

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., and
ALEX R. PARSINIA,**

Respondents.

ORDER TO SHOW CAUSE

Docket No. SD-09-0050

Docket No. SD-09-0051

Docket No. SD-09-0052

It appears to the Director of the Utah Division of Securities (Director) that Zcom Networks, Inc., Matrix Management, Inc., and Alex R. Parsinia (Respondents) have engaged in acts and practices that violate the Utah Uniform Securities Act, Utah Code Ann. § 61-1-1, et seq. (the Act). Those acts are more fully described herein. Based upon information discovered in the course of the Utah Division of Securities' (Division) investigation of this matter, the Director issues this Order to Show Cause in accordance with the provisions of § 61-1-20(1) of the Act.

STATEMENT OF JURISDICTION

1. Jurisdiction over Respondents and the subject matter is appropriate because the Division alleges that Respondents violated § 61-1-1 (securities fraud) of the Act while engaged in

the offer and sale of securities in or from Utah.

STATEMENT OF FACTS

THE RESPONDENTS

2. 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 Regulator Authority, Inc. (FINRA)¹
3. 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, 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."
4. 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,

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.

2008. Parsinia is listed as president and director of Matrix.

GENERAL ALLEGATIONS

5. 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.
6. Parsinia made material misrepresentations and omissions with regard to RD's \$100,000 investment in Matrix.
7. RD lost \$100,000 in principal alone.

Investor RD

8. In 2006, Parsinia met RD through a mutual friend at RD's restaurant². Parsinia told RD that Zcom was doing something like Vonage³, using the Internet to make phone calls.
9. 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;

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

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

- 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
- 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

- 10. On or about February 23, 2007, RD met with Parsinia at Parsinia’s office in Salt Lake City, Utah.
- 11. Parsinia said Zcom was going to be a multi-level marketer of phone packages which

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.

would sell from \$19.95 to \$24.99 per month.

12. Parsinia showed RD a device which customers would use to access the Internet for their long distance service.
13. Parsinia said, if RD found others willing to invest, he would pay RD a 10% commission.
14. Based on Parsinia's representations, RD invested \$25,000 with Parsinia on or about February 23, 2007.
15. 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.

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

SECOND INVESTMENT

19. 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.

20. The Plan also projected gross profits of \$5,000,000 within year three (2009).
21. 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.”
22. 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.
23. 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).
24. 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 Parsinia the 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 Parsinia the 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 Parsinia the same day.
25. 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.)

26. 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
27. 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.
28. The subscription agreement “sets forth the terms under which [RD] . . . will invest in Matrix Management, Inc.” The agreement contains the following investor 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;

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.)

- 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;
29. 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.”
30. 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.
31. 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.
32. 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.

⁶See Footnote 4.

THIRD INVESTMENT

33. 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).
34. Parsinia further told RD that the Zcom stock price was going up.
35. RD decided to invest \$50,000.
36. RD received subscription documents identical to the ones presented in the previous meeting. These documents were backdated to February 23, 2007.
37. 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.
38. 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.
39. On July 18, 2007, RD’s investment of another \$25,000 was deposited into Matrix’s 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.”

CAUSES OF ACTION

COUNT I

Securities Fraud under § 61-1-1 of the Act

40. The Division incorporates and re-alleges paragraphs 1 through 39.
41. The note and stock offered and sold by Parsinia is a security under § 61-1-13 of the Act.
42. 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.
43. 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

⁷See Footnote 4.

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 judgment¹⁰;
- c. Some or all of the information typically provided in an offering circular or prospectus regarding Matrix, such as:
 - 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

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.

¹⁰See Footnote 4.

bankruptcy or prior violations of state or federal securities laws;

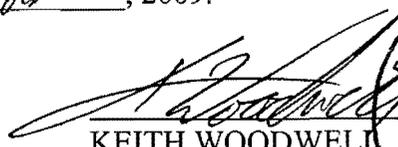
44. Based upon the foregoing, Parsinia violated § 61-1-1 of the Act.

ORDER

The Director, pursuant to § 61-1-20 of the Act, hereby orders Respondents to appear at a formal hearing to be conducted in accordance with Utah Code Ann. §§ 63-46b-4 and 63-46b-6 through -10, and held before the Utah Division of Securities. The hearing will occur on Tuesday, January 5, 2010, at 9:00 a.m., at the office of the Utah Division of Securities, located in the Heber Wells Building, 160 East 300 South, 2nd Floor, Salt Lake City, Utah. The purpose of the hearing is to establish a scheduling order and address any preliminary matters. If Respondents fail to file an answer and appear at the hearing, the Division of Securities may hold Respondents in default, and a fine may be imposed in accordance with Utah Code Ann. § 63-46b-11. In lieu of default, the Division may decide to proceed with the hearing under § 63-46b-10. At the hearing, Respondents may show cause, if any they have:

- a. Why Respondents should not be found to have engaged in the violations alleged by the Division in this Order to Show Cause;
- b. Why Respondents should not be ordered to cease and desist from engaging in any further conduct in violation of Utah Code Ann. § 61-1-1, or any other section of the Act;
- c. Why Respondents should not be ordered to pay a fine of (\$125,000) to the Division of Securities, which may be reduced by restitution paid to the investor;

DATED this 3rd day of November, 2009.


KEITH WOODWELL
Director, Utah Division of Securities



The seal is circular with the text "DEPARTMENT OF COMMERCE" at the top, "THE GREAT SEAL OF THE STATE OF UTAH" around the perimeter, and "DIVISION OF SECURITIES" at the bottom. In the center is the state seal of Utah, featuring a bison and the year "1896".

Approved:


JEFF BUCKNER
Assistant Attorney General
D. P.

Division of Securities
Utah Department of Commerce
160 East 300 South, 2nd Floor
Box 146760
Salt Lake City, UT 84114-6760
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**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., and
ALEX R. PARSINIA,**

Respondents.

NOTICE OF AGENCY ACTION

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

THE DIVISION OF SECURITIES TO THE ABOVE-NAMED RESPONDENT:

You are hereby notified that agency action in the form of an adjudicative proceeding has been commenced against you by the Utah Division of Securities (Division). The adjudicative proceeding is to be formal and will be conducted according to statute and rule. See Utah Code Ann. §§ 63G-4-201 and 63G-4-204 through 209; see also Utah Admin. Code R151-46b-1, *et seq.* The legal authority under which this formal adjudicative proceeding is to be maintained is Utah Code Ann. § 61-1-20. You may be represented by counsel or you may represent yourself in this proceeding. Utah Admin. Code R151-46b-6.

You must file a written response with the Division within thirty (30) days of the mailing date of this Notice. Your response must be in writing and signed by you or your representative. Your

response must include the file number and name of the adjudicative proceeding, your version of the facts, a statement of what relief you seek, and a statement summarizing why the relief you seek should be granted. Utah Code Ann. § 63G-4-204(1). In addition, pursuant to Utah Code Ann. § 63G-4-204(3), the presiding officer requires that your response:

- (a) admit or deny the allegations in each numbered paragraph of the Order to Show Cause, including a detailed explanation for any response other than an unqualified admission. Allegations in the Order to Show Cause not specifically denied are deemed admitted;
- (b) identify any additional facts or documents which you assert are relevant in light of the allegations made; and
- (c) state in short and plain terms your defenses to each allegation in the Order to Show Cause, including affirmative defenses, that were applicable at the time of the conduct (including exemptions or exceptions contained within the Utah Uniform Securities Act).

Your response, and any future pleadings or filings that should be part of the official files in this matter, should be sent to the following:

Signed originals to:

Administrative Court Clerk
c/o Pam Radzinski
Utah Division of Securities
160 E. 300 South, 2nd Floor
Box 146760
Salt Lake City, UT 84114-6760
(801) 530-6600

A copy to:

Jeff Buckner
Assistant Attorney General
160 East 300 South, 5th Floor
Salt Lake City, UT 84114-0872
(801) 366-0310

An initial hearing in this matter has been set for January 5, 2010 at the Division of Securities,

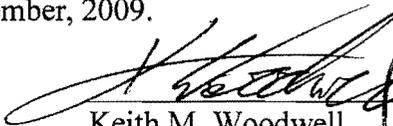
2nd Floor, 160 East 300 South, Salt Lake City, Utah, at 9:00 A.M.

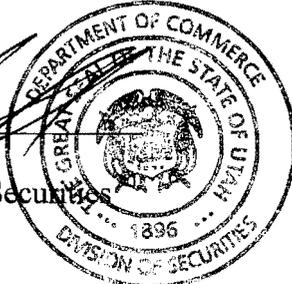
If you fail to file a response, as described above, or fail to appear at any hearing that is set, the presiding officer may enter a default order against you without any further notice. Utah Code Ann. § 63G-4-209; Utah Admin. Code R151-46b-10(11). After issuing the default order, the presiding officer may grant the relief sought against you in the Order to Show Cause, and will conduct any further proceedings necessary to complete the adjudicative proceeding without your participation and will determine all issues in the proceeding. Utah Code Ann. § 63G-4-209(4); Utah Admin. Code R151-46b-10(11)(b). In the alternative, the Division may proceed with a hearing under § 63G-4-208.

The Administrative Law Judge will be J. Steven Eklund, Utah Department of Commerce, 160 East 300 South, P.O. Box 146701, Salt Lake City, UT 84114-6701, telephone (801) 530-6648. This adjudicative proceeding will be heard by Mr. Eklund and the Utah Securities Commission. You may appear and be heard and present evidence on your behalf at any such hearings.

You may attempt to negotiate a settlement of the matter without filing a response or proceeding to hearing. To do so, please contact the Utah Securities Division. Questions regarding the Order to Show Cause should be directed to the Division's attorney, Jeff Buckner, at (801) 366-0310.

Dated this 3rd day of November, 2009.


Keith M. Woodwell
Director, Division of Securities



Certificate of Mailing

I certify that on the 4TH day of November, 2009, I mailed, by certified mail, a true and correct copy of the Notice of Agency Action and Order to Show Cause to:

Ryan R. West
Parson & West P.C.
c/o Alex R. Parsinia
299 S. Main #1300
Salt Lake City, Utah 84111
Certified Mail # 7009608000002840167

Pam Radzinski
Executive Secretary