



COMMISSION NEWS

ARIZONA CORPORATION COMMISSION 1200 W. WASHINGTON, PHOENIX, AZ 85007

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COMMISSION FINES ADVISER FOR IMPROPER WEB ADS, SANCTIONS GILBERT MAN FOR DEFRAUDING SENIOR INVESTORS

PHOENIX, AZ—The Arizona Corporation Commission today issued two orders requiring the return of \$160,663 to investors and the payment of \$52,000 in administrative penalties. In the first, a consent order was issued for a Surprise investment adviser who violated the advertising prohibitions of the Arizona Investment Management Act. A default order was issued against a Gilbert man who failed to answer allegations of securities fraud.

David A. Cockrell and his company, Cockrell Investment Resource Associates, LLC, agreed to pay a \$2,000 penalty for using web ads that violated the Arizona Investment Management Act. After being licensed with the Commission's Securities Division, his company advertised its investment advisory services through two web sites linked to audio-visual testimonials praising services rendered by Cockrell and his company. These testimonials featured insurance customers who had purchased fixed annuities from Cockrell, who is also a licensed Arizona insurance producer. The customers were not Cockrell's investment advisory customers.

The web sites also featured a chart showing past performances of stock recommendations in the form of profit percentages earned on buy-and-sell transactions of unnamed stocks. These recommendations were allegedly based on an investment philosophy that included "making consistent 10 to 30 percent gains on every position" with minimal losses. The Investment Management Act forbids the use of advertising that refers to testimonials concerning the investment adviser firm or its representatives. Further, the law prohibits investment adviser firms or its representatives from advertising past specific investment recommendations that were profitable or would have been profitable to any person.

In October 2007, the Commission issued a temporary cease and desist order in this matter. Due to the Commission's early intervention in shutting down the improper web ads, only one prospective customer contacted Cockrell and his company. The customer did not receive any advisory services from the respondents or pay any compensation to them.

Cockrell has been licensed as an investment adviser in Arizona since April 2007. In settling this matter, Cockrell neither admitted nor denied the Commission's findings, but agreed to the entry of the consent order.

The Commission then issued a default against Leonard Clark Rhodes, Jr. for fraudulently selling unregistered investment programs in Arizona. Rhodes, of Gilbert, was ordered to pay \$160,663 in restitution and \$50,000 in administrative penalties.

The Commission found that Rhodes offered and sold two different investment programs—Semper Libera and the Universal Lease—to at least four Arizona senior citizens, two of whom were over 80 years old. Rhodes told investors that Semper Libera was in the business of developing offshore resorts and casinos. The Universal Lease program was to offer timeshares of investment hotel units in Mexico and Central America.

Semper Libera investors were promised returns of at least 3 percent each month. Rhodes, however, did not provide investors with any information regarding the company's financial condition, the risk of the investment, where the money would be held or any specific location of the resorts and casinos. The few investment returns that Semper Libera investors received were made through the use of money orders. Although investors received minimal payments, those payments eventually stopped. When the investors attempted to contact Semper Libera, they were unable to do so. During this time, Rhodes provided investors with assurances that their funds would be available.

The Universal Lease investors were promised up to an eleven percent annualized return over 25 years if they used a designated servicing agent to manage and lease the timeshare units. Rhodes, however, failed to inform investors that at least seven state securities regulators, including Arizona, had filed orders against the promoters of the Universal Lease program. The Commission found that Rhodes ignored its temporary cease and desist order and offered the Universal Lease investment to an Arizona investor.

The general facts concerning other respondents associated with the Universal Lease Program can be found in previous Commission news releases. See the Commission's web site at www.azcc.gov and click on Securities News Releases. View the Commission's settlement with the defendants who promoted the Universal Lease investment program at: http://www.azcc.gov/divisions/securities/news_releases/2006/mar07-06.pdf.

The full text of the Commission orders can be viewed at: <http://www.azcc.gov/divisions/securities/enforcement/enforce-orders.asp>. All public documents related to the cases can be viewed and/or printed through the Commission's e-Docket system. The docket number assigned to the Rhodes matter is S-20537A-07-0390. The Cockrell matter is filed under docket S-20556A-07-0597.

Caution for investors

Even when investing with someone they know, investors should verify the registration of sellers and investment opportunities and investigate disciplinary histories by contacting the Arizona Corporation Commission's Securities Division at 602-542-4242 or toll free in Arizona at 1-866-VERIFY-9. The Division's investor education web site also has helpful information at www.azinvestor.gov.

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