

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 WILLIAM A. MUNDELL  
Chairman  
3 JIM IRVIN  
Commissioner  
4 MARC SPITZER  
Commissioner  
5

6 In the matter of:

) Docket No. S-03502A-02-0000  
)

7 Turn Two Trading Club  
1023 N. Sparrow Drive  
8 Higley, AZ 85236  
)

) **TEMPORARY ORDER TO CEASE AND  
DESIST AND NOTICE OF OPPORTUNITY  
FOR HEARING**  
)

9 Dennis Wayne Little  
1023 N. Sparrow Drive  
10 Higley, AZ 85236  
)

11 Deborah L. Sorensen Little  
1023 N. Sparrow Drive  
12 Higley, AZ 85236  
)

13 Respondents.  
14

15 **NOTICE: THIS ORDER IS EFFECTIVE IMMEDIATELY**  
16 **EACH RESPONDENT HAS 20 DAYS TO REQUEST A HEARING (See XI)**  
17 **EACH RESPONDENT HAS 30 DAYS TO FILE AN ANSWER (See XII)**

18 The Securities Division (“Division”) of the Arizona Corporation Commission  
19 (“Commission”) alleges that RESPONDENTS, TURN TWO TRADING CLUB, DENNIS  
20 WAYNE LITTLE and DEBORAH L. SORENSEN LITTLE engaged in or are about to engage in  
21 acts and practices that constitute violations of A.R.S. § 44-1801, *et seq.*, the Arizona Securities Act  
22 (“Securities Act”), and the Investment Management Act (“IM Act”) and that the public welfare  
23 requires immediate action.  
24

25 ...  
26 ...  
...

1 **I.**

2 **JURISDICTION**

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

5 **II.**

6 **RESPONDENTS**

7 2. TURN TWO TRADING CLUB (“TTTC”), whose last known address is 1023 N.  
8 Sparrow Drive, Higley, Arizona 85236, was at all relevant times an unincorporated entity operating  
9 in Arizona. TTTC is the registered trade name of DENNIS WAYNE LITTLE.

10 3. DENNIS WAYNE LITTLE (“DWLITTLE”), whose last known address is 1023 N.  
11 Sparrow Drive, Higley, Arizona 85236, was at all relevant times doing business under the name  
12 TTTC. DWLITTLE is the owner of the registered trade name TTTC. DWLITTLE represents  
13 himself to be the manager of TTTC.

14 4. DEBORAH L. SORENSEN LITTLE (“DLSLITTLE”), whose last known address is  
15 1023 N. Sparrow Drive, Higley, Arizona 85236, was at all relevant times the spouse of  
16 DWLITTLE. As of at least July 5, 2002, DLSLITTLE handled all the administration functions of  
17 TTTC.

18 5. At all times relevant to this action, DWLITTLE and DLSLITTLE acted for their  
19 own benefit and for the benefit or in furtherance of the marital community.

20 6. TTTC, DWLITTLE and DLSLITTLE may be collectively referred to as  
21 “RESPONDENTS.”

22 **III.**

23 **FACTS**

24 7. DWLITTLE registered TTTC as a trade name on or about June 17, 2002. Starting  
25 in or about February 2002, DWLITTLE opened a personal trading account at Datek Online  
26

1 Financial Services L.L.C. (“Datek”). DWLITTLE represents that he has found a formula to  
2 make money on the stock market through day trading.

3 8. TTTC, an alleged investment club created and managed by DWLITTLE.  
4 DWLITTLE makes the trading decisions for all the investors of TTTC. There is no board or  
5 advisory panel that makes the decisions for TTTC. According to DWLITTLE, he has complete  
6 discretion over the TTTC investment funds.

7 9. RESPONDENTS state in documents that as of July 26, 2002, TTTC has a total  
8 balance of \$2,028,204.75 with the total number of members at 422. However, only about  
9 \$957,977 has been deposited to the Datek account between about February 20, 2002 through  
10 about July 19, 2002.

11 10. RESPONDENTS accept investor funds through a referral system. Based upon  
12 information to date, RESPONDENTS program began obtaining investors from their local church  
13 and through word of mouth of the current members.

14 11. DWLITTLE provides Excel spreadsheets on the TTTC website to TTTC investors  
15 that allegedly reflect the balance in the individual investors “capital accounts.” The figures on  
16 these spreadsheets do not correlate to the Datek account statements. The “capital account”  
17 spreadsheets are not calculated using industry standards such as calculating the balance of the  
18 trading account by settlement date.

19 12. RESPONDENTS represent that they are able to make 30% to 40% on the funds  
20 invested in TTTC. Based upon the RESPONDENTS’ documents provided to offerees and  
21 investors and over their website, between February through June of 2002 the average monthly  
22 return on the RESPONDENTS’ trading activity was 38.36%. The Division’s review for the same  
23 time period reflects less than 1% return. According to the RESPONDENTS, the best month of  
24 trading was May 2002, with a return of 47.56%. In fact, according to the Division’s records, the  
25 month of May 2002 reflects approximately a 1% loss.

26 . . .

1           13. Further, the five months of activity reviewed by the Division reflects that although,  
2 the deposits and trading activity were increasing, the percentage of return on the trading account  
3 was drastically going down.

MONTH	REPRESENTED BY RESPONDENTS	CALCULATED BY DIVISION	NET PROFIT/LOSS CALCULATED BY THE DIVISION
February	37.82%	23.02%	\$1,726.87
March	30.98%	-5.10	(\$1,083.17)
April	38.20%	1.76%	\$1,563.21
May	47.56%	-1.19%	(\$3,776.86)
June	37.27%	-15.44%	(\$98,776.67)

12  
13           14. Based upon a review of the trading account records and an analysis of each trade by  
14 DWLITTLE, for the five months, February of 2002 through June 30, 2002 the account has had an  
15 over all loss of \$100,336.62. At the same time, DWLITTLE has been telling investors he has been  
16 making a profit.

17           15. Initially, DWLITTLE encouraged investors to invest \$100 and DWLITTLE  
18 guaranteed that the investor would receive a ten percent profit in 30 days. The guarantee was  
19 only on the first \$100. After the 30 day period, an investor could join TTTC permanently by  
20 signing on with TTTC.

21           16. RESPONDENTS hold monthly meetings for TTTC members. Information is  
22 communicated to members through email or telephone messages.

23           17. According to some of the documents provided to investors, the monthly meetings  
24 are for conducting club business, dispersing monthly returns for members and determining  
25 ownership share for the upcoming month.

26           18. DWLITTLE claims that he does not receive compensation or remuneration of any  
kind for operating the investment club. In fact, DWLITTLE receives a benefit from the large

1 number of investors in TTTC through reduced transaction costs on his Datek account. For  
2 example, prior to starting TTTC, DWLITTLE day traded for his own account. When trading for  
3 his own account, he paid the transaction costs associated with the trading account himself.  
4 Through TTTC, DWLITTLE only pays approximately 1/400<sup>th</sup> of the transaction costs. In  
5 addition, DWLITTLE states in the documents provided to investors that the “more people who  
6 join this club, the more trades it will make, resulting in more profits per person on a recurring  
7 basis.”

8 19. All investor funds are deposited into one account. Initially, the investor funds  
9 were deposited into DWLITTLE and DLSLITTLE personal bank account. In about June of  
10 2002, the RESPONDENTS opened two separate TTTC bank accounts. Both DWLITTLE and  
11 DLSLITTLE are the signatories on their personal bank accounts. DWLITTLE is the only  
12 signatory on the TTTC bank accounts. DWLITTLE stated that DLSLITTLE is able to access the  
13 Datek account.

14 20. Investments can be made either directly to RESPONDENTS or to DWLITTLE’s  
15 personal Datek account.

16 21. Some investors received documents regarding their investments prior to investing.  
17 Some investors received no documents pertaining to their investments prior to investing. The  
18 investors that received documents when they invest sign an “Interim Agreement for  
19 Membership” (“Interim Agreement”). The Interim Agreement characterizes the investment as a  
20 contribution to TTTC.

21 22. DWLITTLE states that the Interim Agreement is the only document that the  
22 investors in TTTC will sign.

23 23. DWLITTLE stated that as of July 1, 2002, he is no longer accepting additional  
24 members to TTTC.



VI.

VIOLATION OF A.R.S. § 44-1991

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

32. 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 which 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 which operated or would operate as a fraud or deceit upon offerees and investors. RESPONDENTS' conduct includes, but is not limited to, the following:

- a) RESPONDENTS misrepresented to offerees and investors the amount of return generated in the TTTC investment club.
- b) RESPONDENTS misrepresented to offerees and investors that they could receive a return on their investments in TTTC of 30% to 40% when, in fact, the returns generated by DWLITTLE were significantly less.
- c) RESPONDENTS TTTC and DWLITTLE misrepresented to offerees and investors that DWLITTLE had applied for registration as an investment advisor when, in fact, no registration has been submitted to the Securities Division of the Arizona Corporation Commission.

33. This conduct violates A.R.S. § 44-1991.

34. RESPONDENT DLSLITTLE made, participated in or induced the sale of securities within the meaning of A.R.S. § 44-2003(A). Therefore, RESPONDENT DLSLITTLE is liable for the above violations of A.R.S. § 44-1991.

...

...

...

VII.

**VIOLATION OF A.R.S. § 44-3151  
(Transactions by Unlicensed Investment Advisers  
or Investment Adviser Representatives)**

35. RESPONDENTS TTTC and DWLITTLE transacted business in Arizona as an investment adviser or investment adviser representative while not licensed or in compliance with Article 4 of the IM Act.

36. This conduct violates A.R.S. § 44-3151.

VIII.

**VIOLATION OF A.R.S. § 44-3241  
(Fraud in the Provision of Investment Advisory Services)**

37. RESPONDENTS engaged in a transaction or transactions within or from Arizona involving the provision of investment advisory services in which 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 which were necessary in order to make the statements made not misleading in light of the circumstances under which they were made; (iii) misrepresented professional qualifications with the intent that the client rely on the misrepresentation; and (iv) engaged in transactions, practices or courses of business which operated or would operate as a fraud or deceit. RESPONDENTS' conduct includes, but is not limited to, the following:

- a) RESPONDENTS misrepresented to offerees and investors the amount of return generated in the TTTC investment club.
- b) RESPONDENTS misrepresented to offerees and investors that they could receive a return on their investments in TTTC of between 30% to 40% when, in fact, the returns generated by DWLITTLE were significantly less.
- c) RESPONDENTS TTTC and DWLITTLE misrepresented to offerees and investors that DWLITTLE had applied for registration as an investment advisor when, in fact,

1 no registration has been submitted to the Securities Division of the Arizona  
2 Corporation Commission.

3 38. This conduct violates A.R.S. § 44-3241.

4 **IX.**

5 **TEMPORARY ORDER**  
6 **Cease and Desist from Violating the Securities Act [or IM Act]**

7 THEREFORE, based on the above allegations, and because the Division has determined that  
8 the public welfare requires immediate action,

9 IT IS ORDERED, pursuant to A.R.S. §§ 44-2032, 44-3292 and A.A.C. R14-4-307, that the  
10 RESPONDENTS, their agents, servants, employees, successors, assigns, and those persons in active  
11 concert or participation with them CEASE AND DESIST from any violations of the Securities Act  
12 and the IM Act.

13 IT IS FURTHER ORDERED, pursuant to A.R.S. §§ 44-2032, 44-3292 and A.A.C. R14-4-  
14 307, that the RESPONDENTS are to specifically CEASE AND DESIST from the following:

- 15 1. Offering to sell or selling the investment contracts and/certificates of interest or  
16 participation in a profit-sharing agreement as described in Section III above, or  
17 offering to sell or selling any similar type of security within or from the State of  
18 Arizona, unless such securities are registered with the Commission pursuant to  
19 Articles 6 and 7 of the Act;
- 20 2. Receiving funds from purchasers of the investment contracts and/certificates of  
21 interest or participation in a profit-sharing agreement described in Section III  
22 above, or in connection with any similar type of offering within or from the State  
23 of Arizona;
- 24 3. Withdrawing, transferring, pledging, lending, spending, or utilizing in any way  
25 any investor funds accepted from the sale of the investment contracts  
26 and/certificates of interest or participation in a profit-sharing agreement as  
described in Section III above, including, but not limited to, investor funds held

1 in Bank of America accounts nos. 4678117172 and 4675242558, Compass Bank  
2 account no. 25500133603 and Datek Online Financial Services, L.L.C. account  
3 no. LITTL42062;

4 IT IS FURTHER ORDERED that RESPONDENTS provide to the Division a complete  
5 accounting of funds placed in the above referenced accounts. The accounting must be in  
6 compliance with generally accepted accounting principles (“GAAP”). The accounting must be  
7 provided to the Division within 30 days from service of this Order.

8 IT IS FURTHER ORDERED that RESPONDENTS seek approval of the Division for any  
9 transactions in the above referenced accounts.

10 IT IS FURTHER ORDERED that this Temporary Order to Cease and Desist shall remain in  
11 effect for 180 days unless sooner vacated, modified or made permanent by the Commission.

12 IT IS FURTHER ORDERED that this Order shall be effective immediately.

13 **X.**

14 **REQUESTED RELIEF**

15 The Division will request that the Commission grant the following relief against  
16 RESPONDENTS:

17 1. Order RESPONDENTS to permanently cease and desist from violating the  
18 Securities Act and IM Act, pursuant to A.R.S. §§ 44-2032 and 44-3292;

19 2. Order RESPONDENTS to take affirmative action to correct the conditions resulting  
20 from their acts, practices or transactions, including a requirement to make restitution pursuant to  
21 A.R.S. §§ 44-2032 and 44-3292;

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

24 4. Order RESPONDENTS to pay the state of Arizona administrative penalties of up to  
25 one thousand dollars (\$1,000) for each violation of the IM Act, pursuant to A.R.S. § 44-3296;

26



1 [shood@cc.state.az.us](mailto:shood@cc.state.az.us). Requests should be made as early as possible to allow time to arrange the  
2 accommodation.

3 **XII.**

4 **ANSWER REQUIREMENT**

5 Pursuant to A.A.C. R14-4-305, if any RESPONDENT, requests a hearing, within 30 calendar  
6 days after the date of service of this Temporary Order to Cease and Desist and Notice of Opportunity  
7 for Hearing, RESPONDENTS must deliver or mail an answer to this Temporary Order and Notice  
8 to Docket Control, Arizona Corporation Commission, 1200 W. Washington, Phoenix, Arizona  
9 85007. A Docket Control cover sheet must accompany the answer. A cover sheet form and  
10 instructions may be obtained from Docket Control by calling (602) 542-3477 or on the  
11 Commission's Internet web site at [www.cc.state.az.us/utility/forms/index.htm](http://www.cc.state.az.us/utility/forms/index.htm).

12 Additionally, RESPONDENTS must serve the answer upon the Division. Pursuant to  
13 A.A.C. R14-4-303, service upon the Division may be made by mailing or by hand-delivering a  
14 copy of the Answer to the Division at 1300 West Washington, 3<sup>rd</sup> Floor, Phoenix, Arizona,  
15 addressed to Wendy Coy, Assistant Director of Enforcement.

16 The answer shall contain an admission or denial of each allegation in this Temporary Order and  
17 Notice and the original signature of the RESPONDENTS or the RESPONDENT'S attorney. A  
18 statement of a lack of sufficient knowledge or information shall be considered a denial of an  
19 allegation. An allegation not denied shall be considered admitted.

20 When RESPONDENTS intend in good faith to deny only a part or a qualification of an  
21 allegation, RESPONDENTS shall specify that part or qualification of the allegation and shall admit  
22 the remainder. RESPONDENTS waive any affirmative defense not raised in the answer.

23 ...  
24 ...  
25 ...  
26 ...

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26

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

BY ORDER OF THE ARIZONA CORPORATION COMMISSION, this \_\_\_\_\_ day of \_\_\_\_\_, 2002.

\_\_\_\_\_  
Mark Sendrow  
Director of Securities