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BEFORE THE ARIZONA CORPORATION COMMISSION

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MARC SPITZER, Chairman
WILLIAM A. MUNDELL
JEFF HATCH-MILLER
MIKE GLEASON
KRISTIN K. MAYES

In the matter of:

JOHN E. SHANNON and REBECCA F.
SHANNON, husband and wife
8537 W. Onza, Mesa, AZ 85212

and

GARY R. SHANNON,
3279 Pomme De Terre Circle, Flemington, MO
65650

Respondents.

DOCKET NO. S-03580A-04-0000

NOTICE OF OPPORTUNITY FOR
HEARING REGARDING PROPOSED
ORDER TO CEASE AND DESIST
ORDER FOR RESTITUTION FOR
ADMINISTRATIVE PENALTIES AND
FOR OTHER AFFIRMATIVE ACTION

Arizona Corporation Commission

DOCKETED

MAR - 4 2005

DOCKETED BY

NOTICE: EACH RESPONDENT HAS 10 DAYS TO REQUEST A HEARING

EACH RESPONDENT HAS 30 DAYS TO FILE AN ANSWER

The Securities Division ("Division") of the Arizona Corporation Commission ("Commission") alleges that JOHN E. SHANNON, REBECCA F. SHANNON and GARY R. SHANNON have engaged in acts, practices and transactions, which constitute violations of the Securities Act of Arizona, A.R.S. § 44-1801 *et seq.* ("Securities Act").

I.

JURISDICTION

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

Gary R. Shannon
3279 Pomme De Terre Circle
Flemington, MO 65650

RE: Docket No. S-03580A-04-0000
Reply/Answer

To Whom It May Concern:

The following are responses to allegations made upon me by the Securities Division of the Arizona Corporation Commission.

Section III, Paragraph 12:

Investor's signed a written agreement on a one or more year term allowing Money Tree to access a personal checking account, set up by each investor, to purchase inventory (automobiles) from individuals. Additionally, the agreement stated that money's may also be used for business operating expenses. The one exception was the first agreement signed by Mark Greenburg for \$20,000, which stated that all money's attached to that agreement be used solely for inventory purchases.

Section III, Paragraph 13:

I recall no instance while I had ownership with Money Tree that any individual investor received any financial paperwork that stated the business's financial condition. I do acknowledge that "new" investor money's had been used to "buyout" other investor's agreements. Further, I know of no "missing" inventory during my participation with Money Tree or of the status of Money Tree's cash reserve after September, 2002. At the time that Astute took over, there was approximately \$32,000 in the various bank accounts and nine "repossessed" vehicles to be liquidated with an approximate wholesale value over \$30,000.

Section III, Paragraph 14:

I deny any and all allegations in this paragraph. However, I have no knowledge of any business practices after September, 2002, as I had no affiliation or ownership after that time.

Section III, Paragraph 16:

As I recall, the investor agreements allowed Money Tree to use their money's for inventory purchases and business operating expenses. Further, I recall no instance where investor money's were used to pay interest back to investors while I had any affiliation with Money Tree. I do acknowledge that investor money's were used to "buyout" other investors, though there was no added debt service caused by these acts.

Section III, Paragraph 17:

While I had any ownership with Money Tree all investors had separate personal checking accounts and each investor received monthly statements from Money Tree and the bank. I know of no time that investor money's were deposited directly into Money Tree's business accounts before October, 2002. The investor's accounts were setup so

the officers of Money Tree could act as "Money Manager's" for these individuals in the hopes that they could profit from their investments. I recall no instance, written or otherwise that any potential investor was led to believe that anyone affiliated with Money Tree had any prior experience or knowledge in Investment Counseling, Credit Assessment, or loan and lease operations.

Section III, Paragraph 20:

I had no affiliation, involvement, or ownership in Money Tree after September, 2002. Astute bought me out in July, 2002 and took over physical ownership on September 30, 2002. At the time that Astute took ownership of Money Tree, there were a total of eight investors with approximately \$450,000 of total investment money's. These investors were: Mark & Sandra Greenburg (\$180,000), Samuel Harris (\$100,000), Joseph Zias (\$100,000), Eyton Zias (\$30,000), Rod & Shira Lowe (\$10,000), Mary Chambers (\$20,000), Herb Gerrard (\$10,000). Of these individuals only Mary Chambers and Eyton Zias had no previous investment experience, as I recall.

As to the violations, I deny any wrong-doing, knowingly or otherwise. John and I went to The Arizona Banking Commission, The Maricopa Sheriff Department, and The Arizona Department of Transportation prior to opening Money Tree and were told by each agency that no special licenses, permits, or certifications were needed to operate this business according to our business plan and intentions. From February, 2000 until September, 2002, we made every attempt to follow the guidelines we originally conveyed to each investor to the best of our ability.

I thank you for your assistance and the opportunity to defend my actions.

Sincerely,

Gary Shannon