

1 ARIZONA DEPARTMENT OF FINANCIAL INSTITUTIONS

2 In the Matter of the Unlicensed Activity of:

No. 12F-BD003-SBD

3 **WEBMASTER CHECKS, LLC AND**  
4 **DAVID LLOYD, MEMBER**  
15282 W. Brookside Lane, #120  
5 Surprise, AZ 85374

**ORDER TO CEASE AND DESIST;  
NOTICE OF OPPORTUNITY FOR  
HEARING; CONSENT TO ENTRY OF  
ORDER**

6 Respondents.

7 The Superintendent of Financial Institutions for the State of Arizona (the "Superintendent"),  
8 makes the following Findings of Fact and Conclusions of Law and enters the following Order  
9 pursuant to Arizona Revised Statutes ("A.R.S.") § 6-137.

10 Pursuant to Titles 6 and 41 of the Arizona Revised Statutes and Title 20, Chapter 4 of the  
11 Arizona Administrative Code ("A.A.C."), Respondents are hereby notified that they are entitled to a  
12 hearing to contest the allegations set forth in this Order. The Request for Hearing shall be filed with  
13 the Arizona Department of Financial Institutions (the "Department") pursuant to A.R.S. § 6-137(D)  
14 within **thirty (30) days** of service of this Order and shall identify with specificity the action or order  
15 for which review is sought in accordance with A.R.S. § 41-1092.03(B).

16 Pursuant to A.R.S. §§ 41-1092.01(D) and 41-1092.03(B), any person may appear on his or  
17 her own behalf or by counsel. If Respondents are represented by counsel, the information required  
18 by A.R.S. § 41-1092.03(B) shall be included in the Request for Hearing. Upon the filing of a  
19 Request for Hearing, the Department shall issue a Notice of Hearing scheduling the matter for  
20 hearing in accordance with A.R.S. § 41-1092.05. **Persons with disabilities may request**  
21 **reasonable accommodations such as interpreters, alternative formats, or assistance with**  
22 **physical accessibility.** Requests for special accommodations must be made as early as possible to  
23 allow time to arrange the accommodations. If accommodations are required, call the Office of  
24 Administrative Hearings at (602) 542-9826.

25 Respondents have the right to request an Informal Settlement Conference, pursuant to A.R.S.  
26 § 41-1092.06, by filing a written request no later than **twenty (20) days** before the scheduled

1 hearing. The conference will be held within **fifteen (15) days** after receipt of your request. If an  
2 Informal Settlement Conference is requested, a person with the authority to act on behalf of the  
3 Department will be present (the “Department Representative”). Please note that in requesting an  
4 Informal Settlement Conference, Respondents waive any right to object to the participation of the  
5 Department Representative in the final administrative decision of this matter, if it is not settled. In  
6 addition, any written or oral statement made by Respondents at such informal settlement conference,  
7 including written documentation created or expressed solely for purposes of settlement negotiations,  
8 is inadmissible in any subsequent administrative hearing. (*See* A.R.S. § 41-1092.06 for rules  
9 regarding informal settlement conferences.) Conversely, any written or oral statement made by  
10 Respondents outside an Informal Settlement Conference is not barred from being admitted by the  
11 Department in any subsequent hearing.

12 If Respondents do not request a hearing, this Order shall become final. If Respondents  
13 request a hearing, the purpose of the hearing shall be to determine if grounds exist for: (1) the  
14 issuance of an order pursuant to A.R.S. § 6-137 directing Respondents to cease and desist from the  
15 violative conduct and to take the appropriate affirmative actions, within a reasonable period of time  
16 prescribed by the Superintendent, to correct the conditions resulting from the unlawful acts,  
17 practices, and transactions; (2) the imposition of a civil monetary penalty pursuant to A.R.S.  
18 § 6-132; and (3) an order or any other remedy necessary or proper for the enforcement of statutes  
19 and rules regulating money transmitters pursuant to A.R.S. §§ 6-123 and 6-131.

#### 20 **FINDINGS OF FACT**

21 1. Respondent Webmaster Checks, LLC (“Webmaster”), a registered foreign limited  
22 liability company in Arizona, and a fictitious business name for Method, LLC, a Delaware limited  
23 liability company, is not and was not, at any time material herein, authorized to transact business in  
24 Arizona as a money transmitter within the meaning of A.R.S. §§ 6-1201, *et seq.* The nature of  
25 Webmaster’s business is that of a money transmitter within the meaning of A.R.S. §§ 6-1201(11),  
26 (13) and (17) and 6-1202(A).

1           2.       Respondent David Lloyd (“Mr. Lloyd”) is a Member of Webmaster and is not and  
2 was not, at any time material herein, authorized to transact business in Arizona as a money  
3 transmitter within the meaning of A.R.S. §§ 6-1201, *et seq.*

4           3.       Webmaster and Mr. Lloyd (collectively “Respondents”) are not exempt from  
5 licensure as a money transmitter within the meaning of A.R.S. §§ 6-1203.

6           4.       On or about March 7, 2011, the Department received from bonding company Platte  
7 River Insurance Company, a Notice of Cancellation, dated March 2, 2011, concerning a \$25,000.00  
8 money transmitter/seller bond, number 41194518, for Webmaster Checks, LLC.

9           5.       The Department’s records indicate that Respondents are not and have not been  
10 licensed by the Department as a money transmitter.

11          6.       On or about June 15, 2011, the Department issued a letter to Respondents, via  
12 facsimile, requesting information and a response regarding possible unlicensed money transmitter  
13 activity in the state of Arizona. The letter requested that Respondents provide the information to the  
14 Department by June 25, 2011.

15          7.       On or about June 27, 2011, the Department received a letter from Richard Lloyd of  
16 Webmaster Checks, LLC, in response to the Department’s letter of June 15, 2011, informing the  
17 Department that the nature of Respondents’ business involved assisting businesses with payment to  
18 third parties, printing and mailing out checks, either through their clients’ bank accounts or by  
19 clients providing funds to Respondents for payment to third parties through Webmasters’ bank  
20 account. The letter explained that their clients provided funds to Respondents electronically or by  
21 check (cash not accepted), and that Respondents had no direct dealings with the payees. The letter  
22 further stated that Respondents have implemented “rigorous standards that would meet the Federal  
23 and state regulations for a money transmitter type of institution” and stated that when Respondents  
24 first opened their business, they researched whether they were required to obtain a money transmitter  
25 license with the Department, and they were advised by their bank and by an IRS Agent that the  
26 nature of their business was not that of a money transmitter because they do not deal with cash, and

1 therefore a money transmitter license was not required.

2 8. The Webmaster website, [www.webmasterchecks.com](http://www.webmasterchecks.com), states that, "We are federally  
3 registered, **licensed**, bonded, insured and operate out of a secure facility in a suburb of Phoenix,  
4 Arizona." (Emphasis added.)

5 9. The Webmaster website lists the services offered as follows:

6 "[O]ffers check printing, folding, and mailing services for domestic  
7 and euro check payments. We can also send out domestic/international  
8 wires, issue ach direct deposits as well as send out payments through  
9 the below 3rd party payment providers:

10 **Checks** – We can process US dollar checks and send anywhere in the  
11 world, issue Canadian Currency checks, and issue Euro check. All  
12 checks are sent from the United States.

13 **ACH (Direct Deposit)** – We can process ACH out of the United  
14 States, Canada, Austria, Germany, the Netherlands, Switzerland and  
15 the United Kingdom.

16 **Paypal** – to all United States and International Payees\* [\*Excludes  
17 payees located in countries on the OFAC list].

18 Webmasterchecks services the needs of financial institutions, merchant  
19 account holders, third-party processors, users of 3rd party publisher or  
20 affiliate software, affiliate networks, advertising networks, and  
21 companies that send out rebates, refunds, and commission checks. . . .

22 Affiliates and publishers demand a wide range of payment options.  
23 Today's successful businesses need to offer checks, wires, ach direct  
24 deposit, and other payment options to stay complete [sic]. Use your  
25 bank account or our own.

26 10. These Findings of Fact shall also serve as Conclusions of Law.

### CONCLUSIONS OF LAW

1. Pursuant to A.R.S. §§ 6-1201, *et seq.*, the Superintendent has the authority and duty  
to regulate all persons engaged in the money transmitter business and with the enforcement of  
statutes, rules, and regulations relating to money transmitters.

2. The conduct of Webmaster and Mr. Lloyd as set forth above constitutes that of  
engaging in the business of a money transmitter in the state of Arizona within the meaning of A.R.S.

1 §§ 6-1201(11), (13) and (17) and 6-1202(A), without having first applied for and obtained a money  
2 transmitter license pursuant to Chapter 6, Title 12, in violation of A.R.S. § 6-1202(A).

3 3. Respondents do not meet any of the exemptions to the licensing requirements set  
4 forth in A.R.S. § 6-1203.

5 4. Pursuant to A.R.S. § 6-132, Respondents' violations of the aforementioned statutes  
6 are grounds for a civil penalty of not more than five thousand dollars (\$5,000.00) for each violation  
7 for each day.

8 5. The violations, set forth above, constitute grounds for: (1) the issuance of an order  
9 pursuant to A.R.S. § 6-137 directing Respondents to cease and desist from the violative conduct and  
10 to take the appropriate affirmative actions, within a reasonable period of time prescribed by the  
11 Superintendent, to correct the conditions resulting from the unlawful acts, practices, and  
12 transactions; (2) the imposition of a civil monetary penalty pursuant to A.R.S. § 6-132; and (3) an  
13 order or any other remedy necessary or proper for the enforcement of statutes and rules regulating  
14 money transmitters pursuant to A.R.S. §§ 6-123 and 6-131.

15 **ORDER**

16 1. Webmaster and Mr. Lloyd shall immediately stop all money transmitter activity in  
17 Arizona until such time as Respondents have obtained a money transmitter license from the  
18 Superintendent as prescribed by A.R.S. § 6-1202.

19 2. Webmaster and Mr. Lloyd shall immediately pay to the Department a civil money  
20 penalty in the amount of **ten thousand dollars (\$10,000.00)**. Webmaster and Mr. Lloyd are jointly  
21 and severally liable for payment of the civil money penalty

22 3. Webmaster and Mr. Lloyd shall comply with all Arizona statutes and rules regulating  
23 Arizona money transmitters (A.R.S. §§ 6-1201, *et seq.*).

24 4. The provisions of this Order shall be binding upon Respondents, their employees,  
25 agents, and other persons participating in the conduct of the affairs of Respondents.

26 ...



