



HOUSE OF REPRESENTATIVES

STATE OF HAWAII
STATE CAPITOL
HONOLULU, HAWAII 96813

HOUSE COMMITTEES ON FINANCE

Testimony in Support of House Bill 40 House Draft 1, Relating to State Bonds:

Dear Chair Oshiro;

I am writing in support of House Bill 40. Due to a Securities & Exchange Commission investigation and subsequent filing of a complaint in Federal District Court I recommend the repeal of Act 112, SLH 2009. Attached please find a timeline of events that my staff put together regarding Carbon Diversions, Inc.

- On July 1, 2009, Act 112, SLH 2009 (House Bill 1627, Conference Draft 1) authorized the issuance of a special purpose revenue bond not to exceed \$40 million for Carbon Diversion, Inc. for development of non-fossil fuel energy production, to sunset on June 30, 2014.
- As of July 1, 2009, according to an annual report filed with the Department of Commerce and Consumer Affairs,(DCCA) Business Registration Division, Carbon Diversion, Inc. had no changes from the previous year and identified the following persons as principals under its registered agent name, Pacific Academy and Accounting Services, Inc.:
 - Michael Lurvey, President/Vice President/Director
 - Jerrilynn Barret – Secretary/Director
 - Bill Bathe – Treasurer/Director
- In a September 29, 2009 *Boston.com* finance article entitled "Shareholders Take Control of Carbon Diversion Inc. and Elect New Board of Directors" it was reported that Carbon Diversion Inc., a Waipahu-based waste-to-energy company, announced that its shareholders, acting on a court-ordered special meeting, had elected Amanda Knorr, Troy Wragg, and Steven Egesdal as the members of the Board. Immediately after the special meeting of shareholders, the new Board dismissed the company's existing officer, Michael Lurvey, President and CEO. The company's other officers and directors had resigned previous to the election of the new Board. The new Board then elected Ms. Knorr as President and Treasurer and Mr. Wragg as Vice President and Secretary.
- On October 1, 2009 the DCCA Business Registration Division received a Statement of Change of Registered Agent Name from Carbon Diversion, Inc. The registered agent name and address was changed from Pacific Academy and Accounting Inc., 85-979 Farrington Highway, Room C, Waianae, HI 96792 to The Corporation Company Inc.,

900 Fort Street Mall, Ste 1800, Honolulu, HI 96813. The Statement of Change of Registered Agent Name was dated October 1, 2009 and signed by Amanda Knorr as President of Carbon Diversion, Inc.

- On November 16, 2009, the Securities and Exchange Commission (SEC) filed a complaint in the United States District Court for the District of Colorado against Mantria Corporation citing "fraudulent and unregistered security offerings" by the Pennsylvania-based company and its principals Troy B. Wragg and Amanda E. Knorr along with a Colorado company, Speed of Wealth LCC, and its principals, Wayde McKelvy and Donna McKelvy. The purpose of the complaint states:

From in or about September 2007 through the present, Mantria Corporation, through its principals Troy Wragg and Amanda Knorr, has raised approximately \$30 million from more than 300 investors nationwide in approximately twelve fraudulent and unregistered securities offerings which offered securities to investors totaling at least \$122 million.

- Following the filing of the SEC complaint against Mantria Corporation, a November 18, 2009 *Honolulu Advertiser* article entitled "SEC Says Mantria Ran Massive Fraud" further clarified that Wragg, Knorr, McKelvy, and McKelvy enticed investors to invest in several planned residential communities as well as the production and sale of "biochar", the product from the proprietary Carbon Diversion, Inc. process. Additionally, in a November 21, 2009 *Honolulu Advertiser* article entitled "Mantria Wants to Sell Hawaii Firm" reported that Mantria Corporation proposed to sell Carbon Diversion Inc. The article also noted that the takeover was opposed by former Carbon Diversion Inc. President, Michael Lurvey, who said he did not have the resources to fight Mantria Corporation in court and prove that his company had not issued stock – as Wragg and Knorr claimed - to the mainland company when it accepted a \$2.1 million investment.

Thank you for the opportunity to testify. If you have further questions please do not hesitate to contact me phone 586-8435 or e-mail, repmorita@capitol.hawaii.gov.

Sincerely yours,



Hermina M. Morita
State Representative