



ARIZONA CORPORATION COMMISSION

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Commission Orders Restitution for Over 100 Investors Defrauded by Unregistered Investment Programs, Most Involving Real Estate

PHOENIX, AZ— The Arizona Corporation Commission today sanctioned multiple individuals and their affiliated companies whose unregistered investment programs—most of which involved real estate—siphoned over \$6.67 million from at least 105 investors. Also, the Commission sanctioned three other individuals and their companies—a Sedona couple whose phony mineral and energy exploration investment cheated investors out of over \$2.2 million and a Chandler man whose fraudulent entertainment investment scammed \$525,000 from investors. In total, the Commission ordered over \$9.38 million in restitution and \$405,000 in administrative penalties.

In the first case, the Commission ordered James Piccolo of Scottsdale, Craig Cottrell of Tempe and Michael Roberts of Scottsdale and their affiliated companies to pay \$5,577,226 in restitution and a total of \$300,000 in administrative penalties for defrauding 105 investors with unregistered deed of trust investments. The Commission found that the men promoted the unregistered deed of trust investments at real estate education seminars where they convinced students to become investors, promising them double-digit returns. The Commission found that Piccolo, Cottrell and Roberts misrepresented that a second deed of trust or lien on vacant lots would be secured for the investors and that the investment had a corporate guarantee behind it. Additionally, the Commission found that the respondents failed to record any liens for the benefit of the investors.

The Commission found that Piccolo and Five Star Capital Markets, LLC solicited potential investors to buy the unregistered deed of trust investment while not being registered to offer or sell securities in Arizona. The Commission found that, during part of the time he was a registered securities salesman, Cottrell fraudulently offered and sold the unregistered deed of trust investments without the authorization of his securities dealer. As a result, the Commission revoked his securities salesman registration. The Commission found that Roberts and his home development company, Charlevoix Homes, LLC, received investor funds solicited by Five Star Capital Markets, LLC, Piccolo and Cottrell, but Roberts and his company were not registered to offer or sell securities in Arizona. In settling this case, Piccolo, Cottrell and Roberts neither admitted nor denied the Commission's findings, but agreed to the entry of the consent orders.

In a separate case, the Commission issued a default order against Wayne Scott Clague of Phoenix, requiring him to pay \$1,076,000 in restitution and a \$50,000 penalty for defrauding six investors in an unregistered real estate investment program. The Commission found that, while not registered to offer or sell securities in Arizona, Clague offered and sold unregistered investment contracts, telling investors that their money would fund the completion of two residential developments in Hawaii and Washington, D.C. The Commission found that, as a managing member of Norstreet Portfolio, LLC, Clague told investors their funds would be secured by the real estate when, in fact, Norstreet lacked free-and-clear title to the properties and was unable to execute a deed of trust in the name of the investors. Also, the Commission found that Clague failed to inform investors about Norstreet's failure to acquire the necessary approvals as

promised in order to resale the Hawaii property and that some of the investor funds would be used for outstanding, mortgage interest payments owed on the real estate properties.

In the next case, the Commission ordered a Sedona couple, Theodore Hogan and Christina Damitio, and their affiliated company, to pay \$2,208,310 in restitution and a \$45,000 penalty for defrauding investors in a mineral and energy development scam. The Commission found that, while not registered as a securities dealer or salesmen in Arizona, Hogan and Damitio pooled the money of at least 32 investors and promised them an investment return from the development of oil and natural gas wells on a Native American reservation in Montana. The Commission found that Hogan, who is also known as “Ted Kills in the Fog,” claimed to have an agreement with the Crow Nation to explore for minerals and energy, including a commission of up to \$360 million for Hogan’s efforts. Moreover, Hogan assured investors that their money was safe because the multimillion-dollar investment was bonded and guaranteed by the federal government, but the Commission found Hogan’s claims to be false.

Finally, the Commission ordered Mario K. Reed of Chandler and his affiliated company, Phoenician Entertainment, LLC, to pay \$524,000 in restitution and a \$10,000 penalty for committing securities fraud. The Commission found that Reed used his company’s bank account for the purpose of handling banking transactions for Reed’s cousin, Miko D. Wady, who is being criminally prosecuted for operating a Ponzi scheme involving fraudulent concert funding. The Commission found that Reed failed to disclose to investors that Phoenician Entertainment was not a talent agency that represented musical groups. The Commission found that of the total investor funds received by Reed’s company, nearly \$250,000 went directly to Wady or bank accounts controlled by Wady, while the remaining funds went to other entities directed by Wady. Besides Reed, the Commission has sanctioned multiple other individuals and their companies that facilitated Wady’s investment scheme. In settling this matter, Reed neither admitted nor denied the Commission’s findings, but agreed to the entry of the consent order.

More caution for investors:

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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