



ARIZONA CORPORATION COMMISSION

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Commission Continues to Shutter Unregistered Real Estate Investments

*Also Halts Fraudulent Sales of Brokered CDs Targeting Seniors,
Shuts Down Unregistered Gold-Silver Mining Venture*

PHOENIX, AZ—The Arizona Corporation Commission today ordered more than \$22.1 million in restitution and \$455,000 in administrative penalties as it continues to close down unregistered real estate investments. In two other cases, the Commission halted the fraudulent sales of brokered certificates of deposit targeting Arizona seniors and shut down an unregistered gold and silver mining venture, ordering the promoters to pay a total of \$458,000 in restitution and \$101,500 in administrative fines.

In the first case, the Commission ordered former Sun City residents Kenneth Joseph and Mary Kathryn Plein, their family trust, and their affiliated company to pay \$19,851,868 in restitution and a \$250,000 administrative penalty for fraudulently selling unregistered investment contracts and deed of trust investments. The Commission found that, while Kenneth Plein was a licensed real estate agent, both he and his wife, the Plein Family Trust and Plein Enterprises, Inc.—doing business as Tri-Star Realty—were not registered to offer or sell securities in Arizona. The Commission found that Kenneth and Mary Plein raised investment capital from at least 98 investors to purchase, renovate, lease and resell real estate in the Sun City area. The Commission found that Kenneth and Mary Plein failed to disclose to investors that they frequently filed multiple deeds of trust on a single piece of real estate, which had the effect of either making the investments under-secured or effectively unsecured. Additionally, the Commission found that the Pleins sometimes failed to record any deeds of trust or liens for the benefit of the investors. In settling this case, Kenneth and Mary Plein agreed to the entry of the consent order and admitted to the Commission's findings only for purposes of the administrative proceeding.

In a separate case, the Commission ordered David Come Viens of Fountain Hills, Scott Andrew Klaschka of Mesa, and their affiliated companies to pay \$2,310,895 in restitution and \$200,000 in administrative penalties for defrauding investors who purchased unregistered promissory notes and limited liability memberships involving nursing homes. The Commission found that Viens, Klaschka and their seven companies—Assisted Living Development, Inc. and Aldco Investments #2 through #6 and #10—told investors that their money would be backed by personal guarantees and would fund the acquisition, renovation and operation of assisted living and memory care facilities. The Commission found, however, that Viens and Klaschka lacked sufficient assets to honor their personal guarantees made to investors. Additionally, the Commission found that Viens failed to disclose his previous criminal conviction for conspiracy to commit wire fraud in an Arabian horse-buying scheme. In settling this case, Viens and Klaschka neither admitted nor denied the Commission's findings, but agreed to the entry of the consent order.

In another case, the Commission ordered Florida residents, Edwin A. and Melissa Sanchez, Gregory Rigby, and their affiliated companies to pay a \$5,000 administrative penalty for offering and selling an unregistered investment program involving real estate. The Commission found that, through

two web sites and a newspaper advertisement, Edwin and Melissa Sanchez, Rigby, and their affiliated companies, New Rise Investments, LLC—formerly known as New Egg Investments, LLC—and AZ Real Estate Group, LLC, sought \$200,000 from investors to purchase, renovate, operate and/or resell a three-story apartment complex in Phoenix. Additionally, the Commission found that, while not registered to offer or sell securities in Arizona, Edwin and Melissa Sanchez and Rigby represented to potential investors that they—and not the investors—would manage the essential elements of the real estate project and provide investors with up to a 25 percent return on their money. Due to the swift action by the Commission's Securities Division, no known Arizona investors lost any money. In settling this case, Edwin and Melissa Sanchez and Rigby neither admitted nor denied the Commission's findings, but agreed to the entry of the consent order.

In the next case, the Commission issued a default order against Hartawan Widayatmo of Pasadena, California, and his affiliated company—US Deposit Brokers Group, also known as USDB Group, Inc.—for committing securities fraud. The Commission ordered Widayatmo and his company to pay \$458,000 in restitution and a \$100,000 administrative penalty to the state of Arizona. The Commission found that USDB Group, through a sales force outside Arizona, initiated telephone calls to senior citizens in Arizona and across the U.S., offering market-linked certificates of deposit and fractionalized interests in brokered certificates of deposit supposedly held at well-known banking institutions and held by companies such as *Reader's Digest*. USDB Group and Widayatmo are not registered to offer or sell securities in Arizona. The Commission found that, as the president of USDB Group and the sole controller of investor funds, Widayatmo sent the majority of the money overseas and failed to purchase the certificates of deposits, issuing fictitious account statements that trumpeted unrealized investment returns.

Finally, the Commission stopped an unregistered investment program offered online by Daniel F. Thompson of Glendale and his affiliated company, King Solomon Mining, LLC. The Commission ordered Thompson and his company to pay a \$1,500 administrative penalty to the state of Arizona. The Commission found that, while not registered to offer or sell securities, Thompson and his now-deceased partner sought to raise \$1.2 million from investors to fund the start-up costs of a mining operation. The Commission found that Thompson failed to disclose to potential investors that the Arizona Department of Mines and Minerals had expressed concerns regarding his mining application. No known investors were financially harmed as a result of Thompson's actions, an outcome that can be credited to the swift intervention of the Commission's Securities Division. In settling this case, Thompson 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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