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## ARIZONA CORPORATION COMMISSION

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### **Commission Orders over \$1.1 Million in Restitution for Investors, *Shuts down Other Unregistered Offerings from Ongoing Internet Sweep, Issues Sanctions***

PHOENIX, AZ— The Commission ordered over \$1.1 million in restitution for investors cheated in a trio of unrelated investment scams, sanctioning the promoters with a total of \$150,000 in administrative penalties. As a result of an ongoing Internet sweep, the Commission stopped other unregistered securities offerings—two of which were found on Craigslist.com—before they spread and caused any financial harm. The Commission ordered the promoters to pay a total of \$8,500 administrative penalties to the state of Arizona.

The Commission ordered Michael T. Bell of Scottsdale, Shawn R. Salazar of California and their affiliated company, Adamas Investments, LLC, to pay \$640,125 in restitution and \$50,000 in administrative penalties for fraudulently offering and selling promissory notes to at least 23 investors. The Commission found that Bell and Salazar represented to investors that their money would finance loans to a Texas-based company for the purchase of diamonds, and issued promissory notes with double-digit investment returns over three to six months. The Commission found that instead of funding the loans as promised, Bell and Salazar used a portion of the investor funds to pay themselves and previous investors. In settling this matter, Bell and Salazar neither admitted nor denied the Commission's findings, but agreed to the entry of the consent order.

In a separate case, the Commission issued a default order against Carol Dee Aubrey of California and five of her companies called Progressive Energy Partners, LLC, and Progressive Energy Partners, LLC, #1 through #4. The Commission ordered Aubrey and her companies to pay \$262,721 in restitution and \$50,000 in administrative penalties for defrauding eight Arizona investors in an investment scheme involving oil and gas wells. The Commission found that, while not registered to offer or sell securities in Arizona, Aubrey caused unsolicited telephone calls to be made to potential investors who were promised huge profits from the drilling of new oil and gas wells and the reworking of existing ones in West Virginia. The Commission found that, besides neglecting to provide a reasonable basis for the projected investment returns, Aubrey failed to make material disclosures regarding the specific risks associated with oil and gas investments, including the fact that the investments were not secured by any real or personal property.

In another case, the Commission ordered Richard McCullum, Jr., of California and Leah Atwood of Gold Canyon, Arizona, along with their affiliated company, Five Star Tree Service and Landscape, LLC, to pay \$197,500 in restitution and \$50,000 in administrative penalties for defrauding at least three investors. The Commission found that McCullum represented to investors that their money would fund the purchase of a private placement program when it actually paid for personal expenses of McCullum and Atwood. The Commission found that McCullum misrepresented to offerees and investors that the investment was guaranteed to pay a 500 percent return within fifteen days when no funds were actually invested as promised. In settling this matter, McCullum and Atwood neither admitted nor denied the Commission's findings, but agreed to the entry of the consent order.

In the next case, the Commission ordered former Mesa residents, Steven Daley Morrey and Jennifer Morrey, along with their affiliated company, Mayet Holdings, LLC, to pay a \$2,500 administrative penalty for offering an unregistered investment program. The Commission found that, while not registered to offer or sell securities in Arizona, the Morreys solicited potential investors through an Internet advertisement in the Phoenix section of Craigslist.com, seeking initial capitalization in their limited liability company, which touted a new, automated trading platform that could analyze financial markets and predict trends of individual securities. Due to the swift action of the Commission's Securities Division, the Morreys removed their online advertisement before any known investors lost any money. In settling this matter, the Morreys admitted to the Commission findings only for purposes of the administrative proceeding, but agreed to the entry of the consent order.

In another matter, the Commission stopped an unregistered securities offering promoted online by Lamel G. Young of Gilbert and his affiliated Phoenix-based company, Powerball Records & Entertainment. The Commission ordered Young and his company to pay a \$1,000 administrative penalty to the state of Arizona. The Commission found that, while not registered to offer or sell securities in Arizona, Young advertised the unregistered investment program on Craigslist.com. The Commission found that, while promoting himself as an experienced and successful record producer, Young promised potential investors a hefty return on their principal within two years. No known investors were financially harmed as a result of Young's actions, an outcome that can be credited to the swift intervention of the Commission's Securities Division. In settling this matter, Young admitted to the Commission findings only for purposes of the administrative proceeding, but agreed to the entry of the consent order.

Finally, the Commission ordered Rick Sellman of Scottsdale and his affiliated company to pay a \$5,000 administrative penalty for fraudulently offering an unregistered deed of trust investment while not registered to offer or sell securities in Arizona. The Commission found that, while doing business as a representative of two mortgage and investment corporations, Sellman solicited potential investors by faxed correspondence and telephone to raise money that would fund a \$7.7 million loan for an entity attempting to purchase a mansion in Houston, Texas. The Commission found that Sellman told prospective investors they would receive a promissory note to be secured by a first position deed of trust along with a guarantee to repurchase the investment within a month of written notice from the investor if the loan payments were two months delinquent. The Commission found, however, that Sellman failed to disclose that his affiliated business entities were not licensed as mortgage bankers, mortgage brokers or escrow agents. As a result of the proactive efforts by the Commission's Securities Division, no known investors lost any money. In settling this matter, Sellman 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](http://www.azinvestor.gov).

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