

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 WILLIAM A. MUNDELL

3 Chairman

4 JIM IRVIN

5 Commissioner

MARC SPITZER

Commissioner

6 In the matter of)

7 Accelerated Success, Inc.)

8 500 N. Rainbow Blvd., Ste. 300)

9 Las Vegas, NV 89107)

and)

10 6671 E. Baseline Rd. #105)

Mesa, AZ 85206)

11 Kenneth R. Morris)

12 500 N. Rainbow Blvd., Ste. 300)

Las Vegas, NV 89107)

13 Robert D. Pierson)

14 6671 E. Baseline Rd. #105)

Mesa, AZ 85206)

15 Integrity Assured Life Settlements, Inc.)

16 1218 Pulaski Highway, Ste. 342)

Bear, DE 19701)

17 Steven S. Levine Chartered)

18 11403 Cronridge Drive, Ste. 230)

19 Owings Mills, MD 21117-2295,)

Respondents.)

DOCKET NO. S-03445A-01-0000

DECISION NO. 64245

**ORDER TO CEASE AND DESIST,
ORDER OF RESTITUTION, ORDER
FOR ADMINISTRATIVE PENALTIES
AND CONSENT TO SAME
BY: ACCELERATED SUCCESS, INC.
and KENNETH R. MORRIS**

21 RESPONDENTS ACCELERATED SUCCESS, INC. and KENNETH R. MORRIS

22 ["RESPONDENTS"] elect to permanently waive their right to a hearing and appeal under Articles
23 11 and 12 of the Securities Act of Arizona, A.R.S. § 44-1801, *et seq.* ("Securities Act") with
24 respect to this Order To Cease And Desist, Order of Restitution, Order for Administrative
25 Penalties and Consent to Same ("Order"). RESPONDENTS admit the jurisdiction of the Arizona
26 Corporation Commission ("Commission"); neither admit nor deny the Findings of Fact and

1 Conclusions of Law contained in this Order; and consent to the entry of this Order by the
2 Commission.

3 **I.**

4 **FINDINGS OF FACT**

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

7 2. ACCELERATED SUCCESS, INC. (“ASI”) is a Nevada corporation, not authorized
8 to do business in Arizona. ASI’s business address at all relevant times was 500 N. Rainbow Blvd.,
9 Ste. 300, Las Vegas, NV 89107. ASI also operated through an agent from 6671 E. Baseline Rd.,
10 #105, Mesa, AZ 85206. At all relevant times, ASI offered and/or sold investment programs in
11 Arizona.

12 3. KENNETH R. MORRIS (“MORRIS”), whose business address at all relevant times
13 was 500 N. Rainbow Blvd., Ste. 300, Las Vegas, NV 89107, is the President of ASI.

14 4. From on or around March 27, 2001, RESPONDENTS hired agents for the purpose
15 of offering investors the opportunity to “earn 15% insured; CD safety without stock market risks.”
16 RESPONDENTS provided training and marketing materials for the agents. Agents were instructed
17 to place advertising in local publications to solicit investors.

18 5. RESPONDENTS provided marketing materials to agents to give to investors who
19 responded to the ads. The marketing materials presented an opportunity to invest in a viatical
20 contract, that is, the purchase of the beneficial interest in a life insurance policy of a terminally ill
21 or elderly individual. Respondent INTEGRITY ASSURED LIFE SETTLEMENTS, INC.
22 (“INTEGRITY”) would purchase a policy at a price below the face value of the death benefit, and
23 the right to the benefit would be re-sold to investors at a mark-up, while still less than face value.
24 At maturity, that is, upon the death of the insured, investors would receive a return in the form of
25 the full face value.
26

1 9. RESPONDENTS, through agents and the marketing materials, told investors that
2 INTEGRITY used its expertise to seek out life insurance policies that “provide an unprecedented
3 level of security and prosperity for our clients.” Investors were told that INTEGRITY was directly
4 responsible for raising over \$120 million “used to fund the needs of the terminally ill.” Investors
5 were told that INTEGRITY would utilize its established contacts with policy brokers, medical
6 underwriters, regulatory attorneys, and financial institutions to “allow unlimited access to policies
7 of the highest quality.” Investors were provided with no financial statements, nor were they told of
8 the business history of INTEGRITY or the background and identity of its principals.

9 10. RESPONDENTS, through agents and the marketing materials, stated that investors
10 could expect “pre-determined profits” of up to 60% on a policy where the insured person had a
11 predicted life expectancy of 48 months. Policies where life expectancy was predicted to be less
12 than 48 months were also available for a 12 to 42% return.

13 11. RESPONDENTS, through agents and the marketing materials, stated that
14 INTEGRITY used the services of certain “medical underwriters” in evaluating the medical
15 condition and life expectancy of insured persons whose policies were for sale. Those
16 “underwriters” were identified as Amscot Medical Laboratory and American Viatical Services.
17 However, RESPONDENTS gave no location, telephone number, or business information for these
18 two entities.

19 12. RESPONDENTS, through agents and the marketing materials, told investors that
20 their money would be initially placed in escrow with STEVEN S. LEVINE CHARTERED
21 (“LEVINE”), to be held until INTEGRITY located a policy for purchase. Investors were required
22 to sign a limited power of attorney giving INTEGRITY and LEVINE the power to handle all
23 documentation related to the purchase and assignment of the policy. Although the brochure given
24 to investors states that after investing “the investor will receive a closing package . . . to verify that
25 he/she is now named as a beneficiary on the policy”, investors are asked to sign an agreement when
26 they invest stating that LEVINE would be named as the “irrevocable beneficiary” on the purchased

1 policy. Investors were told that they would be “silent partners” and LEVINE would be the owner
2 of the policy. Investors were told that LEVINE would “make sure everything gets done for you.”

3 13. Investors would have no choice of policies or insured persons, nor would they
4 receive any information about the policy or insured until after the investment. Decisions regarding
5 the policy would be made by INTEGRITY and LEVINE. After closing the purchase with the
6 investor’s money, the investor would be sent a closing packet verifying the purchase with the name
7 of the insurance company, policy number, issue date, face value and projected life expectancy.
8 Insured parties would not be identified by name, nor would investors have access to their medical
9 histories.

10 14. The marketing materials included documents stating that after purchase of a policy,
11 LEVINE would monitor the policy, track the insured’s medical history, pay any premiums due on
12 the policy until maturity, file death certificates, and distribute insurance proceeds. LEVINE would
13 also release up to 20% of investors’ money for administrative costs to INTEGRITY. Investors
14 were not given any information about the actual cost of the policy, the amount withheld to pay
15 premiums, the commissions or fees paid to other brokers by INTEGRITY, or paid to LEVINE, ASI
16 or its agents. Investors were not given any other financial background information about ASI,
17 INTEGRITY and LEVINE.

18 15. RESPONDENTS’ agents failed to tell investors that no respondent had filed for any
19 exemption for sales of viatical settlement contracts with the Corporation Commission, thus
20 RESPONDENTS’ offering of viatical settlement contracts would constitute an unregistered sale of
21 securities, subjecting RESPONDENTS to orders of rescission, restitution, fines, or other remedies;

22 16. RESPONDENTS’ agents failed to tell investors the names and background of the
23 principals of INTEGRITY, including the fact that in April 2000, three of these individuals had
24 been fired and then sued by companies for which they were officers or directors, for fraud, certain
25 breaches of corporate loyalties, and the improper diversion of funds. In settlement of matters
26 related to the lawsuit, the principals, John C. Hoover, David P. Hoover and Steven B. Warren,

1 agreed to be jointly and severally liable to reimburse the plaintiff companies, collectively known as
2 Imtek, the amount of \$6,000,000. Imtek was in the viatical business;

3 17. RESPONDENTS' agents failed to tell investors that the above principals of
4 INTEGRITY were operating another viatical company, Answer Care, when they were sued by
5 Imtek, and that Answer Care was placed in receivership in October 2000 in an action by the
6 Maryland Attorney General's Office;

7 18. RESPONDENTS' agents represented that the viatical settlement contracts had the
8 "safety" of a CD, when in fact, there was no basis for comparing the risks associated with viatical
9 settlement contracts to an FDIC insured product such as a CD;

10 19. RESPONDENTS' agents misrepresented that investors could "earn 15% insured,"
11 when in fact, returns to investors were dependent upon the financial stability and continuing
12 business of INTEGRITY and/or LEVINE, as attorney in fact, trustee, owner and irrevocable
13 beneficiary of the policy, for the return of investors' funds upon death of the insured;

14 20. RESPONDENTS' agents failed to provide material information to investors about the
15 background of INTEGRITY and LEVINE, including, but not limited to, past operations, balance
16 sheets, statements of income, retained earnings and cash flows that would reflect the financial position
17 of these entities;

18 21. RESPONDENTS' agents failed to provide other material information to investors,
19 including but not limited to, rights to rescind or cancel the investment under Arizona law, purchase
20 price paid to the insured, amount of money that would be set aside to pay premiums, amounts held for
21 broker's commissions, INTEGRITY's commissions, LEVINE's compensation, ASI's commission,
22 and commissions to various salesmen.

23 22. At least 12 Arizona residents purchased a total of \$558,278.31 in viatical contracts
24 offered by RESPONDENTS. Upon receipt of the Temporary Order to Cease and Desist, respondent
25 INTEGRITY voluntarily returned to investors the amount of \$480,278.31, representing amounts
26 received from investors, less commissions remitted to RESPONDENTS. RESPONDENTS

1 voluntarily returned \$22,900 to investors, representing commissions earned by ASI on sales, less
2 amounts paid to sales agents. A payment of \$14,250 was returned to one investor prior to the state's
3 action. The remainder due to investors as restitution, plus interest at the rate of 10% per annum from
4 the date of investment until the INTEGRITY refund, is \$51,923.47.

5 23. RESPONDENTS and INTEGRITY have made separate agreements to assume liability
6 for the remaining \$51,923.47 in equal amounts of \$25,961.74.

7 **II.**

8 **CONCLUSIONS OF LAW**

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

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

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

15 4. RESPONDENTS violated A.R.S. § 44-1842 by offering or selling securities while
16 neither registered as dealers or salesmen nor exempt from registration.

17 5. RESPONDENTS violated A.R.S. § 44-1991 by offering or selling securities within or
18 from Arizona by (a) employing a device, scheme or artifice to defraud, (b) making untrue
19 statements or misleading omissions of material facts, and (c) engaging in transactions, practices or
20 courses of business which operate or would operate as a fraud or deceit.

21 6. RESPONDENTS' conduct is grounds for a cease and desist order pursuant to A.R.S. §
22 44-2032.

23 7. RESPONDENTS' conduct is grounds for an order of restitution pursuant to A.R.S. §
24 44-2032.

25 8. RESPONDENTS' conduct is grounds for administrative penalties under A.R.S. § 44-
26 2036.

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III.
ORDER

THEREFORE, on the basis of the Findings of Fact, Conclusions of Law, and the RESPONDENTS' consent to the entry of this Order, 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, their 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 shall pay restitution to investors shown on the records of the Commission in the amount of \$25,961.74, less \$3900 representing a return of commission paid by an agent of RESPONDENTS, plus interest at the rate of 10% per annum from the date of this Order until paid in full. Payment shall be made in monthly installments as follows: \$1182.66 on the date of this Order and \$541.33 on or before the 1st day of each month beginning on January 1, 2002, for a period of 48 months. Payment shall be made by cashier's check or money order payable to the "State of Arizona" to be placed in an interest-bearing account maintained and controlled by the Arizona Attorney General. The Arizona Attorney General shall disburse the funds on a pro rata basis to investors subject to set offs for amounts already paid. If all investors are paid in full, any excess funds shall revert to the state of Arizona.

IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2036, that RESPONDENTS shall pay an administrative penalty in the amount of \$2,500. Such amount shall be payable in full upon completion of all restitution payments. If RESPONDENTS do not comply with this order for

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1 restitution and administrative penalties, any outstanding balance may be deemed in default and
2 both restitution and penalties shall be immediately and concurrently due and payable.

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

4 BY ORDER OF THE ARIZONA CORPORATION COMMISSION

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6
7 CHAIRMAN

COMMISSIONER

COMMISSIONER

8 IN WITNESS WHEREOF, I, BRIAN C. McNEIL,
9 Executive Secretary of the Arizona Corporation
10 Commission, have hereunto set my hand and caused the
11 official seal of the Commission to be affixed at the
12 Capitol, in the City of Phoenix, this _____ day of
13 _____, 2001.

14 _____
15 BRIAN C. McNEIL
16 Executive Secretary

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18 _____
19 DISSENT

20 This document is available in alternative formats by contacting Shelly M. Hood, ADA Coordinator,
21 voice phone number 602-542-3931, E-mail shood@cc.state.az.us.

22 (sf)

CONSENT TO ENTRY OF ORDER

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2 1. RESPONDENTS ACCELERATED SUCCESS, INC. and KENNETH R. MORRIS
3 (“RESPONDENTS”) admit the jurisdiction of the Commission over the subject matter of this
4 proceeding. RESPONDENTS acknowledge that they have been fully advised of their right to a
5 hearing to present evidence and call witnesses and RESPONDENTS knowingly and voluntarily
6 waive any and all rights to a hearing before the Commission and all other rights otherwise
7 available under Article 11 of the Securities Act and Title 14 of the Arizona Administrative Code.
8 RESPONDENTS acknowledge that this Order to Cease and Desist, Order of Restitution, Order for
9 Administrative Penalties and Consent to Same (“Order”) constitutes a valid final order of the
10 Commission.

11 2. RESPONDENTS knowingly and voluntarily waive any right they may have under
12 Article 12 of the Securities Act to judicial review by any court by way of suit, appeal, or
13 extraordinary relief resulting from the entry of this Order.

14 3. RESPONDENTS acknowledge and agree that this Order is entered into freely and
15 voluntarily and that no promise was made nor coercion used to induce such entry.

16 4. RESPONDENTS acknowledge that they have been represented by counsel in this
17 matter, they have reviewed this Order with their attorney and they understand all terms it contains.

18 5. RESPONDENTS neither admit nor deny the Findings of Fact and Conclusions of Law
19 contained in this Order.

20 6. By consenting to the entry of this Order, RESPONDENTS agree not to take any action
21 or to make, or permit to be made, any public statement denying, directly or indirectly, any Finding
22 of Fact or Conclusion of Law in this Order or creating the impression that this Order is without
23 factual basis. RESPONDENTS will undertake steps necessary to assure that all of their agents and
24 employees understand and comply with this agreement. Nothing in this provision affects
25 RESPONDENTS’ testimonial obligations or right to take legal positions in litigation in which an
26 administrative agency of the state of Arizona is not a party.

1 7. While this Order settles this administrative matter between RESPONDENTS and the
2 Commission, RESPONDENTS understand that this Order does not preclude the Commission from
3 instituting other administrative proceedings based on violations that are not addressed by this
4 Order.

5 8. RESPONDENTS understand that this Order does not preclude the Commission from
6 referring this matter to any governmental agency for administrative, civil, or criminal proceedings
7 that may be related to the matters addressed by this Order.

8 9. RESPONDENTS understand that this Order does not preclude any other agency or
9 officer of the state of Arizona or its subdivisions from instituting administrative, civil or criminal
10 proceedings that may be related to matters addressed by this Order.

11 10. RESPONDENTS agree that they will not apply to the state of Arizona for registration
12 as a securities dealer or salesman or for licensure as an investment adviser or investment adviser
13 representative until such time as all restitution and penalties under this Order are paid in full.

14 11. RESPONDENTS agree that they will not exercise any control over any entity that
15 offers or sells securities or provides investment advisory services, within or from Arizona.

16 12. RESPONDENTS understand that default shall render them liable to the Commission
17 for its costs of collection and interest at the maximum legal rate.

18 13. RESPONDENTS agree that they will continue to cooperate with the Securities Division
19 including, but not limited to, providing complete and accurate testimony at any hearing in this
20 matter and cooperating with the state of Arizona in any related investigation or any other matters
21 arising from the activities described in this Order.

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14. RESPONDENTS consent to the entry of this Order and agree to be fully bound by its terms and conditions. If RESPONDENTS breach any provision of this Order, the Commission may vacate this Order and restore this case to its active docket.

KENNETH R. MORRIS, individually

SUBSCRIBED AND SWORN TO BEFORE me this ____ day of _____, 2001.

NOTARY PUBLIC

My Commission Expires:

ACCELERATED SUCCESS, INC.

By: Kenneth R. Morris, President

SUBSCRIBED AND SWORN TO BEFORE me this _____ day of _____, 2001.

NOTARY PUBLIC

My Commission Expires:
