

ORIGINAL



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1 STATE OF ARIZONA)
2 County of Maricopa)

AFFIDAVIT OF SERVICE

3
4 I, Michael D. Williams, for the Securities Division of the Arizona Corporation Commission,
5 hereby certify that on the 3rd day of February, 2011, at approximately 9:55 AM, I served a copy of
6 a Temporary Order to Cease and Destist, Docket No. S-20784A-11-0061, upon Jason J. Mendoza
7 at 3110 N. Central Ave, Ste 185, Phoenix, AZ via: Personal Service.

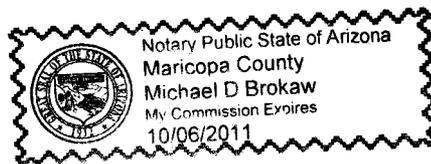
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11 AFFIANT

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13 02/03/11
14 _____
15 DATE

16 SUBSCRIBED AND SWORN TO BEFORE me this 3 day of February 2011

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19 _____
20 NOTARY PUBLIC

21 My Commission Expires:



22 Arizona Corporation Commission
23 DOCKETED

24 FEB 3 2011

25 DOCKETED BY 

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RECEIVED
2011 FEB - 3 P 12:09
AZ CORP COMMISSION
DOCKET CONTROL

NEW APPLICATION

RECEIVED

BEFORE THE ARIZONA CORPORATION COMMISSION

2011 FEB -2 P 1:54

COMMISSIONERS

GARY PIERCE, Chairman
BOB STUMP
SANDRA D. KENNEDY
PAUL NEWMAN
BRENDA BURNS

AZ CORP COMMISSION
DOCKET CONTROL

In the matter of:)	DOCKET NO. S-20784A-11-0061
JERRY MARTIN TOLLE, SR. and JANE)	TEMPORARY ORDER TO CEASE AND DESIST AND NOTICE OF OPPORTUNITY FOR HEARING
DOE TOLLE, husband and wife,)	
CASHFLOW INVESTMENT PROPERTIES,)	
LLC, an Arizona limited liability company,)	
and)	
JASON MENDOZA (CRD# 5528287) and)	
JANE DOE MENDOZA, husband and wife,)	
Respondents.)	

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 JERRY MARTIN TOLLE, SR., CASHFLOW INVESTMENT PROPERTIES, LLC, an Arizona limited liability company, and JASON MENDOZA (CRD# 5528287) are engaging in or are about to engage in acts and practices that constitute violations of A.R.S. § 44-1801, *et seq.*, the Arizona Securities Act ("Securities Act"), and that the public welfare requires immediate action.

I.

JURISDICTION

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

1 **II.**

2 **RESPONDENTS**

3 1. JERRY MARTIN TOLLE, SR. ("TOLLE") is an individual who resides in Arizona.

4 2. CASHFLOW INVESTMENT PROPERTIES, LLC ("CASHFLOW") is a limited
5 liability company which was organized in Arizona on July 27, 2009. At all relevant times,
6 CASHFLOW operated from an address at 3029 N. Alma School Road, #107-13, Chandler, Arizona,
7 85224. CASHFLOW is a manager-managed limited liability company. TOLLE has been the
8 manager of CASHFLOW since July 27, 2009. At all times relevant, TOLLE acted on behalf of
9 CASHFLOW.

10 3. JASON MENDOZA (CRD# 5528287) ("MENDOZA") is an individual who resides in
11 Arizona.

12 4. MENDOZA was registered by the Commission as a securities salesman from June 19,
13 2008, through November 2, 2009, with Chase Investment Services, Corp.

14 5. TOLLE, CASHFLOW, and MENDOZA may be referred to individually, or
15 collectively, as "Respondents" as the context requires.

16 6. At all times relevant, JANE DOE TOLLE and JANE DOE MENDOZA have been the
17 spouses of TOLLE and MENDOZA, respectively. JANE DOE TOLLE and JANE DOE MENDOZA
18 may be referred to collectively as "Respondent Spouses" as the context requires. JANE DOE TOLLE
19 and JANE DOE MENDOZA are joined in this action under A.R.S. § 44-2031(C) solely for purposes
20 of determining the liability of their respective marital communities.

21 7. At all times relevant, TOLLE and MENDOZA were acting for their own benefit and
22 for the benefit or in furtherance of their and Respondent Spouses' respective marital communities.

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III.
FACTS

8. From in or around December 2010 to the present, TOLLE and CASHFLOW have been offering real estate investments to potential investors through an advertisement on Craig's List/Phoenix ("Craig's List").

9. Since at least December 4, 2010, TOLLE and CASHFLOW have advertised for investors on Craig's List on at least five separate occasions.¹ A representative advertisement is as follows:

Investors 20% Return on Your Investment...Real Estate Investments (Chandler)

Cash-flow Investment Properties LLC is looking for investors will pay 20% on your Investments Annually....Contact Jerry 480-838-0000
(emphasis in original)

10. On January 5, 2011, in response to one of the Craig's List advertisements, one potential investor ("PAI"), who resides in Arizona, contacted TOLLE from Arizona and left a message at the phone number included in the advertisement.

11. On January 5, 2011, TOLLE replied via email to the phone message left by the PAI. TOLLE informed the PAI that TOLLE was a real estate investor and could get the PAI a 20 percent annual return on his investment with a minimum investment of \$25,000. TOLLE further stated to the PAI that TOLLE could set up an appointment with TOLLE's business partner, MENDOZA, to enable the PAI to learn more details about the investment.

12. The PAI replied to TOLLE's email indicating that he was interested and provided a phone number at which the PAI could be reached.

...

¹ December 4, 2010, December 23, 2010, January 3, 2011, January 16, 2011 and January 22, 2011.

1 13. On January 7, 2011, TOLLE sent an additional e-mail to the PAI informing the PAI
2 that TOLLE was providing the PAI's information to MENDOZA. TOLLE included MENDOZA's
3 phone number in the e-mail to the PAI.

4 14. On January 8, 2011, MENDOZA sent an introductory email to the PAI attaching
5 investment documents and materials. One of the documents included biographies for both
6 MENDOZA and TOLLE. MENDOZA's biography referred to MENDOZA as a "seasoned
7 investor, from California."

8 15. MENDOZA's January 8, 2011, email also included information regarding properties
9 that MENDOZA alleged had been renovated and sold by him on the west side of Phoenix.

10 16. MENDOZA informed the PAI that he was looking for investors to fund projects in
11 Tempe and Mesa, Arizona and that he hoped to eventually have projects in Scottsdale, Arizona.

12 17. On January 11, 2011, MENDOZA telephoned the PAI and informed the PAI that
13 MENDOZA was calling in reference to the email the PAI sent to MENDOZA's business partner,
14 TOLLE.

15 18. On January 13, 2011, the PAI spoke with MENDOZA and learned about the
16 investment.

17 19. MENDOZA informed the PAI that four individuals had already invested.

18 20. MENDOZA explained to the PAI that MENDOZA would be responsible for
19 purchasing the real estate, renovating it, and then selling it for a quick profit. MENDOZA told the
20 PAI that he had engaged in the same type of business in California and assured the PAI that
21 MENDOZA had everything in place to complete the transaction, including real estate contacts and
22 repair persons.

23 21. MENDOZA also informed the PAI that the PAI's investment could be secured by a
24 deed of trust on the property.

25 22. MENDOZA further explained to the PAI that upon sale of a particular project
26 property that the PAI had invested in, there would be an option to "roll" the profits to the next

1 project. According to MENDOZA, the "roll" option would require the PAI to give a commitment
2 to keep his money invested for at least two years.

3 23. According to MENDOZA, the PAI would have no responsibility beyond providing
4 his investment funds.

5 24. MENDOZA reiterated to the PAI that the profits on the projects being contemplated
6 by MENDOZA were expected to be 20 to 35 percent and that MENDOZA would share in the
7 profits.

8 25. MENDOZA provided to the PAI investment documents and materials that
9 contradicted the details of the investment as previously described by MENDOZA to the PAI. For
10 example, the documents and materials do not mention that the purpose of the investment is to buy,
11 fix, and flip properties or that the PAI's funds could be secured by a deed of trust.

12 26. Furthermore, the documents and materials included a provision to allow for the
13 allocation of profits and losses at the conclusion of each year. MENDOZA failed to disclose to the
14 PAI that there could be such an allocation and that the PAI could incur losses in a particular project.

15 27. At all times relevant, Respondents were not registered as dealers with the
16 Commission. At all times relevant, TOLLE and MENDOZA were not registered as salesmen with
17 the Commission.

18 28. At all times relevant, the real estate investment sold by Respondents was not
19 registered with the Commission.

20 **IV.**

21 **VIOLATION OF A.R.S. § 44-1841**

22 **(Offer and Sale of Unregistered Securities)**

23 29. Since at least December 2010, Respondents have been offering or selling securities
24 in the form of an investment contract within or from Arizona.

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

VII.

TEMPORARY ORDER

Cease and Desist from Violating the Securities Act

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

IT IS ORDERED, pursuant to A.R.S. § 44-1972(C) and A.A.C. R14-4-307, that Respondents, Respondents' agents, servants, employees, successors, assigns, and those persons in active concert or participation with Respondents CEASE AND DESIST from any violations of the Securities Act.

IT IS FURTHER ORDERED that this Temporary Order to Cease and Desist shall remain in effect for 180 days unless sooner vacated, modified, or made permanent by the Commission.

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

VIII.

REQUESTED RELIEF

The Division requests that the Commission grant the following relief:

1. Order Respondents to permanently cease and desist from violating the Securities Act pursuant to A.R.S. § 44-2032;
2. Order Respondents to take affirmative action to correct the conditions resulting from Respondents' acts, practices, or transactions, including a requirement to make restitution pursuant to A.R.S. § 44-2032;
3. Order Respondents to pay the state of Arizona administrative penalties of up to five thousand dollars (\$5,000) for each violation of the Securities Act, pursuant to A.R.S. § 44-2036;
4. Order that the marital communities of TOLLE, MENDOZA, and their Respondent Spouses, respectively, be subject to any order of restitution, rescission, administrative penalties, or other appropriate affirmative action pursuant to A.R.S. § 25-215; and
5. Order any other relief that the Commission deems appropriate.

IX.

HEARING OPPORTUNITY

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3 Each respondent including a Respondent Spouse may request a hearing pursuant to A.R.S.
4 § 44-1972 and A.A.C. Rule 14-4-307. **If a Respondent or a Respondent Spouse requests a**
5 **hearing, the requesting respondent must also answer this Temporary Order and Notice.** A
6 request for hearing must be in writing and received by the Commission within 20 days after service of
7 this Temporary Order and Notice. The requesting respondent must deliver or mail the request for
8 hearing to Docket Control, Arizona Corporation Commission, 1200 West Washington, Phoenix,
9 Arizona 85007. Filing instructions may be obtained from Docket Control by calling (602) 542-3477
10 or on the Commission's Internet web site at www.azcc.gov/divisions/hearings/docket.asp or on the
11 Commission's Internet web site at <http://www.azcc.gov/divisions/hearings/docket.asp>.

12 If a request for hearing is timely made, the Commission shall schedule a hearing to begin 10 to
13 30 days from the receipt of the request unless otherwise provided by law, stipulated by the parties, or
14 ordered by the Commission. **Unless otherwise ordered by the Commission, this Temporary Order**
15 **shall remain effective from the date a hearing is requested until a decision is entered.** After a
16 hearing, the Commission may vacate, modify, or make permanent this Temporary Order, with written
17 findings of fact and conclusions of law. A permanent Order may include ordering restitution,
18 assessing administrative penalties, or other action.

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

22 Persons with a disability may request a reasonable accommodation such as a sign language
23 interpreter, as well as request this document in an alternative format, by contacting Shaylin A.
24 Bernal, ADA Coordinator, voice phone number 602/542-3931, e-mail sabernal@azcc.gov.
25 Requests should be made as early as possible to allow time to arrange the accommodation.
26

X.

ANSWER REQUIREMENT

Pursuant to A.A.C. R14-4-305, if a Respondent or a Respondent Spouse requests a hearing, the requesting respondent must deliver or mail an Answer to this Temporary Order and Notice to Docket Control, Arizona Corporation Commission, 1200 W. Washington, Phoenix, Arizona 85007, within 30 calendar days after the date of service of this Temporary Order and Notice. Filing instructions may be obtained from Docket Control by calling (602) 542-3477 or on the Commission's Internet web site at www.azcc.gov/divisions/hearings/docket.asp.

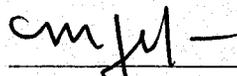
Additionally, the answering respondent must serve the Answer upon the Division. Pursuant to A.A.C. R14-4-303, service upon the Division may be made by mailing or by hand-delivering a copy of the Answer to the Division at 1300 West Washington, 3rd Floor, Phoenix, Arizona, 85007, addressed to Aikaterine Vervilos.

The Answer shall contain an admission or denial of each allegation in this Temporary Order and Notice and the original signature of the answering respondent or the respondent's attorney. A statement of a lack of sufficient knowledge or information shall be considered a denial of an allegation. An allegation not denied shall be considered admitted.

When the answering respondent intends in good faith to deny only a part or a qualification of an allegation, the respondent shall specify that part or qualification of the allegation and shall admit the remainder. Respondents waive any affirmative defense not raised in the Answer.

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

BY ORDER OF THE ARIZONA CORPORATION COMMISSION, this 2 day of February, 2011.



Matthew J. Neubert
Director of Securities