

ORIGINAL

NEW APPLICATION



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BEFORE THE ARIZONA CORPORATION COMMISSION

RECEIVED
AZ CORP COMMISSION
DOCKET CONTROL

2016 SEP 27 PM 12 06

COMMISSIONERS

DOUG LITTLE - Chairman
BOB STUMP
BOB BURNS
TOM FORESE
ANDY TOBIN

In the matter of:)
JACOB WOHL, a single man,)
MATTHEW JOHNSON, a single man,)
WOHL CAPITAL INVESTMENT GROUP, LLC, a California limited liability company,)
NEX CAPITAL MANAGEMENT, LLC, a Delaware limited liability company,)
MONTGOMERY ASSETS, INC., a Wyoming corporation,)
Respondents.)

DOCKET NO. S-20986A-16-0340
**TEMPORARY ORDER TO CEASE AND
DESIST AND NOTICE OF
OPPORTUNITY FOR HEARING**

Arizona Corporation Commission
DOCKETED
SEP 27 2016

DOCKETED BY	
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**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 Respondents Jacob Wohl, Matthew Johnson, and Montgomery Assets, Inc. are engaging 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. The Division further alleges that Respondents Jacob Wohl, Matthew Johnson, Wohl Capital Investment Group, LLC, and NeX Capital Management, LLC have engaged in acts and practices that constitute violations of the Securities Act and A.R.S. § 44-3101, *et seq.*, the Investment Management Act ("IM Act").

1 11. At all relevant times, Johnson was an executive officer and director of MAI.

2 12. None of the Respondents have been registered with the Commission as a securities
3 salesman, securities dealer, investment adviser, or investment adviser representative.

4 **III.**

5 **FACTS**

6 **A.**

7 **WOHL CAPITAL INVESTMENT GROUP AND NEX CAPITAL MANAGEMENT**

8 **Investors 1 and 2**

9 13. In early 2015, Wohl made several media appearances in which he held himself out to
10 be a hedge fund manager.

11 14. In or around March 2015, after viewing one of Wohl's media appearances, an Arizona
12 resident ("Investor 1") contacted Wohl regarding WCIG and its investment strategies. During the
13 conversation, Wohl represented that:

- 14 • Only 20% of Investor 1's investment with WCIG would be at risk;
15 • WCIG was not required to be registered with any agency;
16 • WCIG managed 178 investment accounts; and
17 • Wohl was managing between \$9 million and \$10 million in assets.

18 15. Upon information and belief, WCIG had no more than 13 investors.

19 16. Upon information and belief, Wohl was managing no more than \$500,000 in assets
20 at any time.

21 17. Following Wohl's telephone conversation with Investor 1, Wohl sent Investor 1 a
22 prospectus ("WCIG Prospectus"). The WCIG Prospectus:

- 23 • Stated that investors that had invested by January 1, 2015 with WCIG have made roughly
24 23% return on investment; and
25 • Identified a potential trade as having a 99.5% probability of profit, and described the trade as
26 a textbook trade for WCIG.

1 18. The WCIG Prospectus was accompanied by a Confirmation of Investment Form.
2 Pursuant to the Confirmation of Investment Form, Investor 1 agreed to invest \$15,000 with WCIG.
3 The Confirmation of Investment Form stated that:

- 4 • WCIG is a hedge fund”;
- 5 • Wohl is the manager and administrator of the hedge fund; and
- 6 • WCIG charges a 3% fee on the asset value of the fund as well as a 20% fee on any profits
7 earned.

8 19. On March 27, 2015, Investor 1 invested in the WCIG hedge fund by tendering a check
9 for \$15,000 to WCIG.

10 20. In or around July 2015, WCIG sent Investor 1 an Institutional Investor Form.
11 Pursuant to the Institutional Investor Form, Investor 1 agreed to invest an additional \$25,000 with
12 WCIG. The Institutional Investor Form stated:

- 13 • Wohl is the manager and administrator of the hedge fund; and
- 14 • WCIG charges a 2.5% fee on the asset value of the fund as well as a 20% fee on any profits
15 earned.

16 21. On July 20, 2015, Investor 1 invested an additional \$25,000 in WCIG via wire
17 transfer.

18 22. In or around October 2015, Investor 1 completed a second Institutional Investor Form.
19 Pursuant to the second Institutional Investor Form, Investor 1 agreed to invest an additional \$35,000
20 with WCIG. The second Institutional Investor Form stated that:

- 21 • Wohl is the manager and administrator of the hedge fund; and
- 22 • WCIG charges a 2.5% fee on the asset value of the fund as well as a 20% fee on any profits
23 earned.

24 23. On October 16, 2015, Investor 1 invested an additional \$35,000 in WCIG via wire
25 transfer.

26

1 24. Upon information and belief, Investor 1 had no power to participate in the
2 management or operations of WCIG. Investor 1's sole contribution to WCIG was his investment of
3 money.

4 25. On or about December 2, 2015, WCIG sent Investor 1 the November Return
5 Statement, which stated that Investor 1's investment of \$75,000 had appreciated to \$89,461.05.

6 26. Upon information and belief, in early December 2015, Wohl informed Investor 1 and
7 another Arizona resident ("Investor 2") that he was creating a new hedge fund, NeX, and sent a
8 prospectus for NeX to them. The NeX prospectus states:

- 9 • NeX expects to deliver at least a 20% annual return to investors while taking on less risk than
10 common marketplace benchmarks such as the S&P 500;
- 11 • NeX's "volatility arbitrage" strategy "allows profits regardless of market direction"; and
- 12 • NeX's "interest rate arbitrage" strategy "eliminates exposure to systemic risk within a single
13 market (e.g. S&P 500)."

14 27. On December 17, 2015, Wohl and Johnson met with Investors 1 and 2 at their home
15 in Scottsdale, Arizona to solicit investment in NeX. At the meeting, NeX, Wohl and Johnson
16 presented Investor 1 and Investor 2 with the Investment Management Agreement ("the NeX
17 Agreement"). Pursuant to the NeX Agreement:

- 18 • NeX is deemed "the Advisor" and Investor 1 is deemed "the Client";
 - 19 • The Client opens a trading account and appoints the Advisor to manage the assets in the
20 account;
 - 21 • The Client appoints the Advisor as his attorney-in-fact to trade in investments on his behalf;
 - 22 • The Advisor has authority to make all trading decisions for the account without prior
23 consultation with or notice to the Client;
 - 24 • The Advisor shall receive a management fee of 2.2% of the funds in the account; and
 - 25 • The Advisor shall receive a performance fee of 17% of the appreciation of the account.
- 26

- 1 • MAI will make investors 15% in 6 months or less; and
- 2 • MAI is a Series 3 licensed broker.

3 45. Advertisement 1 also encourages potential investors to “reach out” to MAI, and
4 directs potential investors to MAI’s website, www.BeverlyHillsInvesting.com.

5 46. On or around July 5, 2016, MAI posted another advertisement (“Advertisement 2”)
6 on Craigslist Phoenix titled “Conservative Real Estate Investing -- 7% in 6 Months, Low Risk.”

7 47. Advertisement 2 was posted in the “financial services” classifieds and was directed
8 at residents of Phoenix.

9 48. Advertisement 2 states:

- 10 • Montgomery Assets has more than 30 years of experience investing in real estate throughout
11 Southern California;
- 12 • Institutional investors such as pensions, endowments and charities have worked with MAI
13 for a long time, using bespoke deals to generate returns;
- 14 • MAI is opening up its secured real estate deals to the general public;
- 15 • MAI purchases homes in desirable areas for 30% under their fair market value;
- 16 • MAI renovates the homes in 4 weeks and then sells the homes “quickly through our vast
17 network of real estate brokers, investment funds and other professionals, EXITING for
18 between a 15% and 45% net profit”;
- 19 • MAI will make investors 7% in 6 months or less; and
- 20 • MAI is a licensed NMLS lender and real estate broker.

21 49. Advertisement 2 also encourages potential investors to “reach out” to MAI, directs
22 potential investors to MAI’s website, www.BeverlyHillsInvesting.com, and provides a phone
23 number to contact MAI.

24 50. On or around August 2, 2016, MAI posted another advertisement (“Advertisement
25 3”) on Craigslist Phoenix titled “7-8% Return on Real Property Investments.”
26

1 51. Advertisement 3 was posted in the “financial services” classifieds and was directed
2 at residents of Phoenix.

3 52. Advertisement 3 states:

- 4 • MAI has more than 30 years of experience investing in real estate throughout Southern
5 California;
- 6 • MAI is opening up its secured real estate deals to the general public;
- 7 • MAI purchases homes in desirable areas for 30% under their fair market value;
- 8 • MAI renovates the homes in 4 weeks and then sells the homes “quickly through our vast
9 network of real estate brokers, investment funds and other professionals, EXITING for
10 between a 8% and 15% net profit”; and
- 11 • MAI will make investors 8% in 6 months or less.

12 53. Advertisement 3 also encourages potential investors to “reach out” to MAI, and
13 directs potential investors to MAI’s website, www.BeverlyHillsInvesting.com.

14 54. On or around August 3, 2016, MAI posted another advertisement (“Advertisement
15 4”) on Craigslist Phoenix titled “Safe Real Estate Investing -- 8% In 6 Months.”

16 55. Advertisement 4 was posted in the “financial services” classifieds and was directed
17 at residents of Phoenix.

18 56. Advertisement 4 states:

- 19 • MAI has more than 35 years of experience flipping single-family residential real estate;
 - 20 • MAI is doing its September offering of “American Eagle Promissory Notes”;
 - 21 • MAI “can get [investors] in on these deals with an investment as low as \$20,000”;
 - 22 • The investment is “for people looking for safe, conservative, reliable returns”;
 - 23 • MAI guarantees that it will make investors 8% in 6 months; and
 - 24 • MAI has been a licensed broker for 14 years.
- 25
26

1 57. Advertisement 4 also encourages potential investors to “reach out” to MAI, directs
2 potential investors to MAI’s website, www.BeverlyHillsInvesting.com, and provides a phone
3 number to contact MAI.

4 58. On or around August 3, 2016, MAI posted another advertisement (“Advertisement
5 5”) on Craigslist Phoenix titled “Safer Real Estate Investment (35 years experience).”

6 59. Advertisement 5 was posted in the “financial services” classifieds and was directed
7 at residents of Phoenix.

8 60. Advertisement 5 states:

- 9 • MAI has more than 35 years of experience flipping single-family residential real estate;
- 10 • MAI is doing its September offering of “American Eagle Promissory Notes”;
- 11 • MAI “can get [investors] in on these deals with an investment as low as \$20,000”;
- 12 • “This is a safe, secure, conservative investment”;
- 13 • MAI guarantees that it will make investors 8% in 6 months; and
- 14 • MAI is a licensed “Real Estate Broker, Mortgage Broker, Series 3, etc.”

15 61. Advertisement 5 also encourages potential investors to “reach out” to MAI, directs
16 potential investors to MAI’s website, www.BeverlyHillsInvesting.com, and provides a phone
17 number to contact MAI.

18 62. On or around August 4, 2016, MAI posted another advertisement (“Advertisement
19 6”) on Craigslist Phoenix titled “Conservative Investment Firm -- Accepting New Clients.”

20 63. Advertisement 6 was posted in the “financial services” classifieds and was directed
21 at residents of Phoenix.

22 64. Advertisement 6 states:

- 23 • MAI has more than 30 years of experience helping individual and institutional clients reach
24 their financial goals;
- 25 • MAI offers “the safest, most conservative real estate investments in the world, rather than
26 under performing, dangerous paper assets”; and

- 1 • MAI has been a licensed broker for 14 years.

2 65. Advertisement 6 also directs potential investors to MAI's website,
3 www.BeverlyHillsInvesting.com, and provides a phone number to contact MAI.

4 66. On or around August 7, 2016, MAI posted another advertisement ("Advertisement
5 7") on Craigslist Phoenix titled "High Yield Notes -- Safe and Secure."

6 67. Advertisement 7 was posted in the "financial services" classifieds and was directed
7 at residents of Phoenix.

8 68. Advertisement 7 states:

- 9 • MAI is a financial firm with more than 30 years of collective experience helping investors
10 reach their financial goals;
- 11 • MAI is very well known for its American Eagle Secured Notes;
- 12 • MAI is unveiling a limited \$25M offering of high yield notes; and
- 13 • MAI has is a licensed broker and has a Series 3.

14 69. Advertisement 7 also directs potential investors to MAI's website,
15 www.BeverlyHillsInvesting.com, and provides a phone number to contact MAI.

16 70. Advertisement 7 contained an embedded document providing additional information
17 regarding the notes offered. The document:

- 18 • Indicates that MAI has operations in Dubai, New York, Geneva, Chicago, Dallas, Hong
19 Kong, and Silicon Valley;
- 20 • States that MAI is famous for its Secured American Eagle Notes;
- 21 • Provides a spreadsheet of interest rates for the notes ranging from 7% to 17.5% based on the
22 investment amount and note term;
- 23 • States that the notes are unsecured;
- 24 • States that the minimum investment amount is \$15,000; and
- 25 • Encourages potential investors to call or email MAI.
- 26

1 71. On or around August 8, 2016, MAI posted another advertisement (“Advertisement
2 8”) on Craigslist Phoenix titled “Safe Real Estate Investing (8% Return in 6 Months).”

3 72. Advertisement 8 was posted in the “financial services” classifieds and was directed
4 at residents of Phoenix.

5 73. Advertisement 8 states:

- 6 • MAI has a team with more than 30 years of combined experience investing in real estate;
- 7 • MAI is opening up our in-house real estate deals to individual investors with as little as
8 \$15,000 to invest;
- 9 • MAI purchases a “beat up home at an extremely low price”;
- 10 • MAI’s in-house contractors fix up the home in 3 weeks;
- 11 • MAI markets and sells the home using its “vast network of agents and brokers”;
- 12 • MAI will make investors 8% in 6 months or less; and
- 13 • MAI is a licensed real estate broker, agent, and mortgage broker.

14 74. Advertisement 8 also encourages potential investors to “reach out” to MAI, directs
15 potential investors to MAI’s website, www.BeverlyHillsInvesting.com, and provides a phone
16 number to contact MAI.

17 75. At the time Advertisements 1–8 were posted, the “Leadership” section of MAI’s
18 website, located at www.BeverlyHillsInvesting.com/Leadership, stated that:

- 19 • Wohl has 10 years of investment experience; and
- 20 • Johnson has 10 years of options trading experience.

21 76. At the time Advertisements 1–8 were posted, the “Contact” section of MAI’s website,
22 located at <http://montgomeryassets.com/contact>, stated that MAI has “global offices” in Beverly
23 Hills, Los Angeles, San Francisco, Hong Kong, Dubai, and Geneva.

24 77. Advertisements 1–8 and www.BeverlyHillsInvesting.com did not disclose that:

- 25 • MAI was incorporated in Wyoming in April 2016;
- 26 • Upon information and belief, MAI is not licensed by the NMLS as a lender or in any capacity;

- 1 • Upon information and belief, MAI is not licensed by the California Bureau of Real Estate or
2 the Arizona Department of Real Estate as a broker or in any other capacity;
- 3 • At the time Advertisements 1–8 were posted to Craigslist, Wohl was 18 years old and Johnson
4 was 27 years old;
- 5 • Upon information and belief, MAI’s “global offices” are virtual offices and MAI has no
6 meaningful presence in Hong Kong, Dubai, or Geneva, nor has it ever conducted operations
7 there; and
- 8 • Investors 1 and 3 lost more than 40% of the principal they invested in WCIG, a hedge fund
9 owned and managed by Wohl from 2015 to 2016.

10 78. On July 12, 2016, an Arizona resident (“Investor 4”) emailed MAI in response to
11 Advertisement 2 by using the online contact form at MAI’s website,
12 www.BeverlyHillsInvesting.com. The email stated that Investor 4 was interested in MAI’s real
13 estate investment opportunities.

14 79. Investor 4 also responded to Advertisement 2 by using the reply-by-email function on
15 Craigslist, and by calling the number provided in Advertisement 2 and leaving a voicemail.

16 80. On July 18, 2016, Wohl sent an email to Investor 4 requesting Investor 4’s phone
17 number to facilitate an investment consultation.

18 81. After several more exchanges, Investor 4 contacted Wohl via telephone on August 1,
19 2016, to discuss the investment. Investor 4 stated that she had received an inheritance and was
20 considering an investment of \$100,000. During the phone conversation, Wohl stated:

- 21 • Investors are guaranteed to make 8% in 6 months or less;
- 22 • Investor 4’s investment principal would be 100% safe even if the housing market softened;
- 23 • MAI has 30 years of experience and “has been around for a while”;
- 24 • MAI is “quite a large firm here. [It’s] not ultra-large; [it’s] not Goldman Sachs; [it’s] not
25 Wells Fargo, but, you know, [it’s] got a nice solid team”;
- 26 • Investor 4’s investment would be combined with the funds of others to purchase a property;

- 1 • In some instances, investments from multiple investors are combined with MAI's funds to
2 purchase a property;
- 3 • Investor 4's only contribution to the investment would be money and would not participate
4 in any other respect;
- 5 • Investor 4 would be repaid when the property is sold; and
- 6 • Investor 4 would receive a promissory note in exchange for the investment funds.

7 82. At the end of the conversation, Wohl transferred Investor 4 to Johnson, who identified
8 himself as the "chief investment officer." Johnson stated:

- 9 • MAI would not guarantee that Investor 4 would receive a profit, but if the sale of the home
10 was very profitable, Investor 4 would receive an 8% return on her principal;
- 11 • MAI had identified a property in Los Angeles to purchase, had already obtained one investor
12 for the property, Mr. Burgess, and were looking for additional investors to fund the purchase;
- 13 • Mr. Burgess had been investing with MAI for over one year;
- 14 • MAI had executed 11 deals in the last 365 days; and
- 15 • MAI would be responsible for all business activities—Investor 4 need only send MAI the
16 investment check.

17 83. On August 1, 2016, Wohl emailed a partially-completed promissory note to Investor
18 4. The promissory note was in the amount of \$100,000 and provided for an 8% return in 6 months.
19 The promissory note also provided that an investor's ownership stake in the home is commensurate
20 with the investor's investment amount relative to the total purchase price.

21 84. On August 2, 2016, Johnson called Investor 4 and left a voicemail inquiring as to the
22 status of the investment check.

23 85. On August 6, 2016, Wohl emailed Investor 4 a letter predicting a "volatility event"
24 between August and December 2016 "similar to the one that took place in in [*sic*] August 2015."
25 The letter encouraged MAI clients to sell their holdings in equities, including mutual funds and
26 exchange-traded funds, and reallocate those assets to MAI's promissory notes.

1 **IV.**

2 **VIOLATION OF A.R.S. § 44-1841**

3 **(Offer and Sale of Unregistered Securities)**

4 86. From approximately March 2015 to November 2015, Respondents Wohl and WCIG
5 offered securities in the form of investment contracts within or from Arizona.

6 87. In or around December 2015, Respondents Wohl, Johnson, and NeX offered securities
7 in the form of investment contracts within or from Arizona.

8 88. From approximately July 2016 to September 2016, Respondents Wohl, Johnson, and
9 MAI offered securities in the form of promissory notes within or from Arizona.

10 89. The securities referred to above are not registered pursuant to Articles 6 or 7 of the
11 Securities Act.

12 90. This conduct violates A.R.S. § 44-1841.

13 **V.**

14 **VIOLATION OF A.R.S. § 44-1842**

15 **(Transactions by Unregistered Dealers or Salesmen)**

16 91. From approximately March 2015 to November 2015, Respondents Wohl and WCIG
17 offered securities in the form of investment contracts within or from Arizona.

18 92. In or around December 2015, Respondents Wohl, Johnson, and NeX offered securities
19 in the form of investment contracts within or from Arizona.

20 93. From approximately July 2016 to September 2016, Respondents Wohl, Johnson, and
21 MAI offered securities in the form of promissory notes within or from Arizona.

22 94. Respondents have never been registered as dealers or salesmen pursuant to Article 9 of
23 the Securities Act.

24 95. This conduct violates A.R.S. § 44-1842.

VI.

VIOLATION OF A.R.S. § 44-1991

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

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4 96. In connection with the offer or sale of securities within or from Arizona, Respondents
5 have been or are, directly or indirectly: (i) employing a device, scheme, or artifice to defraud; (ii) making
6 untrue statements of material fact or omitting to state material facts that are necessary in order to make
7 the statements made not misleading in light of the circumstances under which they are made; or (iii)
8 engaging in transactions, practices, or courses of business that operate or would operate as a fraud or
9 deceit upon offerees and investors. Respondents' conduct includes, but is not limited to, the following:

10 a) Wohl and WCIG falsely represented to Investor 1 that only 20% of his
11 investment would be at risk, yet lost approximately 50% of his Investor 1's account value between
12 December 2015 and January 2016;

13 b) Wohl and WCIG falsely represented to Investor 1 that WCIG managed 178
14 investment accounts, but actually managed only 13;

15 c) Wohl and WCIG falsely represented to Investor 1 that WCIG managed between
16 \$9 million and \$10 million in assets, but actually managed less than \$500,000;

17 d) Wohl and WCIG misled Investor 1 regarding the risk associated with the
18 investment by representing that a textbook trade for WCIG had a 99.5% probability of profit;

19 e) Wohl and WCIG misled Investor 1 regarding the likely return on investment by
20 representing that investors who had invested by January 1, 2015, received a 23% return in the first
21 quarter of 2015;

22 f) Wohl, Johnson, and NeX misled Investors 1 and 2 regarding the risk associated
23 with the investment by representing that the investment strategy eliminated exposure to systemic risk
24 and would result in profits regardless of market direction;

1 g) Wohl, Johnson, and NeX misled investors 1 and 2 regarding the likely return on
2 the investment by representing that their investments would yield at least a 20% annual return while
3 having no reasonable basis for such a projection;

4 h) Wohl, Johnson, and MAI falsely represented to potential investors that MAI had
5 35 years of experience flipping single-family residential real estate, but MAI has existed for less than
6 six months, Wohl is 18 years old, and Johnson is 27 years old;

7 i) Wohl, Johnson, and MAI guaranteed potential investors that their investments
8 would be “100% safe,” but did not disclose that investors may lose money if MAI is unable to repay the
9 notes due to depreciation of the investment properties or other circumstances;

10 j) Wohl, Johnson, and MAI falsely represented to potential investors that
11 institutional investors have worked with MAI for a long time, when MAI had been incorporated for less
12 than six months;

13 k) Wohl, Johnson, and MAI falsely represented to potential investors that MAI is a
14 licensed NMLS lender, real estate agent, mortgage broker, and has been a real estate broker for 14 years,
15 but MAI was not so licensed or registered;

16 l) Wohl, Johnson, and MAI misled potential investors by representing that, while
17 not ultra-large like Wells Fargo or Goldman Sachs, MAI is “quite a large firm”;

18 m) Wohl, Johnson, and MAI misled Investor 4 and other potential investors
19 regarding MAI’s size and the extent of its operations by representing that MAI has offices in Geneva,
20 Hong Kong, and Dubai; and

21 n) Johnson and MAI misled Investor 4 by representing that MAI has completed 11
22 deals in the last 365 days, when MAI had been incorporated for less than six months.

23 97. This conduct violates A.R.S. § 44-1991.
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25
26

VII.**CONTROL PERSON LIABILITY PURSUANT TO A.R.S. § 44-1999**

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3 98. Respondents Wohl and Johnson directly or indirectly controlled NeX and MAI within
4 the meaning of A.R.S. § 44-1999. Therefore, Wohl and Johnson are jointly and severally liable under
5 A.R.S. § 44-1999 to the same extent as NeX and MAI for violations of A.R.S. § 44-1991.

VIII.**VIOLATION OF A.R.S. § 44-3241****(Fraud in the Provision of Investment Advisory Services)**

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9 99. Respondents Wohl, Johnson, WCIG, and NeX have engaged in a transaction or
10 transactions within or from Arizona involving the provision of investment advisory services in which
11 Respondents were, directly or indirectly: (i) employing a device, scheme, or artifice to defraud; (ii)
12 making untrue statements of material fact or omitting to state material facts that are necessary in order
13 to make the statements made not misleading in light of the circumstances under which they are made;
14 (iii) misrepresenting professional qualifications with the intent that the client rely on the
15 misrepresentation; or (iv) engaging in transactions, practices, or courses of business that operate or
16 would operate as a fraud or deceit. Respondents' conduct includes, but is not limited to, the following:

17 a) Wohl and WCIG falsely represented to Investor 1 that only 20% of his
18 investment would be at risk, yet lost approximately 50% of Investor 1's account value between
19 December 2015 and January 2016;

20 b) Wohl and WCIG falsely represented to Investor 1 that WCIG managed 178
21 investment accounts, but actually managed only 13;

22 c) Wohl and WCIG falsely represented to Investor 1 that WCIG managed between
23 \$9 million and \$10 million in assets, but actually managed less than \$500,000;

24 d) Wohl and WCIG misled Investor 1 regarding the risk associated with the
25 investment by representing that a textbook trade for WCIG had a 99.5% probability of profit;
26

1 e) Wohl and WCIG misled Investor 1 regarding the likely return on investment by
2 representing that investors who had invested by January 1, 2015, received a 23% return in the first
3 quarter of 2015;

4 f) Wohl, Johnson, and NeX misled Investors 1 and 2 regarding the risk associated
5 with the investment by representing that the investment strategy eliminated exposure to systemic risk
6 and would result in profits regardless of market direction; and

7 g) Wohl, Johnson, and NeX misled investors 1 and 2 regarding the likely return on
8 the investment by representing that their investments would yield at least a 20% annual return while
9 having no reasonable basis for such a projection.

10 100. This conduct violates A.R.S. § 44-3241.

11 **IX.**

12 **TEMPORARY ORDER**

13 **Cease and Desist from Violating the Securities Act and IM Act**

14 THEREFORE, based on the above allegations, and because the Commission has determined
15 that the public welfare requires immediate action,

16 IT IS ORDERED, pursuant to A.R.S. § 44-1972(C), 44-3212(B), and A.A.C. R14-4-307, that
17 Respondents Wohl, Johnson, and MAI, their agents, servants, employees, successors, assigns, and those
18 persons in active concert or participation with Respondents Wohl, Johnson, and MAI, CEASE AND
19 DESIST from any violations of the Securities Act.

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

22 IT IS FURTHER ORDERED that if a request for hearing is made, this Temporary Order shall
23 remain effective from the date a hearing is requested until a decision is entered unless otherwise ordered
24 by the Commission.

25 IT IS FURTHER ORDERED that this Order shall be effective immediately.
26

X.

REQUESTED RELIEF

The Division requests that the Commission grant the following relief:

1. Order Respondents to permanently cease and desist from violating the Securities Act and IM Act, pursuant to A.R.S. §§ 44-2032 and 44-3292;
2. Order Respondents to take affirmative action to correct the conditions resulting from Respondents' acts, practices, or transactions, including a requirement to make restitution in the amount of \$32,918.72, pursuant to A.R.S. §§ 44-2032 and 44-3292;
3. Order Respondents to pay the state of Arizona administrative penalties of up to five thousand dollars (\$5,000) for each violation of the Securities Act, pursuant to A.R.S. § 44-2036;
4. Order Respondents to pay the state of Arizona administrative penalties of up to one thousand dollars (\$1,000) for each violation of the IM Act, pursuant to A.R.S. § 44-3296; and
5. Order any other relief that the Commission deems appropriate.

XI.

HEARING OPPORTUNITY

Respondents may request a hearing pursuant to A.R.S. §§ 44-1972 and 44-3212, and A.A.C. Rule 14-4-307. **If a Respondent requests a hearing, the Respondent must also answer this Temporary Order and Notice.** A request for hearing must be in writing and received by the Commission within 20 days after service of this Temporary Order and Notice. Respondents must deliver or mail the request for hearing to Docket Control, Arizona Corporation Commission, 1200 West Washington, Phoenix, Arizona 85007. Filing instructions may be obtained from Docket Control by calling (602) 542-3477 or on the Commission's Internet web site at www.azcc.gov/divisions/hearings/docket.asp.

If a request for hearing is timely made, the Commission shall schedule a hearing to begin 10 to 30 days from the receipt of the request unless otherwise provided by law, stipulated by the parties, or ordered by the Commission. **Unless otherwise ordered by the Commission, this Temporary Order**

1 **shall remain effective from the date a hearing is requested until a decision is entered.** After a
2 hearing, the Commission may vacate, modify, or make permanent this Temporary Order, with written
3 findings of fact and conclusions of law. A permanent Order may include ordering restitution, assessing
4 administrative penalties, or other action.

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

8 Persons with a disability may request a reasonable accommodation such as a sign language
9 interpreter, as well as request this document in an alternative format, by contacting Shaylin A. Bernal,
10 ADA Coordinator, voice phone number 602/542-3931, e-mail sabernal@azcc.gov. Requests should
11 be made as early as possible to allow time to arrange the accommodation.

12 **XII.**

13 **ANSWER REQUIREMENT**

14 Pursuant to A.A.C. R14-4-305, if a Respondent requests a hearing, the Respondent must
15 deliver or mail an Answer to this Temporary Order and Notice to Docket Control, Arizona
16 Corporation Commission, 1200 W. Washington, Phoenix, Arizona 85007, within 30 calendar days
17 after the date of service of this Temporary Order and Notice. Filing instructions may be obtained
18 from Docket Control by calling (602) 542-3477 or on the Commission's Internet web site at
19 www.azcc.gov/divisions/hearings/docket.asp.

20 Additionally, Respondents must serve the Answer upon the Division. Pursuant to A.A.C.
21 R14-4-303, service upon the Division may be made by mailing or by hand-delivering a copy of the
22 Answer to the Division at 1300 West Washington, 3rd Floor, Phoenix, Arizona, 85007, addressed to
23 Chris Nichols.

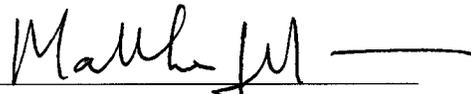
24 The Answer shall contain an admission or denial of each allegation in this Temporary Order
25 and Notice and the original signature of Respondent or the Respondent's attorney. A statement of a
26

1 lack of sufficient knowledge or information shall be considered a denial of an allegation. An
2 allegation not denied shall be considered admitted.

3 When Respondent intends in good faith to deny only a part or a qualification of an allegation,
4 Respondent shall specify that part or qualification of the allegation and shall admit the remainder.
5 Respondent waives any affirmative defense not raised in the Answer.

6 The officer presiding over the hearing may grant relief from the requirement to file an Answer
7 for good cause shown.

8 BY ORDER OF THE ARIZONA CORPORATION COMMISSION, this 27th day of
9 September, 2016.

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11 Matthew J. Neuber
12 Director of Securities
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