

ORIGINAL

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WILLIAM A. MUNDELL
CHAIRMAN

JIM IRVIN
COMMISSIONER

MARC SPITZER
COMMISSIONER



0000116752

TELEPHONE: (602) 542-4242
FAX: (602) 594-7470
E-MAIL: accsec@ccsd.cc.state.az.us

ARIZONA CORPORATION COMMISSION
AZ CORP COMMISSION
DOCUMENT CONTROL

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MEMORANDUM

TO: Chairman William A. Mundell
Commissioner Jim Irvin
Commissioner Marc Spitzer

OPEN MEETING ITEM

8/29/02

DOCKETED

FROM: Mark Sendrow
Director of Securities

AUG 09 2002

DATE: August 9, 2002

DOCKETED BY [Signature]

RE: Docket No. S-03461A-01-0000 / Grand Canyon Wagon Adventure Tours, Inc.
and Floyd Dwiggins

CC: Brian C. McNeil, Executive Secretary

A proposed Order To Cease And Desist, Order Of Rescission, Order For Administrative Penalties And Consent To Same ("Consent Order") against Grand Canyon Wagon Adventure Tours, Inc. ("GCWAT") and Floyd Dwiggins ("Dwiggins") is attached. The initial action, a Notice of Opportunity for Hearing ("Notice") was filed on October 31, 2001.

This matter involves the sale of unregistered stock in GCWAT. GCWAT was organized to offer horse drawn wagon tours to the Grand Canyon. Beginning in approximately March 2000, Dwiggins offered and sold shares of stock in GCWAT. Dwiggins was not a registered securities dealer and/or salesman in the state of Arizona. The stock shares in GCWAT were not registered for sale in the state of Arizona. Dwiggins on behalf of GCWAT sold or transferred approximately 231 shares of stock. He failed to disclose to offerees and shareholders that the number of shares issued exceeded the number available for sale pursuant to a resolution by the Board of Directors.

Dwiggins on behalf of GCWAT never discussed or disclosed the possible risks factors associated with the investment with offerees. The only document provided to some offerees in regard to the investment was a one-page document entitled "Business Overview and Proposal" ("Overview"). The Overview provided very basic information including directors' names, the mailing address and phone number of the company, the goal of the company and anticipated annual revenues. Dwiggins admitted that the information on anticipated annual revenues was purely speculation. Dwiggins promised at least one investor that he could earn upwards of \$30,000 on a \$5,000 investment. Offerees were never told that they could possibly lose their entire investment. At least one shareholder requested information that included the number of

investors, the amount of money raised and how the money was being spent. Dwiggins refused to disclose the information.

Dwiggins on behalf of GCWAT failed to provide offerees with a prospectus or equivalent offering document containing material information about GCWAT. Information withheld included, but was not limited to, capitalization, plan of distribution, federal tax aspects, redemptions and risks involved in this type of endeavor. Further, Dwiggins on behalf of GCWAT failed to offer detailed information on the background of the officers and key personnel of GCWAT, directors or principal stockholders including the business backgrounds and experience of the officers and directors in setting up and operating mule drawn tours of the Grand Canyon.

Dwiggins purchased land that would house the company. Dwiggins told shareholders at a stockholders' meeting that the land was to be titled in the names of the six founding Directors. Karen F. Nero, one of the Directors, advanced money for the down payment on the property. In fact, Dwiggins purchased the land in his name, and leased it to GCWAT purportedly without agreement by resolution of the GCWAT Board of Directors.

Corporate funds were used to make all the improvements on the property. Improvements included horse corrals, a bunkhouse, kitchen, and other buildings. Minutes from a Board of Directors meeting held on September 13, 2000, indicate a motion was made to accept the resolution that: "Floyd Dwiggins can purchase equipment and buildings on ranch for a nominal fee of \$1 (one Dollar) if GCWAT should fail." The motion purportedly passed.

Dwiggins and GCWAT failed to disclose to offerees how investors' funds would be used, including the fact that funds were used to improve real property owned by Dwiggins, and the fact that he could purchase all improvements to the property for the total sum of \$1.00 if GCWAT fails.

Dwiggins failed to notify offerees and shareholders that some investors had received stock in exchange for work performed or promised on behalf of GCWAT, in exchange for goods, or in one case because an individual "was a nice guy," thereby diluting the value of the stock. Other shares were sold for \$2500 per share. Shares that were sold brought in over \$200,500 to GCWAT.

GCWAT's counsel reports that this is a viable company with a significant customer base. This Order, including the Order of Rescission, is recommended to allow the company under new management to continue to conduct business, but at the same time address the issue of the unregistered stock. The Order calls for rescission to investors as reflected on the records of the Commission, in the principal amount of \$200,500, plus interest at the rate of 10% per annum from the date of each investment to the date of repayment. Further the Division recommends that Dwiggins pay an administrative penalty in the amount of \$10,000. Upon completion of rescission, and with the Director's approval, the amount may be reduced to \$5,000.

Originator: Kathryn McCormick

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2
3 WILLIAM A. MUNDELL
4 Chairman
5 JIM IRVIN
6 Commissioner
7 MARC SPITZER
8 Commissioner

9 In the matter of)
10 GRAND CANYON WAGON ADVENTURE)
11 TOURS, INC.)
12 P.O. Box 578)
13 Meadview, Arizona 86444-0578)
14
15 FLOYD WILLARD DWIGGINS, JR.)
16 185 E. Sumner Drive)
17 Meadview, Arizona 86444,)

18 Respondents.)

DOCKET NO. S-03461A-01-0000

DECISION NO. _____

**ORDER TO CEASE AND DESIST,
ORDER OF RESCISSION, ORDER
FOR ADMINISTRATIVE PENALTIES
AND CONSENT TO SAME
BY: GRAND CANYON WAGON
ADVENTURE TOURS, INC.
and FLOYD WILLARD DWIGGINS,
JR.**

19 GRAND CANYON WAGON ADVENTURE TOURS, INC. and FLOYD WILLARD
20 DWIGGINS, JR. ("RESPONDENTS") elect to permanently waive their right to a hearing and
21 appeal under Articles 11 and 12 of the Securities Act of Arizona, A.R.S. § 44-1801, *et seq.*
22 ("Securities Act") with respect to this Order To Cease And Desist, Order of Rescission, and Order
23 for Administrative Penalties ("Order"). RESPONDENTS admit the jurisdiction of the Arizona
24 Corporation Commission ("Commission"); admit, for the purposes of this proceeding only, the
25 Findings of Fact and Conclusions of Law contained in this Order; and consent to the entry of this
26 Order by the Commission.

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I.

FINDINGS OF FACT

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3 1. GRAND CANYON WAGON ADVENTURE TOURS, INC. ("GCWAT") is a Nevada
4 corporation, incorporated in March 2000. GCWAT'S last known business address is P. O. Box 578,
5 Meadview, Arizona 86444-0578. GCWAT was formed to conduct mule drawn tours of the Grand
6 Canyon.

7 2. FLOYD WILLARD DWIGGINS, JR. ("DWIGGINS") whose last known address is 185
8 E. Sumner Drive, Meadview, Arizona 86444, acted as a securities salesman on behalf of GCWAT
9 and conducted business involving the offer and sale of securities within or from the state of Arizona.
10 DWIGGINS was President and a Director of GCWAT until his recent resignation.

11 3. From approximately March 2000, RESPONDENTS offered and sold shares of stock in
12 GCWAT. RESPONDENTS are not registered as securities dealers and/or salesmen in the state of
13 Arizona. The stock shares in GCWAT were not registered for sale in the state of Arizona.

14 4. When RESPONDENTS began approaching individuals to purchase stock, offerees were
15 required to sign a document entitled "Contract of Confidentiality" ("Contract"). The Contract was an
16 agreement that the offeree would not disclose the business idea to anyone else.

17 5. Offerees who were interested in investing received a "Demand Promissory Note"
18 ("Note"). The offeree signed the Note promising a principal sum that was due and payable when the
19 incorporation of GCWAT was complete and the stock certificates available. RESPONDENTS told
20 offerees that the purpose of the Note was to determine whether or not there was sufficient interest in
21 the project. After the incorporation of GCWAT, the payee (offeree) had a limited amount of time to
22 remit funds to GCWAT. At least some of the shareholders have been told by GCWAT they can
23 sell their shares of stock to members of the public if they so desire.

24 6. DWIGGINS on behalf of GCWAT never discussed with offerees or disclosed the
25 possible risks factors associated with the investment. The only document provided to some offerees
26 in regard to the investment was a one-page document entitled "Business Overview and Proposal"

1 (“Overview”). The Overview provided very basic information including directors’ names, the
2 mailing address and phone number of the company, the goal of the company and anticipated annual
3 revenues. DWIGGINS admitted that the information on anticipated annual revenues was purely
4 speculation. DWIGGINS promised at least one investor that he could earn upwards of \$30,000 on
5 a \$5,000 investment. Offerees were never told that they could possibly lose their entire investment.
6 At least one shareholder requested information that included the number of investors, the amount of
7 money raised and how the money was being spent. DWIGGINS refused to disclose the information.

8 7. DWIGGINS on behalf of GCWAT failed to provide offerees with a prospectus or
9 equivalent offering document containing material information about GCWAT. Information
10 withheld included, but was not limited to, capitalization, plan of distribution, federal tax aspects,
11 redemptions and risks involved in this type of endeavor.

12 8. DWIGGINS on behalf of GCWAT failed to offer detailed information on the
13 background of the officers and key personnel of GCWAT, directors or principal stockholders
14 including the business backgrounds and experience of the officers and directors in setting up and
15 operating mule drawn tours of the Grand Canyon.

16 9. DWIGGINS purchased land that would house the company. DWIGGINS told
17 shareholders at a stockholders’ meeting that the land was to be titled in the names of the six
18 founding Directors. Karen F. Nero, one of the Directors, advanced money for the down payment
19 on the property. In fact, DWIGGINS purchased the land in his name, and leased it to GCWAT
20 purportedly without agreement by resolution of the GCWAT Board of Directors.

21 10. Corporate funds were used to make all the improvements on the property.
22 Improvements included horse corrals, a bunkhouse, kitchen, and other buildings. Minutes from a
23 Board of Directors meeting held on September 13, 2000, indicate a motion was made to accept the
24 resolution that: “Floyd Dwiggins can purchase equipment and buildings on ranch for a nominal
25 fee of \$1 (one Dollar) if GCWAT should fail.” The motion purportedly passed.
26

- 1 2. The offer to repurchase the stock shall include an offer of cash equal to the
2 consideration paid, together with 10% annual interest from the date of purchase
3 to the date of repayment less the amount of any principal, dividends, or other
4 distributions received on the stock for the period from the date of purchase to
5 the date of repayment.
- 6 3. The offer to repurchase shall be accompanied by a prospectus and other
7 documents making full written disclosure about the financial and business
8 condition of the companies and the financial and business risks associated with
9 the retention of the stock.
- 10 4. The offer to repurchase shall be accompanied by the full disclosure of all
11 companies and individuals associated with the enterprise including but not
12 limited to Canyon West Ranch, LLC, CW Ranch Properties, Heli USA, Fort
13 Mead Enterprises, and Rebel Adventure Tours.
- 14 5. The offer to repurchase shall state that the purchaser may accept such offer at
15 any time within 60 days after the date of receipt thereof.
- 16 6. Purchasers who accept the rescission offer shall receive repayment no later than
17 30 days after RESPONDENTS receive notice of such acceptance.
- 18 7. Financial statements that are the representation of management compiled by an
19 independent certified public accountant together with a balance sheet and
20 related statements of income or operations, stockholders' equity or retained
21 earnings and cash flows that reflect the respondent's financial position, the
22 results of operations and cash flows as of a current date. The financial
23 statements shall be prepared in conformity with generally accepted accounting
24 principles. The financial statements or documentation shall demonstrate that the
25 person or persons funding the rescission offer has or have adequate funds to pay
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1 the amount ordered pursuant to A.A.C. R14-4-308(B) (1) (b) to all purchasers of
2 the securities who are eligible to accept the rescission offer.

3 The rescission offer shall be provided to investors no later than 14 days from the date of the
4 Director's approval. RESPONDENTS must submit verification to the Director no later than 14
5 days after completion of the rescission offer. The verification shall include:

- 6 1. Names, addresses, and telephone numbers of all investors who had a right to
7 receive the rescission offer, the amount and purchase dates of securities held by
8 such investors, and the amount of principal, interest, or other distributions on all
9 securities held by such investors.
- 10 2. Names, addresses, and telephone numbers of all investors who did not receive
11 the rescission offer and the reason why they did not receive the rescission offer,
12 the amount and purchase dates of securities held by them, and the amount of
13 principal, interest, or other distributions on all securities held by them.
- 14 3. Verification of receipt of the rescission offer by all investors who had a right to
15 and did receive the rescission offer.
- 16 4. A list of investors who accepted the rescission offer and those who did not
17 accept.
- 18 5. Verification of payment of principal and interest ordered to be paid to all such
19 investors who accepted the rescission offer.

20 If RESPONDENTS do not comply with this rescission order, any outstanding balance shall
21 be immediately due and payable as restitution.

22 IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2036, that DWIGGINS shall pay an
23 administrative penalty in the amount of \$10,000, payable to the "State of Arizona." Upon
24 completion of rescission, and with the Director's approval, the amount may be reduced to \$5,000.
25 Payment shall be made in full by cashier's check or money order on the date of the submission of
26 the verification.

1 If DWIGGINS does not comply with this order for administrative penalties, DWIGGINS
2 may be deemed in default.

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

4 BY ORDER OF THE ARIZONA CORPORATION COMMISSION

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7 CHAIRMAN

COMMISSIONER

COMMISSIONER

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

14 _____
15 BRIAN C. McNEIL
16 Executive Secretary

17
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19 DISSENT

20 This document is available in alternative formats by contacting Shelly M. Hood, Executive
21 Assistant to the Executive Secretary, voice phone number 602-542-3931, E-mail
22 shood@cc.state.az.us.

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26 (KEM)

CONSENT TO ENTRY OF ORDER

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2 1. RESPONDENT FLOYD WILLIARD DWIGGINS, JR. ("RESPONDENT
3 DWIGGINS"), an individual, admits the jurisdiction of the Commission over the subject matter of
4 this proceeding. RESPONDENT DWIGGINS acknowledges that he has been fully advised of his
5 right to a hearing to present evidence and call witnesses and RESPONDENT DWIGGINS
6 knowingly and voluntarily waives any and all rights to a hearing before the Commission and all
7 other rights otherwise available under Article 11 of the Securities Act and Title 14 of the Arizona
8 Administrative Code. RESPONDENT DWIGGINS acknowledges that this Order to Cease and
9 Desist, Order of Rescission, and Order for Administrative Penalties ("Order") constitutes a valid
10 final order of the Commission.

11 2. RESPONDENT DWIGGINS knowingly and voluntarily waives any right he may have
12 under 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. RESPONDENT DWIGGINS acknowledges and agrees that this Order is entered into
15 freely and voluntarily and that no promise was made or coercion used to induce such entry.

16 4. RESPONDENT DWIGGINS acknowledges that he has been represented by counsel in
17 this matter, he has reviewed this Order with his attorney and understands all terms it contains.

18 5. RESPONDENT DWIGGINS admits, only for the purpose of this proceeding, to the
19 Findings of Fact and Conclusions of Law contained in this Order.

20 6. By consenting to the entry of this Order, RESPONDENT DWIGGINS agrees not to
21 take any action or to make, or permit to be made, any public statement denying, directly or
22 indirectly, any Finding of Fact or Conclusion of Law in this Order or creating the impression that
23 this Order is without factual basis. However, this Order is not intended to collaterally estop,
24 factually bind, or preclude RESPONDENT DWIGGINS from defending himself in any
25 administrative, civil or criminal proceedings to which the Commission is not a party.
26

1 RESPONDENT DWIGGINS will undertake steps necessary to assure that all of his agents and
2 employees understand and comply with this agreement.

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

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

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

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

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

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

22 13. RESPONDENT DWIGGINS understands that default shall render him liable to the
23 Commission for its costs of collection and interest at the maximum legal rate.

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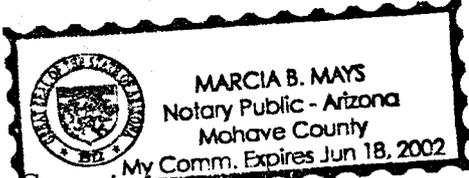
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1 14. RESPONDENT DWIGGINS consents to the entry of this Order and agrees to be fully
2 bound by its terms and conditions. If RESPONDENT DWIGGINS breaches any provision of this
3 Order, the Commission may vacate this Order and restore this case to its active docket.

4
5 Floyd Willard Diggins, Jr.
6 FLOYD WILLARD DWIGGINS, JR.

7 SUBSCRIBED AND SWORN TO BEFORE me this 19 day of April, 2002.



8 Marcia B. Mays
9 NOTARY PUBLIC

10 My Commission Expires:

11 6-18-2002

CONSENT TO ENTRY OF ORDER

1
2 1. RESPONDENT GRAND CANYON WAGON ADVENTURE TOURS, INC.
3 (“RESPONDENT GCWAT”) admits the jurisdiction of the Commission over the subject matter of
4 this proceeding. RESPONDENT GCWAT acknowledges that it has been fully advised of its right
5 to a hearing to present evidence and call witnesses and RESPONDENT GCWAT knowingly and
6 voluntarily waives any and all rights to a hearing before the Commission and all other rights
7 otherwise available under Article 11 of the Securities Act and Title 14 of the Arizona
8 Administrative Code. RESPONDENT GCWAT acknowledges that this Order to Cease and
9 Desist, Order of Rescission, and Order for Administrative Penalties (“Order”) constitutes a valid
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12 under 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. RESPONDENT GCWAT acknowledges and agrees that this Order is entered into
15 freely and voluntarily and that no promise was made or coercion used to induce such entry.

16 4. RESPONDENT GCWAT acknowledges that it has been represented by counsel in this
17 matter, it has reviewed this Order with its attorney and understands all terms it contains.

18 5. RESPONDENT GCWAT admits, for the purpose of this proceeding, to the Findings of
19 Fact and Conclusions of Law contained in this Order.

20 6. By consenting to the entry of this Order, RESPONDENT GCWAT agrees not to take
21 any action or to make, or permit to be made, any public statement denying, directly or indirectly,
22 any Finding of Fact or Conclusion of Law in this Order or creating the impression that this Order
23 is without factual basis. However, this Order is not intended to collaterally estop, factually bind,
24 or preclude RESPONDENT GCWAT from defending itself in any administrative, civil or criminal
25 proceedings to which the Commission is not a party. RESPONDENT GCWAT will undertake
26

1 steps necessary to assure that all of its agents and employees understand and comply with this
2 agreement.

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

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

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

13 10. RESPONDENT GCWAT agrees that until rescission and penalties are paid in full,
14 RESPONDENT GCWAT will notify the Director of the Securities Division within 30 days of any
15 change in address or any change in RESPONDENT GCWAT'S ability to pay amounts due under
16 this Order.

17 11. RESPONDENT GCWAT understands that default shall render it liable to the
18 Commission for its costs of collection and interest at the maximum legal rate.

19 12. RESPONDENT GCWAT consents to the entry of this Order and agrees to be fully
20 bound by its terms and conditions. If RESPONDENT GCWAT breaches any provision of this
21 Order, the Commission may vacate this Order and restore this case to its active docket.

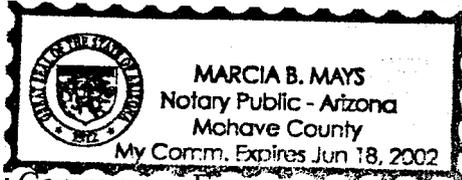
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1 13. Gwynn M. Pearson, hereby represents that she is the President of GCWAT and has
2 been duly authorized to enter into this Order for and on behalf of GCWAT.

3 GRAND CANYON WAGON ADVENTURE TOURS, INC.

4
5 Gwynn M. Pearson
6 By: GWYNN M. PEARSON, President

7
8 SUBSCRIBED AND SWORN TO BEFORE me this 19 day of APRIL, 2002.



11 Marcia B. Mays
12 NOTARY PUBLIC

13 My Commission Expires:

14 6-18-2002

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26 N:Enforce/Cases/GCWAT/Pleadings/Consent