

ORIGINAL

NEW APPLICATION



0000173695

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

- DOUG LITTLE - Chairman
- BOB STUMP
- BOB BURNS
- TOM FORESE
- ANDY TOBIN

In the matter of:

COVERLUGG LLC, an Arizona limited liability company,

FONEFACE, LLC, an Arizona limited liability company,

BIRDIE MEDIA LLC, an Arizona limited liability company

GREGORY J. SANCHEZ and JILL K. SANCHEZ, husband and wife,

Respondents.

DOCKET NO. S-20984A-16-0315

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 CoverLugg LLC, FoneFace, LLC, Birdie Media LLC and Gregory J. Sanchez have engaged in acts, practices, and transactions that constitute violations of A.R.S. § 44-1801, et seq., the Arizona Securities Act ("Securities Act").

The Division further alleges that Gregory J. Sanchez directly or indirectly controlled CoverLugg LLC, FoneFace, LLC, and Birdie Media LLC within the meaning of A.R.S. § 44-1999, so that they are jointly and severally liable under A.R.S. § 44-1999 to the same extent as CoverLugg LLC, FoneFace, LLC and Birdie Media LLC for their violation of A.R.S. 44-1991.

Arizona Corporation Commission

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**I.**

**JURISDICTION**

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

**II.**

**RESPONDENTS**

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6  
7 2. CoverLugg LLC (“CoverLugg”) is a manager managed limited liability company that  
8 was organized under the laws of the state of Arizona in August 2010. CoverLugg has not been  
9 registered by the Commission as a securities salesman or dealer.

10 3. FoneFace, LLC (“FoneFace”) is a manager managed limited liability company that  
11 was organized under the laws of the state of Arizona in March 2014. FoneFace has not been registered  
12 by the Commission as a securities salesman or dealer.

13 4. Birdie Media LLC (“Birdie Media”) is a manager managed limited liability company  
14 that was organized under the laws of the state of Arizona in September 2014. Birdie Media has not  
15 been registered by the Commission as a securities salesman or dealer.

16 5. Gregory J. Sanchez (“Sanchez”) for all times relevant has been married to Jill K.  
17 Sanchez, and is a resident of the state of Arizona. Sanchez has not been registered by the Commission  
18 as a securities salesman or dealer. Sanchez for all times relevant was the managing member of  
19 CoverLugg, FoneFace, and Birdie Media.

20 6. CoverLugg, FoneFace, Birdie Media, and Sanchez may be referred to collectively as  
21 “Respondents”.

22 7. Jill K. Sanchez has been at all times relevant the spouse of Sanchez. Jill K. Sanchez  
23 may be referred to as “Respondent Spouse”. Respondent Spouse is joined in this action under A.R.S.  
24 § 44-2031(C), solely for purposes of determining the liability of the marital community.

25 8. At all times relevant, Sanchez has been acting for his own benefit and for the benefit  
26 or in furtherance of his marital community.



1 consent of the Members, or which would make it impossible or unreasonably burdensome to carry  
2 on the business of the Company.”

3 14. Pursuant to CoverLugg’s Operating Agreement, non-managing committee members  
4 have no enumerated authority and cannot take part in the control of management of the company’s  
5 business, nor can they vote to remove Sanchez as the operating manager or any member on the  
6 Managing Committee. As a result, the Managing Committee [including Sanchez] has control of the  
7 company through their exclusive power to approve all “Major Decisions.”

8 15. Since February 2011, Sanchez provided at least fourteen investors with Unit Purchase  
9 Agreements (“Purchase Agreements”) along with the corresponding Operating Agreement  
10 describing the terms of the CoverLugg Offering. According to at least four of the Purchase  
11 Agreements, “the total number of outstanding units of the LLC is 352,100 units of Class A Units and  
12 647,900 units of Non-Class A Units.”

13 16. According to CoverLugg’s Operating Agreement 10,000 units equates to 1%  
14 membership interest in CoverLugg. Also, all distributions of net cash flow “shall made to the  
15 members as follows: (a) First, to the Preferred Return to Class A Members...(b) Second, to the Non-  
16 Class A Members in accordance with their participating percentages of membership interests.” “The  
17 Class A Members shall be entitled to preferred distributions on a pro rata basis based on their  
18 respective Participating Percentages...if the Class A Members have received distributions totaling  
19 their original capital contributions, this provision shall be terminated and all Members will receive  
20 distributions in accordance with their participating percentages of membership interest.”

21 17. In or about September 2011, CoverLugg and Sanchez misrepresented to at least one  
22 investor in the CoverLugg Offering, that “he was having problems filling orders [for CoverLugg  
23 product], the problem being that he had so many orders coming in that he couldn’t fill them all, and  
24 he needed investors in order to be able to fund fulfilling backed-up orders.” In light of that statement,  
25 from at least February 2011 until at least January 2012, CoverLugg was in a “pre-sale” status,  
26

1 Sanchez stated “we didn’t have anything. We just went on prototypes, we had zero sales...we didn’t  
2 have product to sell.”

3 18. CoverLugg and Sanchez misrepresented to at least one investor in the CoverLugg  
4 Offering, that “he had licensing agreements with Major League Baseball, the National Football  
5 League, Major League Soccer, and the National Collegiate Athletic Association,” to produce,  
6 market, and sell customized CoverLugg product with their respective logos. When in fact CoverLugg  
7 and/or Sanchez did not have licensing agreements with any of the above entities.

8 19. CoverLugg and Sanchez failed to disclose to at least fourteen investors in the  
9 CoverLugg Offering that Sanchez’ business partner, who was in charge of promotional sales for  
10 CoverLugg, in 2001, pled guilty to one count of Fraud by Wire, Radio, or Television. Sanchez stated  
11 that he failed to disclose the conviction to the investors because “it’s not my place...and I wasn’t  
12 going to embarrass him.”

13 20. CoverLugg and Sanchez failed to disclose to at least fourteen investors in the  
14 CoverLugg Offering, that from at least April 2009 until at least November 2010, Sanchez had at least  
15 four judgments filed against him and Respondent Spouse. The judgments were for the following: (1)  
16 breach of fiduciary duty by embezzling funds [\$47,699.46] from a previous business partner in Spark  
17 Holdings, LLC, an Arizona limited liability company; (2) violation of the Uniform Fraudulent  
18 Transfer Act (A.R.S. § 44-1001) [\$592], Sanchez transferred ownership of his Harley Davidson  
19 motorcycle to his father and mother in-law, with the “actual intent to hinder, delay, or defraud  
20 Plaintiff [business partner in Spark Holdings, LLC] in his status as Judgment Creditor;” (3) credit  
21 card debt [\$4,726.92]; and (4) failure to pay homeowner associations fees [\$3215]. The unsatisfied  
22 judgments total \$56,233.38.

23 21. From August 2011 to April 2012, at least three investors signed individual Purchase  
24 Agreements for the CoverLugg Offering. Listed in these signed Purchase Agreements under  
25 “Representations and Warranties of the Subscriber,” in § 3(c) it states “[t]he Subscriber represents  
26

1 that he/she is an 'accredited investor' as defined in Regulation D promulgated under the Securities  
2 Act.”

3 22. In October 2011, at least five investors signed individual Purchase Agreements for  
4 the CoverLugg Offering, none of the five signed Purchase Agreements contained the above-  
5 mentioned language in § 3(c), nor was there any reference in the document regarding whether or not  
6 the investors were required to be an “accredited investor.”

7 23. At least thirteen of the investors in the CoverLugg Offering, met with Sanchez and  
8 learned about the investment opportunity in the CoverLugg Offering. At least one of the investors in  
9 the CoverLugg Offering, was not an accredited investor at the time of investment, and Sanchez failed  
10 to inquire and/or verify whether or not the investor was an accredited investor.

11 24. Although, neither CoverLugg’s Operating Agreement nor Purchase Agreement stated  
12 an expected return date of investment, at least three investors in the CoverLugg Offering expected  
13 to see a return of their investment within a year, based on Sanchez’ oral representations of the  
14 projected time frame for the return on their principal investments.

15 25. CoverLugg’s Operating Agreement states “the salaries of the officers shall be fixed  
16 from time to time by the Management Committee and no Manager shall be prevented from receiving  
17 such salary by reason of the fact that he is also a Member of the Company.”

18 26. From at least April 2011 until at least August 2014, Sanchez transferred  
19 approximately \$183,900 of investors’ funds from CoverLugg’s business account to the business  
20 account of Sandbox Creative, LLC (“Sandbox”). Sandbox is a limited liability company that was  
21 organized under the laws of the state of Arizona, in April 2007. Sanchez is the founder and managing  
22 member of Sandbox. Sandbox is a separate entity from CoverLugg, however Sandbox provides  
23 marketing services to CoverLugg and other companies.

24 27. Since at least 2011, Sanchez admitted he has used Sandbox’s business account as his  
25 personal account, in order to hide his income from judgment creditors. Sanchez stated “I had one  
26 [personal bank account] and then I had a judgment against me and they went in there and took every

1 dime out of there. And, you know, when you have a family of four and you don't have any money  
2 left, you don't do that again. So I never put it back in there again."

3 28. Between February 2011 and April 2012, at least fourteen investors collectively  
4 invested at least \$1,143,000 in the CoverLugg Offering.

5 29. To date, investors in the CoverLugg Offering have not received a return of their  
6 investments.

7 **SANCHEZ CONVICTION**

8 30. On June 14, 2013, the United States Attorney's Office, District of Arizona, filed an  
9 Information against Sanchez for one felony count of Conspiracy to Commit Bank Fraud. The  
10 Information states "[f]rom on or about July 27, 2005 up to and including February 2007, within the  
11 District of Arizona and elsewhere, Sanchez and others did knowingly and willfully devise and intend  
12 to devise a scheme and artifice to defraud M & I Bank and to obtain money from M & I Bank by  
13 means of false and fraudulent pretenses, representations, and promises and by intentional  
14 concealment and omission of material facts." "Sanchez and others devised a scheme to purchase real  
15 properties with mortgage loan applications that falsely represented the buyer's assets, income,  
16 mortgage debts, sources of intended down-payment and intent to occupy the improved property as a  
17 primary residence."

18 31. On August 16, 2013, Sanchez signed a Waiver of Indictment and pled guilty to one  
19 count of Conspiracy to Commit Bank Fraud.

20 32. On June 29, 2015, Sanchez was sentenced to five years' probation and ordered to pay  
21 restitution in the amount of \$65,000.

22 33. Sanchez admitted that he failed to disclose to at least four investors in the FoneFace  
23 Offering, that on August 16, 2013, Sanchez pled guilty to Conspiracy to Commit Bank Fraud.  
24 Sanchez stated that he failed to disclose his conviction, because "I'm embarrassed by it. So I don't  
25 share it with anyone."  
26

**FONEFACE**

1  
2 34. From at least April 2013 until at least June 2014, Sanchez and FoneFace offered and  
3 sold investment contracts issued by Sanchez and FoneFace in the form of membership interests in  
4 FoneFace, within and from Arizona (collectively the “FoneFace Offering”).

5 35. In 2012, FoneFace was formed with the purpose of designing, manufacturing,  
6 marketing and selling stretchable neoprene “one size fits all” covers for smart phones, hand held  
7 devices, laptops and computer tablets.

8 36. From May 2012 to at least August 2014, Sanchez was the managing member of  
9 FoneFace. Since at least April 2013 until at least November 2013, Sanchez has been the operating  
10 manager for FoneFace. As operating manager Sanchez had the “duties and authority of the Chairman  
11 of the Board,” and was responsible for the “general overall supervision of the business and affairs of  
12 the Company,” except for an enumerated list of “Major Decisions” which require approval of a  
13 majority vote of the “Management Committee,” one of whom is Sanchez.

14 37. A majority of the Managing Committee must approve FoneFace’s “Major Decisions,”  
15 including decisions regarding: “issuing, selling, or agreeing to issue or sell new units to any Member  
16 or additional Member; hiring or terminating any executive level employee, or entering into or  
17 amending agreements, whether oral or written, related to compensation of executive level  
18 employees; entering to commitments for capital expenditures; entering into or be a party to any  
19 transaction or loan with any Member, Manager or employee of the Company, other than employment  
20 arrangements entered into in the ordinary course of business; commencing any bankruptcy  
21 proceeding to the Company; knowingly perform any act for which subject any Member to personal  
22 liability in any jurisdiction, and doing any act for which this agreement specifically requires the  
23 consent of the Members, or which would make it impossible or unreasonably burdensome to carry  
24 on the business of the Company.”

25 38. Pursuant to FoneFace’s Operating Agreement, non-managing committee members  
26 have no enumerated authority and cannot take part in the control of management of the company’s

1 business, nor can they vote to remove Sanchez as the operating manager or any member on the  
2 Managing Committee. As a result, the Managing Committee [including Sanchez] has control of the  
3 company through its exclusive power to approve all "Major Decisions."

4 39. On November 1, 2013, FoneFace issued a confidential Private Placement  
5 Memorandum ("FoneFace PPM") describing the FoneFace Offering.

6 40. The FoneFace PPM offered membership interest in FoneFace with a total offering of  
7 \$605,000, with a minimum investment of \$50,000. "The Preferred Members, as a group, will have a  
8 security interest in the Company's intellectual property."

9 41. At least twelve of the investors in the FoneFace Offering, met with Sanchez and  
10 learned about the investment opportunity in the FoneFace Offering.

11 42. According to the FoneFace PPM's biography on Sanchez, Sanchez is the "President  
12 and Founder" of FoneFace. The FoneFace PPM states "Mr. Sanchez is a born entrepreneur. He has  
13 multiple patents and had has introduced many intriguing products, including CoverLugg luggage  
14 covers currently sold in retail stores across the country. With over 19 years of management  
15 experience and the ability to attract and retain talented individuals to round out the team, FoneFace  
16 is poised for profound growth."

17 43. In light of the above-mentioned statement: FoneFace and Sanchez failed to disclose  
18 to at least nine investors in the FoneFace Offering, that on June 14, 2013, the United States Attorney's  
19 Office, District of Arizona, filed an Information against Sanchez for Conspiracy to Commit Bank  
20 Fraud; CoverLugg luggage covers were not sold in retail stores across the country; and FoneFace  
21 and Sanchez also failed to disclose to at least twelve investors in the FoneFace Offering that from at  
22 least April 2009 until at least July 2011, Sanchez had at least six judgments filed against him and  
23 Respondent Spouse. The judgments were for the following: (1) breach of fiduciary duty by  
24 embezzling funds [\$47,699.46] from a previous business partner in Spark Holdings, LLC, an Arizona  
25 limited liability company; (2) violation of the Uniform Fraudulent Transfer Act (A.R.S. § 44-1001)  
26 [\$592], Sanchez transferred ownership of his Harley Davidson motorcycle to his father and mother

1 in-law, with the “actual intent to hinder, delay, or defraud Plaintiff [business partner in Spark  
2 Holdings, LLC] in his status as Judgment Creditor;” (3) credit card debt [\$4,726.92]; (4) failure to  
3 pay homeowner associations fees [\$3215]; (5) credit card debt [\$31,098]; and (6) credit card debts  
4 [\$7205]. The unsatisfied judgments total \$94,536.38.

5 44. On August 6, 2014, Sanchez voluntarily removed himself as the managing member  
6 of FoneFace.

7 45. At least twelve investors invested at least \$678,000 in the FoneFace Offering.

8 46. To date, investors in the FoneFace Offering have not received a return on their  
9 investments.

10 **BIRDIE MEDIA**

11 47. From at least September 2014 until at least March 2016, Sanchez and Birdie Media  
12 offered and sold investment contracts issued by Sanchez and Birdie Media in the form of membership  
13 interests in Birdie Media, within and from Arizona (collectively the “Birdie Media Offering”).

14 48. Birdie Media was formed in 2014, with the purpose of making customized signage  
15 for golf courses, golf tournaments, and golf related events. Since September 2014, Sanchez has been  
16 the managing member of Birdie Media.

17 49. At least two investors in the Birdie Media Offering, met with Sanchez and learned  
18 about the investment opportunity in the Birdie Media Offering.

19 50. At least three investors in the Birdie Media Offering, in exchange for their investment  
20 in Birdie Media received a 15% membership interest in Birdie Media.

21 51. At least one investor in the Birdie Media Offering, was not an accredited investor at  
22 the time of investment.

23 52. Birdie Media and Sanchez failed to disclose to at least two investors in the Birdie  
24 Media Offering that from at least April 2009 to July 2011, Sanchez had approximately six judgments  
25 filed against him and Respondent Spouse. The judgments were for the following: (1) breach of  
26 fiduciary duty by embezzling funds [\$47,699.46] from a previous business partner in Spark

1 Holdings, LLC, an Arizona limited liability company; (2) violation of the Uniform Fraudulent  
2 Transfer Act (A.R.S. § 44-1001) [\$592], Sanchez transferred ownership of his Harley Davidson  
3 motorcycle to his father and mother in-law, with the “actual intent to hinder, delay, or defraud  
4 Plaintiff [Business partner in Spark Holdings, LLC] in his status as Judgment Creditor;” (3) credit  
5 card debt [\$4,726.92]; (4) failure to pay homeowner associations fees [\$3215]; (5) credit card debt  
6 [\$31,098]; and (6) credit card debts [\$7205]. The unsatisfied judgments total \$94,536.38.

7 53. Birdie Media and Sanchez failed to disclose to at least two investors in the Birdie  
8 Media Offering that Sanchez pled guilty to Conspiracy to Commit to Bank Fraud.

9 54. On January 29, 2015, the Internal Revenue Service (“IRS”) filed two liens against  
10 Sanchez and Respondent Spouse. The liens filed were for the respective tax period ending December  
11 31, 2005, for \$25,480, and tax period ending December 31, 2010, for \$195,595. The outstanding  
12 liens total \$221,075.

13 55. Birdie Media and Sanchez failed to disclose to at least two investors in the Birdie  
14 Media Offering, that on January 29, 2015, the IRS filed two liens against him and Respondent  
15 Spouse.

16 56. Birdie Media and Sanchez failed to disclose to at least one investor in the Birdie  
17 Media Offering that on March 14, 2016, a default judgement was filed against CoverLugg, Sanchez,  
18 and Respondent spouse. Sanchez’ former business partner in CoverLugg and FoneFace brought the  
19 action against Sanchez and CoverLugg. The judgement award is approximately \$246,000.

20 57. Upon information and belief, at least six investors invested at least \$185,000 in the  
21 Birdie Media Offering.

22 **IV.**

23 **VIOLATION OF A.R.S. § 44-1841**

24 **(Offer and Sale of Unregistered Securities)**

25 58. From on or about February 2011 through April 2012, CoverLugg and Sanchez offered  
26 and sold securities in the form of investment contracts, within or from Arizona.



1           b) FoneFace, and Sanchez failed to disclose to at least twelve investors in the  
2 FoneFace Offering, that from at least April 2009 until at least July 2011, Sanchez had six judgments  
3 filed against him and Respondent Spouse;

4           c) Birdie Media and Sanchez failed to disclose to at least two investors in the  
5 Birdie Media Offering, that from at least April 2009 until at least January 2015 Sanchez had six  
6 judgments and two IRS liens filed against him and Respondent Spouse;

7           d) CoverLugg and Sanchez failed to disclose to at least fourteen investors in the  
8 CoverLugg Offering, that Sanchez' business partner, who was in charge of promotional sales for  
9 CoverLugg, in 2001, pled guilty to Fraud by Wire, Radio or Television;

10           e) FoneFace and Sanchez failed to disclose to at least four investors in the,  
11 FoneFace Offering, that on August 16, 2013, Sanchez pled guilty to one felony count of Conspiracy  
12 to Commit Bank Fraud;

13           f) Birdie Media and Sanchez failed to disclose to at least two investors in the  
14 Birdie Media Offering, that on August 16, 2013, Sanchez pled guilty to one felony count of  
15 Conspiracy to Commit Bank Fraud, and was sentenced on June 29, 2015, to five years' probation and  
16 ordered to pay restitution;

17           g) On or about September 2011, CoverLugg and Sanchez misrepresented to at  
18 least one investor in the CoverLugg Offering, by stating, "he was having problems filling orders [for  
19 CoverLugg product], the problem being that he had so many orders coming in that he couldn't fill  
20 them all, and he needed investors in order to be able to fund fulfilling backed-up orders." In light  
21 of that statement, from at least February 2011 until at least January 2012, CoverLugg was in a "pre-  
22 sale" status, Sanchez stated "[w]e didn't have anything. We just went on prototypes, we had zero  
23 sales...we didn't have product to sell;"

24           h) CoverLugg and Sanchez misrepresented to at least one investor in the  
25 CoverLugg Offering that "he had licensing agreements with Major League Baseball, the National  
26 Football League, Major League Soccer, and the National Collegiate Athletic Association," to

1 produce, market, and sell customized CoverLugg product with their respective logos. When in fact  
2 CoverLugg and/or Sanchez did not have licensing agreements with any of the above entities; and

3 i) FoneFace and Sanchez misrepresented to at least two investors in the  
4 FoneFace Offering, by stating in FoneFace's PPM that Sanchez "has introduced many intriguing  
5 products, including CoverLugg luggage covers currently sold in retail stores across the country."

6 When in fact, CoverLugg luggage covers were not sold in retail stores across the country.

7 66. This conduct violates A.R.S. § 44-1991.

8 67. Sanchez directly or indirectly controlled CoverLugg, FoneFace, and Birdie Media  
9 within the meaning of A.R.S. § 44-1999. Therefore, Sanchez is jointly and severally liable under  
10 A.R.S. § 44-1999, to the same extent as CoverLugg, FoneFace, and Birdie Media for any violations  
11 of A.R.S. § 44-1991.

## 12 VII.

### 13 REQUESTED RELIEF

14 The Division requests that the Commission grant the following relief:

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

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

20 3. Order Respondents to pay the state of Arizona administrative penalties of up to five  
21 thousand dollars (\$5,000) for each violation of the Securities Act, pursuant to A.R.S. § 44-2036;

22 4. Order that the marital community of Sanchez and Respondent Spouse be subject to any  
23 order of restitution, rescission, administrative penalties, or other appropriate affirmative action pursuant  
24 to A.R.S. § 25-215; and

25 5. Order any other relief that the Commission deems appropriate.

26

## VIII.

## HEARING OPPORTUNITY

Each respondent [including Respondent Spouse] may request a hearing pursuant to A.R.S. § 44-1972 and A.A.C. R14-4-306. **If a Respondent or a 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>.

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

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

## IX.

## ANSWER REQUIREMENT

Pursuant to A.A.C. R14-4-305, if a Respondent or a 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

1 85007, within 30 calendar days after the date of service of this Notice. Filing instructions may be  
2 obtained from Docket Control by calling (602) 542-3477 or on the Commission's Internet web site  
3 at <http://www.azcc.gov/divisions/hearings/docket.asp>.

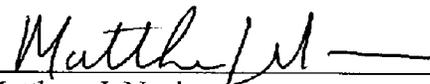
4 Additionally, the answering respondent must serve the Answer upon the Division. Pursuant  
5 to A.A.C. R14-4-303, service upon the Division may be made by mailing or by hand-delivering a  
6 copy of the Answer to the Division at 1300 West Washington, 3<sup>rd</sup> Floor, Phoenix, Arizona, 85007,  
7 addressed to Michael Shaw.

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

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

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

17 Dated this 9 day of September, 2016.

18   
19 \_\_\_\_\_  
20 Matthew J. Neuber  
21 Director of Securities  
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24  
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26