

ORIGINAL

# NEW APPLICATION



0000179774

BEFORE THE ARIZONA CORPORATION COMMISSION

RECEIVED  
AZ CORP COMMISSION  
DOCKET CONTROL

COMMISSIONERS

MAY 15 2017

Arizona Corporation Commission

DOCKETED

TOM FORESE - Chairman  
BOB BURNS  
DOUG LITTLE  
ANDY TOBIN  
BOYD DUNN

P 2-07

MAY 15 2017

DOCKETED BY

In the matter of:  
  
MICHAEL A. CROWE (CRD #1057029),  
and LEQUITA CROWE, husband and wife,  
  
Respondents.

DOCKET NO. S-21012A-17-0140  
  
**NOTICE OF OPPORTUNITY FOR HEARING  
REGARDING PROPOSED ORDER OF  
REVOCATION, 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 MICHAEL A. CROWE ("Respondent") has engaged in acts, practices, and transactions that constitute violations of the Securities Act of Arizona, A.R.S. § 44-1801 *et seq.* ("Securities Act"), and 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, the Securities Act, and the IM Act.

## II. RESPONDENTS

2. At all times relevant to this matter, MICHAEL A. CROWE ("CROWE") has been married to LEQUITA CROWE, and was a resident of Arizona.

3. LEQUITA CROWE ("Respondent Spouse") is joined in this action under A.R.S. § 44-2031(C) solely for the purposes of determining the liability of the marital community.



1           11.     On or about March 20, 2016, CROWE admitted that he called his Client on the  
2 telephone, “to see if he would be interested in a little diversification in his portfolio (all CDs and  
3 Fixed Annuities) with a somewhat higher potential income of 8 to 10%” by investing in Simply Smart  
4 Homes.

5           12.     On or about April 2016, CROWE facilitated a meeting between the Client and Smart,  
6 at the Client’s house, in Arizona. During the meeting, Smart stated to the Client, that he was a  
7 professional real estate investor who had a history of successfully buying homes through foreclosure,  
8 fixing, and then renting them for a profit. And, that currently he was doing this with many homes  
9 and was looking for investors to contribute capital so that he could buy more homes, fix them and/or  
10 upgrade them and then rent them for a profit. CROWE was present at the meeting and recommended  
11 the investment to his Client.

12           13.     On or about April 4, 2016, the Client invested \$50,000 in Simply Smart Homes, with  
13 a promised 10% annual rate of return. A Letter of Understanding and a Joint Venture Agreement  
14 (“JVA”) were executed by the Client and Simply Smart Homes.

15           14.     According to the Client’s JVA, Smart’s and/or Simply Smart Homes’ roles were to  
16 “locate, negotiate for, acquire and manage investment properties... and be responsible for the day-  
17 to-day operations.” The Client’s role was to “provide the money and qualify for financing.”  
18 CROWE’s Client did not participate in the acquisition, renovation, or management of any investment  
19 properties.

20           15.     As a result of this transaction, Smart and/or Simply Smart Homes paid CROWE a  
21 \$2,500 commission.

22           16.     On or about August 2016, Securities America initiated an internal review of  
23 CROWE’s activities after learning that he referred his Client, “to purchase an unapproved real estate  
24 investment product from Mr. Richard Smart.”

25           17.     According to Securities America, Smart is not associated with Securities America,  
26 and “Simply Smart Homes, LLC is not an approved product offered” by Securities America. “No

1 transactions concerning Mr. Smart or Simply Smart Homes, LLC have been recorded,” on the books  
2 of Securities America. As a result of the Simply Smart transaction, on September 13, 2016, Securities  
3 America and Verus Capital terminated CROWE for engaging in private securities transactions  
4 without firm approval.

5 18. CROWE is not currently registered or licensed with the Commission.

6 19. Notwithstanding that CROWE is not currently registered or licensed with  
7 Commission, under A.R.S. §§ 44-1962 (D) and 44-3202 (D) CROWE continues to be subject to the  
8 Commission’s jurisdiction for two years after the termination or lapse of his registration or licensure  
9 for the purpose of denying, suspending, or revoking his registration and licensure in connection with  
10 conduct that began before his termination.

11 **IV.**

12 **REMEDIES PURSUANT TO A.R.S. §§ 44-1962 AND 44-3201**

13 **(Denial, Revocation, or Suspension of Registration of Salesman and Investment Adviser**  
14 **Representative License; Restitution, Penalties, or other Affirmative Action)**

15 1. Respondent’s conduct is grounds to revoke Respondent’s registration as a securities  
16 salesman with the Commission pursuant to A.R.S. § 44-1962. Specifically, Respondent:

17 a) Engaged in dishonest and unethical practices in the securities industry pursuant to  
18 A.R.S. § 44-1962(A)(10), as set forth in, A.A.C. R14-4-130 specifically:

19 While registered as a securities salesman, effecting securities  
20 transactions which have not been recorded on the records of the dealer  
21 with whom Respondent is registered with at the time of transaction,  
22 contrary to A.A.C. R14-4-130(A)(17).

23 2. Respondent’s conduct is grounds for the Commission to assess administrative penalties,  
24 to order Respondent to cease and desist, to order restitution, and /or take appropriate affirmative action  
25 pursuant to A.R.S. § 44-1962.

26 ///

1           3.       Respondent's conduct is grounds to revoke Respondent's license as an investment  
2 adviser representative with the Commission pursuant to A.R.S. § 44-3201. Specifically, Respondent:

- 3                   a)     Engaged in dishonest and unethical practices in the securities industry pursuant to  
4                   A.R.S. § 44-3201(A)(13):

5                                 While registered as a securities salesman, effecting securities  
6                                 transactions which have not been recorded on the records of the dealer  
7                                 with whom Respondent is registered with at the time of transaction,  
8                                 contrary to A.A.C. R14-4-130(A)(17).

- 9           4.       Revocation of Respondent's license would be in the public interest.

10   **V.**

11   **REQUESTED RELIEF**

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

13           1.       Order Respondent to permanently cease and desist from engaging in dishonest and  
14 unethical practices in the securities industry pursuant to A.R.S. § 44-1962;

15           2.       Order Respondent to take affirmative action to correct the conditions resulting from  
16 Respondent's acts, practices, or transactions, including providing restitution pursuant to A.R.S. § 44-  
17 1962;

18           3.       Order Respondent to pay the state of Arizona administrative penalties of up to five  
19 thousand dollars (\$5,000) for each violation of the Securities Act pursuant to A.R.S. §§ 44-1962 and 44-  
20 2036;

21           4.       Order the revocation of Respondent's registration as a securities salesman and licensure  
22 as an investment adviser representative pursuant to A.R.S. §§ 44-1962 and 44-3201;

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

- 26           6.       Order any other relief that the Commission deems appropriate.

**VI.****HEARING OPPORTUNITY**

Each respondent may request a hearing pursuant to A.R.S. § 44-1972 and A.A.C. R14-4-306. **If Respondent or 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 Kacie Cannon, ADA Coordinator, voice phone number (602) 542-3931, e-mail [kcannon@azcc.gov](mailto:kcannon@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>

**VII.****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,

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

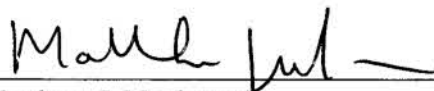
4 Additionally, the answering respondent must serve the Answer upon the Division. Pursuant  
5 to A.A.C. R14-4-303, service upon the Division may be made by mailing or by hand-delivering a  
6 copy of the Answer to the Division at 1300 West Washington, 3<sup>rd</sup> Floor, Phoenix, Arizona, 85007,  
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 15 day of May, 2017.

18  
19   
20 Matthew J. Neubert  
21 Director of Securities  
22  
23  
24  
25  
26