



0000116478

BEFORE THE ARIZONA CORPORATION COMMISSION

Arizona Corporation Commission

DOCKETED

JAN 15 2002

WILLIAM A. MUNDELL  
Chairman  
JIM IRVIN  
Commissioner  
MARC SPITZER  
Commissioner

DOCKETED BY

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

DECISION NO. 64343

**ORDER TO CEASE AND DESIST,  
ORDER OF RESTITUTION, ORDER  
FOR ADMINISTRATIVE PENALTIES  
AND CONSENT TO SAME  
BY: RESPONDENTS ROBERT DALE  
HYLTON, HYLTON ENTERPRISES,  
INC., OREO MANAGEMENT CO.,  
LEGEND LEASING CO., LIBERTY  
MARKETING CO. AND PASSPORT  
WHOLESALE SUPPLY**

RESPONDENTS ROBERT DALE HYLTON ("HYLTON"), HYLTON ENTERPRISES,  
INC., OREO MANAGEMENT CO., LEGEND LEASING CO., LIBERTY MARKETING CO.  
AND PASSPORT WHOLESALE SUPPLY ("RESPONDENTS") elect to permanently waive their  
right to a hearing and appeal under Articles 11 and 12 of the Securities Act of Arizona, A.R.S. §  
44-1801, *et seq.* ("Securities Act") with respect to this Order To Cease And Desist, Order Of  
Restitution, Order For Administrative Penalties And Consent To Same ("Order").

1 RESPONDENTS admit the jurisdiction of the Arizona Corporation Commission (“Commission”);  
2 admit, only for purposes of this proceeding and any other administrative proceeding before the  
3 Commission or any other agency of the state of Arizona, the Findings of Fact and Conclusions of  
4 Law contained in this Order; and consent to the entry of this Order by the Commission.  
5

6 **I.**

7 **FINDINGS OF FACT**

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

10 2. HYLTON ENTERPRISES, INC. is a corporation for which HYLTON is the vice-  
11 president.

12 3. OREO MANAGEMENT CO. is a trust for which HYLTON is co-trustee.

13 4. LEGEND LEASING CO. is a trust for which HYLTON is trustee.

14 5. LIBERTY MARKETING CO. is a trust for which HYLTON is co-trustee.

15 6. PASSPORT WHOLESALE SUPPLY is a sole proprietorship owned by HYLTON.  
16

17 **The Promissory Notes**

18 7. RESPONDENTS offered and sold notes and/or investment contracts in Arizona from 1998  
19 through 2000 for Superior Holding Group, Inc. and Superior Leasing of Arizona, Inc. (collectively  
20 “Superior”). Superior was in the automobile-sale leaseback business. Superior would purchase  
21 automobiles from individuals in need of cash, and then lease the cars back to the individuals. Superior  
22 literature, given to some investors, stated that Superior was collateralized by at least a five-to-one ratio  
23 on the value of the car to the purchase price given to the individual. The literature stated that the  
24 default rate was less than one percent. Additionally, Superior stated in the literature that there was no  
25  
26

1 risk to the investor even if it was unable to reclaim the vehicle; the investor would get paid regardless  
2 of that happening.

3 8. RESPONDENTS sold 14 Superior promissory notes to investors for a total of at least  
4 \$812,972. Superior provided HYLTON with office space rent-free, as well as paying commissions  
5 to RESPONDENTS totaling \$216,304.75. HYLTON informed investors that he had known the  
6 president of Superior, Lloyd Rockwell ("Rockwell"), for a number of years and that Rockwell was  
7 an honorable man. HYLTON told investors the rate of return they would receive on the  
8 investment. He did not inform investors that RESPONDENTS would be receiving commissions  
9 from the sale of notes to them. He did not provide any financial information or background on  
10 Superior or Rockwell to investors. HYLTON failed to conduct any type of due diligence into  
11 Superior's business, including whether it was conducting any business. He did not examine the  
12 books and records of Superior.  
13

14 9. On April 14, 2000, the Commission entered a Consent Order against Superior and  
15 Rockwell, Docket No. S-03373A-99-0000, for violations of A.R.S. §§ 44-1841, 44-1842 and 44-  
16 1991.  
17

### 18 The Cash Machines

19 10. In or about 1999, HYLTON entered into an agreement with Partners Investment Network  
20 to sell cash ticket machines ("CTMs") on behalf of World Cash Providers, L.L.C. ("WCP"). WCP put  
21 together a package of equipment sales and services to sell to investors. The package was presented to  
22 investors as "business opportunities," involving the sale of WCP CTMs together with World Cash  
23 Providers, Inc. ("WCP, Inc.") service contracts, whereby the service company would manage the  
24 equipment for the purpose of generating a profit for investors.  
25  
26

1 11. Although the offering documents for the CTM investment program describe options for  
2 different levels of managing the equipment, in practice, all investors selected the full-service option,  
3 which offered a revenue-sharing feature and a buy-back provision. Under the full-service option,  
4 investors had no responsibilities with respect to the operation of their equipment beyond signing the  
5 service contracts, no financial obligations apart from the initial payment to purchase the units, no  
6 continuing financial obligation in the operation of their equipment, and no liability for any expenses or  
7 costs related to the operation of the equipment. Some of the services offered to investors, including  
8 processing and "transaction handling," required special expertise. The transaction handling was to be  
9 performed by WCP, Inc. for the CTMs. That function was key to generating a profit for investors.  
10

11 12. Investors exercised no managerial or entrepreneurial duties in connection with these  
12 investments. The profits of the investors were dependent upon the transaction handling and  
13 monitoring services provided by WCP, Inc. The investment was to provide a 13 percent return.  
14 HYLTON told investors that he had visited the company and that the investment would be safe.

15 13. HYLTON sold WCP investments to three investors for a total of at least \$112,500. As of  
16 this date, no investor has received their principal back from their investment. HYLTON received  
17 commissions of \$11,250 for selling these contracts to investors.

18 14. On February 8, 2000, the California Department of Corporations found that the business  
19 opportunities sold by WCP and WCP, Inc. were securities and ordered WCP and WCP, Inc. to stop  
20 selling these business opportunities in California. On May 24, 2001, the Commission entered an  
21 Order against WCP and WCP, Inc., among others, finding that the CTM investment program was a  
22 security and permanently barring them from violating the Securities Act by selling it. See Docket  
23 No. S-03396A-01-0000, for violations of A.R.S. §§ 44-1841, 44-1842 and 44-1991.  
24  
25 ..  
26

II.

CONCLUSIONS OF LAW

1  
2  
3  
4 1. The Commission has jurisdiction over this matter pursuant to Article XV of the Arizona  
5 Constitution and the Securities Act.

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

8 3. RESPONDENTS violated A.R.S. § 44-1841 by offering or selling securities that were  
9 neither registered nor exempt from registration.

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

12 5. RESPONDENTS directly or indirectly violated A.R.S. § 44-1991 by offering or selling  
13 securities within or from Arizona by (i) employing a device, scheme or artifice to defraud, (ii)  
14 making untrue statements or misleading omissions of material facts; and (iii) engaging in  
15 transactions, practices or courses of business which operate or would operate as a fraud or deceit.

16 RESPONDENTS' conduct with respect to the offer or sale of promissory notes includes, but is not  
17 limited to, the following:

- 18 a) Failing to inform investors that the promissory notes were not registered as securities  
19 in Arizona and were not exempt from registration;
- 20 b) Failing to disclose the financial incentives that RESPONDENTS received for selling  
21 the promissory notes;
- 22 c) Failing to provide full disclosure regarding the risk of the investment, including the  
23 potential to lose principal, and the riskiness of investing in companies with limited  
24 track records;
- 25 d) Failing to provide investors with disclosure statements, prospectuses or financial  
26 statements including but not limited to past operations, balance sheets, statements of

1 income, retained earnings, cash flows and uses of proceeds that would reflect the  
2 financial position of these entities; and

3 e) Failing to disclose RESPONDENTS' own lack of due diligence in investigating the  
4 investment.

5 6. HYLTON directly or indirectly violated A.R.S. § 44-1991 by offering or selling  
6 securities within or from Arizona by (i) employing a device, scheme or artifice to defraud, (ii)  
7 making untrue statements or misleading omissions of material facts; and (iii) engaging in  
8 transactions, practices or courses of business which operate or would operate as a fraud or deceit.  
9 HYLTON's conduct with respect to the offer or sale of cash ticket machines includes, but is not  
10 limited to, the following:

11 a) Failing to disclose specific risks involved in investments in the business  
12 opportunities, including but not limited to the risk that the CTM units might never be placed in  
13 service;

14 b) Representing to CTM investors that their equipment would be delivered within 30 or  
15 60 days of their completed contract, when in fact many of the CTMs that were purchased were never  
16 delivered or placed in service;

17 c) Failing to disclose that many of the WCP CTMs that were purchased were never  
18 delivered or placed in service; and

19 d) Failing to disclose any financial or background information about the issuers or  
20 their principals.

21 7. RESPONDENTS' conduct is grounds for a cease and desist order pursuant to A.R.S. §  
22 44-2032.

23 8. RESPONDENTS' conduct is grounds for an order of restitution pursuant to A.R.S. §  
24 44-2032.

25 9. RESPONDENTS' conduct is grounds for administrative penalties under A.R.S. § 44-  
26 2036.

III.

ORDER

THEREFORE, on the basis of the Findings of Fact, Conclusions of Law, and the RESPONDENTS' consent to the entry of this Order, the Commission finds that the following relief is appropriate, in the public interest, and necessary for the protection of investors:

IT IS ORDERED, pursuant to A.R.S. § 44-2032, that RESPONDENTS, their agents, employees, successors and assigns, permanently cease and desist from violating the Securities Act.

IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2032, that RESPONDENTS shall, jointly and severally, pay restitution to investors shown on the records of the Commission in the amount of \$227,554.75, plus interest at the rate of 10% per annum from the date of each investment until paid in full. Payment shall be made by cashier's check or money order payable to the "State of Arizona" to be placed in an interest-bearing account maintained and controlled by the Arizona Attorney General. The Arizona Attorney General shall disburse the funds on a pro rata basis to investors. If all investors are paid in full, any excess funds shall revert to the state of Arizona.

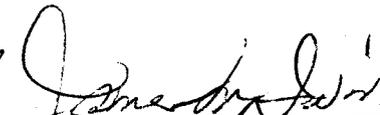
IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2036, that RESPONDENTS, jointly and severally, shall pay an administrative penalty in the amount of \$25,000, payable to the "State of Arizona," plus interest at the rate of 10% per annum from the date of this Order until paid in

19 ..  
20 ..  
21 ..  
22 ..  
23 ..  
24 ..  
25 ..  
26

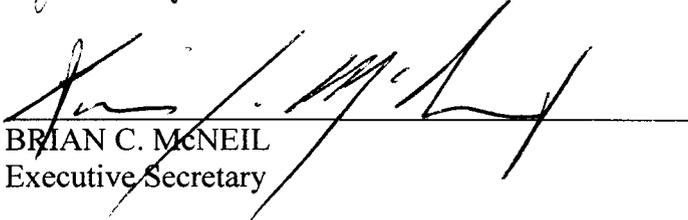
1 full. If all restitution, plus interest, is paid within one year of this Order, then the amount of  
2 penalty shall be reduced to \$15,000, plus interest at the rate of 10% per annum from the date of  
3 this Order

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

5 BY ORDER OF THE ARIZONA CORPORATION COMMISSION

6   
7    
8 CHAIRMAN COMMISSIONER COMMISSIONER

9 IN WITNESS WHEREOF, I, BRIAN C. McNEIL,  
10 Executive Secretary of the Arizona Corporation  
11 Commission, have hereunto set my hand and caused the  
12 official seal of the Commission to be affixed at the  
13 Capitol, in the City of Phoenix, this 15<sup>th</sup> day of  
14 January, 2002.

15   
16 BRIAN C. McNEIL  
17 Executive Secretary

18  
19  
20  
21  
22  
23  
24  
25  
26  
DISSENT

This document is available in alternative formats by contacting Shelly M. Hood, Executive Assistant to the Executive Secretary, voice phone number 602-542-3931, E-mail [shood@cc.state.az.us](mailto:shood@cc.state.az.us).

(md)

**CONSENT TO ENTRY OF ORDER**

1  
2 1. RESPONDENTS ROBERT DALE HYLTON, HYLTON ENTERPRISES, INC.,  
3 OREO MANAGEMENT CO., LEGEND LEASING CO., LIBERTY MARKETING CO. and  
4 PASSPORT WHOLESALE SUPPLY ("RESPONDENTS") admit the jurisdiction of the  
5 Commission over the subject matter of this proceeding. RESPONDENTS acknowledge that they  
6 have been fully advised of their right to a hearing to present evidence and call witnesses and  
7 RESPONDENTS knowingly and voluntarily waive any and all rights to a hearing before the  
8 Commission and all other rights otherwise available under Article 11 of the Securities Act and  
9 Title 14 of the Arizona Administrative Code. RESPONDENTS acknowledge that this Order  
10 constitutes a valid final order of the Commission.

11 2. RESPONDENTS knowingly and voluntarily waive any right they may have under  
12 Article 12 of the Securities Act to judicial review by any court by way of suit, appeal, or  
13 extraordinary relief resulting from the entry of this Order.

14 3. RESPONDENTS acknowledge and agree that this Order is entered into freely and  
15 voluntarily and that no promise was made or coercion used to induce such entry.

16 4. RESPONDENTS acknowledge that they have been represented by counsel in this  
17 matter, they have reviewed this Order with their attorney and understands all terms it contains.

18 5. RESPONDENTS admit, for purposes of this proceeding and any other administrative  
19 proceeding before the Commission or any other agency of the state of Arizona, the Findings of  
20 Fact and Conclusions of Law contained in this Order. These admissions shall not bind  
21 RESPONDENTS in proceedings other than before the Commission or any other agency of the  
22 state of Arizona.

23 6. By consenting to the entry of this Order, RESPONDENTS agree not to take any action  
24 or to make, or permit to be made, any public statement denying, directly or indirectly, any Finding  
25 of Fact or Conclusion of Law in this Order or creating the impression that this Order is without  
26

1 factual basis. RESPONDENTS will undertake steps necessary to assure that all of their agents and  
2 employees understand and comply with this agreement.

3 7. While this Order settles this administrative matter between RESPONDENTS and the  
4 Commission, RESPONDENTS understands that this Order does not preclude the Commission  
5 from instituting other administrative proceedings based on violations that are not addressed by this  
6 Order.

7 8. RESPONDENTS understands that this Order does not preclude the Commission from  
8 referring this matter to any governmental agency for administrative, civil, or criminal proceedings  
9 that may be related to the matters addressed by this Order.

10 9. RESPONDENTS understands that this Order does not preclude any other agency or  
11 officer of the state of Arizona or its subdivisions from instituting administrative, civil or criminal  
12 proceedings that may be related to matters addressed by this Order.

13 10. RESPONDENT ROBERT DALE HYLTON agrees that he will not apply to the state of  
14 Arizona for registration as a securities dealer or salesman or for licensure as an investment adviser  
15 or investment adviser representative at any time in the future.

16 11. RESPONDENT ROBERT DALE HYLTON agrees that he will not exercise any  
17 control over any entity that offers or sells securities or provides investment advisory services,  
18 within or from Arizona.

19 12. RESPONDENTS agree that until restitution and penalties are paid in full,  
20 RESPONDENTS will notify the Director of the Securities Division within 30 days of any change  
21 in home address or any change in RESPONDENTS' ability to pay amounts due under this Order.

22 13. RESPONDENTS understand that default shall render them liable to the Commission  
23 for its costs of collection and interest at the maximum legal rate.

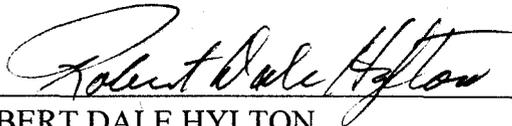
24 14. RESPONDENTS agree that they will continue to cooperate with the Securities Division  
25 including, but not limited to, cooperating with the state of Arizona in any related investigation or  
26

1 any other matters arising from the activities described in this Order, including providing complete  
2 and accurate testimony at any hearing.

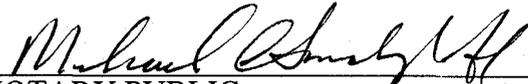
3 15. RESPONDENTS consent to the entry of this Order and agree to be fully bound by its  
4 terms and conditions. If RESPONDENTS breach any provision of this Order, the Commission  
5 may vacate this Order and restore this case to its active docket.

6 16. RESPONDENT ROBERT DALE HYLTON is authorized to enter into this Order on  
7 behalf of RESPONDENTS HYLTON ENTERPRISES, INC., OREO MANAGEMENT CO.,  
8 LEGEND LEASING CO., LIBERTY MARKETING CO. and PASSPORT WHOLESALE  
9 SUPPLY.

10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26

  
ROBERT DALE HYLTON

SUBSCRIBED AND SWORN TO BEFORE me this 20<sup>th</sup> day of December, 2001.

  
NOTARY PUBLIC

My Commission Expires:  
9/10/2004

 Notary Public State of Arizona  
Maricopa County  
Michael A Smedinghoff  
Expires September 10, 2004

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26

HYLTON ENTERPRISES, INC.

Robert Dale Hylton  
By: ROBERT DALE HYLTON  
Its Vice-President

SUBSCRIBED AND SWORN TO BEFORE me this 20<sup>th</sup> day of December, 2001.

Michael A Smedinghoff  
NOTARY PUBLIC

My Commission Expires:  
9/10/2004

Notary Public State of Arizona  
Maricopa County  
Michael A Smedinghoff  
September 10, 2004

OREO MANAGEMENT CO.

Robert Dale Hylton  
By: ROBERT DALE HYLTON  
Its Co-Trustee

SUBSCRIBED AND SWORN TO BEFORE me this 20<sup>th</sup> day of December, 2001.

Michael A Smedinghoff  
NOTARY PUBLIC

My Commission Expires:  
9/10/2004

Notary Public State of Arizona  
Maricopa County  
Michael A Smedinghoff  
September 10, 2004

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26

LEGEND LEASING CO.

  
By: ROBERT DALE HYLTON  
Its Trustee

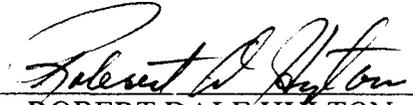
SUBSCRIBED AND SWORN TO BEFORE me this 20<sup>TH</sup> day of December, 2001.

  
NOTARY PUBLIC

My Commission Expires:  
9/10/2004

 Notary Public State of Arizona  
Maricopa County  
Michael A Smedinghoff  
Expires September 10, 2004

LIBERTY MARKETING CO.

  
By: ROBERT DALE HYLTON  
Its Co-Trustee

SUBSCRIBED AND SWORN TO BEFORE me this 20<sup>TH</sup> day of December, 2001.

  
NOTARY PUBLIC

My Commission Expires:  
9/10/2004

 Notary Public State of Arizona  
Maricopa County  
Michael A Smedinghoff  
Expires September 10, 2004

PASSPORT WHOLESAL SUPPLY

Robert Dale Hylton  
By: ROBERT DALE HYLTON

SUBSCRIBED AND SWORN TO BEFORE me this 20<sup>th</sup> day of December, 2001.

Michael A Smedinghoff  
NOTARY PUBLIC

My Commission Expires:  
2/10/2004

 Notary Public State of Arizona  
Maricopa County  
Michael A Smedinghoff  
Expires September 10, 2004

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26