

NEW APPLICATION



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BEFORE THE ARIZONA CORPORATION COMMISSION

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COMMISSIONERS

2015 JUN 30 A 11: 24

SUSAN BITTER SMITH, Chairman
BOB STUMP
BOB BURNS
DOUG LITTLE
TOM FORESE

AZ CORP COMMISSION
DOCKET CONTROL

ORIGINAL

In the matter of:)
)
LOANGO CORPORATION, a Utah)
corporation,)
)
JUSTIN C. BILLINGSLEY and HEATHER)
BILLINGSLEY, husband and wife,)
)
JEFFREY SCOTT PETERSON, an)
unmarried man,)
)
JOHN KEITH AYERS and JENNIFER ANN)
BRINKMAN-AYERS, husband and wife,)
)
Respondents.)

DOCKET NO. S-20932A-15-0220
**NOTICE OF OPPORTUNITY FOR HEARING
REGARDING PROPOSED ORDER TO
CEASE AND DESIST, ORDER FOR
RESTITUTION, ORDER FOR
ADMINISTRATIVE PENALTIES, AND
ORDER FOR OTHER AFFIRMATIVE
ACTION**

Arizona Corporation Commission
DOCKETED

JUN 30 2015

DOCKETED BY

**NOTICE: EACH RESPONDENT HAS 10 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 LoanGo Corporation, Justin C. Billingsley, Jeffrey Scott Peterson, and John Keith Ayers have engaged in acts, practices, and transactions that constitute violations of the Securities Act of Arizona, A.R.S. § 44-1801 *et seq.* ("Securities Act").

Jeffrey Scott Peterson and John Keith Ayers directly or indirectly controlled LoanGo Corporation within the meaning of A.R.S. § 44-1999. Therefore, Jeffrey Scott Peterson and John Keith Ayers are jointly and severally liable under A.R.S. § 44-1999 to the same extent as LoanGo Corporation for its violations of A.R.S. § 44-1991.

1 **I.**

2 **JURISDICTION**

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

5 **II.**

6 **RESPONDENTS**

7 2. LoanGo Corporation (“LoanGo”) is an expired Utah corporation that was organized
8 under the laws of the state of Utah in June 2011 and was located in Chandler, Arizona. LoanGo has
9 not been registered by the Commission as a securities salesman or dealer.

10 3. Justin C. Billingsley (“Billingsley”) has been, at all relevant times, i.e. June 2011
11 through April 2012, a married man. From at least June 2011 through approximately February 2012,
12 Billingsley was a resident of the state of Arizona. Billingsley has not been registered by the
13 Commission as a securities salesman or dealer.

14 4. At all relevant times, Billingsley was Vice President and a Director of LoanGo.

15 5. Billingsley was licensed as an Arizona insurance producer from May 13, 2003 to
16 February 28, 2015.

17 6. Jeffrey Scott Peterson (“Peterson”) has been at all relevant times an unmarried man and
18 resident of the state of Arizona. Peterson has not been registered by the Commission as a securities
19 salesman or dealer.

20 7. At all relevant times, Peterson was the CEO and Chairman of the Board of Directors of
21 LoanGo.

22 8. John Keith Ayers (“Ayers”) has been, at all relevant times, a married man and resident
23 of the state of Arizona.

24 9. At all relevant times, Ayers was President and a Director of LoanGo.

25 10. Heather Billingsley was, at all relevant times, the spouse of Respondent Justin C.
26 Billingsley, and Jennifer Ann Brinkman-Ayers was, at all relevant times, the spouse of Respondent

1 John Keith Ayers (Heather Billingsley and Jennifer Ann Brinkman-Ayers may be referred to
2 collectively as "Respondent Spouses"). Respondent Spouses are joined in this action under A.R.S.
3 § 44-2031(C) solely for purposes of determining the liability of the marital communities.

4 11. At all relevant times, Billingsley and Ayers were acting for their own benefit and for
5 the benefit or in furtherance of Billingsley, Ayers, and Respondent Spouses' marital communities.

6 12. LoanGo, Billingsley, Peterson, and Ayers may be referred to collectively as
7 "Respondents."

8 **III.**

9 **FACTS**

10 13. Billingsley, Peterson, and Ayers created LoanGo to be an online payday lending
11 company, and LoanGo's office was in Chandler, Arizona.

12 14. Billingsley, Peterson, and Ayers were the only directors of LoanGo and owned equal
13 shares of the company.

14 15. Peterson incorporated LoanGo and was, at all relevant times, the only director who
15 was a signer on LoanGo's bank accounts. Peterson also gave Ayers account information sufficient
16 to allow Ayers to monitor LoanGo's bank accounts.

17 16. Ayers contributed his knowledge of the marketing of payday loans and provided
18 LoanGo with the use of employees and office space of one of his other companies.

19 17. Ayers's role at LoanGo was to develop marketing to borrowers, develop the website
20 with which loans would be offered, coordinate the software the company would use, and structure
21 the call center operations. Ayers also prepared LoanGo's application for a Utah lending license.

22 18. On September 7, 2011, Billingsley, Peterson, and Ayers, as directors of LoanGo,
23 approved a resolution authorizing the directors to raise \$3,000,000 in capital for LoanGo.

24 19. The offering proceeds were to be used for operating expenses, overhead, and to fund
25 payday loans.

26

1 20. From at least October 2011 to April 2012, LoanGo offered promissory notes
2 (“Notes”) to investors through Billingsley and sold Notes to investors through Billingsley and
3 Peterson. Billingsley often communicated with Ayers about his progress selling the Notes, and
4 Peterson often communicated with Ayers about Billingsley’s progress selling the Notes.

5 21. The Notes were not registered in Arizona or in any other jurisdiction.

6 22. Five investors, residing in Arizona, Washington, Michigan, and Oregon, invested
7 \$250,000 in exchange for LoanGo Notes.

8 23. Investor 3 resided in Arizona when he invested, and Investor 5 was present in
9 Arizona at the time he invested.

10 24. Investors 1, 2, and 4 mailed the checks for their investment to Arizona addresses.

11 25. LoanGo also planned to offer Notes to the general investing public through a broker-
12 dealer, and Peterson approved an offering document to be circulated by a broker-dealer.

13 26. The Notes contained a one year term and provided 18% annual interest, with
14 monthly interest payments to begin sixty days after the date of the Note.

15 27. The terms of the Notes included provisions for Arizona choice of law, LoanGo’s
16 consent to personal jurisdiction in Arizona, and binding arbitration in Arizona.

17 28. The investors were past insurance clients of Billingsley whom Billingsley had met in
18 Arizona.

19 29. LoanGo, through Billingsley, contacted each of the investors to offer them the Note
20 investment opportunity and sent them unsigned subscription agreements.

21 30. Billingsley contacted at least Investors 1-4 while he was a resident of Arizona.

22 31. LoanGo, through Peterson, signed and accepted the investors’ subscription
23 agreements and signed and issued Notes to the investors.

24 32. Prior to his investment, LoanGo, through Billingsley, provided Investor 5 with a
25 document captioned “Private Placement Memorandum LOANGO CORPORATION” (“PPM”) that
26 described the Note offering.

1 33. The PPM stated that LoanGo “has engaged Gilford Securities, Incorporated, a
2 licensed member of the Financial Industry Regulatory Authority (‘FINRA’), as its exclusive
3 placement agent”

4 34. LoanGo did not engage Gilford Securities, Inc.

5 35. The PPM also stated, “The Offering may also be conducted by executive officers of
6 the Company who will not receive any remuneration in connection therewith.”

7 36. LoanGo actually did remunerate an executive officer of the company in connection
8 with conducting the Note offering by paying Billingsley, the Vice President, commissions for
9 securing investors.

10 37. The PPM also stated, “After a \$100,000 provision to fund our operating expenses
11 and overhead, the remaining Offering proceeds will be used to fund payday loans.”

12 38. LoanGo instead used \$20,000 from the remaining offering proceeds to repay
13 \$20,000 in loans that Peterson and Billingsley had made to LoanGo, thus totally cashing out the
14 founders’ investments in LoanGo with other investors’ money.

15 39. LoanGo, through Billingsley, told Investors 1 and 4 that the Notes were a low-risk
16 investment.

17 40. The Notes were “speculative investments” involving “a high degree of risk.”

18 41. LoanGo, through Billingsley, told Investors 1, 2, 4, and 5 that investor funds would
19 be used to set up the company.

20 42. LoanGo, through Billingsley, failed to disclose to those four investors that investor
21 funds would also be used to pay Billingsley commissions for securing their investments.

22 43. LoanGo, through Billingsley, also failed to disclose to those four investors that
23 investor funds had been or would be used to totally cash out the founders’ investments in LoanGo.

24 44. By the time Investor 5 invested, LoanGo had already defaulted on the first four
25 Notes by failing to make monthly interest payments, but LoanGo, through Billingsley, did not
26 disclose the defaults to Investor 5.

VI.

VIOLATION OF A.R.S. § 44-1991

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

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4 54. In connection with the offer or sale of securities within or from Arizona, Respondents
5 LoanGo and Billingsley directly or indirectly: (i) employed a device, scheme, or artifice to defraud; (ii)
6 made untrue statements of material fact or omitted to state material facts that were necessary in order
7 to make the statements made not misleading in light of the circumstances under which they were
8 made; or (iii) engaged in transactions, practices, or courses of business that operated or would operate
9 as a fraud or deceit upon offerees and investors. Respondents LoanGo and Billingsley's conduct
10 includes, but is not limited to, the following:

11 a) Billingsley and LoanGo solicited a \$100,000 investment from Investor 5, who
12 expected to be credited for a \$100,000 investment, but LoanGo issued him a Note for only \$90,000;

13 b) Billingsley and LoanGo misrepresented to Investor 5 that LoanGo had engaged
14 Gilford Securities, Inc. to sell the Notes when, in fact, LoanGo never engaged Gilford Securities, Inc.;

15 c) Billingsley and LoanGo misrepresented to Investor 5 that LoanGo would not
16 remunerate any executive officers of the company for conducting the Note offering when, in fact,
17 LoanGo paid Billingsley commissions for selling Notes to the investors;

18 d) Billingsley and LoanGo misrepresented to Investor 5 that offering proceeds
19 beyond those needed for operating expenses and overhead would be used to fund payday loans when,
20 in fact, LoanGo used \$20,000 from the offering proceeds to cash out the investments Peterson and
21 Billingsley had made in LoanGo;

22 e) Billingsley and LoanGo misrepresented to Investors 1 and 4 that the Notes
23 were low-risk investments when, in fact, the Notes were speculative investments involving a high
24 degree of risk;

25 f) Billingsley and LoanGo failed to disclose to Investors 1, 2, 4, and 5 that
26 LoanGo would pay Billingsley commissions for selling Notes to the investors;

1 g) LoanGo, through Billingsley, failed to disclose to Investors 1, 2, 4, and 5 that
2 their funds would be used to totally cash out the founders' investments in LoanGo;

3 h) Billingsley and LoanGo failed to disclose to Investor 5 that LoanGo had
4 defaulted on its Note interest payments to all previous investors; and

5 i) Billingsley and LoanGo provided Investors 1, 2, 3, 4, 5 with prefilled
6 subscription documents that falsely indicated that the investors each had a net worth over \$1,000,000.

7 55. This conduct violates A.R.S. § 44-1991.

8 56. Peterson directly or indirectly controlled LoanGo within the meaning of A.R.S. § 44-
9 1999. Therefore, Peterson is jointly and severally liable under A.R.S. § 44-1999 to the same extent as
10 LoanGo for its violations of A.R.S. § 44-1991.

11 57. Ayers directly or indirectly controlled LoanGo within the meaning of A.R.S. § 44-
12 1999. Therefore, Ayers is jointly and severally liable under A.R.S. § 44-1999 to the same extent as
13 LoanGo for its violations of A.R.S. § 44-1991.

14 **VII.**

15 **REQUESTED RELIEF**

16 The Division requests that the Commission grant the following relief:

17 1. Order Respondents to permanently cease and desist from violating the Securities Act,
18 pursuant to A.R.S. § 44-2032;

19 2. Order Respondents to take affirmative action to correct the conditions resulting from
20 Respondents' acts, practices, or transactions, including a requirement to make restitution pursuant to
21 A.R.S. § 44-2032;

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

24 4. Order that the marital communities of Respondents and Respondent Spouses be subject
25 to any order of restitution, rescission, administrative penalties, or other appropriate affirmative action
26 pursuant to A.R.S. § 25-215; and

1 to Docket Control, Arizona Corporation Commission, 1200 W. Washington, Phoenix, Arizona
2 85007, within 30 calendar days after the date of service of this Notice. Filing instructions may be
3 obtained from Docket Control by calling (602) 542-3477 or on the Commission's Internet web site
4 at <http://www.azcc.gov/divisions/hearings/docket.asp>.

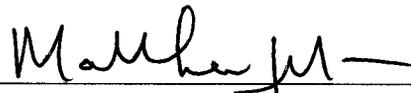
5 Additionally, the answering respondent must serve the Answer upon the Division. Pursuant
6 to A.A.C. R14-4-303, service upon the Division may be made by mailing or by hand-delivering a
7 copy of the Answer to the Division at 1300 West Washington, 3rd Floor, Phoenix, Arizona, 85007,
8 addressed to Paul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

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

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

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

18 Dated this 30 day of June, 2015.

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21 _____
22 Matthew J. Neubert
23 Director of Securities
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