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Memorandum

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AZ CORP COMMISSION
DOCUMENT CONTROL

DATE: August 11, 1999
TO: Nancy Cole
Docket Control
FROM: Mark Dinell
Securities Division
RE: John H Lawson/Premiere Financial Group
Docket No. S-03358A-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
- Victor Rodarte
- LeRoy Johnson
- Matthew Neubert

Mark Dinell (Staff Attorney)

Michael Smedinghoff (Staff Investigator)

Marcia Shivers (Staff Accountant)

Note: The Assistant Attorney General assigned to this matter is: Robert Zumoff.

Thank you for your cooperation in this matter.

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BEFORE THE ARIZONA CORPORATION COMMISSION

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

1999 AUG 11 P 2:53

AZ CORP COMMISSION
DOCUMENT CONTROL

In the matter of)
JOHN H. LAWSON, an individual,)
15643 S. 6th Place)
Phoenix, AZ 85048,)
PREMIERE FINANCIAL GROUP, INC.,)
an Arizona corporation)
1256 West Chandler Blvd., #30)
Chandler, AZ 85224)
Respondents.)

DOCKET NO. S-03358A-99-0000
TEMPORARY ORDER TO CEASE AND
DESIST

The Securities Division ("Division") of the Arizona Corporation Commission ("Commission") alleges that Respondents JOHN LAWSON and PREMIERE FINANCIAL GROUP, INC. 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 Arizona Securities Act ("Securities Act"), and that the public interest will be harmed by delay in issuing an Order to Cease and Desist.

I.

JURISDICTION

The Commission has jurisdiction over matters relating to securities pursuant to Article XV of the Arizona Constitution and A.R.S. § 44-1801 *et seq.*

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1 **II.**

2 **RESPONDENTS**

3 1. JOHN LAWSON ("LAWSON"), whose last known address is 15643 S. 6th Place,
4 Phoenix, AZ 85048, is the president and principal shareholder of Respondent Premiere Financial
5 Group, Inc. LAWSON has done business as John Lawson & Associates.

6 2. PREMIERE FINANCIAL GROUP, INC. ("PFG"), whose last known address is
7 1256 West Chandler Blvd., #30, Chandler, AZ 85224, is an Arizona corporation.

8 **III.**

9 **NATURE OF THE OFFERING**

10 3. Paragraphs 1 through 2 are realleged.

11 4. PFG and LAWSON have engaged in the offer or sale within or from Arizona of
12 securities in the form of promissory notes or investment contracts to the general public.

13 5. On or about January 21, 1999, as part of an investigation into the activities of PFG
14 and LAWSON, LAWSON sent a letter to the Division, through his attorney, in which he
15 represented that neither he nor PFG would sell any securities until a final determination was made
16 as to his activities then under investigation by the Division. PFG and LAWSON's attorney, in a
17 letter to the Division on that same date, reiterated that neither PFG nor LAWSON would sell any
18 securities in the future. Copies of those letters are attached as Exhibits to this Order. The Division
19 relied upon those representations and in return granted PFG and LAWSON additional time to
20 respond to the Division's inquiries.

21 6. Despite those representations, in July 1999, PFG and LAWSON solicited and
22 received additional investments in the form of promissory notes or investment contracts. PFG and
23 LAWSON received two checks from an Arizona investor, written on an insurance account at IL
24 Annuity & Insurance Company. The two checks were dated on or about July 7, 1999 and July 29,
25 1999, for the amounts of \$35,000.00 and \$6,000.00. The investor, who is 84 years old, suffers
26

1 from Alzheimer's disease and does not recollect giving those checks to PFG and LAWSON. Due
2 to her condition she is unable to describe the nature of her investment with PFG and LAWSON.

3 7. The checks were made out to Bank One and were deposited by LAWSON to the
4 account of John Lawson & Associates at Bank One. LAWSON had opened the Bank One account
5 on July 8, 1999. As of August 5, 1999, the balance in the account was less than \$250.00.

6 8. The investor's niece discovered the transactions in late July 1999 and, in a meeting
7 with LAWSON, asked him the purpose of the checks. LAWSON told her that they were
8 investments in his personal business, namely a storage facility that he intended to construct in
9 Chandler, Arizona. When the investor's niece demanded return of the money, LAWSON stated
10 that he could not return it as it was already invested but that he could pay off the investment in 90
11 days, paying nine percent interest on the money, if they still wanted it returned.

12 9. PFG and LAWSON did not issue any written documents or receipts for the checks.
13 At their meeting, LAWSON promised the investor's niece that he would send a receipt and the
14 note to her during the week of August 9, 1999. To date, no documents have been received from
15 PFG or LAWSON.

16 10. PFG and LAWSON did not disclose to the investor that they were under
17 investigation by the Division for their previous sales of securities. They did not disclose to the
18 investor that they had agreed with the Division not to sell any further securities to investors. They
19 further failed to disclose or provide to the investor prior to and at the time of the investment,
20 information regarding the nature of the investment, any disclosure statements, offering documents
21 or prospectuses regarding the investment. They did not provide the investor with any financial
22 information regarding PFG or LAWSON, despite the fact that the books and records of PFG
23 showed a negative net worth.

24 11. The investor had previously invested \$30,000.00 with PFG and LAWSON in
25 December 1998. That investment, and investments by 45 people for a principal amount of at least
26 \$2,619,034.13, are the subject of a Notice of Opportunity for Hearing Regarding Proposed Order

1 for Relief, filed by the Division against PFG, LAWSON and others on July 29, 1999. Arizona
2 Corporation Commission, Docket No. S-03297A-99-0000. It was as part of that investigation that
3 PFG and LAWSON agreed not to sell any securities until the investigation was resolved.

4 12. In its investigation, the Division served a subpoena upon PFG and LAWSON
5 requiring they produce the names and addresses of all investors. PFG and LAWSON produced
6 documents that they represented included all investors. PFG and LAWSON did not identify the
7 investor and her investment of \$30,000.00, nor at least 5 other investors. These investors invested
8 at least \$787,818.79 with PFG and LAWSON. The Division located the investor and her
9 investments through alternative means, rather than from the "complete" records produced by PFG
10 and LAWSON.

11 IV.

12 VIOLATION OF SECTION 44-1841 OF THE SECURITIES ACT

13 Offer or Sale of Unregistered Securities

14 13. Paragraphs 1 through 12 are realleged.

15 14. On January 22, 1999, PFG and LAWSON agreed they would not sell securities in
16 the State of Arizona until at least the investigation of their activities by the Division was
17 completed.

18 15. In July 1999, PFG and LAWSON violated that representation and sold securities
19 within or from the State of Arizona in the form of promissory notes or investment contracts.

20 16. The securities referred to in paragraphs 3-12 were not registered under A.R.S. §§
21 44-1871 through 44-1875 or 44-1891 through 44-1901; were not exempt from registration under
22 A.R.S. §§ 44-1843 or 44-1843.01; were not offered or sold in exempt transactions under A.R.S. § 44-
23 1844; and were not securities exempt under any rule or order promulgated by the Commission.

24 17. The conduct alleged in paragraphs 3-12 above violates A.R.S. § 44-1841.

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V.

VIOLATION OF SECTION 44-1842 OF THE SECURITIES ACT

Transactions by Unregistered Dealers and Salesmen

18. Paragraphs 1 through 17 are realleged.

19. In connection with the offer or sale of securities as described in paragraphs 3-11 above, PFG and LAWSON acted as dealers or salesmen within Arizona, although not registered pursuant to the Provisions of Article 9 of the Securities Act nor exempt therefrom.

20. The conduct alleged in paragraphs 3-12 above violates A.R.S. § 44-1842.

VI.

VIOLATION OF A.R.S. § 44-1991

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

21. Paragraphs 1 through 20 are realleged.

22. In connection with the offers and sales of securities within and/or from Arizona, PFG and LAWSON 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 the investor. PFG and LAWSON'S conduct includes, but is not limited to, the following:

- a) PFG and LAWSON did not disclose to the investor that they were under investigation by the Division for their previous sales of securities;
- b) PFG and LAWSON did not disclose to the investor that they had represented to the Division that they would not sell any further securities to investors;
- c) PFG and LAWSON did not disclose to the investor prior to and at the time of the investment, the nature of the investment she was making; and

1 d) PFG and LAWSON did not disclose to the investor the true financial condition of
2 PFG and LAWSON.

3 23. This conduct violates A.R.S. § 44-1991.
4

5 **VII.**

6 **TEMPORARY ORDER**

7 **Cease and Desist from Violating the Securities Act**

8 THEREFORE, on the basis of the foregoing allegations under Counts I through VI above,
9 because the Division has determined that the public interest will be harmed by delay in issuing an
10 Order to Cease and Desist from violations of the Securities Act,

11 IT IS ORDERED, pursuant to A.R.S. §§ 44-2032 (1), 44-1972 (C) and A.A.C. R14-4-307,
12 that all Respondents, their agents, servants, employees, successors, assigns, and those persons in
13 active concert or participation with them CEASE AND DESIST from the following and any
14 other violations of the Securities Act:

15 1. Offering to sell or selling the offering described in Count III above, or offering to
16 sell or selling any similar type of offering within or from the State of Arizona;

17 2. Receiving funds from purchasers of the offering described in Count III above, or
18 in connection with any similar type of offering within or from the State of Arizona;

19 3. Offering to sell or selling securities within or from the State of Arizona unless the
20 securities are registered with the Commission pursuant to Articles 6 and 7 of the Securities Act,
21 or an exemption from registration is applicable;

22 4. Offering to sell or selling securities within or from the State of Arizona unless
23 prior registration as dealers or salesmen is obtained under Article 9 of the Securities Act, or an
24 exemption from registration is applicable;

25 IT IS FURTHER ORDERED, pursuant to A.R.S. §§ 44-2032 (1), 44-1972 (C) and A.A.C.
26 R14-4-307, that this Temporary Cease and Desist Order shall remain in effect for one hundred and

1 twenty (120) days unless sooner vacated, modified or made permanent by the Commission. Upon
2 written request to Docket Control, Arizona Corporation Commission, 1200 West Washington,
3 Phoenix, Arizona 85007, any Respondent will be afforded a hearing on this Temporary Order if
4 such request is filed within twenty (20) days of service on the Respondent of this Temporary Order.
5 Upon such request, the Commission shall schedule a hearing no earlier than five (5) days and no
6 later than fifteen (15) days after its filing, with immediate notification to the Respondent, unless
7 otherwise provided by law, stipulated by the parties, or ordered by the Commission. The
8 Commission may, after such hearing by written findings of fact and conclusions of law, vacate,
9 modify (including ordering restitution and assessing administrative penalties or other relief) or make
10 permanent this Temporary Order. If any Respondent fails to request a hearing within the time
11 prescribed, such Respondent will be deemed to have admitted the allegations and this Temporary
12 Order shall thereafter remain in effect against that Respondent until the expiration of its term, unless
13 sooner vacated, modified (including ordering restitution and assessing administrative penalties or
14 other relief) or made permanent by the Commission with written findings of fact and conclusions of
15 law.

16 BY ORDER OF THE ARIZONA CORPORATION COMMISSION, this 11th day
17 of August, 1999.

18 
19 MARK SENDROW
20 Director of Securities
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LAW OFFICES OF
JOHN R. AUGUSTINE, JR.

A Professional Corporation

The Citadel, Suite 300
2727 North Third Street
Phoenix, Arizona 85004-1106
Phone: 602/650-1515
Facsimile: 602/264-2444
E-mail: AugustineJ@azbar.org

January 21, 1999

VIA TELEFAX &
UNITED STATES MAIL

Mark Dinnell, Esq.
Securities Division
Arizona Corporation Commission
1300 West Washington Street, 3rd Floor
Phoenix, Arizona 85007

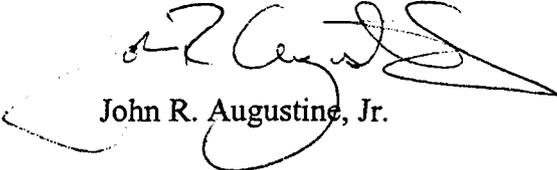
Re: Lawson/Premiere Financial Group, Inc. adv. ACC

Dear Mr. Dinnell:

Pursuant to our conversation of yesterday, please find enclosed herewith a copy (I'll forward the original is soon as I have it) of a letter from Mr. Lawson confirm that there will be no future sales of any securities either by him or Premiere.

I will be meeting with him tomorrow to go over, in detail, the Subpoena and Mr. Smedinghoff's letter regarding the same. I will then re-contact you on Monday. In the meantime, if you have any questions, please do not hesitate to contact me. Once again, thank you for your courtesy in this matter.

Very truly yours,


John R. Augustine, Jr.

Enclosure

JRA/me

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JOHN H. LAWSON

January 21, 1999

Mark Dinnell, Esq.
Securities Division
Arizona Corporation Commission
1300 West Washington Street, 3rd Floor
Phoenix, Arizona 85007

Re: Subpoena Duces Tecum

Dear Mr. Dinnell:

I understand from John Augustine that you have agreed to allow him a small amount of additional time to review with me various documents and the Securities Division's subpoena to determine what, if any, additional documents should be produced. Thank you for your courtesy in this regard. I am presently in Yuma, Arizona on business and will be returning to Phoenix, on Friday to meet with Mr. Augustine for that purpose.

I also understand that, as a condition of your having granted us additional time, you require an assurance from me that neither I nor Premiere Financial Group, Inc. are or will be issuing any additional promissory notes either for others or for Premiere. Accordingly, this will confirm that that is indeed the case and that no additional promissory notes (or other forms of securities) will be issued until a final determination is made as to the propriety of such offerings. Of course the foregoing statement is not to be construed as an admission of any wrong doing but it will confirm that no such future activity will occur.

If you have any questions regarding this matter, please direct them to Mr. Augustine. Once again, thank you for your courtesy in this matter.

Very truly yours,



John H. Lawson