



COMMISSION NEWS

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

TO: EDITORS, NEWS DIRECTORS
FOR: IMMEDIATE RELEASE

DATE: March 3, 2006
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COMMISSION SANCTIONS THREE SCOTTSDALE SECURITIES SALESPEOPLE

PHOENIX – The Arizona Corporation Commission entered into two consent orders, requiring several individuals and their affiliated companies to return a total of \$175,000 to investors and to pay \$245,500 in penalties. The orders involved two securities salesmen who sold limited partnership interests to support a real estate venture in Navajo County and another salesman who made unauthorized transactions in his customers' accounts.

David John Palen

The Commission revoked the securities registration of a former Ameriprise securities salesman, 38-year-old David John Palen of Scottsdale, for making unauthorized redemptions in his customers' accounts. Without admitting or denying the Commission's findings, Palen agreed to return \$195,500 in fees he received from the transactions and to never apply as an Arizona securities salesman or investment adviser at any time in the future.

In late 2004, Palen's securities dealer, Ameriprise Financial, Inc., brought the allegations regarding Palen to the attention of the Commission's Securities Division following a customer complaint. Palen operated in affiliation with Ameriprise as a securities salesman and investment adviser out of his home in Scottsdale. Palen's home-based operation was a registered office of Ameriprise Financial, Inc.

From about 1997 through 2004, Palen earned compensation through Ameriprise Financial, Inc. by signing customers' names to financial advisory service agreements without their knowledge and, through telephone instructions, initiating redemptions from customers' accounts as compensation for financial advice. Additionally, the Commission found that in some cases, Palen had not provided financial plans for which customers had paid fees.

Ameriprise Financial Inc. has reimbursed all questionable fees paid by Palen's customers and has paid a \$1 million fine for failing to reasonably supervise Palen.

Arthur B. Cooper and Linda Ebinger-Cooper

Arthur B. Cooper, a 45-year-old former securities salesman, and his spouse, 46-year-old registered securities salesperson Linda Ebinger-Cooper, consented to a Commission order requiring the return of \$175,000 to investors and a \$45,000 penalty in connection with the offer and sale of interests in a real estate development. The Coopers admitted to the facts contained in the order only for purposes of the Commission's proceedings.

The Commission found that from about January 2001 through March 2003, the Coopers made two separate offerings in connection with Wolf Pines I, LLC, a manager-controlled Arizona limited liability company that invested in a manufactured housing development in Navajo County. The first offering raised \$175,000 from six individuals, two of whom were brokerage clients of Mr. Cooper. The Coopers also invested their personal funds into the project.

The Coopers told investors that they were to receive 100 percent of the profits generated from the lot sales while the development promoter would receive the profits from the manufactured home sales. The sales of the interests in Wolf Pines I, however, were not carried on the books and records of the respondents' broker-dealer, Fox & Co. Investments, Inc.

The second offering was an attempt to save the property from foreclosure and to continue the development. The Coopers approached the owners of the raw land where the Wolf Pines development was located and urged them to invest, offering them \$10,000 plus a 50 percent interest in the company if the owners transferred the deed of trust into Wolf Pines. To induce the owners to invest, the Coopers provided a business card and represented that Mr. Cooper was on leave of absence from Fox & Co. Investments, Inc. The Coopers also said that they had another investor willing to put up \$1 million to pay off the first lien holder and save the property from foreclosure.

The Commission found that the Coopers' statements to the land owners and investors were false. Mr. Cooper's employment at Fox & Company, Inc. had been terminated and he was statutorily disqualified from membership with the National Association of Securities Dealers due to a felony conviction for theft.

They did not have a million-dollar investor at the foreclosure sale and as a result, the Wolf Pines property was lost to the first lien holder.

Mr. Cooper was a registered securities salesman with Fox & Co. Investments, Inc. from May 1988 through December 2001. Mrs. Cooper was a registered securities salesperson with the same brokerage firm from March 2001 through April 2004 when she voluntarily terminated her securities registration. The Commission revoked the Arizona securities registration of Linda Ebinger-Cooper, but both respondents have agreed not to reapply for registration for at least five years from the date of the Commission's order.

In October 2005, the Coopers filed for bankruptcy. Therefore, the restitution and penalties set by the Commission's order will be subjected to the jurisdiction of the bankruptcy court.

The Commission reminds investors that entrusting your money with someone for investment purposes, while expecting a profit through the efforts of others, may involve a security and sales agents/dealers subject to registration. **VERIFY BEFORE YOU BUY!** Call the Securities Division (602) 542-4242, toll free 1-866-VERIFY-9. The Division's investor education web site also has helpful information at www.azinvestor.gov.