

ORIGINAL

NEW APPLICATION



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BEFORE THE ARIZONA CORPORATION COMMISSION

Arizona Corporation Commission

DOCKETED

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ARIZONA CORPORATION COMMISSION
DOCKET CONTROL

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COMMISSIONERS

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

In the matter of:

MORRIE S. FRIEDMAN and
JUDITH ANN FRIEDMAN,
husband and wife,

Respondents.

DOCKET NO. S-20855A-12-0393

NOTICE OF OPPORTUNITY FOR HEARING
REGARDING PROPOSED ORDER TO
CEASE AND DESIST, ORDER FOR
RESTITUTION, ORDER FOR
ADMINISTRATIVE PENALTIES AND
ORDER 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 respondent MORRIE S. FRIEDMAN has engaged in acts, practices, and transactions that 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.

II.

RESPONDENT

2. MORRIE S. FRIEDMAN may be referred to as "FRIEDMAN" or "Respondent."
 3. FRIEDMAN was an Arizona resident at all relevant times.
 4. JUDITH ANN FRIEDMAN was at all relevant times the spouse of Respondent.
- JUDITH ANN FRIEDMAN may be referred to as "Respondent Spouse." Respondent Spouse is

1 joined in this action under A.R.S. § 44-2031(C) solely for purposes of determining the liability of the
2 marital community.

3 5. At all relevant times, Respondent was acting for Respondent's own benefit and for the
4 benefit or in furtherance of Respondent and Respondent Spouse's marital community.

5 **III.**

6 **FACTS**

7 **A. VIP* ComLink Stock Sales**

8 6. From as early as September, 2009 to as late as January, 2010, FRIEDMAN offered
9 and/or sold purported stock shares in the name VIP* ComLink, Inc. ("ComLink") in an amount
10 totaling at least \$69,625.

11 7. FRIEDMAN fostered a preexisting relationship of trust with an Arizona investor
12 ("Investor A"), including advising and assisting Investor A's relative with a mortgage transaction,
13 and informing Investor A that FRIEDMAN practices law in Illinois.

14 8. FRIEDMAN met Investor A in the fall of 2009 at an Arizona restaurant where he
15 initially mentioned the opportunity of an investment in a company named ComLink.

16 9. FRIEDMAN made numerous further contacts with Investor A until Investor A
17 agreed to invest through several rounds of purchases.

18 10. FRIEDMAN sold ComLink stock shares to Investor A in September and October,
19 2009 in the total amount of at least \$16,625. However, FRIEDMAN only provided Investor A
20 stock certificates representing \$15,000.

21 11. Investor A placed a total of at least \$16,625 into bank accounts as directed by
22 FRIEDMAN. Investor A learned during one deposit that her money was placed in an account
23 holding the name "Beyond Juice Meal in a Glass," a franchise smoothie company ("Beyond Juice")
24 which had itself been the subject of California Department of Corporations Desist and Refrain
25 actions discussed *below*.

26 12. FRIEDMAN represented and investor A believed at all times that her investment
would be made in ComLink.

1 13. Investor A made repeated demands on FRIEDMAN for stock certificates
2 representing the remainder of the investment, but FRIEDMAN gave only excuses until ceasing to
3 return communications altogether after approximately one year.

4 14. FRIEDMAN also solicited and sold ComLink stock to another investor (“Investor
5 B”) on various dates between September 2009 and January, 2011, totaling at least \$49,000.

6 15. FRIEDMAN caused Investor B’s funds to be deposited into a bank account held in
7 the name Beyond Juice Meal in a Cup.

8 16. In the course of the offer and sale, FRIEDMAN told Investor B that he would
9 receive approximately \$650,000 within just three months of his investment, representing an
10 annualized return of approximately 4,906% without a reasonable factual basis for the prediction.

11 17. Investor B has received no return from FRIEDMAN or ComLink.

12 18. FRIEDMAN also sold ComLink stock to another investor (“Investor C”) on or about
13 October 12, 2009 in the amount of at least \$4,000.

14 **B. Fraudulent Conduct**

15 19. FRIEDMAN provided Investor A with a document purporting to represent \$15,000
16 of stock in ComLink (the “Stock Certificate(s)”).

17 20. Though Investor A invested at least \$16,625, FRIEDMAN failed to deliver any
18 further Stock Certificates representing the remaining investment.

19 21. The Stock Certificate Friedman gave to Investor A contains many defects on its
20 face, including, without limitation:

21 a) Three digits of the “Shares Authorized” have been struck and replaced with
22 new digits without any apparent authorization for the change; and

23 b) A Previous CUSIP number was entirely struck and replaced with a new
24 number: 918239203. This number is not matched to any security in CUSIP database searches with
25 Fidelity investment and SallieMae.¹

26 ¹ Committee on Uniform Securities Identification Procedures numbers identify most securities, including: stocks of all registered U.S. and Canadian companies, and U.S. government and municipal bonds. The CUSIP system—owned by

29. This conduct violates A.R.S. § 44-1842.

VI.

VIOLATION OF A.R.S. § 44-1991

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

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

- a) Stating Respondent would use investor funds to purchase stock while failing to deliver stock certificates proving the entire value invested;
- b) Representing an annualized return of approximately 4,906% without a reasonable factual basis for the prediction;
- c) Providing fraudulent stock certificates;
- d) Soliciting offerees and investors while failing to inform them of past Regulatory and civil judgments against Respondent reflecting upon his business ability and/or past fraudulent acts.

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

VII.

REQUESTED RELIEF

The Division requests that the Commission grant the following relief:

- 1. Order Respondent to permanently cease and desist from violating the Securities Act pursuant to A.R.S. § 44-2032;

1 Persons with a disability may request a reasonable accommodation such as a sign language
2 interpreter, as well as request this document in an alternative format, by contacting Shaylin A.
3 Bernal, ADA Coordinator, voice phone number (602) 542-3931, e-mail sabernal@azcc.gov.
4 Requests should be made as early as possible to allow time to arrange the accommodation.
5 Additional information about the administrative action procedure may be found at
6 <http://www.azcc.gov/divisions/securities/enforcement/AdministrativeProcedure.asp>

7 **IX.**

8 **ANSWER REQUIREMENT**

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

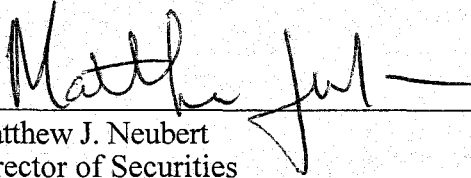
15 Additionally, the answering respondent must serve the Answer upon the Division. Pursuant
16 to A.A.C. R14-4-303, service upon the Division may be made by mailing or by hand-delivering a
17 copy of the Answer to the Division at 1300 West Washington, 3rd Floor, Phoenix, Arizona, 85007,
18 addressed to Steven Briggs.

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

23 When the answering respondent intends in good faith to deny only a part or a qualification
24 of an allegation, the respondent shall specify that part or qualification of the allegation and shall
25 admit the remainder. Respondent waives any affirmative defense not raised in the Answer.
26

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

3 Dated this Fourth day of September 2012.

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7 Matthew J. Neubert
8 Director of Securities
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