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0000043939

BEFORE THE ARIZONA CORPORATION COMMISSION

1999 DEC -9 A 9 06

CARL J. KUNASEK
Chairman
JIM IRVIN
Commissioner
WILLIAM A. MUNDELL
Commissioner

AZ CORP COMMISSION
DOCUMENT CONTROL

In the matter of)
)
SUPERIOR LEASING OF ARIZONA, INC.,)
An Arizona corporation,)
2655 W. Guadalupe Rd., #30)
Mesa, AZ 85202)
)
LLOYD H. ROCKWELL,)
An individual,)
3025 S. Cascade Pl.)
Chandler, AZ 85248)
)
MICHAEL R. FRENCH,)
An individual,)
5311 N. Stetson)
Prescott Valley, AZ 86314)
)
Respondents.)

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

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

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

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I.

JURISDICTION

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

II.

RESPONDENTS

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

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

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

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

III.

FACTS

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

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

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

1 the option to renew it. RESPONDENTS stated that when the investor sent in his investment,
2 documents for the 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
5 that other people had invested in SLAZ. RESPONDENTS also told the investor that after his
6 investment was submitted, RESPONDENTS would make all business decisions regarding SLAZ.

7 9. RESPONDENTS represented that SLAZ was in the automobile sale lease back
8 business. SLAZ would purchase automobiles from individuals in need of cash, and then lease the
9 cars back to the individuals. According to RESPONDENTS, SLAZ was collateralized by at least a
10 five-to-one ratio on the value of the car to the purchase price given to the individual. They told the
11 investor that the default rate was less than one percent and that there was not much risk in the
12 investment. Additionally, RESPONDENTS stated that there was no risk to the investor even if SLAZ
13 was unable to reclaim the vehicle; the investor would get paid regardless of that happening.

14 10. RESPONDENTS also described the investment as a bond from SLAZ that would be
15 converted into stock when SLAZ went public. FRENCH told the investor that the investment did not
16 need to be registered, as it was not a security. He stated that Warner Brothers Studios was expected to
17 invest \$50,000,000 in SLAZ, with the first installment of \$5,000,000 expected before December 31,
18 1999. After the full investment, SLAZ should have a value of \$600,000,000, with annual net income of
19 \$60,000,000. FRENCH urged the investor to invest quickly as the investment would not be available
20 after the Warner Brothers' investment. As FRENCH described it, the bond conversion stock would still
21 pay thirty percent interest even after the company went public. FRENCH also told the investor that he
22 has been a stockbroker 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.
3 FRENCH was sentenced to, among other things, thirty-six months of probation. The terms of his
4 probation barred him 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
7 salesman in which he failed to disclose his indictment and later conviction for making false statements in
8 connection with an application and use of a passport. The Consent Order barred FRENCH from
9 committing further violations of the Securities Act. *In the Matter of the Salesman Registration of*
10 *Michael Richard French*, Docket 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,
13 44-1842 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
15 the RESPONDENTS, including FRENCH, violated the Securities Act and ordering them to cease and
16 desist their activity and pay restitution and an administrative penalty. According to the records of the
17 Commission, 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,
19 for violating his probation. Upon his release from prison, he was placed on supervised release for
20 twenty-four months. Pursuant to the terms of his probation, FRENCH is prohibited from engaging in
21 any telemarketing programs, sales of securities, or any other matters in a similar related business, selling
22 investments or investment opportunities.
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15. RESPONDENTS omitted to inform investors about any facts concerning FRENCH listed in paragraphs 11 - 14.

IV.

VIOLATION OF A.R.S. § 44-1841

(Offer and Sale of Unregistered / Unauthorized Securities)

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

17. From on or about November 1999, RESPONDENTS offered and/or sold securities in the form of promissory notes and/or investment contracts.

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

19. This conduct violates A.R.S. § 44-1841.

V.

VIOLATION OF A.R.S. § 44-1842

(Transactions by Unregistered Dealers and Salesmen)

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

21. In connection with the offers to sell and the sale of securities, RESPONDENTS acted as dealers and/or salesmen within and/or from Arizona, although not registered pursuant to the provisions of Article 9 of the Securities Act.

22. This conduct violates A.R.S. § 44-1842.

25. ...

26. ...

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 Respondent fails to request a hearing within the time prescribed this Temporary Order shall thereafter
2 remain in effect against that Respondent until the expiration of its term, unless sooner vacated, modified
3 (including ordering restitution and assessing administrative penalties or other relief) or made permanent
4 by the Commission with written findings of fact and conclusions of law.

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

9 BY ORDER OF THE ARIZONA CORPORATION COMMISSION, this 9th day of
10 December, 1999.

11 
12 Mark Sendrow
13 Director of Securities

14 (MD)

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PROMISSORY NOTE

- \$ _____
(Dollar Amount)
- **FOR THE VALUE RECEIVED**, Superior Leasing Corporation, (hereinafter "Company"), a Nevada Corporation with corporate operations based at 2655 West Guadalupe, Mesa AZ 85202, promises to pay to the order of _____ (hereinafter "Lender"), or their designated assignees, at _____ (Name of Lender) or at such other place as may be designated in writing by _____ (Address) the holder of the Note, a one-time payment of \$ _____, payable on or before _____.
(Loan Amount) (Due Date)
- Interest of _____ % per month shall be paid monthly on the 15th day of the following month from the inception of the loan. This is an annual return of _____ percent (_____ %).
(Number) (Print Number) (Number)
- Company has the right to prepay all or any part of the principal of or interest on this note without penalty.
- In the event of default by Company, and after a forty five (45) day written notice has been served to Company by Lender, all titles held in security of this loan may be placed with a 3rd party administrator until Lender's principle is returned.
- Dated _____, 1998.

Lloyd H Rockwell
President
Superior Leasing Corporation

ORIGINAL

Memorandum

RECEIVED

1999 DEC -9 A 9:06

AZ CORP COMMISSION
DOCUMENT CONTROL

DATE: December 9, 1999
TO: Nancy Cole
Docket Control
FROM: Mark Dinell *MD*
Securities Division
RE: Superior Leasing of Arizona, Inc. et al.
Docket No. S-03373A-99-0000
Internal Routing Distribution
CC: Betty Camargo

This is to notify you that the following individuals should be copied on all docketed items for the above-mentioned case.

- Mark Sendrow
- LeRoy Johnson
- Matthew Neubert

Mark Dinell (Staff Attorney)

Michael A Smedinghoff (Staff Investigator)

Note: The Assistant Attorney General assigned to this matter is: Moira McCarthy.

Thank you for your cooperation in this matter.