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**BEFORE THE ARIZONA CORPORATION COMMISSION**COMMISSIONERS

TOM FORESE - Chairman  
BOB BURNS  
ANDY TOBIN  
BOYD DUNN  
JUSTIN OLSON

Arizona Corporation Commission

**DOCKETED****JAN 19 2018****DOCKETED BY**

In the matter of	)	DOCKET NO. S-21016A-17-0206
GenTecnicos, LLC, an Arizona limited	)	
liability company,	)	DECISION NO. <u>76543</u>
iCorp LLC, an unincorporated entity, and	)	
James E. Stroup, a single man,	)	<b>ORDER TO CEASE AND DESIST, ORDER</b>
	)	<b>FOR RESTITUTION, AND ORDER FOR</b>
Respondents.	)	<b>ADMINISTRATIVE PENALTIES</b>

On June 29, 2017, the Securities Division ("Division") of the Arizona Corporation Commission ("Commission") filed a 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 (the "Notice") against GenTecnicos, LLC, iCorp LLC, and James E. Stroup (collectively, "Respondents").

On November 13, 2017, the Division served the Notice upon Respondents via publication. No request for a hearing or answer to the Notice has been filed as of January 9, 2018.

**I.****FINDINGS OF FACT**

1. This case involves investments in companies that were little more than descriptions of imagined products and a series of 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.

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

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

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

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

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

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

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

20          9.     JB also told several friends and acquaintances about the opportunity to invest with  
21 Stroup and iCorp. Many of JB's friends invested in iCorp. These persons had no pre-existing  
22 relationship with Stroup or iCorp.

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

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

5           12.     After seeing Stroup make a presentation on iCorp, and prior to investing, several iCorp  
6 Investors understood that iCorp would be producing computing tablets and that their funds would go  
7 towards producing these tablets.

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

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

14          15.     The iCorp PPMs also lists several subsidiary entities that were to develop various  
15 products.

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

19          17.     Stroup told several iCorp Investors that if they invested in GenTecnicos, their  
20 investment in GenTecnicos would go towards the further development of the Tattle Trail device. Based  
21 on this representation, several iCorp Investors purchased GenTecnicos stock.

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

26

1           19. In correspondence with investors from 2011 through 2014, Stroup frequently stated  
2 that additional shares of GenTecnicos stock were available to purchase.

3           20. Stroup provided several GenTecnicos Investors with a document titled  
4 "Private Placement Investment Opportunity for GenTecnicos" (the "GenTecnicos PPM(s)"). Stroup  
5 was principally responsible for producing the content of the GenTecnicos PPMs.

6           21. The GenTecnicos PPMs state that GenTecnicos is a Glendale, Arizona company that  
7 owns three subsidiaries: GenTecnicos TDIS, LLC; GenTecnicos Space Sciences, LLC; and iCorp.

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

12           23. After investing in both iCorp and GenTecnicos, at least two investors made several  
13 requests to Stroup for iCorp and GenTecnicos financial statements. Whenever a request was made,  
14 Stroup would tell them that he would have something for them soon, but he never provided any  
15 statements.

16           24. Respondents represented to investors and offerees who received iCorp and  
17 GenTecnicos PPMs that Stroup had significant, relevant success in previous businesses. For example,  
18 the iCorp and GenTecnicos PPMs state that Stroup developed entities called Biolinks Pollution  
19 Solutions, Inc., "Aquatech" and 3Comp, Inc. The PPMs represent these as successful businesses,  
20 including saying that 3Comp was so successful that it competed with Waste Management.

21           25. Respondents omitted material information that would make Stroup's description of  
22 his success not misleading.

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

26

1           27.     Stroup failed to disclose to investors that in 2003, he filed for protection under Chapter  
2 7 of the U.S. Bankruptcy Code and received a discharge in 2004.

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

5           29.     In the iCorp and GenTecnic PPMs, and in a document given to potential investors  
6 titled “GenTecnic Investor Pro Forma”, Respondents describe officers and “Managing Partners” of  
7 iCorp and GenTecnic. Three of these “Managing Partners”—with titles of CTO, Director of  
8 Technical Integration and Senior Architect—were, in fact, never employees or officers of  
9 GenTecnic. They were software developers who were outside consultants to Respondents. One met  
10 with Stroup only once; the other two only met with him a handful of times. Except for one meeting  
11 where two consultants demonstrated a tracking device (described more below), these consultants’  
12 meetings with Stroup were little more than brainstorming sessions that led at least two of the  
13 consultants to conclude that Stroup was simply “blowing hot air” and unable to produce anything.  
14 One of the other “partners” listed in the PPMs was also not an officer of the entities. He had limited  
15 meetings with Stroup. These meetings consisted of talking about what products Respondents could  
16 potentially produce and how those hypothetical products could be used by different government  
17 agencies. None of the Respondents, however, ever entered into any contracts with any government  
18 agencies.

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

25           31.     Stroup also put the private-equity investors’ contacts, such as the Department of  
26 Homeland Security, the Department of Defense, NASA, Shell Oil, and FedEx, in GenTecnic’s

1 offering materials as if Stroup and GenTecnicos were actively doing business with them. In fact, these  
2 parties had no relationship, much less any contracts for development, with any of the Respondents.

3 32. In the GenTecnicos PPMs, GenTecnicos describes its operations using the present tense.  
4 For example, GenTecnicos says it “designs and develops Vertical Applications for the following  
5 clients: Government, Military, Space, Law Enforcement Commercial, Industrial, and Consumer.”  
6 The GenTecnicos PPMs also describe several technologies that Respondents developed, supposedly  
7 for the listed clients. In fact, Respondents produced no usable software applications, no hardware,  
8 and had no contracts with government entities or any other companies to develop software or  
9 technology.

10 33. The only thing that Respondents developed that even came close to being a viable  
11 product consists of the following: Stroup entered a consulting agreement with a small software  
12 company where the company would develop a GPS tracking device that could work with mobile  
13 phones. The software developer purchased GPS receivers from China and wrote software to have  
14 them work on cell phones. After four months of work for GenTecnicos, the software developer had  
15 the device ready to demonstrate to Stroup. After the demonstration, Stroup did not show interest in  
16 following up with this work and the devices were never developed further for Respondents. Though  
17 the software company sent Stroup several invoices, Stroup paid the company less than \$2,000. No  
18 other consultants, software developers, or manufacturers performed any actual work for  
19 iCorp/GenTecnicos on any of the products that Respondents claimed to be developing.

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



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

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

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

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

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

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

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

24           f) From January 6, 2010, through May 21, 2010, Stroup withdrew \$85,474 in  
25 cash from banks and ATMs.  
26

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.

## II.

## CONCLUSIONS OF LAW

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

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

3. Respondents violated A.R.S. § 44-1841 by offering or selling securities that were neither registered nor exempt from registration.

4. Respondents violated A.R.S. § 44-1842 by offering or selling securities while neither registered as a dealer or salesman nor exempt from registration.

5. Respondents violated A.R.S. § 44-1991 by (a) employing a device, scheme, or artifice to defraud, (b) making untrue statements or misleading omissions of material facts, and (c) engaging in transactions, practices, or courses of business that operate or would operate as a fraud or deceit. Respondents' conduct includes the following:

a. Representing to several iCorp and GenTecnicos 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.



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

6           c. Representing to iCorp and GenTecnic Investors that iCorp and GenTecnic had  
7 several experienced officers and technical developers as employees, as well as several relationships  
8 with government and corporate agencies that were interested in Respondents' technology. In fact,  
9 few of the supposed officers had any relationship with Respondents, and those who did had only brief  
10 stints as independent consultants. Additionally, Respondents had no developed relationships with  
11 government and corporate agencies, much less any contracts, and no technology to provide.

12           d. Representing to iCorp and GenTecnic Investors that their investment funds  
13 would be used to develop and manufacture devices and software when in fact, Respondents failed to  
14 spend the funds on manufacturing and software development and instead spent almost all of the funds  
15 on Stroup's personal expenses.

16           6. Respondents' conduct is grounds for a cease and desist order pursuant to A.R.S. § 44-  
17 2032.

18           7. Respondents' conduct is grounds for an order of restitution pursuant to A.R.S. § 44-  
19 2032.

20           8. Respondents' conduct is grounds for administrative penalties under A.R.S. § 44-2036.

21           9. Stroup directly or indirectly controlled GenTecnic, LLC and iCorp LLC within the  
22 meaning of A.R.S. § 44-1999. Therefore, Stroup is jointly and severally liable under A.R.S. § 44-  
23 1999 to the same extent as these entities for their violations of A.R.S. § 44-1991.

**III.****ORDER**

THEREFORE, on the basis of the Findings of Fact, and Conclusions of Law, the Commission finds that the following relief is appropriate, in the public interest, and necessary for the protection of investors:

IT IS ORDERED, pursuant to A.R.S. § 44-2032, that Respondents, and any of Respondents' agents, employees, successors and assigns, permanently cease and desist from violating the Securities Act.

IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2032, that respondents Stroup and iCorp shall jointly and severally pay restitution to the Commission in the principal amount of \$551,500, and respondents Stroup and GenTecnics shall jointly and severally pay restitution to the Commission in the principal amount of \$132,620, as a result of the conduct set forth in the Findings of Fact and Conclusions of Law. Payment is due in full on the date of this Order. Payment shall be made to the "State of Arizona" to be placed in an interest-bearing account controlled by the Commission.

IT IS FURTHER ORDERED that the restitution ordered in the preceding paragraph will accrue interest as of the effective date of this Order, at the rate of the lesser of (i) ten percent per annum or (ii) at a rate per annum that is equal to one per cent plus the prime rate as published by the board of governors of the federal reserve system in statistical release H. 15 or any publication that may supersede it on the date that the judgment is entered.

The Commission shall disburse the funds on a pro-rata basis to investors shown on the records of the Commission. Any restitution funds that the Commission cannot disburse because an investor refuses to accept such payment, or any restitution funds that cannot be disbursed to an investor because the investor is deceased and the Commission cannot reasonably identify and locate the deceased investor's spouse or natural children surviving at the time of the distribution, shall be disbursed on a pro-rata basis to the remaining investors shown on the records of the Commission.

1 Any funds that the Commission determines it is unable to or cannot feasibly disburse shall be  
2 transferred to the general fund of the state of Arizona.

3 IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2036, that Respondents shall, jointly  
4 and severally pay an administrative penalty in the amount of \$50,000 as a result of the conduct set  
5 forth in the Findings of Fact and Conclusions of Law. Payment is due in full on the date of this Order.  
6 Payment shall be made to the "State of Arizona." Any amount outstanding shall accrue interest as  
7 allowed by law.

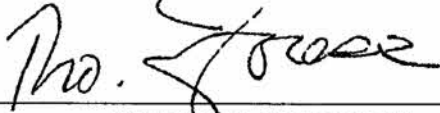
8 IT IS FURTHER ORDERED that the administrative penalty ordered in the preceding  
9 paragraph will accrue interest at the rate of the lesser of (i) ten percent per annum or (ii) at a rate per  
10 annum that is equal to one per cent plus the prime rate as published by the board of governors of the  
11 federal reserve system in statistical release H. 15 or any publication that may supersede it on the date  
12 that the judgment is entered.

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

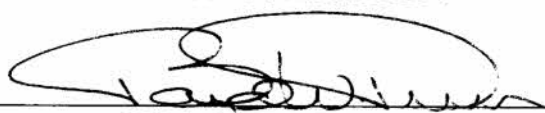
16 IT IS FURTHER ORDERED, that if Respondents fail to comply with this order, the  
17 Commission may bring further legal proceedings against Respondents, including application to the  
18 superior court for an order of contempt.

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

20 BY ORDER OF THE ARIZONA CORPORATION COMMISSION

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22 CHAIRMAN FORESE

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22 COMMISSIONER DUNN

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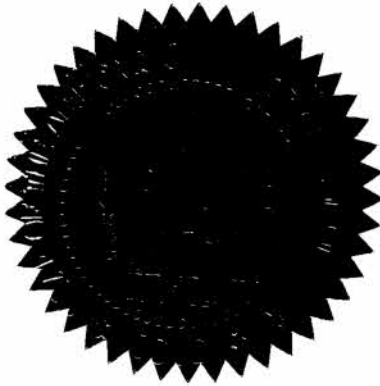
24 COMMISSIONER TOBIN

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24 COMMISSIONER OLSON

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24 COMMISSIONER BURNS



IN WITNESS WHEREOF, I, TED VOGT, Executive Director  
of the Arizona Corporation Commission, have hereunto set my  
hand and caused the official seal of the Commission to be  
affixed at the Capitol, in the City of Phoenix, this 19<sup>th</sup> day  
of January, 2018.

  
\_\_\_\_\_  
TED VOGT  
EXECUTIVE DIRECTOR

\_\_\_\_\_  
DISSENT

\_\_\_\_\_  
DISSENT

This document is available in alternative formats by contacting Kacie Cannon, ADA Coordinator,  
voice phone number (602) 542-3931, e-mail [kcannon@azcc.gov](mailto:kcannon@azcc.gov).

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SERVICE LIST FOR:        GenTecnics, LLC, et al.

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