

BEFORE THE ARIZONA CORPORATION COMMISSION COMMISSIONERS MIKE GLEASON, Chairman WILLIAM A. MUNDELL JEFF HATCH-MILLER KRISTIN K. MAYES GARY PIERCE In the matter of ERIC CHARLES ZIMMERMAN (a/k/a Eric Zimmerman), a married man and PENELOPE ZIMMERMAN (a/k/a Penny Zimmerman), a married woman, Respondents. ORDER TO CEASE AND DESIST, ORDER ORDER TO CEASE AND DESIST, ORDER ORDER TO CEASE AND DESIST, ORDER ORDER TO CHARLES AND CONSENT TO SAME BY: RESPONDENTS ERIC CHARLES ZIMMERMAN AND PENELOPE ZIMMERMAN Respondents ERIC CHARLES ZIMMERMAN and PENELOPE ZIMMERMAN ("Respondents FRIC CHARLES ZIMMERMAN and PENELOPE ZIMMERMAN ("Respondents') elect to permanently waive any right to a hearing and appeal under Articles 11 and 12 of the Securities Act of Arizona, A.R.S. § 44-1801 <i>et seq.</i> ("Securities Act") with respect to this Order To Cease And Desist, Order for Administrative Penalty and Consent to Same ("Order"). Respondents admit the jurisdiction of the Arizona Corporation Commission ("Commission"); neither admit nor deny the Findings of Fact and Conclusions of Law contained in this Order, and consent to the entry of this Order by the Commission. L FINDINGS OF FACT 1. ERIC CHARLES ZIMMERAN (a/k/a Eric Zimmerman) ("ZIMMERMAN") is a married man who resides in Fountain Hills, Arizona.						
COMMISSIONERS MIKE GLEASON, Chairman WILLIAM A. MUNDELL JEFF HATCH-MILLER KRISTIN K. MAYES GARY PIERCE AuG 21 2008 In the matter of ERIC CHARLES ZIMMERMAN (a/k/a Eric Zimmerman), a married man DOCKET NO. S-20606A-08-0397 and DOCKET NO. S-20606A-08-0397 PENELOPE ZIMMERMAN (a/k/a Penny Zimmerman), a married woman, Respondents. ORDER TO CEASE AND DESIST, ORDER OF RESTITUTION, ORDER FOR ADMINISTRATIVE PENALTIES AND CONSENT TO SAME BY: RESPONDENTS ERIC CHARLES ZIMMERMAN AND PENELOPE ZIMMERMAN Respondents ERIC CHARLES ZIMMERMAN (a/k/a Penny Zimmerman), a married woman, Respondents. VILLENT OF SAME BY: RESPONDENTS ERIC CHARLES ZIMMERMAN Respondents DIMERMAN and PENELOPE ZIMMERMAN ("Respondents") elect to permanently waive any right to a hearing and appeal under Articles 11 and 12 of the Securities Act of Arizona, A.R.S. § 44-1801 <i>et seq.</i> ("Securities Act") with respect to this Order To Cease And Desist, Order for Administrative Penalty and Consent to Same ("Order"). Respondents admit the jurisdiction of the Arizona Corporation Commission ("Commission"); neither admit nor deny the Findings of Fact and Conclusions of Law contained in this Order; and consent to the entry of this Order by the Commission. I. I. FINDINGS OF FACT 1. ERIC CHARLES ZIMMERAN (a/k/a Eric Zimmerman) ("ZIMMERMAN") is a						
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2. PENELOPE ZIMMERMAN (a/k/a Penny Zimmerman) ("P. ZIMMERMAN") is the spouse of ZIMMERMAN and resides in Fountain Hills, Arizona. At all relevant times, P. ZIMMERMAN was the spouse of ZIMMERMAN. P. ZIMMERMAN is joined in this action under A.R.S. § 44-2031(C) solely for purposes of determining the liability of the marital community.

3. At all times relevant, ZIMMERMAN was acting for his own benefit and for the benefit or in furtherance of the marital community.

4. ZIMMERMAN may be referred to as "Respondent".

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5. ZIMMERMAN was the President of EZ CAR LEASING, INC. ("EZ CAR LEASING") until he was terminated by EZ CAR LEASING'S Board of Directors on December 11, 2007.

6. EZ CAR LEASING was an Arizona corporation whose principal place of business was Fountain Hills, Arizona. The Commission administratively dissolved the entity on April 28, 2008 for failing to appoint a new statutory agent and file an annual report.

7. ZIMMERMAN conducted the business of EZ CAR LEASING under the name EZ CAR LEASING and SALES. EZ CAR LEASING and SALES is not a registered trade name with the Arizona Secretary of State.

8. From about June 2007 through December 2007, ZIMMERMAN offered and sold unregistered securities, in the form of EZ CAR LEASING company stock, to Arizona residents.

9. ZIMMERMAN offered and sold company stock to at least five offerees and investors. ZIMMERMAN raised approximately \$120,000.

10. Although EZ CAR LEASING'S business operations continued on a limited basis after ZIMMERMAN'S termination, the company did not offer company stock for sale after ZIMMERMAN'S departure.

11. On at least one occasion, ZIMMERMAN accepted two vehicles from an offeree and investor in exchange for 250 shares of stock in EZ CAR LEASING valued at \$12,500.

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12. ZIMMERMAN received from offerees and investors investments in EZ CAR LEASING. ZIMMERMAN told offerees and investors to make their investments payable to EZ CAR LEASING.

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13. ZIMMERMAN solicited offerees and investors to purchase stock in EZ CAR LEASING through advertisements in the *Arizona Republic*. In 2007, ZIMMERMAN published at least two advertisements seeking investors for the company. Two such ads ran in June and September 2007.

14. The June 2007 newspaper advertisement required a \$25,000 investment to purchase stock in EZ CAR LEASING. In exchange for their investment, offerees and investors were promised a percentage of the company's profits, an ownership interest in the business and 250 shares of EZ CAR LEASING stock. The ad also represented that EZ CAR LEASING had a minimum of 35 vehicles in its inventory.

13 15. The September 2007 ad was similar to the June ad in that it offered offerees and
14 investors a percentage of the company's profits and an ownership interest in the business.
15 However, the minimum investment had increased from \$25,000 to \$35,000. The ad also stated that
16 the company had plans to open two additional locations in October of the same year.

17 16. ZIMMERMAN represented to offerees and investors that 1250 shares of EZ CAR
18 LEASING stock were available for purchase.

19 17. At the time of investing, offerees and investors entered into stock purchase
20 agreements with EZ CAR LEASING named Business Opportunity Investment and Stock Sale
21 Agreement ("Stock Sale Agreement"). ZIMMERMAN also gave most offerees and investors stock
22 certificates ("certificates") to represent their ownership of EZ CAR LEASING stock. These
23 certificates were prepared by EZ CAR LEASING'S legal counsel.

18. The Stock Sale Agreement provided offerees and investors with information about
EZ CAR LEASING, its stock offering and several benefits available to shareholders. The benefits
included: 1) a monthly dividend disbursement (i.e. payment) of a percentage of EZ CAR

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LEASING'S profits; 2) use of a car on the EZ CAR LEASING lot; and 3) use of EZ CAR LEASING'S sales lots and vehicle reconditioning center to sell privately owned vehicles.

19. ZIMMERMAN was solely responsible for the management of EZ CAR LEASING'S business and financial affairs.

20. ZIMMMERMAN was unable to obtain a vehicle dealer's license for EZ CAR LEASING. ZIMMERMAN did not inform investors that he was unable to obtain a vehicle dealer's license. A vehicle dealer's license was necessary to operate EZ CAR LEASING.

21. ZIMMERMAN represented to offerees and investors that he personally possessed the financial resources to operate EZ CAR LEASING. ZIMMERMAN also told offerees and investors that he would be responsible to provide any additional funds to EZ CAR LEASING, if necessary.

22. ZIMMERMAN frequently borrowed money from EZ CAR LEASING'S stock owners to pay company expenses and purchase vehicles.

23. The initial Stock Sale Agreements issued on or about June 2007 stated that ZIMMERMAN would solicit 32 offerees and investors to purchase 1250 shares of EZ CAR LEASING stock at the price of \$100.00 per share.

24. Later, in or about September 2007, ZIMMERMAN changed the language in the Stock Sale Agreements which increased the number of investors to whom the company would sell its stock from 5 to 6 investors. The cost of the company's stock also increased from \$100.00 to \$140.00 per share.

25. On at least one occasion, ZIMMERMAN asked EZ CAR LEASING'S shareholders to "amend" the percentage of stock each of them owned in order to make it appear that one investor owned more shares than the other investors. This was necessary so that the investor could obtain a vehicle dealer's license for EZ CAR LEASING.

26. In September, a new offeree and investor responded to a newspaper advertisement in the *Arizona Republic* and purchased stock in EZ CAR LEASING. ZIMMERMAN represented to this offeree and investor that EZ CAR LEASING was a profitable car sales and leasing business.

27. ZIMMERMAN prepared monthly income and expense reports for EZ CAR LEASING'S shareholders. In at least one instance, an investor asked ZIMMERMAN to provide documentation to verify the information contained in his reports. However, ZIMMERMAN refused.

28. ZIMMERMAN informed investors that the proceeds from the sale of stock would be used by EZ CAR LEASING for operation of the business. In at least one instance, ZIMMERMAN did not use the funds he received from investors as capital to operate the business.

29. In all instances, ZIMMERMAN accepted investments from EZ CAR LEASING'S offerees and investors. However, in at least two instances ZIMMERMAN did not deposit the entire amount of the investments into the company's bank account but withheld a portion of the invested funds.

30. On at least one occasion, ZIMMERMAN transferred funds from EZ CAR
LEASING'S bank account into his personal bank account.

17 31. To date, none of EZ CAR LEASING'S offerees and investors has received a
18 monthly dividend disbursement (i.e. payment) for their investment.

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1. The Commission has jurisdiction over this matter pursuant to Article XV of the Arizona Constitution and the Securities Act.

II.

CONCLUSIONS OF LAW

23 2. Respondent offered or sold securities within or from Arizona, within the meaning of
24 A.R.S. §§ 44-1801(15), 44-1801(21), and 44-1801(26).

3. Respondent violated A.R.S. § 44-1841 by offering or selling securities that were
neither registered nor exempt from registration.

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- Respondent violated A.R.S. § 44-1842 by offering or selling securities while neither 4. registered as a dealer or salesman nor exempt from registration.

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Respondent violated A.R.S. § 44-1991 by (a) employing a device, scheme, or 5. artifice to defraud, (b) making untrue statements or misleading omissions of material facts, and (c) engaging in transactions, practices, or courses of business that operate or would operate as a fraud or deceit.

- ZIMMERMAN misrepresented to offerees and investors that they would a. receive a "monthly dividend disbursement" (i.e. payment) for their investments, when in fact none of EZ CAR LEASING'S shareholders have received a return on their investment.
- b. In at least two instances, ZIMMERMAN misled an offeree and investor to believe that EZ CAR LEASING was a viable and profitable business, when in fact the company was struggling financially.
 - c. ZIMMMERMAN failed to inform offerees and investors that he was unable to obtain a vehicle dealer's license for EZ CAR LEASING, when in fact a vehicle dealer's license was necessary for ZIMMERMAN to operate the business.
 - d. ZIMMERMAN'S monthly income and expense reports represented that EZ CAR LEASING had the funds necessary to meet the company's financial obligations, when in fact the company did not and frequently borrowed funds from its shareholders.
 - ZIMMERMAN misrepresented to offerees and investors that their е. investments in EZ CAR LEASING would be used to pay the company's operating expenses, when in fact most of the invested funds were used for other purposes.

Respondent's conduct is grounds for a cease and desist order pursuant to A.R.S. 6. § 44-2032.

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Respondent's conduct is grounds for an order of restitution pursuant to A.R.S. § 44-7. 2032.

Respondent's conduct is grounds for administrative penalties under A.R.S. § 44-8. 2036.

III.

ORDER

THEREFORE, on the basis of the Findings of Fact, Conclusions of Law, and Respondent's consent to the entry of this Order, attached and incorporated by reference, the Commission finds 10 that the following relief is appropriate, in the public interest, and necessary for the protection of investors: 12

IT IS ORDERED, pursuant to A.R.S. § 44-2032, that Respondent, and any of Respondent's 13 agents, employees, successors and assigns, permanently cease and desist from violating the 14 Securities Act. 15

IT IS FURTHER ORDERED that Respondent complies with the attached Consent to Entry 16 of Order. 17

IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2032, that ZIMMERMAN and P. 18 ZIMMERMAN shall pay restitution to the Commission in the amount of \$120,000 in restitution. 19 A payment of \$15,000 shall be made on the date of this Order. Any amount outstanding shall 20 accrue interest at the rate of 10% per annum from the date of this Order until paid in full. Payment 21 shall be made to the "State of Arizona" to be placed in an interest-bearing account controlled by 22 the Commission. The Commission shall disburse the funds on a pro-rata basis to investors shown 23 on the records of the Commission. Any restitution funds that the Commission cannot disburse 24 because an investor refuses to accept such payment shall be disbursed on a pro-rata basis to the 25 remaining investors shown on the records of the Commission. Any funds that the Commission 26

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determines it is unable to or cannot feasibly disburse shall be transferred to the general fund of the state of Arizona.

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IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2036, that ZIMMERMAN and P. ZIMMERMAN shall pay an administrative penalty in the amount of \$50,000. Payment shall be made to the "State of Arizona." Any amount outstanding shall accrue interest at the rate of 10% per annum from the date of this Order until paid in full. For purposes of this Order, a bankruptcy filing by Respondent shall be an act of default.

If Respondent does not comply with this Order, any outstanding balance may be deemed in default and shall be immediately due and payable.

IT IS FURTHER ORDERED, that if ZIMMERMAN and P. ZIMMERMAN fail to comply with this order, the Commission may bring further legal proceedings against ZIMMERMAN and P. ZIMMERMAN, including application to the superior court for an order of contempt.

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1	IT IS FURTHER ORDERED that this Order shall become effective immediately.			
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3	BY ORDER OF THI	E ARIZONA CORPORAT	TION COMMISSION	
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6	CHAIRMAN		COMMISSIONER	
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10			EOF, I, BRIAN C. McNEIL, of the Arizona Corporation	
11			into set my hand and caused the ommission to be affixed at the	
12		Capitol, in the City of	Phoenix, this <u>21</u> st day of ,20 <u>or</u>	
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15		BRIAN C. MCNEIL		
16		EXECUTIVE DIRECTO)R /	
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18	DISSENT			
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20	DISSENT	<u> </u>		
21	This document is available in alterr	native formats by contactin	g Linda Hogan, ADA Coordinator,	
22	voice phone number 602-542-3931			
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		9	Decision No. 70466	

CONSENT TO ENTRY OF ORDER

1. ZIMMERMAN ("Respondent") and P. ZIMMERMAN, individuals, admit the jurisdiction of the Commission over the subject matter of this proceeding. ZIMMERMAN and P. ZIMMERMAN acknowledge that they have been fully advised of their right to a hearing to present evidence and call witnesses and ZIMMERMAN and P. ZIMMERMAN knowingly and voluntarily waive any and all rights to a hearing before the Commission and all other rights otherwise available under Article 11 of the Securities Act and Title 14 of the Arizona Administrative Code. ZIMMERMAN and P. ZIMMERMAN acknowledge that this Order to Cease and Desist, Order of Restitution, Order for Administrative Penalties and Consent to Same ("Order") constitutes a valid final order of the Commission.

2. ZIMMERMAN and P. ZIMMERMAN knowingly and voluntarily waive any right under Article 12 of the Securities Act to judicial review by any court by way of suit, appeal, or extraordinary relief resulting from the entry of this Order.

3. ZIMMERMAN and P. ZIMMERMAN acknowledge and agree that this Order is entered into freely and voluntarily and that no promise was made or coercion used to induce such entry.

4. ZIMMERMAN and P. ZIMMERMAN acknowledge that Respondent has been represented by an attorney in this matter, ZIMMERMAN and P. ZIMMERMAN have reviewed this Order with their attorney, Alan Baskin of Bade & Baskin, and understand all terms it contains.

5. ZIMMERMAN and P. ZIMMERMAN neither admits nor denies the Findings of Fact and Conclusions of Law contained in this Order. ZIMMERMAN and P. ZIMMERMAN agree that they shall not contest the validity of the Findings of Fact and Conclusions of Law contained in this Order in any present or future administrative proceeding before the Commission or any other state agency concerning the denial or issuance of any license or registration required by the state to engage in the practice of any business or profession.

By consenting to the entry of this Order, ZIMMERMAN and P. ZIMMERMAN 6. agree not to take any action or to make, or permit to be made, any public statement denying, directly or indirectly, any Finding of Fact or Conclusion of Law in this Order or creating the 3 impression that this Order is without factual basis. ZIMMERMAN and P. ZIMMERMAN will 4 undertake steps necessary to assure that all of their agents and employees understand and comply 5 with this agreement. 6

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7. While this Order settles this administrative matter between the Respondents and the 7 Commission, ZIMMERMAN and P. ZIMMERMAN understand that this Order does not preclude 8 the Commission from instituting other administrative or civil proceedings based on violations that 9 are not addressed by this Order. 10

8. ZIMMERMAN and P. ZIMMERMAN understand that this Order does not preclude 11 the Commission from referring this matter to any governmental agency for administrative, civil, or 12 criminal proceedings that may be related to the matters addressed by this Order. 13

9. ZIMMERMAN and P. ZIMMERMAN understand that this Order does not preclude 14 any other agency or officer of the state of Arizona or its subdivisions from instituting 15 administrative, civil, or criminal proceedings that may be related to matters addressed by this 16 Order. 17

10. Respondent agrees that Respondent will not exercise any control over any entity 18 that offers or sells securities or provides investment advisory services within or from Arizona until 19 such time as all restitution and penalties under this Order are paid in full. 20

Respondent agrees that Respondent will not sell any securities in or from Arizona 11. 21 without being properly registered in Arizona as a dealer or salesman, or exempt from such 22 registration; Respondent will not sell any securities in or from Arizona unless the securities are 23 registered in Arizona or exempt from registration; and Respondent will not transact business in 24 Arizona as an investment adviser or an investment adviser representative unless properly licensed 25 in Arizona or exempt from licensure. 26

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12. Respondent agrees that Respondent will continue to cooperate with the Securities Division including, but not limited to, providing complete and accurate testimony at any hearing in this matter and cooperating with the state of Arizona in any related investigation or any other matters arising from the activities described in this Order. Said cooperation, however, shall not require a waiver of the Respondent's Fifth Amendment right against self-incrimination.

13. ZIMMERMAN and P. ZIMMERMAN acknowledge that any restitution or penalties imposed by this Order are obligations of the Respondent as well as the marital community.

9 14. ZIMMERMAN and P. ZIMMERMAN consent to the entry of this Order and agree
10 to be fully bound by its terms and conditions.

15. ZIMMERMAN and P. ZIMMERMAN acknowledge and understand that if they fail to comply with the provisions of the order and this consent, the Commission may bring further legal proceedings against Respondents, including application to the superior court for an order of contempt.

15 16. ZIMMERMAN and P. ZIMMERMAN understand that default shall render
16 ZIMMERMAN and P. ZIMMERMAN liable to the Commission for its costs of collection and
17 interest at the maximum legal rate.

17. ZIMMERMAN and P. ZIMMERMAN agree and understand that if they fail to make any payment as required in the Order, any outstanding balance shall be in default and shall be immediately due and payable without notice or demand. ZIMMERMAN and P. ZIMMERMAN agree and understand that acceptance of any partial or late payment by the Commission is not a waiver of default by Commission.

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EBIC CHARLES ZIMMERMAN PENELOPEZIMMERMAN

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Docket No. S-20606A-08-0397 STATE OF ARIZONA)) ss County of Manispa). SUBSCRIBED AND SWORN TO BEFORE me this 1st day of August 2008. NOTARY PUBLIC My commission expires: ley 14,200° TARY PUBLIC - ARIZON/ MARICOPA COUNTY May 14, 2009 Decision No.