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Arizona Corporation Commission

2006 MAR -9 P 4: 10

AZ CORP COMMISSION
DOCUMENT CONTROL

Docket No S-20441A-06-0082

Unless expressly admitted herein, Defendant Martin Spranger, denies each + every claim herein and for his response to Plaintiffs claims one + all Defendant hereby admits, denies and alleges as follows:

The Defendant

1) Martin Spranger¹ admits the allegations contained in paragraph 1.

2) Defendant, Martin Spranger, lacks sufficient information to either admit or deny paragraph 2

3) Defendant, Martin Spranger admits to his current address and to being the spouse of Lori Spranger however denies any liability or information as divorce papers have been

filed in Maricopa Superior Court for
dissolution of marriage Case No FN2005-092274
concerning paragraph 3.

4. Marti Spranger, defendant denies paragraph 4.

5. Defendant, Marti Spranger, denies lacks
sufficient evidence information concerning paragraph 5.

6. Defendant, Marti Spranger, lacks sufficient
information concerning paragraph 6.

7. Defendant, Marti Spranger, lacks sufficient
information concerning paragraph 7.

8. Defendant, Marti Spranger, admits to being
the spouse of Lori Spranger but lacks information
concerning other respondents ~~to~~ spouse, also has
a petition for dissolution of marriage at
Maricopa Superior Court Case No P11-2005-092274

10. Defendant, Martin Spranger, lacks sufficient information concerning paragraph 10.

11. Defendant, Martin Spranger, lacks sufficient information concerning paragraph 11.

12. Defendant, Martin Spranger, lacks sufficient information concerning paragraph 12.

13. Defendant, Martin Spranger, lacks sufficient information concerning paragraph 13.

14. Defendant, Martin Spranger, lacks sufficient information concerning paragraph 14.

15. Defendant, Martin Spranger, lacks sufficient information concerning paragraph 15.

16. Defendant, Martin Spranger lacks sufficient information concerning paragraph 16.

17. Defendant, Martin Spranger, lacks sufficient information concerning paragraph 17.

18. Defendant, Martin Spranger, lacks sufficient information concerning paragraph 18.

19. Defendant, Martin Spranger, lacks sufficient information concerning paragraph 19.

20. Defendant, Martin Spranger, lacks sufficient information concerning paragraph 20.

21. Defendant, Martin Spranger, lacks sufficient information concerning paragraph 21.

22. Defendant, Martin Spranger, admits to filing Bankruptcy but lacks information on informing officers of the existence of Spranger Bankruptcy in paragraph 22.

23. Defendant, Martin Spranger denies paragraph 23, and lacks sufficient information concerning paragraph 23, do admit the Bankruptcy Court determined it to be non dischargeable debt.

24. Defendant Martin Spranger denies paragraph 24

25. Defendant, Martin Spranger lacks sufficient information concerning paragraph 25.

26 The allegations contained in paragraph 26, 27, 28, 29, 30, 31 call for a legal conclusion which defendant can neither admit or deny. If there are any factual allegations contained in paragraphs 26, 27, 28, 29, 30, 31, defendant Martin Spranger denies said allegations contained in Plaintiffs complaint.

Affirmative Defenses

Defendant, Martin Spranger, alleges that the complaint fails to state a claim upon which relief may be granted.

Defendant, Martin Spranger, alleges that the complaint is barred by applical statutes of limitation, waivers, laches, unclean hands, equitable estoppel because plaintiff through its words and conduct made representations that the Defendant relied upon to his detriment.

Defendant Martin Spranger alleges the Plaintiffs Complaint is barred due to accord and satisfaction, payment, release + satisfaction.

Defendant, Martin Spranger, alleges that plaintiffs Complaint is subject to offset since Defendant is entitled to a credit for money owed by Plaintiff. Defendant further alleges unjust enrichment inasmuch as granting Plaintiffs Complaint would result in Plaintiff receiving more money than they are entitled to receive.

As for additional Affirmative Defenses Defendant Martin Spranger raises those affirmative defenses as set forth in Rule 8(b) Arizona Rules of Civil Procedure which may apply pending further discovery in this matter.

Defendant, Martin Spranger, alleges that he is not the proper party defendant, and has filed a petition for dissolution of marriage in Maricopa Superior Court Case NO ~~2005-FN~~ FN2005-092274

Wherefore Defendant, Martin Spranger, requests that judgment be entered in his favor & against the Plaintiff and each of its claims dismissed in its entirety with Plaintiff taking nothing and awarding Defendant Martin Spranger, his reasonable attorneys' fees and costs pursuant to A.R.S. § 12-341.01, and A.R.S. § 12-349 and such other and further relief as the Court deems just and proper. Defendant Martin Spranger also requests a hearing in this matter.

NEW APPLICATION

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

2006 FEB 10 P 2:40

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

AZ CORP COMMISSION
DOCUMENT CONTROL

In the matter of:

LORI LEE SPRANGER (a/k/a LORI MORIARTY and/or
LORI LEE LEVANDOWSKI and/or LORI GESSELL), a
married person, individually and doing business as
VECTOR 90 DEBT PURCHASING, an Arizona
registered trade name
3127 West Honor Court
Anthem, Arizona 85086

MARTIN OTTO SPRANGER (a/k/a MARTIN OTTO
SPRANGER, III), spouse of LORI LEE SPRANGER
1650 S. Arizona Avenue #293
Chandler, Arizona 85248

MICHAEL ("MIKE") MORIARTY and JANE DOE
MORIARTY, individually and doing business as
VECTOR 90 DEBT PURCHASING, an Arizona
registered trade name
3127 West Honor Court
Anthem, Arizona 85086

Respondents.

) Docket No. S-20441A-06-0082

) **TEMPORARY ORDER TO CEASE AND
DESIST AND NOTICE OF
OPPORTUNITY FOR HEARING**

*Joe Huero
602 542 3477
542 0188*

**NOTICE: THIS ORDER IS EFFECTIVE IMMEDIATELY
EACH RESPONDENT HAS 20 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 RESPONDENTS, LORI LEE SPRANGER (a/k/a Lori Moriarty and/or Lori Lee Levandowski and/or Lori Gessell), individually and doing business as VECTOR 90 DEBT PURCHASING, an Arizona registered trade name, MARTIN OTTO SPRANGER (a/k/a MARTIN OTTO SPRANGER, III), spouse of Lori Lee Spranger, and MICHAEL ("MIKE") MORIARTY and JANE DOE

1 MORIARTY, are engaged in or are about to engage in acts and practices that constitute violations
2 of A.R.S. § 44-1841, *et seq.*, the Arizona Securities Act (“Securities Act”), and that the public welfare
3 requires immediate action.

4 **I.**

5 **JURISDICTION**

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

8 **II.**

9 **RESPONDENTS**

10 2. Lori Lee Spranger (a/k/a Lori Moriarty and/or Lori Lee Levandowski and/or Lori
11 Gessell) (“Spranger”) is an individual whose last known residential address is 3127 West Honor
12 Court, Anthem, Arizona 85086.

13 3. Martin Otto Spranger (a/k/a Martin Otto Spranger, III) (“Martin Spranger”) is an
14 individual whose last known residential address is 1650 South Arizona Avenue #293, Chandler,
15 Arizona 85248. Martin Spranger was at relevant times the spouse of Spranger, and is joined in this
16 action under A.R.S. §44-2031(C) solely for purposes of determining the liability of the marital
17 community.

18 4. At all relevant times, Spranger and Martin Spranger were acting for their own
19 benefit, and for the benefit or in furtherance of the marital community.

20 5. Michael (“Mike”) Moriarty (“Moriarty”) is an individual whose last known
21 residential address is 3127 West Honor Court, Anthem, Arizona 85086.

22 6. Jane Doe Moriarty was at all relevant times the spouse of Moriarty. Jane Doe
23 Moriarty is a fictitious name used to describe any person married to Moriarty. Jane Doe Moriarty is
24 joined in this action under A.R.S. §44-2031(C) solely for purposes of determining the liability of the
25 marital community.

26

1 14. According to the Website, once RESPONDENTS purchase a Lot, an account
2 number or numbers are assigned to each investor based on the number of Units acquired by that
3 investor.

4 15. RESPONDENTS inform investors that once a Unit is paid off, the investor will
5 receive a 35% return on their investment; provided, however, even if the collection of the unit is
6 unsuccessful, or if RESPONDENTS collect less than the original \$2,500, the investor will still
7 receive a 35% return on their investment.

8 16. According the Website, in order to participate in the RESPONDENTS' investment
9 opportunities, a potential investor is to complete a form entitled "Request for Participation" and a
10 W9 form, and return these documents along with the investment funds to RESPONDENTS. Upon
11 receipt, RESPONDENTS will prepare a "Participation Agreement" to be executed by the investor
12 and an individual *on behalf of* Vector 90. The "Request for Participation" form and an example of
13 the "Participation Agreement" are contained on the Website.

14 17. Vector 90 Debt Purchasing has not been organized as a legal entity under the laws of
15 the state of Arizona, nor has it been authorized in Arizona to transact business as a foreign entity.

16 18. According to the Website, an investment made during the three month period
17 ending on April 5, 2006 should be paid off (including the 35% return) no later than October 5,
18 2007. However, the Participation Agreement provided by RESPONDENTS to at least one offeree
19 provides that their February, 2006 investment of \$100,000 would be repaid in quarterly
20 installments of varying amounts beginning on November 16, 2006, with the last \$35,000
21 (presumably the 35% return) to be paid to the investor by RESPONDENTS on December 15, 2007.

22 19. RESPONDENTS inform investors that they are not a collection agency; rather, the
23 collection accounts are placed with attorneys and collection agencies. According to their Website,
24 the TCPA accounts are "collected through Encompass West." According to the records of the
25 Arizona Corporation Commission, Corporation Division, Encompass West is an Arizona limited
26 liability company that is managed by Sanger and of which Sanger is at least a 20% owner.

1 20. According to the Website, it appears that Encompass West receives a fee for acting
2 as the collection agent for RESPONDENTS. According to the records of the Arizona Department
3 of Financial Institutions, Encompass West is not licensed as a collection agency, and cannot legally
4 act as a debt collector in Arizona.

5 21. From at least April, 2000, until October 2002, Spranger transacted business as a
6 collection agency under the trade names "Kyrazod" and/or "Kyrazod Project of Arizona". In the
7 collection of the accounts, Spranger hired an attorney to perform legal services on behalf of her
8 collection agency's clients ("Kyrazod Attorney"). Monies collected by the Kyrazod Attorney
9 from the debtors would be turned over to Spranger. In turn, Spranger was to then pay to the
10 attorney all fees for services rendered on behalf of Spranger to Kyrazod Attorney.

11 22. On November 11, 2003, Spranger and Martin Spranger filed for protection under
12 Chapter 7 of the United States Bankruptcy Code in the U.S. Bankruptcy Court, District of Arizona
13 in the matter entitled *In re Spranger*, case no. 2:03-bk-19815 ("Spranger Bankruptcy"). On April
14 7, 2004, Spranger and Martin Spranger received a bankruptcy discharge. The RESPONDENTS
15 fail to inform offerees of the existence of the Spranger Bankruptcy.

16 23. On April 13, 2005, judgment was entered against Spranger for the wrongful
17 conversion of funds due and owing to the Kyrazod Attorney. Even though the debt arose prior to
18 the filing of the Spranger Bankruptcy, it was determined by the Bankruptcy Court to be a non-
19 dischargeable debt as it arose from the wrongful conduct on the part of Spranger ("Kyrazod
20 Attorney Judgment"). The RESPONDENTS fail to inform offerees of the existence of the
21 Kyrazod Attorney Judgment.

22 24. RESPONDENTS have offered the investment opportunity to at least one Arizona
23 investor by communicating the terms of the offer and forwarding an agreement (not in the same
24 form or content as the Participation Agreement) via electronic mail.

25 ...

26 ...

1 IV.

2 VIOLATION OF A.R.S. § 44-1841

3 (Offer and Sale of Unregistered Securities)

4 25. From at least February 1, 2005, RESPONDENTS offered or sold securities in the
5 form of investment units within or from Arizona.

6 26. The securities referred to above were not registered pursuant to Articles 6 or 7 of the
7 Securities Act.

8 27. This conduct violates A.R.S. § 44-1841.

9 V.

10 VIOLATION OF A.R.S. § 44-1842

11 (Transactions by Unregistered Dealers or Salesmen)

12 28. From at least February 1, 2005, RESPONDENTS offered or sold securities within or
13 from Arizona while not registered as dealers or salesmen pursuant to Article 9 of the Securities Act.

14 29. This conduct violates A.R.S. § 44-1842.

15 VI.

16 VIOLATION OF A.R.S. § 44-1991

17 (Fraud in Connection with the Offer or Sale of Securities)

18 30. In connection with the offer or sale of securities within or from Arizona,
19 RESPONDENTS directly or indirectly: (i) employed a device, scheme or artifice to defraud; (ii)
20 made untrue statements of material fact or omitted to state material facts which were necessary in
21 order to make the statements made not misleading in light of the circumstances under which they
22 were made; or (iii) engaged in transactions, practices or courses of business which operated or
23 would operate as a fraud or deceit upon offerees and investors. RESPONDENTS' conduct includes,
24 but is not limited to, the following:

25 a) Failing to disclose that Encompass is an affiliate of RESPONDENTS;

26

1 with written findings of fact and conclusions of law. A permanent Order may include ordering
2 restitution, assessing administrative penalties or other action.

3 If a request for hearing is not timely made, the Division will request that the Commission
4 make permanent this Temporary Order, with written findings of fact and conclusions of law, which
5 may include ordering restitution, assessing administrative penalties or other relief.

6 Persons with a disability may request a reasonable accommodation such as a sign language
7 interpreter, as well as request this document in an alternative format, by contacting Linda Hogan,
8 Executive Assistant to the Executive Director, voice phone number 602/542-3931, e-mail
9 lhogan@azcc.gov. Requests should be made as early as possible to allow time to arrange the
10 accommodation.

11 **X.**

12 **ANSWER REQUIREMENT**

13 Pursuant to A.A.C. R14-4-305, if any RESPONDENT or RESPONDENT SPOUSE
14 requests a hearing, the RESPONDENT or RESPONDENT SPOUSE must deliver or mail an
15 Answer to this Temporary Order and Notice to Docket Control, Arizona Corporation Commission,
16 1200 W. Washington, Phoenix, Arizona 85007, within 30 calendar days after the date of service of
17 this Temporary Order to Cease and Desist and Notice of Opportunity for Hearing. A Docket
18 Control cover sheet must accompany the Answer. A cover sheet form and instructions may be
19 obtained from Docket Control by calling (602) 542-3477 or on the Commission's Internet web site
20 at www.cc.state.az.us/utility/forms/index.htm.

602 542 3026 Sue 3/1/06
602 542 4288 fax 602 3640590

21 Additionally, the RESPONDENT OR RESPONDENT SPOUSE, must serve the Answer
22 upon the Division. Pursuant to A.A.C. R14-4-303, service upon the Division may be made by
23 mailing or by hand-delivering a copy of the Answer to the Division at 1300 West Washington, 3rd
24 Floor, Phoenix Arizona, addressed to Julie Coleman, Assistant Chief Counsel of Enforcement.

25 The Answer shall contain an admission or denial of each allegation in this Temporary
26 Order and Notice and the original signature of each RESPONDENT, RESPONDENT SPOUSE or

1 the RESPONDENT's attorney. A statement of a lack of sufficient knowledge or information shall
2 be considered a denial of an allegation. An allegation not denied shall be considered admitted.

3 When a RESPONDENT or RESPONDENT SPOUSE intends in good faith to deny only a
4 part or a qualification of an allegation, the RESPONDENT or RESPONDENT SPOUSE shall
5 specify that part or qualification of the allegation and shall admit the remainder. The
6 RESPONDENT or RESPONDENT SPOUSE waives any affirmative defense not raised in the
7 answer.

8 The officer presiding over the hearing may grant relief from the requirement to file an
9 Answer for good cause shown.

10 BY ORDER OF THE ARIZONA CORPORATION COMMISSION, this 10th day of
11 February, 2006.



12
13 Mark Dinell
Assistant Director of Securities

14
15 (JC)