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Unregistered security sales plague state

The Business Journal of Phoenix - by [Chris Casacchia](#) The Business Journal

The **Arizona Corporation Commission** last week ordered William Melvin Hawkins and his company **Meta Funding LLC** to pay \$25,000 in penalties and \$1.28 million in restitution to at least 22 investors for selling unregistered securities -- a growing problem in Arizona and across the country.

Over the past 12 months, the ACC Securities Division, which regulates investment sales and offers in and out of the state, sanctioned nearly 50 individuals and companies for offering or selling unregistered investments.

Hawkins, a 58-year-old Scottsdale securities salesman, received the third penalty handed out by the ACC this month for such activities.

In early February, the Commission issued a default order against 47-year-old securities salesman, David J. Leyshon of Peoria, after he failed to answer charges of securities fraud. The Commission revoked his Arizona registration as a securities salesman and ordered him to pay restitution of \$288,000 and a \$100,000 fine.

Clinton Goff, a 36-year-old Tennessee native, and his company **Warren Exploration LLC** agreed to a commission consent order requiring the payment of \$72,000 in restitution to two Arizona investors and \$50,000 in penalties in connection with a Kentucky oil and gas investment opportunity.

Goff, who is president and chief operations officer for Warren Exploration LLC, also was the operations manager for **Mid America Energy Inc.**

The ACC approved a default order against Mid America Energy and three other respondents who ignored a February 2006 order and continued to offer and sell oil and gas investments in Arizona.

The Business Journal attempted to contact several of the companies, but they could not be reached for comment.

"Unregistered investments or unregistered salespeople are a major problem for all 50 states," said ACC spokeswoman Heather Murphy. "Con artists and people pushing shady business opportunities or investment deals want to make a fast buck as quickly as they can. They try to operate under the radar screen and have little use for regulators."

All securities sold in or from Arizona either must be registered or exempt from registration under Arizona law. In some cases, even sellers of exempt securities must make some filing with the ACC's Securities Division.

Settlements or payments arising from securities law violations are paid into the Arizona General Fund.

Grace Lau, president and chief executive of Phoenix-based **PacWest Financial Management Inc.**, said elderly and unsophisticated investors are prime targets.

"Investors have to be very careful and know what they are buying," she said. "If it sounds too good to be true, then it's not true."

The advice is simple enough, but many investors still are duped by suave, smooth-talking salesmen donning designer suits and expensive watches. The situation is casting a dark shadow over the Valley of the Sun,.

"These activities put all investment advisers in a bad light," said Creg Ostler, principal of **Private Wealth Management Inc.** in Mesa. "We are very concerned about so many people losing their life savings by putting their money into poor investments."

Paul Ohanian, vice president and financial adviser for **DeGreen Financial Inc.** in North Scottsdale, said that certain segments of the market come under legal scrutiny after a bull run.

"Now you have had a great real estate and energy boom," Ohanian said. "We have had several prospects and clients come in and tell us about this double-digit rate of return they are getting from real estate notes and land deals and oil programs. This is just the end of a cycle."

Due diligence is extremely important, and there are viable unregistered products, such as private equity, timberland, natural gas royalty structures and structured credit applications that can be fruitful investments, said Tim Jones, wealth manager of the Phoenix Office of **Contango Capital Advisors.**

"Some can be very good, some can be very bad," he said. "The important thing is to get a professional to sift through these structures."

WARNING SIGNS

Top 10 red flags of investment fraud:

- "Inside information" that only a few people are being told.
- "Secret methods" or "formulas," for example, for extracting gold or finding a cure for cancer.
- Repeated telephone calls to break down resistance.
- Limited time period (often days) in which to decide.
- Statements that investment is "risk-free" or guaranteed.

- Requests for your credit card number.
- Offer to pick up your check by courier.
- Requests for up-front money before you have access to information.
- Refusal to send written information.
- An opportunity that sounds too good to be true.

Source: Heather Murphy, Arizona Corporation Commission, www.cc.state.az.us

FAST FACTS

Arizona Corporation Commission sanctions since 2006 involving unregistered securities:

Cases: 48

Penalites: \$1.44 million

Restitution: \$10.8 million

Source: Arizona Corporation Commission

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