

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 Arizona Corporation Commission

DOCKETED

JUN 3 0 2000

3 CARL J. KUNASEK
Chairman
4 JIM IRVIN
Commissioner
5 WILLIAM A. MUNDELL
Commissioner

DOCKETED BY	RT
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6 In the matter of)

7 ALLIANCE TRUST)
931 Village Blvd., Suite 905-199)
8 West Palm Beach, Florida 33409)

9 CHEMICAL TRUST)
PMB 105)
10 130 Wildwood Parkway, Suite 108)
Birmingham, Alabama 35209-7153)

11 UNITED MARKETING TRUST)
290G Applewood Center Place)
12 Seneca, South Carolina 29678)

13 CLIFTON WILKINSON)
8170 Jarrett Manor Estates)
14 Toccoa, Georgia 30577)

15 LEWEY L. CATO, III)
604 Hillcrest Parkway)
16 Apartment 31)
17 Dublin, Georgia 31021,)

18 Respondents.)

DOCKET NO. S-03363A-99-0000

DECISION NO. 62697

**ORDER TO CEASE AND DESIST AND
ORDER FOR ADMINISTRATIVE
PENALTIES**

19
20 **I.**

21 **INTRODUCTION**

22 On December 3, 1999, the Securities Division ("Division") of the Arizona Corporation
23 Commission ("Commission") filed a Notice of Opportunity for Hearing Regarding Proposed Order
24 for Relief ("Notice") against the above Respondents. The Notice specified that Respondents
25 would be afforded an opportunity for an administrative hearing on this matter upon filing a written
26 request with Docket Control of the Commission within ten (10) days of receipt of the Notice.

1 CLIFTON WILKINSON ("WILKINSON") individually and as Trustee for ALLIANCE
2 TRUST, was personally served a copy of the Notice on January 12, 2000. WILKINSON and
3 ALLIANCE TRUST failed to request a hearing.

4 LEWEY L. CATO, III ("CATO") was served with Notice on December 7, 1999, by the
5 Division mailing a copy of the Notice by first class mail, return receipt requested. On December
6 10, 1999, the Division received the signed receipt. CATO failed to request a hearing.

7 CHEMICAL TRUST was served with the Notice on December 6, 1999, by the Division
8 mailing a copy of the Notice by first class mail, return receipt requested to its business address.
9 On December 8, 1999, the Division received the signed receipt. CHEMICAL TRUST failed to
10 request a hearing.

11 UNITED MARKETING TRUST was served with the Notice on December 7, 1999, by the
12 Division mailing a copy of the Notice with a return receipt requested to its business address. On
13 December 13, 1999, the Division received the signed receipt. UNITED MARKETING TRUST
14 failed to request a hearing.

15 **II.**

16 **FINDINGS OF FACT**

17 1. ALLIANCE TRUST is a business entity, self-described as a "contract trust," a "U. S.
18 Trust" and a "U. S. Insurance Company." Its last known business address is 931 Village Blvd.,
19 Suite 905-199, West Palm Beach, Florida 33409.

20 2. CHEMICAL TRUST is a business entity, self-described as a "U.S. Trust." Its last
21 known business address is PMB 105, 130 Wildwood Parkway, Suite 108, Birmingham, Alabama
22 35209-7153.

23 3. UNITED MARKETING TRUST is a business entity with a web site on the Internet
24 at www.unitedmrktg.nv.switchboard.com. The address listed for UNITED MARKETING TRUST
25 is 290G Applewood Center Place, Seneca, South Carolina 29678.

26 ...

1 4. WILKINSON is an individual whose last known home address is 8170 Jarrett Manor
2 Estates, Toccoa, Georgia 30577. At all relevant times, WILKINSON was Trustee and salesman for
3 ALLIANCE TRUST, CHEMICAL TRUST and UNITED MARKETING TRUST.

4 5. CATO is an individual whose last known address is 604 Hillcrest Parkway,
5 Apartment 31, Dublin, Georgia 31021. At all relevant times, CATO was Chief Trustee of
6 Operations for CHEMICAL TRUST.

7 6. Respondents may be collectively referred to as "RESPONDENTS."

8 7. From May 1999 to December 1999, ALLIANCE TRUST and WILKINSON mailed
9 solicitations to Arizona resident broker-dealer agents and investment adviser representatives
10 (collectively referred to as "Offerees") to market investment contracts (the "Investment") in
11 ALLIANCE TRUST to their clients. Offerees were encouraged to invest themselves if they did not
12 wish to market the Investment.

13 8. Offerees were told that ALLIANCE TRUST was a "Members Only Investment
14 Trust" located in West Palm Beach, Florida. The potential investors were not told that the address is
15 a Mailboxes Etc. facility at 931 Village Boulevard, Suite 905-199, West Palm Beach, Florida
16 33409-1939. Information to potential investors identified WILKINSON as the Trustee of
17 ALLIANCE TRUST.

18 9. Literature provided to Offerees instructed them to market the Investment to clients at
19 a minimum of \$10,000 per contract for 12 months or more. In exchange for the client's investment,
20 the Offeree received a return, purportedly based on the amount of money invested. Investments of
21 \$10,000 to \$500,000 would yield 25%, \$501,000 to \$1,000,000 would yield 30% and \$1,000,001
22 and higher would be determined. The literature explained that the Offeree had discretion to
23 determine what percentage of the return was paid to the investor. The Offeree could keep the
24 balance of the return.

25 10. Offerees, and the investors they acquire, are required to become members of
26 ALLIANCE TRUST. The annual fee was \$99. Offerees could recruit others to market the

1 Investment, for which they received 5% of the recruited individual's business. No information is
2 given to Offerees about how their invested funds would be used to generate a return. No
3 information is given to Offerees about the business of ALLIANCE TRUST.

4 11. Offerees were told that the Investments are guaranteed two ways. First, the
5 Investments were guaranteed by ALLIANCE TRUST, which claimed \$450,000,000 in assets.
6 Second, the Investments were guaranteed by a surety payment bond totaling "in excess of \$6 billion
7 dollars" that provided "for 100% of their principal amount invested" at no cost to the investor. The
8 surety payment bond was allegedly provided by U. S. Guarantee Corporation located in Phoenix,
9 Arizona. In fact, U. S. Guarantee Corporation is not licensed in Arizona as a surety insurer.

10 12. In July 1999, a purported merger took place between ALLIANCE TRUST and
11 CHEMICAL TRUST with WILKINSON and CATO as Trustees for CHEMICAL TRUST, the
12 surviving entity. CHEMICAL TRUST began offering investment contracts in the same format and
13 with the same guarantee that had previously been offered by ALLIANCE TRUST. A memorandum
14 signed by CATO and mailed to Offerees announced the merger/consolidation.

15 13. Arizona offerees were being solicited through newspaper ads to invest in
16 CHEMICAL TRUST. No information was given to investors about the business of CHEMICAL
17 TRUST or the principals involved.

18 14. An Internet web site at www.unitedmrktg.nv.switchboard.com was a promotion by
19 UNITED MARKETING TRUST. This general solicitation promoted the same investment being
20 marketed by ALLIANCE TRUST and CHEMICAL TRUST. Both ALLIANCE TRUST and
21 UNITED MARKETING TRUST had the same toll free telephone number. The contact person for
22 UNITED MARKETING TRUST was WILKINSON.

23 15. At least 65 Arizona residents were offered or sold the investment contracts of
24 ALLIANCE TRUST, CHEMICAL TRUST or UNITED MARKETING TRUST. All
25 RESPONDENTS were not registered as salesmen or securities dealers in the state of Arizona during
26 the time the above described offers and sales took place. Further, the investment contracts were not

1 registered as securities in the state of Arizona, nor offered in reliance upon an available exemption
2 from registration and not subject to a notice filing.

3 III.

4 CONCLUSIONS OF LAW

5 1. The Commission has jurisdiction over these matters pursuant to Article XV of the
6 Arizona Constitution and the Securities Act of Arizona, A. R. S. § 44-1801 *et seq.* (the "Securities
7 Act").

8 2. From on or about April 1999 to December 1999, WILKINSON, CATO,
9 ALLIANCE TRUST, CHEMICAL TRUST and UNITED MARKETING TRUST offered or sold
10 securities in the form of investment contracts, within and/or from Arizona.

11 3. The securities referred to above were not registered under A.R.S. §§ 44-1871
12 through 44-1875, or 44-1891 through 44-1902; were not securities for which a notice filing has been
13 made under A.R.S. § 44-3321; were not exempt under A.R.S. §§ 44-1843 or 44-1843.01; were not
14 offered or sold in exempt transactions under A.R.S. § 44-1844; and were not exempt under any rule
15 or order promulgated by the Commission. This conduct violates A.R.S. § 44-1841.

16 4. In connection with the offers to sell or the sale of securities, RESPONDENTS acted
17 as dealers and/or salesmen within or from Arizona, although not registered pursuant to the
18 provisions of Article 9 of the Securities Act. This conduct violates A.R.S. § 44-1842.

19 5. In connection with the offers or sales of securities within or from Arizona,
20 RESPONDENTS directly or indirectly: (i) employed a device, scheme or artifice to defraud; (ii)
21 made untrue statements of material fact or omitted to state material facts which were necessary in
22 order to make the statements made not misleading in light of the circumstances under which they
23 were made; and (iii) engaged in transactions, practices or courses of business which operated or
24 would operate as a fraud or deceit. RESPONDENTS' conduct includes, but is not limited to, the
25 following:

26 ...

- 1 a) WILKINSON, CATO, ALLIANCE TRUST, CHEMICAL TRUST and UNITED
2 MARKETING TRUST failed to tell Offerees how proceeds from the Investment
3 would be used to generate the promised returns;
- 4 b) WILKINSON, CATO, ALLIANCE TRUST, CHEMICAL TRUST and UNITED
5 MARKETING TRUST failed to disclose their respective financial conditions and
6 business histories;
- 7 c) WILKINSON, CATO, ALLIANCE TRUST, CHEMICAL TRUST and UNITED
8 MARKETING TRUST failed to disclose information concerning any principals who
9 would manage the Investment, including the business backgrounds and experience of
10 those principals;
- 11 d) WILKINSON, CATO, ALLIANCE TRUST, CHEMICAL TRUST and UNITED
12 MARKETING TRUST failed to provide any meaningful disclosure regarding the
13 risks associated with the Investment;
- 14 e) WILKINSON, CATO, ALLIANCE TRUST, CHEMICAL TRUST and UNITED
15 MARKETING TRUST represented that ALLIANCE TRUST and CHEMICAL
16 TRUST held \$450 million in assets but failed to provide any information detailing
17 the purported assets;
- 18 f) WILKINSON, CATO, ALLIANCE TRUST, CHEMICAL TRUST and UNITED
19 MARKETING TRUST alleged that each Investment was protected "100%" by a
20 surety bond provided by an Arizona company, U.S. Guarantee Corporation, when in
21 fact, U.S. Guarantee Corporation is not licensed to issue surety bonds in Arizona.
- 22 6. This conduct violates A.R.S. § 44-1991.

IV.

ORDER

THEREFORE, on the basis of the Findings of Fact and Conclusions of Law, the Commission finds that the following Order is appropriate, in the public interest and necessary for the protection of investors.

1. IT IS HEREBY ORDERED, pursuant to A. R. S. § 44-2032, that WILKINSON, CATO, ALLIANCE TRUST, CHEMICAL TRUST and UNITED MARKETING TRUST permanently cease and desist from violating the Securities Act.

2. IT IS FURTHER ORDERED, pursuant to A. R. S. § 44-2036, that ALLIANCE TRUST, CHEMICAL TRUST and UNITED MARKETING TRUST are jointly and severally liable for an administrative penalty of \$75,000. In addition, WILKINSON shall pay an administrative penalty of \$45,000 and CATO shall pay an administrative penalty of \$30,000. Payment shall be due upon entry of this Order. Payment shall be made by cashier's check payable to the "State of Arizona" for deposit in the General Fund of the state.

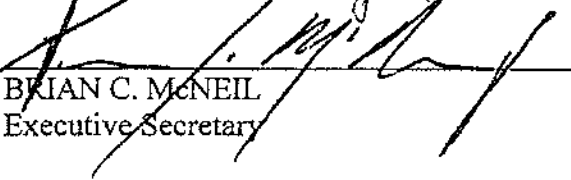
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1 3. IT IS FURTHER ORDERED that upon failure to make any payment when due,
2 interest shall accrue at the statutory rate of ten percent per annum.

5 BY ORDER OF THE ARIZONA CORPORATION COMMISSION

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7 
8 CHAIRMAN
9 
10 COMMISSIONER
11 
12 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 30th day of June, 2000.

14 
15 BRIAN C. McNEIL
16 Executive Secretary

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18 _____
19 DISSENT
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23
24 (KEM)

23 This document is available in alternative formats by contacting Cynthia Mercurio-Sandoval, ADA
24 Coordinator, voice phone number 602-542-0838, E-mail csandoval@cc.state.az.us.

25 Enforce/cases/Alliance Trust.km/pleading/Default Order