

BEFORE THE  
STATE OF WISCONSIN  
DEPARTMENT OF FINANCIAL INSTITUTIONS  
DIVISION OF SECURITIES

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In the Matter of  
PAYMENT WORKS, INC. aka PAYMENTWORKS,  
DANNY RAY DIGMAN, SR.,  
LORI LEA BURROW, and  
JAMES A. SCHIBLY,

PETITION FOR ORDER

Respondents.

File No. S-03272(EX)

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The staff of the State of Wisconsin, Department of Financial Institutions, Division of Securities, Bureau of Registration & Enforcement, has conducted an investigation in this matter pursuant to sec. 551.56, Wis. Stats. and as a result thereof alleges as follows:

1. According to the Texas State Securities Board, Payment Works, Inc. aka PaymentWorks (hereinafter "Payment Works") is a Texas Corporation, with last known business addresses of 1807 West Slaughter Lane, Suite 200-492, Austin, Texas 78748 and 4403 Manchaca Road, Suite D, Austin, Texas 78745;
2. Danny Ray Digman, Sr. (hereinafter "Digman"), has a CRD # of 1101997, with a date of birth of December 21, 1960, and , according to the Texas State Securities Board, is an individual who at all times material hereto has been the chairman of the board of Payment Works, with a last known business address at that of Payment Works, and a last known home address of 10712 Trophy Cove, Austin, Texas 78745;
3. Lori Lea Burrow (hereinafter "Burrow"), is an individual who, according to the Texas State Securities Board, at all times material hereto has been an officer, director and/or a controlling person of Payment Works, with a last known business address at that of Payment Works and a last known home address of 10712 Trophy Cove, Austin, Texas 78745;
3. James A. Schibly (hereinafter "Schibly"), is an individual who at all times material hereto has been an agent of Payment Works, Digman and Burrow, with a last known home address of 1631 Kimball Street, Green Bay, Wisconsin 54302;
4. During the period of 2003, Schibly, on behalf of Payment Works, Digman and Burrow, offered and sold to at least 11 persons in Wisconsin interests in a sale and leaseback program (hereinafter "the Payment Works Program") involving Scrip Dispensing Automated Teller Machines (hereinafter "the ATMs");
5. According to the "Purchase Order" materials received by persons in Wisconsin from Payment Works, referred to in Paragraph 4 above, "...7. Pursuant to Buyer's written indication on the front of this Agreement, Seller will refrain from shipping the ATMs to Buyer and instead execute a lease agreement pursuant to which Seller will lease from Buyer one or more of the ATMs purchased hereunder. Such lease shall be in the form of that attached to this Agreement, and shall provide, among other things, as follows: (a) The initial lease term shall be for 60 Months. (b) The fixed monthly rent paid to Buyer shall be \$ \_\_\_\_ for each ATM being leased by Seller under the lease. ...;"
6. Upon information and belief, investors can play a passive role in the Payment Works Program, with no duties and responsibilities;

7. Upon information and belief, at the time of investment with Payment Works, investors have the option of leasing the ATMs purchased to Payment Works, and Payment Works will do the work necessary to operate and maintain the ATMs, resulting in the return on investment to the investors;
8. Upon information and belief, each investor, referred to in Paragraph 4 above, will not be involved in the day-to-day management of the ATMs in the Payment Works Program, since they do not have the expertise or experience necessary to perform its duties;
9. Since the investors will be involved in a common enterprise with the expectation of profits to be derived from the essential managerial efforts of others, the Payment Works Program offered and sold by the Respondents, to the persons referred to in Paragraph 4 above, are investment contracts as defined by section DFI-Sec. 1.02(6)(a), Wis. Adm. Code, and are therefore securities as defined by sec. 551.02(13), Wis. Stats.;
10. The Payment Works Program investment contracts have never been registered for offer and sale in Wisconsin pursuant to Ch. 551, Wis. Stats.;
11. All Respondents have violated sec. 551.21(1), Wis. Stats., by offering and selling unregistered securities to persons in Wisconsin;
12. In connection with the offers and sales of the securities described in Paragraph 4 above, Schibly transacted business in Wisconsin as an "agent" for Payment Works, Digman and Burrow, as that term is defined by sec. 551.02(2), Wis. Stats.;
13. At no time has Schibly been licensed as a securities agent pursuant to Ch. 551, Wis. Stats.;
14. Schibly has violated sec. 551.31(1), Wis. Stats., by transacting business in Wisconsin as a securities agent without a license;
15. Payment Works, Digman and Burrow have violated sec. 551.31(2), Wis. Stats., by employing an unlicensed agent to represent them in Wisconsin;
16. On August 4, 2003, the State of Texas Securities Board issued an Emergency Cease and Desist Order, based on a Findings of Fact and Conclusion of Law, against Payment Works, Digman, and others, in which Payment Works, Digman and others were said to have violated registration and anti-fraud provisions of the Texas Securities Act;
17. According to records of the State of Texas Securities Board, Digman was convicted in or about April 1993 of federal charges for false and fraudulent tax claims, for which he was sentenced to 57 months of incarceration, 36 months of supervised release, and ordered to pay restitution, and that he was released from federal prison in or about December 1998;
18. Upon information and belief, in connection with the offers and sales of the securities described in Paragraph 4 above, the Respondents omitted to disclose the issuance of the order referred to in Paragraph 16 above, and the conviction and imprisonment of Digman referred to in Paragraph 17 above;
19. All Respondents have violated sec. 551.41(2), Wis. Stats., by omitting to state material facts necessary in order to make the statements made, in the light of the circumstances under which they are made, not misleading, in connection with the offer and sale of securities to persons in Wisconsin; and

20. Staff of the Bureau of Registration & Enforcement requested in writing of Payment Works and Schibly certain information and documents relative to the offers and sales to the persons in Wisconsin, but to date have received no response despite the due date for a response having passed.

Therefore, the staff of the Bureau of Registration & Enforcement petitions the Administrator of the Division of Securities for the issuance of the attached Order pursuant to Ch. 551, Wis. Stats.

*Mark E. Dorman* 2-4-04

Mark E. Dorman  
Examiner

Date

*Harold Grothman* 2/4/04

Harold Grothman  
Staff Attorney

Date