

STATE OF ARKANSAS  
SECURITIES DEPARTMENT

IN THE MATTER OF

CEASE AND DESIST ORDER

STARCASH, INC.,  
a/k/a STARCASH ONLINE.COM,  
JEANNE LECLERCQ,  
a/k/a JEANNE LECLERCY,  
INFINITY CONSULTING SERVICES, INC.,  
ONE TRADE CORPORATION,  
FIORI TEDESCO, FRED KAPP  
and LENNY BIERSTEIN  
and ALL PERSONS EMPLOYED BY OR  
OTHERWISE AFFILIATED WITH THOSE  
ENTITIES OR THOSE PERSONS

No. 02-11-S

**CEASE AND DESIST ORDER**

The Staff of the Arkansas Securities Department (the Staff) has received information and has in its possession certain evidence which indicates that STARCASH, INC., a/k/a STARCASHONLINE.COM, JEANNE LECLERCQ, a/k/a JEANNE LECLERCY, INFINITY CONSULTING SERVICES, INC., ONE TRADE CORPORATION, FIORI TEDESCO, FRED KAPP AND LENNY BIERSTEIN have violated provisions of the Arkansas Securities Act (the Act), codified at Ark. Code Ann. §§ 23-42-101, *et seq.* (Repl. 2000).

**FINDINGS OF FACT**

An ongoing investigation has revealed the following facts.

1. Starcash, Inc., a/k/a Starcashonline.com (Starcash) is a Florida corporation formed on 19 September 2001. When it was incorporated, Starcash's principal address was stated in documents filed with the Florida Department of State to be 6278 North Federal Highway, Suite 432, Fort Lauderdale, Florida 33308. This address is the address of a Mail Boxes Etc. store, at which one can receive mail. It later stated two different addresses in other printed materials as its principal address.

2. Infinity Consulting Services, Inc. (Infinity) is a Florida corporation formed on 11 May 2000. Its principal address is 6555 NW 9<sup>th</sup> Avenue, Suite 204, Fort Lauderdale, Florida 33309, which was also a principal address used by Starcash.
3. Jeanne Leclercq, a/k/a Jeanne Leclercy (Leclercq) is the president and chief operating officer of Starcash and the president of Infinity. She is identified in the records of the Florida Department of State showing the incorporation of Infinity as Jeanne Leclercy.
4. One Trade Corporation (One Trade) is a Florida corporation formed on 26 November 1997. Its last known principal address is 12550 Biscayne Boulevard, Suite # 704, North Miami, Florida 33181.
5. Fiori Tedesco (Tedesco) is a sales agent for Starcash or an unnamed independent sales office (ISO) which was employed by Starcash.
6. Fred Kapp (Kapp) is a sales agent for One Trade.
7. Lenny Bierstein (Bierstein) is director of operations for One Trade.
8. LITTLE ROCK RESIDENT. On 29 November 2001, Kapp telephoned a resident of Little Rock, Arkansas (LR) and told him about an investment opportunity. LR was emailed a website address, [www.starcashonline.com](http://www.starcashonline.com), and told to log on to it, using the user name, investor, and password, starcash, to see some sales literature. Several documents were faxed to LR on 3 December 2001, including an Accounts Receivable Purchase Agreement (ARPA), a Trust Agreement and a Due Diligence Check List. In the ARPA Starcash's principal address was listed as 6555 NW 9<sup>th</sup> Avenue, Fort Lauderdale, Florida 33309. According to the ARPA, Starcash was the owner of accounts receivable generated through its business of creating deferred deposits or payday advances and would be the

owner of more such accounts receivable in the future. These loans and accounts receivable would be generated by loaning customers money in return for a postdated personal check, which Starcash would deposit later, when the customer's paycheck had been deposited. Starcash would "factor" accounts receivables to investors to obtain funds to expand its business. Factoring under this agreement meant purchasing existing accounts receivables created by payday advance loans and investing money that Starcash was to use to create such accounts receivables by making payday advance loans in the future. According to the ARPA, for an investment in Starcash an investor would receive 3% per month simple interest for twelve (12) months, which the agreement said extrapolated to 36% interest per year. Another option under the ARPA was to defer all interest payments until the end of the twelve month period and receive "compounded interest" of 42%. At the end of the year, Starcash was to pay the investor back his or her initial principal investment. Investors would be paid monthly, the ARPA provided, and Starcash in effect guaranteed the investment by agreeing to "repurchase" any account receivable (customer check), plus any fees that would have been made, had the borrower of the payday advance paid the money back on time. In one part of the ARPA Starcash represents and warrants that it "is not and will not be insolvent," and later it is provided that in the event of Starcash's insolvency or bankruptcy, the entire proceeds of a "segregated loan account" will be distributed to investors on a pro rata basis. Also faxed to LR was a Trust Agreement. It recited that Starcash was in the business of providing advances to customers based on their next paycheck for a fee, and that the investor was interested in providing funds to Starcash to use in

making these payday advances in return for an unspecified percentage of the fee paid by the customer. Under this agreement Starcash was to place money invested for the purpose of making payday advances in a separate Starcash account, which would be “segregated on the books of Starcash.” Included on the Due Diligence Check List, which was similar to a list of references, was a Starcash license number that did not exist and was not issued by any Florida state agency.

TELEPHONE SOLICITATIONS: On 5 December 2001 Kapp telephoned LR. He clarified the business of Starcash in making payday advances. According to Kapp, the customer would make a payday advance loan, which was to be repaid in two weeks with a fee of 17.65%. At this rate of return, Kapp said, Starcash could make around 460% per year on money it loaned, even conceding that some of the checks would not be repaid. Starcash had a game plan of making loans at thousands of store locations as well as on the internet, Kapp said, raking in revenue of some \$6 billion. Kapp said the present revenue of Starcash was \$80 million per year, but he could not provide financial records corroborating that claim. Kapp worked for One Trade, which he said was a marketing company, but not a broker-dealer, and Kapp said he was not a broker. One Trade and Kapp were paid on the “monthly residuals” that would be generated by the money invested by each investor in Starcash, but Kapp never said exactly what percentage of the investor’s money would be paid him and One Trade. Kapp told LR that One Trade raised money for three or four different companies a year, and he would like to put LR in a variety of investments sold by One Trade, so as to diversify his investments. Kapp said that there was no criminal convictions or

“red flags” in the past of him, One Trade, Starcash or Starcash’s management. Starcash was licensed by the state of Florida, but he did not know by what regulatory agency. Kapp said that payday advance businesses were legal in all fifty states and Canada, and the law was not going to change.

Kapp called LR back the next day, on 6 December 2001, after he faxed a few more documents. In this conversation Kapp stated that the payday advance business was an \$80 billion a year industry. This number contradicted a statement made on a document faxed that day entitled “Industry Highlights,” which quoted Stephens, Inc. as forecasting a market for 25,000 stores generating only \$6.75 billion in the year 2002. Kapp noted the contradiction and maintained that the \$80 billion a year figure was correct, but could not state where he got that number or how it was calculated. Kapp still did not know who regulated Starcash in Florida. He just knew that Starcash had something called a Financial Service License. LR expressed an interest in investing in Starcash with several other friends, each at \$10,000, if they could all feel more confident. Kapp said he would call back tomorrow with his director of operations.

Kapp called LR back on 10 December 2001 with Bierstein, who he introduced as One Trade’s director of operations. When asked what agency licensed Starcash in Florida, Bierstein said Banking and Insurance and seemed to indicate that the license Starcash held was for Electronic Financial Services. LR told Bierstein that he and his friends were very interested, but wanted to know how they could verify that any money they would invest was being used in the way Starcash said it would be used. His reply was that LR could speak directly with Starcash’s attorney and with Starcash’s president and chief executive officer, Leclercq. The

money would be put into a trust account, Bierstein said, and Leclercq would be the trustee. The conversation ended with Bierstein telling LR that Leclercq would call him.

Later on 10 December 2001 Leclercq telephoned LR. Leclercq recapped the offering: Starcash was attempting to raise \$12 million and open 1,000 payday advance locations within one year. These locations would all be owned by Starcash and would not be franchises. LR said that he and his friends would like to invest, but wanted to be able to perform some due diligence by obtaining information about Starcash, One Trade and everyone else involved from a source other than Starcash, One Trade, etc. Leclercq stated that LR could talk to her chief financial officer, Fred Shapiro, and call the references on the Due Diligence Check List, but other than that, she had no idea what else she could do. The only financial information Shapiro could give LR were projections. Leclercq said that although Starcash was a startup company, it was not a startup management team who had much experience in private placements, several of which she listed. Leclercq stated that “we” had put all these deals together, and revealed that she was referring not to Starcash, but to Infinity Consulting. She said that none of the people involved in all of this had been the object of any type of regulatory action or law suit. LR had no experience in this type of business.

9. NORTHWEST ARKANSAS RESIDENT. On 4 February 2002, someone identifying himself only as Adam from Infinity called a resident of northwestern Arkansas (NW) and told him about the investment opportunity in Starcash. NW was sent the ARPA and the document entitled “Industry Highlights” that LR had been faxed on 6 December 2001. The ARPA sent to NW was identical to that

sent to LR in most respects. One significant change was Starcash's address: it was listed here as 5355 Town Center Road, Suite 102, Boca Raton, Florida 33486. Another significant change is the rate of return: it was stated here as 2 ½ % per month, 30 % per year or 42% "compounded interest" per year. He was also given the Starcash website address, user name and password. Adam restated the terms of the ARPA. NW did not invest. Several days later, Tedesco called NW back and attempted to persuade him to invest, but to no avail. Neither Adam, nor Tedesco told NW that Starcash had been the subject of any regulatory actions. NW had no experience in this type of business.

10. On 22 January 2002, the Pennsylvania Securities Commission issued a cease and desist order against Starcash, Leclercq and others. In this order investments in Starcash were found to be unregistered securities being sold by unregistered persons.
11. On 24 January 2002 the Securities Division of the Washington Department of Financial Institutions issued a cease and desist order against Starcash, Leclercq and others. In this order investments in Starcash were found to be securities, and the respondents were found to have violated the registration and anti-fraud provisions of Washington's securities laws.
12. Starcash is not registered to do business in Florida as a payday advance company, as required by Florida Statute § 560.401- 408.
13. A check of the records of the Arkansas Securities Department (the Department) shows that none of the respondents are registered in any capacity in accordance with the Act.

14. A check of the records of the Department shows that no security issued by Starcash is registered in accordance with the Act.

### **CONCLUSIONS OF LAW**

15. Ark. Code Ann. § 23-42-102(15)(A)(xi) (Repl. 2000) in pertinent part defines a security as an investment contract.
16. Ark. Code Ann. § 23-42-501 (Repl. 2000) provides that it is unlawful for any person to offer or sell any security which is not registered or which is not exempt from registration under the terms of the Act.
17. Ark. Code Ann. § 23-42-301(a) (Repl. 2000) prohibits as unlawful the transaction of business as a broker-dealer or agent by any person who is not registered with the Department as such.
18. Ark. Code Ann. § 23-42-102(2) (Repl. 2000) defines broker-dealer as any person engaged in the business of effecting transactions in securities for the account of others.
19. Ark. Code Ann. § 23-42-102(2)(A) (Supp. 1999) defines agent as, *inter alia*, an individual representing the issuer of securities or a broker-dealer and effecting or attempting to effect purchases or sales of those securities.
20. Ark. Code Ann. § 23-42-102(9) (Repl. 2000) defines issuer as any person, which is defined in Ark. Code Ann. § 23-42-102(11) (Repl. 2000) to include an individual (natural person), corporation, limited liability company or association, who issues or proposes to issue any security.



21. Ark. Code Ann. § 23-42-507(2) (Repl. 2000) provides that it is unlawful for any person in connection with the offer or sale of any security to make any untrue statement or omit to state a material fact necessary in order to make the statements made not misleading in light of the circumstances under which they are made.

### **OPINION**

22. The following is true of the Accounts Receivable Purchase Agreement that Prospect was asked to purchase: 1) the investor would and could play only a passive role and not be involved in the day-to-day operations of the enterprise into which he was asked to invest; 2) the investor had no expertise or experience in operating a payday loan or payday advance business and was dependent on Starcash to manage and operate this business; and 3) because there was no limit on the number of investors nationwide, there were too many investors for any individual investors to have any meaningful input into the management of these investments. The investors in Starcash would be involved in a common enterprise with the expectation of profits to be produced only from the managerial efforts of others. Therefore, under established legal precedent the Accounts Receivable Purchase Agreement in question here is an investment contract and therefore a security as defined at Ark. Code Ann. § 23-42-102(15)(A)(xi) (Repl. 2000).
23. Because it caused the Accounts Receivable Purchase Agreement to be drafted and marketed, Starcash is the issuer of that investment contract in accordance with Ark. Code Ann. § 23-42-102(9) (Repl. 2000).

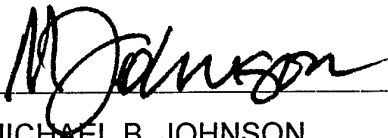
24. One Trade and Infinity, attempting to effect transactions in securities in the account of others, acted as broker-dealers in these transactions as defined at Ark. Code Ann. § 23-42-102(2) (Repl. 2000) without being registered with the Department as such, as required by Ark. Code Ann. § 23-42-301(a) (Repl. 2000).
25. Leclercq, Tedesco, Kapp and Bierstein acted as agents of a broker-dealer and Leclercq acted as the agent of the issuer, all without being registered, which was in violation of Ark. Code Ann. § 23-42-301(a) (Repl. 2000).
26. All the respondents offered to sell these investment contracts either through agents or as agents without prior registration of the investment contracts in violation of Ark. Code Ann. § 23-42-501 (Repl. 2000).
27. The failure to furnish credible financial records or objective, verifiable information supporting the representations made in the Accounts Receivable Purchase Agreements sent to LR and NW concerning the return of 3 % or 2 ½ % interest per month, 36 % or 42 % per year and 30 % or 42 % compounded interest, respectively, and Kapp's representation in telephone conversations that Starcash would make a return of around 450 % per year on money invested with it in the payday advance industry, which generated \$80 billion per year, amounted to the omission of material facts made in connection with the offer or sale of a security in violation of Ark. Code Ann. § 23-42-507(2) (Repl. 2000).
28. The assertion in the printed materials listing a license number with the state of Florida and the assertion by Kapp and Bierstein that Starcash was licensed in Florida was a material misstatement of fact and an untrue statement made in connection with the offer or sale of a security in contravention of Ark. Code Ann. § 23-42-507(2) (Repl. 2000).

29. The failure of Tedesco or the unidentified agent of Infinity known by NW only as Adam to inform NW of the cease and desist orders issued by the securities regulatory agencies in Pennsylvania and Washington was the omission of material facts made in connection with the offer or sale of a security in violation of Ark. Code Ann. § 23-42-507(2) (Repl. 2000).

**ORDER**

IT IS THEREFORE ORDERED that STARCASH, INC., a/k/a STARCASHONLINE.COM, JEANNE LECLERCQ, a/k/a JEANNE LECLERCY, INFINITY CONSULTING SERVICES, INC., ONE TRADE CORPORATION, FIORI TEDESCO, FRED KAPP and LENNY BIERSTEIN, as well as others whose identities are not yet known who are in positions of control of STARCASH, INC., a/k/a STARCASHONLINE.COM, INFINITY CONSULTING SERVICES, INC. or ONE TRADE CORPORATION and who are employed by or otherwise affiliated with STARCASH, INC., a/k/a STARCASHONLINE.COM, INFINITY CONSULTING SERVICES, INC. or ONE TRADE CORPORATION, directly or through other companies, **CEASE AND DESIST** from any further actions in the state of Arkansas in connection with the offer or sale of the securities described above and any other securities until such time as the securities are properly registered or shown to be exempt from registration pursuant to the Arkansas Securities Act and the persons offering them for sale are properly registered or shown to be exempt from registration pursuant to the Arkansas Securities Act.

WITNESS MY HAND AND SEAL this 5th day of April, 2002.



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MICHAEL B. JOHNSON

ARKANSAS SECURITIES COMMISSIONER