

**ADMINISTRATIVE PROCEEDING
BEFORE THE
SECURITIES COMMISSIONER OF MARYLAND**

IN THE MATTER OF:	*
CHECKMATE FINANCIAL, INC.	*
and	
CHESTER POTASH	* Securities Division No. 2005-0665
and	
MELVIN WEBMAN,	*
RESPONDENTS.	*

* * * * * * * * * * * * *

ORDER TO SHOW CAUSE

WHEREAS, the Securities Division of the office of the Maryland Attorney General, pursuant to the authority granted in section 11-701 of the Maryland Securities Act, Title 11, Corporations and Associations Article, Annotated Code of Maryland (1999 Repl. Vol. & Supp. 2005) (the “Act”), undertook an investigation into the securities-related activities of Checkmate Financial, Inc., Chester Potash, and Melvin Webman (collectively the “Respondents”); and

WHEREAS, as a result of that investigation the Maryland Securities Commissioner (the “Commissioner”) finds grounds to allege that the Respondents have violated sections 11-301, 11-401, 11-402, and 11-501 of the Act;

THEREFORE, the Commissioner orders each Respondent to show cause why a final order should not be entered ordering that Respondent to cease and desist from violating those registration and antifraud provisions of the Act, to show cause why a statutory monetary penalty should not be assessed against that Respondent for such violations, and to show cause why that Respondent should not be barred from engaging in the securities business in Maryland for or on behalf of others and from being or acting as a principal or consultant in any entity engaged in such activities.

I. JURISDICTION

1. The Commissioner has jurisdiction in this proceeding pursuant to section 11-701.1 of the Act.

II. RESPONDENTS

2. Checkmate Financial, Inc. (“Checkmate”) is a Florida corporation, with its last known address at 560 NW 165 St. Road, Miami, FL 33169.

3. Chester Potash (“Potash”) is the president of Checkmate, with an address at 560 NW 165 St. Road, Miami, FL 33169.

4. Melvin Webman (“Webman”) at all relevant times was the vice-president of Checkmate, with an address at 560 NW 165 St. Road, Miami, FL 33169.

III. STATEMENT OF FACTS

On information and belief, the Commissioner alleges the following as the basis for this Order:

5. Checkmate, incorporated in January 2004, at all relevant times has held itself out as being in the business, *inter alia*, of providing mobile units and stationary sites for check-cashing services.

6. Through calls and materials sent to investors, Checkmate offered an investment plan paying at least 18% interest on all funds invested in its 2-year notes, which were accompanied by what Checkmate termed “debentures” given to the “depositor/investors.”

7. Checkmate promised to pay a certain interest rate based on the amount invested, monthly or quarterly for two years, after which the principle could be either repaid to or re-invested by the investor.

8. In February 2005, a Maryland resident was called by Potash, who claimed to have gotten that resident’s name from a subscription list. Potash described the Checkmate plan, and solicited an investment.

9. Based upon Potash’s representation of his experience and his Florida license as a check-casher, and the promise of a monthly interest check for an 18% annual interest payment, the investor sent

\$10,000 to Potash for investment in a Checkmate note/debenture.

10. Soon thereafter, Webman called the investor and solicited additional investment funds. Webman promised to increase the interest rate to 22% if another \$5,000 was invested. The investor sent the additional \$5,000.

11. The investor received monthly interest checks from Checkmate for several months. In June 2005, however, the investor received a letter advising him not to cash the last check he had received; the investor already had tried to deposit the check, and it had been returned by the bank. The investor was promised that a replacement check soon would be sent; no other check has been received.

12. The investor called Potash a few months ago, and was told that there had been trouble in the Checkmate office and that all payments had ceased, but that Checkmate would be resuming business soon.

13. Another Maryland resident, a co-worker of the investor described above, was solicited to invest. Potash sent her a "Business Agreement," which specified the terms of the Checkmate investment: all funds would be held in a "working capital fund" for two years, with automatic roll-over, paying 18% interest per year, payable monthly. Reassured by Potash's Florida state license as a "check casher," the investor sent \$5,000 in March 2005, and received a Checkmate "debenture."

14. About two weeks after her investment, the investor received a letter from Checkmate claiming that operations were being slowed as the result of an investigation of the industry by the U.S. Postal Service.

15. After receiving three monthly interest checks, that investor received notice that the last check she had received would not clear the bank; she already had tried to deposit it, and it was returned by the bank. She was informed by Potash that Webman, who handled the processing of such payments, was ill. She was told that a replacement check would be sent to her.

16. When no replacement check was forthcoming from Checkmate, the investor requested a refund of her principle. She received no money back, and has heard nothing further from Checkmate.

17. Checkmate has failed to identify other Maryland investors.
18. The Securities Division has no record of securities registration for an offering by or in the name of Checkmate Financial, Inc., nor has any claim of exemption or status as a federal-covered security been filed with the Division with respect to any such offering.
19. Checkmate is not registered with the Securities Division as a securities broker-dealer or agent, or as an investment adviser or investment adviser representative.
20. Potash is not registered with the Securities Division as a securities broker-dealer or agent, or as an investment adviser or investment adviser representative.
21. Webman is not registered with the Securities Division as a securities broker-dealer or agent, or as an investment adviser or investment adviser representative.
22. Investors were given no disclosure materials prior to or at the time of payment for their investment, and received no disclosure of risk.
23. The investors were not told that Webman had been enjoined in 1981 from violating the Commodity Exchange Act. In May 2005, he was named in a suit brought by the CFTC, charging him with involvement in a foreign currency options fraud (S.D.N.Y. 5/19/05).
24. Potash did not disclose to investors that in April 2002 he had been named in an order from the Arkansas Securities Department against Ace Payday Plus LLC, for violations of the registration and antifraud provisions of that state's securities laws.
25. Potash did not disclose to investors that he and Checkmate had been named in July 2004 in an order from the Pennsylvania Securities Commission, charging violations of the registration provisions of that state's securities laws.
26. Potash did not disclose to investors that he and Checkmate had been named in August 2004 in an order from the South Dakota Division of Securities, charging violations of the registration and antifraud provisions of that state's securities laws.

COUNT I

(Offer and Sale of Unregistered Securities)

WHEREAS, section 11-501 of the Securities Act makes it unlawful for any person to offer or sell a security in this state unless the security is registered, is exempt from registration under Subtitle 6 of the Act, or is a federal covered security; and

WHEREAS, the notes/debentures offered and sold by the Respondents are investment contracts and promissory notes, which constitute "securities" within the meaning of section 11-101 of the Act; and

WHEREAS, there is no record of registration, or of a claim of exemption from registration or qualification as a federal covered security filed with the Division by or on behalf of Checkmate; and

WHEREAS, Respondents have offered and sold securities in Maryland in violation of the registration requirements of section 11-501 of the Act;

THEREFORE, IT IS HEREBY ORDERED that each Respondent show cause why that Respondent should not be ordered permanently to cease and desist from the offer and sale of unregistered securities, why that Respondent should not be assessed a statutory monetary penalty for such violations, and why that Respondent should not be barred from engaging in the securities business in this state and from being a principal or consultant in any entity so engaged.

COUNT II

(Unregistered Broker-Dealer and/or Agent)

WHEREAS, section 11-401 of the Securities Act makes it unlawful for any person to transact business in the offer and sale of securities in this state as a broker-dealer or agent unless that person is registered as such pursuant to the Act; and

WHEREAS, under section 11-101(c) of the Act, a "broker-dealer" is defined as a person engaged in the business of effecting transactions in securities for the account of others or for his own account; and

WHEREAS, under section 11-101(b) of the Act, an "agent" is defined as an individual other than

a broker-dealer, including a partner, officer or director of an issuer, who represents a broker-dealer or issuer in effecting or attempting to effect the purchase and sale of securities; and

WHEREAS, Potash and Webman acted as agents of Checkmate, and offered and sold securities in the form of investment contracts and notes in this state; and

WHEREAS, Potash and Webman are not registered with the Division as agents to transact securities business in this state;

THEREFORE, IT IS HEREBY ORDERED that Potash and Webman each show cause why he should not be ordered permanently to cease and desist from acting as an unregistered agent or broker-dealer in this state, why he should not be assessed a statutory monetary penalty for such violations, and why he should not be barred from engaging in the securities business in this state and from being a principal or consultant in any entity so engaged.

COUNT III

(Employment of Unregistered Agents for Sale of Securities)

WHEREAS, under section 11-101(k) of the Securities Act, an "issuer" is defined as a person, including a corporation, that issues or proposes to issue a security; and

WHEREAS, the investment contracts and notes offered and sold by Respondents are securities under the Act; and

WHEREAS, Respondent Checkmate is an issuer under the Act; and

WHEREAS, the Act defines "broker-dealer" to mean a person engaged in the business of effecting transactions in securities for the account of others or for his own account; and

WHEREAS, the Act defines "agent" to mean an individual other than a broker-dealer, who represents a broker-dealer or issuer in effecting or attempting to effect the purchase or sale of securities; and

WHEREAS, under section 11-402(a) of the Act, and the regulations promulgated thereunder, it is unlawful for any broker-dealer or issuer to employ or associate with an agent unless the agent is registered

pursuant to the Act; and

WHEREAS, Potash and Webman, as agents of Checkmate, solicited offers to purchase, offered to sell, and sold securities issued by Checkmate; and

WHEREAS, the Division's files contain no record of the registration of Potash or Webman as a broker-dealer or agent in this state, pursuant to the Act;

THEREFORE, IT IS HEREBY ORDERED that Checkmate show cause why it should not be ordered permanently to cease and desist from employing unregistered securities agents in this state, why it should not be assessed a statutory monetary penalty for such violations, and why it should not be barred from engaging in the securities business in this state.

COUNT IV
(Fraud in Connection with Sale of Securities)

WHEREAS, section 11-301 of the Securities Act prohibits any person, in connection with the offer, sale or purchase of any security, directly or indirectly to: (1) employ any device, scheme or artifice to defraud; (2) make any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they are made, not misleading; or (3) engage in any act, practice, or course of business which operates or would operate as a fraud or deceit on any person; and

WHEREAS, Respondents offered and sold securities in the form of investment contracts and notes by making materially false and misleading statements regarding the use of invested funds and the amounts and sources of investor profits; and

WHEREAS, Respondents omitted material facts that were necessary to make statements that were made not misleading, including full representation of the risks associated with an investment in Checkmate, the use of invested funds, the company's history and management personnel, and the source of promised payments;

THEREFORE, IT IS HEREBY ORDERED that each Respondent show cause why that Respondent should not be ordered permanently to cease and desist from engaging in fraudulent acts in connection with the offer or sale of a security in violation of section 11-301 of the Act, why that Respondent should not be assessed a monetary penalty for such violations, and why that Respondent should not be barred from engaging in the securities business in this state or being a principal or consultant in any entity so engaged.

**NOTICE OF HEARING
AND REQUIREMENT OF ANSWER**

_____ IT IS FURTHER **ORDERED**, pursuant to section 11-701.1 of the Securities Act and the Code of Maryland Regulations, COMAR 02.02.06.06, that each Respondent shall file a written Answer to this Order with the Securities Commissioner within fifteen days of service of the Order. The Answer shall admit or deny each factual allegation in the Order and shall set forth affirmative defenses, if any. A Respondent without knowledge or information sufficient to form a belief as to the truth of an allegation shall so state.

The Answer also shall indicate whether the Respondent requests a hearing. A hearing will be scheduled in this matter if one is requested in writing. Failure by any Respondent to file a written request for a hearing in this matter shall be deemed a waiver by that Respondent of the right to such a hearing.

Failure of a Respondent to file an Answer or a request for a hearing shall result in entry of a final order directing that Respondent permanently to cease and desist from violation of the Act and imposing the sanctions sought in this Order.

IT IS SO ORDERED:

_____, 2006 _____

MELANIE SENTER LUBIN
SECURITIES COMMISSIONER