



ARIZONA CORPORATION COMMISSION

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Commission Extinguishes Unregistered Offerings Before Investors Get Burned, Sanctions Others for Fraud *Also Issues Warning About Private Securities Offerings*

PHOENIX, AZ—Before investors lost any money, the Commission today halted three unregistered securities offerings and sanctioned their promoters, two of whom were former stockbrokers. In an unrelated case, the Commission sanctioned two California men who committed securities fraud in connection with the offer and sale of unregistered common stock and warrants to Arizona investors. Also, the Commission warned investors about the risks associated with private securities offerings.

The Commission sanctioned former securities salesman Scott Ryan Tischler of Gilbert and his affiliated companies with a \$2,000 administrative penalty for fraudulently offering unregistered investment opportunities involving oil and gas, diamonds, real estate and fuel transactions. The Commission found that, although he was formerly registered as a securities salesman in Arizona, Tischler was not registered to offer or sell securities while president and manager of two limited liability companies, Jericho Oil and Gas and Lake Valley Petroleum. The Commission found that, through a website, Tischler touted his company's superior industry expertise and world-class management team, but failed to inform potential investors about the regulatory action taken against him by the Financial Industry Regulatory Authority and the state of Nevada. The Commission found that, in the private placement memoranda Tischler provided to prospective investors, the investments were described as being suitable for accredited investors, but Tischler did not inquire whether the potential investor was accredited prior to discussing the investment opportunity or providing a private placement memorandum. In settling this case, Tischler neither admitted nor denied the Commission's findings, but agreed to the entry of the consent order.

In a separate case, the Commission ordered former securities salesman Jason Mendoza of Scottsdale, Jerry Martin Tolle of Chandler and his affiliated company to pay a total of \$3,000 in administrative penalties for offering an unregistered real estate investment program. The Commission found that Tolle, who was the sole manager of Cashflow Investment Properties, LLC, and Mendoza offered the investment program through advertisements in the Phoenix section of Craigslist.com. The Commission found that Mendoza was formerly registered as a securities salesman in Arizona, but he and Tolle were not registered to offer or sell securities during the time they promoted the unregistered real estate investment program. Additionally, the Commission found that Mendoza misrepresented the background, experience and qualifications of both he and Tolle and omitted material facts, including Mendoza's bankruptcy filing in connection with failed real estate projects in California. In settling this case, Mendoza and Tolle agreed to the entry of the consent order and admitted to the Commission's findings only for the purposes of the administrative proceeding.

In another case, the Commission ordered Gilbert residents Arthur Brent Payne and Michael Richard Olson and their affiliated company to pay a \$1,000 administrative penalty for offering unregistered membership interests in a manager-controlled limited liability company. The Commission found that Payne and Olson formed Granite Loan Fund, LLC, an Arizona-based company, to make short-term mortgage loans for residential real estate investors. The Commission found, without limitation, that Payne and Olson placed a "tombstone" advertisement on their company's website that did not comply with the rules and regulations related to an exemption from securities registration requirements. In settling this case, Payne and Olson neither admitted nor denied the Commission's findings, but agreed to the entry of the consent order.

Finally, the Commission ordered California residents Christopher A. Jensen and Rodolfo Preciado to pay \$190,000 in restitution and a total of \$30,000 in administrative penalties for facilitating the fraudulent offer and sale of unregistered common stock and warrants to Arizona investors. The Commission found that, while not registered to offer or sell securities in Arizona, Jensen and Preciado organized and paid for informational meetings at an upscale Phoenix hotel where prospective investors were supplied with offering materials, including a confidential private placement memorandum set forth by The New York Networks, Inc. The Commission found that Jensen and Preciado failed to correct statements made by the president of The New York Networks who misrepresented that the company was on the verge of an initial public offering, which would thereby increase the value of the common stock and warrants purchased by the investors. Also, the Commission found that Jensen and Preciado failed to inform investors that the stock being issued was not freely tradable and was subject to certain resale restrictions. In settling this case, Jensen and Preciado neither admitted nor denied the Commission's findings, but agreed to the entry of the consent order.

Caution for investors:

Investors should know that private securities offerings involve significant risk since they are subject to fewer disclosure requirements, less regulatory oversight than registered public offerings, and are illiquid. 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 602-542-0662 or toll free in Arizona, 1-866-VERIFY-9. The Division's investor education website also has helpful information at www.azinvestor.gov.

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