



COMMISSION NEWS

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

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CONTACT: Rebecca Wilder (602) 542-0844

COMMISSION ORDERS OVER \$8.7 MILLION RETURNED TO INVESTORS

Issues Warning about Investments found in Newspapers and Online

PHOENIX, AZ—The Arizona Corporation Commission today issued multiple orders requiring the return of a total of over \$8.7 million to investors and the payment of \$385,000 in administrative penalties. The Commission also urged the public to carefully scrutinize investment opportunities found online or in publications since it has filed an increasing number of actions against such advertised investment opportunities.

The first case involved Diamond Bay Investments, Inc. and its company director, Jonathan Jordan Wirsz of Nevada, who agreed to pay a \$25,000 administrative penalty for promoting an unregistered investment program involving first trust deeds. The company is a registered mortgage broker in Nevada and in Arizona.

Wirsz and Diamond Bay Investments, Inc. solicited potential investors through the use of a web site and a local Arizona newspaper. Approximately 24 Arizonans invested with the respondents who promised potential investors between a nine and 15 percent return on their money. Respondents raised at least \$2.8 million from investors, promoting the program while not registered to offer or sell securities in Arizona.

All of the Arizona investors have received the return of their principal and interest. Due to a default by the borrower, a limited number of investors have received title to the underlying property and will receive their pro rata share from the sale of the property.

The next case involved Kelly J. Waters and Daniel B. Waters, principals of Kelly's Mobile Homes Sales, Inc., was ordered to pay \$4.5 million in restitution and \$25,000 penalty for selling unregistered promissory notes secured by mobile home liens. The Commission found that through the use of a web site and ads in a local newspaper, the Waters and their company promoted several programs and solicited potential investors, but were not registered to offer or sell securities in Arizona.

In another case, insurance agent Veronica Alexandra Leigh, and her companies, was ordered to return \$531,573 to investors and to pay \$35,000 in administrative penalties for fraudulently selling unregistered investment contracts.

Leigh transacted business through three entities—Arizona-based CAG Financial, LLC, CAG Financial Services, LLC and Leigh & Associates, LLC. Leigh offered and sold investments, touting a 16 percent annual return in "Ad Toppers," which involved color computer monitors that were allegedly capable of displaying advertisements on ATMs, vending machines and other retail fixtures. Leigh and her companies also offered and sold investments in the Universal Lease timeshare program, promising

investors a 9 percent return over 25 years. The program was operated by Yucatan Resorts, Inc. and involved investments in hotel units in Mexico and Central America.

The Commission found that Leigh emphasized the safety and security of the investment programs, but failed to disclose to investors what she knew about the legal actions taken by multiple state securities regulators against the promoters of the programs. Leigh, a former stockbroker, also failed to disclose that she had been barred by the National Association of Securities Dealers from associating with any member of the securities industry.

In a separate case, Michael Joseph Hannan of Marana, agreed to pay \$300,000 in administrative penalties and over \$3.7 million in restitution for fraudulently promoting an unregistered investment program called the “12 Percent Fund.” Hannan is founder of Coyote Growth Management, LLC, a company that was the fund’s alleged investment adviser.

As the name implies, the investment featured a 12 percent return that was allegedly guaranteed—providing the investor made a minimum \$50,000 investment. Hannan and his company, however, were not licensed to provide investment advice to the public or registered to offer and sell securities in Arizona. They represented to investors that half of investor money would be pooled together to purchase high-yield debt instruments such as first and subordinated deeds of trusts secured by land that was under development. The remaining half of investor money would be used to buy a liquid stock portfolio concentrated in the U.S. and Canadian companies and to write options on certain marketable securities.

The Commission found that the investment return promised by Hannan and his company could not be guaranteed due to the fact that options involve unforeseen market and global economic fluctuations. It also found that loans issued by Hannan were documented by unsecured promissory notes and his real estate investments were subject to unpredictable litigations or bankruptcy proceedings, which were previously filed against him.

In settling these four cases, the respondents neither admitted nor denied the Commission’s findings, but agreed to the entry of their respective consent order. 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 Wirsz and Diamond Bay Investments matter is S-20578A-08-0079; Hannan and 12 Percent Fund is S-20472A-06-0535. The order regarding Kelly Mobile Home Sales is filed under S-20539A-07-0425; Veronica Alexandra Leigh is S-20524A-07-0179.

Caution for investors:

Investors need to be especially cautious now because scam artists will use the recent downturn in the stock market to exploit investors’ anxiety about increasing their earnings. 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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