

ORIGINAL  
NEW APPLICATION



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BEFORE THE ARIZONA CORPORATION COMMISSION

Arizona Corporation Commission

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COMMISSIONERS

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KRISTIN K. MAYES

AZ CORP COMMISSION  
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DOCKETED BY

In the matter of:  
  
CENTENARIOS GOLD INC.  
5190 NORTH 83RD STREET  
SCOTTSDALE, AZ 85250  
  
TIM WATT AND JANE DOE WATT  
5190 NORTH 83RD STREET  
SCOTTSDALE, AZ 85250  
  
Respondents.

) Docket No. S-03584A-05-0000

) **TEMPORARY ORDER TO CEASE AND**  
) **DESIST AND NOTICE OF OPPORTUNITY**  
) **FOR HEARING**

**NOTICE: THIS ORDER IS EFFECTIVE IMMEDIATELY**

**EACH RESPONDENT HAS 20 DAYS TO REQUEST A HEARING**

**EACH RESPONDENT HAS 30 DAYS TO FILE AN ANSWER**

The Securities Division ("Division") of the Arizona Corporation Commission ("Commission") alleges that CENTENARIOS GOLD INC. and TIM WATT engaged in or are about to engage in acts and practices that constitute violations of A.R.S. § 44-1801, *et seq.*, the Arizona Securities Act ("Securities Act") and that the public welfare requires immediate action.

**I.**

**JURISDICTION**

1. The Commission has jurisdiction over this matter pursuant to Article XV of the Arizona Constitution and the Securities Act.

1 **II.**

2 **Respondents**

3 2. Centenarios Gold Inc. ("CGI") is a Wyoming corporation located at 5190 North  
4 83rd Street, Scottsdale, AZ 85250.

5 3. Tim Watt ("Watt") is an officer of CGI who lives at 5190 North 83rd Street,  
6 Scottsdale, AZ 85250.

7 4. Jane Doe Watt was at all relevant times the spouse of Watt. Jane Doe Watt is joined  
8 in this action under A.R.S. § 44-2031(C) solely for purposes of determining the liability of the  
9 marital community.

10 5. At all relevant times, Watt was acting for his own benefit, and for the benefit or in  
11 furtherance of the marital community.

12 6. CGI and Watt may be collectively referred to as "Respondents."

13 **III.**

14 **FACTS**

15 7. Respondents are offering securities in the form of stock or investment contracts with  
16 CGI.

17  
18 8. Respondents are currently soliciting investments from the public through  
19 advertisements in the Arizona Republic newspaper. Respondents' advertisements state that they  
20 are offering shares in a Mexican gold mine near production, and provide an e-mail address and a  
21 telephone number to contact.

22 9. Upon contacting that e-mail address, Respondents inform the investor that CGI has  
23 an option to acquire Minera Tres Centenarios S.A. de C.V. ("MTC"), a Mexican corporation,  
24 which allegedly holds agreements to mine gold on certain areas of Mexico. CGI claims that the  
25 purchase price of MTC is \$35,000. MTC in turn has an agreement to purchase certain mining  
26 concessions for \$450,000.

1           11. Respondents state that this area has been mined since the Spanish first arrived in  
2 Mexico, with the most recent mining being in the 1950s. They have informed the investor of  
3 projections of a pre-tax profit of \$310 per ounce if gold is at a price of \$400 per ounce. After tax,  
4 they state that the mine would make a profit of over \$7,000,000 per year.

5           12. Although Respondents state the projected profit from the mining, Respondents fail  
6 to disclose any risk to investors from investment in an operation in a foreign country, namely that  
7 currency fluctuations may affect the costs that CGI incurs in its operations. Gold is sold throughout  
8 the world based principally on the U.S. dollar price, but mining operating expenses would be  
9 incurred in Mexican currency. The appreciation of foreign currencies against the U.S. dollar can  
10 increase the costs of gold production in U.S. dollar terms at mines located outside the United  
11 States, making such mines less profitable.

12           13. Respondents state that due to the fact that a tunnel dug in 1910 at the location is  
13 close to the gold, production is nearly ready to start. Respondents claim that they can be in  
14 production in less than one year at a cost of less than \$1,000,000.

15           14. Respondents' materials mention that the most recent project in the area was  
16 Manhattan Mineral's Moris Mine. They fail to disclose to investors that Manhattan Mineral  
17 Corporation suspended operations at the mine in 1999 and in 1998 and 1999 wrote down  
18 \$11,670,000 invested in the mine to a nominal value.

19           15. Respondents state that they are willing to receive investor funds as a loan, with an  
20 option to receive shares. They state they should be ready for an initial public offering of the  
21 company in six to eight months. Respondents have informed the investor that it was their goal to  
22 have the company have a \$100,000,000 market value within a year. Respondents do state that  
23 while they do not believe the investment is high risk, there exists the possibility that an investor  
24 could lose his investment.

25           16. The materials provided to the investor state that Tim Watt is the President, CEO and  
26 Director of CGI.

1 IV.

2 VIOLATION OF A.R.S. § 44-1841

3 (Offer and Sale of Unregistered Securities)

4 5. From on or about December 2004, Respondents offered or sold securities in the  
5 form of stock or investment contracts, within or from Arizona.

6 6. The securities referred to above were not registered pursuant to Articles 6 or 7 of the  
7 Securities Act.

8 7. This conduct violates A.R.S. § 44-1841.

9 V.

10 VIOLATION OF A.R.S. § 44-1842

11 (Transactions by Unregistered Dealers or Salesmen)

12 8. Respondents offered or sold securities within or from Arizona while not registered as  
13 dealers or salesmen pursuant to Article 9 of the Securities Act.

14 9. This conduct violates A.R.S. § 44-1842.

15 VI.

16 VIOLATION OF A.R.S. § 44-1991

17 (Fraud in Connection with the Offer or Sale of Securities)

18 10. In connection with the offer or sale of securities within or from Arizona,  
19 Respondents directly or indirectly: (i) employed a device, scheme or artifice to defraud; (ii) made  
20 untrue statements of material fact or omitted to state material facts which were necessary in order to  
21 make the statements made not misleading in light of the circumstances under which they were  
22 made; or (iii) engaged in transactions, practices or courses of business which operated or would  
23 operate as a fraud or deceit upon offerees and investors. Respondents' conduct includes, but is not  
24 limited to, the following:

25 a) Informing investors that the most recent project in the area was Manhattan  
26 Mineral's Moris Mine while failing to disclose to investors that Manhattan Mineral

1 Corporation suspended operations at the mine in 1999 and in 1998 and 1999 wrote down  
2 \$11,670,000 invested in the mine to a nominal value.

3 b) Failing to disclose to investors the risks involved in investing in a company  
4 whose asset is located in a foreign country and whose operational costs are subject to foreign  
5 currency fluctuation.

6 11. This conduct violates A.R.S. § 44-1991.

7 **XII.**

8 **TEMPORARY ORDER**

9 **Cease and Desist from Violating the Securities Act**

10 THEREFORE, based on the above allegations, and because the Division has determined that  
11 the public welfare requires immediate action,

12 IT IS ORDERED, pursuant to A.R.S. §§ 44-2032, and A.A.C. R14-4-307, that the  
13 Respondents, their agents, servants, employees, successors, assigns, and those persons in active  
14 concert or participation with them CEASE AND DESIST from any violations of the Securities Act.

15 IT IS FURTHER ORDERED that this Temporary Order to Cease and Desist shall remain in  
16 effect for 180 days unless sooner vacated, modified or made permanent by the Commission.

17 IT IS FURTHER ORDERED that this Order shall be effective immediately.

18 **XIII.**

19 **REQUESTED RELIEF**

20 The Division will request that the Commission grant the following relief against  
21 Respondents:

22 1. Order Respondents to permanently cease and desist from violating the Securities  
23 Act, pursuant to A.R.S. § 44-2032;

24 2. Order Respondents to take affirmative action to correct the conditions resulting from  
25 their acts, practices or transactions, including a requirement to make restitution pursuant to A.R.S. §  
26 44-2032;



1 If a request for hearing is not timely made, the Division will request that the Commission  
2 make permanent this Temporary Order, with written findings of fact and conclusions of law, which  
3 may include ordering restitution, assessing administrative penalties or other relief.

4 Persons with a disability may request a reasonable accommodation such as a sign language  
5 interpreter, as well as request this document in an alternative format, by contacting Linda Hogan,  
6 Executive Assistant to the Executive Secretary, voice phone number 602/542-3931, e-mail  
7 lhogan@cc.state.az.us. Requests should be made as early as possible to allow time to arrange the  
8 accommodation.

9 **XV.**

10 **ANSWER REQUIREMENT**

11 Pursuant to A.A.C. R14-4-305, if any RESPONDENT or RESPONDENT SPOUSE  
12 requests a hearing, the RESPONDENT or RESPONDENT SPOUSE must deliver or mail an  
13 Answer to this Temporary Order and Notice to Docket Control, Arizona Corporation Commission,  
14 1200 W. Washington, Phoenix, Arizona 85007, within 30 calendar days after the date of service of  
15 this Temporary Order to Cease and Desist and Notice of Opportunity for Hearing,. A Docket  
16 Control cover sheet must accompany the Answer. A cover sheet form and instructions may be  
17 obtained from Docket Control by calling (602) 542-3477 or on the Commission's Internet web site  
18 at [www.cc.state.az.us/utility/forms/index.htm](http://www.cc.state.az.us/utility/forms/index.htm).

19 Additionally, the RESPONDENT OR RESPONDENT SPOUSE, must serve the Answer  
20 upon the Division. Pursuant to A.A.C. R14-4-303, service upon the Division may be made by  
21 mailing or by hand-delivering a copy of the Answer to the Division at 1300 West Washington, 3<sup>rd</sup>  
22 Floor, Phoenix Arizona, addressed to Mark Dinell.

23 The Answer shall contain an admission or denial of each allegation in this Temporary  
24 Order and Notice and the original signature of each RESPONDENT, RESPONDENT SPOUSE or  
25 the RESPONDENT's attorney. A statement of a lack of sufficient knowledge or information shall  
26 be considered a denial of an allegation. An allegation not denied shall be considered admitted.

