

1 STATE OF WASHINGTON  
2 DEPARTMENT OF FINANCIAL INSTITUTIONS  
3 SECURITIES DIVISION

4 IN THE MATTER OF DETERMINING ) Order Number S-09-112-09-SC01  
5 Whether there has been a violation of the )  
6 Securities Act of Washington by: ) STATEMENT OF CHARGES AND NOTICE  
7 ) OF INTENT TO ENTER ORDER TO CEASE  
8 ) AND DESIST AND TO IMPOSE FINES  
9 James H. Liddell and Leslie Collins dba )  
10 Payright Merchant Services-Seattle )  
11 )  
12 Respondents )

9 THE STATE OF WASHINGTON TO: James H. Liddell  
10 Leslie Collins dba Payright Merchant  
11 Services-Seattle

12 **STATEMENT OF CHARGES**

13 Please take notice that the Securities Administrator of the State of Washington has reason  
14 to believe that Respondents James H. Liddell and Leslie Collins doing business as Payright  
15 Merchant Services-Seattle have each violated the Securities Act of Washington and that their  
16 violations justify the entry of an order of the Securities Administrator under RCW 21.20.390  
17 against each to cease and desist from such violations. The Securities Administrator finds as  
18 follows:

19 **TENTATIVE FINDINGS OF FACT**

20 PARTIES

21  
22 1. James H. Liddell ("Liddell") is a Washington resident doing business as Payright  
23 Merchant Services-Seattle ("Payright"). Liddell was named in a 1987 Temporary Order to Cease  
24 and Desist issued by the Securities Administrator for violating the securities fraud and securities  
25 registration provisions of the Securities Act of Washington. The Securities Administrator

STATEMENT OF CHARGES AND NOTICE OF INTENT TO ENTER ORDER TO CEASE AND DESIST AND TO IMPOSE FINES

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DEPARTMENT OF FINANCIAL INSTITUTIONS  
Securities Division  
PO Box 9033  
Olympia, WA 98507-9033  
360-902-8760

1 alleged that Liddell raised in excess of \$125,000 from investors claiming that he would to  
2 purchase investments through Fidelity Investments for the investors. The Securities  
3 Administrator further alleged that Liddell was not licensed to make such sales and did not use  
4 any of the investor funds to purchase securities from Fidelity Investments for the investors  
5 benefit. In 1988 Liddell was subsequently convicted of theft in the first degree in King County,  
6 Washington relating to the same facts of the Securities Administrator's Temporary Order to  
7 Cease and Desist.

8  
9 2. Leslie M. Collins ("Collins"), Liddell's spouse, registered Payright Merchant  
10 Services-Seattle as a sole proprietorship with the Washington State Department of Revenue from  
11 January 2003 to June 2009. Payright is purportedly in the business of purchasing and selling  
12 point of sale ("POS") terminals.

13 NATURE OF THE OFFERING

14 3. Beginning no later than December 2005 and continuing through at least  
15 December 2008, Liddell and Collins have raised in excess of \$3,750,000 through the sale of  
16 promissory notes to seven Washington investors and one Oregon investor for an investment in  
17 the purchase and sale of POS terminals. The investors include business acquaintances of Liddell  
18 and Collins, parents of classmates of Liddell and Collins's children and friends of investors.

19 4. Liddell and Collins told initial investors that they had a business buying used POS  
20 terminals and then reselling the terminals to a company that would refurbish the units for resale.  
21 Liddell told these investors that he was a middle man in the transaction and that he never took  
22 possession of the terminals, but needed funds to purchase the units. Liddell also told these  
23 investors that he had pre-existing sales agreements and/or purchase orders to purchase the used  
24 units from a large Seattle area pharmacy.  
25

1           5.       The existing investors and new investors were later told by Liddell that his  
2 business had shifted to selling the refurbished POS terminals for the company to which he sold  
3 the used units. Liddell also told these investors that the same Seattle area pharmacy was now  
4 going to purchase the refurbished units. As before, Liddell said that he had sales agreements  
5 and/or purchase orders to purchase the units and that he did not take possession of the POS  
6 terminals, but acted as a middleman between the two companies.  
7

8           6.       Liddell showed investors sales agreements and purchase orders indicating the  
9 existence of the negotiated terms for a particular shipment of POS terminals to the refurbishing  
10 company or the pharmacy. Liddell then provided the investors with promissory notes normally  
11 varying in length from 20 to 45 days. The rate of return on the promissory notes varied from  
12 5.8% to 9.9%. Additionally, some investors were promised a percentage of the gross profits for  
13 the particular transaction in which they had invested. The percentages ranged from 14% to 50%  
14 of the gross profits of the transaction. These promised transaction payouts varied in length of  
15 time like the promissory notes.  
16

17           7.       Investors initially received their agreed upon return on investment. Liddell then  
18 offered the investors the opportunity to reinvest their money. Some of the investors elected to  
19 receive their interest and principal back and then reinvest the funds with check or wire transfer,  
20 while other investors elected to just have the investment roll over into a new promissory note  
21 without taking possession of the funds purportedly earned.  
22

23           8.       Payments to investors from Liddell and Collins started to fall behind in 2008.  
24 Some investors refused to invest more money until they had their existing investments returned  
25 with the interest earned. On multiple occasions Liddell and Collins made deposits into investor  
bank accounts giving the investors the belief that this was the return on their prior investment.

1 Some of the deposits made by Liddell and Collins were from new investors whose money was  
2 deposited directly into an existing investor's bank account. On other occasions the deposits  
3 made by Liddell and Collins into investor bank accounts were later returned due to insufficient  
4 funds. These were not discovered by the investor until after they had already given more money  
5 to Liddell and Collins based upon the mistaken belief that their prior investment money had been  
6 returned.

### 7 MISREPRESENTATIONS AND OMISSIONS

8  
9 9. The Respondents failed to provide investors with material information about the  
10 investment opportunity described above, including but not limited to, a reasonable basis for  
11 being able to provide the rates of return promised to investors, the use of investors' funds, and  
12 past investment performance.

13 10. The Respondents failed to tell the investors that there were no contracts with a  
14 large Seattle area pharmacy for the purchase and sale of their POS terminals.

15 11. The Respondents misled the investors by providing the investors with letters from  
16 the purported purchaser of the POS terminals stating that payment for the terminals would be  
17 forthcoming. In reality, the POS terminals were never delivered to the purchasers so payment  
18 would never be received by the Respondents.

19 12. The Respondents failed to tell the investors that the returns on their investment  
20 they were receiving were actually new investor funds and not derived from the purchase and sale  
21 of POS terminals. The return of investors funds both prolonged the duration of the scheme as  
22 well as enticed investors to contribute more money.  
23  
24  
25

1 REGISTRATION STATUS

2 13. Payright Merchant Services-Seattle is not currently registered to sell securities in  
3 the state of Washington and has not previously been so registered.

4 14. James H. Liddell and Leslie Collins each are not currently registered as a  
5 securities salesperson or broker-dealer in the state of Washington and have not previously been  
6 so registered.

7  
8 Based upon the Tentative Findings of Fact, the following Conclusions of Law are made:

9 **CONCLUSIONS OF LAW**

10 1. The offer or sale of the promissory notes and investment contracts described  
11 above constitutes the offer or sale of a security as defined in RCW 21.20.005(10) and (12).

12 2. The offer or sale of said securities is in violation of RCW 21.20.140 because no  
13 registration for such offer or sale is on file with the Securities Administrator.

14 3. James H. Liddell and Leslie Collins dba Payright Merchant Services-Seattle have  
15 each violated RCW 21.20.040 by offering or selling said securities while not registered as a  
16 securities salespersons or broker-dealers in the state of Washington.

17 4. The offer or sale of said securities was made in violation of RCW 21.20.010 as  
18 described in the Misrepresentations and Omissions section of the Tentative Findings of Fact.

19 **NOTICE OF INTENT TO ORDER THE RESPONDENT TO CEASE AND DESIST**

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21 Based on the above Tentative Findings of Fact and Conclusions of Law, the Securities  
22 Administrator intends to order, pursuant to RCW 21.20.390(1), that James H. Liddell and Leslie  
23 Collins dba Payright Merchant Services-Seattle, and their agents and employees each cease and  
24 desist from violations of RCW 21.20.010 and RCW 21.20.140 and that James H. Liddell and  
25 Leslie Collins cease and desist from violation of RCW 21.20.040.

1 **NOTICE OF INTENT TO ORDER FINES**

2 Pursuant to RCW 21.20.395, and based upon the Tentative Findings of Fact and  
3 Conclusions of Law, the Securities Administrator intends to order that Respondents, James H.  
4 Liddell and Leslie M. Collins dba Payright Merchant Services-Seattle, each shall be liable for  
5 and pay a fine of \$25,000.

6 **AUTHORITY AND PROCEDURE**

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8 This Statement of Charges is entered pursuant to the provisions of RCW 21.20.390 and is  
9 subject to the provisions of RCW 34.05. The Respondents, James H. Liddell and Leslie Collins  
10 dba Payright Merchant Services-Seattle, each may make a written request for a hearing as set  
11 forth in the NOTICE OF OPPORTUNITY TO DEFEND AND OPPORTUNITY FOR  
12 HEARING accompanying this order.

13 If a Respondent does not request a hearing, the Securities Administrator intends to adopt  
14 the above Tentative Findings of Fact and Conclusions of Law as final, enter an order to cease  
15 and desist permanent and impose the fine as to that respondent.

16 **WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.**


17 Dated and Entered this 5th day of October, 2009.

18  
19 

20 MICHAEL E. STEVENSON  
21 Securities Administrator

22 Approved by:

Presented by:

23 

24 

25 Suzanne Sarason  
Chief of Enforcement

Tyler Letey  
Financial Legal Examiner

STATEMENT OF CHARGES AND NOTICE OF  
INTENT TO ENTER ORDER TO CEASE AND DESIST  
AND TO IMPOSE FINES

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Reviewed by:



Martin Cordell  
Financial Legal Examiner Supervisor