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*Attorney for Respondents ZCom Networks, Inc.,  
Matrix Management, Inc., and Alex R. Parsinia*

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

<p><b>IN THE MATTER OF:</b></p> <p><b>ZCOM NETWORKS, INC., MATRIX MANAGEMENT, INC., and ALEX R. PARSINIA,</b></p> <p><b>Respondents.</b></p>	<p><b>RESPONSE TO ORDER TO SHOW CAUSE</b></p> <p><b>Docket No. <u>SD-09-0050</u></b> <b>Docket No. <u>SD-09-0051</u></b> <b>Docket No. <u>SD-09-0052</u></b></p>
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ZCom Networks, Inc. (“ZCom”), Matrix Management, Inc. (“Matrix”), and Alex R. Parsinia (“Parsinia”) (collectively, “Respondents”), by and through undersigned counsel, hereby respond to the Order to Show Cause issued by the Division of Securities, Utah Department of Commerce (hereinafter, “Division”) as follows:

**FIRST AFFIRMATIVE DEFENSE**

The Division fails to state a claim against Respondents upon which relief may be granted.

**ANSWERS TO SPECIFI ALLEGATIONS**

1. Respondents admit that the Division has subject matter jurisdiction over violations of §61-1-1 “securities fraud” of the Utah Uniform Securities Act but deny they violated the Act in connection with the offer and sale of a security as alleged in the Order to Show Cause.

2. Admit.

3. Respondents admit that ZCom is a Nevada corporation, although the company was incorporated on June 28, 1988 rather than July 28, 1988 as alleged in the Order to Show Cause. Respondents lack sufficient knowledge or information regarding the remaining allegations of Paragraph 2 and therefore deny the same.

4. Admit.

**ANSWERS TO GENERAL ALLEGATIONS**

5. Admit.

6. Deny.

7. Deny.

8. Admit.

9. Admit or deny as follows:

a. Deny.

b. Respondent Parsinia admits that he told RD that he held a PhD, but denies he stated the degree was obtained at University of Chicago. Rather, Parsinia affirmatively alleges that he informed RD that his

PhD was from Louisiana State University. Moreover, Parsinia affirmatively states that he did teach at Pepperdine University for approximately 18 years as a tenured faculty in Pepperdine's MBA program in Los Angeles. He taught Business Strategy, Management, Mergers & Acquisitions, and Organization Theory. Prior to his teaching at Pepperdine, Parsinia taught at California State University in the School of Business and Economics for nearly three years.

- c. Respondent admits that he informed RD he had been involved in many acquisitions – and in fact, Respondent has been involved in many acquisitions.
- d. Admit.
- e. Deny. Respondent admits that he told RD that Zcom had the “potential” to become a successful company, but did not make any affirmative representations or guarantees regarding the same.
- f. Respondents deny the allegations as stated. Parsinia affirmatively responds that he did inform RD that ZCom was in the process of negotiations to acquire a company in the Bahamas. And, in fact, ZCom was so engaged. ZCom ultimately decided not to acquire the company after completing its due diligence. Furthermore, ZCom has acquired three companies in Los Angeles.

- g. Deny. At one time, Respondent had an ownership interest in Commercial Group International, Inc. (“CGI”), but never represented that he, or ZCom, owned the building located at 1890 South 3850 West, Salt Lake City, Utah 84104.
- h. Deny.
- i. Deny. Respondent Parsinia affirmatively states that he informed RD the shares were “Restricted” shares as defined by the Securities Act. Moreover, RD executed documents stating the same.
- j. Deny. Respondent Parsinia affirmatively states that at the time RD purchased shares of ZCom, the shares were trading around \$1.00 per share. RD’s purchase of the shares at \$0.25/share represented a significant discount.

10. Admit.

11. Deny. Respondents affirmatively state that ZCom purchased USP Communications, which was negotiating and building a multi-level network to distribute its USP Connect product. Importantly, not long after ZCom acquired USP Communications, USP’s principals essentially torpedoed USP’s business operations. Respondents then sued those principals and obtained a judgment against them.

12. Admit. The USP Connect product was an Internet access device.

13. Deny.

14. Respondents admit that RD invested \$25,000 with them on or about February 23, 2007, but lack sufficient knowledge or information regarding the reasons RD based his decision on and consequently deny the remaining allegations of Paragraph 14.

15. Admit.

16. Admit.

17. Deny. Respondents affirmatively state that the promissory note was converted to stock.

18. Deny.

19. Admit.

20. Respondents state the documents speak for themselves.

21. Respondents state the documents speak for themselves.

22. Admit.

23. Admit or deny as follows:

a. Admit.

b. Admit.

c. Admit.

d. Admit.

e. Deny. Respondents allege that the PPM states: "We are not a party to any **material** legal proceedings." (emphasis added.)

24. Admit or deny as follow:

- a. Respondents admit that the PPM did not include information regarding this action. Respondents deny, however, that they were obligated to include such information in the PPM. Respondents affirmatively state that Matrix acquired Group Seven Communications, Inc., as a Pink Sheets shell company from a group of individuals led by David Hunt, a securities attorney in Salt Lake City. David then prepared all of Respondents' securities-related materials, including their Rule 506 PPM documentation. Respondents were never aware of the Stanford Holdings, LLC lawsuit and upon information and belief, allege that Stanford Holdings, LLC is a company owned by David Hunt.
- b. Respondents admit that the PPM did not include information regarding this action. Respondents deny, however, that they were obligated to include such information in the PPM. Respondents affirmatively state that Parsinia became president of Deltacom Networks, Inc. when he acquired the company. To the best of Parsinia's recollection, the lawsuit was based on a printing equipment lease by Deltacom and was immaterial.
- c. Respondents admit that the PPM did not include information regarding this action. Respondents deny, however, that they were obligated to include such information in the PPM. Upon information and belief, Respondents affirmatively state that this tax lien related to one of the

companies Parsinia acquired in Salt Lake City and was not against him individually nor was it material.

- d. Respondents admit that the PPM did not include information regarding this action. Respondents deny, however, that they were obligated to include such information in the PPM. Respondents affirmatively state, however, that they were unaware of the judgment in this matter. Upon information and belief, this lawsuit was based on a buy/sell agreement between Telecom5, LLC and Network Management, Inc. Parsinia, as President of Network Management, Inc., retained attorney Donald J. Purser to represent the company in this action. Attorney Purser claimed the lawsuit was taken care of. Respondents now know that Attorney Purser has been suspended by the Utah Bar and did not respond to the lawsuit. Respondents were unaware of that fact, however, at the dates alleged herein.
- e. Respondents admit that the PPM did not include information regarding this action. Respondents deny, however, that they were obligated to include such information in the PPM. Upon information and belief, Respondents affirmatively state that this tax lien related to one of the companies Parsinia acquired in Salt Lake City and was not against him individually.

f. Respondents admit that the PPM did not include information regarding this action. Respondents deny, however, that they were obligated to include such information in the PPM. Upon information and belief, Respondents affirmatively state that this tax lien related to one of the companies Parsinia acquired in Salt Lake City and was not against him individually.

25. Respondents lack sufficient knowledge or information regarding the allegations of Paragraph 25 as stated, and consequently deny the same.

26. Respondents admit the documents speak for themselves. Respondents further state that Matrix acquired Group Seven Communications, Inc. from David Hunt's group in 2006. At that time, they changed the name to ZCom Networks, Inc. and affected a reverse split. David Hunt prepared all of the legal paperwork, including the PPM and related documents. Respondents relied on David Hunt's expertise and knowledge, especially as it related to Group Seven's prior history.

27. Respondents admit that Parsinia met with RD, but lack information or knowledge as to the exact date. Respondents further deny that RD did not read the Subscription Documents.

28. Admit or Deny as follows:

- a. Admit.
- b. Admit.
- c. Admit.

29. Admit.

30. Admit.

31. Admit.

32. Deny.

33. Deny.

34. Deny.

35. Admit.

36. Admit.

37. Respondents lack sufficient knowledge or information regarding the allegations of Paragraph 25 as stated, and consequently deny the same.

38. Respondents lack sufficient knowledge or information regarding the allegations of Paragraph 25 as stated, and consequently deny the same.

39. Respondents lack sufficient knowledge or information regarding the allegations of Paragraph 25 as stated, and consequently deny the same.

40. Respondents reallege their answers to paragraphs 1 through 39 of the OSC.

41. Deny.

42. Admit or Deny as follows:

a. Deny.

b. Deny.

c. Deny.

- d. Deny.
43. Admit or Deny as follows:
- a. Deny.
  - b. Deny.
  - c. Deny.
44. Deny.

Dated December 7<sup>th</sup>, 2009

PARSON & WEST, P.C.



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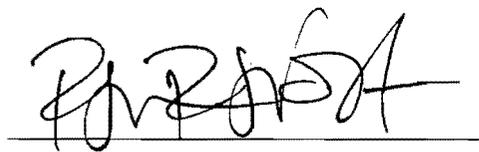
Ryan R. West  
Attorney for Respondents

**CERTIFICATE OF SERVICE**

I hereby certify that on the 7<sup>th</sup> day of December, 2009, I served the foregoing RESPONSE TO ORDER TO SHOW CAUSE by causing a true and correct copy of the same to be mailed, via United States Mail, postage prepaid, addressed to the following:

Administrative Court Clerk  
c/o Pam Radzinski  
Utah Division of Securities  
160 East 300 South, 2<sup>nd</sup> Floor  
Box 146760  
Salt Lake City, Utah 84114-6760

Jeff Buckner  
Assistant Attorney General  
160 East 300 South, 5<sup>th</sup> Floor  
Salt Lake City, Utah 84114

A handwritten signature in black ink, appearing to read "Pam Radzinski", is written over a horizontal line.