

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

JODI JERICH
EXECUTIVE DIRECTOR

OPEN MEETING ITEM

6/11-12/13



0000145168

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ARIZONA CORPORATION COMMISSION

MEMORANDUM

TO: Bob Stump, Chairman
Gary Pierce, Commissioner
Brenda Burns, Commissioner
Bob Burns, Commissioner
Susan Bitter Smith, Commissioner

Arizona Corporation Commission

DOCKETED

MAY 29 2013

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

DOCKETED BY *MJN*

ARIZONA CORPORATION COMMISSION
DOCKET CONTROL

2013 MAY 29 A 9:50

RECEIVED

DATE: May 24, 2013

RE: 3T Options, LLC and Tyrone L. Brooks, Docket No. S-20881A-13-0106

CC: Jodi Jerich, Executive Director

Please find attached a proposed Order to Cease and Desist, For Restitution, For Administrative Penalties, and For Other Affirmative Action ("Default Order") regarding 3T Options, LLC and Tyrone L. Brooks (collectively "Respondents"). Respondents failed to request a hearing and failed to answer the allegations in this matter.

Respondent Tyrone L. Brooks represented that he could invest client funds by conducting options and foreign currency trades to generate a return of at least six percent (6%) per month. Approximately eight clients, residing in Arizona, California, and Nevada, signed a 3T Options, LLC investment advisory agreement. Approximately \$116,000 was received from clients. Though Respondents submitted monthly statements to several clients reflecting separate brokerage accounts and profits earned, the money was actually deposited into Tyrone L. Brooks' personal bank account and large sums were withdrawn or transferred to other personal bank accounts.

The Default Order finds that Respondents violated A.R.S. § 44-3151 by transacting business in Arizona as investment advisers or investment adviser representatives while not licensed. The Default Order also finds that Respondents violated the anti-fraud provisions of A.R.S. § 44-3241 by their material misrepresentations. To deter future violations of the Act, the Default Order requires Respondents to cease and desist from violating the Investment Management Act, pay restitution of \$95,013.40 plus interest, and pay an administrative penalty in the amount of \$25,000.

Originator: Phong (Paul) Huynh

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

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

In the matter of:	DOCKET NO. S-20881A-13-0106
3T OPTIONS, LLC, an Arizona limited liability company,	DECISION NO. _____
TYRONE L. BROOKS, an individual man,	ORDER TO CEASE AND DESIST, FOR RESTITUTION, FOR ADMINISTRATIVE PENALTIES, AND FOR OTHER AFFIRMATIVE ACTION
Respondents.	RE: 3T OPTIONS, LLC AND TYRONE L. BROOKS

On April 16, 2013, the Securities Division ("Division") of the Arizona Corporation Commission filed a Notice of Opportunity for Hearing Regarding Proposed Order to Cease and Desist, For Restitution, For Administrative Penalties, and For Other Affirmative Action (the "Notice") against 3T Options, LLC, and Tyrone L. Brooks (collectively "Respondents").

On April 17, 2013, two copies of the Notice were personally served upon Tyrone L. Brooks, individually and as the statutory agent for 3T Options, LLC.

Respondents have failed to request an administrative hearing within ten days after receipt of the Notice, pursuant to A.R.S. § 44-3212 and A.A.C. Rule R14-4-306. Respondents have also failed to file an Answer within 30 days of service of the Notice, pursuant to A.A.C. Rule R14-4-305.

I.

FINDINGS OF FACT

1. 3T Options, LLC ("3T") is an Arizona limited liability company organized on October 9, 2009.

1 2. For all relevant times, Tyrone L. Brooks ("BROOKS") has been a resident of Arizona.
2 BROOKS is the managing member of 3T.

3 3. 3T and BROOKS may be referred to collectively as "Respondents."

4 4. Beginning in at least August 2010, BROOKS told Arizona residents and a Nevada
5 resident that he could invest their money by conducting options and foreign currency trades.
6 BROOKS represented that he would generate a return of at least six percent (6%) per month.

7 5. BROOKS represented that interest returns would be paid monthly.

8 6. BROOKS had interested individuals execute a 3T Investment Agreement ("IA
9 Agreement").

10 7. The IA Agreement stated it was between 3T and the interested individual (hereafter
11 referred to as "Client(s)") and contained the following relevant terms:

12 a) 3T would act as "an investor of your funds in accordance with the terms and
13 conditions of this agreement";

14 b) The Client's account would be a "discretionary account," which authorized
15 3T to manage the Client's assets and execute specific buy and sell transactions on their behalf at
16 3T's discretion;

17 c) 3T would be prohibited from withdrawing funds or securities from the
18 account. 3T merely would reallocate assets within the account;

19 d) 3T would use their "continuing study of economic conditions, securities
20 markets and other economic issues" to provide advice to the client regarding their allocation of
21 assets, including the specific allocation of money market funds, stocks and bonds, futures, options,
22 foreign exchange (FOREX), and other appropriate investments;

23 e) The Client's account would be held "solely" in their name and would require
24 the Client's authorization for withdrawal;

25 f) The Client would receive monthly statements;

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

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

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

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

10 8. BROOKS would sign the IA Agreement on behalf of 3T.

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

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

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

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

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

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

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

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

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

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

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

22 20. For all relevant times, Respondents were not licensed as investment advisers or
23 investment advisory representatives with the Commission.

24 21. Respondents raised \$116,625 from Clients and made payments back to Clients
25 totaling \$21,611.60. The principal amount of restitution outstanding is \$95,013.40.

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II.

CONCLUSIONS OF LAW

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

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

3. Respondents violated A.R.S. § 44-3241, when they 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; (iii) misrepresented professional qualifications with the intent that the client rely on the misrepresentation; or (iv) engaged in transactions, practices, or courses of business that operated or would operate as a fraud or deceit.

4. Respondents' conduct is grounds for a cease and desist order pursuant to A.R.S. § 44-3292.

5. Respondents' conduct is grounds for an order of restitution pursuant to A.R.S. § 44-3292.

6. Respondents' conduct is grounds for administrative penalties under A.R.S. §§ 44-3296.

III.
ORDER

THEREFORE, on the basis of the Findings of Fact and Conclusions of Law, attached and incorporated by reference, the Commission finds that the following relief is appropriate, in the public interest, and necessary for the protection of investors:

IT IS ORDERED, pursuant to A.R.S. §§ 44-3292, that Respondents, and any of Respondents' agents, employees, successors and assigns, permanently cease and desist from violating the Investment Management Act.

1 IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-3292, that Respondents BROOKS
2 and 3T, jointly and severally shall pay restitution to the Commission in the principal amount of
3 \$95,013.40, plus interest from the date of purchase until paid in full, subject to legal setoffs
4 pursuant to A.A.C. R14-4-308, as shown on attached Exhibit A. Payment is due in full on the date
5 of this Order. Payment shall be made to the "State of Arizona" to be placed in an interest-bearing
6 account controlled by the Commission. Interest in the amount of \$31,906.37 has accrued from the
7 date of purchase to June 11, 2013.

8 IT IS FURTHER ORDERED that restitution ordered hereinabove shall bear interest at the
9 rate of the lesser of ten percent per annum or at a rate of per annum that is equal to one percent plus
10 the prime rate as published by the board of governors of the federal reserve system in statistical
11 release H.15 or any publication that may supersede it on the date that 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. § 44-2036, that Respondents BROOKS
21 and 3T, jointly and severally shall pay an administrative penalty in the amount of \$25,000.
22 Payment is due in full on the date of this Order. Payment shall be made to the "State of Arizona."
23 Any amount outstanding shall accrue interest as allowed by law.

24 IT IS FURTHER ORDERED that the penalty ordered hereinabove shall bear interest at the
25 rate of the lesser of ten percent per annum or at a rate per annum that is equal to one percent plus
26

1 the prime rate as published by the board of governors of the federal reserve system in statistical
2 release H.15 or any publication that may supersede it on the date that the judgment is entered.

3 IT IS FURTHER ORDERED that payments received by the state of Arizona shall first be
4 applied to the restitution obligation. Upon payment in full of the restitution obligation, payments
5 shall be applied to the penalty obligation.

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

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1 IT IS FURTHER ORDERED, that pursuant to A.R.S. § 44-3214, 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 this Order shall become effective immediately.

8 BY ORDER OF THE ARIZONA CORPORATION COMMISSION

CHAIRMAN		COMMISSIONER
<hr/>		
COMMISSIONER	COMMISSIONER	COMMISSIONER

15 IN WITNESS WHEREOF, I, JODI JERICH, Executive
16 Director of the Arizona Corporation Commission, have
17 hereunto set my hand and caused the official seal of the
18 Commission to be affixed at the Capitol, in the City of
19 Phoenix, this _____ day of
20 _____, 2013.

21 _____
22 JODI JERICH
23 EXECUTIVE DIRECTOR

24 _____
25 DISSENT

26 _____
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.

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EXHIBIT A

<u>Investor Reference</u>	<u>Investment Date</u>	<u>Original Investment Amount</u>	<u>Less Principal Repaid</u>	<u>Restitution owed at order date</u>
A-1	12/17/09	\$ 10,000.00	\$ 10,000.00	\$ -
A-2	09/21/10	\$ 20,000.00	\$ 5,036.00	\$ 14,964.00
A-3	02/15/11	\$ 5,000.00		\$ 5,000.00
B-1	08/25/10	\$ 2,000.00	\$ 1,500.00	\$ 500.00
C-1	01/24/11	\$ 500.00		\$ 500.00
E-1	07/28/10	\$ 8,500.00		\$ 8,500.00
F-1	03/02/10	\$ 10,000.00	\$ 5,075.60	\$ 4,924.40
F-2	08/14/10	\$ 20,000.00		\$ 20,000.00
F-3	04/01/11	\$ 10,000.00		\$ 10,000.00
H-1	05/06/11	\$ 500.00		\$ 500.00
I-1	05/02/11	\$ 10,000.00		\$ 10,000.00
I-2	06/08/11	\$ 125.00		\$ 125.00
J-1	10/19/10	\$ 15,000.00		\$ 15,000.00
K-1	09/30/10	\$ 5,000.00		\$ 5,000.00
	Subtotals	\$ 116,625.00	\$ 21,611.60	\$ 95,013.40
Total Restitution owed at Order Date:				\$ 95,013.40

(PTH)

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SERVICE LIST FOR: 3T Options, LLC, et. al., Docket No. S-20881A-13-0106

3T Options, LLC
2200 San Angelo Dr. # 1157
Gilbert, AZ 85233

Tyrone L. Brooks
2200 San Angelo Dr. # 1157
Gilbert, AZ 85233

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2
3 COMMISSIONERS

4 BOB STUMP, Chairman
5 GARY PIERCE
6 BRENDA BURNS
7 BOB BURNS
8 SUSAN BITTER SMITH

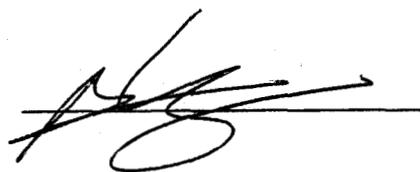
9 In the matter of:)
10 3T OPTIONS, LLC, an Arizona limited liability)
11 company,)
12 TYRONE L. BROOKS, an individual man,)
13 Respondent.)

DOCKET NO. S-20881A-13-0106

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

14 Pursuant to A.A.C. R14-4-303, you are hereby notified that the attached: Order to Cease
15 and Desist, For Restitution, For Administrative Penalties, and For Other Affirmative Action regarding
16 the above-referenced Respondents was filed with the Arizona Corporation Commission's Docket
17 Control.

18 Dated: 5/29/13

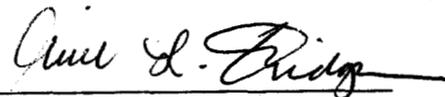
By: 

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

21 3T Options, LLC
22 2200 San Angelo Dr. # 1157
23 Gilbert, AZ 85233

24 Tyrone L. Brooks
25 2200 San Angelo Dr. # 1157
26 Gilbert, AZ 85233

Dated: 5/29/13

By: 

Decision No. _____