ARIZONA CORPORATION COMMISSION

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Commission Halts Multiple Unregistered Real Estate Investment Programs,

Also Fines Delaware Company for Selling Unregistered Securities Offering

PHOENIX, AZ—The Arizona Corporation Commission today sanctioned multiple individuals and their affiliated companies whose unregistered investment programs—most of which involved real estate—caused investors to lose over $8.57 million. The Commission ordered that amount in restitution and a total of $377,500 in administrative penalties.

First, the Commission ordered Kent M. Axtell of Phoenix and his affiliated companies to pay $1,142,747 in restitution and a $75,000 administrative penalty for committing securities fraud in connection with an unregistered real estate investment program. The Commission found that, while doing business as Sherlock Homes and Finding Homes for Investors, and as the sole member of Executive Real Estate Solutions, LLC, Axtell sought investor funds to buy and sell real estate in Arizona. The Commission found that, while not registered as a salesman or securities dealer in Arizona, Axtell and his companies pooled the money of at least 26 investors and issued promissory notes, some of which were collateralized by deeds of trust. Further, the Commission found that, through promotional materials, Axtell touted his extensive real estate experience, representing to investors their funds would be secured with a collateral assignment in a sizable life insurance policy owned by Axtell. The Commission found that, in at least one instance, Axtell failed to record a deed of trust to secure the amount invested and used investor funds to repay another investor. In settling this matter, Axtell neither admitted nor denied the Commission's findings, but agreed to the entry of the consent order.

In a separate case, the Commission ordered James F. Curcio of Sun Lakes to pay over $4.94 million in restitution and a $40,000 administrative penalty for fraudulently offering and selling unregistered membership interests in limited liability companies that were in the house-flipping business. The Commission found that, while not registered to offer and sell securities in Arizona, Curcio and his affiliated companies—3 CG, LLC and Choice Property Group, LLC—sold the unregistered investments to over 50 investors, promising them 15% annual returns. The Commission found that Curcio informed some of the investors they could rollover their IRA funds to purchase the unregistered LLC membership interests. The Commission found that Curcio promised investors their money would be used to purchase real estate, but Curcio and his affiliated companies actually used the money to service loans from institutional lenders who were creditors of the house-flipping business. In settling this matter, Curcio agreed to the entry of the consent order and admitted to the Commission's findings only for the purposes of the administrative proceeding.

In the next case, the Commission issued a default order against former Scottsdale resident Arthur Fried who bilked more than $1.05 million from 16 investors. The Commission ordered Fried to pay a $150,000 administrative penalty for fraudulently offering and selling the unregistered real estate investment program. The Commission found that Fried managed four companies—Comprehensive Cash Flow Funding, Inc., WeBuyHomesinAZ, LLC, My Bargain Gift Bag, LLC and Loan Mod Shrink, LLC—and, while not registered to offer or sell securities, raised money from investors to fund the purchase, renovation and sale of real estate properties in Arizona. The Commission found that, through various sources—websites, real estate investment clubs, and advertisements in newspapers, including the *Jewish News of Greater Phoenix*—investors were promised a guaranteed, double-digit return with an investment secured by a first-lien position on real estate. The Commission found, however, that Fried, in some instances, did not even hold title to the real estate, and as a result, issued fictitious deeds of trusts to some investors. The Commission entered a separate default order against Fried's business entities in March 2012.

In another case, the Commission ordered Robert Coleman Stephens of Cave Creek to pay $1,366,897 in restitution and a $100,000 administrative penalty for fraudulently offering and selling an unregistered real estate investment program. The Commission found that, while not registered to offer or sell securities in Arizona, Stephens raised money from investors to fund a large, real estate and commercial resort development involving condominium timeshares with access to a golf course, indoor mall as well as air, car and boat racing. The Commission found that, through free seminars in the Scottsdale area, Stephens misrepresented to investors that he was a successful real estate developer when, in fact, his prior businesses had failed, resulting in multiple judgments against Stephens and his companies. Additionally, the Commission found that Stephens failed to inform investors that he would use some of their money to pay for questionable expenses, including personal vehicle repairs. Further, the Commission found that Stephens failed to secure on behalf of the investors liens against his jet aircraft, which Stephens pledged as collateral. In settling this matter, Stephens neither admitted nor denied the Commission's findings, but agreed to the entry of the consent order.

Finally, the Commission ordered respondent G4i Capital Partners, Inc., a Delaware company, to pay a $2,500 administrative penalty for offering and selling an unregistered securities offering in Arizona. The Commission found that, while not registered as a securities dealer, G4i Capital Partners, through two websites, made a general solicitation for investor money to fund its government contracting and consulting operations, offering potential investors a secure, high-yield return on their investment. The Commission found that G4i Capital Partners sold the unregistered investment program to a least one investor who was subsequently repaid with interest. In settling this matter, G4i Capital Partners neither admitted nor denied the Commission's findings, but agreed to the entry of the consent order.

More caution for investors:

Even when selling a legitimate product, some promoters do not recognize the investment program they have created is a security. Determining whether an alternative investment program is a security is not always easy to determine and depends upon the unique facts and circumstances of the transaction and not on what a promoter calls the investment product. 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 at 1-866-VERIFY-9. The Division's investor education web site also has helpful information at www.azinvestor.gov**.**

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