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BEFORE THE ARIZONA CORPORATION COMMISSION

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Arizona Corporation Commission

COMMISSIONERS

DOCKETED

GARY PIERCE, Chairman
BOB STUMP
SANDRA D. KENNEDY
PAUL NEWMAN
BRENDA BURNS

AZ CORP COMMISSION
DOCKET CONTROL

DEC 20 2011

DOCKETED BY [Signature]

In the matter of:

THOMAS LAURENCE HAMPTON,
CRD#2470192, and STEPHANIE YAGER,
husband and wife,

HAMPTON CAPITAL MARKETS, LLC, an
Arizona limited liability company,

Respondents

DOCKET NO. S-20823A-11-0407

**AMENDED TEMPORARY ORDER TO
CEASE AND DESIST AND NOTICE OF
OPPORTUNITY FOR HEARING**

NOTICE: THIS ORDER IS EFFECTIVE IMMEDIATELY
EACH RESPONDENT HAS 20 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 THOMAS LAURENCE HAMPTON and HAMPTON CAPITAL MARKETS, LLC, are engaging in or are about to engage in acts and practices that constitute violations of A.R.S. § 44-1801, *et seq.*, the Arizona Securities Act ("Securities Act"), and that the public welfare requires immediate action.

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. At all relevant times, Respondent THOMAS LAURENCE HAMPTON (“HAMPTON”) has been an Arizona resident. On information and belief, HAMPTON has been at all relevant times a married man.

3. At all relevant times, HAMPTON has been offering and/or selling the hedge fund investments discussed below on behalf Respondent HAMPTON CAPITAL MARKETS, LLC (“HCM”) as its member, “Managing Director,” and investment salesman or dealer.

4. HAMPTON, CRD#2470192,¹ was registered as a securities salesman (*i.e.*, registered representative) by the Financial Industry Regulatory Authority (“FINRA”)², and Illinois, Kansas and Missouri state securities agencies from approximately 1994 to 1995.

5. In January 2009, HAMPTON applied with both the Commission and FINRA to become registered as a securities salesman (the “2009 Registration Application”). HAMPTON’s 2009 Registration Application was terminated and/or withdrawn without approval. As a result, at all relevant times, HAMPTON has not been registered by the Commission as a securities salesman or dealer.

6. HCM was organized by HAMPTON as an Arizona limited liability company on or about June 13, 2007.

7. At all relevant times, HCM has maintained a place of business in Scottsdale, Arizona and it has been issuing, offering and/or selling the hedge fund investments discussed below within or from Arizona. HCM has not been registered by the Commission as a securities dealer.

8. HAMPTON and HCM may be referred to as “Respondent(s).”

¹ CRD is an acronym for the “Central Registry Depository.” The CRD is a computerized database that can be used by securities regulators to locate, for instance, complaints filed against or disciplinary history regarding registered securities salesman or dealers. Potential investors may ask their state securities regulators like the Commission for information contained in the CRD.

² FINRA is a self-regulatory organization that regulates financial service firms that deal with the public in the United States.

- 1 c. HAMPTON generally refers to this discovery as a “low-latency index derivative
2 arbitrage” strategy (the “Strategy”);
- 3 d. Because of the evolution in the “electronic trading world,” it is not feasible to
4 timely execute the Strategy “manually,” or via paper orders handled by people;
- 5 e. In early 2010, HAMPTON hired a computer software programmer to design a
6 computer program that implements Respondents’ Strategy, and that can be used
7 by HAMPTON with his securities broker’s computer-based “API (automated
8 programming interface)” to buy and sell ETFs; and
- 9 f. The computer program can recognize HAMPTON’s desired market conditions
10 and timely send out ETF trade orders per Respondents’ Strategy “in less than 1
11 millisecond (1/1000 of a second).”

12 **B. The Hedge Fund Investments**

13 14. From at least October 2011 to the present, Respondents have been offering and/or
14 selling passive investments to the general public to raise a pool of capital to fund Respondents’
15 ETF trading Business (the “Hedge Fund Investment(s)”).

16 15. The Hedge Fund Investments have not been registered by the Commission as
17 securities to be offered and sold within or from Arizona.

18 16. At all relevant times, Respondents have publically offered and advertised the
19 Hedge Fund Investments within or from Arizona, in part, by publishing detailed information
20 regarding the same on the “Trading Strategies” page of the Website (the “Prospectus Page”).

21 17. According to the Prospectus Page, potential Arizona investors can chose one of
22 two types of Hedge Fund Investments returns at the time of investment purchase, including:

- 23 a. A flat “10% Preferred Return,” or interest paid by Respondents on principal
24 Hedge Fund Investments at the rate of ten percent per year, with the apparent
25 return of the principal investment funds at the conclusion of the investments (the
26 “10%” returns); or

- 1 b. “Trading Participation” profits wherein Respondents and investors equally share
2 in the ETF trading Strategy profits, or “a standard 50/50 trading split (i.e., 50% of
3 the profits to Investor and 50% to Management)” (the “Profit Sharing” returns).

4 The 10% and Profit Sharing returns may be collectively referred to as the “Profit(s)”.

5 18. The Prospectus Page of the Website further provides potential Arizona investors
6 with detailed examples of how Respondents are able to generate Profits using their ETF trading
7 Strategy.

8 19. According to the Prospectus Page, the minimum Hedge Fund Investment purchase
9 price is \$50,000.

10 20. At all relevant times, the “Documents” page of the Website has included a link to
11 a detailed Hedge Fund Investment “Account Application” which, when clicked, opens a PDF
12 formatted document titled “SUBSCRIPTION AGREEMENT.”

13 21. The Hedge Fund Investment Subscription Agreement can be accessed, reviewed,
14 printed or downloaded from the Website by an Arizona resident without restriction.

15 22. The Subscription Agreement states that Respondents are issuing and selling a
16 minimum of ten Hedge Fund Investments, for a “total minimum” investment offering of
17 \$500,000.

18 23. Regarding Hedge Fund Investment sales commissions, the Subscription
19 Agreement states that a “5% fee will be paid to introducing solicitor upon receipt of funds.”

20 24. The Subscription Agreement states that to purchase a Hedge Fund Investment, an
21 investor has to:

- 22 a. List the amount of the investor’s desired principal investment amount (*i.e.*,
23 \$50,000+), and select the desired Profits to be received (*i.e.*, 10% interest per
24 annum, or “Profit Sharing” Profits);
25 b. Make their principal investment check payable to HCM;

26

1 c. Sign and date the Subscription Agreement, and send it along with the investment
2 funds to Respondents at their Scottsdale, Arizona business address; and

3 d. Complete an attached "ACCREDITED INVESTOR QUESTIONNAIRE"
4 representing to Respondents that the investor believes he or she is an accredited
5 investor, generally defined in the questionnaire as a person who has either a net
6 worth exceeding \$1,000,000, or individual income in excess of \$200,000 in each
7 of the last two years.

8 25. Also attached to the Subscription Agreement is a four page W-9 tax form to be
9 completed by the investor.

10 26. The Subscription Agreement states that Hedge Fund Investment purchases
11 accepted by Respondents will be documented by: (a) HAMPTON's signature on an executed
12 Subscription Agreement on behalf of HCM as its "Managing Director; and (b) "a certificate
13 representing the investment amount" prepared and delivered to the investor by HAMPTON.

14 27. Neither the Prospectus Page of the Website, nor the Subscription Agreement state
15 that the Hedge Fund Investments have a particular termination date, or a date on which an
16 investor can expect to receive back their principal investment funds and promised Profits.
17 Further, the "Revocation" provision of the Subscription Agreement, states as follows:

18 **6. Revocation**

19 The Investor agrees that he or she shall not cancel, terminate or revoke this
20 Subscription Agreement or any agreement of the Investor made hereunder, and that
21 this Subscription Agreement shall survive the death, disability or incompetence of
22 the Investor. (emphasis in original)

22 **B. The Arizona Offeree**

23 28. In October 2011, an Arizona resident and potential investor (the "AO") viewed all
24 of the pages published on Respondents' Website from Arizona, including the Prospectus Page.
25 The AO also viewed and downloaded the Hedge Fund Investment Subscription Agreement.
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IX.

ANSWER REQUIREMENT

Pursuant to A.A.C. R14-4-305, if a Respondent or Respondent Spouse requests a hearing, the requesting respondent must deliver or mail an Answer to this Temporary Order and Notice to Docket Control, Arizona Corporation Commission, 1200 W. Washington, Phoenix, Arizona 85007, within 30 calendar days after the date of service of this Temporary Order and Notice. Filing instructions may be obtained from Docket Control by calling (602) 542-3477 or on the Commission's Internet web site at www.azcc.gov/divisions/hearings/docket.asp.

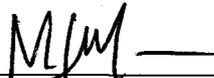
Additionally, the answering respondent must serve the Answer upon the Division. Pursuant to A.A.C. R14-4-303, service upon the Division may be made by mailing or by hand-delivering a copy of the Answer to the Division at 1300 West Washington, 3rd Floor, Phoenix, Arizona, 85007, addressed to Phong (Paul) Huynh.

The Answer shall contain an admission or denial of each allegation in this Temporary Order and Notice and the original signature of the answering respondent or the respondent's attorney. A statement of a lack of sufficient knowledge or information shall be considered a denial of an allegation. An allegation not denied shall be considered admitted.

When the answering respondent intends in good faith to deny only a part or a qualification of an allegation, the respondent shall specify that part or qualification of the allegation and shall admit the remainder. Respondent waives any affirmative defense not raised in the Answer.

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

BY ORDER OF THE ARIZONA CORPORATION COMMISSION, this 20 day of December, 2011.


Matthew J. Neubert
Director of Securities