

**ORIGINAL**

**NEW APPLICATION**



**BEFORE THE ARIZONA CORPORATION COMMISSION**

COMMISSIONERS

BOB STUMP, Chairman  
GARY PIERCE  
BRENDA BURNS  
BOB BURNS  
SUSAN BITTER SMITH

RECEIVED  
AZ CORP COMMISSION  
DOCKET CONTROL

2013 APR 16 PM 1:00

Arizona Corporation Commission  
**DOCKETED**

APR 16 2013

DOCKETED BY ne

In the matter of:  
3T OPTIONS, LLC, an Arizona limited liability company,  
TYRONE L. BROOKS, an individual man,  
Respondents.

DOCKET NO. S-20881A-13-0106  
**NOTICE OF OPPORTUNITY FOR HEARING REGARDING PROPOSED ORDER TO CEASE AND DESIST, FOR RESTITUTION, FOR ADMINISTRATIVE PENALTIES, AND 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 respondents 3T Options, LLC and Tyrone L. Brooks have engaged in acts, practices, and transactions that constitute violations of the Arizona Investment Management Act, A.R.S. § 44-3101 *et seq.* ("IM Act").

**I.  
JURISDICTION**

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

**II.  
RESPONDENTS**

2. 3T Options, LLC ("3T") is an Arizona limited liability company organized on October 9, 2009.



1 f) The Client would receive monthly statements;

2 g) The Client would pay 3T a commission that would be billed on the third  
3 Friday of each month based on the gross value of the Client's account at the end of the preceding  
4 month;

5 h) The 3T commission varied and in certain instances would be "0% on the first  
6 6% gain each month and 100% of any gain above 6% each month." Certain Clients were charged  
7 a fee of "0% on the first 6%, 50% on the next 4% up to a maximum of 10% per month.";

8 i) In certain instances, 3T would "guarantee 6% a month for the first six  
9 month" (sic); and

10 j) The amount of funds to be invested was stated.

11 9. BROOKS would sign the IA Agreement on behalf of 3T.

12 10. Respondents submitted monthly 3T statements to Clients, which contained the  
13 Clients' beginning investment balances and their respective monthly interest amounts earned.

14 11. For example, in one instance Respondents sent a February 2011 3T monthly  
15 statement to a Client that showed that a return of six percent (6%) or greater had been earned for  
16 four straight months and that the Client's account balance had grown from \$15,000 to \$19,188.

17 12. In another instance, Respondents submitted a 3T Client statement for October 2011.  
18 The Client statement detailed that the Client had earned over thirty-three percent (33%) in interest  
19 from the original investment of \$10,000 made in April 2011.

20 13. Between August 2010 through May 2011, Respondents entered investment advisory  
21 agreements with at least eight Clients with a total of at least \$100,000 under management.

22 14. Nearly all Client funds were deposited into an Arizona Federal Credit Union account  
23 # XXXX36 ("AZFU# XXXX36"), which BROOKS is the signer on the account.

24 15. Prior to February 2011, certain investors requested disbursements or withdrawals of  
25 funds from their 3T accounts. BROOKS represented to certain individuals that he was unable to  
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1 liquidate their accounts or disburse funds because the accounts had been “frozen” due to a United  
2 States Securities and Exchange Commission (“SEC”) review.

3 16. In February 2011, BROOKS sent a correspondence to investors stating that “all  
4 assets currently managed by 3T Options” have been transferred to TD Ameritrade. Further,  
5 BROOKS stated that the “SEC must approve the process” before he could update and confirm each  
6 Client’s account balance.

7 17. In fact, no Client funds were directly transferred to TD Ameritrade from AZFU#  
8 XXXX36, where the Client funds were deposited. As a result, the Client funds could not have been  
9 invested by BROOKS or used to place investment trades at TD Ameritrade.

10 18. Respondents also represented that Client funds were segregated into separate  
11 brokerage accounts at TD Ameritrade; however, Client funds were commingled into AZFU#  
12 XXXX36 and were not transferred to TD Ameritrade.

13 19. Only a small portion of Client funds were actually used for possible trading. During  
14 the relevant timeframe, Respondents made two transfers from AZFU# XXXX36, on April 12, 2011  
15 and May 4, 2011, that totaled \$7,652, to AMP Global Clearing. Pursuant to its website, AMP  
16 Global Clearing is a Chicago-based Futures Commission Merchant providing access to the global  
17 electronic futures markets for individual traders, US & Foreign introducing brokerages, CTAs, 3rd  
18 Party & API Developers.

19 20. Respondents represented to Clients that Respondents would be prohibited from  
20 withdrawing the Clients’ funds from the account and that Respondents would only reallocate the  
21 assets in the account; however, during the relevant timeframe, Respondent BROOKS withdrew  
22 approximately \$28,000 in cash withdrawals and disbursed approximately \$34,000 to himself in the  
23 form of checks or bank transfers.

24 21. For all relevant times, Respondents were not licensed as investment advisers or  
25 investment advisory representatives with the Commission.

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1 IV.

2 VIOLATION OF A.R.S. § 44-3151

3 (Transactions by Unlicensed Investment Advisers  
4 or Investment Adviser Representatives)

5 22. Respondents transacted business in Arizona as investment advisers or investment  
6 adviser representatives while not licensed or in compliance with Article 4 of the IM Act.

7 23. This conduct violates A.R.S. § 44-3151.

8 V.

9 VIOLATION OF A.R.S. § 44-3241

10 (Fraud in the Provision of Investment Advisory Services)

11 24. Respondents engaged in a transaction or transactions within or from Arizona involving  
12 the provision of investment advisory services in which Respondents, directly or indirectly: (i)  
13 employed a device, scheme, or artifice to defraud; (ii) made untrue statements of material fact or  
14 omitted to state material facts that were necessary in order to make the statements made not misleading  
15 in light of the circumstances under which they were made; (iii) misrepresented professional  
16 qualifications with the intent that the client rely on the misrepresentation; or (iv) engaged in  
17 transactions, practices, or courses of business that operated or would operate as a fraud or deceit.  
18 Respondents' conduct includes, but is not limited to, the following:

19 a) Submitted monthly statements to Clients that misrepresented interest earned  
20 based on Respondents' management and trading of the Clients' funds, when in fact the bulk of Clients'  
21 funds in the AZFU# XXXX36 bank account were never directly transferred to TD Ameritrade or  
22 another known brokerage firm;

23 b) Misrepresented that Client funds were segregated into separate brokerage  
24 accounts at TD Ameritrade; however, Client funds were commingled into AZFU# XXXX36 and were  
25 not transferred to TD Ameritrade;

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1 respondent must deliver or mail the request to Docket Control, Arizona Corporation Commission,  
2 1200 W. Washington, Phoenix, Arizona 85007. Filing instructions may be obtained from Docket  
3 Control by calling (602) 542-3477 or on the Commission's Internet web site at  
4 <http://www.azcc.gov/divisions/hearings/docket.asp>.

5 If a request for a hearing is timely made, the Commission shall schedule the hearing to begin  
6 20 to 60 days from the receipt of the request unless otherwise provided by law, stipulated by the  
7 parties, or ordered by the Commission. If a request for a hearing is not timely made the Commission  
8 may, without a hearing, enter an order granting the relief requested by the Division in this Notice of  
9 Opportunity for Hearing.

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

## 16 VIII.

### 17 ANSWER REQUIREMENT

18 Pursuant to A.A.C. R14-4-305, if a Respondent or a Respondent Spouse requests a hearing,  
19 the requesting respondent must deliver or mail an Answer to this Notice of Opportunity for Hearing  
20 to Docket Control, Arizona Corporation Commission, 1200 W. Washington, Phoenix, Arizona  
21 85007, within 30 calendar days after the date of service of this Notice. Filing instructions may be  
22 obtained from Docket Control by calling (602) 542-3477 or on the Commission's Internet web site  
23 at <http://www.azcc.gov/divisions/hearings/docket.asp>.

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

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

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

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

12 Dated this 16 day of April, 2013.

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16 Matthew J. Neuber  
17 Director of Securities  
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