

ORIGINAL

OPEN MEETING ITEM

7/17-18/13

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

JODI JERICH
EXECUTIVE DIRECTOR



0000146282

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E-MAIL: securitiesdiv@azcc.gov

ARIZONA CORPORATION COMMISSION

MEMORANDUM

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

Arizona Corporation Commission

DOCKETED

JUL - 2 2013

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

DOCKETED BY *nr*

DATE: July 1, 2013

RE: *In re Morrie S. Friedman and Judith Ann Friedman,*
Docket No. S-20855A-12-0393

CC: Jodi Jerich, Executive Director

RECEIVED
2013 JUL - 2 P 3: 22
AZ CORP COMMISSION
DOCKET CONTROL

Please find attached a proposed Order to Cease and Desist, for Restitution, for Administrative Penalties, and Consent to Same ("Consent Order") by Morrie Friedman ("Respondent") and Judith Ann Friedman, husband and wife.

On or about November 16, 2006, Respondent sold shares of stock in an entity named Beyond Juice, Inc. to an Arizona resident for \$10,000. In soliciting the sale, Respondent represented to the investor that the company would soon be going public, resulting in an increase in value of the stock. However, Respondent had no factual basis for the prediction. To date, Beyond Juice, Inc. has yet to become a publically traded company.

From approximately September, 2009 to January, 2010, Respondent also sold shares of stock in an entity named VIP* ComLink, Inc. to three investors, two of whom are Arizona residents, in an amount totaling approximately \$69,625. Respondent failed to deliver stock certificates evidencing the total investment to at least one investor. Respondent also failed to disclose to offerees and investors that (a) a judgment had been entered against him on September 5, 2003 in a civil lawsuit alleging fraud and misrepresentation related to Beyond Juice, Inc. and (b) he was subject to two separate Desist and Refrain Orders entered by the California Corporations Commissioner in connection with the sale of stock in Beyond Juice, Inc.

The Consent Order finds that Respondent violated A.R.S. §§ 44-1841 and 44-1842 by selling unregistered stock shares to investors while not registered to do so. Respondent also violated the antifraud provisions of the Securities Act. To deter future violations of the Securities Act, the Consent Order requires Respondents to cease and desist from violating the Securities Act, pay restitution in the principal amount of \$79,625, and to pay an administrative penalty in the amount of \$5,000.

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

Originator: Steven Briggs

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 COMMISSIONERS

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

8 In the matter of:

9 MORRIE S. FRIEDMAN and
10 JUDITH ANN FRIEDMAN,
11 husband and wife,

12 Respondents.

) DOCKET NO. S-20855A-12-0393

) DECISION NO. _____

) **ORDER TO CEASE AND DESIST, ORDER**
) **FOR RESTITUTION, ORDER FOR**
) **ADMINISTRATIVE PENALTIES AND**
) **CONSENT TO SAME**
) **BY: MORRIE S. FRIEDMAN AND JUDITH**
) **ANN FRIEDMAN, HUSBAND AND WIFE**

13
14 Morrie S. Friedman ("Respondent" or "FRIEDMAN") and Judith Ann Friedman
15 ("Respondent Spouse") elect to permanently waive any right to a hearing and appeal under Articles
16 11 and 12 of the Securities Act of Arizona, A.R.S. § 44-1801 *et seq.* ("Securities Act") with respect
17 to this Order To Cease And Desist, Order For Restitution, Order For Administrative Penalties, And
18 Consent To Same By: Morrie S. Friedman And Judith Ann Friedman, Husband And Wife
19 ("Order"). Respondent Spouse is accused of no wrongdoing and is added only for the purposes of
20 assessing the liability of the marital community. Respondent and Respondent Spouse admit the
21 jurisdiction of the Arizona Corporation Commission ("Commission"); neither admit nor deny the
22 Findings of Fact and Conclusions of Law contained in this Order; and consent to the entry of this
23 Order by the Commission.

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I.

FINDINGS OF FACT

A. VIP* ComLink Stock Sales

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

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

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

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

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

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

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

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

1 9. FRIEDMAN also solicited and sold ComLink stock to another investor ("Investor
2 B") on various dates between September 2009 and January, 2011, totaling at least \$49,000.

3 10. FRIEDMAN caused Investor B's funds to be deposited into a bank account held in
4 the name Beyond Juice Meal in a Cup.

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

8 12. Investor B has received no return from FRIEDMAN or ComLink.

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

11 **B. Beyond Juice Inc. Shares**

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

14 15. FRIEDMAN did not provide Investor D with a private offering memorandum or
15 any other offering materials.

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

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

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C. Fraudulent Conduct

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

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

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

8 21. 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 22. 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 23. FRIEDMAN did not inform the ComLink offerees nor investors of either the
19 California or the South Carolina Actions prior to investing.

II.**CONCLUSIONS OF LAW**

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

25 2. Respondent offered or sold securities within or from Arizona, within the meaning of
26 A.R.S. §§ 44-1801(15), 44-1801(21), and 44-1801(26).

1 IT IS FURTHER ORDERED that Respondent and Respondent Spouse comply with the
2 attached Consent to Entry of Order.

3 IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2032 that Friedman, individually,
4 and the marital community of Friedman and Judith Ann Friedman, jointly and severally shall pay
5 restitution to the Commission in the principal amount of \$79,625.00. Payment is due in full on the
6 date of this Order. Payment shall be made to the "State of Arizona" to be placed in an interest-
7 bearing account controlled by the Commission. Any principal amount outstanding shall accrue
8 interest at the rate of 4.25 percent per annum from the date of purchase until paid in full. Interest in
9 the amount of \$13,471.75 has accrued from the date of purchase to June 11, 2013.

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

18 IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2036 that Friedman, individually,
19 and the marital community of Friedman and Judith Ann Friedman, jointly and severally shall pay
20 an administrative penalty in the amount of \$5,000. Payment is due in full on the date of this Order.
21 Payment shall be made to the "State of Arizona." Any amount outstanding shall accrue interest
22 from the date judgment is entered at the rate of 4.25 percent per annum.

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

26

1 IT IS FURTHER ORDERED, that if either Respondent or Respondent Spouse fails to
2 comply with this order, the Commission may bring further legal proceedings against Respondent,
3 including application to the superior court for an order of contempt.

4 IT IS FURTHER ORDERED that this Order shall become effective immediately.

5 BY ORDER OF THE ARIZONA CORPORATION COMMISSION

6
7 CHAIRMAN

COMMISSIONER

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10 COMMISSIONER

COMMISSIONER

COMMISSIONER

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

16 JODI JERICH
17 EXECUTIVE DIRECTOR

18 DISSENT

19
20 DISSENT

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

23 (SCB)

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CONSENT TO ENTRY OF ORDER

1
2 1. Morrie S. Friedman ("Respondent") and Judith Ann Friedman ("Respondent
3 Spouse") admit the jurisdiction of the Commission over the subject matter of this proceeding.
4 Respondent and Respondent Spouse acknowledge that they have been fully advised of their right to
5 a hearing to present evidence and call witnesses and each of them knowingly and voluntarily waive
6 any and all right to a hearing before the Commission and all other rights otherwise available under
7 Article 11 of the Securities Act and Title 14 of the Arizona Administrative Code. Respondent and
8 Respondent Spouse acknowledge that this Order To Cease And Desist, Order For Restitution,
9 Order For Administrative Penalties, And Consent To Same By: Morrie S. Friedman And Judith
10 Ann Friedman, Husband And Wife ("Order") constitutes a valid final order of the Commission.

11 2. Respondent Spouse is accused of no wrongdoing and is added only for the purposes
12 of assessing the liability of the marital community.

13 3. Respondent and Respondent Spouse knowingly and voluntarily waive any right
14 under Article 12 of the Securities Act to judicial review by any court by way of suit, appeal, or
15 extraordinary relief resulting from the entry of this Order.

16 4. Respondent and Respondent Spouse acknowledge and agree that this Order is
17 entered into freely and voluntarily and that no promise was made or coercion used to induce such
18 entry.

19 5. Respondent and Respondent Spouse have been represented by an attorney in this
20 matter, Respondent and Respondent Spouse have reviewed this order with their attorney, Robert
21 Mitchell, and understand all terms it contains. Respondent and Respondent Spouse acknowledge
22 that their attorney has apprised them of their rights regarding any conflicts of interest arising from
23 dual representation. Respondent and Respondent Spouse acknowledge that they have each given
24 their informed consent to such representation.

25 5. Respondent and Respondent Spouse neither admit nor deny the Findings of Fact and
26 Conclusions of Law contained in this Order. Respondent and Respondent Spouse agree that neither

1 of them shall contest the validity of the Findings of Fact and Conclusions of Law contained in this
2 Order in any present or future proceeding in which the Commission or any other state agency is a
3 party concerning the denial or issuance of any license or registration required by the state to engage
4 in the practice of any business or profession.

5 6. By consenting to the entry of this Order, Respondent and Respondent Spouse agree
6 not to take any action or to make, or permit to be made, any public statement denying, directly or
7 indirectly, any Finding of Fact or Conclusion of Law in this Order or creating the impression that
8 this Order is without factual basis. Respondent will undertake steps necessary to assure that all of
9 Respondent's agents and employees understand and comply with this agreement.

10 7. While this Order settles this administrative matter between Respondent and
11 Respondent Spouse and the Commission, Respondent and Respondent Spouse understand that this
12 Order does not preclude the Commission from instituting other administrative or civil proceedings
13 based on violations that are not addressed by this Order.

14 8. Respondent and Respondent Spouse understand that this Order does not preclude the
15 Commission from referring this matter to any governmental agency for administrative, civil, or
16 criminal proceedings that may be related to the matters addressed by this Order.

17 9. Respondent and Respondent Spouse understand that this Order does not preclude
18 any other agency or officer of the state of Arizona or its subdivisions from instituting
19 administrative, civil, or criminal proceedings that may be related to matters addressed by this
20 Order.

21 10. Respondent agrees that Respondent will not apply to the state of Arizona for
22 registration as a securities dealer or salesman or for licensure as an investment adviser or
23 investment adviser representative until such time as all restitution and penalties under this Order are
24 paid in full.

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1 11. Respondent agrees that Respondent will not exercise any control over any entity that
2 offers or sells securities or provides investment advisory services within or from Arizona until such
3 time as all restitution and penalties under this Order are paid in full.

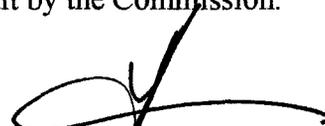
4 12. Respondent and Respondent_Spouse acknowledge that any restitution or penalties
5 imposed by this Order are obligations of the Respondent as well as the marital community of
6 Respondent and Respondent Spouse.

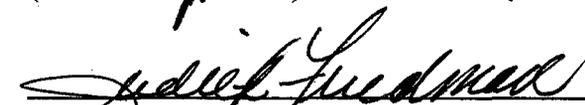
7 13. Respondent and Respondent Spouse consent to the entry of this Order and agree to
8 be fully bound by its terms and conditions.

9 14. Respondent and Respondent Spouse acknowledge and understands that if either
10 Respondent or Respondent Spouse fails to comply with the provisions of the order and this consent,
11 the Commission may bring further legal proceedings against Respondent and Respondent Spouse,
12 including application to the superior court for an order of contempt.

13 15. Respondent and Respondent Spouse understands that default shall render
14 Respondent and the marital community of Respondent and Respondent Spouse liable to the
15 Commission for its costs of collection and interest at the maximum legal rate.

16 16. Respondent and Respondent Spouse agree and understand that if Respondent or
17 Respondent Spouse fails to make any payment as required in the Order, any outstanding balance
18 shall be in default and shall be immediately due and payable without notice or demand.
19 Respondent and Respondent Spouse agree and understand that acceptance of any partial or late
20 payment by the Commission is not a waiver of default by the Commission.

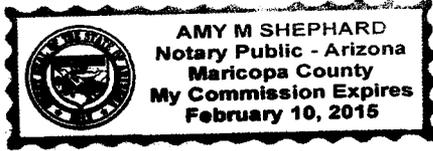
21  6/27/13
22 _____
23 (Morrie S. Friedman)

24 
25 _____
26 (Judith Ann Friedman) 6-27-13

STATE OF ARIZONA)
) ss

County of Maricopa)

SUBSCRIBED AND SWORN TO BEFORE me this 27th day of June



Amy M. Shephard
NOTARY PUBLIC

My commission expires:

February 10, 2015

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SERVICE LIST FOR: In the matter of: MORRIE S. FRIEDMAN and JUDITH ANN
1 FRIEDMAN, husband and wife,

2 Morrie S. Friedman
3 c/o Robert Mitchell
4 Viad Corporate Center
5 1850 North Central Avenue
6 Suite 203
7 Phoenix, Arizona 85004

8 Judith Ann Friedman
9 c/o Robert Mitchell
10 Viad Corporate Center
11 1850 North Central Avenue
12 Suite 203
13 Phoenix, Arizona 85004

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1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 COMMISSIONERS

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

6 In the matter of:)
7 MORRIE S. FRIEDMAN and)
8 JUDITH ANN FRIEDMAN,)
9 husband and wife,)
Respondents)

DOCKET NO. S-20855A-12-0393

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

10 Pursuant to A.A.C. R14-4-303, you are hereby notified that the attached: ORDER TO
11 CEASE AND DESIST, ORDER FOR RESTITUTION, ORDER FOR ADMINISTRATIVE
12 PENALTIES AND CONSENT TO SAME was filed with the Arizona Corporation Commission's
13 Docket Control.

15 Dated: July 1, 2013

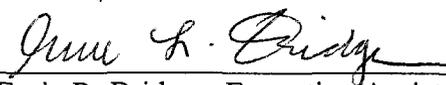
15 By: 
16 Steven C. Briggs, Enforcement Attorney

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

19 Morrie Freidman
20 C/O Robert Mitchell
21 Viad Corporate Center Suite 2030
1850 North Central Ave
Phoenix, Arizona 85004

22 Judith Friedman
23 C/O Robert Mitchell
24 Viad Corporate Center Suite 2030
1850 North Central Ave
Phoenix, Arizona 85004

26 Dated: 7/2/13

By: 
Emie R. Bridges, Executive Assistant

Decision No. _____