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BEFORE THE ARIZONA CORPORATION COMMISSION

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WILLIAM A. MUNDELL  
Chairman  
JIM IRVIN  
Commissioner  
MARC SPITZER  
Commissioner

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AZ CORP COMMISSION  
DOCUMENT CONTROL

NEW

In the matter of: )  
)  
ROBERT DALE HYLTON )  
19404 North 71<sup>st</sup> Avenue )  
Glendale, Arizona 85308 )  
)  
HYLTON ENTERRPISES, INC. )  
P.O. Box 5955 )  
Glendale, Arizona 85312 )  
)  
OREO MANAGEMENT CO. )  
19404 North 71<sup>st</sup> Avenue )  
Glendale, Arizona 85308 )  
)  
LEGEND LEASING CO. )  
19404 North 71<sup>st</sup> Avenue )  
Glendale, Arizona 85308 )  
)  
LIBERTY MARKETING CO. )  
19404 North 71<sup>st</sup> Avenue )  
Glendale, Arizona 85308 )  
)  
PASSPORT WHOLESALE SUPPLY )  
19404 North 71<sup>st</sup> Avenue )  
Glendale, Arizona 85308, )  
)  
Respondents. )

DOCKET NO. S-03394A-01-0000  
  
**NOTICE OF OPPORTUNITY FOR  
HEARING REGARDING  
PROPOSED ORDER TO CEASE  
AND DESIST, FOR RESTITUTION,  
FOR ADMINISTRATIVE AND  
FOR OTHER AFFIRMATIVE  
ACTION**

**NOTICE: RESPONDENTS HAVE 10 DAYS TO REQUEST A HEARING**

The Securities Division ("Division") of the Arizona Corporation Commission ("Commission") alleges that respondents have engaged in acts, practices and transactions that constitute violations of the Securities Act of Arizona, A.R.S. § 44-1801 *et seq.*, ("Securities Act").

I.

JURISDICTION

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

5 II.

6 RESPONDENTS

7 2. ROBERT DALE HYLTON ("HYLTON") is an Arizona resident whose current address  
8 is 19404 North 71<sup>st</sup> Avenue, Glendale, Arizona 85308.

9 3. HYLTON ENTERPRISES, INC. ("HEI"), is an entity whose current address is P.O. Box  
10 5955, Glendale, Arizona 85312. HYLTON is the owner of HEI.

11 4. LEGEND LEASING CO. ("LL") is an entity whose current address is 19404 North 71<sup>st</sup>  
12 Avenue, Glendale, Arizona 85308. HYLTON is the trustee of LL.

13 5. LIBERTY MARKETING CO. ("LMC") is an entity whose current address is 19404  
14 North 71<sup>st</sup> Avenue, Glendale, Arizona 85308. HYLTON is the trustee of LMC.

15 6. OREO MANAGEMENT CO. ("OMC") is an entity whose current address is P.O. Box  
16 5955, Glendale, Arizona 85312. HYLTON is the owner of OMC.

17 7. PASSPORT WHOLESALE SUPPLY ("PWS") is an entity whose current address is  
18 P.O. Box 5955, Glendale, Arizona 85312. HYLTON is the owner of PWS.

19 8. The respondents may be collectively referred to as "RESPONDENTS".

20 III.

21 FACTS

22 9. HYLTON is licensed in Arizona to sell insurance. He is a Certified Public Accountant  
23 in the state of Arizona.

24 The Promissory Notes

25 10. RESPONDENTS offered and sold notes and/or investment contracts in Arizona from  
26 1998 through 2000 for Superior Holding Group, Inc. and Superior Leasing of Arizona, Inc.

1 (collectively "SUPERIOR"). SUPERIOR was in the automobile-sale leaseback business.  
2 SUPERIOR would purchase automobiles from individuals in need of cash, and then lease the cars  
3 back to the individuals. SUPERIOR literature, given to some investors, stated that SUPERIOR was  
4 collateralized by at least a five-to-one ratio on the value of the car to the purchase price given to the  
5 individual. The literature stated that the default rate was less than one percent. Additionally,  
6 SUPERIOR stated in the literature that there was no risk to the investor even if they were unable to  
7 reclaim the vehicle; the investor would get paid regardless of that happening.

8 12. RESPONDENTS sold at least 14 SUPERIOR promissory notes to investors for a  
9 total of at least \$812,972. SUPERIOR provided HYLTON with office space rent-free, as well as  
10 paying commissions to RESPONDENTS. HYLTON informed investors that he had known the  
11 president of Superior Holding Group, Inc. and Superior Leasing of Arizona, Inc., Lloyd Rockwell  
12 ("Rockwell"), for a number of years and that Rockwell was a honorable man. HYLTON told  
13 investors the rate of return they would receive on the investment. He did not inform investors that  
14 RESPONDENTS would be receiving commissions from the sale of notes to them. He did not  
15 provide any financial information or background on SUPERIOR or Rockwell to investors.  
16 HYLTON failed to conduct any type of due diligence into SUPERIOR's business, including  
17 whether it was conducting any business. He did not examine the books and records of SUPERIOR.  
18

19 13. In the Spring of 1999, the Commission conducted an investigation into the activities  
20 of HYLTON. As part of the investigation, HYLTON was asked to provide a written statement  
21 regarding his sales activities with respect to SUPERIOR. In response to that request, on or about  
22 April 19, 1999, HYLTON provided an affidavit to the Commission in which he denied that any of  
23 his clients invested through him with SUPERIOR.  
24  
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1 monitoring services provided by WCP, Inc. The investment was to provide a 13 percent return.  
2 HYLTON told investors that he had visited the company and that the investment would be safe.

3 18. HYLTON sold WCP investments to three investors for a total of at least \$112,500. As  
4 of this date, no investor has received their principal back from their investment.

5 19. On February 8, 2000, the California Department of Corporations found that the  
6 business opportunities sold by World Cash Respondents were securities and ordered WCP, LLC  
7 and WCP, Inc. to stop selling these business opportunities in California. On May 24, 2001, the  
8 Commission entered an Order against WCP and WCP, Inc., among others, finding that the CTM  
9 investment program was a security and permanently barring them from violating the Securities Act  
10 by selling it. Docket No. S-03396A-01-0000, for violations of A.R.S. §§ 44-1841, 44-1842 and 44-  
11 1991.  
12

#### 13 IV.

#### 14 VIOLATION OF A.R.S. § 44-1841

#### 15 (Offer or Sale of Unregistered Securities)

16 20. From on or about 1998, RESPONDENTS offered or sold securities in the form of  
17 notes and/or investment contracts, within or from Arizona.

18 21. The securities referred to above were not registered pursuant to Articles 6 or 7 of the  
19 Securities Act.

20 22. This conduct violates A.R.S. § 44-1841.

#### 21 V.

#### 22 VIOLATION OF A.R.S. § 44-1842

#### 23 (Transactions by Unregistered Dealers or Salesmen)

24 23. RESPONDENT offered or sold securities within or from Arizona while not  
25 registered as a dealer or salesman pursuant to Article 9 of the Securities Act.

26 24. This conduct violates A.R.S. § 44-1842.

## VI.

## VIOLATION OF A.R.S. § 44-1991

## (Fraud in Connection with the Offer or Sale of Securities)

25. In connection with the offer or sale of securities within or from Arizona, RESPONDENTS directly or indirectly: (i) employed a device, scheme or artifice to defraud; (ii) made untrue statements of material fact or omitted to state material facts which were necessary in order to make the statements made not misleading in light of the circumstances under which they were made; or (iii) engaged in transactions, practices or courses of business which operated or would operate as a fraud or deceit upon offerees and investors. RESPONDENTS' conduct with respect to the offer or sell of promissory notes includes, but is not limited to, the following:

- a) Failing to inform investors that the promissory notes were not registered as securities in Arizona and were not exempt from registration;
- b) Failing to disclose the financial incentives that RESPONDENTS received for selling the promissory notes;
- c) Failing to provide full disclosure regarding the risk of the investment, including the potential to lose principal, and the riskiness of investing in a company with a limited track record;
- d) Failing to provide investors with disclosure statements, prospectuses or financial statements including but not limited to past operations, balance sheets, statements of income, retained earnings, cash flows and uses of proceeds that would reflect the financial position of these entities; and
- e) Failing to disclose RESPONDENTS' own lack of due diligence in investigating the investment.

26. In connection with the offer or sale of securities within or from Arizona, HYLTON directly or indirectly: (i) employed a device, scheme or artifice to defraud; (ii) made untrue statements of material fact or omitted to state material facts which were necessary in order to make

1 the statements made not misleading in light of the circumstances under which they were made; or (iii)  
2 engaged in transactions, practices or courses of business which operated or would operate as a fraud  
3 or deceit upon offerees and investors. HYLTON's conduct with respect to the cash machine  
4 securities includes, but is not limited to, the following:

- 5 a) Failing to disclose specific risks involved in investments in the business  
6 opportunities, including but not limited to the risk that the CTM units might never be  
7 placed in service;
- 8 b) Representing to CTM investors that their equipment would be delivered within 30 or  
9 60 days of their completed contract, when in fact many of the CTMs that were  
10 purchased were never delivered or placed in service;
- 11 c) Failing to disclose that many of the WCP CTMs that were purchased were never  
12 delivered or placed in service; and
- 13 d) Failing to disclose any financial or background information about the issuers or  
14 their principals.

15 27. This conduct violates A.R.S. § 44-1991.

## 16 VII

### 17 VIOLATION OF A.R.S. § 44-1992

#### 18 (Filing of Misleading Information with the Commission)

19 28. In the course of its investigation of HYLTON, HYLTON was required to provide a  
20 document to the Commission regarding his activities. HYLTON filed an Affidavit with the  
21 Commission in which he denied that any of his clients invested through him with SUPERIOR. In that  
22 Affidavit, HYLTON made or caused to be made untrue statements of material fact or omitted or  
23 caused to be omitted from the document material facts or statements necessary in order to make the  
24 statements made therein, in the light of the circumstances under which they were made, not  
25 misleading.

26 29. This conduct violates A.R.S. § 44-1992.

**VIII.****REQUESTED RELIEF**

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3 The Division requests that the Commission grant the following relief against  
4 RESPONDENT:

5 1. Order RESPONDENTS to permanently cease and desist from violating the  
6 Securities Act, pursuant to A.R.S. § 44-2032;

7 2. Order RESPONDENTS to take affirmative action to correct the conditions resulting  
8 from their acts, practices or transactions, including a requirement to make restitution pursuant to  
9 A.R.S. § 44-2032;

10 3. Order RESPONDENTS to pay the state of Arizona administrative penalties of up to  
11 five thousand dollars (\$5,000) for each violation of the Securities Act, pursuant to A.R.S. § 44-2036;  
12 and

13 4. Order any other relief that the Commission deems appropriate.

**IX.****HEARING OPPORTUNITY**

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16 RESPONDENTS may request a hearing pursuant to A.R.S. § 44-1972 and A.A.C. R14-4-  
17 306. A request must be in writing and received by the Commission within 10 business days after  
18 service of this Notice of Opportunity for Hearing. RESPONDENTS or their attorney must deliver  
19 or mail the request to Docket Control, Arizona Corporation Commission, 1200 W. Washington,  
20 Phoenix, Arizona 85007. A Docket Control cover sheet must accompany the request. A cover sheet  
21 form and instructions may be obtained from Docket Control by calling (602) 542-3477 or on the  
22 Commission's Internet web site at [www.cc.state.az.us/utility/forms/index.htm](http://www.cc.state.az.us/utility/forms/index.htm).

23 If a request for a hearing is timely made, the Commission shall schedule the hearing to begin  
24 20 to 60 days from the receipt of the request unless otherwise provided by law, stipulated by the  
25 parties, or ordered by the Commission. If a request for a hearing is not timely made the Commission  
26



# Memorandum

RECEIVED

**DATE:** August 14, 2001  
**TO:** Nancy Cole  
Docket Control  
**FROM:** Mark Dinell  
Securities Division  
**RE:** Robert Dale Hylton, et al.  
Docket No. S-03394AA-01-0000  
Assigned Staff  
**CC:** Mabel Aldridge

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This is to notify you that the following individuals have been assigned to the above-mentioned case.

- Mark Sendrow
- LeRoy Johnson
- Matthew Neubert

Mark Dinell (Staff Attorney)

Ron Clark (Staff Investigator)

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**Note:** The Assistant Attorney General assigned to this matter is: Moira McCarthy.