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BEFORE THE ARIZONA CORPORATION CC

Arizona Corporation Commission

DOCKETED

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DOCKETED BY [Signature]

WILLIAM A. MUNDELL
Chairman
JIM IRVIN
Commissioner
MARC SPITZER
Commissioner

In the matter of:

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

)
)
) HOTEL CONNECT LLC's #100-1100
) 3649 West Beechwood Suite 103
) Fresno, CA 93711

) **ORDER TO CEASE AND DESIST,
) ORDER OF RESTITUTION, ORDER
) FOR ADMINISTRATIVE PENALTIES
) AND CONSENT TO SAME**

)
)
) MARK ALAN MELKOWSKI, SR.
) 2173 East La Vieve Lane
) Tempe, AZ 85254

) **RE: GARY L. CHRISTIAN, individually
) and dba CORNERSTONE SENIOR
) PLANNING**

)
)
) EAGLE COMMUNICATIONS, INC.
) 4430 N. Civic Center Plaza #204
) Scottsdale, AZ 85251

) **DECISION NO. 64202**

)
)
) RONALD LEE GOBLE, individually and dba
) SOUTHWEST TRUST & FINANCIAL
) 6243 East Gelding Drive
) Scottsdale, AZ 85254

)
)
) GARY LYLE CHRISTIAN, individually and dba
) CORNERSTONE SENIOR PLANNING
) 7015 West Firebird Drive
) Glendale, AZ 85308

)
)
) HYLAND A. STOKES, individually and dba
) ESTATE PLANNING PROTECTION
) 5570 East Via Montoya Drive
) Phoenix, AZ 85054

)
)
) ROGER LANCETTE, individually and dba
) NATIONAL ESTATE SERVICE AND
) PLANNING and SENIOR ADVISORY
) SERVICES
) 6857 East Montreal Place
) Scottsdale, Arizona 85254

)
)
) WALLACE BUTTERWORTH, individually and
) dba SENIOR ADVISORY SERVICES
) 1411 East Orangewood Avenue #239
) Phoenix, AZ 85020
) CRD #728693

) Respondents.

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

10 **I.**

11 **FINDINGS OF FACT**

12 1. RESPONDENT, whose last known address is 7015 West Firebird Drive, Glendale,
13 Arizona 85308, 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. From around October 1998, Respondent Mark Alan Melkowski ("Melkowski")
18 recruited several licensed insurance agents, including RESPONDENT, to contract as sales agents for
19 Eagle Communications, Inc. ("Eagle") and to sell "alternative" investments to their clients. The
20 alternative investments included membership interests in Respondent Hotel Connect LLC's ("Hotel
21 Connect") and World Cash Providers, LLC ("World Cash") business opportunities. Melkowski and
22 Eagle acted as managing sales agent for Hotel Connect and World Cash, assisting these companies
23 by providing RESPONDENT with necessary investor paperwork, training, processing investor
24 documents and paying RESPONDENT commissions based upon the amount of money invested
25 through his sales and marketing efforts. RESPONDENT received commissions up to 20% of the
26 amount of funds he raised from the sale of these alternative investments.

1 3. Hotel Connect and World Cash provided joint sales conferences and training sessions
2 for agents on how to sell the LLC membership interests and the World Cash business opportunities
3 programs.

4 4. In or about October 1999, top sales producers, including RESPONDENT, were
5 rewarded for high volume sales with a "getaway" trip and seminar held in New Orleans. Several
6 training sessions and seminars were held in Fresno, California through late 1999.

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

11 6. In or around February 2000, after the California DOC ordered World Cash to desist
12 and refrain from further sales of business opportunities in California, RESPONDENT stopped selling
13 Hotel Connect and World Cash products and started selling business opportunities for Mobile Cash
14 Systems, LLC ("Mobile Cash").

15 7. In or around March 2000, RESPONDENT attended a sales seminar held in Las
16 Vegas, Nevada, to promote the sale of the Mobile Cash business opportunities, marketed by the same
17 principals who offered the Hotel Connect and World Cash products.

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

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

21 9. From in or around April 1999 through October 1999, RESPONDENT offered and
22 sold within and from Arizona membership interests in Hotel Connect #600-900 LLC's to
23 approximately 13 investors, who invested approximately \$520,000. Investors were told that their
24 funds would be used to operate a hotel long distance and operator service for the purpose of
25 generating a profit for investors.

1 10. The minimum investment for one membership interest in Hotel Connect was \$10,000,
2 for a projected annualized average 17.6% return for the first five years. Investors were told by
3 salesmen and in sales brochures that the investment provided the investor "high returns with minimal
4 risk, good collateralization, and liquidity in case of emergency throughout his or her ownership," and
5 that they could expect annual yields on their investments of 14% during year one, and up to 20%
6 annual yields during year five.

7 11. While Hotel Connect's subscription documents provide specifically that the
8 investments "will be sold only to accredited investors," in fact the investments were in many cases
9 sold to investors who did not meet the definition of an accredited investor as that term is defined
10 under federal law and adopted under the Securities Act.

11 12. RESPONDENT did not fully disclose the risks of the investments in Hotel
12 Connect.

13 13. Investors in Hotel Connect interests have not received their first annual return, as
14 promised.

15 **C. Description of the "Business Opportunities" Offerings.**

16 14. RESPONDENT also offered and sold investments called "business opportunities,"
17 consisting of the sale of equipment together with service agreements. Investors were to receive
18 monthly payments resulting from a share of the profits generated from the operation of their
19 equipment. Investors exercised no managerial or entrepreneurial duties in connection with this
20 investment, and never even saw the equipment. The profits of the investors were dependent upon the
21 services provided by the service companies.

22 15. From around September 1999 through January 2000, RESPONDENT sold World
23 Cash cash ticket machines ("CTMs"), with services provided by World Cash Providers, Inc., based in
24 Fresno, California, to 22 investors, who invested approximately \$1,109,700. Some of the principals
25 of these issuers, collectively referred to hereafter as "World Cash," were also involved in the
26 management and marketing of the Hotel Connect membership interests.

1 16. From around January 2000 through June 2000, RESPONDENT offered and sold
2 Mobile Cash business opportunities investments--substantially similar to the CTM business
3 opportunities, to 20 investors, who invested approximately \$940,000. These sales involved wireless
4 terminal machines ("WTMs") together with service agreements. The WTMs were handheld wireless
5 cash ticket machines. Mobile Cash was based in Las Vegas, Nevada. The services were to be
6 provided by two companies based in Mesa, Arizona, World Wireless Systems, Inc. ("Wireless") and
7 World Electronic Payment Solutions ("WEPS"). Principals of Mobile Cash, Wireless and WEPS
8 also managed or marketed World Cash business opportunities and Hotel Connect membership
9 interests.

10 17. Investors in the World Cash CTM business opportunities stopped getting their
11 monthly "revenue" payments in or before June 2000.

12 18. Investors in the Mobile Cash WTM business opportunities received monthly
13 "revenue" payments, as promised, approximately 90 days after their investments, beginning in
14 April 2000, even though not a single WTM machine was placed in operation. Around March
15 2001, the "revenue" payments to investors stopped.

16 19. In connection with the offer or sale of securities within or from Arizona,
17 RESPONDENT directly or indirectly made untrue statements of material fact or omitted to state
18 material facts which were necessary in order to make the statements made not misleading in light of
19 the circumstances under which they were made. RESPONDENT'S conduct includes, but is not
20 limited to, the following:

21 a) Misrepresenting the safety of these investments and failing to disclose specific
22 risks.

23 b) Failing to disclose material financial or background information about the
24 issuers or their principals.

25 c) Failing to disclose to Hotel Connect investors that there would be inter-
26 company transfers of funds between Hotel Connect and World Cash or other companies.

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

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

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

9 g) Misrepresenting that WTM investors were to receive monthly distributions from
10 the revenue generated from the operation of their WTMs. In fact, from April through January
11 2000, Wireless distributed monthly payments to investors although no equipment was placed
12 in service for any investors.

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

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

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

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

24 (2) That on February 10, 2000, the California DOC filed a lawsuit in
25 Sacramento County Superior Court against several entities and individuals
26 including three directors of WEPS, Claude D. Smith, Billy Ray Smith and

1 Brian T. Griggs, alleging the illegal and fraudulent offer and sale of an
2 estimated \$20 million of securities in the form of short-term promissory
3 notes to hundreds of investors, many of them elderly. The funds were
4 alleged to be used for investments in commercial automated teller
5 machines, cash ticket machines, and discount telephone service systems in
6 economy motel rooms.

7 **II.**

8 **CONCLUSIONS OF LAW**

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

11 2. RESPONDENT offered or sold securities within or from Arizona, within the
12 meaning of A.R.S. §§ 44-1801(15), 44-1801(21), and 44-1801(26).

13 3. RESPONDENT violated A.R.S. § 44-1841 by offering or selling securities that were
14 neither registered nor exempt from registration.

15 4. RESPONDENT violated A.R.S. § 44-1842 by offering or selling securities while
16 neither registered as dealers or salesmen nor exempt from registration.

17 5. RESPONDENT violated A.R.S. § 44-1991(A)(2) by making untrue statements or
18 misleading omissions of material facts.

19 6. RESPONDENT's conduct is grounds for a cease and desist order pursuant to A.R.S.
20 § 44-2032.

21 7. RESPONDENT's conduct is grounds for an order of restitution pursuant to A.R.S. §
22 44-2032.

23 8. RESPONDENT's conduct is grounds for administrative penalties under A.R.S. § 44-
24 2036.

25 ...

1 Commission, pay restitution to WTM investors shown on the records of the Commission, pursuant
2 to A.A.C. Rule R14-4-308, in the amount of \$940,000, plus interest at the rate of 10% per annum
3 from the date of each investment, until paid in full. Payment shall be made by cashier's check or
4 money order payable to the "State of Arizona" to be placed in an interest-bearing account
5 maintained and controlled by the Arizona Attorney General. The Arizona Attorney General shall
6 disburse the funds on a pro rata basis to investors. Any funds that the Attorney General is unable to
7 disburse shall revert to the state of Arizona.

8 IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2036, that RESPONDENT shall pay
9 administrative penalties in the amount of \$25,000. Payment shall be made in full by cashier's check

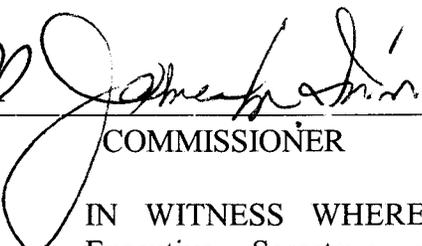
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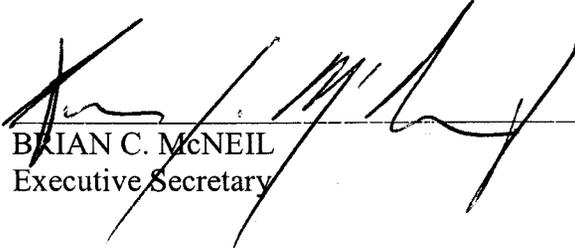
1 or money order on the date of this Order, payable to the "State of Arizona." Any amount
2 outstanding shall accrue interest at the rate of 10% per annum from the date of this Order until paid
3 in full.

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

6 BY ORDER OF THE ARIZONA CORPORATION COMMISSION

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9 
10 CHAIRMAN  COMMISSIONER  COMMISSIONER

11 IN WITNESS WHEREOF, I, BRIAN C. McNEIL,
12 Executive Secretary of the Arizona Corporation
13 Commission, have hereunto set my hand and caused the
14 official seal of the Commission to be affixed at the Capitol,
15 in the City of Phoenix, this 8th day of
16 November, 2001.

17 
18 BRIAN C. McNEIL
19 Executive Secretary

20 DISSENT

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

23 PTJ

CONSENT TO ENTRY OF ORDER

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

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

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

16 4. RESPONDENT acknowledges that he has been represented by counsel in this
17 matter, he has reviewed this Order and understands all terms it contains.

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

21 6. By consenting to the entry of this Order, RESPONDENT agrees not to take any
22 action or to make, or permit to be made, any public statement denying, directly or indirectly, any
23 Finding of Fact or Conclusion of Law in this Order or creating the impression that this Order is
24 without factual basis. RESPONDENT will undertake steps necessary to assure that all of his agents
25 and employees understand and comply with this agreement. Nothing in this provision affects
26

1 RESPONDENT's testimonial obligations or right to take legal positions in litigation in which an
2 administrative agency of the state of Arizona is not a party.

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

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

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

12 10. RESPONDENT agrees that he will not apply for registration as a securities dealer or
13 salesman pursuant to the Securities Act of Arizona, A.R.S. § 44-1801, et seq., or for licensure as an
14 investment adviser or investment adviser representative pursuant to the Arizona Investment
15 Management Act, A.R.S. § 44-3101 et seq., for a period of one year and until all restitution is paid
16 pursuant to this Order.

17 11. RESPONDENT agrees that he will not offer or sell, directly or indirectly, securities,
18 unless and until he is registered as a securities dealer or salesman pursuant to the Securities Act of
19 Arizona, A.R.S. § 44-1801, et seq., and he will not provide investment advisory services as defined in
20 A.R.S. § 44-3101(5) and (6), within or from Arizona, unless and until he is licensed as an investment
21 adviser or investment adviser representative pursuant to the Arizona Investment Management Act,
22 A.R.S. § 44-3101 et seq.

23 12. RESPONDENT agrees that he will not exercise managerial authority or ownership of
24 greater than ten percent (10%) of the outstanding equity interest of any company or entity engaged in
25 the business of offering or selling, directly or indirectly, securities, or providing investment advisory
26

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1 services as defined in A.R.S. § 44-3101(5) and (6), within or from Arizona, for a period of one year
2 and until all restitution is paid pursuant to this Order.

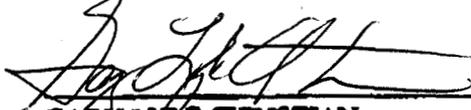
3 13. This agreement and Order shall be binding upon RESPONDENT's agents,
4 employees, assigns, and representatives acting under the authority of or at the direction of
5 RESPONDENT.

6 14. RESPONDENT agrees that until restitution and penalties are paid in full,
7 RESPONDENT will notify the Director of the Securities Division within 30 days of any change in
8 home address or any change in RESPONDENT's ability to pay amounts due under this Order.

9 15. RESPONDENT understands that default shall render him liable to the Commission
10 for its costs of collection and interest at the maximum legal rate.

11 16. RESPONDENT agrees that he will continue to cooperate with the Securities
12 Division including, but not limited to, providing complete and accurate testimony at any hearing in
13 this matter and cooperating with the state of Arizona in any related investigation or any other
14 matters arising from the activities described in this Order.

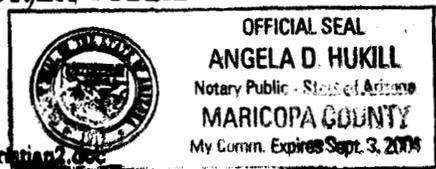
15 17. RESPONDENT consents to the entry of this Order and agrees to be fully bound by
16 its terms and conditions. If RESPONDENT breaches any provision of this Order, the Commission
17 may vacate this Order and restore this case to its active docket.

18
19 
20 GARY LYLE CHRISTIAN

21 SUBSCRIBED AND SWORN TO BEFORE me this 15 day of October, 2001.

22 
23 NOTARY PUBLIC

24 My Commission Expires:
25 Sept 3, 2001



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