

TERRY GODDARD
Attorney General
Firm Bar No. 14000

E. G. NOYES, JR., #003676
Assistant Attorney General
1275 West Washington Street
Phoenix, Arizona 85007-2926
Attorneys for Plaintiff

**IN THE SUPERIOR COURT OF THE STATE OF ARIZONA
IN AND FOR THE COUNTY OF MARICOPA**

STATE OF ARIZONA,
Plaintiff,

v.

LORI LEE SPRANGER
(aka LORI MORIARITY,
and/or LORI LEE LEVANDOWSKI,
and/or LORI GESSELL) (001)
(Counts 1-14),

and

MICHAEL MORIARITY (002)
(Counts 1-3, 5-6, and 8-14),

Defendants.

Case No:

61 SGJ 5

INDICTMENT

CHARGING VIOLATIONS OF:

COUNTS 1-3: FRAUDULENT SCHEMES
AND ARTIFICES,
Class 2 Felonies, A.R.S. § 13-2310.

COUNT 4: ATTEMPTED FRAUDULENT
SCHEME AND ARTIFICE,
a Class 3 Felony,
A.R.S. §§ 13-1001 and 13-2310.

COUNTS 5-8: THEFT,
Class 2 Felonies, A.R.S. § 13-1802.

COUNTS 9 and 10: SECURITIES FRAUD,
Class 4 Felonies, A.R.S. § 44-1991.

COUNTS 11 and 12: SALE OF
UNREGISTERED SECURITIES,
Class 4 Felonies, A.R.S. § 44-1841.

COUNTS 13 and 14:
TRANSACTIONS BY UNREGISTERED
DEALERS OR SALESMEN
Class 4 Felonies, A.R.S. § 44-1842.

The Arizona State Grand Jury accuses DEFENDANTS LORI LEE SPRANGER and MICHAEL MORIARITY, charging on this 17th day of July, 2007, that:

COUNT 1 (FRAUDULENT SCHEMES AND ARTIFICES)

From about October 2004 through February 2006, DEFENDANTS LORI LEE SPRANGER and MICHAEL MORIARITY, pursuant to a scheme or artifice to defraud, knowingly obtained a benefit by means of false or fraudulent pretenses, representations, promises or material omissions, and the benefit so obtained involved property with a value of \$100,000 or more, in violation of A.R.S. §§ 13-2310, 13-301, 13-302, 13-303, 13-304, 13-305, 13-306, 13-701, 13-702, 13-702.01, and 13-801.

This conduct occurred when these Defendants, doing business under the trade name of “Vector 90 Debt Purchasing” (“Vector 90”), obtained about \$273,000 from about 10 investors by means of false and fraudulent pretenses, representations, promises and material omissions, including the following:

- a) That the business of Vector 90 was to purchase consumer and commercial debt for pennies on the dollar and to then place that debt for collection;
- b) That money invested in Vector 90 would be used for this business purpose;
- c) That Vector 90 would use agencies such as “Encompass West” to collect on the consumer and commercial debt it purchased with investor funds;
- d) That Defendant LORI SPRANGER had been successfully working in the debt collection industry for a decade; and,

e) That Vector 90 investors would receive a 35% return on their investment.

In truth, however, as Defendants well knew but failed to disclose to the investors:

a) Vector 90 was not a legal entity, it was not licensed to do business in Arizona or elsewhere, and it was not operated as an actual business;

b) Defendants would and did use most of the money invested in Vector 90 to pay their personal living expenses, and other expenses unrelated to the business of Vector 90;

c) Defendant LORI SPRANGER had previously, from about April 2000 until October 2002, done business as a collection agency under the trade name of "Kyrazod," she and her then-husband filed for bankruptcy in 2003, they received a bankruptcy discharge in 2004, and they included in that bankruptcy the debts that were incurred in the Kyrazod business;

d) Defendant LORI SPRANGER managed and partly-owned a purported collection agency named "Encompass West," which was not licensed as a collection agency in Arizona and, on January 28, 2005, entered into a consent order with the Arizona Department of Financial Institutions and agreed to cease and desist all unlicensed debt collection activities; and,

e) Vector 90 did no substantial debt collection business and made no profit; Defendants were able to pay early investors only by using money obtained from later investors.

COUNT 2 (FRAUDULENT SCHEMES AND ARTIFICES)

In September 2006 and October 2006, DEFENDANTS LORI LEE SPRANGER and MICHAEL MORIARITY, pursuant to a scheme or artifice to defraud, knowingly obtained a benefit by means of false or fraudulent pretenses, representations, promises or material omissions, and the benefit so obtained involved property with a value of \$100,000 or more, in

violation of A.R.S. §§ 13-2310, 13-301, 13-302, 13-303, 13-304, 13-305, 13-306, 13-701, 13-702, 13-702.01, and 13-801.

This conduct occurred when Defendants, doing business as “Capital Collection Bureau” (“CCB”), obtained from Taun and Maria Olson loans totalling \$125,000 by means of false and fraudulent pretenses, representations, promises and material omissions, including the following:

- a) That the business of CCB was to purchase consumer and commercial debt for pennies on the dollar and to then place that debt for collection;
- b) That the Olsons’ loan to CCB was a “bridge loan” that would be used “solely to pay, or to reimburse Borrower [CCB] for its business and operating expenses;”
- c) That Defendants had secured, or were about to secure, over \$1,000,000 in funding for CCB, and that the Olsons’ loan would be repaid as soon as this funding was finalized;
- d) That the Olsons’ loan to CCB was secured by a portfolio of consumer debt that was owned by Defendant LORI SPRANGER and was worth \$190,000; and,
- e) That the Olsons would receive a 30% return on their loan.

In truth, however, as Defendants well knew but failed to disclose to the Olsons:

- a) Neither Defendants nor CCB were licensed in Arizona or elsewhere to do business as a collection agency or to offer for sale or to sell securities;
- b) Defendants would and did use most of the money loaned to CCB to pay their personal living expenses and other expenses unrelated to the business of CCB;
- c) Defendant LORI SPRANGER had a negative history in the debt collection business, as described in Count 1 of this Indictment regarding Kyrazod and Encompass West;

d) The portfolio of debt that Defendant LORI SPRANGER owned, if it existed at all, was part of the Kyrazod portfolio and was worth much less than \$190,000, if anything.

e) The CCB business plan was virtually identical to that of Defendants' Vector 90 operation, which did no substantial debt collection business, made no profit, and in which Defendants were able to pay early investors only by using money obtained from later investors.

f) On February 10, 2006, the Arizona Corporation Commission temporarily ordered Defendants and Vector 90 to cease and desist from violating the Arizona Securities Act, from selling securities without being registered to do so, and from selling securities that were neither registered in Arizona nor exempt from registration requirements;

g) On September 12, 2006, the Arizona Corporation Commission, with the consent of Defendants, permanently ordered Defendants and Vector 90 to cease and desist from violating the Arizona Securities Act, from selling securities without being registered to do so, and from selling securities that were neither registered in Arizona nor exempt from registration. Regarding the Vector 90 operation, the Commission also ordered Defendants to pay restitution of \$224,660 and an administrative penalty of \$50,000, both of which remain unpaid.

h) As part of their consent to the Arizona Corporation Commission's September 12, 2006, Order, Defendants agreed under oath "that they will not exercise any control over any entity that offers or sells securities or provides investment advisory services within or from Arizona until such time as all restitution and penalties under this Order are paid in full."

COUNT 3 (FRAUDULENT SCHEMES AND ARTIFICES)

From about June 2006 through about June 2007, DEFENDANTS LORI LEE SPRANGER and MICHAEL MORIARITY, pursuant to a scheme or artifice to defraud, knowingly obtained a benefit by means of false or fraudulent pretenses, representations, promises or material omissions, in violation of A.R.S. §§ 13-2310, 13-301, 13-302, 13-303, 13-304, 13-305, 13-306, 13-701, 13-702, 13-702.01, and 13-801.

This conduct occurred when these Defendants, doing business as “Capital Collection Bureau” (“CCB”), obtained about \$55,000 from about three investors by means of false and fraudulent pretenses, representations, promises and material omissions, including the following:

- a) That the business of CCB was to purchase consumer and commercial debt for pennies on the dollar and to then place that debt for collection;
- b) That money invested in CCB would be used for this business purpose; and,
- c) That CCB investors would receive a 35% return on their investment.

In truth, however, as Defendants well knew but failed to disclose to investors:

- a) Neither Defendants nor CCB were licensed in Arizona or elsewhere to do business as a collection agency or to offer for sale or to sell securities;
- b) Defendants would and did use most of the money that was invested in CCB to pay their personal living expenses and other expenses unrelated to the business of CCB;
- c) Defendant LORI SPRANGER had negative history in the debt collection business, as described in Count 1 of this Indictment regarding Kyrzod and Encompass West;

d) The CCB business plan was virtually identical to that of Defendants' Vector 90 operation, which did no substantial debt collection business, made no profit, was able to pay early investors only by using money obtained from later investors, and was terminated pursuant to the "cease and desist" actions and orders of the Arizona Corporation Commission and the assurances and agreements from Defendants as described in Count 2 of this Indictment.

COUNT 4 (ATTEMPTED FRAUDULENT SCHEME AND ARTIFICE)

On about May 9, 2007, DEFENDANT LORI LEE SPRANGER, pursuant to a scheme or artifice to defraud, knowingly attempted to obtain a benefit by means of false or fraudulent pretenses, representations, promises or material omissions, in violation of A.R.S. §§ 13-1001, 13-2310, 13-701, 13-702, 13-702.01, and 13-801.

This conduct occurred when Defendant attempted to obtain a \$130,000 loan from persons who were identified to her as potential lenders named "Anna and Doug Cunningham" but were actually law enforcement officers acting undercover, and she did so by means of false and fraudulent pretenses, representations, promises and material omissions, including the following:

- a) That the loan would be used for the business purposes of CCB, which was to purchase consumer and commercial debt for pennies and to then place that debt for collection;
- b) That the "Cunninghams" would receive a 30% return on their loan;
- c) That the loan, although unsecured, was backed by the credibility of Defendant LORI SPRANGER, who, according to the resume she provided, had a positive history of accomplishments and accolades during her twelve years in the debt collection business.

In truth, however, as Defendant LORI SPRANGER well knew but failed to disclose:

- a) Neither she nor CCB was licensed in Arizona or elsewhere to do business as a collection agency or to offer for sale or sell securities;
- b) Defendant had a negative history in the debt collection business, as described in Count 1 of this Indictment regarding Kyrazod and Encompass West. and as described in Count 2 of this Indictment regarding Vector 90.

COUNT 5 (THEFT)

On or about December 9, 2005, DEFENDANTS LORI LEE SPRANGER and MICHAEL MORIARITY, knowingly and without lawful authority converted for an unauthorized term or use property of another that was entrusted to said Defendants or placed in their possession for a limited, authorized term or use, and the property had a value of \$25,000 or more, in violation of A.R.S. §§ 13-1802, 13-1801, 13-301, 13-302, 13-303, 13-304, 13-305, 13-306, 13-701, 13-702, 13-702.01, and 13-801.

This conduct occurred when Ronald R. Christian, Sr. entrusted Defendants with his \$100,000 investment in the Vector 90 business and when Defendants, who were authorized to use those funds only for purposes of that business, knowingly and without lawful authority converted over \$25,000 of those funds for unauthorized uses, such as paying their own living expenses.

COUNT 6 (THEFT)

On or about January 25, 2006, DEFENDANTS LORI LEE SPRANGER and MICHAEL MORIARITY, knowingly and without lawful authority converted for an unauthorized term or

use property of another that was entrusted to said Defendants or placed in their possession for a limited, authorized term or use, and the property had a value of \$25,000 or more, in violation of A.R.S. §§ 13-1802, 13-1801, 13-301, 13-302, 13-303, 13-304, 13-305, 13-306, 13-701, 13-702, 13-702.01, and 13-801.

This conduct occurred when J. W. Wight entrusted Defendants with his \$100,000 investment in the Vector 90 business and when Defendants, who were authorized to use those funds only for purposes of that business, knowingly and without lawful authority converted over \$25,000 of those funds for unauthorized uses, such as paying their own living expenses.

COUNT 7 (THEFT)

On or about April 12, 2006, DEFENDANT LORI LEE SPRANGER knowingly and without lawful authority converted for an unauthorized term or use property of another that was entrusted to Defendant or placed in her possession for a limited, authorized term or use, and the property had a value of \$25,000 or more, in violation of A.R.S. §§ 13-1802, 13-1801, 13-301, 13-302, 13-303, 13-304, 13-305, 13-306, 13-701, 13-702, 13-702.01, and 13-801.

This conduct occurred when Carl Erickson entrusted Defendant with his \$35,000 investment in what Defendant claimed was a new debt collection company she was opening, named “Universal Portfolio Systems, Inc.,” and when Defendant, who was authorized to use those funds only for purposes of that business, knowingly and without lawful authority converted over \$25,000 of those funds for unauthorized uses, such as paying the living expenses of herself and co-defendant Michael Moriarity.

COUNT 8 (THEFT)

On or about January 23, 2007, DEFENDANTS LORI LEE SPRANGER and MICHAEL MORIARITY, knowingly and without lawful authority converted for an unauthorized term or use property of another that was entrusted to said Defendants or placed in their possession for a limited, authorized term or use, and the property had a value of \$25,000 or more, in violation of A.R.S. §§ 13-1802, 13-1801, 13-301, 13-302, 13-303, 13-304, 13-305, 13-306, 13-701, 13-702, 13-702.01, and 13-801.

This conduct occurred when John Carr entrusted Defendants with his \$25,000 investment in the CCB business and when Defendants, who were authorized to use those funds only for purposes of that business, knowingly and without lawful authority converted those funds for unauthorized uses, such as paying their own living expenses.

COUNT 9 (SECURITIES FRAUD)

From about October 2004 through February 2006, DEFENDANTS LORI LEE SPRANGER and MICHAEL MORIARITY, in connection with a transaction or transactions within Arizona involving an offer to sell or sale of securities, directly or indirectly, employed any device, scheme or artifice to defraud and made untrue statements of material fact or omitted to state any material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading, in violation of A.R.S. §§ 44-1991, 44-1995, 44-1801, 13-301, 13-302, 13-303, 13-304, 13-305, 13-306, 13-701, 13-702, 13-702.01, and 13-801.

This conduct occurred when Defendants, in connection with transactions within Arizona involving the offer to sell and sale of securities in the form of investment contracts in Vector 90 that they offered through direct solicitation of potential investors, employed a scheme or artifice to defraud and made untrue statements of material fact, and omissions of material fact, as described in Count 1 of this Indictment.

COUNT 10 (SECURITIES FRAUD)

From about April 2006 through about June 2007, DEFENDANTS LORI LEE SPRANGER and MICHAEL MORIARITY, in connection with a transaction or transactions within Arizona involving an offer to sell or sale of securities, directly or indirectly, employed any device, scheme or artifice to defraud and made untrue statements of material fact or omitted to state any material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading, in violation of A.R.S. §§ 44-1991, 44-1995, 44-1801, 13-301, 13-302, 13-303, 13-304, 13-305, 13-306, 13-701, 13-702, 13-702.01, and 13-801.

This conduct occurred when Defendants, in connection with transactions within Arizona involving the offer to sell and sale of securities in the form of investment contracts in CCB and/or promissory notes from CCB that they offered through direct solicitation of potential investors, employed a scheme or artifice to defraud and made untrue statements of material fact, and omissions of material fact, as described in Count 3 of this Indictment.

COUNT 11 (SALE OF UNREGISTERED SECURITIES)

From about October 2004 through February 2006, DEFENDANTS LORI LEE SPRANGER and MICHAEL MORIARITY sold or offered for sale within or from Arizona securities that were required to be registered with the Arizona Corporation Commission and were not so registered, in violation of A.R.S. §§ 44-1841, 44-1801, 13-301, 13-302, 13-303, 13-304, 13-305, 13-306, 13-701, 13-702, 13-702.01, and 13-801.

This conduct occurred when Defendants sold and offered for sale within Arizona securities in the form of investment contracts in Vector 90 that they offered through direct solicitation of potential investors, these securities were required to be registered with the Arizona Corporation Commission, and these securities were not so registered.

COUNT 12 (SALE OF UNREGISTERED SECURITIES)

From about April 2006 through about June 2007, DEFENDANTS LORI LEE SPRANGER and MICHAEL MORIARITY sold or offered for sale within or from Arizona securities that were required to be registered with the Arizona Corporation Commission and were not so registered, in violation of A.R.S. §§ 44-1841, 44-1801, 13-301, 13-302, 13-303, 13-304, 13-305, 13-306, 13-701, 13-702, 13-702.01, and 13-801.

This conduct occurred when Defendants sold and offered for sale within Arizona securities in the form of investment contracts in CCB and/or promissory notes from CCB that they offered through direct solicitation of potential investors, these securities were required to be registered with the Arizona Corporation Commission, and these securities were not so registered.

COUNT 13 (TRANSACTIONS BY UNREGISTERED DEALERS OR SALESMEN)

From about October 2004 through February 2006, DEFENDANTS LORI LEE SPRANGER and MICHAEL MORIARITY sold, offered to sell, or offered for sale securities within or from Arizona, and neither Defendant was registered with the Arizona Corporation Commission as a securities dealer or salesman, in violation of A.R.S. §§ 44-1842, 44-1801, 13-301, 13-302, 13-303, 13-304, 13-305, 13-306, 13-701, 13-702, 13-702.01, and 13-801.

This conduct occurred when Defendants sold and offered for sale within Arizona securities in the form of investment contracts in Vector 90 that they offered through direct solicitation of potential investors, and neither Defendant was registered with the Arizona Corporation Commission as a securities dealer or salesman.

COUNT 14 (TRANSACTIONS BY UNREGISTERED DEALERS OR SALESMEN)

From about April 2006 through about June 2007, DEFENDANTS LORI LEE SPRANGER and MICHAEL MORIARITY sold, offered to sell, or offered for sale securities within or from Arizona, and neither Defendant was registered with the Arizona Corporation Commission as a securities dealer or salesman, in violation of A.R.S. §§ 44-1842, 44-1801, 13-301, 13-302, 13-303, 13-304, 13-305, 13-306, 13-701, 13-702, 13-702.01, and 13-801.

This conduct occurred when Defendants sold and offered for sale within Arizona securities in the form of investment contracts in CCB and/or promissory notes from CCB that they offered through direct solicitation of potential investors, and neither Defendant was registered with the Arizona Corporation Commission as a securities dealer or salesman.

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Pursuant to A.R.S. § 21-425, the State Grand Jurors find that the offenses described above were committed in or from Maricopa County, Arizona.

(A "True Bill")

TERRY GODDARD
ATTORNEY GENERAL
STATE OF ARIZONA

Dated: _____

E. G. Noyes, Jr.
Assistant Attorney General

Foreperson of the State Grand Jury