

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2
3 CARL J. KUNASEK
4 Chairman
5 JIM IRVIN
6 Commissioner
7 WILLIAM A. MUNDELL
8 Commissioner

9 In the matter of)
10)
11 SUPERIOR LEASING OF ARIZONA, INC.,)
12 An Arizona corporation,)
13 2655 W. Guadalupe Rd., #30)
14 Mesa, AZ 85202)
15)
16 LLOYD H. ROCKWELL,)
17 An individual,)
18 3025 S. Cascade Pl.)
19 Chandler, AZ 85248)
20)
21 MICHAEL R. FRENCH,)
22 An individual,)
23 5311 N. Stetson)
24 Prescott Valley, AZ 86314)
25)
26 Respondents.)

DOCKET NO. S-03373A-99-0000
**TEMPORARY ORDER TO CEASE
AND DESIST AND NOTICE OF
OPPORTUNITY FOR HEARING
REGARDING PROPOSED ORDER
FOR RELIEF**

17 **NOTICE: EACH RESPONDENT HAS 20 DAYS TO REQUEST A HEARING.**

18 The Securities Division (“Division”) of the Arizona Corporation Commission (“Commission”) alleges
19 that Respondents SUPERIOR LEASING OF ARIZONA, INC., LLOYD H. ROCKWELL and
20 MICHAEL R. FRENCH engaged in or are about to engage in acts and practices that constitute violations of
21 Arizona Revised Statutes (“A.R.S.”) §§ 44-1841, 44-1842 and 44-1991 of the Securities Act of Arizona
22 (“Securities Act”), and that the public interest will be harmed by delay in issuing an Order to Cease and
23 Desist.

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I.

JURISDICTION

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3 1. The Commission has jurisdiction over these matters pursuant to Article XV of the Arizona
4 Constitution and the Securities Act, A.R.S. § 44-1801 et seq.

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6 **II.**

7 **RESPONDENTS**

8 1. SUPERIOR LEASING OF ARIZONA, INC. ("SLAZ"), is an Arizona corporation,
9 whose last known address is 2655 W. Guadalupe Rd., #30, Mesa, AZ 85202.

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11 2. LLOYD H. ROCKWELL ("ROCKWELL"), whose last known address is 3025 S. Cascade
12 Pl., Chandler, AZ 85248 , is the president and principal shareholder of SLAZ.

13 3. MICHAEL R. FRENCH ("FRENCH"), whose last known address is 5311 N. Stetson,
14 Prescott Valley, AZ 86314, is a salesman for SLAZ.

15 4. The respondents may be collectively referred to as "RESPONDENTS."

16
17 **III.**

18 **FACTS**

19 5. Each of the preceding paragraphs is incorporated by reference.

20 6. RESPONDENTS have engaged in the offer or sale within or from Arizona of securities in
21 the form of promissory notes or investment contracts to the general public.

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23 7. In or about November 1999, RESPONDENTS offered to sell securities, in the form of
24 promissory notes or investment contracts to an Arizona investor. RESPONDENTS informed the investor
25 that he would receive thirty percent interest per annum on his investment, rising to thirty-six percent per
26 annum if he invested at least \$100,000. The promissory note would be for one year, with the option to

1 renew it. RESPONDENTS stated that when the investor sent in his investment, documents for the
2 investment would be sent to him.

3 8. RESPONDENTS provided the investor with examples of their documents, including a
4 promissory note. A copy of the sample note is attached as Exhibit A. RESPONDENTS represented that
5 other people had invested in SLAZ. RESPONDENTS also told the investor that after his investment was
6 submitted, RESPONDENTS would make all business decisions regarding SLAZ.
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8 9. RESPONDENTS represented that SLAZ was in the automobile sale lease back business.
9 SLAZ would purchase automobiles from individuals in need of cash, and then lease the cars back to the
10 individuals. According to RESPONDENTS, SLAZ was collateralized by at least a five-to-one ratio on the
11 value of the car to the purchase price given to the individual. They told the investor that the default rate was
12 less than one percent and that there was not much risk in the investment. Additionally, RESPONDENTS
13 stated that there was no risk to the investor even if SLAZ was unable to reclaim the vehicle; the investor
14 would get paid regardless of that happening.
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16 10. RESPONDENTS also described the investment as a bond from SLAZ that would be
17 converted into stock when SLAZ went public. FRENCH told the investor that the investment did not need to
18 be registered, as it was not a security. He stated that Warner Brothers Studios was expected to invest
19 \$50,000,000 in SLAZ, with the first installment of \$5,000,000 expected before December 31, 1999. After
20 the full investment, SLAZ should have a value of \$600,000,000, with annual net income of \$60,000,000.
21 FRENCH urged the investor to invest quickly as the investment would not be available after the Warner
22 Brothers' investment. As FRENCH described it, the bond conversion stock would still pay thirty percent
23 interest even after the company went public. FRENCH also told the investor that he has been a stockbroker
24 for almost eleven years.
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1 11. Previously, on July 24, 1995, FRENCH had been convicted of making false statements in
2 connection with an application and use of a passport, in violation of 18 U.S.C. § 1542, a felony. FRENCH
3 was sentenced to, among other things, thirty-six months of probation. The terms of his probation barred him
4 from engaging in any profession involving fiduciary duties.

5 12. On October 10, 1995, FRENCH entered into a Consent Order with the Commission,
6 admitting to violations of the Securities Act concerning his application for registration as a securities salesman
7 in which he failed to disclose his indictment and later conviction for making false statements in connection with
8 an application and use of a passport. The Consent Order barred FRENCH from committing further violations
9 of the Securities Act. *In the Matter of the Salesman Registration of Michael Richard French*, Docket
10 No. S-3101-I.

11 13. On February 25, 1997, the Commission entered a Temporary Order to Cease and Desist
12 against FRENCH and others, for offering to sell or selling securities in violation of A.R.S. §§ 44-1841, 44-
13 1842 and 44-1991. *In the Matter of the Offering and Sale of Securities by Interactive Television, Inc.,*
14 *et al.*, Docket No, S-3191-I. On December 18, 1997, the Commission entered a final order finding that the
15 RESPONDENTS, including FRENCH, violated the Securities Act and ordering them to cease and desist
16 their activity and pay restitution and an administrative penalty. According to the records of the Commission,
17 FRENCH has failed to pay any restitution or penalty on that order.

18 14. On June 17, 1998, FRENCH was sentenced to Federal prison for one year and one day, for
19 violating his probation. Upon his release from prison, he was placed on supervised release for twenty-four
20 months. Pursuant to the terms of his probation, FRENCH is prohibited from engaging in any telemarketing
21 programs, sales of securities, or any other matters in a similar related business, selling investments or
22 investment opportunities.

VI.

VIOLATION OF A.R.S. § 44-1991

(Fraud in Connection with the Offer and Sale of Securities)

23. Each of the preceding paragraphs is incorporated by reference.

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

a) Failing to disclose the Commission orders imposed against FRENCH, including those orders barring him from violating the Securities Act;

b) Failing to disclose the criminal record of FRENCH, including that the terms of his probation barred him from telemarketing, selling securities or investments;

c) Failing to disclose material information about the investment, including disclosure statements, prospectuses or financial statements; and

d) Making misleading statements regarding the risk involved in the investment.

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

a) Informing an investor that the securities in RESPONDENTS' offer did not need to be registered under the Securities Act; and

1 expiration of its term, unless sooner vacated, modified (including ordering restitution and assessing
2 administrative penalties or other relief) or made permanent by the Commission with written findings of fact
3 and conclusions of law.

4 Persons with a disability may request a reasonable accommodation such as a sign language interpreter,
5 as well as request this document in an alternative format, by contacting Cynthia Mercurio-Sandoval, ADA
6 Coordinator, voice phone number 602/542-0838, e-mail csandoval@cc.state.az.us. Requests should be
7 made as early as possible to allow time to arrange the accommodation.

8 BY ORDER OF THE ARIZONA CORPORATION COMMISSION, this ____ day of
9 December, 1999.

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11 _____
12 Mark Sendrow
13 Director of Securities

14 (MD)

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