

ORIGINAL

OPEN MEETING ITEM

10/4/12



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COMMISSIONERS
GARY PIERCE, Chairman
BOB STUMP
SANDRA D. KENNEDY
PAUL NEWMAN
BRENDA BURNS A 8:25
ERNEST G. JOHNSON
EXECUTIVE DIRECTOR



DIRECTOR
SECURITIES DIVISION
1300 West Washington, Third Floor
Phoenix, AZ 85007
TELEPHONE: (602) 542-4242
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ARIZONA CORPORATION COMMISSION

MEMORANDUM

Arizona Corporation Commission
DOCKETED

SEP 21 2012

DOCKETED BY [Signature]

TO: Gary Pierce, Chairman
Bob Stump
Sandra D. Kennedy
Paul Newman
Brenda Burns

FROM: Matthew J. Neubert *MJN*
Director of Securities

DATE: September 17, 2012

RE: *In re Alonzo L. Russell, et al.*, Docket No. S-20518A-12-0120

CC: Ernest G. Johnson, Executive Director

Attached for your consideration is a proposed Order to Cease and Desist, Order for Restitution, and Order for Administrative Penalties ("Order") against Alonzo L. Russell, a single man, A. L. Russell & Associates LLC ("ALRA"), Re-Star LLC, and Re-Star Holdings LLC (collectively "Respondents").

Russell was the subject of a July 18, 2007 decision issued by the Commission. In Decision No. 69706, the Commission permanently revoked Russell's securities salesman registration and investment adviser representative license. The Commission also ordered that Russell—and any entity over which Russell exercises control, including future entities—permanently cease and desist from selling securities and providing investment advisory services in or from Arizona.

The Order finds that from approximately April 26, 2006 through June 2011, Russell and ALRA violated A.R.S. § 44-3151 by transacting business in Arizona as investment advisers or investment adviser representatives while not licensed or in compliance with Article 4 of the IM Act. Russell and ALRA also violated A.R.S. § 44-3242 by failing to inform clients about Decision No. 69706 and FINRA action against Russell. Additionally, Russell failed to disclose conflicts of interest and material aspects of the fees he was charging clients.

The Order further finds that Russell, Re-Star and Re-Star Holdings violated A.R.S. §§ 44-1841 and 44-1842 by offering and selling \$1,430,000 of unregistered securities in the form of

membership interests in Re-Star and Re-Star Holdings to 19 persons. These respondents also violated A.R.S. § 44-1991 by failing to inform these investors of Decision No. 69706.

The Order requires Respondents to permanently cease and desist from violating the Securities Act and the IM Act, to pay a \$150,000 administrative penalty, to pay restitution of \$530,525 to investment advisory clients, an additional \$31,045 to clients whom Russell charged for management of their Re-Star investment, and to pay restitution of \$1,305,000 to the Re-Star investors.

The Order is a default order. The Division served a copy of the Notice on A. L. Russell & Associates LLC, Re-Star LLC and Re-Star Holdings LLC by serving the Arizona Corporation Commission. The Division served Russell by publication. The times for requesting a hearing and answering the Notice passed without Respondents requesting a hearing or filing an answer.

The Division recommends the Order as appropriate, in the public interest and necessary for the protection of investors.

Originator: Ryan J. Millecam

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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

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

In the matter of:)
ALONZO L. RUSSELL, a single man;)
A. L. RUSSELL & ASSOCIATES LLC, an)
Arizona limited liability company;)
RE-STAR LLC, an Arizona limited liability)
company; and)
RE-STAR HOLDINGS LLC, an Arizona limited)
liability company,)
Respondents.)

DOCKET NO. S-20518A-12-0120

DECISION NO. _____

**ORDER TO CEASE AND DESIST,
ORDER FOR RESTITUTION, AND
ORDER FOR ADMINISTRATIVE
PENALTIES**

On April 24, 2012, the Securities Division (“Division”) of the Arizona Corporation Commission (“Commission”) filed an Amended 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 (the “Notice”) against respondents ALONZO L. RUSSELL, A. L. RUSSELL & ASSOCIATES LLC, RE-STAR LLC, and RE-STAR HOLDINGS LLC.

The deadlines for filing a request for a hearing and an answer to the Notice passed without RUSSELL, A. L. RUSSELL & ASSOCIATES LLC, RE-STAR LLC, or RE-STAR HOLDINGS LLC filing a request for hearing or an answer to the Notice.

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I.

Findings of Fact

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

5 2. Respondent RUSSELL is an individual who at all relevant times resided in
6 Maricopa County, Arizona. At all relevant times, RUSSELL offered and sold the investments and
7 provided the investment advice discussed further below within and from Arizona.

8 3. Respondent A. L. RUSSELL & ASSOCIATES LLC ("ALRA") is a manager-
9 managed Arizona limited liability company organized by RUSSELL on May 9, 2006.
10 RUSSELL was at all relevant times the manager of ALRA.

11 4. ALRA has not been licensed by the Commission as an investment adviser or
12 investment adviser representative.

13 5. Respondent RE-STAR LLC ("RE-STAR") is a manager-managed Arizona limited
14 liability company organized by RUSSELL on February 13, 2009. ALRA was at all relevant
15 times the manager of RE-STAR.

16 6. RE-STAR has not been registered by the Commission as a securities dealer.

17 7. Respondent RE-STAR HOLDINGS LLC ("RS HOLDINGS") is a manager-
18 managed Arizona limited liability company organized by RUSSELL on March 11, 2009. ALRA
19 was at all relevant times the manager of RS HOLDINGS. At all relevant times, RE-STAR was a
20 member of RS HOLDINGS.

21 8. RS HOLDINGS has not been registered by the Commission as a securities dealer.

22 **A. RUSSELL's Misconduct Giving Rise to Commission Decision No. 69706**

23 9. In 2001 RUSSELL was a registered securities salesman associated with AIG
24 Financial Services, Inc. ("AIG"), formerly SunAmerica Securities, Inc.

25 10. RUSSELL was also a licensed investment adviser representative associated with
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1 the Householder Group, Estate and Retirement Specialists (“Householder”).

2 11. In November 2001, RUSSELL directed one of his clients to sell \$50,000 of
3 mutual-fund shares in the customer’s AIG account and write a \$50,000 check to “GAA” to be
4 invested in an “equipment fund.”

5 12. A few years later, the client complained to AIG. AIG investigated the matter,
6 found that the equipment fund was not an AIG-approved investment fund, and, on April 26,
7 2006, terminated RUSSELL for violating company policy.

8 13. Based on these same facts, on April 26, 2006, Householder also terminated
9 RUSSELL.

10 14. Upon being terminated, RUSSELL was not associated with a licensed investment
11 adviser or a registered securities broker.

12 15. Consequently, as of April 26, 2006 RUSSELL’s investment adviser representative
13 license was automatically suspended per A.R.S. § 44-3158(B) and RUSSELL’s securities
14 salesman registration was automatically suspended per A.R.S. § 44-1949.

15 16. At around this same time, the Commission and the Financial Industry Regulatory
16 Authority (FINRA) (formerly known as the National Association of Securities Dealers), began
17 investigating RUSSELL. FINRA regulates securities brokers and dealers under the authority of
18 the U.S. Securities and Exchange Commission.

19 17. FINRA’s investigation resulted in a February 26, 2007 “Letter of Acceptance,
20 Waiver and Consent” barring RUSSELL from association with any FINRA member in any
21 capacity.

22 18. The Commission’s investigation resulted in Commission Decision No. 69706 (the
23 “Order”). In the Order, the Commission found that after receiving the check from the client,
24 RUSSELL deposited the \$50,000 into his own Bank of America account and used the money at
25 clothing stores, restaurants and golf courses.

1 19. The Order documents the Commission's permanent revocation of RUSSELL's
2 securities salesman registration and investment adviser representative license. It also includes
3 the Commission's order that RUSSELL permanently cease and desist from selling securities in or
4 from Arizona without being registered as a dealer or salesman.

5 20. In the section of the Order titled "Consent to Entry of Order," executed by
6 RUSSELL, RUSSELL expressly agreed that: (a) he would "not exercise any control over any
7 entity that offers or sells securities or provides investment advisory services within or from
8 Arizona at any time in the future"; and (b) he would "not sell any securities in or from Arizona"
9 and would "not transact business in Arizona as an investment adviser or investment adviser
10 representative in or from Arizona."

11 21. The Order required RUSSELL to pay restitution of \$50,000 and penalties of
12 \$20,000 plus interest at the rate of 10% per annum accruing respectively from the date of
13 purchase and the date of the Order.

14 22. At the time of the Order, RUSSELL paid \$30,000 of damages. He made no
15 further payments.

16 23. The remaining \$20,000 of restitution and \$20,000 of penalties, along with accrued
17 interest, are still outstanding. As noted in the Order, these amounts are to be offset by the
18 \$6,786.66 "interest" payments made by RUSSELL to the customer.

19 **B. RUSSELL's Continued Provision of Investment Advisory Services**

20 24. In spite of the Order, RUSSELL continued to advise clients for compensation as
21 to the value of securities, the advisability of investing, purchasing or selling securities and
22 providing financial planning services.

23 25. After AIG and Householder terminated RUSSELL on April 26, 2006, RUSSELL
24 told his existing investment advisory clients that RUSSELL was leaving AIG due to a dispute
25 over commissions that AIG supposedly owed to RUSSELL. RUSSELL explained to his clients
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1 that he was going to run his own investment-adviser/consulting business.

2 26. RUSSELL informed clients that, if they wished to continue using him for
3 financial services, they could transfer their AIG accounts to accounts held by Fidelity
4 Investments ("Fidelity").

5 27. RUSSELL persuaded clients to transfer their investment and retirement accounts
6 from AIG's custody to Fidelity to be managed by RUSSELL.

7 28. Beginning in June 2006, and for the next several years, RUSSELL acquired
8 "limited trading authorization" for 147 Fidelity accounts held by 70 different persons (some of
9 which were couples or trusts).

10 29. RUSSELL obtained the limited trading authorization for 30 of these accounts after
11 the effective date of the Order.

12 30. The assets in these accounts consisted of mutual funds, stocks, bonds and other
13 securities.

14 31. As stated in Fidelity's authorization forms, "Limited trading authorization"
15 allowed RUSSELL "to inquire in, trade, buy, sell (including short sales), exchange, convert,
16 tender, trade or otherwise acquire or dispose of stocks, bonds, securities, and other investments,
17 on margin or otherwise, including the purchase and/or sale of option contracts, for and at [the
18 account holder's] risk."

19 32. RUSSELL used this authorization to, among other things, invest his clients' funds
20 in the above-described securities and control the purchase and sale orders of securities in each
21 client's Fidelity account(s).

22 33. As an integral part of RUSSELL's business, RUSSELL and ALRA would send
23 each client quarterly invoices on ALRA stationary. The invoices were labeled "Financial
24 Planning Service Fee Invoice."

25 34. Each invoice displayed the value of that respective client's asset portfolio under
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1 RUSSELL's management.

2 35. The invoices also included the fees RUSSELL charged his clients for the
3 investment advisory services he provided.

4 36. The compensation that a client paid to RUSSELL consisted of a quarterly fee
5 equal to one quarter of one percent (0.25%) of the value of the total assets that RUSSELL
6 managed for the client; for total annual compensation of 1% of the value of the assets over which
7 RUSSELL had trading authority.

8 37. The asset value used in the invoices was the value of the assets at the beginning of
9 the respective quarter.

10 38. The invoices included instructions telling clients they could pay by check, credit
11 card or account bill pay.

12 39. In 2006 and 2007, invoices instructed clients to make the payments to "General
13 Administration and Accounting, LLC, our accounting firm"; this entity is a manager-managed
14 Arizona limited liability company managed by RUSSELL. By 2008, the invoices instructed
15 clients to make the payments to ALRA.

16 40. For the period beginning June 2006 and ending December 2010 (when Fidelity
17 removed RUSSELL's trading authorization from client accounts), RUSSELL billed clients for
18 managing the clients' Fidelity accounts a total of at least \$530,525.

19 41. RUSSELL also billed 19 persons—18 of whom were his investment advisory
20 clients—a management fee for the value of each client's investment in RUSSELL's house-resale
21 business (described in more detail below). These 19 persons purchased membership interests in
22 RE-STAR and RS HOLDINGS (the "Membership Interests").

23 42. There was no written agreement between these 19 persons to pay RUSSELL or
24 ALRA a commission for "management" of the Membership Interests. Rather, the only payment
25 terms disclosed to Membership Interest holders were contained in RE-STAR's operating
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1 agreement, which described a fixed compensation that RE-STAR (not the company members)
2 would pay to the manager(s).

3 43. Under RE-STAR's operating agreement, RE-STAR members were not required to
4 make additional capital contributions. In spite of this, RUSSELL and ALRA charged each
5 Membership Interest holder a quarterly management fee of .25% of the value of that person's
6 Membership Interest.

7 44. This fee was billed on invoices that ALRA sent to the Re-Star Investors; the Re-
8 Star Investors' quarterly payments went to ALRA, not RE-STAR.

9 45. For the 18 Re-Star Investors who were also RUSSELL/ALRA clients, the
10 quarterly invoices that ALRA sent to these 18 Re-Star Investors for RUSSELL's advisory
11 services showed the value of the Membership Interest along with the value of the other accounts
12 managed by RUSSELL. And the fee for management of the Membership Interest was included
13 in the total fee due for all services provided by RUSSELL and ALRA.

14 46. For the eight-quarter period beginning July 1, 2009 and ending March 31, 2011
15 RUSSELL billed clients for managing the client's Membership Interests in RE-STAR a total of
16 at least \$31,045.

17 **C. Material Omissions and Misrepresentations in the Provision of Investment Advisory**
18 **Services**

19 47. RUSSELL did not truthfully inform his existing clients of the conduct giving rise
20 to his termination from AIG and Householder and the FINRA and Commission proceedings
21 against RUSSELL as set forth in the Order.

22 48. Rather, RUSSELL told clients that he left AIG due to a dispute over commissions
23 with AIG.

1 49. RUSSELL did not inform clients that ALRA was not a licensed investment
2 adviser and that, after his termination from Householder, RUSSELL was not a licensed
3 investment adviser representative and he was not associated with a licensed investment adviser.

4 50. RUSSELL did not inform his existing clients of the FINRA action barring
5 RUSSELL from association with FINRA members.

6 51. RUSSELL did not inform his existing clients of the Order.

7 52. RUSSELL also acquired clients after the FINRA action and after the Commission
8 issued its Order. RUSSELL did not inform these clients of the FINRA action or the Order prior
9 to entering into an agreement to provide investment advisory services for these clients.

10 53. RUSSELL and ALRA charged clients a management fee after RUSSELL was
11 suspended from transacting investment advisory business and continued providing investment
12 advisory services for compensation after the Order expressly barred him from transacting
13 business as an investment adviser or investment adviser representative.

14 54. RUSSELL did not disclose to the 18 Re-Star Investors who were also investment
15 advisory clients the commission payment structure for management of each client's Membership
16 Interest, much less any conflicts of interest created by such commission payment structure.

17 55. This commission consisted of RUSSELL charging the Re-Star Investors quarterly
18 management fees for managing the Membership Interests equal to .25% of the value of the
19 Membership Interests. RUSSELL was responsible for determining the value of the Membership
20 Interests reported by RUSSELL to the Re-Star Investors. These values, as shown in invoices
21 sent to Re-Star Investors and the Valuation Statement (described below), showed the principal
22 value of the Membership Interests increased by 11 to 17.7% in 2009 (before the business had
23 sold a single property) and by 14 to 19% in 2010.

24 56. These reported value increases, in turn, determined RUSSELL's management fee
25 for the Membership Interests. As a result, RUSSELL had an economic incentive to overstate the
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1 value of the Membership Interests.

2 57. RUSSELL did not inform his clients who were RE-STAR Investors of the conflict
3 of interest created by this commission payment.

4 **D. Sale of LLC Membership Interests**

5 58. Beginning in early 2009, RUSSELL approached several of his existing clients
6 about investing in a house-flipping venture, i.e. purchasing, rehabilitating and selling residential
7 properties. The venture would be managed by RUSSELL.

8 59. To raise a pool of capital to fund his house-flipping business, RUSSELL sold the
9 Membership Interests within and from Arizona.

10 60. By July 2009, 19 persons—18 of whom were existing clients—had invested
11 \$1,430,000 by purchasing Membership Interests in RE-STAR and RS HOLDINGS (these 19
12 persons, the “Re-Star Investors”). The investment date, principal investment amount, and
13 repayment amount, if any, are set forth in *Exhibit A*, attached to this Order.

14 61. In exchange for their investment, RUSSELL prepared and caused to be provided
15 to Re-Star Investors an operating agreement titled “Re-Star Operating Agreement” dated
16 February 1, 2009 (the “Operating Agreement”). The Operating Agreement vested exclusive
17 authority to manage the business in the Manager, i.e., RUSSELL.

18 62. RUSSELL controlled RE-STAR, RS HOLDINGS and their business. The Re-
19 Star Investors did not participate in the business and the Re-Star Investors depended on the
20 efforts of RUSSELL to make the house-flipping business successful and to realize a return on
21 their investments.

22 63. RUSSELL selected the properties to be purchased and rehabilitated, controlled the
23 rehabilitation, and controlled the sale of the properties.

24 64. From April 24 through July 29, 2011, RE-STAR and its related entity, Re-Star
25 Properties, purchased seven properties—six in Maricopa County and one in Pinal County.

1 65. To purchase these properties and conduct its business, RE-STAR pooled investor
2 funds. Five Re-Star Investors invested amounts that were insufficient to purchase even the
3 lowest-priced home purchased by RE-STAR in 2009, with a purchase price of \$42,500.
4 Additionally, no single investor invested enough to purchase the two homes with the highest
5 purchase prices: \$160,125 and \$204,750.

6 66. In early 2010, RUSSELL provided Re-Star Investors with a document containing
7 a valuation of Membership Interests for the fourth quarter of 2009 showing a 17.7% increase in
8 value of the Membership Interests.

9 67. Additionally, in the invoices sent to clients for RUSSELL's management fee of
10 the Membership Interests, RUSSELL showed increases in value that varied from 11% to 19%.

11 68. Other than these purported increases, no RE-STAR Investors have realized an
12 increase in value on their Membership Interests.

13 69. Only one RE-STAR Investor, an Arizona couple, after hiring an attorney and
14 threatening to sue, received a return of its \$125,000 investment.

15 70. No other Re-Star Investors have received any returns on their investment.

16 71. At present, the business does not own any properties and does not appear to be
17 operational.

18 **E. Material Misstatements and Misrepresentations in the Offer and Sale of the**
19 **Membership Interests**

20 72. In obtaining investor funds, RUSSELL failed to disclose the Commission's Order
21 to the Re-Star Investors.

22 73. RUSSELL also failed to disclose the conduct leading to his termination from
23 Householder and AIG.

24 74. As found in the Order, the conduct leading to RUSSELL's termination involved
25 dishonesty and misappropriation of client funds.

1 or courses of business that operated or would operate as a fraud or deceit. Respondents RUSSELL
2 and ALRA's conduct includes, but is not limited to, the following:

3 a) Violating A.C.C. R14-6-209 by failing to disclose to clients or prospective
4 clients the Order and the FINRA order against Russell; and

5 b) Failing to make the statement that RUSSELL was receiving fixed salary
6 and compensation from RE-STAR for managing the Membership Interests not misleading
7 by omitting to inform clients who were Re-Star Investors that RUSSELL and ALRA were
8 receiving quarterly commission payments equal to .25% of the value of the Membership
9 Interests from Re-Star Investors. RUSSELL further failed to disclose the conflict of
10 interest created by his responsibility to determine the value of the Membership Interests
11 and his economic incentive to overstate the value of the Membership Interests.

12 4. Respondents RUSSELL, RE-STAR and RS HOLDINGS offered or sold securities
13 within or from Arizona, within the meaning of A.R.S. §§ 44-1801(15), 44-1801(21), and 44-
14 1801(26).

15 5. Respondents RUSSELL, RE-STAR and RS HOLDINGS violated A.R.S. § 44-
16 1841 by offering or selling securities that were neither registered nor exempt from registration.

17 6. Respondents RUSSELL, RE-STAR and RS HOLDINGS violated A.R.S. § 44-
18 1842 by offering or selling securities while neither registered as a dealer or salesman nor exempt
19 from registration.

20 7. Respondents RUSSELL, RE-STAR and RS HOLDINGS violated A.R.S. § 44-
21 1991 by (a) employing a device, scheme, or artifice to defraud, (b) making untrue statements or
22 misleading omissions of material facts, and (c) engaging in transactions, practices, or courses of
23 business that operate or would operate as a fraud or deceit. Respondents' conduct includes, but is
24 not limited to, the following:

25 a) Failure to disclose FINRA's and the Commission's actions against
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1 RUSSELL;

2 b) Failure to disclose that RUSSELL had been barred from selling securities
3 and the conditions leading to his bar; and

4 c) Failure to disclose that Re-Star Investors would pay quarterly commission
5 payments to RUSSELL and ALRA equal to .25% of the reported value of the
6 Membership Interests.

7 8. RUSSELL directly or indirectly controlled Respondents RE-STAR and RS
8 HOLDINGS within the meaning of A.R.S. § 44-1999. As a result, RUSSELL is jointly and
9 severally liable with, and to the same extent as these entities for their violations of the anti-fraud
10 provisions of the Securities Act set forth above.

11 9. Respondents' conduct is grounds for a cease and desist order pursuant to A.R.S. §§
12 44-2032 & 44-3292.

13 10. Respondents' conduct is grounds for an order of restitution pursuant to A.R.S. §§ 44-
14 2032 & 44-3292.

15 11. Respondents' conduct is grounds for administrative penalties pursuant to A.R.S. §§
16 44-2036 & 44-3296.

17 **III.**

18 **ORDER**

19 THEREFORE, on the basis of the Findings of Fact and Conclusions of Law, the
20 Commission finds that the following relief is appropriate, in the public interest, and necessary for
21 the protection of investors:

22 IT IS ORDERED, pursuant to A.R.S. § 44-2032 and A.R.S. § 44-3292, that Respondents,
23 and any of Respondents' agents, employees, successors and assigns, permanently cease and desist
24 from violating the Securities Act and the IM Act.

1 IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2032, that respondents RUSSELL,
2 RE-STAR and RS HOLDINGS shall jointly and severally pay restitution to the Commission in the
3 principal amount of \$1,305,000, plus interest from the date of purchase until paid in full, subject to
4 legal setoffs pursuant to A.A.C. R14-4-308, as shown in the attached *Exhibit A*. Payment is due in
5 full on the date of this Order. Payment shall be made to the "State of Arizona" to be placed in an
6 interest-bearing account controlled by the Commission.

7 IT IS FURTHER ORDERED that the restitution ordered in the preceding paragraph will
8 accrue interest at the rate of the lesser of (i) ten percent per annum or (ii) at a rate per annum that is
9 equal to one per cent plus the prime rate as published by the board of governors of the federal
10 reserve system in statistical release H.15 or any publication that may supersede it on the date that
11 the judgment is entered.

12 The Commission shall disburse the funds on a pro-rata basis to investors shown on the
13 records of the Commission. Any restitution funds that the Commission cannot disburse because an
14 investor refuses to accept such payment, or any restitution funds that cannot be disbursed to an
15 investor because the investor is deceased and the Commission cannot reasonably identify and
16 locate the deceased investor's spouse or natural children surviving at the time of the distribution,
17 shall be disbursed on a pro-rata basis to the remaining investors shown on the records of the
18 Commission. Any funds that the Commission determines it is unable to or cannot feasibly disburse
19 shall be transferred to the general fund of the state of Arizona.

20 IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-3292 respondents RUSSELL and
21 ALRA shall jointly and severally pay restitution to the Commission in the principal amount of
22 \$561,570, plus interest from the date of this Order, until paid in full, subject to legal setoffs
23 pursuant to A.A.C. R14-4-308. Payment is due in full on the date of this Order. Payment shall be
24 made to the "State of Arizona" to be placed in an interest-bearing account controlled by the
25 Commission.

1 IT IS FURTHER ORDERED that the restitution ordered in the preceding paragraph will
2 accrue interest at the rate of the lesser of (i) ten percent per annum or (ii) at a rate per annum that is
3 equal to one per cent plus the prime rate as published by the board of governors of the federal
4 reserve system in statistical release H.15 or any publication that may supersede it on the date that
5 the judgment is entered.

6 The Commission shall disburse the funds on a pro-rata basis to investment advisory clients
7 shown on the records of the Commission. Any restitution funds that the Commission cannot
8 disburse because a client refuses to accept such payment, or any restitution funds that cannot be
9 disbursed to a client because the client is deceased and the Commission cannot reasonably identify
10 and locate the deceased client's spouse or natural children surviving at the time of the distribution,
11 shall be disbursed on a pro-rata basis to the remaining clients shown on the records of the
12 Commission. Any funds that the Commission determines it is unable to or cannot feasibly disburse
13 shall be transferred to the general fund of the state of Arizona.

14 IT IS FURTHER ORDERED, pursuant to A.R.S. §§ 44-2036 and 44-3296, that
15 Respondents shall pay an administrative penalty in the amount of \$150,000. Payment is due in full
16 on the date of this Order. Payment shall be made to the "State of Arizona." Any amount
17 outstanding shall accrue interest as allowed by law.

18 IT IS FURTHER ORDERED that the administrative penalty ordered in the preceding
19 paragraph will accrue interest at the rate of the lesser of (i) ten percent per annum or (ii) at a rate
20 per annum that is equal to one per cent plus the prime rate as published by the board of governors
21 of the federal reserve system in statistical release H.15 or any publication that may supersede it on
22 the date that the judgment is entered.

23 IT IS FURTHER ORDERED that the payments received by the state of Arizona will first
24 be applied to the restitution obligation. Upon payment in full of the restitution obligation,
25 payments will be applied to the penalty obligation.

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

7 IT IS FURTHER ORDERED, that if Respondents fail to comply with this order, the
8 Commission may bring further legal proceedings against Respondents, including application to the
9 superior court for an order of contempt.

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IT IS FURTHER ORDERED that this Order 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
EXECUTIVE DIRECTOR

DISSENT

DISSENT

This document is available in alternative formats by contacting Shaylin A. Bernal, ADA
Coordinator, voice phone number 602-542-3931, e-mail sabernal@azcc.gov.

(rjm)

Exhibit ARe-Star Investor investment date, principal investment amount, and repayment amount

Investor	Investment Date	Original Investment Amount	Money Returned	Restitution Owed at Order Date
1	03/03/09	100,000.00		100,000.00
2	06/30/09	75,000.00		75,000.00
3	03/11/09	125,000.00		125,000.00
4	06/30/09	90,000.00		90,000.00
5	04/30/09	20,000.00		20,000.00
6	06/30/09	125,000.00		125,000.00
7	06/30/09	10,000.00		10,000.00
8	06/30/09	25,000.00		25,000.00
9	04/02/09	45,000.00		45,000.00
10	06/30/09	125,000.00		125,000.00
11	04/14/09	65,000.00		65,000.00
12	06/30/09	80,000.00		80,000.00
13	05/21/09	125,000.00	125,000.00	0
14	06/30/09	75,000.00		75,000.00
15	03/04/09	125,000.00		125,000.00
16	03/11/09	20,000.00		20,000.00
17	06/30/09	80,000.00		80,000.00
18	03/03/09	100,000.00		100,000.00
19	03/11/09	20,000.00		20,000.00
		Total Investments:		Total Owed at Order Date:
		1,430,000.00		1,305,000.00

1 SERVICE LIST FOR ALONZO L. RUSSELL, A.L. RUSSELL & ASSOCIATES LLC, RE-STAR
2 LLC, AND RE-STAR HOLDINGS LLC.

3 Alonzo L. Russell
4 520 South Spur St.
5 Mesa, Arizona 85204

6 A. L. Russell & Associates LLC
7 1757 East Baseline Road, #138
8 Gilbert, Arizona 85233

9 Re-Star LLC
10 1757 East Baseline Road, #138
11 Gilbert, Arizona 85233

12 Re-Star Holdings LLC
13 1757 East Baseline Road, #138
14 Gilbert, Arizona 85233

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1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2
3 COMMISSIONERS

4 GARY PIERCE, Chairman
5 BOB STUMP
6 SANDRA D. KENNEDY
7 PAUL NEWMAN
8 BRENDA BURNS

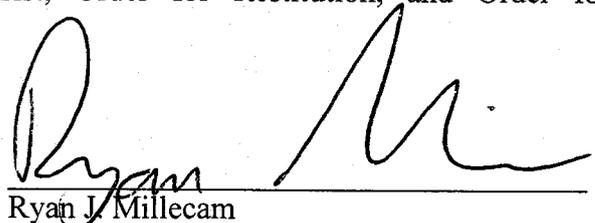
7 In the matter of:)
8)
9 ALONZO L. RUSSELL, a single man;)
10)
11 A. L. RUSSELL & ASSOCIATES LLC, an)
12 Arizona limited liability company;)
13)
14 RE-STAR LLC, an Arizona limited liability)
15 company; and)
16)
17 RE-STAR HOLDINGS LLC, an Arizona limited)
18 liability company,)
19)
20 Respondents.)

DOCKET NO. S-20518A-12-0120

**NOTICE OF FILING OF PROPOSED
OPEN MEETING AGENDA ITEM**

16 Pursuant to A.A.C. R14-4-303, you are hereby notified that the Securities Division of the
17 Arizona Corporation Commission filed with the Arizona Corporation Commission's Docket
18 Control the attached Order to Cease and Desist, Order for Restitution, and Order for
19 Administrative Penalties.

20 Dated: 9/21/12

21 By: 
22 Ryan J. Millicam
23 Attorney for the Securities Division of the
24 Arizona Corporation Commission

1 I hereby certify that I have this day served the foregoing document on all parties of record
2 in this proceeding by mailing a copy thereof, properly addressed with first class postage prepaid to:

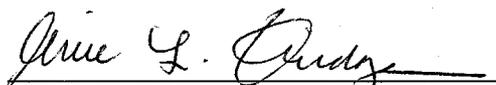
3 Alonzo L. Russell
4 520 South Spur St.
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9 Re-Star LLC
10 1757 East Baseline Road, #138
11 Gilbert, Arizona 85233

12 Re-Star Holdings LLC
13 1757 East Baseline Road, #138
14 Gilbert, Arizona 85233

15 Dated: 9/21/12

16 By: 
17 Emie R. Bridges, Executive Assistant

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