



COMMISSION NEWS

ARIZONA CORPORATION COMMISSION, 1200 W. WASHINGTON, PHOENIX, AZ 85007

TO: EDITORS, NEWS DIRECTORS
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COMMISSION BARS UNREGISTERED MEXICAN GOLD MINE OFFERING, SANCTIONS SUN CITY INSURANCE AGENT AND PEORIA MAN FOR UNREGISTERED SECURITIES SALES

PHOENIX – The Arizona Corporation Commissioners signed orders requiring three individuals and their affiliated companies to stop offering and selling unregistered securities and to pay penalties. The Commission entered into two consent orders, one involving a retired Sun City insurance agent who agreed to return the commissions he earned selling viatical settlement contracts, the other involving a Peoria man who fraudulently sold unregistered stock. The third order involved a Scottsdale man promoting interests in a Mexican gold mine offering over the Internet and in a local newspaper.

Ronald Earl Pflugsten

A retired Sun City insurance agent, 68-year-old Ronald Earl Pflugsten, consented to a Commission order requiring the return of \$15,000 to investors and the payment of a \$1,000 penalty for offering and selling unregistered viatical settlement contracts. The restitution figure represents the amount of commissions Pflugsten earned selling these investments. The consent order resolves the regulatory issues raised by the Securities Division without Pflugsten admitting or denying the Commission's findings.

From about late 1999 through December 2000, Pflugsten offered and sold to at least eight Arizona investors a total of 12 viatical settlement contracts provided by Mutual Benefits Corp., a defunct Florida-based company. Although Pflugsten was a licensed Arizona insurance agent during this time, he was not a registered securities salesman.

The Commission found that Pflugsten became aware of the Mutual Benefits viatical contracts through an insurance

agent, John F. Klatt of Glendale and his Sun City West company, Retirement Planning Center. Klatt and salespeople from Mutual Benefits Corp. told Pfingsten that the viatical contracts were not securities subject to Arizona registration and were sound, legal investment alternatives. The Commission entered into a consent order with Klatt and his company in February 2005.

Viatical settlement contracts, commonly known as “viaticals,” are securities subject to registration in Arizona. These contracts involve selling the future death benefits of an insurance policy to investors. Originally, viaticals were a way to help AIDS patients pay their medical bills. When the policyholder died, the investors received the proceeds of the policy. Today, the policyholder may be an AIDS patient as well as any terminally ill person who needs immediate financial resources. Viaticals are considered to be a high-risk, complex investment.

Christopher D. Dedmon

A Peoria man, 45-year-old Christopher D. Dedmon, consented to a Commission order requiring him to reimburse \$656,676 to investors and pay a \$5,000 penalty in connection with the fraudulent offer and sale of unregistered common stock. He agreed to the order without admitting or denying the Commission’s findings.

Dedmon was a principal in a limited liability partnership, Omni Horizon Group, which held restricted shares in a Nevada corporation, Clear Energy Systems, Inc. The Commission found that from about September 2003 through November 2004, Dedmon fraudulently sold to at least 100 investors unregistered stock from Omni Horizon Group’s holdings. Utilizing his own printer, he subsequently distributed receipts or stock certificates to the investors, representing their ownership of Clear Energy Systems stock.

The Clear Energy Systems stock certificates issued to Omni Horizon Group indicated that the transfer of the shares was restricted and that the shares were transferable only on the books of the corporation. These shares were not transferred on the books of Clear Energy Systems.

The Commission found that many of the stockholders were not accredited investors and did not receive written disclosure about Clear Energy Systems or its principals. Dedmon was not registered to offer or sell securities in Arizona and agreed not to apply for registration in Arizona as a securities salesman or licensed investment adviser at any time in the future.

Robert Timothy Watt and Centenarios Gold, Inc.

Before any Arizona investors lost money, the Commission ordered respondents, 67-year-old Robert Timothy Watt of Scottsdale and his company, to stop promoting an unregistered Mexico gold mine offering and to pay a \$5,000 penalty.

In December 2004, a proactive search on the Internet conducted by the Commission's Securities Division dug up the unregistered offering of "founder shares" of stock in Centenarios Gold, Inc., a Wyoming-based company incorporated and directed by Watt. Centenarios Gold and Watt also advertised for investors in a local newspaper. Neither Watt nor Centenarios Gold were registered to offer or sell securities in Arizona.

An undercover Division investigation revealed offering documents claiming that Centenarios Gold had an option to acquire a Mexican corporation with lease-purchase agreements on several mining concessions in Mexico. These concessions included the right to mineral prospecting in a region known for its gold and silver mining activities dating back to colonial times. In its offering documents, Centenarios Gold alleged that a nearby mine had been extremely profitable, producing approximately 500,000 ounces of gold.

Upon finding these facts, the Securities Division issued a temporary cease and desist order in January 2005, ordering Centenarios Gold and Watt to stop promoting the gold mine offering. The Commission's order finalizes the temporary cease and desist order issued by the Division.

The Commission warns investors to ponder optimistic mining claims very carefully and to read its investor education brochure, "Guide to Mining Investments" before they invest. Obtain the brochure at the Investor Info Center at www.azinvestor.gov or by calling the Securities Division at 602-542-4242, toll free 1-866-VERIFY-9.

Caution for Investors

Entrusting your money with someone for investment purposes, while expecting a profit through the efforts of others, may involve a security and sales agents/dealers subject to registration. **VERIFY BEFORE YOU BUY!**

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