



ARIZONA CORPORATION COMMISSION

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MEDIA CONTACT: Rebecca Wilder (602) 542-0844

Commission Orders Stop to Multimillion-Dollar Promissory Note Scheme

Also Sanctions Others for Securities Violations

PHOENIX, AZ—The Arizona Corporation Commission issued default orders against two Arizona limited liability companies who defrauded investors with a promissory note scheme totaling over \$3 million. In other cases, the Commission halted an unregistered real estate investment program before any investors were financially harmed, sanctioned two Tucson men for securities violations and revoked the securities registration of a Phoenix stockbroker.

Pangaea Investment Group, LLC and Tri-Core Mexico Land Development, LLC

The Commission ordered Pangaea Investment Group, LLC to pay \$1,958,832 in restitution and \$150,000 in administrative penalties and Tri-Core Mexico Land Development, LLC to pay \$1 million in restitution and \$75,000 in administrative penalties for defrauding investors with a promissory note scheme. The Commission found that, while not registered as securities dealers in Arizona, both companies fraudulently offered and sold unregistered promissory notes to nearly 70 investors who lived in Arizona and across the U.S.

The Commission found that, among the multiple, material omissions and misrepresentations made to investors, Pangaea Investment Group, LLC, which was doing business as Arizona Investment Center, and Tri-Core Mexico Land Development, LLC told investors their alternative investments were secured by property or equipment, but failed to provide any collateral or other mechanism to securitize the promissory notes. In regards to Tri-Core Mexico Land Development, LLC, the Commission found that the company failed to use investor funds to purchase and develop beach front properties in Mexico as specified in the private placement memorandum.

Thomas Brandon and David Shorey

In another matter, the Commission ordered Thomas Brandon of Tucson to pay \$205,000 in restitution and \$9,000 in administrative penalties. The Commission found that, while not registered to offer or sell securities in Arizona, Brandon fraudulently offered and sold stock in Cell Wireless Corporation, also known as U.S. Social Scene, Inc., a Nevada corporation, and a promissory note issued by a second Arizona-based company named U.S. Media Team, LLC. The Commission found that Brandon represented to investors that their money would found the merger of a consortium of businesses slated to become a national, publicly traded company; however, funds were instead expended by Brandon as cash and at restaurants and grocery stores.

Also, the Commission ordered Cell Wireless Corporation/U.S. Social Scene, Inc. and David Shorey to pay \$130,000 in restitution and \$9,000 in penalties in connection with the fraudulent sale of the company's stock. The Commission found that because Shorey was a control person of the company, he is liable to the same extent as Cell Wireless Corporation/U.S. Social Scene, Inc., which fraudulently offered and sold stock to investors.

Andrew C. Menichino

In a separate case, the Commission ordered Andrew C. Menichino of Pennsylvania and affiliated companies to pay \$400,000 in restitution and \$50,000 in administrative penalties for committing securities fraud. The Commission found that Menichino, who was the director of Innovative Construction, Inc. and Atlantic Lexus, LTD, was not registered to offer or sell securities when he convinced an Arizona insurance producer to raise investment capital from his insurance clients to fund a commercial real estate project in Pennsylvania. The Commission found that Menichino instructed the insurance producer to set up an offshore company and issued a promissory note, which was supposedly backed by lien and default judgments worth millions of dollars. The Commission found, however, that Menichino failed to disclose his prior convictions and imprisonment for

committing financial fraud. In settling this matter, Menichino neither confirmed nor denied the Commission's findings, but agreed to entry of the consent order.

Huel Cox

In another case, the Commission revoked the securities salesman registration of Phoenix resident Huel Cox and ordered him to pay \$85,573 in restitution and \$10,000 in administrative penalties for not using a client's funds as promised. The Commission found that Cox recommended investing his client's portfolio, which primarily consisted of mutual funds and annuities, along with other monies into a Florida casino and three different real estate properties. The Commission found that, instead of investing the funds as represented, Cox deposited into his personal bank account the client's money to make cash withdrawals, rent payments, credit card payments and to pay for miscellaneous goods and services. In settling this matter, Cox neither confirmed nor denied the Commission's findings, but agreed to entry of the consent order.

Derek Dahl, Joshua Trent and Real Estate Monster, LLC

Finally, before investors lost any money, the Commission shut down an unregistered real estate investment program, ordering respondents Derek Dahl of Mesa, Joshua Trent of Utah and their affiliated company, Real Estate Monster, LLC, to pay a \$5,000 administrative penalty. The Commission found that Dahl, a licensed real estate broker, and Trent, a former securities salesman, were not registered to offer or sell securities in Arizona at the time they were promoting the PHXiNVEST "fix and flip" program.

The Commission found that Dahl, Trent and their affiliated company offered potential investors promissory notes secured by deeds of trust that were unconditionally guaranteed against financial loss and included a promise to share in the profits realized from the sale of the real estate, but failed disclose the legal action taken by the Utah Securities Commission against Trent in July 2012 for securities fraud. Also, the Commission found that the respondents failed to disclose Dahl's bankruptcy filing in 2009 and his default on nearly \$2 million in mortgage debt owed for a residential property, which resulted in foreclosure in 2010. In settling this matter, Dahl, Trent and their affiliated company, neither admitted nor denied the Commission's findings, but agreed to the entry of the consent order.

More caution for investors:

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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