

FILED

2019 OCT 16 PM 2:47

COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF BANKING AND SECURITIES

PA DEPARTMENT OF
BANKING AND SECURITIES

COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF BANKING AND
SECURITIES, COMPLIANCE OFFICE

v.

Docket No.: 19 0088 (BNK-CAO)

DAVID M. HALLMAN Jr., Individual
DAVID HALLMAN CHEVROLET, INC.,
DAVID HALLMAN HYUNDAI, INC.,
CHAMPION FORD EDINBORO, INC.,
CHAMPION FORD SALES, INC.,
SUPERIOR MOTORS, LLC

CONSENT AGREEMENT AND ORDER

The Commonwealth of Pennsylvania, acting through the Department of Banking and Securities (“Department”), Compliance Office (“Office”), has reviewed the business practices of David M. Hallman Jr.,(Individual), David Hallman Chevrolet, Inc., David Hallman Hyundai, Inc., Champion Ford Edinboro, Inc., Champion Ford sales, Inc., and Superior Motors, LLC, known collectively as (“Hallman”) and its officers, employees, and directors. Based on the results of its review, the Office concludes that Hallman operated in violation of the Consumer Credit Code (“CCC”) as related to motor vehicle sales finance, 12 Pa. C.S. § 6201 *et seq.* The parties to the above-captioned matter, in lieu of litigation, hereby stipulate the following statements are true and correct in the settlement of the above-captioned matter and, intending to be legally bound, hereby agree to the terms of this Consent Agreement and Order (“Order”).

BACKGROUND

1. The Department is the Commonwealth of Pennsylvania’s administrative agency authorized and empowered to administer and enforce the CCC.
2. The Compliance Office is primarily responsible for administrating and enforcing the CCC for the Department.

3. Hallman owns and operates the business located at 1925 State St., Erie, PA 16501, which is licensed as Installment Seller #0267.

4. Hallman owns and operates the business located at 2104 State St., Erie, PA 16503, which is licensed as Installment Seller #0668.

5. Hallman owns and operates the business located at 11941 Edinboro Rd., Edinboro, PA 16412, which is licensed as Installment Seller #0167.

6. Hallman owns and operates the business located at 2502 W 26th St., Erie, PA 16506, which is licensed as Installment Seller #48247.

7. Hallman owns and operates the business located at 5615 Peach St., Erie, PA 16509, which is licensed as Installment Seller #13936.

Federal Response

8. On August 27, 2018 the U.S. Department of Justice issued a “Deferred Prosecution Agreement with David Hallman Chevrolet”, (“Agreement”).

9. The conduct described in the Agreement constitutes a violation of Title 18, United States Code, Sections 1344, Bank Fraud.

10. The conduct described in the Agreement constitutes a violation of Title 18, United States Code, Section 1349, Conspiracy to Commit Bank Fraud.

11. The agreement states that Hallman and the United States Attorney agree that the following was an accurate statement of the facts:

- a) From at least 2009 through 2015, various employees, with the knowledge of Hallman, engaged in a fraudulent down payment scheme.

- b) From at least 2009 through 2015, various employees engaged in a scheme to kick back money to customers from sales of accessories or repairs to cars being sold, which were never intended to be purchased or performed
- c) In 2015, Hallman engaged in a scheme selling inexpensive used vehicles to customers, while simultaneously repurchasing the vehicles for inflated amounts and then using the inflated vehicle re-purchase price to be used as a trade-in.
- d) Up through at least 2017, Hallman knowingly misrepresented information to financial institutions.
- e) In addition, Hallman discovered employees stole money from customers, but because these employees sold more vehicles than other employees did, they received preferential treatment and were not fired.
- f) From 2009 up to the date of the Agreement, Hallman failed to have a compliance program to prevent and detect violations of law.

Authority of the Department

12. The CCC grants the Department the authority to issue orders as may be necessary for the enforcement of the CCC. 12 Pa. C.S. § 6203(a)(5).

13. Section 6218(a) of the CCC Provides, in pertinent part, that “the department may revoke or suspend a license if it discovers a fact or condition that, had it existed or been discovered at the time of filing of any license application, would have warranted disapproval of the application... or if it finds that the licensee has engaged in any of the following: (13) Engaged in unfair, deceptive, fraudulent or illegal practices or conduct in connection with a business regulated by this chapter.” 12 Pa. C.S. § 6218(a)(13).

14. Section 6274 of the CCC provides that “[a] person required to be licensed under this chapter that violates this chapter, directs a violation of this chapter or engages in an activity for which a license

could be suspended or revoked under section 6218 (relating to revocation or suspension of license) shall be subject to a civil penalty levied by the department of not more than \$2,000 for each offense.”
12 Pa. C.S. § 6274.

VIOLATION

15. Hallman violated Section 6218(a)(13) of the CCC when it engaged in fraudulent and deceptive practices involving their installment seller business. 12 Pa. C.S. § 6218(a)(13).

RELIEF

16. Fine. Hallman agrees to pay a fine of seventy thousand dollars (\$70,000) in twelve (12) monthly installments. The first payment in the amount of \$5870 is due within thirty (30) days of the Effective Date of the Order. The remaining eleven (11) installments in the amount of \$5830 will be due within thirty (30) days of each previous payment. The fine payment shall be made by ACH or wire transfer, or if ACH or wire transfer is unavailable, by certified check, cashier's check, teller's check or money order made payable to the "Department of Banking and Securities" and shall be mailed, or delivered in person to the attention of: Department of Banking and Securities, Compliance Office, 17 N. Second Street, Suite 1300, Harrisburg, PA 17101-2290.

17. Exam. Hallman agrees to be subject to examination at least annually by the Department.

18. U.S. Department of Justice. Hallman needs to comply with all provisions of the Agreement.

19. Monitor. As described in the U.S. Department of Justice Agreement, Hallman shall provide the detailed reports of the Monitor, GV03 & Associates, or any other monitor designated by the U.S. Attorney, to the Department within one week of providing such reports to the U.S. Attorney. Hallman's obligation shall be to provide such reports to the Department for as long as it is required to provide them to the U.S. Attorney.

20. Independent, Annual Audit. The independent audit conducted by an independent accounting professional approved by the United States Attorney, to conduct an annual review of the business operation and the books and records of Hallman shall be submitted to the Department within one week of

providing such reports to the U.S. Attorney. Hallman's obligation shall be to provide such reports to the Department for as long as it is required to provide them to the U.S. Attorney.

21. Certification of CEO. Hallman shall annually as described in the U.S. Department of Justice Agreement, certify in writing the following:

- a) Hallman is in compliance with the Agreement.
- b) The semi-annual reports of the monitor and the annual audit fairly present the status of Hallman's compliance with the Agreement.
- c) Hallman has disclosed to the monitor and the United States Attorney any matters indicating any potential non-compliance with the terms of the Agreement.
- d) Whether there have been any significant changes in policies, procedures, or internal controls that could affect compliance with the Agreement.

22. All required documentation and reporting shall be sent to the attention of:

John Talalai, FIEA
Pennsylvania Department of Banking and Securities
Compliance Office
17 N. Second Street, Suite 1300
Harrisburg, PA 17101

FURTHER PROVISIONS

23. Consent. Hallman hereby knowingly, willingly, voluntarily and irrevocably consents to the entry of this Order pursuant to the Department's order authority under the CCC and agrees that it understands all of the terms and conditions contained herein. Hallman, by voluntarily entering into this Order, waives any right to a hearing or appeal concerning the terms, conditions and/or penalties set forth in this Order.

24. Consumer's Rights. This Order shall not limit or impair a consumer's rights under the CCC. 12 Pa. C.S. § 6236. (69 P.S. § 635.)

25. Publication. The Department will publish this Order pursuant to its authority in Section 302.A.(5) of the Department of Banking and Securities Code. 71 P.S. § 733-302.A (5).

26. Entire Agreement. This Order contains the whole agreement between the parties. There are no other terms, obligations, covenants, representations, statements, conditions, or otherwise, of any kind whatsoever concerning this Order. This Order may be amended in writing by mutual agreement by the Office and Hallman.

27. Binding Nature. The Department, Hallman, and all officers, owners, directors, employees, heirs, and assigns of Hallman intend to be and are legally bound by the terms of this Order.

28. Counsel. This Order is entered into by the parties upon full opportunity for legal advice from legal counsel.

29. Effectiveness. Hallman hereby stipulates and agrees that the Order shall become effective on the date that the Office executes this Order ("Effective Date").

30. Other Enforcement Action.

a. The Department reserves all of its rights, duties, and authority to enforce all statutes, rules and regulations under its jurisdiction against Hallman in the future regarding all matters not resolved by this Order.

b. Hallman acknowledges and agrees that this Order is only binding upon the Department and not any other local, state or federal agency, department or office regarding matters within this Order.

31. Authorization. The parties below are authorized to execute this Order and legally bind their respective parties.

32. Counterparts. This Order may be executed in separate counterparts and by facsimile or electronic mail in portable document format "PDF".

33. Titles. The titles used to identify the paragraphs of this document are for the convenience of reference only and do not control the interpretation of this document.

WHEREFORE, in consideration of the foregoing, including the recital paragraphs, the Department of Banking and Securities, Compliance Office and Hallman, intending to be legally bound do hereby execute this Consent Agreement and Order.

**FOR THE COMMONWEALTH OF
PENNSYLVANIA, DEPARTMENT OF
BANKING AND SECURITIES,
COMPLIANCE OFFICE**

Redacted

John Talalai, Administrator

Compliance Office
Department of Banking and Securities

Date: 10-10-2019

**FOR DAVID M. HALLMAN Jr. (Individual)
DAVID HALLMAN CHEVROLET, INC.,
DAVID HALLMAN HYUNDAI, INC.,
CHAMPION FORD EDINBORO, INC.,
CHAMPION FORD SALES, INC.,
SUPERIOR MOTORS, LLC**

Redacted

(Officer Signature)

David M. Hallman Jr.
(Print Officer Name)

President

(Title)

Date: 10-10-19

