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BEFORE THE ARIZONA CORPORATION COMMISSION

WILLIAM A. MUNDELL
Chairman
JIM IRVIN
Commissioner
MARC SPITZER
Commissioner

In the matter of:

HOTEL CONNECT LLC's #100-1100
3649 West Beechwood Suite 103
Fresno, CA 93711

MARK ALAN MELKOWSKI, SR.
2173 East La Vieve Lane
Tempe, AZ 85254

EAGLE COMMUNICATIONS, INC.
4430 N. Civic Center Plaza #204
Scottsdale, AZ 85251

RONALD LEE GOBLE, individually and dba
SOUTHWEST TRUST & FINANCIAL
6243 East Gelding Drive
Scottsdale, AZ 85254

GARY LYLE CHRISTIAN, individually and dba
CORNERSTONE SENIOR PLANNING
7015 West Firebird Drive
Glendale, AZ 85308

HYLAND A. STOKES, individually and dba
ESTATE PLANNING PROTECTION
5570 East Via Montoya Drive
Phoenix, AZ 85054

ROGER LANCETTE, individually and dba
NATIONAL ADVISORY SERVICES and
SENIOR ADVISORY SERVICES
6857 East Montreal Place
Scottsdale, Arizona 85254

WALLACE BUTTERWORTH, individually and
dba SENIOR ADVISORY SERVICES
1411 East Orangewood Avenue #239
Phoenix, AZ 85020
CRD #728693

Respondents.

) Docket No. S-03444A-01-0000
)
) **ORDER TO CEASE AND DESIST, ORDER**
) **FOR RESTITUTION, ORDER**
) **FOR ADMINISTRATIVE PENALTIES,**
) **AND FOR OTHER AFFIRMATIVE ACTION**
) **AGAINST RESPONDENTS HOTEL**
) **CONNECT LLC'S #100-1100**
)
) **DECISION NO.** _____

I.

INTRODUCTION

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3 1. On July 18, 2001, the Securities Division (the “Division”) of the Arizona Corporation
4 Commission (the “Commission”) filed a Notice of Opportunity for Hearing Regarding Proposed Order
5 to Cease and Desist, for Restitution, for Administrative Penalties, for Revocation, and for Other
6 Affirmative Action (the “Notice”) against, *inter alia*, HOTEL CONNECT LLC’s #100-1100
7 (collectively “HOTEL CONNECT”), alleging violations of the Securities Act of Arizona (the “Act”).
8 The Notice specified that HOTEL CONNECT would be afforded an opportunity for an administrative
9 hearing upon written request filed with the Commission’s Docket Control within ten (10) days after
10 receipt of the Notice, in accordance with A.A.C. Rule R14-4-306(B).

11 2. On July 26, 2001, the Division served a copy of the Notice upon HOTEL CONNECT
12 by personal service pursuant to A.R.S. § 44-1972 (D), as permitted by A.A.C. Rule R14-4-304(B), to
13 the statutory agent of record, Corporation Trust Company of Nevada, 6100 Neil Road, Reno, Nevada
14 89511. *See* copy of Affidavit of Service attached hereto as Exhibit “A.” Pursuant to A.A.C. Rule R14-
15 4-306(B), a Respondent is permitted to request a hearing in writing within 10 business days after
16 receipt of the Notice by Respondent. HOTEL CONNECT failed to request an administrative hearing.

II.

FINDINGS OF FACT

A. Sales and Marketing Network for “Alternative” Investments.

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20 3. HOTEL CONNECT is a series of Nevada limited liability companies, organized
21 between June 5, 1998, and August 5, 1999. Their principal place of business is 3649 W. Beechwood
22 Ave., Suite 103, Fresno, California, 93711. At all pertinent times, HOTEL CONNECT was
23 purportedly in the business of acquiring, owning, and operating hotel telephone long distance and
24 operator service systems.

25 4. In or around October 1998, Respondent Mark Alan Melkowski, Sr. and his company
26 Respondent Eagle Communications, Inc. (collectively, “Melkowski”) recruited several licensed

1 insurance salesmen to contract as sales agents for HOTEL CONNECT and World Cash Providers,
2 LLC (“World Cash”) to sell “alternative” investments to their clients. Melkowski acted as a
3 managing sales agent for HOTEL CONNECT. Melkowski received commissions for the sale of the
4 HOTEL CONNECT membership interests in the amount of 20% of the funds raised from investors.

5 5. HOTEL CONNECT provided joint sales conferences and training sessions for sales
6 agents on how to sell the LLC membership interests and World Cash business opportunities
7 programs.

8 6. In late 1998 or early 1999, top sales producers were rewarded for high volume sales
9 with a “getaway” trip and seminar held in New Orleans. Several training sessions and seminars were
10 held in Fresno, California through late 1999.

11 7. On February 8, 2000, the California Department of Corporations (“DOC”) found
12 that the World Cash business opportunities were securities sold in violation of California law, and
13 ordered World Cash and some of its principals, managers and marketers to stop selling these
14 business opportunities in California.

15 8. In February 2000, after the California DOC ordered World Cash to desist and refrain
16 from further sales of business opportunities in California, Respondent sales agents stopped selling
17 HOTEL CONNECT and World Cash products.

18 9. In or around March 2000, several sales agents attended a sales seminar held in Las
19 Vegas, Nevada, to promote the sale of Mobile Cash Systems, LLC (Mobile Cash) business
20 opportunities, a new program marketed by the same principals who offered the HOTEL CONNECT
21 and the World Cash products.

22 10. Respondent sales agents solicited some of their investors through cold-calls and at
23 seminars advertised to the general public, followed by visits to the investors’ homes.

24 11. In some instances, Respondent sales agents went to investors’ homes to sell them
25 annuities, and then later represented to these investors that these “alternative” investments would
26 be better investments for them because they could make a larger profit from these investments.

1 Respondent sales agents encouraged their insurance clients to sell their annuities to invest in these
2 “alternative” investments. Some investors sustained penalties or termination charges upon the
3 termination of their annuity contracts, and then, upon Respondent sales agents’ recommendations,
4 used the funds to purchase the “alternative” investments.

5 **B. Description of the Hotel Connect Offerings.**

6 12. From in or around October 1998 until February 2000, HOTEL CONNECT offered
7 and sold within and from Arizona membership interests to approximately 110 investors, who
8 invested approximately \$5,350,000. Investors were told that their funds would be used to operate a
9 hotel long distance and operator service for the purpose of generating a profit for investors.

10 13. The minimum investment for one membership interest in HOTEL CONNECT was
11 \$10,000, for a projected annualized average 17.6% return for the first five years. Investors were told
12 by salesmen and in sales brochures that the investment provided the investor “high returns with
13 minimal risk, good collateralization, and liquidity in case of emergency throughout his or her
14 ownership,” and that they could expect annual yields on their investments of 14% during year one,
15 and up to 20% annual yields during year five.

16 14. While HOTEL CONNECT subscription documents provide specifically that the
17 investments “will be sold only to accredited investors,” in fact the investments were in many cases
18 sold to investors who did not meet the definition of an accredited investor as that term is defined
19 under federal law and adopted under the Securities Act.

20 15. HOTEL CONNECT did not fully disclose the risks of the investments in HOTEL
21 CONNECT.

22 16. Investors in HOTEL CONNECT interests have not received their first annual
23 return, as promised.

24 17. In connection with the offer or sale of securities within or from Arizona, HOTEL
25 CONNECT directly or indirectly: (i) employed a device, scheme or artifice to defraud; (ii) made
26 untrue statements of material fact or omitted to state material facts which were necessary in order to

1 make the statements made not misleading in light of the circumstances under which they were made;
2 or (iii) engaged in transactions, practices or courses of business which operated or would operate as a
3 fraud or deceit upon offerees and investors. HOTEL CONNECT'S conduct includes, but is not
4 limited to, the following:

5 a) Misrepresenting the safety of these investments and/or failing to disclose specific
6 risks.

7 b) Failing to disclose financial or background information about the issuers or
8 their principals.

9 c) Failing to disclose to HOTEL CONNECT investors that there would be inter-
10 company transfers of funds between HOTEL CONNECT and World Cash or other
11 companies.

12 **III.**

13 **CONCLUSIONS OF LAW**

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

16 2. HOTEL CONNECT offered or sold securities within or from Arizona, within the
17 meaning of A.R.S. §§ 44-1801(15), 44-1801(21), and 44-1801(26).

18 3. HOTEL CONNECT violated A.R.S. § 44-1841 by offering or selling securities that
19 were neither registered nor exempt from registration.

20 4. HOTEL CONNECT violated A.R.S. § 44-1842 by offering or selling securities
21 while neither registered as dealers or salesmen nor exempt from registration.

22 5. HOTEL CONNECT violated A.R.S. § 44-1991 by offering or selling securities
23 within or from Arizona by (i) employing a device, scheme or artifice to defraud, (ii) making untrue
24 statements or misleading omissions of material facts, and (iii) engaging in transactions, practices or
25 courses of business which operate or would operate as a fraud or deceit.

26 6. HOTEL CONNECT failed to request a hearing.

1 IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2036, that HOTEL CONNECT shall
2 pay administrative penalties in the amount of \$50,000. Payment shall be made in full by cashier's
3 check or money order on the date of this Order, payable to the "State of Arizona." Any amount
4 outstanding shall accrue interest at the rate of 10% per annum from the date of this Order until paid
5 in full.

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

7 BY ORDER OF THE ARIZONA CORPORATION COMMISSION

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CHAIRMAN

COMMISSIONER

COMMISSIONER

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IN WITNESS WHEREOF, I, BRIAN C. McNEIL,
Executive Secretary 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
_____, 2001.

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BRIAN C. McNEIL
Executive Secretary

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DISSENT

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This document is available in alternative formats by contacting Shelly M. Hood, ADA Coordinator,
voice phone number 602-542-3931, E-mail shood@cc.state.az.us.

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