

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 WILLIAM A. MUNDELL

Chairman

3 JIM IRVIN

Commissioner

4 MARC SPITZER

Commissioner

5 In the matter of:

) Docket No. S-03444A-01-0000

6 HOTEL CONNECT LLC's #100-1100

7 3649 West Beechwood Suite 103

8 Fresno, CA 93711

9 MARK ALAN MELKOWSKI, SR.

2173 East La Vieve Lane

10 Tempe, AZ 85254

)
) **ORDER TO CEASE AND DESIST,**
) **ORDER OF RESTITUTION, ORDER**
) **FOR ADMINISTRATIVE PENALTIES**
) **AND CONSENT TO SAME**
) **RE: RONALD LEE GOBLE**

11 EAGLE COMMUNICATIONS, INC.

12 4430 N. Civic Center Plaza #204

13 Scottsdale, AZ 85251

14 RONALD LEE GOBLE, individually and dba

15 SOUTHWEST TRUST & FINANCIAL

16 6243 East Gelding Drive

17 Scottsdale, AZ 85254

) **DECISION NO. _____**

18 GARY LYLE CHRISTIAN, individually and dba

19 CORNERSTONE SENIOR PLANNING

20 7015 West Firebird Drive

21 Glendale, AZ 85308

22 HYLAND A. STOKES, individually and dba

23 ESTATE PLANNING PROTECTION

24 5570 East Via Montoya Drive

25 Phoenix, AZ 85054

26 ROGER LANCETTE, individually and dba

27 NATIONAL ADVISORY SERVICES and

28 SENIOR ADVISORY SERVICES

29 6857 East Montreal Place

30 Scottsdale, Arizona 85254

31 WALLACE BUTTERWORTH, individually and

32 dba SENIOR ADVISORY SERVICES

33 1411 East Orangewood Avenue #239

34 Phoenix, AZ 85020

35 CRD #728693

36 Respondents.

1 Respondent Ronald Lee Goble (“RESPONDENT”) elects to permanently waive any right to
2 a hearing and appeal under Articles 11 and 12 of the Securities Act of Arizona, A.R.S. § 44-1801 *et*
3 *seq.* (“Securities Act”) with respect to this Order To Cease And Desist, Order of Restitution, and
4 Order for Administrative Penalties (“Order”). The aforesaid RESPONDENT admits the
5 jurisdiction of the Arizona Corporation Commission (“Commission”); admits only for purposes of
6 this proceeding and any other administrative proceedings before the Commission or any other
7 agency of the state of Arizona, the Findings of Fact and Conclusions of Law contained in this
8 Order; and consents to the entry of this Order by the Commission.

9 **I.**

10 **FINDINGS OF FACT**

11 1. RESPONDENT, whose last known address is 6243 East Gelding Drive Scottsdale,
12 Arizona 85254, was, at various times pertinent hereto, doing business as Southwest Trust &
13 Financial. RESPONDENT was never registered with the Commission as a securities salesman.
14 RESPONDENT is, and was at all times pertinent hereto, licensed by the Arizona Department of
15 Insurance as an insurance salesman.

16 **A. Sales and Marketing Network for “Alternative” Investments.**

17 2. In or around October 1998, Respondent MARK ALAN MELKOWSKI
18 (“Melkowski”) recruited several licensed insurance salesmen including the RESPONDENT to act as
19 EAGLE Agents to contract as sales agents for Respondent HOTEL CONNECT and World Cash
20 Providers, LLC (“World Cash”) to sell “alternative” investments to their clients. MELKOWSKI
21 acted as a managing sales agent for HOTEL CONNECT and World Cash, assisting these companies
22 by providing the EAGLE Agents with necessary investor paperwork, training the salesmen,
23 processing investor documents, and paying the EAGLE Agents commissions based upon the amount
24 of money invested through their sales and marketing efforts. MELKOWSKI received commissions
25 for the sale of the HOTEL CONNECT membership interests in the amount of 20% of the funds
26 raised from investors, and MELKOWSKI was paid up to 19% of the funds raised from the sale of

1 World Cash business opportunities. MELKOWSKI negotiated commission splits individually with
2 the EAGLE Agents and paid them from his own account from commission funds he received from
3 the issuers of these investment products.

4 3. HOTEL CONNECT and World Cash provided joint sales conferences and training
5 sessions for agents on how to sell the LLC membership interests and the World Cash business
6 opportunities programs.

7 4. In late 1998 or early 1999, top sales producers, including RESPONDENT, were
8 rewarded for high volume sales with a “getaway” trip and seminar held in New Orleans. Several
9 training sessions and seminars were held in Fresno, California through late 1999.

10 5. On February 8, 2000, the California Department of Corporations (“DOC”) found
11 that the CTM business opportunities were securities sold in violation of California law, and
12 ordered World Cash and some of its principals, managers and marketers to stop selling these
13 business opportunities in California.

14 6. In or around February 2000, after the California DOC ordered World Cash to desist
15 and refrain from further sales of business opportunities in California, RESPONDENT stopped selling
16 HOTEL CONNECT and World Cash products.

17 7. In or around March 2000, RESPONDENT attended a sales seminar held in Las
18 Vegas, Nevada, to promote the sale of Mobile Cash Systems, LLC (Mobile Cash) business
19 opportunities, a new program marketed by the same principals who offered the HOTEL CONNECT
20 and the World Cash products.

21 8. RESPONDENT solicited some of his investors through cold-calls and at seminars
22 advertised to the general public, followed by visits to the investors’ homes.

23 9. In some instances, RESPONDENT went to investors’ homes to sell them annuities,
24 and then later represented to these investors that these “alternative” investments would be better
25 investments for them because they could make a larger profit from these investments.
26 RESPONDENT encouraged his insurance clients to sell their annuities to invest in these

1 “alternative” investments. Some investors sustained penalties or termination charges upon the
2 termination of their annuity contracts, and then, upon RESPONDENT’s recommendations, used
3 the funds to purchase the “alternative” investments.

4 **B. Description of the Hotel Connect Offerings.**

5 10. From in or around October 1998 until February 2000, RESPONDENT offered and
6 sold within and from Arizona membership interests in Hotel Connect #100-1100 LLCs to
7 approximately 15 investors, who invested approximately \$400,000. Investors were told that their
8 funds would be used to operate a hotel long distance and operator service for the purpose of
9 generating a profit for investors.

10 11. The minimum investment for one membership interest in HOTEL CONNECT was
11 \$10,000, for a projected annualized average 17.6% return for the first five years. Investors were told
12 by salesmen and in sales brochures that the investment provided the investor “high returns with
13 minimal risk, good collateralization, and liquidity in case of emergency throughout his or her
14 ownership,” and that they could expect annual yields on their investments of 14% during year one,
15 and up to 20% annual yields during year five.

16 12. While HOTEL CONNECT’s subscription documents provide specifically that the
17 investments “will be sold only to accredited investors,” in fact the investments were in many cases
18 sold to investors who did not meet the definition of an accredited investor as that term is defined
19 under federal law and adopted under the Securities Act.

20 13. RESPONDENT did not fully disclose the risks of the investments in HOTEL
21 CONNET.

22 14. Investors in HOTEL CONNECT interests have not received their first annual
23 return, as promised.

24 **C. Description of the “Business Opportunities” Offerings.**

25 15. RESPONDENT also offered and sold investments called “business opportunities,”
26 consisting of the sale of equipment together with service agreements. Investors were to receive

1 monthly payments resulting from a share of the profits generated from the operation of their
2 equipment. Investors exercised no managerial or entrepreneurial duties in connection with this
3 investment, and never even saw the equipment. The profits of the investors were dependent upon the
4 services provided by the service companies.

5 16. From around January 1999 through January 2000, RESPONDENT sold World Cash
6 Providers, LLC cash ticket machines (“CTMs”), with services provided by World Cash Providers,
7 Inc., based in Fresno, California, to 11 investors, who invested approximately \$385,000. Some of the
8 principals of these issuers, collectively referred to hereafter as “World Cash,” were also involved in
9 the management and marketing of the HOTEL CONNECT membership interests.

10 17. From around January 2000 through June 2000, RESPONDENT offered and sold
11 Mobile Cash business opportunities investments--substantially similar to the CTM business
12 opportunities, to 7 investors, who invested approximately \$205,000. These sales involved wireless
13 terminal machines (“WTMs”) together with service agreements. The WTMs were handheld wireless
14 cash ticket machines. Mobile Cash was based in Las Vegas, Nevada. The services were to be
15 provided by two companies based in Mesa, Arizona, World Wireless Systems, Inc. (“Wireless”) and
16 World Electronic Payment Solutions (“WEPS”). Principals of Mobile Cash, Wireless and WEPS
17 also managed or marketed World Cash business opportunities and HOTEL CONNECT membership
18 interests.

19 18. Investors in the World Cash CTM business opportunities stopped getting their
20 monthly “revenue” payments in or before June 2000.

21 19. Investors in the Mobile Cash WTM business opportunities received monthly
22 “revenue” payments, as promised, approximately 90 days after their investments, beginning in
23 April 2000, even though not a single WTM machine was placed in operation. Around March
24 2001, the “revenue” payments to investors stopped.

25 20. On May 24, 2001, the Commission approved and entered an Order to Cease and
26 Desist, for Administrative Penalties, and for Other Affirmative Action and Consent to Same

1 against Respondents including World Cash, Mobile Cash, Wireless and WEPS, in which these
2 respondents admitted for purposes of this and any other administrative proceedings before the
3 Commission that the CTM and WTM business opportunities were securities, and that they were
4 sold in violation of the registration and anti-fraud provisions of the Securities Act.

5 21. In connection with the offer or sale of securities within or from Arizona,
6 RESPONDENT directly or indirectly made untrue statements of material fact or omitted to state
7 material facts which were necessary in order to make the statements made not misleading in light of
8 the circumstances under which they were made. RESPONDENT's conduct relating to the offer and
9 sale of these securities includes, but is not limited to, the following:

10 a) Misrepresenting the safety of these investments and/or failing to disclose specific
11 risks.

12 b) Failing to disclose financial or background information about the issuers or
13 their principals.

14 c) Failing to disclose to HOTEL CONNECT investors that there would be inter-
15 company transfers of funds between HOTEL CONNECT and World Cash or other
16 companies.

17 d) Misrepresenting to CTM investors that their equipment would be delivered
18 within 30 or 60 days of their completed contract. In fact, some investors never had
19 equipment placed in service for them.

20 e) Failing to disclose that many of the CTMs that were purchased were never
21 delivered or placed in service.

22 f) Misrepresenting that CTM investors were to receive monthly distributions from the
23 revenue generated from the operation of their CTMs. In fact, monthly distributions were paid
24 to many investors for CTMs that were never placed in service for them.

25 g) Misrepresenting that WTM investors were to receive monthly distributions from
26 the revenue generated from the operation of their WTMs. In fact, from April through January

1 2000, Wireless distributed monthly payments to investors although no equipment was placed
2 in service for any investors.

3 h) Failing to disclose to WTM investors that no WTMs had been placed in service.

4 i) Failing to disclose that Wireless and WEPS, the service and processing companies
5 that were supposed to manage the WTMs to generate revenue for the distributions to
6 investors, had not even begun service operations.

7 j) Failing to disclose background information regarding the principals of the limited
8 liability interests and the business opportunities, including but not limited to the following:

9 (1) That on February 8, 2000, the California DOC issued orders finding that the
10 business opportunities or investment contracts involving CTMs were
11 securities and ordering World Cash, its presidents, and two Directors of
12 WEPS, Paul Michael ("Mike") Goodman and John P. Steele, to desist and
13 refrain from the unlawful sale of these securities in California.

14 (2) That on February 10, 2000, the California DOC filed a lawsuit in
15 Sacramento County Superior Court against several entities and individuals
16 including three directors of WEPS, Claude D. Smith, Billy Ray Smith and
17 Brian T. Griggs, alleging the illegal and fraudulent offer and sale of an
18 estimated \$20 million of securities in the form of short-term promissory
19 notes to hundreds of investors, many of them elderly. The funds were
20 alleged to be used for investments in commercial automated teller
21 machines, cash ticket machines, and discount telephone service systems in
22 economy motel rooms.

23 **II.**

24 **CONCLUSIONS OF LAW**

25 1. The Commission has jurisdiction over this matter pursuant to Article XV of the
26 Arizona Constitution and the Securities Act.

1 those investors under the terms of this Order. Payment shall be made by cashier's check or money
2 order payable to the "State of Arizona" to be placed in an interest-bearing account maintained and
3 controlled by the Arizona Attorney General. The Arizona Attorney General shall disburse the
4 funds on a pro rata basis to investors. Any funds that the Attorney General is unable to disburse
5 shall revert to the state of Arizona.

6 IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2032, that RESPONDENT shall,
7 jointly and severally with any other Respondents who are subject to Orders of the Commission, pay
8 restitution to CTM investors shown on the records of the Commission in the amount of \$385,000,
9 plus interest at the rate of 10% per annum from the date of each investment until paid in full. If
10 additional CTM investors are later discovered, RESPONDENT shall pay claims of those investors
11 under the terms of this Order. Payment shall be made by cashier's check or money order payable to
12 the "State of Arizona" to be placed in an interest-bearing account maintained and controlled by the
13 Arizona Attorney General. The Arizona Attorney General shall disburse the funds on a pro rata
14 basis to investors. Any funds that the Attorney General is unable to disburse shall revert to the state
15 of Arizona.

16 IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2032, that RESPONDENT shall,
17 jointly and severally with any other Respondents who are subject to Orders of the Commission, pay
18 restitution to WTM investors shown on the records of the Commission in the amount of \$205,000,
19 plus interest at the rate of 10% per annum from the date of each investment, until paid in full. If
20 additional WTM investors are later discovered, RESPONDENT shall pay claims of those investors
21 under the terms of this Order. Payment shall be made by cashier's check or money order payable to
22 the "State of Arizona" to be placed in an interest-bearing account maintained and controlled by the
23 Arizona Attorney General. The Arizona Attorney General shall disburse the funds on a pro rata
24 basis to investors. Any funds that the Attorney General is unable to disburse shall revert to the state
25 of Arizona.

1 IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2036, that RESPONDNET shall pay
2 administrative penalties in the amount of \$25,000. Payment shall be made in full by cashier’s check
3 or money order on the date of this Order, payable to the “State of Arizona.” Any amount
4 outstanding shall accrue interest at the rate of 10% per annum from the date of this Order until paid
5 in full.

6 IT IS FURTHER ORDERED that this Order shall become effective immediately. All
7 restitution and penalties payments are due upon entry of this Order.

8 BY ORDER OF THE ARIZONA CORPORATION COMMISSION
9

10
11
12 CHAIRMAN

COMMISSIONER

COMMISSIONER

13 IN WITNESS WHEREOF, I, BRIAN C. McNEIL,
14 Executive Secretary of the Arizona Corporation
15 Commission, have hereunto set my hand and caused the
16 official seal of the Commission to be affixed at the Capitol,
17 in the City of Phoenix, this _____ day of
18 _____, 2001.

19
20 _____
BRIAN C. McNEIL
Executive Secretary

21
22
23 DISSENT

24 This document is available in alternative formats by contacting Shelly M. Hood, ADA Coordinator,
25 voice phone number 602-542-3931, E-mail shood@cc.state.az.us.

26 PTJ

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1 **CONSENT TO ENTRY OF ORDER**

2 1. RESPONDENT RONALD LEE GOBLE (“RESPONDENT”) admits the jurisdiction
3 of the Commission over the subject matter of this proceeding. RESPONDENT acknowledges that
4 he has been fully advised of his rights to a hearing to present evidence and call witnesses and
5 RESPONDENT knowingly and voluntarily waives any and all rights to a hearing before the
6 Commission and all other rights otherwise available under Article 11 of the Securities Act and Title
7 14 of the Arizona Administrative Code. RESPONDENT acknowledges that this Order To Cease
8 And Desist, Order for Restitution, Order for Administrative Penalties and Consent to Same
9 (“Order”) constitutes a valid final order of the Commission.

10 2. RESPONDENT knowingly and voluntarily waives any right he may have under
11 Article 12 of the Securities Act to judicial review by any court by way of suit, appeal, or
12 extraordinary relief resulting from the entry of this Order.

13 3. RESPONDENT acknowledges and agrees that this Order is entered into freely and
14 voluntarily and that no promise was made or coercion used to induce such entry.

15 4. RESPONDENT acknowledges that he has chosen not to be represented by counsel
16 in this matter, he has reviewed this Order and understands all terms it contains.

17 5. RESPONDENT admits only for purposes of this proceeding and any other
18 administrative proceeding before the Commission or any other agency of the state of Arizona the
19 Findings of Fact and Conclusions of Law contained in this Order.

20 6. By consenting to the entry of this Order, RESPONDENT agrees not to take any
21 action or to make, or permit to be made, any public statement denying, directly or indirectly, any
22 Finding of Fact or Conclusion of Law in this Order or creating the impression that this Order is
23 without factual basis. RESPONDENT will undertake steps necessary to assure that all of his agents
24 and employees understand and comply with this agreement. Nothing in this provision affects
25 RESPONDENT’s testimonial obligations or right to take legal positions in litigation in which an
26 administrative agency of the state of Arizona is not a party.

1 7. While this Order settles this administrative matter between RESPONDENT and the
2 Commission, RESPONDENT understands that this Order does not preclude the Commission from
3 instituting other administrative proceedings based on violations that are not addressed by this Order.

4 8. RESPONDENT understands that this Order does not preclude the Commission from
5 referring this matter to any governmental agency for administrative, civil, or criminal proceedings
6 that may be related to the matters addressed by this Order.

7 9. RESPONDENT understands that this Order does not preclude any other agency or
8 officer of the state of Arizona or its subdivisions from instituting administrative, civil or criminal
9 proceedings that may be related to matters addressed by this Order.

10 10. RESPONDENT agrees that he will never apply to the state of Arizona for
11 registration as a securities dealer or salesman or for licensure as an investment adviser or
12 investment adviser representative.

13 11. RESPONDENT agrees that he will not offer or sell, directly or indirectly, securities or
14 provide investment advisory services, within or from Arizona.

15 12. RESPONDENT agrees that he will not exercise any control over any entity or person
16 that offers or sells, directly or indirectly, securities or provides investment advisory services, within
17 or from Arizona.

18 13. RESPONDENT acknowledges and agrees that the existence of this Order would be a
19 “material fact” to any reasonable investor, and RESPONDENT acknowledges and agrees that the
20 existence of this Order, and its terms, will be affirmatively disclosed by him to any person to whom
21 RESPONDENT may offer or sell securities, within the meaning of A.R.S. §§ 44-1801(15), 44-
22 1801(21) and 44-1801(26), and to any person with respect to whom RESPONDENT may act as an
23 investment adviser or investment adviser representative, within the meaning of A.R.S. § 44-3101(4)
24 or § 44-3101(5), in any instance of such offer or sale, or such provision of investment advice.

25 14. This agreement and Order shall be binding upon RESPONDENT’s agents, heirs,
26 employees, assigns, representatives, beneficiaries or other successors in interest of any kind.

