

OPEN MEETING ITEM

6/16/11



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

ERNEST G. JOHNSON
EXECUTIVE DIRECTOR



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ARIZONA CORPORATION COMMISSION

AZ CORP COMMISSION
DOCKET CONTROL

ORIGINAL

MEMORANDUM

TO: Gary Pierce, Chairman
Bob Stump
Sandra D. Kennedy
Paul Newman
Brenda Burns

Arizona Corporation Commission
DOCKETED

JUN 2 2011

FROM: Matthew J. Neubert *MJN*
Director of Securities

DOCKETED BY *MJN*

DATE: May 12, 2011

RE: Jerry Martin Tolle, Cashflow Investment Properties and Jason Mendoza; Order to Cease and Desist, Order for Administrative Penalties and Consent to Same by: Respondents Jerry Martin Tolle, Cashflow Investment Properties and Jason Mendoza, Docket No. S-20784A-11-0061.

CC: Ernest G. Johnson, Executive Director

Attached is a proposed Order to Cease and Desist, Order for Administrative Penalties and Consent to Same by: Respondents Jerry Martin Tolle ("Tolle"), Cashflow Investment Properties ("Cashflow") and Jason Mendoza ("Mendoza"). The Order finds that Respondents, beginning on December 4, 2010 and continuing through January 2011, offered real estate investments to potential investors through advertisements on Craig's List/Phoenix.

The Order finds that Respondents Tolle and Cashflow violated A.R.S. §§44-1841 and 44-1842 by offering unregistered securities while being unlicensed and requires Tolle and Cashflow to pay an administrative penalty in the amount of \$1,000. The Order further finds that Respondent Mendoza violated A.R.S. §§44-1841, 44-1842 and 44-1991 by offering unregistered securities while being unlicensed and making untrue statements or misleading omissions of material facts and requires him to pay an administrative penalty in the amount of \$2,000.

Originator: William W. Black

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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

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

JERRY MARTIN TOLLE, SR. and JANE
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.

DOCKET NO. S-20784A-11-0061

DECISION NO. _____

**ORDER TO CEASE AND DESIST, ORDER
FOR ADMINISTRATIVE PENALTIES AND
CONSENT TO SAME
BY: RESPONDENTS**

Respondents JERRY MARTIN TOLLE, SR., CASHFLOW INVESTMENT
PROPERTIES, LLC and JASON MENDOZA elect to permanently waive any right to a hearing
and appeal under Articles 11 and 12 of the Securities Act of Arizona, A.R.S. § 44-1801 *et seq.*
("Securities Act") with respect to this Order To Cease And Desist, Order for Administrative
Penalties and Consent to Same ("Order"). JERRY MARTIN TOLLE, SR., CASHFLOW
INVESTMENT PROPERTIES, LLC and JASON MENDOZA admit the jurisdiction of the
Arizona Corporation Commission ("Commission"); admit only for purposes of this proceeding and
any other proceeding in which the Commission or any other agency of the state of Arizona is a
party, the Findings of Fact and Conclusions of Law contained in this Order; and consent to the
entry of this Order by the Commission.

I. FINDINGS OF FACT

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

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

7 3. JASON MENDOZA (CRD# 5528287) (“MENDOZA”), a single man, is an individual
8 who resides in Arizona.

9 4. MENDOZA was registered by the Commission as a securities salesman from June 19,
10 2008, through November 2, 2009, with Chase Investment Services, Corp. MENDOZA voluntarily
11 terminated his employment with Chase Investment Services, Corp. and has not been registered since
12 November 2, 2009.

13 5. TOLLE, CASHFLOW, and MENDOZA may be referred to collectively, as
14 “Respondents” as the context requires.

15 6. Beginning on December 4, 2010 and continuing through January 2011, TOLLE and
16 CASHFLOW offered real estate investments to potential investors through advertisements on Craig’s
17 List/Phoenix (“Craig’s List”). TOLLE and CASHFLOW advertised for investors on Craig’s List on
18 five separate occasions.¹ A representative advertisement is as follows:

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

21 Cash-flow Investment Properties LLC is looking for investors will pay 20% on your
22 Investments Annually....Contact Jerry 480-838-0000

(emphasis in original)

23 7. On January 5, 2011, in response to one of the Craig’s List advertisements, one
24 potential investor (“PAI”) contacted TOLLE from Arizona and left a message at the phone number
25 included in the advertisement.

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

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

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

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

11 11. On January 12, 2011, MENDOZA sent an introductory email to the PAI attaching
12 investment documents and materials. Included within the materials was a business plan prepared
13 by MENDOZA that included biographical information for both MENDOZA and TOLLE. The
14 biographical information misstated the background, experience and qualifications of MENDOZA
15 and/or TOLLE.

16 12. MENDOZA's biography referred to MENDOZA as a "seasoned investor, from
17 California" and describes "his years of experience" as being gained from real estate projects he
18 completed in Sacramento, California. MENDOZA's biography also sets forth that MENDOZA
19 was the president of a construction firm in San Diego, California, and that "he has developed a 10
20 year track record as a real estate investor."

21 13. The biography for MENDOZA failed to disclose that, on March 24, 2008, he filed
22 for Chapter 7 bankruptcy protection in the Northern District of California (San Jose), Case No. 08-
23 051389. MENDOZA received a discharge on June 24, 2008. The majority of the debt sought to be
24 discharged by MENDOZA was incurred by him in relation to his activities involving California
25 based real estate projects.

26

1 14. TOLLE's biography described him as "a seasoned investor from the state of
2 Arizona" and someone with "an extensive background in home repair and remodeling." TOLLE is
3 not a seasoned investor and does not have an extensive background in home repair and remodeling.

4 15. MENDOZA's January 12, 2011, email to the PAI also included information
5 regarding properties that MENDOZA alleged had been renovated and sold by him on the west side
6 of Phoenix.

7 16. On January 13, 2011, the PAI spoke with MENDOZA via telephone. MENDOZA
8 informed the PAI that he was looking for investors to fund projects in Tempe, Arizona, and Mesa,
9 Arizona, and that he hoped to eventually have projects in Scottsdale, Arizona.

10 17. MENDOZA explained to the PAI that MENDOZA would be responsible for
11 purchasing the real estate, renovating it, and then selling it for a quick profit. MENDOZA told the
12 PAI that he had engaged in the same type of business in California and assured the PAI that
13 MENDOZA had everything in place to complete the transaction, including real estate contacts and
14 repair persons.

15 18. MENDOZA also informed the PAI that the PAI's investment could be secured by a
16 deed of trust on a specific project property.

17 19. MENDOZA further explained to the PAI that upon sale of a particular project
18 property in which the PAI had invested, there would be an option to "roll" the profits to the next
19 project. According to MENDOZA, the "roll" option would require the PAI to give a commitment
20 to keep his money invested for at least two years.

21 20. In response to a question posed to MENDOZA by the PAI related to the rate of
22 return that could be expected, MENDOZA informed the PAI that he could expect to receive a
23 return on his investment of 20 to 35 percent per project and that each project would take
24 approximately three months to complete. MENDOZA further informed the PAI that MENDOZA
25 would also share in the profits generated from each project.

26

1 IT IS ORDERED, pursuant to A.R.S. § 44-2032, that Respondents, and any of
2 Respondents' agents, employees, successors and assigns, permanently cease and desist from
3 violating the Securities Act.

4 IT IS FURTHER ORDERED that Respondents comply with the attached Consent to Entry
5 of Order.

6 IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2036 that MENDOZA pay an
7 administrative penalty in the amount of \$2,000. Payment is due in full on the date of this Order.
8 Payment shall be made to the "State of Arizona." Any amount outstanding shall accrue interest as
9 allowed by law.

10 IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2036 that TOLLE and CASHFLOW,
11 jointly and severally, pay an administrative penalty in the amount of \$1,000. Payment is due in full
12 on the date of this Order. Payment shall be made to the "State of Arizona." Any amount
13 outstanding shall accrue interest as allowed by law.

14 For purposes of this Order, a bankruptcy filing by any of the Respondents shall be an act of
15 default. If any Respondent does not comply with this Order, any outstanding balance may be
16 deemed in default and shall be immediately due and payable.

17 IT IS FURTHER ORDERED, that if any Respondent fails to comply with this order, the
18 Commission may bring further legal proceedings against that Respondent, including application to
19 the superior court for an order of contempt.

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

BY ORDER OF THE ARIZONA CORPORATION COMMISSION

CHAIRMAN

COMMISSIONER

COMMISSIONER

COMMISSIONER

COMMISSIONER

IN WITNESS WHEREOF, I, ERNEST G. JOHNSON,
Executive Director of the Arizona Corporation Commission,
have hereunto set my hand and caused the official seal of the
Commission to be affixed at the Capitol, in the City of
Phoenix, this _____ day of _____, 2011.

ERNEST G. JOHNSON
EXECUTIVE DIRECTOR

DISSENT

DISSENT

This document is available in alternative formats by contacting Shaylin A. Bernal, ADA
Coordinator, voice phone number 602-542-3931, e-mail sabernal@azcc.gov.

(wwb)

CONSENT TO ENTRY OF ORDER

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1. Respondents JERRY MARTIN TOLLE, SR., CASHFLOW INVESTMENT PROPERTIES, LLC and JASON MENDOZA (“Respondents”) admit the jurisdiction of the Commission over the subject matter of this proceeding. Respondents acknowledge that they have been fully advised of their right to a hearing to present evidence and call witnesses and they knowingly and voluntarily waive any and all rights to a hearing before the Commission and all other rights otherwise available under Article 11 of the Securities Act and Title 14 of the Arizona Administrative Code. Respondents acknowledge that this Order To Cease And Desist, Order for Administrative Penalties and Consent to Same (“Order”) constitutes a valid final order of the Commission.

2. Respondents knowingly and voluntarily waive any right under Article 12 of the Securities Act to judicial review by any court by way of suit, appeal, or extraordinary relief resulting from the entry of this Order.

3. Respondents acknowledge and agree that this Order is entered into freely and voluntarily and that no promise was made or coercion used to induce such entry.

4. Respondents acknowledge and understand that they have a right to seek counsel regarding this Order, and that they have had the opportunity to seek counsel prior to signing this Order. Respondents acknowledge and agree that, despite the foregoing, they freely and voluntarily waive any and all right to consult or obtain counsel prior to signing this Order.

5. Respondents admit only for purposes of this proceeding and any other proceeding in which the Commission or any other agency of the state of Arizona is a party the Findings of Fact and Conclusions of Law contained in this Order. Respondents agree that they shall not contest the validity of the Findings of Fact and Conclusions of Law contained in this Order in any present or future proceeding in which the Commission or any other state agency is a party concerning the denial or issuance of any license or registration required by the state to engage in the practice of any business or profession.

1 6. By consenting to the entry of this Order, Respondents agree not to take any action or
2 to make, or permit to be made, any public statement denying, directly or indirectly, any Finding of
3 Fact or Conclusion of Law in this Order or creating the impression that this Order is without factual
4 basis. Respondents will undertake steps necessary to assure that all of Respondent's agents and
5 employees understand and comply with this agreement.

6 7. While this Order settles this administrative matter between Respondents and the
7 Commission, Respondents understand that this Order does not preclude the Commission from
8 instituting other administrative or civil proceedings based on violations that are not addressed by
9 this Order.

10 8. Respondents understand that this Order does not preclude the Commission from
11 referring this matter to any governmental agency for administrative, civil, or criminal proceedings
12 that may be related to the matters addressed by this Order.

13 9. Respondents understand that this Order does not preclude any other agency or
14 officer of the state of Arizona or its subdivisions from instituting administrative, civil, or criminal
15 proceedings that may be related to matters addressed by this Order.

16 10. Respondents agree that they will not apply to the state of Arizona for registration as
17 a securities dealer or salesman or for licensure as an investment adviser or investment adviser
18 representative until such time as all penalties under this Order are paid in full.

19 11. Respondents agree that they will not exercise any control over any entity that offers
20 or sells securities or provides investment advisory services within or from Arizona until such time
21 as all penalties under this Order are paid in full.

22 12. Respondents agree that they will continue to cooperate with the Securities Division
23 including, but not limited to, providing complete and accurate testimony at any hearing in this
24 matter and cooperating with the state of Arizona in any related investigation or any other matters
25 arising from the activities described in this Order.

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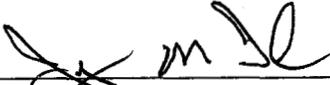
1 13. Respondents consent to the entry of this Order and agree to be fully bound by its
2 terms and conditions.

3 14. Respondents acknowledge and understand that if they fail to comply with the
4 provisions of the order and this consent, the Commission may bring further legal proceedings
5 against Respondents, including application to the superior court for an order of contempt.

6 15. Respondents understand that default shall render them liable to the Commission for
7 its costs of collection and interest at the maximum legal rate.

8 16. Respondents agree and understand that if they fail to make any payment as required
9 in the Order, any outstanding balance shall be in default and shall be immediately due and payable
10 without notice or demand. Respondents agree and understand that acceptance of any partial or late
11 payment by the Commission is not a waiver of default by the Commission.

12 17. JERRY MARTIN TOLLE, SR. represents that he is the manager of CASHFLOW
13 INVESTMENT PROPERTIES, LLC and has been authorized by CASHFLOW INVESTMENT
14 PROPERTIES, LLC to enter into this Order for and on behalf of it.

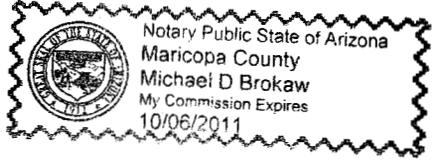
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16 
17 _____
Jerry Martin Tolle, Sr.

18 STATE OF ARIZONA)
19) ss
20 County of)

21 SUBSCRIBED AND SWORN TO BEFORE me this 6 day of may, 2011.

22
23 
24 _____
NOTARY PUBLIC

24 My commission expires:
25 10-06-2011



1 SERVICE LIST FOR: JERRY MARTIN TOLLE, SR.

2 Jerry Martin Tolle, Sr.
3 604 W. Chilton St.
4 Chandler, Arizona 85225

5 Cashflow Investment Properties, LLC
6 604 W. Chilton St.
7 Chandler, Arizona 85225

8 Jason Mendoza
9 2700 N. Hayden Rd, Unit 3054N
10 Scottsdale, Arizona 85257

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