



1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

JEFF HATCH-MILLER, Chairman
WILLIAM A. MUNDELL
MIKE GLEASON
KRISTIN K. MAYES
BARRY WONG

In the matter of:

AGRA-TECHNOLOGIES, INC. (a/k/a ATI),
a Nevada corporation,
5800 North Dodge Avenue, Bldg. A
Flagstaff, Arizona 86004-2963;

WILLIAM JAY PIERSON (a/k/a BILL
PIERSON),
and SANDRA LEE PIERSON (a/k/a SANDY
PIERSON),
husband and wife,
6710 Lynx Lane
Flagstaff, Arizona 86004-1404;

RICHARD ALLEN CAMPBELL (a/k/a DICK
CAMPBELL),
and SONDR A JANE CAMPBELL,
husband and wife,
8686 West Morten Avenue
Glendale, Arizona 85305-3940;

WILLIAM H. BAKER, JR. (a/k/a BILL
BAKER), and PATRICIA M. BAKER,
husband and wife,
3027 N. Alta Vista
Flagstaff, Arizona 86004;

JERRY J. HODGES,
and JANE DOE HODGES,
husband and wife,
1858 Gunlock Court
Saint George, Utah 84790-6705;

LAWRENCE KEVIN PAILLE (a/k/a LARRY
PAILLE), and JANE DOE PAILLE,
husband and wife,
220 Pinon Woods Drive
Sedona, Arizona 86351-6902;

Respondents.

DOCKET NO. S-20484A-06-0669

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

AZ CORP COMMISSION
DOCUMENT CONTROL

2006 OCT 18 P 12:52

RECEIVED

Arizona Corporation Commission

DOCKETED

OCT 18 2006

DOCKETED BY	<i>MM</i>
-------------	-----------

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: (1) AGRA-TECHNOLOGIES, INC. (a/k/a ATI); (2) WILLIAM JAY PIERSON (a/k/a BILL PIERSON); (3) SANDRA LEE PIERSON (a/k/a SANDY PIERSON); (4) RICHARD ALLEN CAMPBELL (a/k/a DICK CAMPBELL); (5) SONDR A JANE CAMPBELL; (6) WILLIAM H. BAKER, JR. (a/k/a BILL BAKER); (7) PATRICIA M. BAKER; (8) JERRY J. HODGES; (9) JANE DOE HODGES; (10) LAWRENCE KEVIN PAILLE (a/k/a LARRY PAILLE); and (9) JANE DOE PAILLE, have engaged in acts, practices and transactions that constitute violations of the Securities Act of Arizona, A.R.S. § 44-1801 *et seq.* ("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.

II.

RESPONDENTS

2. AGRA-TECHNOLOGIES, INC. (a/k/a ATI) ("AGRA") is a Nevada corporation that registered to do business as a foreign corporation in Arizona on May 21, 1999. AGRA's principal place of business is 5800 N. Dodge Ave., Bldg. A, Flagstaff, Arizona 86004.

3. WILLIAM JAY PIERSON (a/k/a BILL PIERSON) ("PIERSON") is an individual whose last known residence is 6710 Lynx Lane, Flagstaff, Arizona 86004-1404. From May 1, 1998 to the present, PIERSON has conducted business as AGRA'S President, Chief Executive Officer, Director and largest shareholder. In these capacities, PIERSON controls, promotes and bears responsibility for AGRA's financial affairs and investor solicitation activities.

1 4. SANDRA LEE PIERSON (a/k/a SANDY PIERSON) was at relevant times the spouse
2 of PIERSON. SANDRA LEE PIERSON is joined in this action under A.R.S. §44-2031(C) solely for
3 purposes of determining the liability of the marital community. At all relevant times, PIERSON and
4 SANDRA LEE PIERSON were acting for their own benefit, and for the benefit or in furtherance of
5 the marital community.

6 5. RICHARD ALLEN CAMPBELL (a/k/a DICK CAMPBELL) ("CAMPBELL") is an
7 individual whose last known residence is 8686 West Morten Avenue, Glendale, Arizona 85305-
8 3940. From July 23, 2003 to June 15 2006, CAMPBELL conducted business as AGRA's
9 Executive Vice President, Director and second largest shareholder. In these capacities,
10 CAMPBELL controlled, promoted and bore responsibility for AGRA's financial affairs and investor
11 solicitation activities.

12 6. SONDRA JANE CAMPBELL was at relevant times the spouse of CAMPBELL.
13 SONDRA JANE CAMPBELL is joined in this action under A.R.S. §44-2031(C) solely for purposes
14 of determining the liability of the marital community. At all relevant times, CAMPBELL and
15 SONDRA JANE CAMPBELL were acting for their own benefit, and for the benefit or in furtherance
16 of the marital community.

17 7. WILLIAM H. BAKER, JR. (a/k/a BILL BAKER) ("BAKER") is an individual whose
18 last known residence is 3027 N. Alta Vista, Flagstaff, Arizona 86004. From at least July 2003 to the
19 present, BAKER has conducted business as AGRA's Secretary, Treasurer, Chief Financial Officer,
20 Board Member, accountant and fourth largest shareholder. In these capacities, BAKER controls,
21 promotes and bears responsibility for AGRA's financial affairs and investor and shareholder
22 solicitation activities.

23 8. PATRICIA M. BAKER was at relevant times the spouse of BAKER. PATRICIA M.
24 BAKER is joined in this action under A.R.S. §44-2031(C) solely for purposes of determining the
25 liability of the marital community. At all relevant times, BAKER and PATRICIA M. BAKER were
26 acting for their own benefit, and for the benefit or in furtherance of the marital community.

1 9. JERRY J. HODGES (“HODGES”) is an individual whose last known residence is
2 1858 Gunlock Court, Saint George, Utah 84790-6705. From at least July 2005 to the present,
3 HODGES has conducted business as an authorized AGRA agent and securities salesperson.

4 10. JANE DOE HODGES was at relevant times the spouse of HODGES. JANE DOE
5 HODGES is a fictitious name used to describe any person married to HODGES, and said spouse is
6 joined in this action under A.R.S. § 44-2031(C) solely for purposes of determining the liability of the
7 marital community. At all relevant times, HODGES and JANE DOE HODGES were acting for their
8 own benefit, and for the benefit or in furtherance of the marital community.

9 11. LAWRENCE KEVIN PAILLE (a/k/a LARRY PAILLE) (“PAILLE”) is an
10 individual whose last known residence is 220 Pinon Woods Drive, Sedona, Arizona 86351-6902.
11 From at least July 2005 to the present, PAILLE has conducted business as an authorized AGRA
12 agent and securities salesperson.

13 12. JANE DOE PAILLE was at relevant times the spouse of PAILLE. JANE DOE
14 PAILLE is a fictitious name used to describe any person married to PAILLE, and said spouse is
15 joined in this action under A.R.S. § 44-2031(C) solely for purposes of determining the liability of the
16 marital community. At all relevant times, PAILLE and JANE DOE PAILLE were acting for their
17 own benefit, and for the benefit or in furtherance of the marital community.

18 13. AGRA, PIERSON, CAMPBELL, BAKER, HODGES and PAILLE may be referred
19 to individually or, collectively, as “RESPONDENTS” as the context requires.

20 14. SANDRA LEE PIERSON, SONDR A JANE CAMPBELL, PATRICIA M.
21 BAKER, JANE DOE HODGES and JANE DOE PAILLE are collectively referred to as
22 “RESPONDENT SPOUSES.”

23 ///

24 ///

25 ///

26 ///

III.

FACTS

A. RESPONDENTS' PURPORTED PRECIOUS METAL RECOVERY EXPERTISE AND TECHNOLOGIES

15. RESPONDENTS represent that their business operations primarily include advanced mineral processing. RESPONDENTS represent that they own or have proprietary access to millions of tons of Sheep Hill volcanic cinders near Flagstaff, Arizona. RESPONDENTS represent that their processing facility is located at 66 Leupp Road, Flagstaff, Arizona 86004 (the, "AGRA Plant").

16. Beginning in 2002, RESPONDENTS represented to investors that they had acquired a special hydrochloric acid-based nanotechnology called the Galleon process that enabled them to extract extremely rare and valuable platinum group metals from the volcanic cinders.

17. RESPONDENTS have represented to investors since at least 2002 to the present that the volcanic cinders contain precious metals such as platinum, gold and silver, in quantities sufficient to justify their extraction using their purported precious metal recovery technologies and expertise on a: (1) commercially viable; (2) commercially feasible; (3) economically viable; (4) economically feasible; and (5) cost effective basis (collectively, "cost effective basis").

18. From at least 2002 to 2004, RESPONDENTS represented to investors that they would see the productive benefit of AGRA's precious metal generation in the early years. Among other things, RESPONDENTS represented that they expected to be capable of producing approximately 116,800 ounces of platinum at the AGRA Plant during its first year of operation and, based on production estimates, they expected to generate in excess of \$58,000,000 in revenue during its first year of operation. From 2002 to 2004, RESPONDENTS further stated that based on their purported precious metal recovery technologies and expertise, they expected to have revenues of \$232,000,000 by their fifth year of operation, with subsequent gross annual profits of \$100,000,000. From 2004 to the present, RESPONDENTS have represented that their projected

1 annual revenue and/or profit from the sale of precious metals extracted from the volcanic cinders
2 will exceed tens of millions of dollars.

3 **B. THE ORE RIGHTS & MINING AGREEMENTS**

4 19. From at least July 2003 to the present, RESPONDENTS have offered and sold
5 unregistered securities in the form of investment contracts called Ore Rights & Mining Agreements
6 within and from Arizona (the, "Units").

7 20. The offering materials state that RESPONDENTS are selling 1,500 Units at a price
8 of \$10,000 per Unit, for a total offering of \$15 million dollars.

9 21. According to RESPONDENTS, each Unit represents the right to the precious metal
10 contained in 50 tons of platinum bearing volcanic cinders. Pursuant to the Unit contracts,
11 RESPONDENTS are obligated to process the volcanic cinders at the AGRA Plant using their
12 purported precious metal recovery technologies and expertise at the rate of \$200 per ton, or an
13 additional \$10,000 per purchased Unit. According to the Unit contracts, the \$10,000 cost to
14 process the volcanic cinders would be deducted from the value of the recovered platinum.

15 22. RESPONDENTS have represented that by using their alleged precious metal
16 recovery technologies and expertise they have extracted and/or can extract approximately 1 to 13
17 ounces of platinum from each ton of volcanic cinders.

18 23. RESPONDENTS' most often projected recovery is 5 ounces of platinum per ton of
19 volcanic cinders, or 250 ounces of platinum per Unit. Using this projected recovery,
20 RESPONDENTS have repeatedly represented that investors can receive extraordinary returns of
21 over 700 percent, or \$70,250, on each Unit investment even after the deduction of
22 RESPONDENTS' processing fees. On or about September 11, 2006, RESPONDENTS
23 represented that they now project that a single Unit can produce a return in excess of \$100,000
24 payable over years 2007 through 2009.

25 24. In October 2005, RESPONDENTS represented that any risks associated with
26 purchasing the Units were, "virtually zero" and had been "virtually eliminated." On or about

1 September 11 2006, RESPONDENTS represented that any risks associated with purchasing a Unit
2 had, "virtually disappeared at this point."

3 25. To date, RESPONDENTS have sold approximately 983 units for approximately
4 \$9,830,000 to approximately 200 different, widely disbursed investors residing in approximately
5 20 different states, including Arizona, and throughout the world.

6 26. RESPONDENTS failed to disclose to the majority of AGRA investors that
7 approximately 25% of each purchased Unit was paid to AGRA's authorized agents and securities
8 salespersons, such as HODGES and PAILLE, as commissions.

9 **C. THE AGRA STOCK**

10 27. From at least 2004 to the present, RESPONDENTS have also offered and sold
11 unregistered securities in the form of AGRA stock within and from Arizona.

12 28. From at least July 2005 to the present, RESPONDENTS have offered AGRA stock
13 to existing Unit investors. Pursuant to this stock option, each Unit investor was entitled to
14 purchase 2,000 shares of AGRA stock for each purchased Unit at \$1.65 per share, or \$3,300 total.

15 29. In August 2006, RESPONDENTS represented that they expected the AGRA stock
16 to increase in value by approximately 4,900 to 9,900 percent. RESPONDENTS also represented
17 that they expected the stock to provide investors with substantial dividend income such that, with
18 enough stock, sufficient dividends can be generated to pay for all monthly living expenses.

19 30. To date, RESPONDENTS have offered and sold thousands of shares of AGRA
20 stock for tens of thousands of dollars to investors residing in many states, including Arizona, and
21 abroad.

22 **D. RESPONDENTS' REPRESENTATIONS THAT THEY CAN EXTRACT**
23 **PRECIOUS METALS FROM VOLCANIC CINDERS ON A COST EFFECTIVE**
24 **BASIS IS FALSE**

25 31. From at least 2003 to July 2004, RESPONDENTS' Unit offering materials included
26 pictures of platinum bars. At all times relevant, RESPONDENTS have also shown offerees and

1 investors during AGRA Plant tours platinum tailings or nuggets mixed with the volcanic cinders. The
2 platinum bars displayed in the Unit offering materials, and the platinum tailings or nuggets shown to
3 offerees and investors during AGRA Plant tours were not extracted by RESPONDENTS from the
4 volcanic cinders using their purported precious metal recovery technologies and expertise.

5 32. Despite RESPONDENTS' representations to the contrary, volcanic cinders located
6 in Arizona have a low unit value and are not known to contain precious metals in quantities above
7 their average crustal abundance. In the southwest United States, volcanic cinders are mostly used
8 as lightweight aggregate to create cinder blocks. In northern Arizona in particular, volcanic cinders
9 are primarily used for road surfaces and/or fill material.

10 33. Despite RESPONDENTS' representations to the contrary, CAMPBELL
11 (represented by RESPONDENTS as a key and core AGRA manager) expressly stated that the
12 purported Galleon technology used by RESPONDENTS to offer and sell the majority of Units is
13 "bullshit." In May 2006, while still employed by AGRA, CAMPBELL informed PIERSON that
14 the Galleon technology does not work and, "we now know, could have never worked."
15 CAMPBELL also informed PIERSON while employed by AGRA that the Galleon technology,
16 "had no chance in hell of ever working."

17 34. Like CAMPBELL, PIERSON expressly stated on June 5, 2006, that, "[n]o one
18 knew or could know whether or not the GTD [Galleon Technology Development] Process could or
19 would perform, as a commercially viable process."

20 35. On June 30, 2006, CAMPBELL filed a verified civil complaint against AGRA in
21 Maricopa County Superior Court, CV2006-009755 (the "CAMPBELL Lawsuit"). Among other
22 things, the CAMPBELL Lawsuit includes a claim against AGRA for securities fraud based in part
23 on the allegation that the Galleon technology with which RESPONDENTS used to sell the majority
24 of the AGRA Units and stock, "is ineffective to recover platinum from volcanic cinders."

25 36. In an effort to continue to obtain even more money from existing or new investors,
26 RESPONDENTS also represent that they have developed or acquired other technologies including,

1 without limitation, a low temperature fusion (LTF) version of a Gill-Was process and a KMH
2 process (collectively the, "Purported Technologies") that allegedly enable them to extract not only
3 platinum from the volcanic cinders, but also gold, silver and other rare platinum group metals such
4 as palladium and rhodium.

5 37. Solicitations sent to offerees or investors by RESPONDENTS give the misleading
6 impression that RESONDENTS have extracted, or were close to being able to extract precious
7 metals from the volcanic cinders using the Purported Technologies on a cost effective basis.

8 38. To date, RESPONDENTS have not extracted platinum or other precious metals,
9 such as gold and silver, from the volcanic cinders on a cost effective basis using any precious metal
10 recovery technology or expertise.

11 39. To date, RESPONDENTS have not paid any returns to any AGRA Unit or stock
12 investors from the production and/or sale of precious metals extracted from the volcanic cinders.
13 From 2002 to the present, RESPONDENTS' primary source of revenue has been investor money.
14 From 2002 to the present, RESPONDENTS have not generated a profit from the sale of precious
15 metals extracted from the volcanic cinders.

16 **E. RESPONDENTS' ONGOING ACTIVITY**

17 40. In June 2006, RESPONDENTS represented that they intended to obtain over
18 \$40,000,000 in "new" investor money. This sum far exceeds the amount of money
19 RESPONDENTS claim to have raised to date from the sale of the AGRA Units and stock.

20 41. On or about September 11, 2006, and despite the CAMPBELL Lawsuit,
21 RESPONDENTS offered additional AGRA Units and stock for sale. RESPONDENTS sold two
22 Units for \$20,000 as recently as on or about September 25, 2006.

23 **IV.**

24 **VIOLATION OF A.R.S. § 44-1841**

25 **Offer and Sale of Unregistered Securities**

26

- 1 B. Failing to disclose to offerees and investors that RESPONDENTS' precious metal
2 recovery business has not generated a profit from the sale of precious metals extracted
3 from the volcanic cinders.
- 4 C. Failing to disclose to offerees and investors that the platinum bars displayed in Unit
5 offering materials, and the platinum tailings or nuggets shown to offerees and investors
6 by RESPONDENTS during AGRA Plant tours were not extracted from the volcanic
7 cinders using their purported precious metal recovery technologies and expertise.
- 8 D. Failing to disclose to offerees and investors that that approximately 25% of each
9 purchased Unit, or \$2,500, was paid to AGRA's authorized agents and securities
10 salespersons, such as HODGES and PAILLE, as commissions.
- 11 E. Failing to disclose to offerees and investors that CAMPBELL filed suit against AGRA for
12 securities fraud, based in part on the fact that RESPONDENTS had misled the majority of
13 Unit investors into believing that the Galleon process enabled them to extract platinum
14 from the volcanic cinders on a cost effective basis.
- 15 F. Failing to disclose to offerees and investors that CAMPBELL, a purported key or core
16 AGRA manager, voluntarily filed a Chapter 7, "no-asset" bankruptcy in 1999 in the
17 Bankruptcy Court, Central District of California, Case No.: 99-14326.
- 18 G. Misrepresenting to offerees and investors that RESPONDENTS' Sheep Hill volcanic
19 cinders contain platinum and other precious metals, such as gold and silver, in quantities
20 sufficient to justify their extraction on a cost effective basis.
- 21 H. Misrepresenting to offerees and investors that RESPONDENTS have extracted, or were
22 about to be able to extract platinum and other precious metals, such as gold and silver,
23 from the volcanic cinders using their precious metal recovery technologies and expertise.
- 24 I. Misrepresenting to at least one investor that the Units do not constitute securities.

25 48. This conduct violates A.R.S. § 44-1991.

26 ///

VII.

TEMPORARY ORDER

Cease and Desist from Violating the Securities Act

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

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

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

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

VIII.

REQUESTED RELIEF

The Division requests that the Commission grant the following relief against RESPONDENTS:

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

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

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 that the marital communities of: (a) RESPONDENT PIERSON and RESPONDENT SPOUSE SANDRA LEE PIERSON; (b) RESPONDENT CAMPBELL and RESPONDENT SPOUSE SONDRRA JANE CAMPBELL; (c) RESPONDENT BAKER and RESPONDENT SPOUSE PATRICIA M. BAKER; (d) RESPONDENT PAILLE and

1 RESPONDENT SPOUSE JANE DOE PAILLE; and (e) RESPONDENT HODGES and
2 RESPONDENT SPOUSE JANE DOE HODGES, be subject to any order of restitution, rescission,
3 administrative penalties, or other appropriate affirmative action pursuant to A.R.S. § 25-215; and

4 5. Order any other relief that the Commission deems appropriate.

5 IX.

6 HEARING OPPORTUNITY

7 RESPONDENTS may request a hearing pursuant to A.R.S. § 44-1972 and A.A.C. Rule 14-
8 4-307. **If any RESPONDENT or RESPONDENT SPOUSE requests a hearing, the**
9 **RESPONDENT must also answer this Temporary Order and Notice.** A request for hearing
10 must be in writing and received by the Commission within 20 days after service of this Temporary
11 Order to Cease and Desist. Each RESPONDENT must deliver or mail the request for hearing to
12 Docket Control, Arizona Corporation Commission, 1200 West Washington, Phoenix, Arizona
13 85007. A Docket Control cover sheet must also be filed with the request for hearing. A cover sheet
14 form and instructions may be obtained from Docket Control at (602) 542-3477 or on the
15 Commission's Internet web site at www.cc.state.az.us/utility/forms/index.htm.

16 If a request for hearing is timely made, the Commission shall schedule a hearing to begin 10
17 to 30 days from the receipt of the request unless otherwise provided by law, stipulated by the parties,
18 or ordered by the Commission. **Unless otherwise ordered by the Commission, this Temporary**
19 **Order shall remain effective from the date a hearing is requested until a decision is entered.**
20 After a hearing, the Commission may vacate, modify or make permanent this Temporary Order,
21 with written findings of fact and conclusions of law. A permanent Order may include ordering
22 restitution, assessing administrative penalties or other action.

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

26

1 RESPONDENT or RESPONDENT SPOUSE waives any affirmative defense not raised in the
2 answer.

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

5 BY ORDER OF THE ARIZONA CORPORATION COMMISSION, this 18th day of
6 October, 2006.


Mark Dinell
Assistant Director of Securities

7
8 JMD
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26