ORIGINAL OPEN MEETING ITEM

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

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ARIZONA CORPORATION COMMISSION

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Arizona Corporation Commission
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JUN 05 2012
DOCKETED BY

DATE: JUNE 5, 2012

DOCKET NO.: S-20726A-10-0062

TO ALL PARTIES:

Enclosed please find the recommendation of Administrative Law Judge Marc E. Stern. The recommendation has been filed in the form of an Opinion and Order on:

DAVID E. WALSH AND LORENE WALSH; CHRISTOPHER A. JENSEN AND JULIE SHAYNE JENSEN and RODOLFO PRECIADO AND JANE DOE PRECIADO (NOTICE OF OPPORTUNITY)

Pursuant to A.A.C. R14-3-110(B), you may file exceptions to the recommendation of the Administrative Law Judge by filing an original and thirteen (13) copies of the exceptions with the Commission's Docket Control at the address listed below by **4:00** p.m. on or before:

JUNE 14, 2012

The enclosed is NOT an order of the Commission, but a recommendation of the Administrative Law Judge to the Commissioners. Consideration of this matter has tentatively been scheduled for the Commission's Open Meeting to be held on:

TO BE DETERMINED

For more information, you may contact Docket Control at (602) 542-3477 or the Hearing Division at (602) 542-4250. For information about the Open Meeting, contact the Executive Director's Office at (602) 542-3931.

ERNEST G. JOHNSON
EXECUTIVE DIRECTOR

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

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

IN THE MATTER OF: DAVID E. WALSH AND LORENE WALSH, Respondent and spouse, d/b/a New York Networks, Inc., a dissolved Delaware corporation formerly f/k/a Jubilee Acquisition Corporation and as Caliper Acquisition Corporation, the New York Network, Inc., a revoked Nevada corporation and the New York Networks, Inc., an entity of unknown origin, CHRISTOPHER A. JENSEN AND JULIE SHAYNE JENSEN, Respondent and spouse, RODOLFO PRECIADO AND JANE DOE PRECIADO, Respondent and spouse, RESPONDENTS.	DOCKET NO. S-20726A-10-0062 DECISION NO. _____ **OPINION AND ORDER**

DATE OF PRE-HEARING CONFERENCE:	May 4, 2010
DATES OF STATUS CONFERENCES:	June 22 and September 30, 2010
DATE OF HEARING:	July 11, 2011
PLACE OF HEARING:	Phoenix, Arizona
ADMINISTRATIVE LAW JUDGE:	Marc E. Stern
APPEARANCES:	Mr. William W. Black, Assistant Chief Counsel of Enforcement, on behalf of the Securities Division of the Arizona Corporation Commission.

BY THE COMMISSION:

On February 19, 2010, the Securities Division ("Division") of the Arizona Corporation Commission ("Commission") filed a Notice of Opportunity for Hearing ("Notice") against David E. Walsh and Lorene Walsh, husband and wife, d/b/a New York Networks, Inc. ("NYN"), a dissolved Delaware corporation f/k/a Jubilee Acquisition Corporation ("JAC") and as Caliper Acquisition

Corporation ("CAC"), the New York Network, Inc., a revoked Nevada Corporation and the New York Networks, Inc., an entity of unknown origin, Christopher A. Jensen and Julie Shayne Jensen, husband and wife, Rodolfo Preciado and Jane Doe Preciado, husband and wife (collectively "Respondents"), in which the Division alleged multiple violations of the Arizona Securities Act ("Act") in connection with the offer and sale of securities in the form of stock and warrants.[1]

The Respondents were duly served with copies of the Notice.

On March 8, 2010, a request for hearing was filed by Respondents, Christopher A. Jensen, Julie Shayne Jensen and Rodolfo Preciado.

On March 18, 2010, by Procedural Order, a pre-hearing conference was scheduled on May 4, 2010.

On March 26, 2010, Respondent Linda Preciado filed a request for hearing and an Answer was filed on behalf of the Jensen and Preciado Respondents.

On March 31, 2010, by Procedural Order, it was ordered that the pre-hearing conference should be held as previously scheduled.

On May 4, 2010, the Division and the Jensen and Preciado Respondents appeared through counsel. Although the Walsh Respondents had been served, they had not yet requested a hearing. Counsel for the Division requested that a status conference be scheduled in approximately 60 days.

On May 5, 2010, by Procedural Order, a status conference was scheduled on June 22, 2010.

On June 14, 2010, pursuant to A.A.C. R14-4-305, Respondent David E. Walsh filed an Answer on his own behalf. However, Respondent Walsh failed to request a hearing as required by A.R.S. § 44-1972, and A.A.C. R14-4-406, a prerequisite to filing his Answer.

On June 22, 2010, at the status conference, the Division appeared through counsel and the Jensen and Preciado Respondents appeared through counsel who appeared telephonically. It was determined that an additional status conference should be scheduled and that Respondent Walsh would be granted an extension of time for leave to file a request for hearing pursuant to A.R.S. § 44-1972 if he wanted a hearing in this matter.

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[1] Due to the various confusing references to the New York Network or the New York Networks or New York Network, Inc. during the proceeding, hereafter it will simply be referred to as the New York Network.

On June 30, 2010, by Procedural Order, Respondent Walsh was granted an extension of time hearing until August 6, 2010, to file a request for hearing pursuant to A.R.S. § 44-1972 and A.A.C. R14-2-306, if he wanted to request a hearing on the issues raised in the Notice, and another status conference was scheduled on August 26, 2010.

Due to a scheduling conflict, on July 9, 2010, by Procedural Order, the status conference was rescheduled for September 30, 2010.

On August 2, 2010, Respondent Walsh filed a request for hearing pursuant to A.R.S. § 44-1972.

On September 30, 2010, at the status conference, the Division and the Jensen and Preciado Respondents appeared through counsel. Respondent Walsh failed to enter an appearance. The Division's counsel requested that a hearing be scheduled while he continued to attempt to settle the matter with counsel for the Jensen and Preciado Respondents. Subsequently, by Procedural Order issued September 30, 2010, a hearing was scheduled to commence on January 19, 2011, and an exchange of documentation was set for December 17, 2010.

On December 28, 2010, the Jensen and Preciado Respondents filed a motion for a continuance because their attorney was scheduled to be called as a witness in a proceeding in federal court in California scheduled to commence on January 19, 2011, a day upon which this proceeding was also scheduled to be heard. The motion which was filed by counsel for the Respondents indicated that he had secured the Division's agreement to a continuance.

On January 4, 2011, by Procedural Order, the hearing was continued to April 4, 2011.

On March 24, 2011, the Division filed a motion to allow telephonic testimony.

On March 25, 2011, the Jensen and Preciado Respondents filed their response in opposition to the Division's motion to allow telephonic testimony.

On March 30, 2011, the Jensen and Preciado Respondents filed an additional motion for a continuance because Respondent Christopher Jensen was scheduled for surgery on March 30th and would require four to six weeks to recover and would be unable to travel. A letter from Mr. Jensen's doctor was attached to the motion. The Respondents' motion indicated that the Division did not

oppose this motion. By Procedural Order issued March 30, 2011, the proceeding was continued to July 11, 2011.

On April 1, 2011, the Division filed a reply in support of its motion to allow telephonic testimony.

On April 12, 2011, by Procedural Order, the Division's motion to allow telephonic testimony was granted.

On June 22, 2011, the Commission issued Decision No. 72424, a Consent Order with respect to the Jensen and Preciado Respondents.

On July 11, 2011, a full public hearing was convened before a duly authorized Administrative Law Judge of the Commission at its offices in Phoenix, Arizona. The Division was present with counsel. Respondent David Walsh failed to appear. At the conclusion of the proceeding, it was indicated that the Division would file a closing brief by August 30, 2011, and the matter was taken under advisement pending submission of a Recommended Opinion and Order to the Commission.

On August 30, 2011, the Division filed its closing brief.

* * * * * * * * * *

Having considered the entire record herein and being fully advised in the premises, the Commission finds, concludes, and orders that:

FINDINGS OF FACT

1. David Walsh is an individual who, at all relevant times herein, was a resident of Florida.

2. At all relevant times herein, Respondent Walsh was not registered as a dealer or a securities salesman. (Ex. S-25)

3. Although Lorene Walsh was named in the Notice as the spouse of Respondent David Walsh solely for the purpose of determining liability of the marital community pursuant to A.R.S. § 44-2031(C), at the time of the hearing, the Division requested that Mrs. Walsh be dismissed from the proceeding because she had not been served, was no longer married to Mr. Walsh, and was a California resident.

4. This matter involves three corporate entities that were referred to in various forms as

follows: New York Networks, Inc.; the New York Network, Inc.; and the New York Networks, Inc. The New York Network, Inc. ("NYN-Nevada") was a defunct Nevada corporation and the other two were composed of former Delaware shell or shelf corporations ("NYN-Caliper" and "NYN-Jubilee") (collectively referred to as "New York Network") which had been purchased from James Cassidy, an attorney in Washington, D.C. (Ex. S-4 and Ex S-29)

5. Based on the record, it was established that Mr. Walsh either owned or controlled the New York Network as a director, officer or shareholder at all times herein. (Tr. 44: 1-6) (Exs. S-4, S-15, S-17, S-23, S-24 and S-29)

6. During the offer and sale of stock to prospective investors, Respondent David Walsh and the other Respondents who had been hired by him did not differentiate between the various New York Network-named entities and which stock would be sold to prospective investors. (Exs. S-1 and S-4)

7. In the offer and sale of common stock to prospective Arizona investors, Respondent Walsh was assisted by Respondents Jensen and Preciado.[2] (Ex. S-1)

8. In support of the allegations raised in the Notice with respect to Mr. Walsh's alleged violations of the Act, the Division called the following three investor witnesses who testified at the hearing: Jamie Lee Meyer, Sean M. Callahan and Tom Wolvos, M.D. Additionally, the Division presented excerpts of transcripts of five other individuals' testimony including that of Mr. Walsh, who did not appear at the hearing.

9. Mr. Jamie Lee Meyer, a real estate agent and business owner, testified that he invested in what was known as the New York Network. (Tr. 11: 14-20)

10. Mr. Meyer identified a statement that had been prepared by an attorney describing a meeting that Mr. Meyer had attended and how he had invested in the New York Network offering and two other companies' offerings. (Tr. 12: 6-9) (Ex. S-11)

11. Mr. Meyer testified that he attended a presentation at the Ritz-Carlton Hotel in Phoenix where Mr. Walsh spoke to a group of ten or fifteen prospective investors in early September 2006. Mr. Meyer stated that Respondent David Walsh described taking several companies public and

[2] See Decision No. 72424.

making investors "a ton of money" with the three companies described at the presentation. (Tr. 14: 1-5)

12. Mr. Meyer further testified that Mr. Walsh had mentioned a company by the name of Mad Engine, which he said was going to go public and that he, Mr. Meyer, would have an opportunity to invest in stock and "go from there." (Tr. 14: 6-17)

13. Mr. Meyer stated that his investment was made in the New York Network and he had been told that a merger was then planned between the New York Network and Mad Engine. (Tr. 14: 18-23)

14. At the Ritz-Carlton meeting, Mr. Meyer was given what was termed a "Confidential Private Placement Memorandum for New York Networks." (Tr. 15: 2-7) (Ex. S-18)

15. Mr. Meyer stated that he was given the document by either Mr. Jensen or Mr. Preciado, who he believed were working with Mr. Walsh. (Tr. 15: 11-20)

16. After reviewing the Private Placement Memorandum ("PPM"), Mr. Meyer inquired of Mr. Jensen or Mr. Preciado whether it was important whether he had sufficient net worth to meet the "accredited investor" requirement described in the PPM, because he did not qualify as an accredited investor. Mr. Walsh's associates told him that it was not important, and that the requirement was "fudged" all the time and he should invest anyway. (Ex. S-11)

17. Mr. Meyer did not have a pre-existing relationship with Mr. Jensen, Mr. Preciado or Mr. Walsh. (Tr. 17: 2-6)

18. Mr. Walsh did not disclose to Mr. Meyer that funds received from investors would be put to Mr. Walsh's personal use. (Tr. 17: 7-10)

19. Mr. Meyer testified that after investing $30,000 with Mr. Walsh in the New York Network, and two related companies, Bouldin Corporation ("Bouldin") and Tempest Corporation ("Tempest"), which were also promoted by the Respondents, he has not received any return on his investment. (Tr. 17: 11-23)

20. According to Mr. Meyer, the monies that he invested in Bouldin and Tempest, $10,000 each, were later transferred to the New York Network, but he was unaware of how the transfer took place. (Tr. 18: 1-14)

21. Mr. Meyer testified that he made his investment around September 2006, by writing three separate checks for $10,000 each and giving them to an associate of the Respondents in a

Costco parking lot. He subsequently received some stock certificates at a later date. (Tr. 22-23: 8-7)

22. Dr. Wolvos testified that he became interested in the offering by the Respondents because it was presented to him as a short-term investment that would quickly go public. To make his investment, Dr. Wolvos utilized funds from a short-term low-interest loan on a credit card and a personal line of credit. (Tr. 94: 1-4)

23. Dr. Wolvos stated that he invested a total of $90,000; $30,000 initially into the New York Network, and $30,000 each in Bouldin and Tempest in the late summer or fall of 2006. (Tr. 94: 5-17)

24. Prior to investing, Dr. Wolvos had attended a meeting at McCormick and Schmick's Restaurant on Camelback Road in Phoenix where Respondent David Walsh was presented as the president or CEO of the three companies, after which Mr. Walsh detailed the investment opportunity. (Tr. 95: 7-20)

25. According to Dr. Wolvos, he was told that he would receive a 10 percent bonus on his investment if he invested $90,000. (Tr. 96: 6-16)

26. During the hearing, Dr. Wolvos identified a copy of the PPM which he had received at the meeting prior to his investment in the New York Network. He also received similar documentation for Bouldin and Tempest. (Tr. 97: 1-17)

27. After Dr. Wolvos' initial investments in all three companies, he was told that all of his investments should be in the New York Network and after completing paperwork, ended up with a $90,000 investment in the New York Network alone. (Tr. 97-98: 18-6)

28. Dr. Wolvos testified that he became suspicious as to what was happening with his investment after he went to a Fidelity Investments office with the New York Network stock certificates to try and make arrangements to trade the certificates once the offering went public. (Tr. 98: 7-17)

29. Dr. Wolvos stated that at a later point in time he participated in teleconference calls which were held regarding the status of the New York Network involving Respondents Jensen and Preciado, and another individual by the name of Ron Saxton, who Dr. Wolvos was familiar with because Mr. Saxton had sold him medical technology that was used in his medical

practice. (Tr. 98-99: 21-9)

30. According to Dr. Wolvos, Respondent David Walsh was "running the show," and he understood that Respondents Jensen and Preciado, and also Mr. Saxton, were receiving finder's fees for locating investors for Mr. Walsh. (Tr. 100: 1-18)

31. Prior to meeting with Mr. Walsh on July 18, 2006, at McCormick and Schmick's Restaurant, Dr. Wolvos testified that he did not have a pre-existing relationship with Mr. Walsh or Respondents Jensen and Preciado. (Tr. 100: 23-25)

32. Dr. Wolvos further testified that he has not received any return on his investment from the Respondents and it was not disclosed that Mr. Walsh was going to use investor funds for his own personal needs. (Tr. 102: 1-13)

33. According to Dr. Wolvos, based on Respondents' representations, he expected to make two and a half to three times his initial investment by the end of 2006. (Tr. 102: 14-25)

34. Dr. Wolvos testified that since he expected to earn his return in a short period, he believed that he would be able to repay the advances on his credit cards. This did not turn out to be the case, and he testified that he was still paying off the loans after five years, and was financially devastated. (Tr. 103: 1-17)

35. Dr. Wolvos testified that, by the spring of 2007, he had learned that the New York Network and the other corporations owed hundreds of thousands of dollars. (Tr. 105: 15-22)

36. After Dr. Wolvos learned that the New York Network was no longer a viable corporation, he found it impossible to reach Mr. Walsh. (Tr. 106: 1-12)

37. The Division further presented evidence in the form of testimony which was read into the record from the following individuals: Respondent Christopher Jensen; Respondent Adolfo Preciado; Donald Saxton; Respondent David Walsh; and Sadik Amato.

38. On November 2, 2010, Mr. Jensen testified during an Examination Under Oath ("EUO") that he had answered questions of prospective investors after presentations in Phoenix. He stated that he advised investors to read the PPM. Mr. Jensen described himself as an event coordinator who helped set up the presentations. Mr. Jensen further described Mr. Walsh as guiding the meetings with investors. Respondent Jensen also confirmed the teleconferences described by Dr.

Wolvos to answer investor questions. (Ex. S-1)

39. Testifying during his EUO on November 2, 2010, Respondent Preciado stated that Respondent Walsh explained the details of the investment opportunity. Mr. Preciado stated that he had been at three meetings in Phoenix, one at the Ritz-Carlton, one at McCormick and Schmick's Restaurant, and one Fleming's Steakhouse. Mr. Preciado further testified that he received half of whatever Mr. Jensen was paid by Mr. Walsh. Mr. Preciado also recalled teleconferences with investors who were upset that the stock did not go public and trade openly by the end of 2006. (Ex. S-2)

40. On November 23, 2010, Ronald Saxton's EUO was taken and he testified that he organized a dinner at McCormick and Schmick's for prospective investors which was paid for by Mr. Jensen. He described Respondent Walsh as well dressed and very eloquent and that Mr. Walsh described the prospective investments as hand-picked solid investments. According to Mr. Saxton, Mr. Walsh further described how the companies would go public utilizing what he termed was a "reverse merger" into a shell company. Respondent Walsh also stated that a minimum investment of $30,000 a unit was required from investors. This equated to $7.50 a share for investors and Respondent Walsh stated that when the companies went public, they would open at $17 a share, allowing the initial investors to sell out their stock for a substantial profit. (Ex. S-3)

41. On August 26, 2009, in a proceeding before the California Department of Corporations, in response to a question by an attorney for the California Department of Corporations, Mr. Walsh admitted receiving checks written to the New York Network and spending the money. (Ex. S-4)

42. While testifying before the California Department of Corporations, Mr. Walsh also admitted using investor funds to pay approximately $1.7 million for expenses to raise money in the public offerings. (Ex. S-4)

43. Another witness who testified before the California Department of Corporations, Mr. Sadik Albert Amato, stated that he first met Mr. Walsh at his business, known as Mad Engine, in San Diego and discussed with Mr. Walsh purchasing the business and taking it public. (Ex. S-5)

44. Mr. Amato described Mad Engine as a design and sales company which manufactured T-shirts that were licensed and branded for other companies such as Disneyland and Marvel comic

books. He also stated that Mad Engine sold T-shirts to stores such as Wal-Mart, Bloomingdale's and mom-and-pop businesses. (Ex. S-5)

45. Further testifying before the California Department of Corporations, Mr. Amato stated that he was the president of Mad Engine and that he had executed a purchase agreement with the New York Network for the purchase of Mad Engine for $35 million. Half of the purchase price was to be paid in cash and the rest was to be paid in stock in the company. (Ex. S-5)

46. According to Mr. Amato, although funds were raised by Mr. Walsh for the purchase of Mad Engine, his company was never acquired. (Ex. S-5)

47. Mr. Amato testified that he had met Respondents Christopher Jensen and Rudy Preciado and was told that they would be holding meetings to raise funds for the purchase. (Ex. S-5)

48. Mr. Sean Callahan, a forensic accountant with the Division, testified that he assisted with the investigation of Respondent Walsh. (Tr. 35: 6-8)

49. As part of Mr. Callahan's investigation, he prepared a summary of cash sources and disbursements for three bank accounts which had been identified by the Division as connected to Respondent Walsh. (Tr. 36: 5-11)

50. During the course of Mr. Callahan's investigation, he learned about Respondent Walsh and two of his business entities, Wardley, Walsh, Wellesley & Company and the New York Network (Tr. 39: 18-25)

51. Mr. Callahan testified that bank documents identified Respondent Walsh as the CEO and president of the New York Network. (Tr. 40: 11-16)

52. Mr. Callahan further testified that based on a shareholder report dated October 1, 2002, Respondent Walsh was the sole owner of the New York Network owning 42,795,000 shares of its stock. (Tr. 41: 6-15)

53. As a result of Mr. Callahan's review and analysis of business records, he concluded that Respondent Walsh was involved with Wardley, Walsh, Wellesley & Co. in that he established the bank account as its managing member and was also listed with the Nevada Corporation Commission as its managing member. (Tr. 42-43: 18-5)

54. Mr. Callahan further testified that Mr. Walsh was the only signor on the New York

Network bank account. (Tr. 43: 14-19)

55. During Mr. Callahan's review of the New York Network bank account, he reviewed a time frame from August 17, 2006 to May 30, 2008, and testified that August 17, 2006, represented the date the account was opened and May 30, 2008, represented the date of the last bank statement with a zero balance. (Tr. 45: 1-12)

56. Mr. Callahan testified that according to bank records, 99 percent of the deposits to the New York Network account totaling $1,710,000 came from investors. (Tr. 46: 7-9)

57. Based on Mr. Callahan's analysis, he confirmed that funds which had been invested in Bouldin and Tempest had been transferred to the New York Network account by an escrow agent. (Tr. 47: 16-24)

58. Mr. Callahan testified that he was unable to determine whether the New York Network was an active corporation and understood it to be merely a shell company that could acquire a functioning company. (Tr. 50:17-25)

59. According to Mr. Callahan's analysis, he believed that the New York Network was going to be used as the entity to acquire Mad Engine. (Tr. 52: 5-12)

60. As determined by Mr. Callahan, eighteen Arizona investors invested a total of $640,000 with the New York Network. However, $30,000 was previously returned to one investor, and the Arizona investors' investments represented approximately one-third of the total investment of $1,710,000. (Tr. 53-54: 4-8) (Ex. S-22)

61. During the course of Mr. Callahan's investigation, he determined Respondent Walsh and his wife received $68,500 from the New York Network account even though investors had been told that their funds would be used to acquire Mad Engine and turn it into a public corporation. (Tr. 55: 18-25)

62. According to Mr. Callahan, the Division's investigation revealed that the Wardley, Walsh, Wellesley & Co. account in the United States received $958,950 from the New York Network account, and this represented 82 percent of the $1.7 million invested in the New York Network. The remaining monies were transferred to a Wardley, Walsh, Wellesley & Co. account outside the United States. (Tr. 57-58: 13-11) (Ex. S-20)

63. Mr. Callahan further stated that the Walshes received $472,000 from the Wardley, Walsh, Wellesley & Co. account, and these funds ended up primarily in their personal accounts. (Tr. 58-59: 24-6) (Ex. S-20)

64. Mr. Callahan testified that financial records showed that a payment of $250,000 was made to the Internal Revenue Service on behalf of Respondent Walsh for personal taxes. (Tr. 59-60: 11-1 (Ex. S-20)

65. Referring to notes to Exhibit S-20, Mr. Callahan testified that either Respondent Walsh or his wife wrote themselves a personal check for $399,000 from the Wardley, Walsh, Wellesley & Co. account. (Tr. 60: 15-21)

66. According to Mr. Callahan, Mr. Walsh's personal account reflected deposits of $504,547 from Wardley, Walsh, Wellesley & Co. LLC, which included sums from accounts Mr. Callahan was unable to analyze. (Tr. 62: 13-24) (Ex. S-20 and S-21)

67. Mr. Callahan's analysis of Mr. and Mrs. Walsh's bank account also revealed that transfers of $464,050 were made to other accounts controlled by Mr. and Mrs. Walsh which were not analyzed by the Division. Additionally, Mr. Callahan found that $384,754 was utilized for mortgage payments on their personal residence. (Tr. 63-64: 12-4) (Ex. S-21)

68. Mr. Callahan further testified that he did not find any indication that Mr. Walsh had invested any of his personal funds in any of the investments which were offered by the Respondents. (Tr. 65: 5-10)

69. Mr. Callahan testified that he concluded that none of the investor funds that were deposited in the New York Network account were used for their intended purpose, and instead flowed from the New York Network account into another company that Respondent David Walsh controlled, and finally into his own personal account and utilized to pay personal expenses. (Tr. 66: 1-8)

70. Upon our review of the entire record in this matter, a preponderance of the evidence establishes that Respondent, David Walsh, committed multiple violations of the Act in the offering described herein in a fraudulent manner.

71. Respondent, David Walsh, failed to appear and presented no evidence which would credibly rebut the evidence presented in the proceeding. Therefore, he should be held liable for his

violations of the Act which resulted from the fraudulent offering and should make restitution, and pay an administrative penalty.

CONCLUSIONS OF LAWS

1. The Commission has jurisdiction of this matter pursuant to Article XV of the Arizona Constitution and A.R.S. § 44-1801, *et seq.*

2. The investment offerings, as described herein and sold by Respondent David Walsh, constituted securities within the meaning of A.R.S. § 44-1801.

3. Respondent David Walsh acted as a dealer and/or a salesman within the meaning of A.R.S. § 44-1801(9)(22).

4. The actions and conduct of Respondent David Walsh constitute the offer and sale of securities within the meaning of A.R.S. § 44-1801(21).

5. Respondent David Walsh committed fraud in the sale of securities, engaging in transactions, practices or a course of business which involved untrue statements and omissions of material facts in violation of A.R.S. § 44-1991.

6. Respondent David Walsh violated A.R.S. § 44-1841 by offering or selling securities that were neither registered nor exempt from registration.

7. Respondent David Walsh violated A.R.S. § 44-1842 by offering or selling securities while neither registered nor exempt from registration.

8. Respondent David Walsh violated the Act and should cease and desist pursuant to A.R.S. § 44-2032 from any future violations of A.R.S. § 44-1991 and all other provisions of the Act.

9. The actions and conduct of Respondent David Walsh constitute multiple violations of the Act and are grounds for an Order of restitution pursuant to A.R.S. §§ 44-2032 and for an Order assessing administrative penalties pursuant to A.R.S. § 44-2036.

10. Respondent Lorene Walsh should be dismissed from this proceeding.

ORDER

IT IS THEREFORE ORDERED that pursuant to the authority granted to the Commission under A.R.S. § 44-2032, Respondent David E. Walsh shall cease and desist from his actions described hereinabove in violation of A.R.S. §§ 44-1841, 44-1842 and 44-1991.

IT IS FURTHER ORDERED that pursuant to the authority granted to the Commission under A.R.S. § 44-2032, that Respondent David E. Walsh shall make restitution in the amount of $610,000, which restitution shall be made pursuant to A.A.C. R14-4-308 subject to legal set-offs by any Respondents herein and confirmed by the Director of Securities, said restitution to be made within 60 days of the effective date of this Decision.

IT IS FURTHER ORDERED that the restitution ordered hereinabove shall bear interest at the rate of the lesser of ten percent per annum or at a rate per annum that is equal to one per cent plus the prime rate as published by the board of governors of the federal reserve system in statistical release H.15, or any publication that may supersede it on the date that the judgment is entered.

IT IS FURTHER ORDERED that all restitution payments ordered hereinabove shall be deposited into an interest-bearing account(s), if appropriate, until distributions are made.

IT IS FURTHER ORDERED that the Commission shall disburse the funds on a *pro-rata* basis to the investors shown on the records of the Commission. Any restitution funds that the Commission cannot disburse because an investor refuses to accept such payment, or any restitution funds that cannot be disbursed to an investor because the investor is deceased and the Commission cannot reasonably identify and locate the deceased investor's spouse or natural children surviving at the time of distribution, shall be disbursed on a *pro-rata* basis to the remaining investors shown on the records of the Commission. Any funds that the Commission determines it is unable to or cannot feasibly disburse shall be transferred to the general fund of the State of Arizona.

IT IS FURTHER ORDERED pursuant to authority granted to the Commission under A.R.S. § 44-2036, Respondent David E. Walsh shall pay as and for an administrative penalty the following amounts: for the violation of A.R.S. § 44-1841, $15,000; for the violation of A.R.S. § 44-1842, $15,000; and for the violation of A.R.S § 44-1991, $30,000. The payment obligation for this administrative penalty shall be subordinate to any restitution obligations ordered herein and shall become immediately due and payable only after restitution payments have been paid in full, or upon Respondent David E. Walsh's default with respect to David E. Walsh's restitution obligations.

IT IS FURTHER ORDERED that pursuant to authority granted to the Commission under A.R.S. § 44-2036, that Respondent David E. Walsh shall pay the administrative penalty ordered

hereinabove in the amount of $60,000 payable by either cashier's check or money order payable to "the State of Arizona" and presented to the Arizona Corporation Commission for deposit in the general fund for the State of Arizona.

IT IS FURTHER ORDERED that if Respondent David E. Walsh fails to pay the administrative penalty ordered hereinabove, any outstanding balance plus interest at the rate of the lesser of ten percent per annum or at a rate per annum that is equal to one per cent plus the prime rate as published by the board of governors of the federal reserve system in statistical release H.15, or any publication that may supersede it on the date that the judgment is entered, may be deemed in default and shall be immediately due and payable, without further notice.

IT IS FURTHER ORDERED that if Respondent David E. Walsh fails to comply with this Order, any outstanding balance shall be in default and shall be immediately due and payable without notice or demand. The acceptance of any partial or late payment by the Commission is not a waiver of default by the Commission.

IT IS FURTHER ORDERED that default shall render Respondent David E. Walsh liable to the Commission for its cost of collection and interest at the maximum legal rate.

IT IS FURTHER ORDERED that if Respondent David E. Walsh fails to comply with this Order, the Commission may bring further legal proceedings against the Respondent, including application to the Superior Court for an Order of Contempt.

IT IS FURTHER ORDERED that Lorene Walsh is hereby dismissed from this proceeding.

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IT IS FURTHER ORDERED that pursuant to A.R.S. § 44-1974, upon application the Commission may grant a rehearing of this Order. The application must be received by the Commission at its offices within twenty calendar days after entry of this Order. Unless otherwise ordered, filing an application for rehearing does not stay this Order. If the Commission does not grant a rehearing within twenty calendar days after filing the application, the application is considered to be denied. No additional notice will be given of such denial.

IT IS FURTHER ORDERED that this Decision shall become effective immediately.

BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

CHAIRMAN COMMISSIONER

COMMISSIONER COMMISSIONER COMMISSIONER

IN WITNESS WHEREOF, I, ERNEST G. JOHNSON, Executive Director of the Arizona Corporation Commission, have hereunto set my hand and caused the official seal of the Commission to be affixed at the Capitol, in the City of Phoenix, this _____day of _____ 2012.

ERNEST G. JOHNSON
EXCUTIVE DIRECTOR

DISSENT _____

DISSENT _____

MES:db

SERVICE LIST FOR: DAVID E. WALSH AND LORENE WALSH D/B/A NEW YORK NETWORKS, INC., CHRISTOPHER A. JENSEN AND JULIE SHAYNE JENSEN, AND RODOLFO PRECIADO AND JANE DOE PRECIADO

DOCKET NO.: S-20726A-10-0062

David E. Walsh
540 Brickell Key Drive, Unit 1024
Miami, FL 33131

Matt Neubert, Director
Securities Division
ARIZONA CORPORATION COMMISSION
1300 West Washington Street
Phoenix, AZ 85007