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Counsel for Respondents MJG Enterprises, Inc., Anthony Boscarino, and Marguerite Jeane Gerhart

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Arizona Corporation Commission
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BEFORE THE ARIZONA CORPORATION COMMISSION

In the matter of: MJG ENTERPRISES, INC., doing business as Mike's Lock Club, an Arizona corporation; ANTHONY BOSCARINO (a/k/a Mike Brown and Anthony Kokas), a married man; MARGUERITE JEANE GERHART (a/k/a Marguerite Boscarino) a married woman; Respondents.	Docket No. S-20709A-09-0524 **RESPONDENTS' ANSWER TO NOTICE OF OPPORTUNITY FOR HEARING REGARDING PROPOSED ORDER TO CEASE AND DESIST, ORDER FOR RESTITUTION, ORDER FOR ADMINISTRATIVE PENALTIES AND FOR OTHER AFFIRMATIVE ACTION**

Respondents MJG Enterprises, Inc. ("MJG"), an Arizona corporation, Anthony Boscarino ("Mr. Boscarino"), a married man, and Marguerite Jeane Gerhart ("Ms. Gerhart"), a married woman, by and through undersigned counsel, herein answer or otherwise respond to the allegations of the Arizona Corporation Commission, Securities Division contained in the November 16, 2009, Notice of Opportunity for Hearing Regarding Proposed Order to Cease and Desist, Order for

Restitution, Order for Administrative Penalties and for other Affirmative Action. Respondents herein specifically deny that they engaged in any acts, practices, or transactions that would constitute violations of the Securities Act of Arizona, ARS § 44-1801, et seq. ("Securities Act").

Respondents admit that Marguerite Jeane Gerhart is the namesake, President and sole shareholder of MJG. Ms. Gerhart, along with her husband Anthony Boscarino, initially formed MJG to conduct Internet advertising business, and MJG eventually branched off into other areas of business, including on-line sports handicapping. Mr. Boscarino is the only employee of MJG and manages the day-to-day activities of the company.

I. JURISDICTION

1. Answering paragraph one, Respondents admit that the Commission has jurisdiction over matters pertaining to the Arizona Securities Act.

II. RESPONDENTS

2. Answering paragraph two, Respondents admit that MJG Enterprises, Inc. is an Arizona corporation incorporated on or about November 9, 2007 and does business as Mike's Lock Club; and further alleges that its principal place of business is in Phoenix, Arizona.

3. Answering paragraph three, Respondents admit that MJG registered Mike's Lock Club as a trade name on May 22, 2008.

4. Answering paragraph four, Respondents admit that Mr. Boscarino is a married person who resides in Arizona. Respondents aver that Mr. Boscarino's adopted name was Anthony Kokas and when his adoptive parents divorced, Mr. Boscarino lawfully changed his name to his original birth name, which was Anthony Boscarino. Respondents further aver that the name Mike Brown is the business name used on Mr. Boscarino's sports handicapping website to protect his and

his family's personal identity. Respondents admit that Mr. Boscarino has been a director of MJG since September 1, 2007. Respondents deny each and every other allegation of said paragraph.

5. Answering paragraph five, Respondents admit that Ms. Gerhart is a married person residing in Arizona and that she is the President of MJG. Respondents further aver that the referenced public records of the Commission speak for themselves.

6. Answering paragraph six, to the extent the public records referenced in said paragraph exist and are accurate, they speak for themselves; therefore, Respondents deny each and every other allegation of said paragraph.

7. Answering paragraph seven, Respondents admit that Mr. Boscarino and Ms. Gerhart are husband and wife, but deny each and every other allegation of said paragraph.

8. Answering paragraph eight, Respondents deny said paragraph.

III. FACTS

9. Answering paragraph nine, Respondents admit that Mike's Lock Club is an Internet sports handicapping business that can be found at www.mikeslockclub.com, but deny each and every other allegation of said paragraph.

10. Answering paragraph ten, Respondents admit that, for a fee, a person can join Mike's Lock Club and receive sports picks, but deny each and every other allegation of said paragraph.

11. Answering paragraph eleven, Respondents admit that persons who joined Mike's Lock Club were known as Mike's Lock Club Members. Respondents further aver that the name Mike Brown is the business name used on Mr. Boscarino's sports handicapping website to protect his and his family's personal identity. Respondents deny each and every other allegation of said paragraph.

12. Answering paragraph twelve, Respondents admit that MJG received revenue from those who joined Mike's Lock Club for the sports handicapping services provided.

13. Answering paragraph thirteen, Respondents deny said paragraph.

A. PROJECT DRILL

14. Answering paragraph fourteen, Respondents deny said paragraph. To the extent the emails referenced in paragraph fourteen exist, they speak for themselves. The drilling project never went forward and no funds were retained by MJG.

15. Answering paragraph fifteen, Respondents deny said paragraph.

16. Answering paragraph sixteen, Respondents deny said paragraph.

17. Answering paragraph seventeen, Respondents deny said paragraph.

18. Answering paragraph eighteen, Respondents deny said paragraph.

19. Answering paragraph nineteen, Respondents deny said paragraph.

20. Answering paragraph twenty, Respondents deny said paragraph.

B. SBLC PRIVATE PLACEMENT TRADE PROGRAM

21. Answering paragraph twenty-one, Respondents respond that to the extent the emails referenced in paragraph twenty-one exist, they speak for themselves.

22. Answering paragraph twenty-two, Respondents deny said paragraph.

23. Answering paragraph twenty-three, Respondents deny said paragraph.

24. Answering paragraph twenty-four, Respondents deny said paragraph.

25. Answering paragraph twenty-five, Respondents deny said paragraph.

26. Answering paragraph twenty-six, Respondents deny said paragraph.

27. Answering paragraph twenty-seven, Respondents deny said paragraph. To the extent the email referenced in paragraph twenty-seven exists, it speaks for itself.

28. Answering paragraph twenty-eight, Respondents deny said paragraph.

C. COLLATERALIZED MORTGAGE OBLIGATION (CMO) PROGRAM

29. Answering paragraph twenty-nine, Respondents deny said paragraph. To the extent the emails referenced in paragraph twenty-nine exist, they speak for themselves. Respondents aver that other parties not named by the Division are the culpable parties who have defrauded MJG and the other participating investors. MJG has initiated two lawsuits in Maricopa County Superior Court, CV2009-020325 and CV2009-020326, against the culpable parties in an attempt to recover misappropriated investor funds.

30. Answering paragraph thirty, Respondents deny said paragraph. Respondents aver that other parties, not named by the Division, are the culpable parties who have defrauded MJG and the other participating investors.

31. Answering paragraph thirty-one, Respondents deny said paragraph. Respondents aver that other parties, not named by the Division, are the culpable parties who have defrauded MJG and the other participating investors.

32. Answering paragraph thirty-two, Respondents deny said paragraph. Respondents aver that other parties not named by the Division are the culpable parties who have defrauded MJG and the other participating investors.

33. Answering paragraph thirty-three, Respondents deny said paragraph. Respondents aver that other parties, not named by the Division, are the culpable parties who have defrauded MJG and the other participating investors. MJG has initiated two lawsuits in Maricopa County Superior Court, CV2009-020325 and CV2009-020326, against the culpable parties in an attempt to recover misappropriated investor funds.

34. Answering paragraph thirty-four, Respondents deny said paragraph. Respondents aver that other parties, not named by the Division, are the culpable parties who have defrauded MJG and the other participating investors.

35. Answering paragraph thirty-five, Respondents admit that Tom Nantais ("Nantais"), a California licensed attorney, solicited MJG's business members to contribute money towards a CMO investment by recording a conference call in which Nantais explained the CMO investment and by making that recording available to MJG's business members so that they could call in and listen to the recording at their own convenience. The recorded conference call speaks for itself. To the extent the email referenced in paragraph thirty-five exists, it speaks for itself. Respondents deny each and every other allegation of said paragraph.

36. Answering paragraph thirty-six, Respondents deny said paragraph and aver that Nantais described the CMO investment in the recorded conference call, which speaks for itself. Respondents deny each and every other allegation of said paragraph. To the extent that Respondents made any representations, they were only to pass along the information they had been told.

37. Answering paragraph thirty-seven, Respondents admit the existence of a conference call recording, the contents of which speak for itself, but deny each and every other allegation of said paragraph.

38. Answering paragraph thirty-eight, Respondents admit the existence of a conference call recording, the contents of which speak for itself, but deny each and every other allegation of said paragraph. To the extent that Respondents made any representations, they were only to pass along the information they had been told.

39. Answering paragraph thirty-nine, Respondents admit the existence of a conference call recording, the contents of which speak for itself, but deny each and every other allegation of said paragraph.

40. Answering paragraph forty, Respondents deny said paragraph. To the extent the email referenced in paragraph forty exists, it speaks for itself.

41. Answering paragraph forty-one, Respondents admit the existence of an account located at a Phoenix, Arizona credit union. To the extent the email referenced in paragraph forty-one exists, it speaks for itself. Respondents deny each and every other allegation of said paragraph.

42. Answering paragraph forty-two, Respondents deny said paragraph and further aver that the contract referenced in paragraph forty-two speaks for itself.

43. Answering paragraph forty-three, Respondents admit that Ms. Gerhart, on behalf of MJG, wired $1 million dollars to a Chicago Law firm, namely Rieck and Crotty's HPHC Client Trust Account c/o Matthew Tucker Acct, Chicago Investment Group, CMO Buy/Sell. Respondents deny each and every other allegation of said paragraph.

44. Answering paragraph forty-four, Respondents admit that such statements referenced in paragraph forty-four were included in emails that were distributed among other culpable parties not named by the Division, who have defrauded MJG and the other participating investors. To the extent the statements referenced in paragraph forty-four were taken from emails or documents, such emails and documents speak for themselves. All information communicated by MJG was merely passed along from the principals offering the CMO investment opportunity to MJG. Respondents deny each and every other allegation of said paragraph.

45. Answering paragraph forty-five, Respondents deny said paragraph and aver that the contract referenced in paragraph forty-five speaks for itself.

46. Answering paragraph forty-six, Respondents admit that they have never received any profits or a return of the $1 million dollars from the purchase of the First CMO. Respondents deny each and every other allegation of said paragraph.

47. Answering paragraph forty-seven, Respondents deny said paragraph and aver that the email referenced in paragraph forty-seven speaks for itself.

48. Answering paragraph forty-eight, Respondents deny said paragraph. Upon Respondents' information and belief, someone executed an Amendment to Escrow Instructions dated March 13, 2009 and signed Ms. Marguerite Gerhart's forged signature authorizing the distribution of funds to three different parties.

49. Answering paragraph forty-nine, Respondents admit that the Second CMO is not titled in either MJG's or Mr. Boscarino's names. Respondents aver that, on information and belief, the CMO is being held in a trust, but deny each and every other allegation of said paragraph.

50. Answering paragraph fifty, Respondents admit the existence of a JV Agreement, which speaks for itself, but deny each and every other allegation of said paragraph.

51. Answering paragraph fifty-one, Respondents deny said paragraph and aver that the Agreement referenced in paragraph fifty-one speaks for itself.

a. Answering paragraph a, Respondents deny said paragraph and aver that the Agreement referenced in paragraph fifty-one speaks for itself.

b. Answering paragraph b, Respondents deny said paragraph and aver that the Agreement referenced in paragraph fifty-one speaks for itself.

c. Answering paragraph c, Respondents deny said paragraph and aver that the Agreement referenced in paragraph fifty-one speaks for itself.

d. Answering paragraph d, Respondents deny said paragraph and aver that the Agreement referenced in paragraph fifty-one speaks for itself.

e. Answering paragraph e, Respondents deny said paragraph and aver that the Agreement referenced in paragraph fifty-one speaks for itself.

52. Answering paragraph fifty-two, Respondents admit that neither MJG nor Mr. Boscarino received a return on the invested funds or its principal from the purchase of either the First CMO or the Second CMO.

53. Answering paragraph fifty-three, Respondents deny said paragraph.

54. Answering paragraph fifty-four, Respondents admit that no profits were made from the CMO purchases, but deny each and every other allegation of said paragraph. Respondents further aver that other culpable parties not named by the Division made such representations as contained in paragraph fifty-four and have defrauded MJG and the other participating investors.

55. Answering paragraph fifty-five, Respondents deny said paragraph.

56. Answering paragraph fifty-six, Respondents deny said paragraph.

57. Answering paragraph fifty-seven, Respondents deny said paragraph and aver that other culpable parties not named by the Division made such representations as contained in paragraph fifty-seven and have defrauded MJG and the other participating investors.

D. PING PROGRAM

58. Answering paragraph fifty-eight, Respondents deny said paragraph. To the extent the email referenced in paragraph fifty-eight exists, it speaks for itself.

59. Answering paragraph fifty-eight, Respondents deny said paragraph. To the extent the statements and quotations contained in paragraph fifty-eight were taken from an email or document, such email or document speaks for itself.

60. Answering paragraph sixty, Respondents deny said paragraph.

61. Answering paragraph sixty-one, Respondents deny said paragraph. To the extent the statements contained in paragraph sixty-one were taken from an email or document, such email or document speaks for itself.

62. Answering paragraph sixty-two, Respondents admit the existence of an account located at a Phoenix, Arizona credit union [and that investor funds were received for participation in the Ping Program] but deny each and every other allegation of said paragraph. Respondents further aver that the Ping Program was never consummated and that any investor funds received were returned to the investor when the program was terminated.

63. Answering paragraph sixty-three, Respondents admit that any investor funds received for the Ping Program were returned to the investor when the program was terminated, but deny each and every other allegation of said paragraph. To the extent the email referenced in paragraph sixty-three exists, it speaks for itself.

E. GENERAL ALLEGATIONS

64. Answering paragraph sixty-four, Respondents deny said paragraph. Respondents aver that other parties not named by the Division are the culpable parties who have defrauded MJG and the other participating investors.

65. Answering paragraph sixty-five, Respondents admit that investors and offerees reside throughout the United States, including Arizona and several foreign countries.

66. Answering paragraph sixty-six, Respondents admit that MJG and Mr. Boscarino are not registered as dealers or salesmen with the Commission, but deny each and every other allegation of said paragraph.

IV. VIOLATIONS OF A.R.S. § 44-1841

(Offer and Sale of Unregistered Securities)

67. Answering paragraph sixty-seven, Respondents deny said paragraph.

68. Answering paragraph sixty-eight, Respondents deny said paragraph.

69. Answering paragraph sixty-nine, Respondents deny said paragraph.

V. VIOLATIONS OF A.R.S. § 44-1842

(Transactions by Unregistered Dealers or Salesmen)

70. Answering paragraph seventy, Respondents deny said paragraph.

71. Answering paragraph seventy-one, Respondents deny said paragraph.

VI. VIOLATIONS OF A.R.S. § 44-1991

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

72. Answering paragraph seventy-two, Respondents deny said paragraph.

a. Answering paragraph a, Respondents deny said paragraph.

b. Answering paragraph b, Respondents deny said paragraph.

c. Answering paragraph c, Respondents deny said paragraph.

d. Answering paragraph d, Respondents deny said paragraph.

e. Answering paragraph e, Respondents deny said paragraph.

f. Answering paragraph f, Respondents deny said paragraph.

g. Answering paragraph g, Respondents deny said paragraph.

73. Answering paragraph seventy-three, Respondents deny said paragraph.

74. Answering paragraph seventy-four, Respondents deny said paragraph.

75. Answering paragraph seventy-five, Respondents deny said paragraph.

76. The Respondents expressly deny each and every allegation of this Notice of Opportunity for Hearing Regarding Proposed Order to Cease and Desist, Order for Restitution, Order for Administrative Penalties and for other Affirmative Action not expressly admitted herein.

VII. AFFIRMATIVE DEFENSES

77. Respondents allege that the Notice fails to state a claim upon which relief can be granted and this matter should be dismissed in its entirety with prejudice.

78. Respondents allege that no securities are involved in the alleged transactions.

79. Respondents allege that, to the extent the documents that were allegedly offered or sold are determined to be securities, the Respondents and the subject documents are exempt from the registration provisions of the Arizona Securities Act.

80. Respondents allege that all of their actions were taken for a proper purpose.

81. Respondents allege that they have not taken any improper actions within or from the State of Arizona.

82. Respondents allege that the claims in the Notice are barred by the applicable statute of limitations.

83. Respondents allege that they did not offer or sell investments contracts, commodity investment contracts, bonds, or any securities under Arizona law.

84. Respondents allege that the claims in the Notice are barred by the doctrines of waiver, estoppel, laches, unclean hands, and contributory negligence.

85. Respondents allege that the claims in the Notice are barred by assumption of risk.

86. Respondents allege that the Commission has failed to allege securities fraud with reasonable particularity as required by Rule 9(b) of the Arizona Rules of Civil Procedure.

87. Respondents allege that they did not know, nor could they have known through the exercise of reasonable care, of any alleged untrue statements or material omissions as alleged in the Notice.

88. Respondents allege that they have not acted with the requisite scienter.

89. Respondents allege that they have not employed a device, scheme or artifice to defraud in connection with the offer, purchase, or sale of any security.

90. Respondents allege that the alleged investors have suffered no injuries or damages as a result of the Respondents' acts.

91. Respondents allege that they have not made any misrepresentations or omissions, material or otherwise.

92. Respondents allege that they acted in good faith and did not directly or indirectly induce the conduct at issue.

93. Respondents allege that they have caused no damages.

94. Respondents allege that the investors relied on other culpable parties, not named by the Commission in this action, in connection with the matters at issue in this Notice.

95. Respondents allege that restitution is barred because the damages, if any, were caused by the investors' own acts or omissions and/or by the investors' failure to mitigate their damages.

96. Respondents allege that the claims in the Notice are barred, in whole or in part, because investors' damages, if any, were caused by the acts of others over whom Respondents have no control, and for whose acts Respondents are not legally answerable.

97. Respondents allege that the claims in the Notice are barred, in whole or in part, because investors' damages, if any, were caused by the intervening and superseding acts of others

over whom Respondents have no control, and for whose acts Respondents are not legally answerable.

98. Respondents allege that the claims in the Notice are barred, in whole or in part, because of mutual mistake.

99. Respondents allege that the claims in the Notice are barred, in whole or in part, because of payment, accord, and satisfaction.

100. Respondents allege that the claims in the Notice are precluded, in whole or in part, by offsets.

101. Respondents allege that the claims in the Notice are barred, in whole or in part, because investors acted in bad faith.

102. Further investigation and discovery in this matter may reveal the existence of additional affirmative defenses. Respondents, therefore, reserve as possible defenses all remaining defenses set forth in the Arizona Rules of Civil Procedure

103. Respondents reserve the right to amend this Answer to assert additional defenses after completion of investigation and discovery.

WHEREFORE, having fully answered the Notice, there is no basis for the imposition of liability of any kind or nature, that there should be no order of any kind or nature against the Respondents, and that the action should be dismissed with respect to Respondents in its entirety.

Respondents have previously requested a hearing in this matter and continue to request a hearing in this matter.

DATED this 15th day of December, 2009.

MITCHELL & ASSOCIATES
A Professional Corporation

By Julie Beauregard

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ORIGINAL of the foregoing filed on or
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Securities Division
1300 W. Washington Street, Third Floor
Phoenix, AZ 85007

By T. Hy

mjg enterprises/pldgs/answer.doc

VERIFICATION

STATE OF ARIZONA)
) ss.
County of Maricopa)

I, Anthony M. Boscarino, do hereby swear under oath as follows:

I am one of the Respondents named in the above-captioned matter. I have read the foregoing Answer in its entirety, know the contents thereof, and the same are true to the best of my knowledge and belief except as to those matters alleged on information and belief, and as to those I believe them to be true.

DATED this 14 day of December, 2009.

Anthony M. Boscarino