



ARIZONA CORPORATION COMMISSION

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Commission Finds Former Stockbroker-Adviser Defrauded Investors *Also Sanctions Others for Unregistered Investment Sales Activity*

PHOENIX, AZ— The Arizona Corporation Commission today sanctioned multiple individuals and their affiliated companies whose unregistered investment programs caused investors to lose over \$1.97 million. The Commission ordered that amount in restitution and a total of \$177,500 in administrative penalties.

The Commission issued a default order against former stockbroker and investment adviser Alonzo L. Russell of Mesa and his affiliated companies for committing securities fraud, requiring the payment \$1,866,570 in restitution and a \$150,000 administrative penalty. The Commission found that Russell transacted business as an investment professional—including the collection of fees and commissions—despite the fact that the Commission revoked his securities salesman registration and investment adviser license in 2007 when Russell was found to have misappropriated a client's funds. Additionally, the Commission found that Russell convinced 18 of his clients to purchase unregistered membership interests in Re-Star LLC and Re-Star Holdings LLC, two companies managed by Russell, which he used to conduct a house-flipping business. The Commission found that Russell failed to disclose to his investor clients about the Commission's prior legal action against him, the conflicts of interest in the way he valued the LLC membership interests and other material aspects of the fees he was charging.

In a separate case, the Commission ordered former Scottsdale resident George A. Pruden, Colorado resident Benjamin M. Cvetkovich and their affiliated company to pay \$109,000 in restitution and a \$20,000 administrative penalty for fraudulently offering and selling unregistered membership interests in a limited liability company engaged in stock trading. The Commission found that Cvetkovich and Pruden represented to potential investors that Sterling Investment Group International, LLC was an "investment club" in the business of trading stock for profit. The Commission found that, while not registered as securities salesmen, Cvetkovich and Pruden pooled the funds of at least five investors, downplaying the level of risk from trading stock on margin. Further, the Commission found that Cvetkovich and Pruden have denied investors the return of all or part of their investment despite initially promising them a refund with a 30-day notice. In settling this matter, Cvetkovich and Pruden neither admitted nor denied the Commission's findings, but agreed to the entry of the consent order.

Finally, before any investors were financially harmed, the Commission shut down an unregistered gold mining venture, ordering Kyle K. Huskin of California, Canada-based Chazel Capital, Inc. and OFIR Mine Project, LP to pay a \$7,500 administrative penalty. The Commission found that, while not registered to offer or sell securities in Arizona, Huskin offered investors unregistered limited partnership interests in a joint venture in the OFIR Mine Project, a California limited partnership. The Commission found that Huskin, Chazel Capital, and OFIR failed to disclose to investors the risks associated with investing in a gold mining venture, including an order entered by the Pennsylvania Securities Commission against Chazel Capital and OFIR. In settling this matter, respondents 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 602-542-4242 or toll free in Arizona at 1-866-VERIFY-9. The Division's investor education website also has helpful information at www.azinvestor.gov.

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