

Division of Securities
Utah Department of Commerce
160 East 300 South, 2nd Floor
Box 146760
Salt Lake City, UT 84114-6760
Telephone: (801) 530-6600
FAX: (801)530-6980

**BEFORE THE DIVISION OF SECURITIES
OF THE DEPARTMENT OF COMMERCE
OF THE STATE OF UTAH**

IN THE MATTER OF:

**ZCOM NETWORKS, INC.,
MATRIX MANAGEMENT, INC.,
ALEX R. PARSINIA,**

Respondents.

DEFAULT ORDER

**Docket No. SD 09-0050
Docket No. SD 09-0051
Docket No. SD 09-0052**

I. BACKGROUND

A formal adjudicative proceeding was initiated against Respondents ZCOM Networks, Inc., Matrix Management, Inc., and Alex R. Parsinia by the Division's Order to Show Cause (OSC) dated November 3, 2009. A Notice of Agency Action accompanying the OSC advised them to file an answer or appear at a scheduling hearing set for January 5, 2010 or default would be entered against them. The OSC and Notice were served by certified mail. Ryan R. West, counsel for Respondents, filed an answer on December 7, 2009. Mr. West postponed the scheduling hearing for personal reasons.

Throughout the entire year of 2010, the Division made several attempts to convene a scheduling hearing, but was unable to do so for lack of communication with Mr. West. On October 6, 2010, a scheduling order was issued and a hearing set for Respondents to appear before the Securities Commission on January 11, 2011. The hearing was rescheduled for March 17, 2011. The Division provided discovery materials to Mr. West, but received no response. On March 17, 2011, Jeff Buckner, counsel for the Division, appeared before the Securities Commission. Neither Respondents nor their counsel appeared.

Mr. Buckner moved to strike Respondents' answer and asked for entry of default against them. The Securities Commission granted the motion.

II. FINDINGS OF FACT

THE RESPONDENTS

1. Alex R. Parsinia (Parsinia) is a resident of California. Parsinia is not licensed as a broker-dealer, agent, investment advisor, or investment advisor representative in Utah; no record of him ever having been licensed appears on the database of the Central Registration Depository of Financial Industry Regulatory Authority, Inc. (FINRA)¹
2. Zcom Networks, Inc. (Zcom) is a Nevada corporation in good standing. Zcom incorporated on July 28, 1988. Parsinia is listed as Zcom's president, secretary, director,

¹FINRA is the largest independent regulator for all securities firms doing business in the United States. FINRA oversees 4800 brokerage firms, about 172,000 branch offices and approximately 646,000 registered securities representatives. CRD is FINRA's searchable database. CRD contains the registration records of more than 6,800 registered broker-dealers and the qualification, employment, and disclosure histories of more than 660,000 active registered individuals.

and treasurer. On March 20, 2007, Zcom listed Matrix Management, Inc. as a subsidiary in its Confidential Private Placement Memorandum (PPM). In multiple press releases, Zcom states it was “formerly known as Group Seven Communications, Inc. and changed its name to Zcom Networks, Inc. in 2007.”

3. Matrix Management, Inc. (Matrix) was, at all times relevant to this action, a Utah corporation. Matrix incorporated on September 20, 2004. Matrix’s status with the Division of Corporations is “Expired” for “Failure to File Renewal” as of January 18, 2008. Parsinia is listed as president and director of Matrix.

GENERAL ALLEGATIONS

4. Between February 2007 and December 2007, Parsinia solicited RD to invest a total of \$100,000 with Matrix. All communication between RD and Parsinia took place in Salt Lake County.
5. Parsinia made material misrepresentations and omissions with regard to RD’s \$100,000 investment in Matrix.
6. RD lost \$100,000 in principal alone.

Investor RD

7. In 2006, Parsinia met RD through a mutual friend at RD’s restaurant². Parsinia told RD

²RD owns a restaurant located in Salt Lake City, Utah.

that Zcom was doing something like Vonage³, using the Internet to make phone calls.

8. Parsinia made the following statements to RD about himself, Zcom, and Matrix prior to RD's first investment on or about February 23, 2007:

- a. He owned a credit card processing company, a call center in Florida, a television station in Los Angeles, California, and a yacht;
- b. He had a PhD in Economics from the University of Chicago and taught at Pepperdine University;
- c. He had been involved in many acquisitions;
- d. Zcom was the parent company of Matrix Management;
- e. Zcom was "going to be big";
- f. Zcom would buy other companies and mentioned a company in the Bahamas and one in Los Angeles, California;
- g. He owned the Zcom building and had \$1.5 million equity in the \$6 million property;⁴

³Vonage (NYSE: VG), as stated in a Vonage press release, "is a leading provider of broadband telephone services with over 2 million subscriber lines."

⁴The Salt Lake County Recorder's database has no record for Parsinia, Zcom, USP Communications, Matrix Telecom, Matrix Management or Group Seven Communications, Inc. (Group Seven.) However, Parsinia was associated with Martin Becker (deceased) and Commercial Group International, Inc. (CGI). CGI incorporated in Utah on March 16, 2006. Becker is listed as a principal; Parsinia is not. CGI sued Parsinia and others on August 10, 2007 in Utah's Third District Court (*Commercial Group International vs. Nobeltel LLC et al*). The suit involved a property dispute over the building in which Zcom was located. The suit is still pending. Darryl Lee represented CGI. Mr. Lee said Parsinia never personally owned the building in question, however, Parsinia signed documents related to the acquisition of the building for CGI and Becker claimed Parsinia had no authority to do so.

- h. He would sell RD stock at \$0.25 per share and when the stock went public it would open at \$2 per share and go up to \$5-10 per share;
- i. RD would be able to sell the stock in two months;
- j. He said it would be “good to get in now.”

FIRST INVESTMENT

- 9. On or about February 23, 2007, RD met with Parsinia at Parsinia’s office in Salt Lake City, Utah.
- 10. Parsinia said Zcom was going to be a multi-level marketer of phone packages which would sell from \$19.95 to \$24.99 per month.
- 11. Parsinia showed RD a device which customers would use to access the Internet for their long distance service.
- 12. Parsinia said that, if RD found others willing to invest, he would pay RD a 10% commission.
- 13. Based on Parsinia’s representations, RD invested \$25,000 with Parsinia on or about February 23, 2007.
- 14. Shortly thereafter, RD received a \$25,000 promissory note from Matrix dated February 23, 2007. The terms of the note, in part, were:

No interest shall accrue under this Note until 45 days from the execution date of this Note, at which time interest will begin to accrue at a rate of 8% per annum. The Maturity Date for purposes of this Note shall be 180 days from the execution date of this Note, unless this Note is sooner converted into stock.

15. Parsinia signed the note in RD's presence and gave a copy of the note to RD.
16. The note was not converted into stock.
17. RD has received no return on the promissory note and has lost \$25,000 in principal.

SECOND INVESTMENT

18. In March of 2007, RD received a document titled Matrix Marketing Business Plan (Plan) dated February 23, 2007 from Parsinia. The Plan contained information about Matrix and Parsinia.
19. The Plan also projected gross profits of \$5,000,000 within year three (2009).
20. The Plan stated Matrix had "over 500 nationwide distributor/customer base clients" and that Parsinia has "an extensive background in senior level management, mergers and acquisitions and more than fifteen years of executive level experience in the telecommunications industry."
21. RD also received a PPM dated March 20, 2007 and titled Zcom Networks, Inc., A Nevada Corporation, Doing Business Through Its Subsidiaries: USP Communications and Matrix Telecom.
22. The PPM included, but was not limited to the following statements:
 - a. "This offering involves a substantial degree or risk (p. 3);"
 - b. "The securities offered hereby have not been registered with . . . the Securities Exchange Commission [*sic*] or any state securities commission (p. 3);"
 - c. "Our acquisition of Matrix Telecom was effectuated on March 12, 2007 (p. 7);"

- d. “We intend to use the proceeds of this offering for administrative expenses, marketing and sales expenses, legal and accounting fees . . . our management will have broad discretion to spend flexibly in applying the net proceeds of this offering (p. 26);”
 - e. “We are not a party to any legal proceedings (p. 25).”
23. The PPM did not include information about the following law suits filed in Utah’s Third District Court or the judgments entered in those cases:
- a. On June 15, 2006, a lawsuit was filed against Group Seven (former name of Zcom) in *Stanford Holding LLC v. Group Seven Communications, Inc.*, and on August 13, 2006, a \$56,158.10 judgment was entered against Group Seven.
 - b. On July 26, 2005, a lawsuit was filed against Parsinia and others in *OFC Capital v. Deltacom Networks, Inc.*, and on March 9, 2007, a judgment of \$59,882.51 was entered against Parsinia;
 - c. On September 12, 2005, a tax lien was filed against Parsinia in *Utah State Tax Commission v. Alex Parsinia* and a \$7,183.74 judgment was entered against him that same day;
 - d. On October 11, 2006, a lawsuit was filed against Parsinia and others in *Telecom5 LLC v. Network Management*, and on November 13, 2006, a \$15,140.85 judgment was entered against Parsinia;
 - e. On February 13, 2006, a tax lien was filed against Parsinia in *Utah State Tax*

Commission v. Alex Parsinia, and a \$9,768.89 judgment was entered against him that same day; and

- f. On November 6, 2006, a tax lien was filed against Parsinia in *Utah State Tax Commission v. Alex Parsinia*, and a \$8,745.46 judgment was entered against him that same day.

24. Included with the Zcom PPM was a document titled Share Exchange Agreement By and Among Zcom Networks, Inc., Certain Officers and Directors of Zcom Networks, Inc., Matrix Management Inc., and the Matrix Management Inc. Shareholders As of February 16, 2007 (share exchange agreement.)
25. The Financial Statement section (3.06) of the share exchange agreement states “Zcom has not had business operations since the 1990s . . . there are no reported judgments or legal actions against Zcom, formerly known as Group Seven.”⁵
26. On or about March 2007, RD met Parsinia at Parsinia’s office. During the meeting, RD signed and received a copy of a document titled Subscription Documents for Matrix Management, Inc. RD signed and backdated the document to February 23, 2007 as instructed by Parsinia. RD did not read the document.
27. The subscription agreement “sets forth the terms under which [RD] . . . will invest in Matrix Management, Inc.” The agreement contains the following investor

⁵*But see* ¶ 24 (a) (citing *Stanford Holding LLC v. Group Seven Communications, Inc.*) On August 31, 2006, a judgment of \$56.158.10 was issued against Group Seven (former name of Zcom.)

representations:

- a. “The investor understands that the offer and sale of the Shares is being made without the use of a PPM and the investor is familiar with the nature of, and risks attendant to, investments of this type . . . and understands his investment is speculative, involves a high degree or risk, and could result in loss of his entire investment;”
 - b. “The investor will not transfer or assign this Subscription, the Shares, or any interest therein;”
 - c. “The investor understands that the Shares have not been registered;”
28. The subscription documents are for the purchase of “100,000 Shares at a price of \$0.25 per Share and tenders its payment of \$25,000.00 payable to MATRIX MANAGEMENT, INC. as full payment for the aggregate Shares.”
29. Included in the subscription documents was a form letter entitled Investment Letter, stating that the shares were being acquired for the investor’s personal account and the investor is able to bear the economic risks of the investment. The letter also states that “[RD] will in no event sell or distribute any of said Shares unless in the opinion of your counsel such Shares may be legally sold without registration under the Securities Act of 1933.” RD signed the letter.
30. RD wrote a \$25,000 check to Matrix drawn on his business checking account and gave the check to Parsinia. Bank records reveal that RD’s \$25,000 check was deposited in

Matrix's account on or about March 28, 2007.

31. Between March 28 and April 17, 2007, there were seven debits to the account reducing the balance to \$34,693.39. The debits include paying an existing judgment⁶ and transferring money to another account.

THIRD INVESTMENT

32. On or about April 2007, RD met with Parsinia in Salt Lake City. Parsinia showed RD a "Pink Sheet" which indicated the Zcom stock was valued at \$5 per share (ZCNW).
33. Parsinia further told RD that the Zcom stock price was going up.
34. RD decided to invest \$50,000.
35. RD received subscription documents identical to the ones presented in the previous meeting. These documents were backdated to February 23, 2007.
36. On or about April 26, 2007, RD received a Zcom stock certificate from a transfer agent. The certificate, #1010, was for 300,000 non-transferable shares with a par value of \$0.001.
37. Bank records reveal that on April 19, 2007, RD's investment of \$25,000 was deposited into Matrix's account increasing the account balance to \$62,098.38. On May 3, 2007, Matrix issued a \$50,000 check to USP, a Zcom subsidiary, reducing the account balance to \$1,598.38.
38. On July 18, 2007, RD's investment of another \$25,000 was deposited into Matrix's

⁶See Footnote 4.

account increasing the balance to \$25,098.38. Between July 18 and September 11, 2007, charges reduced the account balance to a negative balance of \$259.60. Charges after July 18, 2007 included \$22,400 in checks made out to Parsinia labeled “expenses.”

III. CONCLUSIONS OF LAW

39. The service of the OSC and the Notice initiating these proceedings is valid upon Respondents.
40. Respondents’ answer to the OSC is stricken.
41. Because Respondents failed to appear at the hearing before the Securities Commission they are in default.
42. The note and stock offered and sold by Respondents are securities under § 61-1-13 of the Act.
43. In connection with the offer and sale of securities, Parsinia, directly or indirectly, made false statements, including, but not limited to, the following:
 - a. That RD would receive the \$25,000 principal he invested in a Matrix Promissory Note back within 180 days of investing, when in fact, RD’s principal has not been returned;
 - b. That RD would earn 8% per month on their investment, when in fact, he has received no returns.
 - c. That Parsinia would use RD’s \$75,000 stock investment with Matrix for (1) administrative expenses; (2) marketing and sales expenses; and (3) legal and

accounting fees, when in fact, the \$75,000 was used to pay an existing judgment⁷ and transfer to another account.

- d. That RD would be able to sell his Matrix shares within two months of purchase at a higher price, but the shares RD received were restricted and RD was prohibited from selling them.

44. In connection with the offer and sale of securities, Parsinia, directly or indirectly, failed to disclose material information, including, but not limited to, the following, which was necessary in order to make representations made not misleading:

- a. That Parsinia was personally involved with six legal proceedings, five of which had judgments entered against Parsinia.⁸ The sixth is still pending⁹;
- b. That Parsinia would use RD's investment funds for purposes other than (1) administrative expenses; (2) marketing and sales expenses; and (3) legal and accounting fees, specifically Parsinia withdrawing thousands and paying an existing judgment;
- c. Some or all of the information typically provided in an offering circular or prospectus regarding Matrix, such as:

⁷See Footnote 4.

⁸*OFC Capital v. Deltacom Networks, Inc.* filed July 26, 2005 ; *Utah State Tax Commission v. Alex Parsinia* filed September 12, 2005; *Telecom5 LLC v. Network Management* filed October 11, 2006; *Utah State Tax Commission v. Alex Parsinia* filed February 13, 2006; and *Utah State Tax Commission v. Alex Parsinia* filed November 6, 2006.

⁹*Department of Workforce Services v. Alex Parsinia* filed February 2, 2006.

- i. Matrix's financial statements;
- ii. The track record of Matrix to other investors;
- iii. The number of other investors;
- iv. Any conflicts of interest the issuer, the principals, or the agents may have with regard to the investment;
- v. Any involvement of Matrix in certain legal proceedings, including bankruptcy or prior violations of state or federal securities laws.

45. Based upon the foregoing, Respondents violated § 61-1-1 of the Act.


J. STEVEN EKLUND
Administrative Law Judge

Approved:


Jeff Buckner
Assistant Attorney General
D. P.

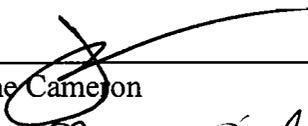
IV. ORDER

Based on the above, the Securities Commission hereby:

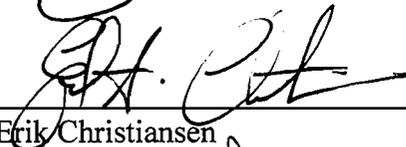
1. Declares ZCOM Networks, Inc., Matrix Management, Inc. and Alex R. Parsinia in default for failing to appear before the Securities Commission on March 17, 2011.
2. Enters, as its own findings, the Finding of Fact described in Section II above.
3. Enters, as its own conclusions, the Conclusions of Law described in Section III above.
4. Finds that Respondents violated the Utah Uniform Securities Act by misstating material facts in connection with the offer and sale of a security in or from Utah in violation of § 61-1-1(2).
5. Finds that Respondents violated the Utah Uniform Securities Act by failing to disclose material information which was necessary to make the statements made not misleading, in connection with the offer and sale of a security in or from Utah in violation of § 61-1-1(2).
6. Orders Respondent to permanently CEASE and DESIST from any violations of the Act.
7. Orders ZCOM Networks, Inc., Matrix Management, Inc., and Alex R. Parsinia to pay a fine of (\$125,000) to the Division within 30 days of the entry of this Order.

DATED this 28th day of July 2011.

Tim Bangerter



Jane Cameron



Erik Christiansen



Laura Polacheck



Jan Graham

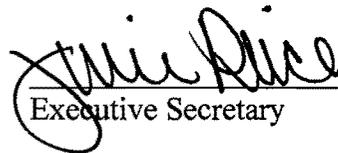
Pursuant to § 63-46b-11(3), Respondents may seek to set aside the Default Order entered in this proceeding by filing such a request with the Division consistent with the procedures outlined in the Utah Rules of Civil Procedure.

CERTIFICATE OF MAILING

I certify that on the 3rd day of Aug. 2011, I mailed a true and correct copy of the

Notice of Entry of Default and Order to:

ZCOM Networks, Inc.
Alex R. Parsinia
26500 W. Agoura Rd. Ste. 516
Calabasas, CA 91302



Executive Secretary