

1 **MICHAEL J. SAGNELLI**)
2 4011 West Camelback Road, Apt. Q-11)
3 Phoenix, Arizona 85019)

4 **JOYCE GOODMAN**)
5 2141 South Palo Verde Drive)
6 Apache Junction, Arizona 85220)

7 Respondents.)

8 **NOTICE: THIS ORDER IS EFFECTIVE IMMEDIATELY**

9 **EACH RESPONDENT HAS 20 DAYS TO REQUEST A HEARING**

10 The Securities Division ("Division") of the Arizona Corporation Commission
11 ("Commission") alleges that Respondents BOB'S CASH EXPRESS, INC., BOB'S LAND ONE,
12 INC., CHALLENGE/LAND USA, INC., ARIZONA DIGITAL SECURITY TECH., INC.,
13 AMERICAN DISH TECH., INC., ROBERT H. ROBERTS, DONALD P. SHOEMAKER,
14 GARRETT LEE WRIGHT, DAN R. HARPER, MICHAEL J. SAGNELLI and JOYCE
15 GOODMAN are engaging in acts and practices that constitute violations of A.R.S. § 44-1801, *et*
16 *seq.*, the Securities Act of Arizona ("Securities Act"), and that the public welfare requires immediate
17 action to prevent such further activities.

18 **I.**

19 **JURISDICTION**

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

22 **II.**

23 **RESPONDENTS**

24 2. BOB'S CASH EXPRESS, INC. ("CASH EXPRESS"), whose last known address is
25 2155 East University Drive, Suite 110, Tempe, Arizona, is an Arizona corporation involved in the
26 solicitation of investment capital for the purpose of financing and developing various Phoenix
check cashing stores.

1 3. BOB'S LAND ONE, INC. ("LAND ONE"), whose last known address is also 2155
2 East University Drive, Suite 110, Tempe, Arizona, is an Arizona corporation affiliated with CASH
3 EXPRESS, and is participating in the solicitation of investment capital for the purpose of financing
4 the land acquisition components of the CASH EXPRESS operation.

5 4. CHALLENGE/LAND USA, INC. ("CHALLENGE"), whose last known address is
6 also 2155 East University Drive, Suite 110, Tempe, Arizona, is an Arizona corporation and is the
7 purported "parent" company of both CASH EXPRESS and LAND ONE. In this capacity,
8 CHALLENGE is directly responsible for the conduct of its two subsidiaries.

9 5. ARIZONA DIGITAL SECURITY TECH., INC. ("ADST"), whose last known
10 address is also 2155 East University Drive, Suite 110, Tempe, Arizona, is an Arizona corporation
11 allegedly involved in the installation and service of personal security systems. ADST bank accounts
12 have been utilized by CASH EXPRESS as a repository for monies derived from CASH EXPRESS
13 investor accounts.

14 6. AMERICAN DISH TECH., INC. ("ADT"), whose last known address is also 2155
15 East University Drive, Suite 110, Tempe, Arizona, is an Arizona corporation allegedly involved in
16 the sale, installation and service of personal satellite units. ADT bank accounts have been utilized
17 by CASH EXPRESS as a repository for monies derived from CASH EXPRESS investor accounts.

18 7. ROBERT H. ROBERTS ("ROBERTS"), whose last known address is 1300 West
19 Warner Road, #2113, Gilbert, Arizona, is the president, director and co-founder of CASH
20 EXPRESS, LAND ONE, and ADT. In these capacities, ROBERTS controls and bears
21 responsibility for the companies' financial affairs and investor solicitation activities.

22 8. DONALD P. SHOEMAKER ("SHOEMAKER"), whose last known address is 555
23 North May Street, #14, Mesa, Arizona, is the secretary, treasurer and CFO of CASH EXPRESS and
24 LAND ONE, and is the secretary and director of ADST and ADT. In these capacities,
25 SHOEMAKER participates in the operation, financial affairs and investment solicitation activities
26 of these companies.

1 9. GARRETT L. WRIGHT (“WRIGHT”), whose last known address is 5530 North
2 17th Avenue, Phoenix, Arizona, is the vice president and the director of operations of CASH
3 EXPRESS and LAND ONE. In these capacities, WRIGHT participates in the operation, financial
4 affairs and investment solicitation activities of the two companies.

5 10. DAN (D.J.) R. HARPER (“HARPER”), whose last known address is 550 East Earll
6 Drive, #7, Phoenix, Arizona, is the vice president and director of investor relations for CASH
7 EXPRESS and LAND ONE. In such capacities, HARPER is responsible for coordinating
8 investment relations and investment solicitations for the two companies.

9 11. MICHAEL J. SAGNELLI (“SAGNELLI”), whose last known address is 4011 West
10 Camelback Road, Apartment Q-11, Phoenix, Arizona, is a salesman at the telemarketing offices of
11 CASH EXPRESS/LAND ONE in Tempe, Arizona. In this capacity, SAGNELLI participates in the
12 offering and selling of promissory notes for these companies.

13 12. JOYCE GOODMAN (“GOODMAN”), whose last known address is 2141 South
14 Palo Verde Drive, Apache Junction, Arizona, is a salesman at the telemarketing offices of CASH
15 EXPRESS/LAND ONE in Tempe, Arizona. In this capacity, GOODMAN participates in the
16 offering and selling of promissory notes for these companies.

17 13. CASH EXPRESS, LAND ONE, CHALLENGE, ROBERTS, SHOEMAKER,
18 WRIGHT, HARPER, SAGNELLI and GOODMAN may be collectively referred to as “CASH
19 EXPRESS RESPONDENTS.”

20 14. ADST and ADT may be collectively referred to as “ABETTING COMPANY
21 RESPONDENTS.”

22 15. CASH EXPRESS RESPONDENTS and ABETTING COMPANY
23 RESPONDENTS shall collectively be referred to as “RESPONDENTS.”

24 ...

25 ...

26 ...

1 22. During this sales pitch, SAGNELLI claimed that the security he was selling was a
2 private placement “registered with the SEC.” In fact, CASH EXPRESS has not registered its
3 securities with the SEC.

4 23. SAGNELLI told the prospective investor that he was “currently paying [his]
5 investors 20% per annum” for the next 18 months, after which the company intended to go public.
6 By going public, SAGNELLI claimed that investors would “conservatively” receive a 400 to 500
7 percent return on their CASH EXPRESS investments. With CASH EXPRESS having no
8 operational history, SAGNELLI had no factual basis to make such a prediction as to the investors’
9 ultimate returns.

10 24. During the same solicitation, SAGNELLI made no reference to any of the
11 potential risks associated with this investment. SAGNELLI also failed to inform the prospective
12 investor that neither CASH EXPRESS nor SAGNELLI was registered to sell securities within or
13 from Arizona. Still further, SAGNELLI failed to disclose that CASH EXPRESS
14 RESPONDENTS had not registered the CASH EXPRESS securities in Arizona, and had not
15 made any other filings in this state to qualify for an exemption from such registration.

16 25. In late May, 2001, GOODMAN made a similar unsolicited call to a prospective
17 Arizona investor. During this call, GOODMAN represented to the prospective investor that an
18 investment with CASH EXPRESS, for a program minimum of \$20,000, would provide a return to
19 the investor of 20% per annum until the company “went public.”

20 26. GOODMAN subsequently sent a memo to the prospective investor, claiming that
21 when the company went public, through an IPO in March of 2003, the investor would receive a
22 payment 5 to 10 times the amount of the investor’s initial investment. Again, with no operational
23 history to draw on, GOODMAN had no factual basis to make such a representation.

24 27. As with SAGNELLI, GOODMAN made no reference to any of the potential risks
25 associated with this investment. GOODMAN also failed to inform the prospective investor that
26 neither she nor CASH EXPRESS was registered to sell securities within or from Arizona.

1 GOODMAN similarly failed to disclose that CASH EXPRESS RESPONDENTS had not
2 registered the CASH EXPRESS securities in Arizona, and had not made any other filings in this
3 state to qualify for an exemption from such registration.

4 28. As part of the solicitation efforts, CASH EXPRESS RESPONDENTS prepared,
5 supported, procured and/or dispatched company prospectuses to prospective investors outlining
6 the business plans and terms of the CASH EXPRESS investment opportunity.

7 29. In what was termed a private placement memorandum, or "PPM," this prospectus
8 represented that all investor funds would be maintained in a segregated bank account until the
9 offering was closed. In fact, investor funds were commingled into other accounts almost as soon
10 as they were deposited or wired into the CASH EXPRESS investor accounts.

11 30. The PPM also claimed that the CASH EXPRESS offering was being made
12 pursuant to registration exemptions under "4(2)" (a private placement exemption) and under
13 "505" (a limited offering exemption). In fact, this offering was a general (*i.e.*, non-private)
14 solicitation to investors across the country that had failed to meet the filing requirements for a
15 505 exemption under Arizona's state securities laws. As such, neither of these two exemptions
16 had any applicability to the CASH EXPRESS offering within or from Arizona.

17 31. The PPM also represented that the officers of CASH EXPRESS had solid
18 backgrounds and vast experience in the industry to successfully manage this business venture.
19 These same biographies failed to mention that ROBERTS had been the vice president of Quick
20 Cash Advance, Inc. prior to this venture, a similar check-cashing company that had been charged
21 with securities fraud and securities registration violations by multiple states over the past three
22 years, including Arizona. The PPM also failed to mention that SHOEMAKER, WRIGHT, and
23 HARPER had also been officers or employees of Quick Cash Advance, Inc. prior to working for
24 CASH EXPRESS. Quick Cash Advance, Inc. is now insolvent, and has defaulted on an extensive
25 number of note offerings made to investors.

26 ...

V.

VIOLATION OF A.R.S. § 44-1842

(Transactions by Unregistered Dealers or Salesmen)

38. CASH EXPRESS RESPONDENTS offered and sold or otherwise participated in the offer and sale of securities within or from Arizona while not registered as dealers or salesmen pursuant to Article 9 of the Securities Act.

39. This conduct violates A.R.S. § 44-1842.

VI.

VIOLATION OF A.R.S. § 44-1991

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

40. In connection with the offer and sale of securities within or from Arizona, RESPONDENTS are directly or indirectly: (i) employing a device, scheme or artifice to defraud; (ii) making untrue statements of material fact or omitting to state material facts necessary in order to make the statements made not misleading in light of the circumstances under which they were made; and/or (iii) engaging in transactions, practices or courses of business which operated or would operate as a fraud or deceit upon offerees and investors. This conduct includes, but is not limited to, the following:

a) CASH EXPRESS RESPONDENTS are directly or indirectly misrepresenting to offerees and investors that investor funds were to be used for operating capital, land acquisition and other project expenses, when in fact the bulk of investor funds are routinely diverted into other company bank accounts for use in the purchase of personal items, including bonuses and a luxury sports/utility vehicle;

b) CASH EXPRESS RESPONDENTS are directly or indirectly misrepresenting to offerees and investors that investor funds for the business venture are to be maintained in a segregated bank account until the securities offering was closed, when in fact the

1 investor funds are almost immediately transferred into other bank accounts maintained by CASH
2 EXPRESS, ASDT and ADT;

3 c) CASH EXPRESS RESPONDENTS are directly or indirectly
4 misrepresenting to offerees and investors that investments in CASH EXPRESS will produce an
5 additional 400% or greater return to principal once the company goes public, when in fact such a
6 claim has no factual basis;

7 d) CASH EXPRESS RESPONDENTS are directly or indirectly failing to
8 disclose to offerees and investors in CASH EXPRESS the many risks associated with such an
9 investment, particularly in light of the failings of a similar check cashing store venture involving
10 several of the respondents.

11 e) CASH EXPRESS RESPONDENTS are directly or indirectly
12 misrepresenting to offerees and investors that the securities being offered are exempt from state and
13 federal securities registration provisions, when in fact the securities are not eligible for such
14 exemptions;

15 f) CASH EXPRESS RESPONDENTS are directly or indirectly failing to
16 disclose to offerees and investors that RESPONDENTS are not duly registered as either salesmen or
17 dealers within the state of Arizona;

18 g) ABETTING COMPANY RESPONDENTS are engaging in a practice of
19 facilitating the diversion of CASH EXPRESS investment funds into their own company accounts,
20 thereby operating a deceit upon investors.

21 41. This conduct violates A.R.S. § 44-1991.

22 **VII.**

23 **TEMPORARY ORDER**

24 **Cease and Desist from Violating the Securities Act**

25 THEREFORE, based on the above allegations, and because the Division has determined that
26 the public welfare requires immediate action,

1 IT IS ORDERED, pursuant to A.R.S. §§ 44-2032, 44-1972 and A.C.C. R14-4-307, that the
2 RESPONDENTS, their agents, servants, employees, successors, assigns, and those persons in active
3 concert or participation therewith, CEASE AND DESIST from any violations of the Securities Act.

4 IT IS FURTHER ORDERED that this Temporary Order to Cease and Desist shall remain in
5 effect for 120 days unless sooner vacated, modified or made permanent by the Commission.

6 IT IS FURTHER ORDERED that this Order shall be effective immediately.

7 **VIII.**

8 **REQUESTED RELIEF**

9 The Division will request that the Commission grant the following relief against
10 RESPONDENTS:

11 1. Order RESPONDENTS to permanently cease and desist from violating the
12 Securities Act, pursuant to A.R.S. § 44-2032;

13 2. Order RESPONDENTS to take affirmative action to correct the conditions resulting
14 from their acts, practices or transactions, including a requirement to make restitution pursuant to
15 A.R.S. § 44-2032;

16 3. Order RESPONDENTS to pay the state of Arizona administrative penalties of up to
17 five thousand dollars (\$5,000) for each violation of the Securities Act, pursuant to A.R.S. § 44-2036;

18 4. Order any other relief that the Commission deems appropriate.

19 **IX.**

20 **HEARING OPPORTUNITY**

21 RESPONDENTS may request a hearing pursuant to A.R.S. § 44-1972 and A.A.C. R14-4-
22 307. A request for hearing must be in writing and received by the Commission within 20 days after
23 service of this Temporary Order to Cease and Desist. Each RESPONDENT must deliver or mail the
24 request for hearing to Docket Control, Arizona Corporation Commission, 1200 West Washington,
25 Phoenix, Arizona 85007. A Docket Control cover sheet must also be filed with the request for
26 hearing. A cover sheet form and accompanying instructions may be obtained from Docket Control

1 at (602) 542-3477, or from the Commission's Internet web site located the following address:
2 www.cc.state.az.us/utility/forms/index.htm.

3 If a request for hearing is timely made, the Commission shall schedule a hearing to begin 5
4 to 15 days from the receipt of the request unless otherwise provided by law, stipulated by the parties,
5 or ordered by the Commission. After a hearing, the Commission may vacate, modify or make
6 permanent this Temporary Order, with written findings of fact and conclusions of law. A permanent
7 Order may include an order of restitution, the assessment of administrative penalties, and/or other
8 relief.

9 If a request for hearing is not timely made, the Division will request that the Commission
10 make permanent this Temporary Order, with written findings of fact and conclusions of law, which
11 may include an order of restitution, the assessment of administrative penalties, and/or other relief.

12 Persons with a disability may request a reasonable accommodation such as a sign language
13 interpreter, as well as request this document in an alternative format, by contacting Shelly M.
14 Hood, Executive Assistant to the Executive Secretary, voice phone number 602/542-3931, e-mail
15 shood@cc.state.az.us. Requests should be made as early as possible to allow time to arrange the
16 accommodation.

17
18 BY ORDER OF THE ARIZONA CORPORATION COMMISSION, this 8th day of
19 May, 2002.

20 
21 Mark Sendrow
22 Director of Securities
23
24
25
26

Memorandum

NEW

DATE: May 8, 2002
TO: Nancy Cole
Docket Control
FROM: Jamie Palfai 
Securities Division
RE: Bob's Cash Express, Inc., et al.
Docket No. S-03474A-02-0000
Assigned Staff
CC: Mabel Aldridge

This is to notify you that the following individuals have been assigned to the above-mentioned case.

- Mark Sendrow
- LeRoy Johnson
- Matthew Neubert

Jamie Palfai (Staff Attorney)

Gary Kirst (Staff Investigator)

Wendy Coy Supervisor

Note: The Assistant Attorney General assigned to this matter is: Moira McCarthy.