (the SEC) from engaging in or continuing its fraudulent conduct in connection with the sale or purchase of securities; and
- B. Is controlled by Lehman, a person who is subject to an order of the SEC suspending him from association with any broker, dealer, investment adviser or investment company for a period of at least six months.

**Answer: Respondents deny that Tower Equities' conduct is grounds to revoke its registration as a securities dealer with the Commission pursuant to A.R.S. § 44-1961. Respondent Tower Equities' conduct does not qualify under any of the 13 grounds listed under A.R.S. § 44-1961. Tower Equities has not been permanently or temporarily enjoined from engaging in or continuing any conduct or practice. Tower Equities is subject to an order to cease and desist but not subject to a permanent injunction which is a separate remedy.**

**Respondents also deny that Tower Equities is controlled by Lehman. Lehman holds no ownership interest in Tower Equities and holds no position either as a director or officer with Tower Equities. Lehman does not control any aspect of the operations of Tower and has not since at least October 3, 2000.**

9. Respondent Lehman's conduct is grounds to revoke Lehman's registration as a securities salesman with the Commission pursuant to A.R.S. § 44-1962. Specifically, Lehman:

- A. Has been permanently enjoined by order of an administrative tribunal (the SEC) from engaging in or continuing his fraudulent conduct in connection with the sale or purchase of securities; and
- B. Is subject to an order suspending him from association with any broker, dealer, investment adviser or investment company for a period of at least six months.

**Answer: Respondent Lehman denies that he has been permanently enjoined by an administrative tribunal. He is subject to an order of cease and desist but has not been enjoined from any activity which is a separate remedy. Respondent Lehman admits that he is subject to an order of the SEC.**

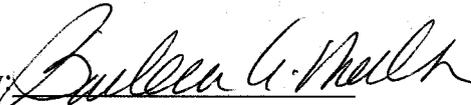
## Requested Relief

WHEREFORE, the Respondents request the following:

1. That Tower Equities be dismissed as a respondent in this matter due to the following:
  - a. There are insufficient grounds under A.R.S. § 44-1961 to bring the action by the Commission;
  - b. It is not controlled in any manner by Lehman; and
  - c. It has never been subject to an order by the SEC or any other tribunal which suspended its operations for even one day. Since the Arizona action is derived from the SEC action, the remedy should comport.
  
2. A hearing pursuant to A.R.S. § 44-1972 and A.A.C. R14-4-306.

Dated: January 17, 2001

Respectfully Submitted,

By:   
Barbara A. Mallon  
Attorney for Respondents

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