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BEFORE THE ARIZONA CORPORATION COMMISSION

Arizona Corporation Commission

COMMISSIONERS

2012 OCT 26 P 3:20 DOCKETED

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

AZ CORP COMMISSION OCT 26 2012
DOCKET CONTROL

DOCKETED BY *JM*

In the matter of: MORRIE S. FRIEDMAN and JUDITH ANN FRIEDMAN, husband and wife, Respondents.) DOCKET NO. S-20855A-12-0393)) 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
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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. Beyond Juice Inc. Shares**

15 19. On or about November 16, 2006, FRIEDMAN sold 60,000 shares of Beyond Juice,
16 Inc. common stock to an Arizona Resident (“Investor D”) in an amount totaling \$10,000.

17 20. FRIEDMAN did not provide Investor D with a private offerings memorandum or
18 any other offering materials.

19 21. Prior to investing, FRIEDMAN informed Investor D that Beyond Juice, Inc. would
20 soon be going public, resulting in an increase in value of the stock. FRIEDMAN had no reasonable
21 factual basis for the prediction. In fact, FRIEDMAN had made the same claim to at least one
22 investor in another state as early as January, 2004.

23 22. By 2008, FRIEDMAN informed investor D that Beyond Juice, Inc. still had not
24 gone public. Beyond Juice has not become a publicly traded company at any time through the
25 present.

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C. Fraudulent Conduct

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2 23. FRIEDMAN provided Investor A with a document purporting to represent \$15,000
3 of stock in ComLink (the "Stock Certificate(s)")

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

6 25. FRIEDMAN advised Investor D that Beyond Juice, Inc. stock would be going
7 public without a sound factual basis for doing so.

8 26. FRIEDMAN did not inform any offeree or investor that FRIEDMAN had judgment
9 entered against him in a civil law suit brought in the United States District Court for the District of
10 South Carolina, Charleston Division on September 5, 2003, entitled Lauren Meek v. Morrie
11 Friedman, action number C.A. No. 2:03-2867-23, and alleging fraud and misrepresentation related
12 to Beyond Juice. (the "South Carolina Action")

13 27. FRIEDMAN further failed to mention to Investor A and/or any other Investor(s) that
14 FRIEDMAN, had been the subject of two Desist and Refrain Orders by the California Corporations
15 Commissioner dated on or about April 28, 2006 and February 23, 2009 (the "California Actions")
16 in connection with Beyond Juice, into whose bank account FRIEDMAN directed investors to
17 deposit funds.

18 28. FRIEDMAN did not inform the ComLink offerees nor investors of either the
19 California or the South Carolina Actions prior to investing.

20 **IV.**

21 **VIOLATION OF A.R.S. § 44-1841**

22 **(Offer or Sale of Unregistered Securities)**

23 29. From on or about September, 2009 to as late as January, 2010 Respondent offered or
24 sold securities in the form of VIP* ComLink Inc. Stock within or from Arizona.

25 30. On or about November 16, 2006, FRIEDMAN sold shares of Beyond Juice, Inc.
26 common stock within or from Arizona.

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;
2. Order Respondent to take affirmative action to correct the conditions resulting from Respondent's acts, practices, or transactions, including a requirement to make restitution pursuant to A.R.S. § 44-2032;
3. Order Respondent to pay the state of Arizona administrative penalties of up to five thousand dollars (\$5,000) for each violation of the Securities Act, pursuant to A.R.S. § 44-2036;
4. Order Respondent to pay the state of Arizona administrative penalties, pursuant to A.R.S. § 44-1961;
5. Order that the marital community of Respondent and Respondent Spouse be subject to any order of restitution, rescission, administrative penalties, or other appropriate affirmative action pursuant to A.R.S. § 25-215; and
6. Order any other relief that the Commission deems appropriate.

VIII.

HEARING OPPORTUNITY

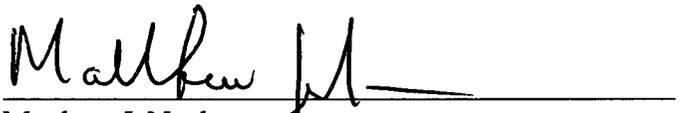
Respondent and/or Respondent Spouse may request a hearing pursuant to A.R.S. § 44-1972 and A.A.C. R14-4-306. **If Respondent or Respondent Spouse requests a hearing, the requesting respondent must also answer this Notice.** A request for hearing must be in writing and received by the Commission within 10 business days after service of this Notice of Opportunity for Hearing. The requesting respondent must deliver or mail the request to Docket Control, Arizona Corporation Commission, 1200 W. Washington, Phoenix, Arizona 85007. Filing instructions may be obtained from Docket Control by calling (602) 542-3477 or on the Commission's Internet web site at <http://www.azcc.gov/divisions/hearings/docket.asp>.

1 sufficient knowledge or information shall be considered a denial of an allegation. An allegation not
2 denied shall be considered admitted.

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

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

8 Dated this Fourth day of September 2012.

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11 Matthew J. Neubert
12 Director of Securities
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