

**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.	*	

\*   \*   \*   \*   \*   \*   \*   \*   \*   \*   \*   \*   \*

**FINAL ORDER TO CEASE AND DESIST**

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, on the basis of that investigation the Securities Commissioner found grounds to allege that the Respondents had engaged in an act or practice constituting a violation of sections 11-301, 11-401, 11-402, and 11-501 of the Act; and

WHEREAS, the Commissioner issued an Order To Show Cause, ordering 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, why a statutory monetary penalty should not be assessed against that Respondent for such violations, and why that Respondent should not be barred from engaging in the securities business in Maryland for or on behalf of others, or from being or acting as a principal or consultant in any entity engaged in such activities; and

WHEREAS, that Order gave Respondents notice of the opportunity for a hearing in this matter, if requested in writing within fifteen days of service of that Order, and gave notice that as to any Respondent not requesting a hearing, a Final Order To Cease And Desist would be issued, imposing a bar from engaging in securities transactions on behalf of others and a monetary civil penalty; and

WHEREAS, none of the Respondents has filed an Answer or requested a hearing;

NOW, THEREFORE, having determined that it is in the public interest to issue this Final Order To Cease And Desist, THE COMMISSIONER FINDS AND ORDERS:

### **I. JURISDICTION**

1. The Commissioner has jurisdiction in this proceeding and over the Respondents 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. FINDINGS OF FACTS**

For the purpose of this Order, the Commissioner finds that:

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 promised a monthly interest check for an 18% annual interest payment. The investor sent \$10,000 to Potash for investment in a Checkmate note/debenture.

9. 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.

10. Another Maryland resident, a co-worker of the investor described above, was solicited to invest via a “Business Agreement” Potash sent her, which promised 18% interest per year, payable monthly. Reassured by Potash’s Florida state license as a “check cashier,” the investor sent \$5,000 in March 2005, and received a Checkmate “debenture.”

11. The investors received a couple monthly interest checks from Checkmate, but then each investor received a letter advising not to cash the last check received. The investors already had tried to deposit the checks, and they had been returned by the bank. The investors were promised that a replacement check soon would be sent; none has been received.

12. The investors called Potash a few months ago, and were told that all payments had ceased, but that Checkmate would be resuming business soon.

13. Checkmate has failed to identify other Maryland investors.

14. 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.

15. Checkmate is not registered with the Division as a securities broker-dealer or agent, or as an investment adviser or investment adviser representative.

16. Potash is not registered with the Division as a securities broker-dealer or agent, or as an investment adviser or investment adviser representative.

17. Webman is not registered with the Division as a securities broker-dealer or agent, or as an investment adviser or investment adviser representative.

18. Investors were given no disclosure materials prior to or at the time of payment for their investment, and received no disclosure of risk.

19. Potash did not disclose to investors that in April 2002 he had been named in an order from the Arkansas Securities Department, for violations of the registration and antifraud provisions of that state's securities laws. Potash did not disclose that he and Checkmate had been named in July 2004 in an order from the Pennsylvania Securities Commission, and had been named in August 2004 in an order from the South Dakota Division of Securities, each charging violations of the respective state's securities laws.

20. 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).

21. The Order To Show Cause and notice of the right to a hearing was served on the Respondents in compliance with Maryland law.

22. None of the Respondents requested a hearing, and their right to a hearing has been forfeited.

#### **IV. CONCLUSIONS OF LAW**

23. 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.

24. Respondents violated section 11-501 of the Act by offering and selling unregistered securities in Maryland, for which no claim of preemption or exemption has been filed.

25. Respondents violated section 11-401(a) of the Act by transacting business in the offer or sale of securities in this state as a broker-dealer or securities agent, without being registered pursuant to the Act.

26. Respondent Checkmate violated section 11-402(a) of the Act by employing an unregistered agent for the offer and sale of securities in this state.

27. Respondents violated section 11-301 of the Act by making material omissions and misrepresentations in connection with the offer and sale of securities in this state.

## **V. SANCTIONS**

IT IS HEREBY ORDERED THAT:

28. (a) Respondents permanently cease and desist, in or from Maryland on behalf of themselves or others, from offering or selling securities in violation of the Act, from offering and selling any securities whether registered or exempt from registration, and from engaging in any transaction exempted under the Act; and that

(b) Respondents are permanently barred from engaging in the securities or investment advisory businesses in Maryland for or on behalf of others, or from acting as a principal or consultant in any entity so engaged; and that

(c) Respondents, jointly and severally, are assessed a civil monetary penalty of \$40,000 pursuant to section 11-701.1(b) of the Act, payable by certified check to the Office of the Attorney General.

## **VI. JURISDICTION RETAINED**

29. Jurisdiction is retained by the Securities Commissioner for the purpose of enabling any party to this Order to apply for such further orders and directions as may be necessary or appropriate for the construction or enforcement of this Order.

**IT IS SO ORDERED**

June , 2006

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MELANIE SENTER LUBIN  
SECURITIES COMMISSIONER