



BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

- MIKE GLEASON, Chairman
- WILLIAM A. MUNDELL
- JEFF HATCH-MILLER
- KRISTIN K. MAYES
- GARY PIERCE

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 JOHNSTON HODGES,
 1858 Gunlock Court
 Saint George, Utah 84790-6705;

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

Respondents.

DOCKET NO. S-20484A-06-0669

FIRST AMENDED TEMPORARY ORDER
TO CEASE AND DESIST AND NOTICE OF
OPPORTUNITY FOR HEARING

Arizona Corporation Commission
DOCKETED

JUN 12 2007

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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 on or about July 23, 2003 to June 15, 2006, CAMPBELL conducted business as
9 AGRA's co-founder, Executive Vice President, Director and second largest shareholder. In these
10 capacities, CAMPBELL controlled, promoted and bore responsibility for AGRA's business and
11 financial affairs and its investor 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 accountant and substantial shareholder. In these capacities, BAKER controls, promotes and bears
21 responsibility for AGRA's business and financial affairs including and its investor solicitation
22 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 15. The Galleon process involved the use of hydrochloric acid, and “in-quart” platinum
2 whereby RESPONDENTS placed rented or purchased platinum into a batch of Galleon processed
3 volcanic cinders in an attempt to extract any platinum that may naturally occur in the cinders. By
4 way of limited example, RESPONDENTS represented to offerees and investors from on or about
5 July 2003 to at least October 2006 that:

6 The company has studied several processes purported to be capable of recovering
7 the precious metals identified in its [volcanic cinder] resources, but only in this past
8 year as the process developed with Galleon Technology and Development Corp.
9 **proven to be both economically feasible** and agriculturally compatible...Agra
10 Tech is acquiring the technology preliminarily proven capable of efficiently
11 extracting the platinum group metals present and identified in its complex mineral
12 reserves. **The company will work with Galleon to finitely develop the**
13 **environmentally friendly recovery processes, and implement a commercially**
14 **viable process** for the mineral resources. (Emphasis added)

15 16. RESPONDENTS consistently represented to offerees and investors since at least
16 July 2003 to the present that the volcanic cinders contain rare and valuable precious metals such as
17 platinum, gold, silver, and other platinum group metals in marketable quantities sufficient to justify
18 their extraction using RESPONDENTS’ purported precious metal recovery technologies and
19 expertise on a: (1) commercially viable; (2) commercially feasible; (3) economically viable; (4)
20 economically feasible; and (5) cost effective basis (collectively “cost effective basis”).

21 17. From at least July 2003 to October 2006, RESPONDENTS represented to offerees
22 and investors that they would see the productive benefit of AGRA’s precious metal generation in
23 the early years. In their Unit solicitation materials, RESPONDENTS represented that they
24 expected to be capable of producing approximately 116,800 ounces of platinum at the AGRA Plant
25 during its first year of operation and, based on production estimates, they expected to generate in
26 excess of \$58,000,000 in revenue during its first year of operation.

 18. From at least July 2003 to October 2006, RESPONDENTS stated in their Unit
solicitation materials that based on their purported precious metal recovery technologies and

1 expertise, they expected to have revenues of \$232,000,000 by their fifth year of operation, with
2 subsequent gross annual profits of \$100,000,000.

3 19. Thus, according to RESPONDENTS' representations and unprecedented precious
4 metal production projections, RESPONDENTS' purported Flagstaff-based platinum mining
5 operation is tantamount to one of the most valuable platinum mining operation in North America.
6 The unregistered securities discussed below were purchased by investors based on
7 RESPONDENTS' representations that they could obtain precious metals from the Sheep Hill
8 volcanic cinders on a cost effective basis.

9 **B. THE UNREGISTERED ORE RIGHTS & MINING AGREEMENT SECURITIES.**

10 20. From at least July 2003 to the fall of 2006, RESPONDENTS offered and sold
11 unregistered securities in the form of investment contracts, and/or (a) commodity investment
12 contracts; (b) commodity options; and/or (c) "fractional undivided interests in oil, gas or other
13 mineral rights," called Ore Rights & Mining Agreements ("Units") within and from Arizona.

14 21. Under the Unit solicitation materials, an AGRA investor could invest \$10,000 to
15 purchase a single Unit. According to RESPONDENTS, each Unit represents the right to the
16 purported precious metal contained in "50 tons of platinum bearing ore for processing."

17 22. Pursuant to mining industry customs and standards, "ore" possesses an economic
18 meaning. An *ore* is a rock or mineral that can be mined, transported, processed and sold *at a profit*
19 under current technological and economic conditions, including overhead costs such as the
20 construction and development of a physical plant, ore extraction and transportation, labor,
21 investment sales commissions, procurement and development of technologies, testing and refining
22 costs. Tens of thousands of samples of rocks and other mineral matter are submitted to assay
23 laboratories annually; only a fraction of them turn out to be ore.

24 23. At all times relevant, RESPONDENTS represented that by using their alleged
25 precious metal recovery technologies and expertise, they extracted and/or were able to extract
26 approximately 1 to 13 ounces of platinum from each ton of Sheep Hill volcanic cinders.

1 24. At all times relevant, RESPONDENTS' most often projected recovery was 5 ounces
2 of platinum per ton of volcanic cinders, or 250 ounces of platinum per Unit. Using this
3 unprecedented projected recovery, RESPONDENTS repeatedly represented to offerees and
4 investors, in part through their Unit solicitation materials, that they can receive "extraordinary"
5 returns of over 700 percent, or \$70,250, on each Unit investment even after the deduction of
6 RESPONDENTS' processing fees.

7 25. On or about September 11, 2006, RESPONDENTS projected to offerees and
8 investors that a single Unit investment can produce a return in excess of \$100,000 payable over
9 years 2007 through 2009.

10 26. The Unit solicitation materials fail to adequately warn that an investor might not
11 earn any of the projected profits.

12 27. RESPONDENTS' Unit offering materials fail to adequately disclose the risks
13 associated with the Unit investments including, but not limited to, the fact that a potential Unit
14 investor could lose all or a vast portion of their principal Unit investment amount. To the contrary,
15 in October 2005, RESPONDENTS represented that any risks associated with purchasing the Units
16 were, "virtually zero," and had been "virtually eliminated." On or about September 11 2006,
17 RESPONDENTS represented that any risks associated with purchasing a Unit had, "virtually
18 disappeared at this point." Some of the purported investment risks disclosed by RESPONDENTS
19 to offerees and investors in February 2005 with respect to the Unit investments were: (a) the U.S.
20 Government could take control of AGRA and its purported precious metal recovery Plant and
21 processes because of concerns for "national security;" and (b) a cataclysmic event such as a meteor
22 strike might disrupt RESPONDENTS' purported precious metal recovery business operations.

23 28. RESPONDENTS failed to disclose to AGRA investors that approximately 25% of
24 each purchased Unit was paid to AGRA's authorized general agents and securities salespersons,
25 such as HODGES and PAILLE, as commissions. None of the Unit offering materials and related
26

1 business records provided by the RESPONDENTS to the Division disclose the exorbitant
2 commissions paid to AGRA's authorized general agents and securities salesman.

3 29. RESPONDENTS paid excessive sales commissions to their general agents and
4 securities salesman for the sale of the Unit investments approximately totaling: (a) \$879,956 in
5 2003; (b) \$1,045,266 in 2004; (c) \$623,750 in 2005; and (d) \$110,000 in 2006.

6 30. To date, RESPONDENTS have failed to provide any returns to their Unit investors.
7 RESPONDENTS originally promised to process their investors' volcanic cinders within 12
8 months. Given their failure to produce any marketable quantities of any precious metals from the
9 volcanic cinders on a cost effective basis to date, RESPONDENTS eventually changed their Unit
10 Contracts to state that they would process the cinders within 18 months and yet later, to state that
11 they might process them within 24 months. On this point, PIERSON admitted in an August 21,
12 2006 letter to his attorney and despite his awareness of investment solicitations sent to investors,
13 that:

14 !!!Another area of interest for unitholders is when will they be able to sell the
15 platinum from their ore. Initially, we calculated out a time table, which we were
16 unable to meet. New time frames were set. Soon we realized that we could not
17 establish a specific time.

18 31. To date, RESPONDENTS have sold over 1,000 Units for approximately
19 \$10,580,000 to approximately 200 different, widely disbursed investors residing in approximately
20 20 different states, including Arizona, and abroad.

21 32. To date, the Unit investors' money represents RESPONDENTS' primary source of
22 cash receipts or operating capital.

23 **C. THE UNREGISTERED STOCK SECURITIES.**

24 33. From at least 2004 to the fall of 2006, RESPONDENTS offered and sold
25 unregistered securities in the form of AGRA stock within and from Arizona. Pursuant to one
26 particular, repeated stock offer, each Unit investor was entitled to purchase 2,000 shares of AGRA
stock at a \$1.65 per share, or \$3,300 total, for each Unit purchased.

1 34. From 2005 to 2006, RESPONDENTS represented to offerees and investors that they
2 expected the AGRA stock to increase in value by approximately 4,900 to 9,900 percent, or 50 to
3 100 times its original purchase price within a 3 to 5 year time frame. On November 26, 2005,
4 RESPONDENTS misrepresented to offerees and investors that:

5 There are about 50,000 shares available at this time. Everything is looking good
6 with Agra-Tech, and the stock looks like a very good way to generate a passive
7 income stream through dividends. In the 3-5 year timeframe, the stock is expected
8 to increase in value by 50 – 100 times...\$20,000 of stock purchased today would be
9 worth between \$1M to \$2M. If 10% dividends are offered, you would receive an
10 annual dividend income between \$100K and \$200K per year.

11 35. RESPONDENTS represented that they expected the stock to provide investors with
12 a substantial dividend income such that, with enough stock, the dividends generated could pay all
13 monthly living expenses. On October 31, 2005, RESPONDENTS misrepresented to offerees and
14 investors in an investor update that:

15 The Agra-Tech stock is a very good deal at \$1.65 per share and is poised for great
16 capital gains in the next few years...Assuming a 50X increase in the value of the
17 stock and 5% annual dividends, 10,000 shares of Agra-Tech Stock is estimated to
18 produce \$41,250/year of dividend income.

19 36. To date, RESPONDENTS have failed to pay any returns or dividends to their
20 AGRA stock investors. To date, RESPONDENTS' AGRA stock is not registered or traded on any
21 known securities exchange, creating a situation whereby AGRA investors do not have a market in
22 which they can sell or trade their AGRA stock investments. RESPONDENTS' stock solicitation
23 materials fail to adequately disclose the risks associated with the AGRA stock investments
24 including, but not limited to, the fact that a stock investor could lose a vast portion of their
25 principal investment amount and/or not make any of the projected profits.

26 37. To date, RESPONDENTS have offered and sold thousands of shares of unregistered
AGRA for tens of thousands of dollars to investors residing in several states, including Arizona,
and abroad.

1 **D. RESPONDENTS' DETERIORATING FINANCIAL CONDITION AND THEIR**
2 **UNREGISTERED BRIDGE LOAN/STOCK EQUITY KICKER SECURITIES.**

3 **1. RESPONDENTS' UNDISCLOSED DESPERATE FINANCIAL CONDITION**

4 38. In the fall of 2005, RESPONDENTS began experiencing financial difficulties due,
5 in part, to:

6 A. RESPONDENTS' failure to extract any precious metals from the Sheep Hill
7 volcanic cinders on a cost effective basis using any processes or technologies;

8 B. RESPONDENTS' failure to pay their investors any returns on their investments,
9 including any principal, projected profits, stock dividends or any amount of precious
10 metals, and the investors' resulting reluctance to invest additional money in the
11 unregistered AGRA securities set forth herein;

12 C. The fact that PIERSON, CAMPBELL and BAKER paid themselves salaries totaling
13 approximately \$167,259.21 in 2003, \$335,361.41 in 2004 and \$486,784.30 in 2005,
14 despite the glaring lack of any material revenue, or returns paid to their Unit and
15 stock investors;

16 D. The fact RESPONDENTS paid PIERSON's wife, Respondent SANDRA LEE
17 PIERSON, wages totaling at least \$93,696.75 from on or about October 2003 to July
18 2006, despite the fact that she provided no material services to AGRA in exchange
19 for such payments;

20 E. The fact that institutional investors, based on their extensive due diligence and
21 ability to obtain accurate information from RESPONDENTS, declined to invest in
22 RESPONDENTS' purported precious metals recovery business;

23 F. The fact that RESPONDENTS' payments of 25% securities sales commissions
24 totaling approximately \$2,658,972 were sufficiently onerous to further destroy any
25 conceivable economic viability of AGRA's volcanic cinder-based business
26 operations; and

1 39. In fact, RESPONDENTS' financial situation was so dire in October 2005 that they
2 began offering existing Unit investors a \$500 commission for each Unit they could sell to their
3 friends or family members, in part, as follows:

4 Through Agra-Tech we would like to extend a \$500 commission or referral fee for
5 each new \$10,000 Ore Mining Unit you bring into Agra-Tech. Yes, this means that
6 you will receive \$500 US for each new unit you sell. This offer is good from this
7 date, October 7, 2005, forward and doesn't cover anything in the past. So get out
8 there and make yourself some extra money and also help Agra-Tech get into
9 production sooner. Getting into production sooner also means payouts will also
10 happen sooner. If you need help with the sale (contracts, sales, material, personal
11 support, etc.) we will be glad to work with you.

12 40. Thus, from at least the fall of 2005, to the present, and unbeknownst to actual or
13 potential AGRA investors, RESPONDENTS frequently described their money problems amongst
14 themselves as follows:

- 15 A. In September 8, 2005 e-mails to each other, CAMPBELL and PIERSON
16 acknowledged that they did not have sufficient investor funds to hire enough
17 qualified people to operate their purported precious metals recovery plant, resulting,
18 in part, in the ammonia poisoning of employees.
- 19 B. In a February 2, 2006 e-mail to CAMPBELL, PIERSON admitted that
20 RESPONDENTS were not "adequately capitalized."
- 21 C. In an April 18, 2006 e-mail to PIERSON, PAILLE stated his concerned belief that
22 RESPONDENTS', "cash flow issues are hindering plant ramp-up," and that if
23 RESPONDENTS did not "get [investor] funds from somewhere soon," AGRA
24 investors would become more restless and PAILLE's ability to sell additional
25 AGRA securities to them would "come to a grinding halt." PAILLE added that he
26 was "very concerned" about his own AGRA investments due to the investor "cash
flow related issues" that could "make already nervous investors go into orbit."
- D. In an April 21, 2006 e-mail to PAILLE, PIERSON admitted that RESPONDENTS
were investor "cash poor."

- 1 E. In an April 25, 2006 e-mail to PIERSON, HODGES stated that although he
2 understood that RESPONDENTS were in an investor “money crunch,” he desired to
3 know why he had not yet received a scheduled return on one of his AGRA
4 investments. Due to a lack of returns to AGRA investors, HODGES also noted that,
5 “I know a few investors that are talking about going to the Arizona Attorney
6 General and as you well know this would be super bad.”
- 7 F. In a May 6, 2006 e-mail to PIERSON and CAMPBELL, PAILLE acknowledged the
8 fact that RESPONDENTS needed investor money “NOW!” and that the Unit
9 contract investors were unhappy with the lack of returns on their investments.
10 PAILLE also stated that “getting funds rolling in,” was “time critical issue.”
- 11 G. In a June 15, 2006 e-mail to PAILLE, PIERSON acknowledged that
12 RESPONDENTS “badly” needed investor money and that he somehow needed to,
13 “replenish the cash tank.”
- 14 H. On or about July 11, 2006, HODGES noted in an e-mail to PAILLE that the money
15 RESPONDENTS obtained from their sale of a block of AGRA shares, “will only
16 slow down the [financial] bleeding but won’t keep me from going down with the
17 ship.”
- 18 I. In April and June of 2006, PAILLE sent e-mails to PIERSON noting that an
19 AGRA investor had not been paid her promised monthly profits for at least 2
20 months, and inquired about the status of RESPONDENTS’ “funding issues.”
21 PAILLE added that, “word is getting out that Agra-Tech is in serious trouble,” that
22 he was willing to allow RESPONDENTS to use \$264,000 of his AGRA investment
23 money “for operating expenses.”
- 24 J. In a September 20, 2006 e-mail to PAILLE, PIERSON acknowledged
25 RESPONDENTS’ so-called “scramble for the money.”
26

1 K. In an October 8, 2006 e-mail to an existing AGRA investor, PAILLE stated, "What
2 ATI needs right now is bridge loan funds, but I suspect you are taped out."

3 L. With respect to their attempt to obtain a loan secured by their Flagstaff properties to
4 address their poor "financial situation," CAMPBELL stated in a May 23, 2006 e-
5 mail to PIERSON that such possible money should be used by them to, "seek a
6 property that has the ability to prove itself for production. No smoke and mirrors."

7 M. In a July 14, 2006 letter to HODGES, PIERSON stated that, "As you know, we
8 have been short of working capital for several months."

9 **2. THE UNREGISTERED BRIDGE LOAN SECURITIES.**

10 41. Due in part to their undisclosed deteriorating financial condition, RESPONDENTS
11 offered and sold unsecured "bridge loan" investments within and from Arizona from at least the
12 fall of 2005 to approximately the fall of 2006 (the "Bridge Loan Investments").

13 42. The terms and conditions of the Bridge Loan Investments varied according to
14 RESPONDENTS' need for operating capital/investor money. For instance and, without limitation,
15 RESPONDENTS' offered the following Bridge Loan investment packages:

16 A. Pursuant a September 7, 2006 offer, RESPONDENTS would pay the investor 10%
17 annual interest on the minimum of a \$100,000 investment amount for a minimum of
18 90 days, plus one common share of AGRA stock for each dollar of the investment.

19 B. Pursuant to a July 10, 2006 offer, RESPONDENTS would pay the investor 9%
20 annual interest with the term of the investment being 90 days for less than \$100,000
21 investment, or 180 days for \$100,000 and up. In addition to the interest,
22 RESPONDENTS would pay the investor one share for every two dollars invested.
23 In lieu of 9% interest payments, RESPONDENTS would pay the investor an
24 additional 20% in AGRA stock, "EX: \$50,000 loan / 0% / 30,000 shares." If the
25 investor in this type of Bridge Loan investment invested \$50,000 for a term of 90
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1 days, and the investor elected to take additional AGRA stock in lieu of 9% interest,
2 he or she would only pay \$.04 for each of their 30,000 shares of stock.

3 43. In one instance, an investor invested \$10,000 in a 90 day Bridge Loan Investment
4 for 20,000 shares of AGRA stock with no interest. Thus, this investor effectively paid only \$.02
5 for each share of AGRA stock. This lower price for AGRA stock to Bridge Loan investors further
6 demonstrates RESPONDENTS' extremely desperate need for operating capital.

7 44. RESPONDENTS' Bridge Loan Investment solicitation materials fail to adequately
8 disclose to offerees and investors that RESPONDENTS have not, to date, paid any dividends or
9 other returns to their AGRA stock holders.

10 45. RESPONDENTS' Bridge Loan investment offering materials fail to adequately
11 disclose to offerees and investors risks associated with the Bridge Loan Investments including, but
12 not limited to, the fact that a potential Bridge Loan investor could lose a vast portion of their
13 principal Bridge Loan Investment and/or not make any profits, especially if they chose the equity
14 or stock kicker option.

15 46. RESPONDENTS have offered and sold tens of thousands of dollars of the Bridge
16 Loan Investments to a yet to be determined amount of investors.

17 **E. THE UNREGISTERED PLATINUM RENTAL AGREEMENT SECURITIES.**

18 47. RESPONDENTS offered and sold unregistered securities in the form of "Platinum
19 Rental Agreement" investments within and from Arizona.

20 48. A Platinum Rental Agreement investor could invest any substantial principal
21 amount. RESPONDENTS purportedly used the Platinum Rental Agreement investors' money to
22 purchase as many ounces of platinum at the market price as of the date of the investment that could
23 be purchased with the principal investment amount.

24 49. The Platinum Rental Agreement investment did not have a termination date, and
25 could be concluded by RESPONDENTS or the investor.

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1 50. Under these investments, RESPONDENTS promised: (a) to pay the investors
2 approximately 1.6667% interest, compounded monthly on their principal investment amount, or
3 approximately 21.939% per year; (b) return, at a minimum, the original principal investment
4 amount on the termination of the investment; and/or (c) pay the investor the fair market value of all
5 the rented platinum as of the date of the termination of the investment, in the event the fair market
6 value of the platinum had increased since the original investment date.

7 51. RESPONDENTS' Platinum Rental Agreement offering materials fail to adequately
8 disclose to offerees and investors the risks associated with the Platinum Rental Agreement
9 investments including, but not limited to, the fact that a potential Platinum Rental Agreement
10 investor could lose a large percentage of their principal investment amount and/or not make any of
11 the promised profits.

12 52. To date, RESPONDENTS have not repaid all the promised profits or principal to
13 their Platinum Rental Agreement investors. On information and belief, RESPONDENTS did not
14 use all of their Platinum Rental Agreement investor money to purchase platinum as represented in
15 the Platinum Rental Agreement investment documents.

16 53. Based on documents submitted to the Division, RESPONDENTS sold one Platinum
17 Rental Agreement security to an Arizona investor for \$264,000 on or about February 19, 2005.
18 RESPONDENTS sold at least one other Platinum Rental Agreement security to an Arizona
19 investor for \$90,000, for total sales of at least \$354,000.

20 **F. RESPONDENTS' MISREPRESENTATIONS AND OMISSIONS REGARDING**
21 **THEIR ALLEGED ABILITY TO EXTRACT MARKETABLE QUANTITIES OF**
22 **PRECIOUS METALS FROM THE VOLCANIC CINDERS ON A COST**
23 **EFFECTIVE BASIS.**

24 54. From at least July 2003 to October 2006, RESPONDENTS' Unit offering materials
25 included pictures of platinum bars. RESPONDENTS have also shown offerees and investors during
26 AGRA Plant tours assay results that reflect the purported fact that the volcanic cinders contain
platinum that can be extracted from the volcanic cinders on a cost effective basis. RESPONDENTS

1 also showed offerees and investors during AGRA Plant tours filters used during their precious metals
2 recovery process that allegedly contained precious metal extracted from the volcanic cinders.

3 55. Unbeknownst to offerees and investors, the platinum bars displayed in the Unit
4 offering materials were not created from platinum extracted by RESPONDENTS from the Sheep Hill
5 volcanic cinders. Similarly, the positive assay results and purported platinum containing filters were
6 not derived from platinum or other precious metals extracted from the volcanic cinders. Rather, the
7 platinum bars displayed in the Unit offering materials were purchased, leased or borrowed from third
8 parties. Furthermore, the positive assay results and the purported precious metal contained in the
9 filters resulted from in-quart precious metal material artificially placed by RESPONDENTS in batches
10 wet or acid processed cinders (i.e., Galleon process, etc.).

11 56. Despite RESPONDENTS' representations to offerees and investors to the contrary,
12 volcanic cinders located in Arizona have a low unit value and are not known to contain precious
13 metals in quantities above their average crustal abundance. For instance, platinum is an extremely
14 rare metal, occurring as only 5 ppb (parts per billion) in the Earth's crust. In the southwest United
15 States in particular, volcanic cinders are mostly used as lightweight aggregate to create cinder
16 blocks. In northern Arizona in particular, volcanic cinders are primarily used for road surfaces
17 and/or land fill material.

18 57. The only original producer of platinum and related platinum group metals, such as
19 palladium, in the United States is the Stillwater Mining Company in Montana. The only other
20 major, original producers of platinum in the world are found in South America and Russia. These
21 producers of platinum and platinum group metals use a smelting process and high grade platinum
22 ore, as opposed to the various technologies/processes applied by RESPONDENTS to the Sheep
23 Hill volcanic cinders. Volcanic cinders and alleged special mining technologies have formed the
24 basis for several mining scams based on allegations that platinum, gold and silver can be
25 economically extracted from volcanic cinders.

26

1 58. In various December 2005 e-mails to PIERSON, CAMPBELL expressly admitted
2 that: (a) RESPONDENTS had, “not produced one single ounce of anything;” (b) with respect to
3 RESPONDENTS’ attempts to obtain investor money to alleviate their poor financial condition that,
4 “[s]omeone coming in with \$2.5 [million] is going to look at the bottom line. That we have no
5 revenue, no precious metal extracted, and a technology that may work...it makes no sense...[to
6 invest in] a company with no proven technology, no revenue and very little assets...;” and (c) “if
7 anyone with any brains looked at our company...the stock price would be around twenty five cents.
8 You can’t even get the Auditors to agree on what the company is valued at.”

9 1. **THE SO-CALLED GALLEON PROCESS.**

10 59. Despite RESPONDENTS’ representations to the contrary, CAMPBELL
11 (represented to offerees and investors by RESPONDENTS as a “key” AGRA manager) expressly
12 admitted that the Galleon process, used by RESPONDENTS to offer and sell the majority of Units
13 and AGRA stock is, “bullshit.” In a May 23, 2006 e-mail to his attorney, and while still employed
14 by AGRA, CAMPBELL admitted that AGRA had obtained millions of dollars from investors on
15 the basis of the Galleon technology does not work and, “we now know, could have never worked.”
16 While employed by AGRA, CAMPBELL also informed PIERSON in May 3, 2006 e-mail that the
17 Galleon technology, “had no chance in hell of ever working.”

18 60. Like CAMPBELL, PIERSON expressly stated in a June 5, 2006 e-mail to BAKER
19 that, “[n]o one knew or could know whether or not the GTD [Galleon Technology Development]
20 Process could or would perform, as a commercially viable process.”

21 61. Unbeknownst to RESPONDENTS’ investors, the Galleon process not only proved
22 ineffective at extracting any precious metals from the Sheep Hill volcanic cinders, but
23 RESPONDENTS were unable to retrieve all of the in-quarted platinum; platinum artificially added
24 to batches of Galleon processed cinders, resulting in a net loss of the platinum.

25 62. Contrary to the myriad of representations set forth in the Unit solicitation materials,
26 PIERSON admitted in a February 3, 2006 letter to PAILLE and HODGES, and again on April 20,

1 2005 with respect to the so-called Galleon process that, “we bought an immature technology... We
2 did not know what we would be capable of producing, and we still don’t... Will we produce pt
3 [platinum] at levels meeting everyone’s expectations, I seriously doubt it, but I cannot say for
4 certain.”

5 63. On June 5, 2006, PIERSON wrote in a draft letter to CAMPBELL regarding his
6 request that AGRA sue the Ron Weidner, the inventor of the so-called Galleon process, that said
7 process “has proven overly difficult to scale. We may or not [sic] may not ever manage to produce
8 the minimum level of acceptance we had expected...” On this point, PIERSON claimed to his
9 attorney on August 21, 2006 in an effort to lay blame for their conduct solely on CAMPBELL, and
10 contrary to thousands of investor solicitation e-mails he had actual or constructive notice of, that:

11 !!!The toughest question ever that was posed by unitholders was “What is the yield?
12 How many ounces per ton are we expecting?” This is answered by we do not know.
13 “Does the technology work?” Although the license agreement says that Galleon
14 must demonstrate the process’ viability without stating a specific yield requirement,
15 we always believed that ½ ounces per ton for 30 days operation would satisfy the
16 license agreement. As time went by, I would have opportunity to talk with a
17 unitholder. They would often tell me that he hears such things as at least 2 or 2.5
18 ounces per tone of ore processed. This was shocking to me as I had no
19 documentation that would indicate we were reporting any amount of platinum to the
20 unitholders or public in general. It seems that Dick would invariably call our
21 chemist for a report, then prematurely release unauthorized information. One has to
22 wonder if he did this so that existing unitholders would tell their friends, or purchase
23 more order. Additionally, a unitholder might say he understands that we plan to
24 process x tons per day. That would be ludicrous, because we built the plant with
25 the plan of 1090 tons per day, but sense [sic] we were not in commercial production,
26 we did not know exactly what our capacity would be!!!

64. On June 30, 2006, CAMPBELL filed a verified civil complaint against AGRA in
Maricopa County Superior Court, CV2006-009755 (the “CAMPBELL Lawsuit”). Among other
things, the CAMPBELL Lawsuit includes a claim against AGRA for securities fraud based in part
on the allegation that the Galleon technology with which RESPONDENTS used to sell the majority
of the AGRA Units and stock, “is ineffective to recover platinum from volcanic cinders.”
RESPONDENTS failed to inform investors that CAMPBELL had filed suit against AGRA for

1 securities fraud. Rather, they merely informed investors of AGRA's counterclaims against
2 CAMPBELL. On this point, PIERSON admitted in a July 14, 2006 letter to HODGES that
3 CAMPBELL had, "left the Company, under less than favorable circumstances" and that, "I can not
4 [sic] provide you with any other details at this time, and I would ask that you consider with whom
5 and how you share this information. I am not seeking to make this public information..."

6 65. CAMPBELL requested AGRA, PIERSON and BAKER to sue the seller of the
7 Galleon process to recoup the large amount of investor money RESPONDENTS spent acquiring
8 the admittedly failed Galleon process. The CAMPBELL Lawsuit was filed by CAMPBELL, in
9 part, because AGRA, PIERSON and BAKER refused to sue the inventor of the Galleon process for
10 fraud as noted above in paragraph 63.

11 **2. THE SO-CALLED KMH PROCESS.**

12 66. RESPONDENTS abandoned the admittedly failed Galleon process in 2005.
13 Thereafter, and in an effort to collect additional money from existing or new investors,
14 RESPONDENTS represented to offerees and investors that they developed and/or acquired other
15 precious metal recovery technologies (sometimes referred to as the, "Purported Technologies").
16 The Purported Technologies included, without limitation, a low temperature fusion (LTF) version
17 of a Gill-Was process and a KMH (Kalahari Mining Holdings) process.

18 67. RESPONDENTS primarily focused their efforts on the KMH process after the
19 failure of the Galleon process. RESPONDENTS represented that by using the KMH process, they
20 could extract marketable quantities of not only platinum from the cinders, but gold and silver as
21 well. Without limitation, RESPONDENTS misrepresented to offerees and investors on or about
22 October 2, 2005 that:

23 This is where the excitement begins!!! Since day one, platinum has been the focus
24 with the Galleon process, but since Agra-Tech has changed over to the new KMH
25 process, they have been able to get gold and silver from the same ore. With the
26 KMH process, Agra-Tech was initially able to extract platinum at about the same
level as the Galleon process but then realized that by running a few more process
steps, they were able to not only get platinum, but also gold and silver.

1 68. Without limitation, RESPONDENTS represented to offerees and investors on or
2 about October 6, 2005, that, "Agra-Tech has the KMH process currently working incredibly well in
3 6 ton batches. The most astonishing part is they are now able to extract more than just Platinum.
4 How about Gold, Silver and Platinum!!!"

5 69. Approximately 9 months after representing the viability of the KMH process,
6 RESPONDENTS admitted to offerees and investors on or about July 14, 2006 that, "[t]est work
7 was done with this process, but the end result was that it did not live up to the claims made by
8 KMH and that process also had to be scrapped."

9 70. Unbeknownst to RESPONDENTS' investors for many months, AGRA filed a
10 lawsuit against KMH on February 28, 2006 in Coconino County, Arizona Superior Court, in part,
11 for fraud and negligent misrepresentation. *See, Agra v. Kalahari Mineral Holdings, Ltd.*, Coconino
12 County Superior Court, CV2006-0140 (hereafter, "*Agra v. KMH*").

13 3. RESPONDENTS' OTHER PURPORTED PRECIOUS METAL
14 GENERATING TECHNOLOGIES.

15 71. At all times relevant, RESPONDENTS issued thousands of investment solicitations,
16 often contained in "Investor Updates," to offerees and investors. These Investor Updates contain
17 misleading representations that RESONDENTS extracted, or were on the verge of extracting,
18 marketable quantities of precious metals, on a cost effective basis, from the volcanic cinders using
19 the Purported Technologies.

20 72. RESPONDENTS also represent to offerees and investors that they are currently
21 developing three processes to extract precious metals from the volcanic cinders including: (a) an
22 Extended Chemical Leach process with a 45 day reaction time, requiring no precious metal in-
23 quart, that allegedly produces several ounces of platinum per ton of volcanic cinders, plus gold and
24 silver on small scale production runs; (b) an AJ process named after Mr. Alvin Johnson that
25 requires platinum in-quart and allegedly produces several ounces of platinum per ton of volcanic
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1 cinders; and (c) a process in which a 3rd party uses a furnace in an attempt to extract platinum from
2 a batch of AGRA wet-processed volcanic cinders.

3 73. Pursuant to scientific and industry accepted precious metal mining and recovery
4 customs and standards, RESPONDENTS cannot extract marketable quantities of any precious
5 metals from the Sheep Hill volcanic cinders on a cost effective basis.

6 74. With respect to the so-called AJ process, Mr. Alvin Johnson was a named
7 respondent who consented to the entry of a final order in a gold mining scam action involving the
8 same Sheep Hill Volcanic Cinders filed by the Securities Division *In Re M.G. Natural Resources*
9 *Company, et al.*, Commission DOCKET NO. S-03356A-00-0000, Decision No. 64283. Tellingly,
10 Mr. Alvin Johnson wrote a letter to RESPONDENTS on November 30, 2001 stating that the Sheep
11 Hill volcanic cinders contain approximately 25 ounces of gold per ton, and up to 50 ounces of non-
12 gold precious metals per ton.

13 75. In 2006, PIERSON stated with respect to some of RESPONDENTS' Purported
14 Technologies, and their failed attempt to obtain millions of dollars from potential institutional
15 investor Capital Corp., in part, as follows:

16 After spending months in preparation to meet with Capital Corp. to attempt to close
17 on their proposal to fund, I was privately confronted by the President of CC with a
18 very simple and straight forward question. Can you process your cinder resources
19 for the purpose of precious metals recovery? I said, I can not say that as we stand
20 here today that ATI can represent it has an economically viable process for the
21 recovery of precious metals from its cinder resources, at this time. I did go on to
22 advise Gilles that leach process developed in house were effective in recovery, but
23 not yet economically viable. I further explained the fusion process we had acquired
24 was extremely productive, but do to the limited amount of time we have had it in
25 house to work with we did not feel confident as yet, of its economic viability.

26 76. To date, RESPONDENTS have not processed any of the volcanic cinders purchased
by any of the Unit investors. To date, RESPONDENTS have not charged their Unit investors any
money for processing their volcanic cinders.

1 77. To date, RESPONDENTS have not extracted any marketable quantities of platinum
2 or other precious metals, such as gold and silver, from the Sheep Hill volcanic cinders using any
3 precious metal recovery technology or expertise.

4 78. To date, RESPONDENTS have not generated a profit from the production and sale
5 of any precious metals extracted from the Sheep Hill volcanic cinders.

6 79. To date, RESPONDENTS have not paid any money to their Unit, stock, Bridge
7 Loan or Platinum Rental Agreement investors generated from the production and/or sale of
8 precious metals extracted from the Sheep Hill volcanic cinders.

9 80. To date, RESPONDENTS have not provided any actual precious metals, such as
10 platinum, gold or silver, to their investors that were extracted by RESPONDENTS from the Sheep
11 Hill volcanic cinders.

12 81. From 2003 to the present, RESPONDENTS' primary source of operating capital has
13 been investor money.

14 **G. RESPONDENTS' ONGOING ACTIVITY AS OF AT LEAST OCTOBER 2006.**

15 82. In June 2006, RESPONDENTS represented that they intended to obtain over
16 \$40,000,000 in "new" investor money. This sum far exceeds the amount of money
17 RESPONDENTS claim to have raised to date from the sale of the AGRA Units and stock.

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

21 **IV.**

22 **VIOLATION OF A.R.S. § 44-1841**

23 **Offer and Sale of Unregistered Securities**

24 84. From on or about July 2003, to October 2006, RESPONDENTS offered or sold
25 securities in the form of AGRA Units, stock, Bridge Loans and Platinum Rental Agreements within or
26 from Arizona.

- 1 C. Failing to disclose to offerees and investors that the platinum bars displayed in Unit
2 offering materials, the platinum reflected in the positive assay results, and the
3 platinum residue in the process filters, were not the result of platinum, or any other
4 precious metals, that had been extracted from the Sheep Hill volcanic cinders.
- 5 D. Failing to disclose to offerees and investors that 25% of each purchased Unit, or
6 \$2,500, was paid to AGRA's authorized generalized agents and securities
7 salespersons, such as HODGES and PAILLE, as excessive commissions.
- 8 E. Failing to timely disclose to offerees and investors that CAMPBELL filed suit against
9 AGRA for securities fraud, based, in part, on the fact that RESPONDENTS misled the
10 majority of Unit investors into believing that the Galleon process enabled them to
11 extract platinum from the volcanic cinders on a cost effective basis.
- 12 F. Failing to disclose to offerees and investors that CAMPBELL, a purported key
13 AGRA manager and principal, voluntarily filed a Chapter 7, "no-asset" bankruptcy in
14 1999 in the Bankruptcy Court, Central District of California, No.: 99-14326.
- 15 G. Failing to disclose to offerees and investors that RESPONDENTS' business operations
16 were running out of money from at least the fall of 2005 to the present and that, as a
17 result, they have been and/or are on the verge of shutting down their alleged precious
18 metals recovery business.
- 19 H. Failing to timely disclose to offerees and investors that AGRA filed suit against KMH
20 for fraud negligent misrepresentation in February 2006.
- 21 I. Failing to disclose to offerees and investors that that PIERSON, CAMPBELL and
22 BAKER paid themselves salaries totaling approximately \$167,259.21 in 2003,
23 \$335,361.41 in 2004 and \$486,784.30 in 2005, despite the fact that their Unit and
24 stock investors have not received any returns on their investments.
- 25 J. Failing to disclose to offerees and investors that they paid RESPONDENT SANDRA
26 LEE PIERSON wages totaling at least \$93,696.75 from on or about October 2003 to

- 1 July 2006, despite the fact that she provided no material services to AGRA in
2 exchange for such payments.
- 3 K. Failing to adequately disclose to offerees and investors any risks associated with their
4 purchase of the AGRA Units, stock, Bridge Loan and Platinum Rental Agreement
5 investments including, without limitation, the fact that: (a) no person or entity has ever
6 produced marketable quantities of precious metals from volcanic cinders using any
7 processes or technology; and (b) that an investor could lose all or a large portion of
8 their AGRA investment.
- 9 L. Misrepresenting to offerees and investors that RESPONDENTS' Sheep Hill volcanic
10 cinders contain marketable quantities of platinum and other precious metals, such as
11 gold and silver, that can be extracted on a cost effective basis.
- 12 M. Misrepresenting to offerees and investors that RESPONDENTS have extracted, or
13 were about to be able to extract platinum and other precious metals, such as gold and
14 silver, from the volcanic cinders using their precious metal recovery technologies and
15 expertise.
- 16 N. Misrepresenting to offerees and investors that the so-called Galleon and KMH
17 processes enabled RESPONDENTS to obtain marketable quantities of platinum, gold
18 and silver from the Sheep Hill volcanic cinders on a cost effective basis in part, in light
19 of the fact that RESPONDENTS now expressly admit that such processes do not work.
- 20 O. Misrepresenting to offerees and investors that the Sheep Hill volcanic cinders
21 constitute "ore," despite the fact that the cinders do not contain any marketable
22 amounts of any precious metals, or any other minerals that can be extracted from the
23 cinders for a profit, and because such cinders are primarily used as source material for
24 cinder blocks, inexpensive road cover and land fill material.

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1 P. Misrepresenting to offerees and investors that they could make substantial profits by
2 purchasing the Unit, Agra stock, Bridge Loan Investment and Platinum Rental
3 Agreement securities.

4 Q. Misrepresenting to at least one investor that the Units do not constitute securities.

5 90. This conduct violates A.R.S. § 44-1991.

6 **VII.**

7 **TEMPORARY ORDER**

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

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

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

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

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

17 **VIII.**

18 **REQUESTED RELIEF**

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

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

23 2. Order RESPONDENTS to take affirmative action to correct the conditions resulting
24 from their acts, practices or transactions, including a requirement to make restitution pursuant to
25 A.R.S. § 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 Director, voice phone number 602/542-3931, e-mail
7 lhogan@azcc.gov. Requests should be made as early as possible to allow time to arrange the
8 accommodation.

9 **X.**

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 <http://www.azcc.gov/divisions/util/forms/>.

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, 3rd
22 Floor, Phoenix Arizona, addressed to Mike Dailey.

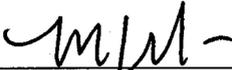
23 The Answer shall contain an admission or denial of each allegation in this Temporary
24 Order and Notice and the original signature of each RESPONDENT, RESPONDENT SPOUSE or
25 their attorney. A statement of a lack of sufficient knowledge or information shall be considered a
26 denial of an allegation.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

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When a RESPONDENT or RESPONDENT SPOUSE intends in good faith to deny only a part or a qualification of an allegation, the RESPONDENT or RESPONDENT SPOUSE shall specify that part or qualification of the allegation and shall admit the remainder. The RESPONDENT or RESPONDENT SPOUSE waives any affirmative defense not raised in the answer.

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

BY ORDER OF THE ARIZONA CORPORATION COMMISSION, this 12 day of June, 2007.



Matthew J. Neubert
Director of Securities

JMD