

ORIGINAL

NEW APPLICATION



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BEFORE THE ARIZONA CORPORATION COMMISSION
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Arizona Corporation Commission

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JUN 29 2017

DOCKETED BY

In the matter of:

DOCKET NO. S-21016A-17-0206

GenTecnicas, LLC, an Arizona limited liability company,

**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**

iCorp LLC, an unincorporated entity, and

James E. Stroup, a single man,

Respondents.

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 GenTecnicas, LLC, iCorp, LLC, and James E. Stroup (collectively, "Respondents") 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").

The Division also alleges that James E. Stroup is a controlling person of GenTecnicas, LLC and iCorp LLC within the meaning of A.R.S. § 44-1999(B) to the same extent as the entity for its violations of the antifraud provisions of the 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.**RESPONDENTS**

2. GenTecnicos, LLC is a manager-managed, Arizona limited liability company formed on July 18, 2011. In its Articles of Organization, GenTecnicos lists a Glendale, Arizona address as its place of business. Stroup is the statutory agent, the organizer, and one of the managers listed in GenTecnicos's Articles. A November 6, 2014 amendment to the Articles made Stroup the sole manager.

3. iCorp, LLC is not organized in Arizona and not registered to do business in Arizona; there is no evidence that it was ever organized under any jurisdiction. In spite of this, Stroup would frequently conduct business as iCorp, including selling shares of iCorp stock.

4. James E. Stroup is a single man who resided in Arizona at all times relevant to this Notice, i.e. from 2009 through 2015.

III.**FACTS**

5. This case involves investments in companies that were little more than descriptions of imagined products and business models produced by its founder, James "Jamie" Stroup. Stroup promised to design and manufacture an ever-changing line of software and products, most of which were some iteration of a GPS tracking device and telecoms services. He never produced any technology. And a large portion of the investor funds went to Stroup's personal use.

6. In the late 1980s, Stroup worked at Arizona Public Service Electric Company.

7. After more than a dozen years of no contact, one of Stroup's former APS co-workers, JB, ran into Stroup at Cabela's in Glendale, where Stroup had been working since 2006. When he spoke with JB, Stroup was working in Cabela's boat sales department.

8. In July 2009, Stroup was arrested for stealing Cabela's store merchandise. That same month, the City of Glendale convicted Stroup of theft and ordered him to pay restitution and to serve five days in jail.

1 9. Shortly after Stroup was arrested, he began telling JB about iCorp, which was going
2 to produce a GPS tracking device called "Tattle Trail." JB invested \$33,000 in iCorp and received
3 stock for his investment. He expected his funds to be used to develop Tattle Trail.

4 10. JB also told several friends and acquaintances about the opportunity to invest with
5 Stroup and iCorp. Many of JB's friends invested in iCorp. These persons had no pre-existing
6 relationship with Stroup or iCorp.

7 11. From the beginning of 2010 through 2011, Stroup and iCorp sold stock in iCorp to at
8 least 170 people (the "iCorp Investors") in exchange for cash and checks totaling at least \$564,500.
9 Two iCorp Investors received payments from iCorp totaling \$13,000. The remaining iCorp Investors
10 received no return.

11 12. Stroup told several iCorp Investors that their funds would be used for developing,
12 producing and selling the Tattle Trails GPS-tracking device. Stroup told these investors that Tattle
13 Trails was still in the development phase. And Stroup/iCorp needed funds to complete the product
14 and bring it to fruition.

15 13. After seeing Stroup make a presentation on iCorp, and prior to investing, several iCorp
16 Investors understood that iCorp would be producing computing tablets and that their funds would go
17 towards producing these tablets.

18 14. Stroup and iCorp provided several iCorp Investors with a "Private Placement
19 Investment Plan for iCorp" (the "iCorp PPM(s)"). Stroup was principally responsible for producing
20 the content of the iCorp PPMs. In these iCorp PPMs, Stroup described iCorp as an emergency
21 communications company with potential to be as big as Verizon "and just as profitable."

22 15. The iCorp PPMs list several different technologies that iCorp was supposedly
23 developing, four of which have trademark symbols (i.e. "TM") next to them.

24 16. The iCorp PPMs also lists several subsidiary entities that were to develop various
25 products.
26

1 17. In mid-2011, Stroup told several iCorp investors that he had formed GenTecnicos.
2 Based on Stroup's representations, several iCorp Investors understood that Stroup had simply
3 changed the name of iCorp to GenTecnicos.

4 18. Stroup told several iCorp Investors that if they invested in GenTecnicos, their
5 investment in GenTecnicos would go towards the further development of the Tattle Trail device. Based
6 on this representation, several iCorp Investors purchased GenTecnicos stock.

7 19. From July 2011 through 2014, Stroup and GenTecnicos sold stock in GenTecnicos to at
8 least 50 people (the "GenTecnicos Investors") with stock sales totaling at least \$132,620. The
9 GenTecnicos Investors expected their funds to be used for the development of various, GPS-related
10 technologies. None of the GenTecnicos Investors received any returns on their investments.

11 20. In correspondence with investors from 2011 through 2014, Stroup frequently stated
12 that additional shares of GenTecnicos stock were available to purchase.

13 21. Stroup provided several GenTecnicos Investors with a document titled
14 "Private Placement Investment Opportunity for GenTecnicos" (the "GenTecnicos PPM(s)"). Stroup
15 was principally responsible for producing the content of the GenTecnicos PPMs.

16 22. The GenTecnicos PPMs state that GenTecnicos is a Glendale, Arizona company that
17 owns three subsidiaries: GenTecnicos TDIS, LLC; GenTecnicos Space Sciences, LLC; and iCorp.

18 23. The GenTecnicos PPMs also list several technologies and products that GenTecnicos
19 provides or develops for clients. The PPMs describe these provisions and products in the present
20 tense, as if they existed at the time. Additionally, the PPMs describe GenTecnicos's platform software
21 with a trademark symbol next to it: "SiteWhere™."

22 24. After investing in both iCorp and GenTecnicos, at least two investors made several
23 requests to Stroup for iCorp and GenTecnicos financial statements. Whenever a request was made,
24 Stroup would tell them that he would have something soon for them, but nothing was ever produced.

Misrepresentations and Omissions

25. Respondents represented to investors and offerees who received iCorp and GenTecnic PPMs that Stroup had significant, relevant success in previous businesses. For example, the iCorp and GenTecnic PPMs state that Stroup developed entities called Biolinks Pollution Solutions, Inc., "Aquatech" and 3Comp, Inc. The PPMs represent these as successful businesses, including saying that 3Comp was so successful that it competed with Waste Management. Respondents omitted material information that would make Stroup's description of his success not misleading.

26. For example, the business "3Comp" was incorporated in December 2003, and it was administratively dissolved just three years later. In his 2003 bankruptcy documents, Stroup lists his respective 12% and 16.6% stock ownerships in Biolinks and Aquatech stock as being worthless.

27. Stroup failed to disclose to investors that in 2003, he filed for protection under Chapter 7 of the U.S. Bankruptcy Code and received a discharge in 2004.

28. He also failed to disclose that in 2009 he was convicted of theft for stealing from an employer.

29. In the iCorp and GenTecnic PPMs, and in a document given to potential investors titled "GenTecnic Investor Pro Forma", Respondents describe officers and "Managing Partners" of iCorp and GenTecnic. Three of these "Managing Partners"—with titles of CTO, Director of Technical Integration and Senior Architect—were, in fact, never employees or officers of GenTecnic. They were software developers who were outside consultants to Respondents. One met with Stroup only once; the other two only met with him a handful of times. Except for one meeting where two consultants demonstrated a tracking device (described more below), these consultants' meetings with Stroup were little more than brainstorming sessions that led at least two of the consultants to conclude that Stroup was simply "blowing hot air" and unable to produce anything. One of the other "partners" listed in the PPMs was also not an officer of the entities. He had limited meetings with Stroup. These meetings consisted of talking about what products Respondents could

1 potentially produce and how those hypothetical products could be used by different government
2 agencies. None of the Respondents, however, ever entered into any contracts with any government
3 agencies.

4 30. In 2011, a group of private-equity investors were interested in the Tattle Trails
5 product. This private-equity group had contacts with government entities and with major companies.
6 Stroup and his group of software developer consultants attended at least one meeting with the private-
7 equity group and presented their idea for a GPS tracking device. After meeting with the private-
8 equity investors, Stroup had no further relationship with them. But he did put their information as
9 persons of interest for his ideas in both the GenTecnicos and iCorp PPMs.

10 31. Stroup also put the private-equity investors' contacts, such as the Department of
11 Homeland Security, the Department of Defense, NASA, Shell Oil, and FedEx, in GenTecnicos's
12 offering materials as if Stroup and GenTecnicos were actively doing business with them. In fact, these
13 parties had no relationship, much less any contracts for development, with any of the Respondents.

14 32. In the GenTecnicos PPMs, GenTecnicos describes its operations using the present tense.
15 For example, GenTecnicos says it "designs and develops Vertical Applications for the following
16 clients: Government, Military, Space, Law Enforcement Commercial, Industrial, and Consumer."
17 The GenTecnicos PPMs also describe several technologies that Respondents developed, supposedly
18 for the listed clients. In fact, Respondents produced no usable software applications, no hardware,
19 and had no contracts with government entities or any other companies to develop software or
20 technology.

21 33. The only thing that Respondents developed that even came close to being a viable
22 product consists of the following: Stroup entered a consulting agreement with a small software
23 company where the company would develop a GPS tracking device that could work with mobile
24 phones. The software developer purchased GPS receivers from China and wrote software to have
25 them work on cell phones. After four months of work for GenTecnicos, the software developer had
26 the device ready to demonstrate to Stroup. After the demonstration, Stroup did not show interest in

1 following up with this work and the devices were never developed further for Respondents. Though
2 the software company sent Stroup several invoices, Stroup paid the company less than \$2,000. No
3 other consultants, software developers, or manufacturers performed any actual work for
4 iCorp/GenTecnics on any of the products that Respondents claimed to be developing.

5 34. Respondents made it appear as if they held trademarks on existing technologies. For
6 example, in the iCorp and GenTecnics PPMs, Respondents list at least four items that have the
7 trademark symbol next to them. In fact, none of the trademarks they described were registered with
8 the U.S. Patent and Trademark Office and none of the Respondents have ever registered any
9 trademarks or patents with the USPTO.

10 35. Respondents described several businesses and subsidiaries to investors and offerees
11 as if these businesses were valid and currently operating. In fact, GenTecnics was the only
12 incorporated entity; the rest were never formed in Arizona, or in any jurisdiction.

13 36. The iCorp Investors thought their funds were going towards the development and
14 production of a variety of technologies. Stroup, who had no other source of income from 2010
15 through 2015, failed to use iCorp Investor funds to develop or manufacture any technology. Instead,
16 he spent the funds mostly on himself. His use of investor funds includes the payments/withdrawals
17 described below.

18 a) From March 16, 2010, through May 18, 2012, Stroup spent \$71,849 at motor
19 sports stores including an \$18,100 cashier's check paid on June 30, 2010, to Metro Motor
20 Sports in Glendale, Arizona.

21 b) On June 30, 2010, Stroup paid \$3,951 to Hawaiian Airlines. From July 13,
22 2010 through July 19, 2010, Stroup spent \$3,939 in Hawaii including payments to restaurants
23 for \$524, a chartered helicopter company for \$518, Budget Rent a Car for \$411 and a
24 Hawaiian adventure park for \$316.

25 c) From January 1, 2010, through July 31, 2012, Stroup spent \$12,948 at
26 restaurants and \$12,878 at fuel and convenience stores.

d) On June 18, 2010, Stroup paid \$37,320 to West USA Realty for one year of rent on a residential property.

e) From January 1, 2010, through July 31, 2012, Stroup spent \$105,024 at retail establishments including payments totaling \$14,659 to Lowe's, \$13,152 to Mor Furniture for Less, \$9,246 to Best Buy, \$7,848 to Costco Wholesale, \$7,409 to the Sprint Store and Sprint Wireless, \$6,248 to Fry's Electronics and \$4,115 to Ikea.

f) From January 6, 2010, through May 21, 2010, Stroup withdrew \$85,474 in cash from banks and ATMs.

37. Similarly, GenTecnicos Investors expected their funds to be used to develop GPS tracking software and related hardware. Stroup failed to use GenTecnicos Investor funds to develop or manufacture any technology. Instead, he spent the funds mostly on himself. His use of investor funds includes the payments/withdrawals described below.

a) Stroup made \$101,522 of purchases and disbursements, including, \$24,950 total purchase at retail stores, \$15,368 in rent, \$11,112 at restaurants, \$6,940 at sporting goods stores, \$6,679 to Desert Rat Off Road in Phoenix, Arizona, and \$3,935 at jewelry and clothing stores.

b) Stroup withdrew \$31,007 in cash from banks and ATMs.

IV.

VIOLATION OF A.R.S. § 44-1841

(Offer or Sale of Unregistered Securities)

38. From on or about March 2010, Respondents Stroup and iCorp offered or sold securities in the form of stock within or from Arizona.

39. From on or about July 2011, Respondents Stroup and GenTecnicos offered or sold securities in the form of stock within or from Arizona.

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

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

V.

VIOLATION OF A.R.S. § 44-1842

(Transactions by Unregistered Dealers or Salesmen)

42. Respondents offered or sold securities within or from Arizona while not registered as dealers or salesmen pursuant to Article 9 of the Securities Act.

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

VI.

VIOLATION OF A.R.S. § 44-1991

(Fraud in Connection with the Offer or Sale of Securities)

44. In connection with the offer or sale of securities within or from Arizona, Respondents 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; or (iii) engaged in transactions, practices, or courses of business that operated or would operate as a fraud or deceit upon offerees and investors. Respondents' conduct includes the following:

a) Representing to several iCorp and GenTechnics Investors that several technologies—devices and software—were either close to being produced or were already being produced when in fact no such products existed or were being developed.

b) Representing to several iCorp and GenTecnicos Investors that Stroup was competent to conduct a tech startup company without disclosing information that would be material to evaluating this claim, namely, that Stroup had declared bankruptcy in 2003; that the stock of previous businesses supposedly managed by Stroup was worthless; and that Stroup had been convicted of theft in 2009.

c) Representing to iCorp and GenTecnicos Investors that iCorp and GenTecnicos had several experienced officers and technical developers as employees, as well as several relationships with

1 government and corporate agencies that were interested in Respondents' technology. In fact, few of the
2 supposed officers had any relationship with Respondents, and those who did had only brief stints as
3 independent consultants. Additionally, Respondents had no developed relationships with government
4 and corporate agencies, much less any contracts, and no technology to provide.

5 d) Representing to iCorp and GenTecnicos Investors that their investment funds
6 would be used to develop and manufacture devices and software when in fact, Respondents not only
7 failed to spend the funds on manufacturing and software development, but instead spent almost all of
8 the funds on Stroup's personal expenses.

9 45. This conduct violates A.R.S. § 44-1991.

10 VII.

11 CONTROL PERSON LIABILITY PURSUANT TO A.R.S. § 44-1999

12 46. From at least 2010 through at least 2015, Stroup directly or indirectly controlled
13 GenTecnicos and iCorp within the meaning of A.R.S. § 44-1999. Therefore, Stroup is jointly and
14 severally liable to the same extent as these entities for their violations of A.R.S. § 44-1991.

15 VIII.

16 REQUESTED RELIEF

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

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

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

23 3. Order Respondents to pay the state of Arizona administrative penalties of up to \$5,000
24 for each violation of the Securities Act, pursuant to A.R.S. § 44-2036; and

25 4. Order any other relief that the Commission deems appropriate.
26

IX.**HEARING OPPORTUNITY**

Each respondent may request a hearing pursuant to A.R.S. § 44-1972 and A.A.C. R14-4-306. **If a respondent 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 website 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. 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>

X.**ANSWER REQUIREMENT**

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

1 after the date of service of this Notice. Filing instructions may be obtained from Docket Control by
2 calling (602)542-3477 or at <http://www.azcc.gov/divisions/hearings/docket.asp>.

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

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

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

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

16 Dated this 29 day of June, 2017.

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19 Matthew J. Neubert
20 Director of Securities
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