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## ARIZONA CORPORATION COMMISSION

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FOR IMMEDIATE RELEASE: March 15, 2012

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### **Commission Shuts Down Million-Dollar Real Estate Scam,** *Also Approves E\*Trade ARS Settlement and Penalizes Sun Lakes Insurance Producer*

PHOENIX, AZ—The Arizona Corporation Commission today halted a real estate investment scam that defrauded investors out of more than \$1 million. Also, the Commission approved two consent orders—one that required E\*Trade Securities, LLC to pay an administrative penalty in connection with its auction-rate securities sales in Arizona and another that fined a Sun Lakes insurance producer for offering and selling an unregistered investment program while not registered to sell securities.

First, the Commission issued a default order against four Arizona-based companies that bilked more than \$1.05 million from 16 real estate investors. The Commission ordered respondents Comprehensive Cash Flow Funding, Inc., WeBuyHomesinAZ, LLC, My Bargain Gift Bag, LLC and Loan Mod Shrink, LLC to pay restitution and a \$150,000 administrative penalty for fraudulently offering and selling the unregistered real estate investment program while not registered as securities dealers. 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. Further, the Commission found that, when they responded to the advertisements, potential investors were told their money would fund the purchase, renovation, and sale of Arizona properties. The Commission found, however, that the respondents did not even hold title to the real estate, and as a result, issued fictitious deeds of trusts to investors and filed forged documents at the county recorder's office. A separate action taken by the Commission's Securities Division against the manager of the four respondent companies, Arthur Fried, is still pending.

In a separate case, the Commission approved a consent order, requiring E\*Trade Securities, LLC to pay a \$78,606 administrative penalty in connection with its auction-rate securities (ARS) sales in Arizona. The penalty amount levied against E\*Trade represents Arizona's pro-rata share of a \$5 million global settlement negotiated by a multistate task force of state regulators formed by the North American Securities Administrators Association (NASAA). Among the principal components of the E\*Trade settlement is the buyback of ARS from investors who purchased them from or through E\*Trade. In Arizona, the E\*Trade buyback involves 13 Arizona investors and a total of \$1.1 million in ARS.

The Commission found that certain E\*Trade employees misled investors about ARS by marketing the securities as safe, highly liquid, cash-alternative investments when ARS are actually long-term investments subject to a complex auction process that, upon failure, can lead to illiquidity and financial loss. Additionally, the Commission found that E\*Trade failed to reasonably supervise its employees.

For eligible customers, E\*Trade agreed to buy back at par, plus accrued and unpaid interest or dividends, any ARS purchased from E\*Trade on or before February 13, 2008. Any investor who purchased ARS from E\*Trade during the specified time frame, but has not received notice from them, can call E\*Trade's ARS assistance hotline at 1-888-296-0880 to request a repurchase. In settling this matter, E\*Trade neither confirmed nor denied the Commission findings, but agreed to the entry of the consent order.

Finally, insurance producer Steven M. Netzel of Sun Lakes agreed to pay a \$10,000 administrative penalty for offering and selling unregistered investment contracts and promissory notes while not registered as a securities salesman in Arizona. The Commission found that Netzel sold the unregistered investments to eight of his insurance clients, six of whom were Arizona residents. Further, the Commission found that Netzel raised \$400,000 from his clients who were told their money would fund loans for a commercial project in the state of Pennsylvania. To date, the investors have received only a small amount of interest payments. Additionally, a separate action against the Pennsylvania resident who promoted the investment opportunity to Netzel is pending before the Commission. In settling this matter, Netzel neither confirmed 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 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 website also has helpful information at [www.azinvestor.gov](http://www.azinvestor.gov).

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