ARIZONA CORPORATION COMMISSION

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Commission Thwarts Fraudulent Sales of Unregistered Investments Totaling $8 Million

Also Revokes License-Registration of Investment Adviser-Stockbroker, Denies Application

PHOENIX, AZ—The Arizona Corporation Commission today concluded its cases involving multiple individuals and their affiliated companies whose unregistered investment programs bilked more than $8 million from investors. The largest case involved the fraudulent sales of unregistered deed of trust and promissory notes to fund a casino-resort and residential home development in Nevada. Other cases involved unregistered investments in health-based water products and oil wells. Also, the Commission revoked the securities salesman registration and investment adviser license and denied the securities salesman-investment adviser application of a Chandler man based upon his unethical and dishonest conduct.

"I appreciate the good work of our Securities Division in identifying these investment schemes so the Commission can intervene to protect Arizona investors," said **Chairman Gary Pierce**.

"I applaud the Commission's Securities Division for outstanding enforcement on behalf of Arizona's citizens," said **Commissioner Paul Newman**. "All Arizona consumers should be aware of criminals and con-artists promoting deals 'too good to be true.'"

"I applaud the hard work and results produced by our Securities Division," said **Commissioner Brenda Burns**. "Despite budget cutbacks, the Corporation Commission is just as diligent in protecting Arizona investors because wrongdoers never take a day off. Today's announcement is a testament to how the ACC continues to make sure that those who flout the law are held accountable."

In the first case, the Commission ordered Ethan Sturgis Day of Scottsdale and his affiliated companies to pay $7,404,463 in restitution and a $150,000 administrative penalty for defrauding investors with unregistered promissory notes and deed of trust investments. The Commission found that Day, who portrayed himself as a real estate pioneer and successful home developer, was the manager of three Nevada-based companies—Silversprings Real Estate Development & Investments, LLC (formerly Silverleaf Real Estate Development & Investments), Desert Oasis Condominium, LLC and the Mayan Resort & Casino, LLC. Day and his companies were not registered to offer or sell securities in Arizona. The Commission found that Day issued promissory notes to at least 159 investors, promising them a double-digit return from the development of a casino-resort property, commercial center and residential homes in Nevada, a short-term investment opportunity he represented as safe, bonded and insured for guaranteed completion. The Commission found, however, that Day did not record a deed of trust on the land in the name of each investor and failed to disclose his use of more than half of the investor funds for marketing expenses and sales commissions. In settling this matter, Day neither admitted nor denied the Commission findings, but agreed to the entry of the consent order.

In another case, the Commission issued a default order against Mark Steven Moroney of Maricopa and his affiliated company, requiring them to pay $506,300 in restitution and a $50,000 administrative penalty for defrauding investors with an unregistered investment program involving health-based water products. The Commission found that, while not registered to offer or sell securities in Arizona, Moroney fraudulently sold unregistered limited liability membership interests in a dissolved, Nevada-based company called Medical Water Technologies, LLC (formerly C & C Water Technology, LLC). The Commission found that Moroney told investors that their money would fund the development and procurement of machines and technologies to produce two types of health-based water products—a super-hydrating medical water product that could boosts a sick person’s immune system and a disinfecting water product that could kill mold and bacteria. The Commission found that Moroney, who promised to share profits from the water business with investors, used a portion of the investor funds to pay for personal living expenses, including those related to his competitive horse roping and rodeo endeavors. Additionally, the Commission found that Moroney failed to tell investors that the state of Washington had recently sanctioned him for securities fraud in connection with his promotion of a masonry paint investment scheme.

A separate case involved Stephen P. Giuffrida of Scottsdale and his affiliated company who were ordered by the Commission to pay $225,000 in restitution and a $25,000 administrative penalty for defrauding investors with an unregistered, oil and gas investment program. The Commission found that, as the vice president of operations at Energetics, Inc., Guiffrida fraudulently promoted unregistered promissory notes and royalty agreements to investors through online advertisements in the Phoenix section of Craigslist.com. Guiffrida and his company were not registered to offer or sell securities in Arizona. The Commission found that Guiffrida and his company promised investors double-digit investment returns secured by promissory notes and royalty agreements on wells in Louisiana, but did not include in the offering documents information about the limited production history—about 20 barrels of oil per year—from the wells. Additionally, the Commission found that Giuffrida spent some of the investor funds for personal expenses not related to the development and reestablishment of any oil wells.

Finally, the Commission revoked the securities salesman registration and investment adviser license of Rob Thomas Hitchcock of Chandler and ordered him to pay a $7,500 administrative penalty for his dishonest and unethical conduct. The Commission found that Hitchcock, who is also a licensed insurance producer, facilitated the offer and sale of promissory notes between his brokerage clients and a California company that manufactured vitamin, herb and mineral supplements. The Commission found that, while doing business as Pillar Investment Services, Hitchcock engaged in a dishonest and unethical practice known as “selling away” by offering and selling the promissory notes without the authorization of his securities dealer, J.W. Cole Financial, Inc., who subsequently terminated Hitchcock’s employment. Additionally, the Commission found that Hitchcock provided false testimony regarding the circumstances of his employment termination when questioned under oath by the Securities Division. In light of these findings, the Commission denied Hitchcock’s applications for registration as a securities salesman and license as an investment adviser representative with a new, prospective employer. In settling this matter, Hitchcock agreed to the entry of the consent order and admitted to the Commission’s findings only for the purposes of the administrative proceeding.

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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