

ORIGINAL NEW APPLICATION



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BEFORE THE ARIZONA CORPORATION CO.

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Arizona Corporation Commission

DOCKETED

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COMMISSIONERS

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GARY PIERCE
BRENDA BURNS
BOB BURNS
SUSAN BITTER SMITH

ARIZONA CORPORATION COMMISSION
DOCKET CONTROL

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In the matter of:

DOCKET NO. S-20920A-14-0388

Red Mountain Funding, Inc., an Arizona corporation,

Bryan J. Sammons and Mary L. Sammons, husband and wife,

Respondents.

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

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 Red Mountain Funding, Inc. and Bryan J. Sammons have 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. At all relevant times, Red Mountain Funding, Inc. ("RMF") has been an Arizona corporation. RMF was organized under the laws of the state of Arizona in November 1999. *Corp Commission docs*

1 13. The majority of RMF Note investors received promissory notes signed by
2 Sammons, President of RMF, with the following terms: a four year duration, a 9% interest rate,
3 and either monthly principal plus interest payments or monthly interest only payments, with
4 principal due at maturity.

5 14. A smaller percentage of the RMF Note investors received promissory notes signed
6 by Sammons, President of RMF, with a different term (6, 8 or 10 year durations), a higher interest
7 rate (between 10% or 17%), and provided that interest and principal was due at maturity only.

8 15. The RMF Notes contained a personal guarantee by Sammons that did not pledge
9 any particular collateral, but stated as follows:

10 The undersigned [Sammons] personally guarantees payment of all amounts owing
11 under this agreement and the payment upon demand of the entire amount owing in
12 the event of a default by Borrower [RMF] named herein. Undersigned waives
13 notice of performance, demands for performance, notice of non-performance, and
14 any other notices to which the undersigned may otherwise be entitled by law, and
15 agrees to pay all amounts owing hereunder upon demand without requiring any
16 action against borrower that may be provided by statute.

17 16. RMF also maintained a website at www.redmountainfunding.org ("RMF website").
18 The RMF website promoted as low risk, "high return investment opportunity", with a "high yield
19 of 9% on your investment", 4, 6, & 8 year terms, monthly payments, and stated that the investment
20 would be "100% collateralized!"

21 17. The RMF website invited individuals that were interested in the investment
22 opportunity to contact RFM in Mesa, Arizona by telephone, email, and contained a "Contact Us"
23 page that allowed visitors to provide their contact details to RMF "to learn more about our exciting
24 investment opportunity!"

25 18. During the relevant period, including after September 2013, RMF and Sammons
26 sold the RMF Notes to individuals that were not accredited.

 19. From at least January 2010 until at least July 2014, RMF offered and sold the RMF
Notes in or from Arizona to over 80 investors totaling approximately \$4,784,077.72.

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IV.

**VIOLATION OF A.R.S. § 44-1841
(Offer or Sale of Unregistered Securities)**

20. From at least January 2010 until at least July 2014, Respondents offered or sold securities in the form of notes within or from Arizona.

21. The securities referred to above were not registered pursuant to Articles 6 or 7 of the Securities Act.

22. This conduct violates A.R.S. § 44-1841.

V.

**VIOLATION OF A.R.S. § 44-1842
(Transactions by Unregistered Dealers or Salesmen)**

23. Respondents offered or sold securities within or from Arizona while not registered as a dealer or salesman pursuant to Article 9 of the Securities Act.

24. This conduct violates A.R.S. § 44-1842.

VI.

REQUESTED RELIEF

The Division requests that the Commission grant the following relief:

1. Order Respondents to permanently cease and desist from violating the Securities Act pursuant to A.R.S. §44-2032;

2. Order Respondents to take affirmative action to correct the conditions resulting from Respondents' acts, practices, or transactions, including a requirement to make restitution pursuant to A.R.S. § 44-2032;

3. Order Respondents 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;

VIII.

ANSWER REQUIREMENT

Pursuant to A.A.C. R14-4-305, if Respondent or Respondent Spouse requests a hearing, the requesting respondent must deliver or mail an Answer to this Notice of Opportunity for Hearing to Docket Control, Arizona Corporation Commission, 1200 W. Washington, Phoenix, Arizona 85007, within 30 calendar days after the date of service of this Notice. 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>.

Additionally, the answering respondent must serve the Answer upon the Division. Pursuant to A.A.C. R14-4-303, service upon the Division may be made by mailing or by hand-delivering a copy of the Answer to the Division at 1300 West Washington, 3rd Floor, Phoenix, Arizona, 85007, addressed to Stacy L. Luedtke.

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

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

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

Dated this 14 day of November, 2014.


Matthew J. Neubert
Director of Securities