

STATE OF ALASKA
DEPARTMENT OF COMMERCE, COMMUNITY, AND ECONOMIC DEVELOPMENT
DIVISION OF BANKING AND SECURITIES

ORDER NO. 15-6746-S

IN THE MATTER OF:

MICHAEL SCOW

Respondent.

**FINAL CEASE AND DESIST ORDER
ASSESSING CIVIL PENALTIES**

The Director of the Department of Commerce, Community, and Economic Development, Division of Banking and Securities (“Administrator”), has conducted an investigation into certain activities of Michael Scow (“Respondent”), and has determined that Respondent violated certain provisions of the Alaska Securities Act, Alaska Statute (AS) 45.55 *et seq.*

I. BACKGROUND

On October 17, 2016, the Administrator sent a Temporary Cease and Desist Order Effective Immediately, Assessing Civil Penalties, with Notice of Hearing Rights and Notice of Final Cease and Desist Order (“Temporary Order”) to Respondent. Respondent received the order on October 21, 2016. To date, Respondent has not requested a hearing.

II. FINDINGS OF FACT

1. Respondent is a resident of Mesa, Arizona, and is licensed to sell insurance in Alaska.

2. In November of 2011, Respondent held a presentation on insurance at a restaurant in Wasilla, Alaska. Alaska resident P.E., who was then seventy-five years old, attended the

1 presentation.

2 3. Several days later, Respondent met with P.E. at her home to discuss P.E.’s
3 options for purchasing insurance. P.E. agreed to purchase an annuity from Respondent.
4 Respondent returned to Arizona and completed the sale of an annuity to P.E.

5 4. On November 27, 2013, Respondent contacted P.E. by e-mail, and asked P.E. to
6 loan him \$12,000 so he could double his seminar presentations in 2014. Respondent solicited
7 a loan from P.E. because he thought she “would like to get a higher return on [her] retirement
8 dollars.”

9 5. On December 6, 2013, Respondent and P.E. executed a promissory note (“Note”).
10 Under the Note, P.E. agreed to loan \$12,000 to Respondent. In return, Respondent agreed to
11 repay the loan under the following terms: (1) interest on the unpaid principal accrued at the rate
12 of 12% per annum beginning December 15, 2013, and (2) Respondent would make quarterly
13 installment payments of interest beginning March 15, 2014 and ending on December 15, 2014,
14 at which time the remaining unpaid principal and interest would be due in full.

15 6. On December 6, 2013, P.E. issued Respondent a check for \$12,000.

16 7. On December 11, 2013, Respondent deposited P.E.’s check into his bank account
17 #xxxxxx5624.

18 8. Respondent made payments under the Note to P.E. on May 14, 2014 for \$360.00
19 and on May 19, 2014 for \$360.00.

20 9. Several months passed, and P.E. had not received any further payments from
21 Respondent. P.E. attempted to contact Respondent several times over the next several
22 months, but received no response from him.

23 10. On June 9, 2015, P.E. contacted Respondent’s then-employer in an effort to
24 prompt Respondent to resume making payments under the Note.

1 11. On August 6, 2015, at the urging of his then-employer, Respondent contacted
2 P.E. Respondent offered to negotiate a new agreement that would supersede the Note and
3 implement new repayment terms.

4 12. On August 18, 2015, Respondent and P.E. executed a new promissory note
5 “Installment Note”). Under the Installment Note, interest on the unpaid principal accrued at
6 the rate of 12% per annum beginning September 1, 2015, and Respondent would make
7 monthly installment payments of interest beginning on September 1, 2015 and ending on
8 September 1, 2017, at which time the remaining unpaid principal and interest would be due in
9 full.

10 13. Respondent made a payment under the Installment Note to P.E on September 2,
11 2015 for \$1,559.29.

12 14. On September 3, 2015, Respondent’s then-employer terminated him for soliciting
13 a loan from P.E. and executing the Note with P.E.

14 15. On October 5, 2015, Respondent made a payment under the Installment Note to
15 P.E. for \$1,239.29. He then stopped making payments.

16 16. The Administrator sent letters to Respondent regarding this matter via certified
17 mail on February 9, 2016 (tracking number 7015 0640 0006 0779 7597) and March 1, 2016
18 (tracking number 7015 0640 0006 0779 7535). Both letters were returned to the Administrator
19 as undeliverable.

20 17. On April 25, 2016, the Administrator spoke to Respondent on the phone.
21 Respondent stated that he was “in a position to put this [issue] to rest,” that he would keep the
22 Administrator apprised of any developments in the case, and that he would cooperate with the
23 Administrator.

24 18. Having heard nothing from Respondent over the next several months, the

1 Administrator attempted to contact Respondent several times. The Administrator left several
 2 voicemail messages for Respondent, but received no response from Respondent before
 3 issuing the Temporary Order. After Respondent received the Temporary Order, the
 4 Administrator and Respondent corresponded on several occasions by telephone and e-mail, but
 5 Respondent stopped communicating with the Administrator and did not request a hearing
 6 before the deadline to request a hearing lapsed.

7 19. Nothing in the record indicates that Respondent has repaid P.E. under either the
 8 Note or Installment Note.

9 20. Respondent's bank records show multiple retail purchases and cash
 10 withdrawals not connected to increasing seminar presentations. Specifically, Respondent's
 11 account records show the following purchases:

Date	Recipient	Amount
Dec. 12-Dec. 19, 2013	J. R.	\$1,580.00
Dec. 12-Dec. 26, 2013	Walmart	\$90.42
Dec. 12-Dec. 31, 2013	Costco	\$547.15
December 13, 2013	Wilshire Consumer Credit	\$740.00
December 13, 2013	Bath and Body Works	\$38.90
Dec. 13-Dec. 24, 2013	Home Depot	\$285.86
Dec. 16, 2013	Vistaprint	\$13.85
Dec. 16, 2013-Jan. 3, 2014	Circle K	\$148.80
Dec. 16-Dec. 30, 2013	Taco Bell	\$12.14
Dec. 16, 2013	Outback Steakhouse	\$16.73
December 17, 2013	Casino (cash withdrawal)	\$40.00
Dec. 18, 2013	Dolphin Car Wash	\$7.00
Dec. 18, 2013	Forever 21	\$353.13
December 18, 2013	M. S.	\$122.00
December 19, 2013	Wendy's	\$14.79
December 19, 2013	Quiktrip	\$29.99
December 23, 2013	European Wax Center	\$26.00
December 23, 2013	Carolina's Mexican Food	\$18.47
December 23, 2013	El Pollo Loco	\$6.69
December 23, 2013	Lucille's Smokehouse BBQ	\$53.03
December 23, 2013	Old Navy	\$12.94
Dec. 23-Dec.30, 2013	Harkins Theatres	\$39.25
December 23, 2013	Native New Yorker (Restaurant)	\$14.02

1	December 23, 2013	SteinMart	\$75.42
2	December 23, 2013	Office Max	\$20.51
3	Dec. 23-Dec. 30, 2013	Lowe's	\$30.42
4	December 24, 2013	Golden Corral	\$24.53
5	December 24, 2013	Phoenix Municipal Court	\$70.00
6	December 24, 2013	A. P.	\$200.00
7	December 26, 2013	N/A (cash withdrawal)	\$300.00
8	December 27, 2013	Casino (cash withdrawal)	\$204.25
9	December 27, 2013	Cinemark Theatres	\$18.50
10	December 27, 2013	Fastrip Food	\$41.77
11	December 30, 2013	Casino	\$11.99
12	December 30, 2013	American Family Insurance	\$220.57
13	December 30, 2013	Garcia's Mexican Restaurant	\$16.03
14	December 30, 2013	Casino (cash withdrawal)	\$302.00
15	Dec. 30, 2013-Jan. 2, 2014	Arco	\$46.07
16	December 31, 2013	Waffle Crush	\$8.64
17	December 31, 2013	N/A (cash withdrawal)	\$300.00
18	January 2, 2014	Casino (cash withdrawal)	\$302.00
19	January 2, 2014	USAirways	\$98.80
20	January 2, 2014	R. S.	\$100.00
21	January 6, 2014	Casino (cash withdrawal)	\$302.00
22	January 6, 2014	Cheesecake Factory	\$22.31
23	January 6, 2014	Picture Show Theater	\$7.50
24	January 6, 2014	Chili's	\$25.74
	Total		\$6,960.21

21. Nothing in the record indicates that Respondent spent any of the money P.E. loaned to him on increasing his seminar presentations in 2014 or that P.E. received a return on her investment as promised by Respondent.

III. CONCLUSIONS OF LAW

1. The Note and Installment Note executed by Respondent and P.E. are "securities" as defined in AS 45.55.990(32).

2. Respondent violated AS 45.55.010 by fraudulently misrepresenting that P.E.'s money would be spent on increasing his seminar presentations and then diverting that money to non-business purposes.

1 3. Respondent is subject to a civil penalty under AS 45.55.920(b) for violating AS
2 45.55.010.

3 **IV. ORDER and NOTICE**

4 Pursuant to AS 45.55.920, and on the basis of the Findings of Fact and Conclusions of
5 Law, the Administrator ORDERS:

6 1. Respondent to CEASE AND DESIST from defrauding investors in the State of
7 Alaska.

8 2. Respondent to comply with all provisions of the Alaska Securities Act and
9 associated regulations.

10 3. Respondent to pay a civil penalty in the amount of twenty-five thousand dollars
11 (\$25,000). This amount is immediately due to the Administrator.

12 Pursuant to AS 45.55.920(d), Respondent may obtain review of this Final Order in the
13 Superior Court by filing a notice of appeal pursuant to the Alaska Rules of Appellate
14 Procedure. Pursuant to Appellate Rule 602(a)(2), the notice of appeal must be filed within 30
15 days from the date this final order is mailed or otherwise distributed to Respondent.

16 This Order is a publicly disclosable document.

17 **IT IS SO ORDERED.**

18 Chris Hladick, Commissioner
19 Department of Commerce, Community and
20 Economic Development

21 DATED: November 28, 2016

22 /s/ Kevin Anselm
23 BY: Kevin Anselm, Director
24 Division of Banking and Securities