

STATE OF ARIZONA

MAR 6 2003

DEPARTMENT OF INSURANCE DEPT. OF INSURANCE  
BY Kath

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4 In the Matter of: ) Docket No. 02A-215-INS  
5 RONALD LEE GOBLE AND R & K )  
HOLDINGS, INC., ) **ORDER**  
6 Respondents. )  
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9 On February 21, 2003, the Office of Administrative Hearings, through Administrative  
10 Law Judge Lewis D. Kowal, issued an Administrative Law Judge Decision ("Recommended Decision"),  
11 a copy of which is attached and incorporated by this reference. The Director of the Department of  
12 Insurance has reviewed the Recommended Decision and enters the following Order:

13 1. The recommended Findings of Fact and Conclusions of Law are adopted, except  
14 that the last sentence of Finding of Fact no. 20 and Conclusion of Law no. 4 are rejected. The following  
15 Conclusion of Law is substituted for the rejected Conclusion:

16 "4. Mr. Goble's conduct, as set forth above, constitutes a prohibited  
17 inducement, in violation of A.R.S. § 20-452."

18 2. The Recommended Order is rejected.

19 3. Respondents' insurance licenses are revoked, effective thirty days after the date of  
20 this Order.

21 4. Respondents shall make restitution to Donald and Elona Schulz in the amount and  
22 in accordance with the terms and conditions established by the Decision of the Arizona Corporation  
23 Commission in Docket No. S-03444A-01-0000.  
24



1 granted by this agency allows him to enter into with insurance consumers. He took advantage of his  
2 relation to the elderly Schulz's as their trusted insurance producer to cause them to surrender valuable  
3 annuity contracts and incur surrender penalties in order to purchase illegitimate, unsuitable investments,  
4 to their prejudice and his profit.

5 The undersigned finds this conduct to be egregious, offensive and directly incompatible  
6 with the nature of the privilege granted by an insurance license. The record does not contain sufficient  
7 evidence to mitigate the conclusion of the undersigned that the licenses should be revoked.

8 NOTIFICATION OF RIGHTS

9 Pursuant to A.R.S. § 41-1092.09, the aggrieved party may request a rehearing with  
10 respect to this order by filing a written motion with the Director of the Department of Insurance within  
11 30 days of the date of this Order, setting forth the basis for relief under A.A.C. R20-6-114(B). Pursuant  
12 to A.R.S. § 41-1092.09, it is not necessary to request a rehearing before filing an appeal to Superior  
13 Court.

14 The final decision of the Director may be appealed to the Superior Court of Maricopa  
15 County for judicial review pursuant to A.R.S. § 20-166. A party filing an appeal must notify the Office  
16 of Administrative Hearings of the appeal within ten days after filing the complaint commencing the  
17 appeal, pursuant to A.R.S. § 12-904(B).

18 DATED this 4<sup>th</sup> of March, 2003

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22 Charles R. Cohen  
23 Director of Insurance  
24

1 A copy of the foregoing mailed  
this 6<sup>th</sup> day of March, 2003

2 Sara M. Begley, Deputy Director  
3 Gerrie L. Marks, Executive Assistant for Regulatory Affairs  
Mary Butterfield, Assistant Director  
4 Catherine O'Neil, Consumer Legal Affairs Officer  
Rebecca Sanchez, Producer Licensing Administrator  
5 Bob Hill, Investigator  
Arizona Department of Insurance  
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7 Office of Administrative Hearings  
8 1400 W. Washington, Suite 101  
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14 American National Insurance Company  
15 One Moody Plaza  
Galveston, TX 77550-7999

16 American Travelers Assurance Company  
17 5700 Westown Parkway  
West Des Moines, IA 50266-8221

18 Conseco Annuity Assurance Company  
19 11815 N. Pennsylvania Street  
Carmel, IN 46032

20 IL Annuity and Insurance Company  
21 P.O. Box 7149  
Indianapolis, IN 46207

22 Indianapolis Life Insurance Company  
23 P.O. Box 1230  
Indianapolis, IN 46206

1 National Western Life Insurance Company  
850 E. Anderson Lane  
2 Austin, TX 78752-1602

3 Valley Forge Life Insurance Company  
CNA Plaza  
4 Chicago, IL 60685

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6 Katly Linder  
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**IN THE OFFICE OF ADMINISTRATIVE HEARINGS**

**IN THE MATTER OF:**

**RONALD LEE GOBLE AND R & K  
HOLDINGS, INC.,**

**Respondents.**

**No. 02A-215-INS**

**ADMINISTRATIVE**

**LAW JUDGE DECISION**

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**HEARING:** February 4, 2003

**APPEARANCES:** Assistant Attorney General Jennifer Boucek for the Arizona Department of Insurance; Christy Brown, Esq. for Ronald Lee Goble and Respondent & K Holdings, Inc.

**ADMINISTRATIVE LAW JUDGE:** Lewis D. Kowal

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**FINDINGS OF FACT**

1. Ronald Lee Goble ("Mr. Goble") is and, at all material times, was licensed by the Arizona Department of Insurance ("Department") to transact insurance as a resident life and disability producer, Arizona license number 726111, which license expires on May 31, 2003.
2. R & K Holdings, Inc. ("R & K") is an Arizona corporation that on May 9, 2001, R & K became licensed by the Department as a resident agency to transact life and disability Arizona license number 110594, whose license expires on May 31, 2003.
3. At all times material to this matter, Mr. Goble was and currently is the President of R & K and its only licensed producer.
4. At all times material to this matter, Mr. Goble was not registered as a securities salesman in the state of Arizona.
5. On September 13, 1999, Mr. Goble contracted with World Cash Providers, LLC ("World Cash") to sell automated teller machines ("ATMs") and cash ticket machines ("CTMs"). Pursuant to that contract, Mr. Goble was to promote and sell the above-mentioned machines as well as provide customer service.

1 6. The above-mentioned contract provided for Mr. Goble to receive 14%  
2 commissions on the sale of each ATM or CTM. Mr. Goble testified the , on average, he  
3 did receive that rate of commission form World Cash.

4 7. On or about September 13, 1999, Mr. Goble contracted with Hotel Connect, LLC  
5 ("Hotel Connect") to sell membership units. Pursuant to that contract, Mr. Goble was to  
6 promote and sell such units and provide sales support,

7 8. The above-mentioned contract with Hotel Connect provided for Mr. Goble to  
8 receive 24 % commission on the sale of each membership unit. Mr. Goble testified  
9 that, on average, he did receive that rate of commission from Hotel Connect.

10 9. On February 10, 2000, the California Commissioner of Corporations filed a  
11 Complaint for Injunction and Ancillary Relief in The People of the State of California v.  
12 Hapjack Marketing, Inc. et al., Case No. 00AS0776 ("Case No. 00AS0776"). Hotel  
13 Connect and World Cash Network LLC were named defendants in that action.

14 10. On October 10, 2000, the Sacramento County Superior Court of the State of  
15 Arizona issued a preliminary injunction in Case No. 00AS00776 which, in part, enjoined  
16 Hotel Connect and World Cash Network LLC from offering or selling in the State of  
17 California promissory notes, investment contracts or any other security that would be in  
18 violation of the California Corporations Code and enjoined them from offering or selling  
19 securities by means of any written or oral communication which includes any untrue  
20 statement of any material fact or omission or failure to state any material fact necessary  
21 in order to make the statements made not misleading.

22 11. On April 10, 1992, Mr. Goble completed an application for an annuity to be  
23 purchased for Donald and Elona Schulz (the "Schulzs") on behalf of the Schulz Family  
24 Trust in the amount of \$60,000.00. The annuity was purchased through United Olympic  
25 Life Insurance Company ,which was represented as being assumed by Reliastar Life  
26 Insurance Company (the "annuity" or the "Reliastar annuity")

27 12. At the time of the above-mentioned transaction, the Schulzs were 78 years old.

28 13. Mr. Goble testified that he presented to the Schulzs the opportunity to invest in  
29 Hotel Connect and the other above-mentioned business investment opportunities.

30 14. Mr. Goble testified that after he provided information to Schulzs regarding Hotel  
Connect, they wanted to transfer their Reliastar annuity investment to the Hotel

1 Connect investment. Mr. Goble testified that the Schulz never expressed any  
2 dissatisfaction with the annuity to him.

3 15. The above-mentioned annuity had an early surrender penalty the amount of  
4 \$2,138.32.

5 16. Mr. Goble testified that he complied with the Schulzs' request and arranged for  
6 their annuity investment minus the early surrender penalty to be transferred to an  
7 investment in Hotel Connect. Mr. Goble testified that he sold Schulz all of the above-  
8 mentioned business opportunities.

9 17. Mr. Goble testified that he had no discussion with the Schulzs about the early  
10 cancellation penalty during the investment presentation or at the time the request was  
11 made for surrender of the annuity and the transfer of funds to the Hotel Connect  
12 investment.

13 18. During the hearing, Mr. Goble did not recognize that he had any obligation or  
14 responsibility to discuss the early surrender penalty clause with the Schulzs. The  
15 Administrative Law Judge finds that Mr. Goble was the insurance agent for the Schulzs  
16 who presented the above-mentioned business opportunities to them. In that capacity,  
17 Mr. Goble should have informed the Schulzs as to the consequences of shifting their  
18 funds from the annuity to the other investments and that they would incur a surrender  
19 penalty.

20 19. Mr. Goble testified that one month after the surrender of the annuity and the  
21 transfer of funds to the Hotel Connect investment, Mr. Schulz asked if Mr. Goble could  
22 help out the Schulzs with the cancellation penalty. Mr. Goble offered to pay one-half of  
23 the penalty that was incurred.

24 20. The documentary evidence showed that the annuity was surrendered on  
25 September 9, 1999, and that Mr. Goble provided Mr. Schulz with a check in the amount  
26 of \$1,070.00 on November 8, 1999, to cover one-half of the Schulz's annuity  
27 surrender penalty. Therefore, the payment made to Mr. Schulz for one-half of the early  
28 surrender penalty does not constitute, under the particular facts and circumstances,  
29 constitute a rebate.

30 21. On July 18, 2001, the Arizona Corporation ("ACC") filed a Notice of Opportunity  
for Hearing Regarding Proposed Order to Cease and Desist, for Restitution, for



1 Administrative Penalties, for Revocation, and for Other Affirmative Action In the Matter  
2 of Hotel Connect, et al., Docket no. S-03444A-01-0000 ("Docket No. S-03444A-01-  
3 0000") Mr. Goble was one of the named respondents in that action.

4 22. The Notice of Hearing contained allegations that from October 1998 through  
5 June 2000, Mr. Goble and others sold membership units in Hotel Connect or CTMs  
6 through World Cash that constitute unregistered securities and failed to fully disclose  
7 the risk of these investments to investors.

8 23. On September 18, 2001, the ACC in Docket No. S-03444A-01-0000, Decision  
9 No. 64040 (the "Decision"), Mr. Goble admitted that he encouraged his insurance  
10 clients to sell their annuities and invest the funds in Hotel Connect and Work Cash  
11 Providers<sup>1</sup> and admitted that he failed to disclose all of the risks associated with these  
12 investments. Mr. Goble was also ordered to pay a civil penalty in the amount of  
13 \$25,000.00.

14 24. In the Decision, Mr. Goble consented to never applying to the State of Arizona  
15 for registration as a securities dealer or salesman. The Decision also contains Mr.  
16 Goble's consent to the admission of the Findings of Fact and Conclusions contained  
17 therein for purposes of that proceeding before the ACC and any other administrative  
18 proceedings before the ACC or another agency of the State of Arizona.

19 25. Mr. Goble was ordered in the Decision to cease and desist from selling  
20 unregistered securities and was ordered to pay restitution of \$400,000.00 plus 10%  
21 interest to Hotel Connect investors; \$385,000.00 plus 10% interest to CTM investors  
22 and \$205,000 plus 10% interest to WTM investors.

23 26. Mr. Goble's agreed in the Decision to not take any action or to make, or permit to  
24 be made, any public statement denying, directly or indirectly, any Finding of Fact or  
25 Conclusion of Law in the Order or creating the impression that the Order was without  
26 factual basis.

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29 <sup>1</sup> Mr. Goble testified that after the above-mentioned injunction had been issued in the State of California, he entered  
30 into an contractual arrangement with World Cash Provides which was essentially the same as the agreement he had  
with World Cash and the principals were either the same or were common to both entities.

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2 27. The Decision contained a Finding of Fact stating that:

3 In some instances, RESPONDENT [Mr. Goble] went  
4 to investors' homes to sell them annuities, and then later  
5 represented to these investors that these 'alternative'  
6 investments would be better investments for them because  
7 they could make a larger profit from these investment.  
8 RESPONDENT [Mr. Goble] encouraged his insurance  
9 clients to sell their annuities to invest in these "alternative"  
10 investments. Some investors sustained penalties or  
11 termination charges upon the termination of their annuity  
12 contracts, and then, upon RESPONDENT's [Mr. Goble's]  
13 recommendations, used the funds to purchase the  
14 "alternative" investment.

15 Exhibit 16 at 3-4.

16 28. The Decision contained a finding of fact that" RESPONDENT" [Mr. Goble] did  
17 not fully disclose the risks of the investments in HOTEL CONNECT.

18 Exhibit 16 at 4..

19 29. A Conclusion of Law in the Decision found that RESPONDENT [Mr. Goble]  
20 violated A.R.S. § 44-2992 by offering or selling securities within or form Arizona by  
21 making untrue statements or misleading omissions of material facts.

22 30. The weight of the evidence of record established that as a result of Mr. Goble's  
23 presentation of investment opportunities to the Schulzs, they changed their investment  
24 in the annuity to a more risky investment without knowing the full extent of the risks  
25 involved.

26 31. Jerry Lowe ("Mr. Lowe"), an investigator with the ACC, testified that Arizona  
27 investors in Hotel Connect did not receive any return on their investments and the  
28 Arizona investors in World Cash and Mobile Cash lost most if not all of their principals.

29 32. Mr. Lowe testified that Mark McKowski ("Mr. McKowski"), the owner and operator  
30 of Eagle Communication recruited others agents within the state of Arizona to offer the  
investments opportunities provided by Hotel Connect, World Cash and Mobile Cash.  
Mr. Lowe also testified that Mr. McKowski did not have any prior experience in such  
investments.

31 33. Mr. Lowe testified that World Cash Network, LLC was related to World Cash and  
there existed similar principals in those companies.

1 34. Mr. Lowe testified that, to his knowledge, Mobile Cash did not make any offering  
2 in California during the relevant time period and that the ACC learned of the Mobile  
3 Cash offerings after the above-mentioned California action in early 2000.

4 35. Mr. Lowe testified that the World Cash investments changed to Mobile Cash  
5 investments after the above-mentioned California action.

6 36. Mr. Goble testified that he performed due diligence before he began offering the  
7 above-mentioned investments in the state of Arizona by visiting the companies,  
8 reviewing materials and information provided by the International Franchise Association  
9 (the "Association"), which listed World Cash as a preferred provider.

10 37. Mr. Goble testified that he spoke with the executive director of the International  
11 Franchise Association at the time and was informed that it had spent approximately  
12 \$1,000,000.00 reviewing World Cash before listing it as a preferred provider. Mr. Goble  
13 testified that he was told by the executive director that World Cash's finances were  
14 "impeccable".

15 38. Mr. Goble testified that CTMs were being proposed to be placed in franchises  
16 and that the Association approved World cash as a preferred provider and  
17 recommended it as an investment to its franchise members.

18 39. Mr. Goble testified that he did not review any financial statements or look into the  
19 background of the principals of the above-mentioned companies that provided the  
20 investment opportunities.

21 40. Mr. Goble testified that he relied on representations made by Ronnie Lott, a  
22 former wide receiver with the San Francisco 49s who represented those companies and  
23 stated that he had his attorneys and CPAs investigate the companies. Mr. Goble  
24 testified that he attended two seminars that had other sports figures such as Meadow  
25 Lark Lemon, that he researched the business opportunities and spent two to three  
26 months gathering information about them before he began selling the above-mentioned  
27 opportunities.

28 41. Mr. Goble testified that he did not hire any attorneys to investigate the principals  
29 of the companies. Mr. Goble testified that he relied on the above-mentioned opinion  
30 letter, the opinion letter of L. Douglas Dunipace ("Mr. Dunipace"), an attorney with

1 Jennings, Strouss, & Salmon, P.L.C. ("Jennings, Strouss & Salmon"), an Arizona law  
2 firm, regarding Mobile Cash business offering as not being securities.

3 42. The above-mentioned Dunipace opinion letter states that aside from Mobile  
4 Case, others should not rely on the letter without having obtained written consent from  
5 Jennings, Strauss & Salmon.

6 43. Mr. Goble testified that he did not receive written permission from Jennings,  
7 Strauss & Salmon to rely on the Dunipace opinion letter. However, Mr. Goble testified  
8 that Mr. Dunipace provided verbal instructions to the agents offering the business  
9 opportunities such as Mr. Goble, as to how to sell the products, and that Mr. Dunipace  
10 approved the selling literature. Consequently, Mr. Goble contended that by virtue of Mr.  
11 Dunipace's actions, he was receiving advice as to how to promote and sell the business  
12 opportunities.

13 44. Mr. Goble testified that he was not aware that any of the above-mentioned  
14 business offerings were securities and relied on the legal opinion of Davis, Wright &  
15 Tamine, a law firm in California that the offering provided by Hotel Connect was not a  
16 security. However, Mr. Goble did not request an opinion from an attorney in Arizona as  
17 to whether the offerings were securities.

18 45. Mr. Goble testified that he did not show the Schulz's the above-mentioned  
19 Dunipace opinion letter or discuss with them the issue as to whether the offerings  
20 could be considered securities that were unregistered.

21 46. Mr. Goble testified that at the time he provided information to the Schulzs and  
22 other investors regarding the above-mentioned investment opportunities, he had not  
23 believe that he was making any misrepresentations as to the safety of the investments.  
24 However, Mr. Goble acknowledged that he did admit in the Decision that he made  
25 misrepresentations about the safety of those investments.

26 47. Mr. Goble presented three character witnesses, Jim McGrath, William Myers,  
27 and Pastor Darryl DelHousaye, who testified as to knowing Mr. Goble through his  
28 church involvement at Scottsdale Bible Church. Those witnesses testified as to Mr.  
29 Goble's good character, honesty, and trustworthiness. However, those witnesses knew  
30 very little about the particulars of Mr. Goble's activities that gave rise to the above-  
mentioned ACC action.

1 48. While the above-mentioned evidence of good character is considered as a factor  
2 in consideration of this matter and penalty to be imposed, the testimony of those  
3 witnesses are not directly relevant as to the honesty, trustworthiness and good  
4 character of Mr. Goble with respect to the above-mentioned business transactions  
5 involving the Schulzs or investors in World Cash, Hotel Connect , or Mobile Cash or  
6 how and to what extent Mr. Goble's insurance clients were involved or affected by Mr.  
7 Goble's involvement in those business opportunities.

8 49. Mr. Goble testified that he would not have gotten involved in the above-  
9 mentioned business opportunities if he knew that the business opportunities offered by  
10 World Cash, Mobile Cash, and Hotel Connect were securities.

11 50. Mr. Goble testified that he and seven other insurance agents became involved in  
12 promoting and selling the above-mentioned investments and have filed a legal  
13 malpractice lawsuit against Jennings, Strauss & Salmon requesting that they pay the  
14 restitution that was provided in the Consent Orders that he and the other agents  
15 entered into with the ACC.

16 51. Mr. Goble testified that he was unaware of the action taken in California as  
17 referenced above in paragraphs numbered 9 and 10, while he was involved the selling  
18 of the above-mentioned business opportunities.

19 52. Mr. Goble testified that for approximately one year the above-mentioned  
20 businesses made payment to his clients who invested in the business opportunities and  
21 when the payments became sporadic, he stopped selling those business opportunities.

22 53. Mr. Goble did not have an attorney when he entered into the ACC Consent  
23 Order but acknowledged he had an opportunity to hire one.

24 54. Mr. Goble testified that he was not concerned about the effect of the Consent  
25 Order with respect to the Department because after the meeting he had when the  
26 Consent Order was signed, he asked if it would go to the Department and was told it  
27 would not.

28 55. Mr. Goble testified that none of his clients have sued him regarding the matters  
29 at issue in the instant proceeding.

30 56. Mr. Goble testified that other than the instant matter and two complaint that were  
filed with the Department in 1994 that did not result in any discipline he has not had any

1 complaints or action taken against his insurance license. Mr. Goble's good licensing  
2 record with the Department is a factor considered by the Administrative Law Judge in  
3 determining any penalty to be imposed against the Respondents.

4 **CONCLUSIONS OF LAW**

5 1. Mr. Goble's conduct , as set forth above, constitutes using dishonest practices,  
6 or demonstrating incompetence, untrustworthiness or financial irresponsibility in the  
7 conduct of business in this state or elsewhere, within the meaning of A.R.S. § 20-  
8 295(A)(8).

9 2. Mr. Goble's conduct , as set forth above, constitutes the making of any  
10 misrepresentation to any policyholder for the purpose of inducing or tending to induce  
11 the policy holder to lapse, forfeit, surrender, retain or convert any insurance policy,  
12 within the meaning of A.R.S. § 20-443(5).

13 3. Mr. Goble's conduct, as set forth above, constitutes an unfair method of  
14 competition or an unfair or deceptive act or practice in the business of insurance, within  
15 the meaning of A.R.S. §§ 20-442 and 20-295(A)(7).

16 4. Mr. Goble's conduct, as set forth above, does not constitute a prohibited  
17 inducement in connection with an insurance transaction, within the meaning of A.R.S. §  
18 20-452.

19 5. Grounds exist to suspend, revoke or refuse to renew Mr. Goble's insurance  
20 license, impose a civil penalty upon him and order restitution pursuant to A.R.S. §§ 20-  
21 295(A), 20-295(D), 20-295(F) and 20-456(B).

22 6. Because Mr. Goble is listed on R & K's license as a principal and the only  
23 licensed producer, grounds exist to suspend, revoke or refuse to renew R & K's  
24 insurance license, impose a civil penalty, and/or order restitution based on Mr. Goble's  
25 conduct, as set forth above, which is determined to be in violation of A.R.S. §§ 20-  
26 295(A)(2) and 20-295(A)(8), pursuant to the provisions of A.R.S. §§ 20-295(B), 20-  
27 295(D) AND 20-195(F).  
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**RECOMMENDED ORDER**

Based on the above, all licenses that the Department issued to Ronald Lee Goble and R & K Holdings, Inc. shall be suspended for one year commencing on the effective date of the Order entered in this matter.

Done this day, February 21, 2003.



Lewis D. Kowal  
Administrative Law Judge

Original transmitted by mail this  
24 day of February, 2003, to:

Department of Insurance  
Charles R. Cohen  
ATTN: Kathy Linder  
2910 North 44th Street, Ste. 210  
Phoenix, AZ 85018

By 