

BEFORE THE
STATE OF WISCONSIN
DEPARTMENT OF FINANCIAL INSTITUTIONS
DIVISION OF SECURITIES

In the Matter of
WALLACE J. HILLIARD,

PETITION FOR ORDER

Respondent.

File No. S-04156(EX)

The staff of the State of Wisconsin, Department of Financial Institutions, Division of Securities, Bureau of Registration & Enforcement, ("the Division") has conducted an investigation in this matter pursuant to sec. 551.56, Wis. Stats. and as a result thereof alleges as follows:

1. Wallace J. Hilliard ("Hilliard") is an individual, who was born on May 23, 1932, who has a last known home address at that of 2610 Bulrush Lane, Naples, Florida 34105, who at all times material hereto was a principal shareholder and a controlling person of Florida Air Holdings, Inc. ("Florida Air"), a Florida corporation;
2. Upon information and belief, at all times material hereto, Florida Air was a holding company without actual operations;
3. Upon information and belief, in the year 2001, Hilliard bought in bankruptcy the airline named Sunrise Airlines, Inc., ("Sunrise Airlines") and transferred the stock to Florida Air, at which time Sunrise Airlines became a division of Florida Air;
4. Upon information and belief, during the period of 2001 to 2003, Hilliard and others, through Florida Air, attempted to operate Sunrise Airlines as a functioning airline;
5. Upon information and belief during the time period of 2001 to 2003, Hilliard, on behalf of Florida Air, offered and sold to at least 14 persons in Wisconsin stock of Florida Air;
6. Upon information and belief, during the offers and sales, referred to in Paragraph 5 above, Hilliard represented to potential investors that their investment money would be used for the business of Florida Air;
7. Upon information and belief, during the period of 2001 to 2004, Hilliard, on behalf of Florida Air, borrowed money from seven persons in Wisconsin for the business of Florida Air, and provided to each person a written evidence of indebtedness, as evidence of the debt, to be repaid with interest at a certain annual rate;
8. The investments in evidence of indebtedness, as described in Paragraph 7 above, are securities as that term is defined by DFI-Sec 1.02(6)(a), Wis. Adm. Code, and are therefore securities pursuant to sec. 551.02(13)(a), Wis. Stats.;
9. Upon information and belief, during the offers and sales, referred to in Paragraph 7 above, Hilliard represented to potential investors that their investment money would be used for the business of Florida Air;
10. According to an Order Vacating Show Cause Order issued by the United States Department of Transportation ("U.S. DOT"), on July 10, 2002, that vacated the U.S. DOT's Order 2002-2-5, that had found Sunrise Airlines fit, willing and able to resume operations as a commuter air carrier, "...Shortly after issuance of our show cause order, we received information

unknown to us earlier that indicated that in May 2001 the Federal Aviation Administration (FAA) had issued a Notice of Proposed Civil Penalty (NPCP) to Plane-1 Leasing Co., Inc. (Plane-1) alleging that Plane-1 violated the Federal Aviation Regulations by operating as an air carrier without holding the required FAA operating authority to do so. These allegations, if true, are serious. Plane-1 is owned by Wallace Hilliard, who at the time the show cause order was issued, was also Sunrise's Chairman and principal shareholder and the moving force behind Sunrise's plans to resume operations. Thus, this pending enforcement action involving another of Mr. Hilliard's companies was relevant to our assessment of Sunrise's fitness. ...";

11. According to the Response of Sunrise Airlines, Inc., contained in the Thirteenth Supplement to Application of Sunrise Airlines, Inc. to the U.S. DOT, dated May 30, 2002, "On May 9, 2001, the Federal Aviation Administration ("FAA") issued a proposed Civil Penalty ("NPCP") for \$90,000 alleging that Plane I Leasing, Inc. ("Plane I Leasing") operated several flights contrary to the Federal Aviation Regulations ("FARs"). ...";

12. Upon information and belief, in connection with the offer and sale of the securities to the persons described in Paragraphs 5 and 7 above, Hilliard omitted to disclose the FAA's Notice of Proposed Civil Penalty against Plane-1, referred to in Paragraph 11 above;

13. Hilliard has violated sec. 551.41(2), Wis. Stats., by omitting to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they are made, not misleading, in connection with the offer and sale of securities to persons in Wisconsin;

14. Upon information and belief, during the offers and sales to at least one of the persons as described in Paragraph 7 above, Hilliard failed to inform the person that Hilliard, on behalf of Dekkers Aviation Group, Inc., had defaulted on loans on or about January 15, 2002, in the total amount of \$300,000; and

15. Hilliard has violated sec. 551.41(2), Wis. Stats., by omitting to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they are made, not misleading, in connection with the offer and sale of securities to persons in Wisconsin.

Therefore, the staff of the Division petitions the Administrator of the Division of Securities for the issuance of the attached Order pursuant to Ch. 551, Wis. Stats.

Mark E. Dorman 3-28-05
Mark E. Dorman Date
Examiner

David A. Cohen 3/30/05
David A. Cohen Date
Supervising Attorney