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BEFORE THE ARIZONA CORPORATION COMMISSION

WILLIAM A. MUNDELL
Chairman
JIM IRVIN
Commissioner
MARC SPITZER
Commissioner

In the matter of:)
)
Accelerated Success, Inc.)
500 N. Rainbow Blvd., Ste. 300)
Las Vegas, NV 89107)
and)
6671 E. Baseline Rd. #105)
Mesa, AZ 85206)
)
Kenneth R. Morris)
500 N. Rainbow Blvd., Ste. 300)
Las Vegas, NV 89107)
)
Robert D. Pierson)
6671 E. Baseline Rd. #105)
Mesa, AZ 85206)
)
Integrity Assured Life Settlements, Inc.)
1218 Pulaski Highway, Ste. 342)
Bear, DE 19701)
)
Steven S. Levine, d/b/a)
Steven S. Levine Chartered)
11403 Cronridge Road, Ste. 230)
Owings Mills, MD 21117-2295,)
)
Respondents.)

Docket No. S-03445A-01-0000
**TEMPORARY ORDER TO CEASE AND
DESIST AND NOTICE OF
OPPORTUNITY FOR HEARING**

**NOTICE: THIS ORDER IS EFFECTIVE IMMEDIATELY
EACH RESPONDENT HAS 20 DAYS TO REQUEST A HEARING**

The Securities Division (“Division”) of the Arizona Corporation Commission (“Commission”) alleges that RESPONDENTS, ACCELERATED SUCCESS, INC., KENNETH R. MORRIS, ROBERT D. PIERSON, INTEGRITY ASSURED LIFE SETTLEMENTS, INC.,

1 and STEVEN S. LEVINE d/b/a STEVEN S. LEVINE CHARTERED engaged in or are about to
2 engage in acts and practices that constitute violations of the Securities Act of Arizona, A.R.S. §
3 44-1801, *et seq.*, (Securities Act”), and that the public welfare requires immediate action.

4 **I.**

5 **JURISDICTION**

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

8 **II.**

9 **RESPONDENTS**

10 2. ACCELERATED SUCCESS, INC. (“ASI”) is a Nevada corporation, not authorized
11 to do business in Arizona. ASI’s last known business address is 500 N. Rainbow Blvd., Ste. 300,
12 Las Vegas, NV 89107. ASI also operates from a mail drop at 6671 E. Baseline Rd., #105, Mesa,
13 AZ 85206. At all relevant times, ASI has offered and/or sold investment programs in Arizona.

14 3. KENNETH R. MORRIS (“MORRIS”), whose last known business address is 500
15 N. Rainbow Blvd., Ste. 300, Las Vegas, NV 89107, is the President of ASI.

16 4. ROBERT D. PIERSON (“PIERSON”), whose last known business address is 6671
17 E. Baseline Rd., #105, Mesa, AZ 85206, is the marketing director and a salesman for ASI.

18 5. INTEGRITY ASSURED LIFE SETTLEMENTS, INC. (“INTEGRITY”), whose
19 last known address is 1218 Pulaski Highway, Ste. 342, Bear, DE 19701 is a viatical provider that
20 offered and/or sold viatical settlement contracts through ASI.

21 6. STEVEN S. LEVINE, d/b/a STEVEN S. LEVINE CHARTERED (“LEVINE”),
22 whose last known address is 11403 Cronridge Drive, Ste. 230, Owings Mills, MD 21117-2295, is a
23 participant in the investment programs as a purported escrow agent, trustee, and power of attorney
24 on behalf of investors.

25 7. ASI, MORRIS, PIERSON, INTEGRITY, and LEVINE may be collectively referred
26 to as “RESPONDENTS.”

III.**FACTS**

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3 8. From on or around March 27, 2001, RESPONDENTS advertised in a local
4 newspaper, offering investors the opportunity to “earn 15% insured; CD safety without stock
5 market risks.” Investors who responded to the Arizona telephone number in the advertisement
6 were told that the investment opportunity was for a viatical contract, that is, the purchase of the
7 beneficial interest in a life insurance policy of a terminally ill or elderly individual. INTEGRITY,
8 LEVINE, and/or ASI would purchase a policy at a price below the face value of the death benefit,
9 and the right to the benefit would be re-sold to investors at a mark-up, while still less than face
10 value. At maturity, that is, upon the death of the insured, investors would receive a return in the
11 form of the full face value.

12 9. RESPONDENTS, through ASI, MORRIS and PIERSON, told investors that
13 INTEGRITY was a “funding company” that used its expertise to seek out life insurance policies
14 that “provide an unprecedented level of security and prosperity for our clients.” Investors were
15 told that INTEGRITY was directly responsible for raising over \$120 million “used to fund the
16 needs of the terminally ill.” Investors were told that INTEGRITY would utilize its established
17 contacts with policy brokers, medical underwriters, regulatory attorneys, and financial institutions
18 to “allow unlimited access to policies of the highest quality.” Investors were provided with no
19 financial statements, nor were they told of the business history of INTEGRITY or the background
20 and identity of its principals.

21 10. RESPONDENTS stated that investors could expect “pre-determined profits” of up
22 to 60% on a policy where the insured person had a predicted life expectancy of 48 months.
23 Policies where life expectancy was predicted to be less than 48 months were also available for a 12
24 to 42% return.

25 11. RESPONDENTS stated that INTEGRITY used the services of certain “medical
26 underwriters” in evaluating the medical condition and life expectancy of insured persons whose

1 policies were for sale. Those “underwriters” were identified as Amscot Medical Laboratory and
2 American Viatical Services. However, RESPONDENTS gave no location, telephone number, or
3 business information for these two entities. Further, REPSONDENTS stated that should an insured
4 live beyond the predicted life expectancy, RESPONDENTS were not responsible for any errors
5 made by physicians in determining life expectancies.

6 12. Investors were told that their money would be initially placed in escrow with
7 STEVEN S. LEVINE CHARTERED, to be held until INTEGRITY located a policy for purchase.
8 Investors were required to sign a limited power of attorney giving INTEGRITY and LEVINE the
9 power to handle all documentation related to the purchase and assignment of the policy. Although
10 the brochure given to investors states that after investing “the investor will receive a closing
11 package . . . to verify that he/she is now named as a beneficiary on the policy”, investors are asked
12 to sign an agreement when they invest stating that LEVINE would be named as the “irrevocable
13 beneficiary” on the purchased policy. Investors were told that they would be “silent partners” and
14 LEVINE would be the owner of the policy. Investors were told that LEVINE would “make sure
15 everything gets done for you.”

16 13. Investors would have no choice of policies or insured persons, nor would they
17 receive any information about the policy or insured until after the investment. Decisions regarding
18 the policy would be made by INTEGRITY and LEVINE. At least one salesman told investors that
19 ASI sought out and purchased policies. After closing the purchase with the investor’s money, the
20 investor would be sent a closing packet verifying the purchase with the name of the insurance
21 company, policy number, issue date, face value and projected life expectancy. Insured parties
22 would not be identified by name, nor would investors have access to their medical histories.

23 14. According to documents provided to investors, after purchase of a policy, LEVINE
24 would monitor the policy, track the insured’s medical history, pay any premiums due on the policy
25 until maturity, file death certificates, and distribute insurance proceeds. LEVINE would also
26 release up to 20% of investors’ money for administrative costs to INTEGRITY. Investors were not

1 given any information about the actual cost of the policy, the amount withheld to pay premiums,
2 the commissions or fees paid to other brokers by INTEGRITY, or paid to LEVINE, ASI or its
3 salesmen. Investors were not given any other financial background information about ASI,
4 INTEGRITY and LEVINE.

5 **IV.**

6 **VIOLATION OF A.R.S. § 44-1841**

7 **(Offer and Sale of Unregistered Securities)**

8 15. From on or around March 2001, RESPONDENTS offered or sold securities in the
9 form of viatical settlement contracts within or from Arizona.

10 16. The securities referred to above were not registered pursuant to Articles 6 or 7 of the
11 Securities Act, nor had the Division received any filing under A.R.S. § 44-1850.

12 17. This conduct violates A.R.S. § 44-1841.

13 **V.**

14 **VIOLATION OF A.R.S. § 44-1842**

15 **(Transactions by Unregistered Dealers or Salesmen)**

16 18. RESPONDENTS offered or sold securities within or from Arizona while not
17 registered as dealers or salesmen pursuant to Article 9 of the Securities Act, nor exempt from
18 registration under A.R.S. § 44-1850.

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

20 **VI.**

21 **VIOLATION OF A.R.S. § 44-1991**

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

23 20. In connection with the offer or sale of securities within or from Arizona,
24 RESPONDENTS directly or indirectly: (i) employed a device, scheme or artifice to defraud; (ii)
25 made untrue statements of material fact or omitted to state material facts which were necessary in
26 order to make the statements made not misleading in light of the circumstances under which they

1 were made; or (iii) engaged in transactions, practices or courses of business which operated or
2 would operate as a fraud or deceit upon offerees and investors. RESPONDENTS' conduct includes,
3 but is not limited to, the following:

4 a) RESPONDENTS failed to tell investors that they had not filed required
5 documentation with the Corporation Commission, thus RESPONDENTS' offering of viatical
6 settlement contracts would constitute an unregistered sale of securities, subjecting RESPONDENTS
7 to rescission, restitution, fines, or other remedies;

8 b) RESPONDENTS failed to tell investors the names and background of the
9 principals of INTEGRITY, including the fact that in April 2000, three of these individuals had been
10 fired and then sued by companies for which they were officers or directors, for fraud, certain
11 breaches of corporate loyalties, and the improper diversion of funds. In settlement of matters related
12 to the lawsuit, the principals, John C. Hoover, David P. Hoover and Steven B. Warren, agreed to be
13 jointly and severally liable to reimburse the plaintiff companies, collectively known as Imtek, the
14 amount of \$6,000,000. Imtek was in the viatical business;

15 c) RESPONDENTS failed to tell investors that the above principals of
16 INTEGRITY were operating another viatical company, Answer Care, when they were sued by
17 Imtek, and that Answer Care was placed in receivership in October 2000 in an action by the
18 Maryland Attorney General's Office;

19 d) RESPONDENTS represented that the viatical settlement contracts had the
20 "safety" of a CD, when in fact, there was no basis for comparing the risks associated with viatical
21 settlement contracts to an FDIC insured product such as a CD;

22 e) RESPONDENTS misrepresented that investors could "earn 15% insured," when
23 in fact, returns to investors were dependent upon the financial stability and continuing business of
24 INTEGRITY and/or LEVINE, as attorney in fact, trustee, owner and irrevocable beneficiary of the
25 policy, for the return of investors' funds upon death of the insured;

26

1 f) RESPONDENTS failed to provide material information about the background of
2 INTEGRITY and LEVINE, including, but not limited to, past operations, balance sheets, statements
3 of income, retained earnings and cash flows that would reflect the financial position of these entities;

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

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

10 **VII.**

11 **TEMPORARY ORDER**

12 **Cease and Desist from Violating the Securities Act**

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

15 IT IS ORDERED, pursuant to A.R.S. §§ 44-2032, 44-1972 and A.A.C. R14-4-307, that the
16 RESPONDENTS, their agents, servants, employees, successors, assigns, and those persons in active
17 concert or participation with them CEASE AND DESIST from any violations of the Securities Act.

18 IT IS FURTHER ORDERED that this Temporary Order to Cease and Desist shall remain in
19 effect for 120 days unless sooner vacated, modified or made permanent by the Commission.

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

21 **VIII.**

22 **REQUESTED RELIEF**

23 The Division will request that the Commission grant the following relief against
24 RESPONDENTS:

25 1. Order RESPONDENTS to permanently cease and desist from violating the
26 Securities Act pursuant to A.R.S. § 44-2032.

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

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

6 4. Order any other relief that the Commission deems appropriate.

7 **IX.**

8 **HEARING OPPORTUNITY**

9 RESPONDENTS may request a hearing pursuant to A.R.S. § 44-1972 and A.A.C. R14-4-
10 307. A request for hearing must be in writing and received by the Commission within 20 days after
11 service of this Temporary Order to Cease and Desist. Each RESPONDENT must deliver or mail the
12 request for hearing to Docket Control, Arizona Corporation Commission, 1200 West Washington,
13 Phoenix, Arizona 85007. A Docket Control cover sheet must also be filed with the request for
14 hearing. A cover sheet form and instructions may be obtained from Docket Control at (602) 542-
15 3477 or on the Commission's Internet web site at www.cc.state.az.us/utility/forms/index.htm.

16 If a request for hearing is timely made, the Commission shall schedule a hearing to begin 5
17 to 15 days from the receipt of the request unless otherwise provided by law, stipulated by the parties,
18 or ordered by the Commission. After a hearing, the Commission may vacate, modify or make
19 permanent this Temporary Order, with written findings of fact and conclusions of law. A permanent
20 Order may include ordering restitution, assessing administrative penalties or other action.

21 If a request for hearing is not timely made, the Division will request that the Commission
22 make permanent this Temporary Order, with written findings of fact and conclusions of law, which
23 may include ordering restitution, assessing administrative penalties, or other relief.

24 Persons with a disability may request a reasonable accommodation such as a sign language
25 interpreter, as well as request this document in an alternative format, by contacting Shelly M.
26

1 Hood, ADA Coordinator, voice phone number 602/542-3931, e-mail shood@cc.state.az.us.

2 Requests should be made as early as possible to allow time to arrange the accommodation.

3 BY ORDER OF THE ARIZONA CORPORATION COMMISSION, this _____ day of

4 _____, 2001.

5 _____
6 Mark Sendrow
7 Director of Securities
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