



# COMMISSION NEWS

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ARIZONA CORPORATION COMMISSION, 1200 W. WASHINGTON, PHOENIX, AZ 85007

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TO: EDITORS, NEWS DIRECTORS  
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## **FAILURE TO SUPERVISE SECURITIES SALESMAN NETS \$75,000 PENALTY Scottsdale Firm Ordered to Pay, Establish New Procedures**

PHOENIX – The Arizona Corporation Commission ordered Scottsdale-based securities dealer United Planners' Financial Services of America (United Planners') to cease and desist from violating the Securities Act of Arizona by failing to reasonably supervise its salesperson. The salesperson, Robert Scalzi of Cave Creek, was the subject of a December 2000 order to permanently cease and desist from Securities Act violations. In Tuesday's action, the Commission ordered United Planners' to pay a penalty of \$75,000, to pay restitution to an investor who purchased unregistered securities from Robert Scalzi, and to implement new compliance and supervisory procedures to ensure adequate supervision of its salespeople in the future.

Scalzi sold securities in Medco, Inc. totaling more than \$524,000 to two married couples and one individual investor. Medco was a Florida company that purportedly purchased medical equipment and then sold or leased the equipment. In 1997, a receiver was appointed to control the assets of Medco. Medco securities were not registered for sale in Arizona or in any other state.

The Commission found that United Planners' failed to reasonably supervise Scalzi because the firm received notice of possible violations of the Securities Act of Arizona by Scalzi and did not thoroughly investigate the violations. United Planners' had notice of the possible violations when it received a copy of a solicitation published in a local newspaper for the sale of Medco securities with Scalzi listed as the salesperson. Scalzi asserted to United Planners' that he had not sold any Medco securities. United Planners' failed to verify Scalzi's assertion and did not conduct unannounced audits of Scalzi's office to search for evidence of transactions in Medco securities.

United Planners' entered into private settlement agreements with the two married couples who purchased Medco securities from Scalzi. Tuesday's action by the Commission orders United Planners' to pay restitution to the individual investor, along with paying a \$75,000 penalty to the State.

In order to prevent and detect any future violations of the Securities Act of Arizona, United Planners' has agreed to improve its compliance and supervisory system. Some of the conditions contained in the Commission order include:

- Revise and rewrite its compliance manual with special attention paid to supervisory procedures;
- Examine at least fifty-percent of all of its Arizona offices on an unannounced basis over the next five years;
- Create and implement a more extensive review of outside business activities of its registered representatives;
- Develop a comprehensive examination program, and
- Continue mandatory training of supervisory managers.

Chairman Bill Mundell and Commissioner Marc Spitzer approved the order in the Tuesday Open Meeting. In separate statements, both officials said they were pleased that United Planners' agreed to undertake these proactive measures. "Investors should be able to take comfort in the knowledge that an Arizona-based securities firm is properly supervising its representatives," stated Chairman Mundell. "This was an unfortunate case but it gave us an opportunity to take corrective action."

"This company is unlikely to make the same mistake twice, because they know we're watching," Commissioner Spitzer added. "I was pleased, though, to learn that United Planners' paid their penalty and restitution in advance of the Open Meeting."

The Securities Division can be contacted at 602-542-4242, toll free at 1-877-3878, or on the web at [www.ccsd.cc.state.az.us](http://www.ccsd.cc.state.az.us).

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