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**BEFORE THE ARIZONA CORPORATION COMMISSION**

COMMISSIONERS

JEFF HATCH-MILLER Chairman  
WILLIAM A. MUNDELL  
MARC SPITZER  
MIKE GLEASON  
KRISTIN K. MAYES

Arizona Corporation Commission  
**DOCKETED**

**JUN 09 2005**

DOCKETED BY 

IN THE MATTER OF:

DOCKET NO. S-03580A-04-0000

JOHN E. SHANNON and REBECCA F. SHANNON, husband and wife  
8537 W. Onza  
Mesa, AZ 85212

DECISION NO. 67931

GARY R. SHANNON  
3279 Pomme De Terre Circle  
Flemington, MO 65650

**OPINION AND ORDER**

Respondents.

DATE OF PRE-HEARING CONFERENCE: February 15, 2005  
DATE OF HEARING: April 27, 2005  
PLACE OF HEARING: Phoenix, Arizona  
ADMINISTRATIVE LAW JUDGE: Marc E. Stern  
APPEARANCES: Mr. Gary R. Shannon, in propria persona; and  
Ms. Michelle M. Allen, Staff Attorney, on behalf of the Securities Division of the Arizona Corporation Commission.

**BY THE COMMISSION:**

On December 28, 2004, the Securities Division ("Division") of the Arizona Corporation Commission ("Commission") filed a Notice of Opportunity for Hearing ("Notice") against John E. and Rebecca F. Shannon, husband and wife, and Gary R. Shannon (collectively "Respondents"), in which the Division alleged multiple violations of the Arizona Securities Act ("Act") in connection with the offer and sale of securities in the form of promissory notes or investment contracts.

The Respondents were duly served with a copy of the Notice.

On January 14, 2005, requests for hearing were filed by Respondents, John E. and Rebecca F.

1 Shannon.

2 On January 20, 2005, by Procedural Order, a pre-hearing conference was scheduled.

3 On January 31, 2005, Respondents, John E. and Rebecca F. Shannon filed their Answers.

4 On February 15, 2005, a pre-hearing conference was held. The Division appeared with  
5 counsel. Respondents, John and Rebecca Shannon appeared on their own behalf. Respondent, Gary  
6 Shannon, although he had not formally requested a hearing in writing or filed an Answer, appeared  
7 telephonically. While the parties discussed a possible settlement, the Division requested that a  
8 hearing be scheduled and that Respondent Gary R. Shannon be ordered to file a written request for  
9 hearing and an Answer by a date certain or be in default.

10 On February 16, 2005, by Procedural Order, a hearing was scheduled to commence on April  
11 27, 2005, and Respondent Gary R. Shannon was ordered to file a written request for hearing and an  
12 Answer or be in default.

13 On March 4, 2005, Respondent Gary R. Shannon filed a request for hearing and his Answer.

14 On March 29, 2005, the Commission issued Decision No. 67728, a Consent Order, which  
15 resolved the issues raised by the Notice with respect to Respondents, John E. Shannon and Rebecca  
16 F. Shannon.

17 On April 27, 2005, a full public hearing was commenced before a duly authorized  
18 Administrative Law Judge of the Commission at its offices in Phoenix, Arizona. The Division  
19 appeared with counsel and Respondent Gary R. Shannon appeared on his own behalf. Following the  
20 conclusion of the hearing, the matter was taken under advisement pending submission of a  
21 Recommended Opinion and Order to the Commission.

22 \* \* \* \* \*

23 Having considered the entire record herein and being fully advised in the premises, the  
24 Commission finds, concludes, and orders that:

25 **FINDINGS OF FACT**

26 1. Gary R. Shannon, is an individual whose last known address is 3279 Pomme De Terre  
27 Circle, Flemington, Missouri, 65650.

28 2. On December 28, 2004, the Division issued a Notice against Respondents John E. and

1 Rebecca F. Shannon, husband and wife, and Gary R. Shannon in which the Division alleged multiple  
2 violations of the Act in connection with the offer and sale of securities in the form of promissory  
3 notes or investment contracts in violation of A.R.S. §§ 44-1841, 44-1842 and 44-1991.<sup>1</sup>

4 3. At all times herein, Respondent Gary R. Shannon was not registered as a securities  
5 salesman in the State of Arizona.

6 4. On February 24, 2000, John E. and Gary R. Shannon filed with the Commission the  
7 Articles of Organization for Money Tree Auto Services, L.L.C. ("Money Tree"), an Arizona limited  
8 liability company, which was to do business as Fast Cash Auto Leasing ("Fast Cash"). According to  
9 Commission records, Money Tree was organized with its registered office in Scottsdale, Arizona, and  
10 had as its managers, John E. and Gary R. Shannon.

11 5. Additionally, records from the Arizona Secretary of State's office establish that Gary  
12 R. Shannon filed an application for the registration of the trade name for Fast Cash on February 24,  
13 2000.

14 6. Money Tree/Fast Cash was engaged in the business of purchasing<sup>2</sup> and leasing back  
15 automobiles to individuals who previously owned their automobiles free and clear and who needed  
16 cash. When Money Tree/Fast Cash leased the vehicle back to its former owner, the lease required  
17 lease payments with a high rate of interest.

18 7. Gary R. Shannon was involved in the operation and management of Money Tree/Fast  
19 Cash from its organization through at least September 2002, during which time Respondent Gary R.  
20 Shannon solicited investors, placed advertising and signed investment contracts on behalf of Money  
21 Tree/Fast Cash.

22 8. Initially, in order to fund the operations of Money Tree/Fast Cash, Gary R. Shannon  
23 helped develop an investor packet that was termed an "Executive Business Plan and Investor  
24 Introduction". The packet included a multi-page document given to initial prospective investors to  
25 encourage an investment in Money Tree/Fast Cash; however, according to Respondent Gary R.

26 <sup>1</sup> On March 29, 2005, the Commission issued Decision No. 67728, a Consent Order with respect to Respondents  
27 John E. and Rebecca F. Shannon. Decision No. 67728 ordered John E. and Rebecca F. Shannon to permanently cease  
and desist from violating the Act, to pay restitution in the amount of \$671,054 and to pay administrative penalties of  
\$15,000.

28 <sup>2</sup> Money Tree/Fast Cash purchased the automobiles for approximately one-half of their Kelly Blue Book value.

1 Shannon, its use was subsequently discontinued after the initial start up period of Money Tree/Fast  
2 Cash.

3 9. Money Tree/Fast Cash located investors who wished to invest funds by the use of  
4 either word of mouth advertising or by the placement of advertisements in a Phoenix Jewish  
5 newspaper.

6 10. Based on the record, it was established that during Respondent Gary R. Shannon's  
7 involvement with Money Tree/Fast Cash, seven individuals invested at least \$255,000 by signing one  
8 year promissory notes or investment contracts. These notes/contracts were guaranteed personally by  
9 Respondent Gary R. Shannon even though he lacked sufficient funds or assets to guarantee the  
10 investments. These agreements promised returns to investors varying from 30 percent to 48 percent  
11 annually, and by their terms could be extended for an additional period of time.

12 11. Of the seven investors, only one investor, Mr. Santos Acosta, who invested \$10,000,  
13 was paid back his entire investment in April 2002. However, the funds used for the repayment to Mr.  
14 Acosta were provided from the invested funds of later investors in the offering.

15 12. While the record established that some of the remaining six investors received some  
16 return on their investments, based on the evidence presented by the Division's investigator, the  
17 remaining six investors are still owed \$174,450. Respondent Gary R. Shannon signed as a guarantor  
18 on these investors' promissory notes or investment contracts. During the hearing, Respondent Gary  
19 R. Shannon acknowledged that he lacked sufficient assets to repay the amounts invested in Money  
20 Tree/Fast Cash by these investors.

21 13. Based on the record, it is established that Respondent Gary R. Shannon  
22 misrepresented the financial health of the business to investors and began to use later investor money  
23 to repay earlier investors. It was also established that risks inherent in the auto leasing business were  
24 not disclosed, such as problems with missing vehicles and what their loss would mean to the  
25 investors.

26 14. Evidence was also presented that Respondent Gary R. Shannon misrepresented the  
27 liquidity of an investment in Money Tree/Fast Cash and also failed to disclose past criminal  
28 convictions of the company's business manager to investors.

1 15. The record established that Respondent misrepresented to an investor that a retired  
2 banker was involved in Money Tree/Fast Cash's operations when, in fact, he had been an ATM  
3 repairman.

4 16. Additionally, it was not disclosed to investors that invested funds were being used for  
5 operating expenses including the payment of employee salaries rather than being used to purchase  
6 automobiles for leasing back to their former owners to earn income for investors.

7 17. Respondents also failed to disclose to investors that they lacked experience in the auto  
8 leasing business.

9 18. Although Respondent Gary R. Shannon testified that Money Tree/Fast Cash was in  
10 good financial condition when he left the company in September 2002, he stated in his Answer to the  
11 Notice that \$450,000 was owed to investors, with only approximately \$32,000 in cash on hand and  
12 nine repossessed vehicles worth approximately \$30,000, which total sum was insufficient to repay  
13 investors.

14 19. Although Respondent Gary R. Shannon stated that he contacted various state agencies  
15 including the Banking Department and the Department of Transportation along with contacting the  
16 Maricopa County Sheriff's office regarding whether the Respondents required any special licenses or  
17 certifications to transact business, there was no evidence that Gary R. Shannon had contacted the  
18 Division to determine whether the Respondents had to meet the requirements of the Act in order to  
19 operate lawfully in Arizona.

#### 20 CONCLUSIONS OF LAW

21 1. The Commission has jurisdiction over this matter pursuant to Article XV of the  
22 Arizona Constitution and A.R.S. §§ 40-1801, et seq.

23 2. The investments in the form of investment contracts or promissory notes offered and  
24 sold by Respondent Gary R. Shannon were securities within the meaning of A.R.S. § 44-1801 (26).

25 3. The securities were neither registered nor exempt from registration, in violation of  
26 A.R.S. § 44-1841.

27 4. Respondent Gary R. Shannon acted as a salesman within the meaning of A.R.S. §  
28 1801(22).

5. The actions and conduct of Respondent Gary R. Shannon constitute the offer and sale of securities within the meaning of A.R.S. § 44-1801(15) and (21).

6. Respondent Gary R. Shannon offered and sold unregistered securities within or from Arizona in violation of A.R.S. § 44-1841.

7. Respondent Gary R. Shannon offered and sold securities within or from Arizona without being registered as a dealer or salesman in violation of A.R.S. § 44-1842.

8. Respondent Gary R. Shannon employed a device, scheme or artifice to defraud, made untrue statements or omitted to state material facts and engaged in transactions, promises, practices or a course of business which operated or would operate as a fraud or deceit in violation of A.R.S. § 44-1991.

9. Respondent Gary R. Shannon has violated the Act and should cease and desist pursuant to A.R.S. § 44-2032 from any future violations of A.R.S. §§ 44-1841, 44-1842 and 44-1991 and all other provisions of the Act.

10. Respondent Gary R. Shannon should make restitution pursuant to A.R.S. § 44-2032 and A.A.C. R14-4-308 in the amount of \$174,450 subject to any legal set-offs.

11. The actions and conduct of Respondent Gary R. Shannon constitute multiple violations of the Act and are grounds for administrative penalties pursuant to A.R.S. § 44-2036.

**ORDER**

IT IS THEREFORE ORDERED that pursuant to the authority granted to the Commission under A.R.S. § 44-2032, Respondent Gary R. Shannon shall cease and desist from his actions described hereinabove in violation of A.R.S. §§ 44-1841, 44-1842 and 44-1991.

IT IS FURTHER ORDERED that pursuant to the authority granted to the Commission under A.R.S. § 44-2032, and pursuant to A.A.C. R14-4-308, Respondent Gary R. Shannon shall make restitution to the six remaining investors who dealt with him as reflected on the records of the Commission in the amount of \$174,450 subject to any legal set-offs plus interest at the rate of 10% per annum from the date of this Order until paid in full.

IT IS FURTHER ORDERED that all restitution payments shall be made by cashier's check or money order payable to the "State of Arizona" to be placed in an interest bearing account maintained

1 and controlled by the Arizona Attorney General until distributions are made. The Arizona Attorney  
2 General shall disburse the funds on a pro rata basis to investors. Any funds that the Attorney General  
3 is unable to disburse shall revert to the State of Arizona.

4 IT IS FURTHER ORDERED that if Respondent Gary R. Shannon does not comply with this  
5 Order of restitution, any outstanding balance shall be in default and shall be immediately due and  
6 payable, without further notice.

7 IT IS FURTHER ORDERED that pursuant to the authority granted to the Commission under  
8 A.R.S. § 44-2036, Respondent Gary R. Shannon shall pay as and for administrative penalties: for the  
9 violation A.R.S. § 44-1841, \$5,000; for the violation of A.R.S. § 44-1842, \$5,000; and for the  
10 violation of A.R.S. §44-1991, \$5,000; for a total of \$15,000.


11 IT IS FURTHER ORDERED that pursuant to authority granted to the Commission under  
12 A.R.S. § 44-2036, that Respondent Gary R. Shannon shall pay the administrative penalty ordered  
13 above in the amount of \$15,000 payable by either cashier's check or money order payable to the  
14 "State of Arizona" for deposit in the General Fund for the State of Arizona. The payment obligation  
15 for his administrative penalty shall be subordinate to any restitution obligations ordered hereinabove  
16 and shall become immediately due and payable only after restitution payments have been paid in full,  
17 or if Respondent has defaulted prior to fulfilling his restitution obligations.

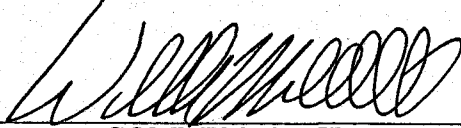
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1 IT IS FURTHER ORDERED that if Respondent Gary R. Shannon fails to pay the  
2 administrative penalty ordered hereinabove, any outstanding balance plus interest at the maximum  
3 lawful amount may be deemed in default and shall be immediately due and payable, without further  
4 notice.

5 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

6 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

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9   
10 CHAIRMAN

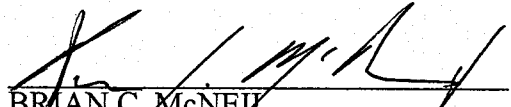
  
10 COMMISSIONER

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14 IN WITNESS WHEREOF, I, BRIAN C. McNEIL, Executive  
15 Secretary of the Arizona Corporation Commission, have  
16 hereunto set my hand and caused the official seal of the  
17 Commission to be affixed at the Capitol, in the City of Phoenix,  
18 this 9<sup>th</sup> day of June, 2005.

18   
19 BRIAN C. McNEIL  
20 EXECUTIVE SECRETARY

21 DISSENT \_\_\_\_\_

22  
23 DISSENT \_\_\_\_\_



1 SERVICE LIST FOR: GARY R. SHANNON

2 DOCKET NO.: S-03580A-04-0000

3 GARY R. SHANNON  
4 3279 Pomme De Terre Circle  
5 Flemington, MO 65650  
6 Respondent

7 Matt Neubert, Director  
8 Securities Division  
9 ARIZONA CORPORATION COMMISSION  
10 1300 West Washington Street  
11 Phoenix, AZ 85007  
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