

Division of Securities
Utah Department of Commerce
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Salt Lake City, UT 84114-6760
Telephone: (801) 530-6600
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BEFORE THE DIVISION OF SECURITIES
OF THE DEPARTMENT OF COMMERCE
OF THE STATE OF UTAH

IN THE MATTER OF:

PENNY FINANCIAL, INC.
PERRY PENNY
TERRY PENNY
RYM TECHNOLOGY HOLDINGS, LLC
FELIX L. DANIEL SR.

Respondents.

STIPULATION AND CONSENT
ORDER

Docket No. SD-06-0097
Docket No. SD-06-0098
Docket No. SD-06-0099
Docket No. SD-06-0100
Docket No. SD-06-0101

The Utah Division of Securities (Division), by and through its Director of Enforcement, Michael Hines, and Penny Financial, Inc., Perry Penny, and Terry Penny, hereby stipulate and agree as follows:

1. Penny Financial, Inc., Perry Penny, Terry Penny, Rym Technology Holdings, LLC, and Felix L. Daniel Sr., were the subject of an investigation conducted by the Division into

allegations that they violated certain provisions of the Utah Uniform Securities Act (the Act), Utah Code Ann. § 61-1-1, et seq, as amended.

2. In connection with that investigation, on December 21, 2006, the Division issued an Order to Show Cause (OSC) to the above mentioned Respondents alleging that they committed securities fraud in violation of the Act.
3. Penny Financial, Inc., Perry Penny, Terry Penny, and the Division have agreed to settle the matter by way of this Stipulation and Consent Order (Consent Order).
4. On March 16, 2007, the Division held Rym Technology Holdings, LLC, and Felix L. Daniel Sr. in default for failing to file a written response to the OSC, and for failing to appear at the scheduled hearing, and fined them a total of \$75,000.
5. Penny Financial, Inc., Perry Penny, and Terry Penny admit the jurisdiction of the Division over them and over the subject matter of this action.
6. Penny Financial, Inc., Perry Penny, and Terry Penny waive any right to a hearing to challenge the Division's evidence and present evidence on their own behalf.

THE DIVISION'S INVESTIGATIVE FINDINGS

From October 2006 to March 2007, the Division conducted an investigation of Penny Financial, Inc., Perry Penny, and Terry Penny which revealed the following:

7. Penny Financial, Inc. (Penny Financial) was registered as a Michigan corporation by Terry Penny and Perry Penny on April 27, 2004, and its corporate status is currently "active." Penny Financial is not a registered business entity in Utah.

8. Perry Penny (Perry) resides in Maricopa County, Arizona.
9. Terry Penny (Terry) resides in Maricopa County, Arizona. Perry and Terry are husband and wife.
10. Rym Technology Holdings, LLC (Rym Technology) was registered as a Michigan company on September 16, 2003, and its corporate statue is currently “active.” Rym Technology is not a registered business entity in Utah.
11. Felix Daniel (Daniel) resides in Wayne County, Michigan. At all times relevant to the matters asserted herein, Daniel held himself out to be the Managing Member of Rym Technology.
12. In July 2006, S. C., a Utah resident, first learned about Penny Financial and its “5 Years to Freedom Program” from Perry.
13. S. C. had signed up for a real estate investing program called the Wealth Intelligence Academy (the Academy).
14. Perry was assigned to S. C. as her coach and mentor through the Academy, and came to Utah on July 25, 2006, to train S. C..
15. During the training, Perry told S. C. she should set up her own website in order to generate business. S. C. asked Perry if he had a website, and he replied that he did and gave S. C. the web-address.
16. When S. C. visited Perry’s website, which is also Penny Financial’s website, she read about the “5 Years to Freedom Program” (the Program).

17. Penny Financial's website made the following statements about the Program:
- a. "Pay off your mortgage in only 5 years and reduce your new mortgage payments by 50%."
 - b. "Free and clear in only 5 years! Lower your monthly payment! No Risk!"
 - c. "To qualify, you would need to have at least 25% equity in your home, or have that amount in cash. You would refinance your home if you need to access your equity, then you're ready to enter into the 5 YEARS TO FREEDOM Program."
 - d. "Your initial investment matures in 5 years to the amount of the original loan."
 - e. "The principal investment of the 5 YEARS TO FREEDOM Program is guaranteed, and will generate the amount of money borrowed, making this a "win-win" opportunity so you have nothing to lose."
 - f. "Your equity is invested through a reputable investment firm, with a guaranteed return on investment. Therefore, the profit made from investing the equity pays off your mortgage. By the end of the 5 years, your mortgage is paid in full, and your home is free and clear. This program is patent pending, so we've had to provide extensive documentation, showing that this program is both legitimate and beneficial."
 - g. "There is NO involvement with risky investments, such as stocks. And since the cost of the 5 YEARS TO FREEDOM Program is fully guaranteed, with interest, this means you have **NOTHING TO LOSE!**"
 - h. "The minimum loan amount is \$50,000, and there's **no maximum loan amount.**"
 - i. "Consulting fee is 2% of the loan amount, and is due and payable at the time you enter your mortgage into the program."
 - j. "All parties agree that they are not licensed to sell securities and that if completed, this transaction would be exempted under the 1933 Securities Act."
18. The next time Perry came to S. C.'s home to train her, S. C. asked him about the Program.

19. Perry told S. C. the Program had nothing to do with the Academy, and if he was going to talk to her about the Program she needed to know that it was not related to or endorsed by those in charge of the Academy.
20. S. C. told Perry she understood the basics of the Program, but had some additional questions. S. C. asked Perry how Penny Financial could guarantee such a high return on investments.
21. Perry told S. C. that Penny Financial had a separate investment company, Rym Technology, that invested the money mainly in large real estate deals such as apartment conversions in New York and China.
22. Perry told S. C. that Penny Financial was in the process of getting a patent for the Program, and it had already passed inspection by the US Attorney's Office and the IRS.
23. Perry said that after the IRS inspected their investment opportunity, thirty IRS agents invested in the Program.
24. After Perry left Utah, the majority of S. C.'s communication about the Program was with Terry Penny by email.
25. On August 22, 2006, S. C. sent an e-mail to Terry asking if S. C. should refinance her home to get a higher loan to value.
26. Terry responded by saying "We always suggest that the homeowners pull as much cash out at the closing as possible."

27. On September 11, 2006, S. C. sent another email to Terry informing Terry that S. C. would like to enroll in the Program. S. C. asked to receive any forms she would need to complete.

28. Terry responded with the following:

Felix Daniel of Rym-Technology Holdings, our investing source, will draw up two copies of the contracts. There will be a Payment Note and a Property Maintenance Agreement. He will sign and overnight to you two originals of each contract, then you sign both sets and keep one copy for your records. Then return the other signed set, along with two checks, to us.

29. On September 12, 2006, Terry e-mailed S. C., instructing her to include two checks with the signed contracts: one for \$24,846.80, and one for \$993.87. The \$24,846.80 was the amount of money S. C. could borrow against her own home. The \$993.87 was to pay Penny Financial's consulting fee, and represented 1.4%¹ of the amount still owing on her home, or \$70,000.

30. On September 15, 2006, Terry e-mailed S. C. telling her "With the Mortgage that you're currently putting into the program, here's how your return on investing (ROI) would break down:

Investment amount: \$24,846

Monthly return: \$537.82 X 54 months (4 ½ yrs.) = \$29,042.28

Balloon payment in 4 ½ yrs: \$70,990.87

¹ Penny Financial's consulting fee was advertised on its web site as 2% of the "loan amount," meaning the amount still owing on the home mortgage. The consulting fee S. C. was asked to pay was lower because she was going to act as a referral for Penny Financial.

\$100,033.15

That's 403% ROI over 4 ½ yrs.
That's over 89% ROI per year NOT BAD!!!!!"

31. On or about September 15, 2006, S. C. received a package in the mail from Daniel of Rym Technology, which included a Payment Note signed by Daniel as the Managing Member of Rym Technology, and an unsigned Property Maintenance Agreement.
32. The Payment Note was from Rym Technology to S. C., in the amount of \$24,846.40, included an interest rate of 7% per year, and matured on March 1, 2011.
33. S. C. chose not to invest in the Program.

Securities Fraud

34. In connection with the offer of securities to S. C., Penny Financial, Inc., Perry Penny, and Terry Penny, directly or indirectly, made false statements, including, but not limited to, the following:
 - a. That there was no risk involved in the investment, when, in fact, every investment involves some risk and this one involved multiple, significant risks;
 - b. That investors are guaranteed a return of their principal plus interest, when, in fact, Respondents had no reasonable basis on which to make this representation;
 - c. That if the investor chose to invest in the Program, all parties involved would agree that the transaction would be exempted from registration under the 1933

Securities Act, when, in fact, parties to an investment cannot agree to whether or not an investment is exempt from registration, it either is or it is not exempt;

- d. Perry told S. C. the Program was in the process of becoming patented and had passed inspection by the US Attorney's Office and the IRS, when, in fact, the US Patent and Trademark Office is the only agency involved in inspecting and approving a patent;
 - e. Perry told S. C. that after the IRS inspected the Program, thirty IRS agents invested, when, given that the IRS is not involved in the patenting process and never actually inspected the Program, Perry had no reasonable basis on which to make this representation; and
 - f. Terry told S. C. that if she invested \$24,846 in the Program, she would receive a return of 89% per year, or 403% over 4 ½ years, when, in fact, Terry had no reasonable basis on which to make these representations.
35. In connection with the offer of a security to S. C., Penny Financial, Inc., Perry Penny, and Terry Penny, directly or indirectly, failed to disclose material information, including, but not limited to, the following, which was necessary in order to make representations made not misleading:
- a. Some or all of the information typically provided in an offering circular or prospectus regarding Penny Financial and Rym Technology, such as:

- i. The business and operating history for Penny Financial and Rym Technology;
- ii. Identities of Penny Financial's and Rym Technology's principals along with their experience in this type of business;
- iii. Penny Financial's and Rym Technology's financial statements;
- iv. The market for the product of the companies;
- v. The nature of the competition for the product;
- vi. Current capitalization of the issuer;
- vii. A description of how the investment would be used by the businesses;
- viii. The track record of the companies to investors;
- ix. Risk factors for investors;
- x. The number of other investors;
- xi. The minimum capitalization needed to participate in the investment;
- xii. The disposition of any investments received if the minimum capitalization were not achieved;
- xiii. The liquidity of the investment;
- xiv. Discussion of pertinent suitability factors for the investment;
- xv. The proposed use of the investment proceeds;
- xvi. Any conflicts of interest the issuer, the principals, or the agents may have with regard to the investment;

- xvii. Agent commissions or compensation for selling the investment;
- xviii. Whether the investment is a registered security or exempt from registration; and
- xix. Whether the person selling the investment is licensed.

THE DIVISION'S CONCLUSIONS

- 36. Based on the Division's investigative findings, the Division concludes that:
 - a. The investment opportunity and "Payment Note" offered by Penny Financial, Inc., Perry Penny, and Terry Penny, are securities under § 61-1-13 of the Act, and
 - b. Penny Financial, Inc., Perry Penny, and Terry Penny violated § 61-1-1 of the Act by making misrepresentations of material fact and omitting to state material facts in connection with the offer and sale of a security in or from Utah.

- 37. Penny Financial, Inc., Perry Penny, and Terry Penny admit the substance of the Division's investigative conclusions and consents to the Division entering an Order:
 - a. Requiring Penny Financial, Inc., Perry Penny, and Terry Penny, to cease and desist from engaging in any further conduct in violation of the Utah Securities Act; and
 - b. Requiring Perry Penny and Terry Penny to pay a fine, jointly and severally, of ten thousand dollars (\$10,000) to the Division, nine thousand (\$9,000) of which will be waived so long as Perry Penny and Terry Penny pay the remaining one thousand dollar (\$1,000) fine pursuant to the following payment plan, and so long

as they permanently refrain from violating Utah securities laws. Terry Penny and Perry Penny will begin paying the administrative fine at the rate of \$100 a month beginning ~~September~~ ^{October} 1, 2007 until the fine is paid. Any missed payment will be considered a violation of the Stipulation, and result in collection of the waived portion of the fine. If at any time the Division discovers that Perry Penny or Terry Penny acted in violation of Utah securities laws, the waived portion of the fine will be due to the Division within one month of the date on which the Division gives Perry Penny and Terry Penny written notice.

38. Penny Financial, Inc., Perry Penny, and Terry Penny acknowledge that this Consent Order, upon approval by the Division Director, shall be the final compromise and settlement of this matter. Penny Financial, Inc., Perry Penny, and Terry Penny further acknowledge that if the Division Director does not accept the terms of the Consent Order, it shall be deemed null and void and without any force or effect whatsoever.
39. Penny Financial, Inc., Perry Penny, and Terry Penny acknowledge that the Consent Order does not affect any civil or arbitration causes of action that third parties may have against Penny Financial, Inc., Perry Penny, and Terry Penny arising in whole or in part from their actions, and that the Consent Order does not affect any criminal cause of action that a prosecutor might bring.
40. This Consent Order constitutes the entire agreement between the parties herein and supersedes and cancels any and all prior negotiations, representations, understandings, or

agreements between the parties. There are no verbal agreements which modify, interpret, construe, or otherwise affect this Consent Order in any way.

41. Penny Financial, Inc., Perry Penny, and Terry Penny represent that any information they have provided to the Division is accurate and complete.
42. Violation of this Consent Order is a third degree felony pursuant to § 61-1-21(1) of the Act.
43. Penny Financial, Inc., Perry Penny, and Terry Penny have read this Consent Order, understand its contents, and enter into this Consent Order voluntarily. No promises or threats have been made by the Division, nor by any member, officer, agent, or representative of the Division other than as contained herein, to induce Penny Financial, Inc., Perry Penny, or Terry Penny to enter into this Consent Order.

Utah Division of Securities

Date: 9/13/07

By: [Signature]
Michael Hines
Director of Enforcement

Approved:

[Signature]
Jeff Buckner
Assistant Attorney General

Respondent Penny Financial

Date: 9-10-07

By: Terry L. Penny

Its: President

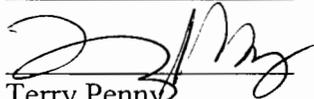
Respondent Perry

Date: 9.10.07

[Signature]
Perry Penny

Respondent Terry Penny

Date: 9-10-07


Terry Penny

ORDER

Pursuant to the terms of the Stipulation and Consent Order defined above, the Director of the Utah Division of Securities hereby orders that:

- a. Penny Financial, Inc., Perry Penny, and Terry Penny, CEASE and DESIST from engaging in any further conduct in violation of the Utah Securities Act; and
- b. Perry Penny and Terry Penny pay, jointly and severally, a fine of ten thousand dollars (\$10,000) to the Division, nine thousand (\$9,000) of which will be waived so long as Perry Penny and Terry Penny pay the remaining one thousand dollar (\$1,000) fine pursuant to the following payment plan, and so long as they permanently refrain from violating Utah securities laws. Perry Penny and Terry Penny will begin paying the administrative fine at the rate of \$100 a month beginning ^(TP) ~~September~~ ^{October} 1, 2007 until the fine is paid. ^(TP) Any missed payment will be considered a violation of the Stipulation, and result in collection of the waived portion of the fine. If at any time the Division discovers that Perry Penny or

Terry Penny acted in violation of Utah securities laws, the waived portion of the fine will be due to the Division within one month of the date on which the Division gives Perry Penny and Terry Penny written notice.

DATED this 14th day of September, 2007.


WAYNE KLEIN
Director, Utah Division of Securities



Certificate of Mailing

CERTIFIED

I certify that on the 14TH day of September 2007, I mailed a true and correct copy of the Stipulation and Consent Order to:

Perry and Terry Penny
405 W. Midland Lane
Gilbert, AZ 85233

RAWALA RADZINSKI
Executive Secretary