



BEFORE THE ARIZONA CORPORATION COMMISSION

21

COMMISSIONERS

Arizona Corporation Commission

DOCKETED

NOV 23 2004

MARC SPITZER, Chairman  
WILLIAM A. MUNDELL  
JEFF HATCH-MILLER  
MIKE GLEASON  
KRISTIN K. MAYES

DOCKETED BY *NR*

In the matter of:

DOCKET NO. S-03505A-04-0000

FOUNTAIN CAPITAL MANAGEMENT, LLC

DECISION NO. 67431

c/o DAVID A. FAZIO  
3616 West Cortez  
Phoenix, Arizona 85029

**ORDER TO CEASE AND DESIST, ORDER OF RESTITUTION, ORDER FOR ADMINISTRATIVE PENALTIES AND CONSENT TO SAME BY: RESPONDENTS STEPHEN A. AND CHERYL J. HILTBRAND**

INTEGROWTH FINANCIAL GROUP  
C/O ROGER ALVIN SANDE  
CDC # V06974  
P.O. Box 2210  
Susanville, California 96130

RICHARD A. FANDRICH  
11424 North 25th Avenue  
Phoenix, Arizona 85029

DAVID A. and DEBORAH FAZIO  
3616 West Cortez  
Phoenix, Arizona 85029

DONALD and HELEN ABERNATHY  
2323 North Central Avenue, #803  
Phoenix, Arizona, 85004

STEPHEN A. and JANE DOE  
HILTBRAND  
2156 E. Estrella Circle  
Mesa, Arizona 85202

ROGER ALVIN SANDE  
CDC # V06974  
P.O. Box 2210  
Susanville, California 96130

Respondents.

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1 Respondents Stephen A. Hiltbrand ("Hiltbrand") and Cheryl Hiltbrand ("C. Hiltbrand")  
2 elect to permanently waive any right to a hearing and appeal under Articles 11 and 12 of the  
3 Securities Act of Arizona, A.R.S. § 44-1801 *et seq.* ("Securities Act") with respect to this Order To  
4 Cease And Desist, Order Of Restitution, Order For Administrative Penalties and Consent to Same  
5 By: Stephen A. and Cheryl Hiltbrand ("Order"). Hiltbrand and C. Hiltbrand admit the jurisdiction  
6 of the Arizona Corporation Commission ("Commission"); neither admit nor deny the Findings of  
7 Fact and Conclusions of Law contained in this Order; and consent to the entry of this Order by the  
8 Commission.  
9

10 **I.**

11 **FINDINGS OF FACT**

12 1. Stephen A. Hiltbrand ("Hiltbrand") resides 2156 E. Estrella Circle, Mesa, Arizona  
13 85202. He is a member of Respondent Fountain Capital Management, LLC ("FCM").

14 2. Cheryl J. Hiltbrand ("C. Hiltbrand") was at all relevant times the spouse of Hiltbrand.  
15 C. Hiltbrand is joined in this action under A.R.S. § 44-2031(C) solely for purposes of determining the  
16 liability of the marital community.  
17

18 3. At all times relevant, Hiltbrand was acting for his own benefit, and for the benefit or in  
19 furtherance of the marital community.

20 4. At all times relevant, Hiltbrand was licensed to sell insurance in the state of Arizona,  
21 and continue to be licensed today. He was not registered with the Division as a broker or a securities  
22 salesman.  
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24 5. In 1999, Respondents Integrowth Financial Group ("Integrowth") and Roger Alvin  
25 Sande ("Sande") recruited Respondents Hiltbrand, Richard A. Fandrich ("Fandrich"), Donald  
26 Abernathy and David Fazio ("Fazio") (collectively "the Individual Respondents") to start a branch

1 office of Integrowth in Phoenix. Sande told the Individual Respondents that Integrowth was his  
2 company. The purpose of the company was to sell viatical and other investment opportunities to  
3 members of the public in Arizona. Sande told the Individual Respondents that Integrowth marketed  
4 viatical policies and other investment opportunities. Sande agreed with the Individual Respondents  
5 that Integrowth would pay all expenses incurred in the sale of the viaticals and would pay the  
6 Individual Respondents a 7% commission on each viatical policy they sold.

7 6. In June 1999, the Individual Respondents formed FCM, and continued their  
8 operations under its name. The Individual Respondents and FCM (collectively the "FCM  
9 Respondents") continued to sell viatical policies, just as they had with Integrowth. Integrowth and  
10 Sande continued to receive an override commission on all products sold by the FCM Respondents.

11 7. The FCM Respondents agreed that they would share all commissions among  
12 themselves, without regard to which of them made the actual sale.

13 8. Both Integrowth and FCM ran advertisements in Phoenix newspapers, offering  
14 investments with returns as high as 40%. Once investors called, Integrowth, Sande and the FCM  
15 Respondents (collectively "Respondents") attempted to sell them the investments.

#### 16 The Viatical Policies

17 9. From at least January 1999 through at least June 2000, the Respondents offered and  
18 sold securities in the form of viatical settlement contracts and investment contracts to Arizona  
19 investors. A viatical settlement contract involves the purchase of an interest in the proceeds from a  
20 life insurance policy of a terminally ill individual. Various viatical companies purchase the  
21 policies at a discount and re-sell the benefits to investors at less than the full face value. When the  
22 policy matures, that is when the insured dies, the investor receives the full face value as return of  
23 investment plus profit.  
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1           10. All viatical policies sold by Respondents were on behalf of Future First Financial  
2 Group ("Future First") of Pointe Verda Beach, Florida. The Respondents told investors that the  
3 only risk involved with the purchase of viatical policies was the risk that the insured would die at a  
4 later date, thereby reducing the expected return. They informed investors that returns could be as  
5 high as 100%, with the investment being safe and guaranteed.

6           11. Investors did not receive medical information on the insured whose policy they  
7 purchased. Rather, they received a short summary from a medical doctor, simply describing the  
8 life expectancy of the insured. Investors were told that Future First viatical policies were 100%  
9 correct in their medical assessments with no insured living past their expected date of death.

10           12. Investors were also informed that they would never have to pay any fees or other  
11 payments after they purchased the viatical policy.

12           13. On or about February 4, 2000, Future First and its vice-president were indicted by  
13 the state of Florida for 81 counts of grand theft and one count of organized fraud in connection  
14 with the marketing of fraudulently obtained policies valued at \$6,900,000. Later, additional  
15 officials of Future First, including its president, were also indicted. After Future First defaulted on  
16 its management responsibilities with respect to the viatical policies, investors were left with the  
17 choice of making additional payments to keep the policies in effect or allowing policies to lapse  
18 due to nonpayment of premiums. Some Future First viatical policies were found not to have actual  
19 underlying insurance policies.  
20

21           14. The Respondents failed to provide full disclosure regarding the investment  
22 including risk, disclosure statements, prospectuses, financial statements or their own lack of due  
23 diligence in investigating the investment. They failed to provide certain material information to  
24 investors about Future First, including but not limited to past operations, balance sheets, statements  
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1 of income, retained earnings, and cash flows that would reflect the financial position of these  
2 entities. They distributed literature that misrepresented the investment as a “no risk” opportunity.  
3 They failed to provide investors with certain material information about the use of investor  
4 proceeds, such as the cost to purchase the policy, the fees and commissions payable to them,  
5 medical advisors, or any other participants in the program. The information the FCM Respondents  
6 provided to investors was obtained from Integrowth, Sande and others in their upline, including  
7 Future First. At the time the FCM Respondents sold the Future First investments, Future First was  
8 a licensed Florida viatical settlement provider.

9  
10 15. From January 1999 through at least June 2000, the Respondents offered and sold  
11 securities in the form of viatical settlement contracts and investment contracts to at least 34  
12 Arizona investors, who invested a total of at least \$1,110,482.

### 13 The Alpha Pay Telephone Contracts

14 16. Alpha Telcom, Inc. (“Alpha”) was an Oregon corporation located at 2751 Highland  
15 Avenue, Grants Pass, Oregon 97526.

16 17. American Telecommunications Company, Inc. (“ATC”) was a Nevada corporation  
17 formed as a wholly owned subsidiary of Alpha on or about September 17, 1998. Originally named  
18 ATC, Inc., the name was changed to American Telecommunications Company, Inc., sometime in  
19 the first half of 2000. Its address was the same as Alpha’s, but was later changed to 620 S.W. 4<sup>th</sup>  
20 Street, Grants Pass, Oregon 97526, then to 2900 Vine Street, Suite J, Grants Pass, Oregon 97526,  
21 and then to 942 S.W. 6<sup>th</sup> Street, Suite G, Grants Pass, Oregon 97526.

22  
23 18. Paul S. Rubera (“Rubera”) was the president and control person of Alpha, and the  
24 control person of ATC.

25 19. ATC was organized by Rubera and operated in conjunction with and as an alter ego  
26

1 of Alpha. The two companies were controlled by Rubera and his associates.

2           20.     Alpha and ATC, and their affiliates, sold pay telephones with telephone service  
3 agreements pursuant to which the investor would share in the profits of the pay telephone.  
4 Investors would enter into two agreements, a purchase agreement, and a service agreement with  
5 Alpha to manage the phone. The two agreements were presented and promoted simultaneously.  
6 The telephones were presented to potential investors with four options in the way of service  
7 contracts, each varying in the amount of service provided. The four options varied from Level 1,  
8 which included a minimum of service, to Level 4, which provided full service to the purchaser,  
9 including choosing a site and installing the telephone, collecting all revenue from the telephone's  
10 operation, repairing the telephone when necessary, and even repurchasing or buying back the  
11 telephone at the investor's option. Under Level 4, Alpha would split the net proceeds with the  
12 investor on a 70/30 basis, with Alpha retaining 70% and the investor receiving 30%. The price of  
13 the pay telephones was the same regardless of the service option chosen, \$5,000.00 per telephone.  
14 Although investors were given a choice of using a company other than Alpha to manage the phone,  
15 no known Arizona investor picked a company other than Alpha to manage their phones. A "typical  
16 return" on each pay telephone was touted as 14% per year. In practice, all purchasers received  
17 \$58.34 per month per pay telephone purchased, which amounted to exactly 14% per annum.  
18

19           21.     ATC's primary role was marketing the contracts. Alpha's main focus was on  
20 obtaining phone sites and installing, servicing, and managing the phones.  
21

22           22.     ATC was presented to the public as the sales organization for Alpha. In early 1999,  
23 ATC engaged Strategic Partnership Alliance, L.L.C., a Nevada limited liability company, and/or  
24 SPA Marketing, L.L.C., a Nevada limited liability corporation, (collectively "SPA") as its  
25 independent marketing and sales firm(s). SPA thereafter was responsible for hiring, training, and  
26

1 supervising sales agents who were selling the telephone contracts. After SPA came on board, ATC  
2 remained as the processing center for the contracts, while Alpha continued to perform the service  
3 and maintenance of the phones.

4 23. The FCM Respondents, directly or indirectly, entered into agreements with Alpha,  
5 ATC, and/or SPA, pursuant to which the FCM Respondents sold investment contracts involving  
6 Alpha pay telephones (the "Alpha investment contracts") within or from the state of Arizona. All  
7 Alpha investment contracts the FCM Respondents sold were Level 4 contracts.

8 24. The FCM Respondents told prospective investors their investments were insured.  
9 The insurers' name varied. Mentioned most often was the Northern and Western Insurance  
10 Company of Grand Turk, Turks and Caicos Islands, British West Indies ("N&W"). Also  
11 mentioned were Lloyd's of London and four other insurance companies listed as re-insurers.  
12 N&W was a captive insurance company wholly owned by Paul S. Rubera, the President and  
13 control person of Alpha, and Robert S. Harrison of Richmond, Texas. N&W is not authorized to  
14 write insurance in Arizona. On information and belief, N&W was not authorized to write  
15 insurance in any state in which the Alpha pay telephones were located.

17 25. The FCM Respondents presented Alpha to prospective customers as a stable,  
18 profitable, and innovative company that had been in business since 1985. Alpha was said to be  
19 selling and providing a "turn-key" operation. FCM obtained this and other information it provided  
20 to its investors from Alpha, SPA and their agents.

22 26. The FCM Respondents were paid commissions from 12% per telephone sold.

23 27. Alpha has a long regulatory history in which state securities regulators have found that  
24 these purchases of pay telephones and accompanying service contracts were unregistered securities in  
25 the form of investment contracts that were sold by unregistered persons and/or entities, and ordered  
26

1 Alpha and those working with it to cease and desist. Between September 1998 and August 2000,  
2 eight states issued orders against Alpha finding that the payphone investments involved the offer  
3 and sale of unregistered securities. The FCM Respondents did not reveal these orders to the  
4 investors with whom they dealt.

5 28. The United States Securities and Exchange Commission sued Alpha and its  
6 affiliates in *SEC v. Alpha Telecom, Inc., et al.*, No. CV 01-1283 PA. The court entered a temporary  
7 restraining order on August 27, 2001 and a preliminary injunction on September 6, 2001. The SEC  
8 alleged that Alpha and its affiliates engaged in a Ponzi-like scheme that never generated enough  
9 income to pay expenses, and that the money paid to existing investors always came from sales to  
10 new investors. A court-appointed receiver subsequently took over the remaining operations of  
11 Alpha. Alpha consented on October 19, 2001 to entry of the Final Judgment of Permanent  
12 Injunction against it, but did not admit the allegations of the Complaint.  
13

14 29. Alpha's monthly payments to investors ceased approximately August, 2001.

15 30. The FCM Respondents sold Alpha investment contracts involving telephones to at  
16 least 9 individuals or entities within or from the state of Arizona from September 2000 through July,  
17 2001, for a total sales amount of at least \$250,000.

#### 18 Chemical Trust Investment Contract

19 31. Beginning 1999, the Respondents began offering the Chemical Trust investment.  
20 Investors were told that Chemical Trust was a "Members Only Investment Trust" located in West  
21 Palm Beach, Florida. Agents, such as Respondents, were instructed to market the investment to  
22 investors at a minimum of \$10,000 per contract for 12 months or more. The Respondents were given  
23 authority to offer as much as 25% interest for each investment. Of that 25%, the Respondents were  
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1 able to choose how much to offer to investors as interest and how much they would keep for their  
2 commissions for selling the investment.

3 32. Investors were told that the investments are guaranteed two ways. First, the  
4 investments are guaranteed by Chemical Trust which allegedly held \$450,000,000 in assets.  
5 Second, the investments were guaranteed by a surety payment bond totaling "in excess of \$6  
6 billion dollars" that was provided "for 100% of their principal amount invested" at no cost to the  
7 investor. The surety payment bond was allegedly provided by U. S. Guarantee Corporation  
8 located in Phoenix, Arizona. In fact, U. S. Guarantee Corporation is not licensed in Arizona as a  
9 surety insurer. USGC allegedly had assets of \$2,415,142,120, which backed up the bond  
10 guaranteeing the investment. Those funds turned out not to exist.

11  
12 33. The Respondents informed investors that Chemical Trust had been in business for  
13 14 years. Chemical Trust allegedly made profits by purchasing U.S. Treasury notes and distressed  
14 property at discount, selling for an immediate profit. The FCM Respondents obtained this and  
15 other information they provided to its investors from Integrowth, Sande and others in their upline,  
16 including Chemical Trust, U.S. Guarantee and their agents.

17 34. On January 7, 2000, the SEC filed a complaint against Chemical Trust, USGC, and  
18 others alleging that the money invested with them was misappropriated and sent to offshore bank  
19 accounts. It also alleged that Chemical Trust represented to investors that their funds would be  
20 used to purchase U.S. Treasury notes and distressed properties, and the investment was 100 percent  
21 guaranteed through the security bond with U.S. Guarantee. According to the SEC's complaint,  
22 Chemical had not purchased any U.S. Treasury notes or distressed properties, and investor funds  
23 were not secured. The complaint alleges that, in a classic Ponzi scheme fashion, Chemical Trust  
24 used new investor funds to pay interest to existing investors, in a Ponzi scheme. Subsequently, a  
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1 preliminary injunction and final judgment was issued against the defendants and a receiver  
2 appointed to attempt to collect assets.

3 35. On June 30, 2000, the ACC entered an Order against Chemical Trust and others,  
4 finding that they violated the Arizona Securities Act. *See In re Alliance Trust, et al.*, DOCKET  
5 NO. S-03363A-99-0000.

6 36. The Respondents sold at least \$856,042 of investments in Chemical Trust to at least  
7 20 investors.

### 8 The ATM Program

9 36. The FCM Respondents sold investments in automatic teller machines ("ATMs") to  
10 the public through Integrated Cash Systems ("ICS"). Pursuant to the service contracts promoted  
11 with the ATMs, the service companies would manage the equipment for the purpose of generating  
12 a profit for investors. The offering documents for the investments stated that the ATMs were  
13 allegedly placed with retail merchants in order to enable electronic purchase transactions at the  
14 customers' points of delivery. The services offered include locating and installing the equipment  
15 with retail merchants, handling or processing the transactions, monitoring and maintaining the  
16 equipment, insuring the equipment, and issuing monthly profit distribution checks to the investors  
17 or "business owners."  
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19  
20 37. Although the offering documents for the ATMs describe options for different levels  
21 of managing the equipment, in practice, all investors selected the full-service option, which offered  
22 a revenue-sharing feature and a buy-back provision from the recommended service company. Under  
23 the full-service option, investors had no responsibilities with respect to the operation of their  
24 equipment beyond signing the service contracts, no financial obligations apart from the initial  
25 payment to purchase the units, no continuing financial obligation in the operation of their  
26

1 equipment, and no liability for any expenses or costs related to the operation of the equipment. At  
2 least one of the services offered to investors, i.e., transaction handling, requires special expertise.  
3 That function involves processing transactions, and is the key to generating a profit for investors.

4 38. The FCM Respondents sold the ATMs to investors who had no experience in or  
5 knowledge of the cash terminal business, who never intended to take possession of, or to manage,  
6 the equipment, and who did not even know where their equipment was located. The FCM  
7 Respondents obtained this and other information they provided to its investors from ICS and its  
8 agents.  
9

10 39. According to written materials and oral statements made to investors, investors in  
11 the ATM programs are supposed to receive a) minimum monthly revenue equivalent to 12% of  
12 their original investment generated from the operation of their equipment; b) a share of the monthly  
13 net profit on each machine in excess of the base monthly payment; c) a full return of their  
14 investment at the end of the five-year term because they have a right to sell the equipment back to  
15 the service company for the original amount of the investment, or renew the investment; and d) if  
16 the monthly revenue from the operation of the machine falls below the base payment, the right to  
17 request that the service company repurchase the equipment for the original sales price or relocate  
18 the equipment to another location with the potential for a higher profit from sharing in increased  
19 revenue.  
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21 40. Despite these representations, ICS defaulted on payments and failed to repurchase  
22 the investors' ATM machines as requested. The FCM Respondents sold at ATM investments to at  
23 least four investors who invested at least \$88,000.  
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**The Other Securities Orders**

1  
2 41. On September 28, 1999, the Iowa Securities Bureau issued an order against  
3 Integrowth and Abernathy for violation of its securities laws for their sale of the Chemical Trust  
4 products.

5 42. On August 24, 1999, the North Dakota Commissioner of Securities issued an order  
6 against Integrowth and Hiltbrand for violations of its securities laws.

7 43. On October 29, 2001, Sande was arrested on 38 felony counts of theft and  
8 unlicensed sales of viaticals, allegedly defrauding investors of over \$2.7 million. On November 19,  
9 2003, Sande was sentenced to seven years and four months in prison, in addition to paying  
10 \$1,453,929.56 in restitution.

11 44. On November 11, 2003, the Wisconsin Department issued an order for fraud in the  
12 sale of securities against FCM, Abernathy, Fazio and Fandrich.

13 45. Respondents did not inform any investors of any of the Orders against them, nor of  
14 any of the Orders against the companies whose investments they sold.  
15

16  
17 **II.**

18 **CONCLUSIONS OF LAW**

19 1. The Commission has jurisdiction over this matter pursuant to Article XV of the  
20 Arizona Constitution and the Securities Act.

21 2. Hiltbrand offered or sold securities within or from Arizona, within the meaning of  
22 A.R.S. §§ 44-1801(15), 44-1801(21), and 44-1801(26).

23 3. Hiltbrand violated A.R.S. § 44-1841 by offering or selling securities that were  
24 neither registered nor exempt from registration.

25 4. Hiltbrand violated A.R.S. § 44-1842 by offering or selling securities while neither  
26 registered as dealers or salesmen nor exempt from registration.



1 Arizona” to be placed in an interest-bearing account maintained and controlled by the Arizona  
2 Attorney General. The Arizona Attorney General shall disburse the funds on a pro rata basis to  
3 investors. Any funds that the Attorney General is unable to disburse shall be transferred to the  
4 general fund of the state of Arizona. If Hiltbrand and C. Hiltbrand do not comply with this order of  
5 restitution, any outstanding balance shall be in default and shall be immediately due and payable.

6 IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2036, that Hiltbrand and C.  
7 Hiltbrand shall, jointly and severally, pay an administrative penalty in the amount of \$15,000. Any  
8 amount outstanding shall accrue interest at the rate of 10% per annum from the date of this Order  
9 until paid in full. The payment obligations for these administrative penalties shall be subordinate  
10 to any restitution obligations ordered herein and shall become immediately due and payable only  
11 after restitution payments have been paid in full, or if Hiltbrand and C. Hiltbrand have defaulted  
12 prior to fulfilling their restitution obligations. If Hiltbrand and C. Hiltbrand do not comply with  
13 this order for administrative penalties, any outstanding balance may be deemed in default and shall  
14 be immediately due and payable.

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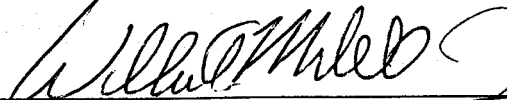
1 IT IS FURTHER ORDERED, that if Hiltbrand and C. Hiltbrand fail to comply with this  
2 order, the Commission may bring further legal proceedings against that Hiltbrand and C. Hiltbrand,  
3 including application to the superior court for an order of contempt.

4 IT IS FURTHER ORDERED that this Order shall become effective immediately.

5 BY ORDER OF THE ARIZONA CORPORATION COMMISSION

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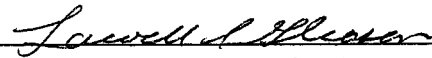
7 CHAIRMAN

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7 COMMISSIONER

6  *Office of Hatch-Miller*

7 COMMISSIONER

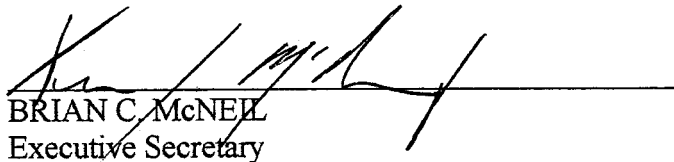
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10 COMMISSIONER

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10 COMMISSIONER

11 IN WITNESS WHEREOF, I, BRIAN C. McNEIL, Executive  
12 Secretary of the Arizona Corporation Commission, have  
13 hereunto set my hand and caused the official seal of the  
14 Commission to be affixed at the Capitol, in the City of  
15 Phoenix, this 23<sup>rd</sup> day of November, 2004.

15   
16 BRIAN C. McNEIL  
17 Executive Secretary

18 \_\_\_\_\_  
18 DISSENT

19  
20 \_\_\_\_\_  
20 DISSENT

21 This document is available in alternative formats by contacting Yvonne L. McFarlin, Executive  
22 Assistant to the Executive Secretary, voice phone number 602-542-3931, E-mail  
23 [ymcfarlin@cc.state.az.us](mailto:ymcfarlin@cc.state.az.us).

24 (md)

**CONSENT TO ENTRY OF ORDER**

1  
2           1.       Respondents Hiltbrand and C. Hiltbrand admit the jurisdiction of the Commission  
3 over the subject matter of this proceeding. Hiltbrand and C. Hiltbrand acknowledge that they have  
4 been fully advised of their right to a hearing to present evidence and call witnesses and Hiltbrand  
5 and C. Hiltbrand knowingly and voluntarily waive any and all rights to a hearing before the  
6 Commission and all other rights otherwise available under Article 11 of the Securities Act and  
7 Title 14 of the Arizona Administrative Code. Hiltbrand and C. Hiltbrand acknowledge that this  
8 Order constitutes a valid final order of the Commission.

9           2.       Hiltbrand and C. Hiltbrand knowingly and voluntarily waive any right under Article  
10 12 of the Securities Act to judicial review by any court by way of suit, appeal, or extraordinary  
11 relief resulting from the entry of this Order.

12           3.       Hiltbrand and C. Hiltbrand acknowledge and agree that this Order is entered into  
13 freely and voluntarily and that no promise was made or coercion used to induce such entry.

14           4.       Hiltbrand and C. Hiltbrand acknowledge that they have been represented by an  
15 attorney in this matter, they have reviewed this Order with their attorney and understand all terms it  
16 contains.

17           5.       Hiltbrand and C. Hiltbrand neither admit nor deny the Findings of Fact and  
18 Conclusions of Law contained in this Order.

19           6.       By consenting to the entry of this Order, Hiltbrand and C. Hiltbrand agree not to  
20 take any action or to make, or permit to be made, any public statement denying, directly or  
21 indirectly, any Finding of Fact or Conclusion of Law in this Order or creating the impression that  
22 this Order is without factual basis. Hiltbrand and C. Hiltbrand will undertake steps necessary to  
23 assure that all of their agents and employees understand and comply with this agreement. Nothing  
24 in this Order affects Hiltbrand and C. Hiltbrand's right to assert any legal or factual position in any  
25 litigation in which the state of Arizona, its agencies or its political subdivisions are not parties.



1           7.     While this Order settles this administrative matter between Hiltbrand and C.  
2 Hiltbrand and the Commission, Hiltbrand and C. Hiltbrand understand that this Order does not  
3 preclude the Commission from instituting other administrative proceedings based on violations that  
4 are not addressed by this Order.

5           8.     Hiltbrand and C. Hiltbrand understand that this Order does not preclude the  
6 Commission from referring this matter to any governmental agency for administrative, civil, or  
7 criminal proceedings that may be related to the matters addressed by this Order.

8           9.     Hiltbrand and C. Hiltbrand understand that this Order does not preclude any other  
9 agency or officer of the state of Arizona or its subdivisions from instituting administrative, civil or  
10 criminal proceedings that may be related to matters addressed by this Order.

11          10.    Hiltbrand agrees that he will not apply to the state of Arizona for registration as a  
12 securities dealer or salesman or for licensure as an investment adviser or investment adviser  
13 representative until such time as all restitution and penalties under this Order are paid in full.

14          11.    Hiltbrand agrees that he will not exercise any control over any entity that offers or  
15 sells securities or provides investment advisory services within or from Arizona until such time as  
16 all restitution and penalties under this Order are paid in full.

17          14.    Hiltbrand agrees that he will not sell any securities in or from Arizona without being  
18 properly registered in Arizona as a dealer or salesman, or exempt from such registration; he will  
19 not sell any securities in or from Arizona unless the securities are registered in Arizona or exempt  
20 from registration; and he will not transact business in Arizona as an investment adviser or an  
21 investment adviser representative unless properly licensed in Arizona or exempt from licensure.

22          15.    Hiltbrand and C. Hiltbrand acknowledge and understand that if they fail to comply  
23 with the provisions of the order and this consent, the Commission may bring further legal  
24 proceedings against them, including application to the superior court for an order of contempt.

1           16.     Hiltbrand and C. Hiltbrand agree that until restitution and penalties are paid in full,  
2 Hiltbrand and C. Hiltbrand shall notify the Director of the Securities Division within 30 days of  
3 any change in home address and any change in Hiltbrand and C. Hiltbrand's ability to pay amounts  
4 due under this Order. Hiltbrand and C. Hiltbrand agree that they shall provide the Commission  
5 with an updated financial statement every six months from entry of this Order or when any change  
6 in their ability to pay restitution occurs. Hiltbrand and C. Hiltbrand agree that failure to perform  
7 any action in this paragraph shall result in their being in default with any outstanding balance being  
8 immediately due and payable without notice or demand.

9           17.     Hiltbrand and C. Hiltbrand understands that default shall render them liable to the  
10 Commission for its costs of collection and interest at the maximum legal rate.

11           18.     Hiltbrand and C. Hiltbrand agree and understand that if they fail to make any  
12 payment as required in the Order, any outstanding balance shall be in default and shall be  
13 immediately due and payable without notice or demand. Hiltbrand and C. Hiltbrand agree and  
14 understand that acceptance of any partial or late payment by the Commission is not a waiver of  
15 default by the Commission.

16           19.     Hiltbrand agrees that he will continue to cooperate with the Securities Division  
17 including, but not limited to, providing complete and accurate testimony at any hearing in this  
18 matter and cooperating with the state of Arizona in any related investigation or any other matters  
19 arising from the activities described in this Order.

20           20.     Hiltbrand and C. Hiltbrand acknowledge that any restitution, rescission or penalties  
21 imposed by this Order are obligations of Hiltbrand as well as the marital community of Hiltbrand  
22 and C. Hiltbrand.

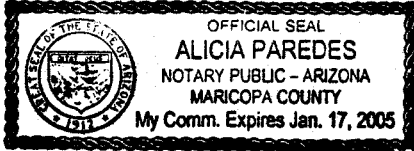
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1           21.     Hiltbrand and C. Hiltbrand consent to the entry of this Order and agree to be fully  
2 bound by its terms and conditions.



3  
4 Stephen A. Hiltbrand  
5 Stephen A. Hiltbrand

6  
7 Cheryl J. Hiltbrand  
8 Cheryl Hiltbrand

9 SUBSCRIBED AND SWORN TO BEFORE me this 4<sup>th</sup> day of November, 2004.

10  
11 Alicia Parede  
12 NOTARY PUBLIC  
13 Alicia Parede

14 My Commission Expires:

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26 1/17/05