

WILLIAM A. MUNDELL  
CHAIRMAN

JIM IRVIN  
COMMISSIONER

MARC SPITZER  
COMMISSIONER



ORIGINAL



0000071061

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ARIZONA CORPORATION COMMISSION

OPEN MEETING ITEM  
MEMORANDUM

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TO: Chairman William A. Mundell  
Commissioner Jim Irvin  
Commissioner Marc Spitzer  
Arizona Corporation Commission

FROM: Mark Sendrow *M&L*  
Director of Securities

DATE: August 15, 2001

RE: Ronald Lee Goble, Docket No. S-03444A-01-0000 (Hotel Connect LLC's #100-1100, et al.)

CC: Brian C. McNeil, Executive Secretary

DOCKETED  
AUG 15 2001  
DOCKETED BY *[Signature]*

Attached is a proposed Order to Cease and Desist, Order of Restitution, Order for Administrative Penalties and Consent to Same (Order), fully executed by Respondent Ronald Lee Goble (Respondent), regarding the sale of unregistered securities, by an unregistered dealer or salesman, and misrepresentations and omissions in the sale of securities.

Respondent was involved from around October 1998 through June 2000, in the offer and sale of investment contracts in the form of membership interests in limited liability companies and "business opportunities," within and from Arizona. The business opportunities investments involved the sale of equipment together with services agreements, in which third parties would manage the equipment to produce a profit to be shared with the investors.

On July 18, 2001, the Division filed a Notice against Respondent and others, involving the sale of membership interests in limited liability companies and business opportunities. In the Notice, the Division alleged that Respondent engaged in the sale of unregistered securities by an unregistered dealer or salesman, and securities fraud within or from Arizona, in violation of A.R.S. §§ 44-1841, 44-1842 and 44-1991.

Respondent has consented to an Order of restitution totaling over \$1,000,000, plus interest from the date of the investments, and administrative penalties in the amount of \$25,000. Respondent has agreed that he will not offer or sell, directly or indirectly, securities or provide investment advisory services, within or from Arizona, and that he will not apply for registration as a securities salesman or dealer, or licensure as an investment adviser or investment adviser representative in Arizona.

Memorandum to Commissioners

August 15, 2001

Page Two

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W/ attachments

Originator: Pamela T. Johnson

Assistant Attorney General Assigned: Moira McCarthy

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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  
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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 \_\_\_\_\_  
BRIAN C. McNEIL  
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](mailto:shood@cc.state.az.us).

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**CONSENT TO ENTRY OF ORDER**

1  
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 in which such offer or sale, or such provision of investment advice.

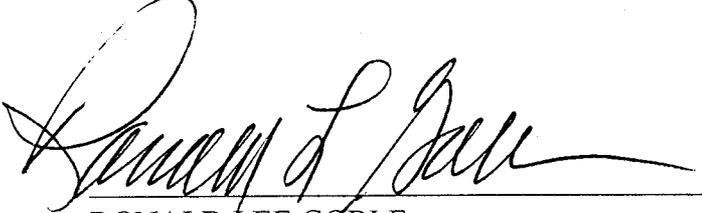
25          14.    This agreement and Order shall be binding upon RESPONDENT's agents, heirs,  
26 employees, assigns, representatives, beneficiaries or other successors in interest of any kind.

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

4 16. RESPONDENT understands that default shall render him liable to the Commission  
5 for its costs of collection and interest at the maximum legal rate.

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

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

13  
14   
15 \_\_\_\_\_  
16 RONALD LEE GOBLE

17 SUBSCRIBED AND SWORN TO BEFORE me this 10<sup>th</sup> day of Aug, 2001.

18  
19   
20 \_\_\_\_\_  
21 NOTARY PUBLIC

22 My Commission Expires:  
23 June 29, 2004

