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BEFORE THE ARIZONA CORPORATION COMMISSION

Arizona Corporation Commission

DOCKETED

COMMISSIONERS

JAN 12 2009

KRISTIN K. MAYES, Chairman
GARY PIERCE
PAUL NEWMAN
SANDRA D. KENNEDY
BOB STUMP

DOCKETED BY nr

In the matter of:
ENERGETICS, INC., a Nevada corporation
STEVEN P. GIUFFRIDA and MICHELLE
GIUFFRIDA, husband and wife
Respondents.

) DOCKET NO. S-20648A-09-0010
)
) **NOTICE OF OPPORTUNITY FOR**
) **HEARING REGARDING PROPOSED**
) **ORDER TO CEASE AND DESIST, ORDER**
) **FOR RESTITUTION, FOR**
) **ADMINISTRATIVE PENALTIES AND**
) **FOR OTHER AFFIRMATIVE ACTION**

NOTICE: EACH RESPONDENT HAS 10 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 ENERGETICS, INC. and STEVEN P. GIUFFRIDA 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").

I.
JURISDICTION

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

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II.

RESPONDENTS

2. ENERGETICS, INC. ("ENERGETICS") is a Nevada corporation with a principal place of business in Scottsdale, Arizona.¹ ENERGETICS was incorporated on or about June 28, 2006.

3. STEVEN P. GIUFFRIDA ("GIUFFRIDA") is an individual residing in Maricopa County, Arizona.

4. Pursuant to the records of the Nevada Secretary of State, GIUFFRIDA is listed as the Secretary, Treasurer and Director of ENERGETICS.

5. On ENERGETICS' website, www.energetics-inc.com, GIUFFRIDA is listed as President of ENERGETICS.

6. MICHELLE GIUFFRIDA has been at all relevant times the spouse of GIUFFRIDA and may be referred to as "Respondent Spouse." Respondent Spouse is joined in this action under A.R.S. § 44-2031(C) solely for purposes of determining the liability of the marital community.

7. At all times relevant, GIUFFRIDA was acting for GIUFFRIDA's own benefit and for the benefit or in furtherance of GIUFFRIDA and MICHELLE GIUFFRIDA's marital community.

8. ENERGETICS and GIUFFRIDA may be referred to as "Respondents."

III.

FACTS

9. On or about October 24, 2008, Respondents advertised on the Internet website known as Craig's List/Phoenix ("Craig's List") for investors as follows:

GREAT INVESTMENT
OPPORTUNITY*QUICK PAYBACK+OIL
ROYALTY INTEREST (oil city)

¹ ENERGETICS as referenced in this Notice is a different entity than an entity known as Energetics, Inc. that is incorporated with the Commission and located in Phoenix.

1 Energetics Inc. offers a 1 year note at 11% along with the assignment of a long term
2 royalty interest. The note will be collateralized by a ucc filing on a 370 acre oil
3 lease along with existing surface equipment. This lease has a proven 50+ year
4 history with a recent geology report confirming 900,000 barrels of oil reserves.

- 5 -1 year note 11% preferred. (Interest guaranteed/regardless of early payback)
- 6 -UCC filed in lenders name on lease and existing surface equipment
- 7 -Royalty interest on lease projected to yield an incentive bonus of an additional 15-
8 35% (based on oil prices) for the lifetime of the wells which can be 50+ years.
- 9 -\$75,000 Maximum.....\$25,000 minimum.

10 10. The Craig's List ad also includes a contact name, an Arizona contact phone number
11 of 480-609-2110, and the website address of ENERGETICS, www.energetics-inc.com. The
12 ENERGETICS website includes the same phone number that is in the ad as a contact number.

13 11. On or around October 27, 2008 in response to the Craig's List ad, at least one
14 potential Arizona investor ("PAI") contacted ENERGETICS via email. GIUFFRIDA responded to
15 the PAI's email and requested to speak to the PAI before providing more information.

16 12. On or around November 17, 2008, GIUFFRIDA represented to at least one PAI that
17 the Investment would return 11% for one year plus a royalty interest.

18 13. GIUFFRIDA represented to at least one PAI that the Respondents were seeking funds
19 for two investments.

20 14. GIUFFRIDA represented to at least one PAI that there was an investment in oil in
21 Texas. GIUFFRIDA represented the Respondents were seeking to raise \$250,000 for the "Texas
22 Lease" which had "projected annual returns of 75% at today's prices."

23 15. GIUFFRIDA represented to at least one PAI that there was an investment in oil in
24 Caddo Parish, Louisiana and the returns were conservative but had "nice tax incentives."

25 16. On or about November 20, 2008, Respondents forwarded solicitation materials to at
26 least one PAI after speaking with the PAI. The solicitation materials included information about
the investments, as well as a promissory note and a royalty agreement.

17 17. The solicitation materials stated the returns of the investment for the acquisition and
development of oil wells in East Texas, with an investment of \$250,000. The annual rate of return

1 would be from 75.15% to 145.66% from five wells each producing four barrels of oil per day
2 depending on an oil price of \$60, \$80, and \$100 per barrel.

3 18. The solicitation materials also stated the returns of the investment for a second
4 investment in Caddo Parish, Louisiana, with an investment of \$56,000. The after tax annual rate of
5 returns were listed as between 34.35% to 279.74%, depending on the price of oil and the number of
6 barrels of oil produced. The price of oil was listed at \$60, \$80 and \$100 per barrel. The three
7 wells were each projected to produce between 10, 20 or 50 barrels of oil per day.

8 19. The solicitation materials also included a statement that an independent geology
9 report stated that there are 900,000 plus barrels of oil reserves at the Caddo Parish, Louisiana site.

10 20. The solicitation materials also represented that the investments would be secured by
11 a UCC-1 filing.

12 21. According to Respondents' solicitation materials, an investment could be
13 consummated by filling out a standard form promissory note and royalty agreement.

14 22. Respondents also publicly solicited their investments on their website,
15 www.energetics-inc.com. On or about October 24, 2008, Respondents offered two investments,
16 one was a "one year note with interest, collateral, and royalty interests," and the second was an
17 offering on a "370 acre lease with history, significant projected returns, and significant tax
18 advantages."

19 23. The ENERGETICS website also states that ENERGETICS purchased a lease for the
20 Caddo, Louisiana oil in 2007. Furthermore, ENERGETICS stated that it also acquired a firm with
21 a R-4 Classification and tier II approval to operate oil, gas, and disposal wells in Louisiana.

22 24. Respondents' solicitation materials represent that the investment is highly
23 speculative with a high degree of risk, however, Respondents' website represents that risk is
24 minimized by escalating oil prices and tax advantages that remain regardless of the success of
25 drilling.

26

1 31. The securities referred to above are not registered pursuant to Articles 6 or 7 of the
2 Securities Act.

3 32. This conduct violates A.R.S. § 44-1841.

4 **V.**

5 **VIOLATION OF A.R.S. § 44-1842**

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

7 33. Respondents have been offering or selling securities in the form of a commodity
8 investment contract and/or an investment contract within or from Arizona related to oil and gas
9 drilling while not registered as dealers or salesmen pursuant to Article 9 of the Securities Act.

10 34. This conduct violates A.R.S. § 44-1842.

11 **VI.**

12 **VIOLATION OF A.R.S. § 44-1991**

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

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

21 a) Respondents misrepresented that there would be escalating oil prices.
22 According to the United States Department of Energy, Energy Information Administration, the spot
23 price of West Texas Intermediate ("WTI") oil has remained below \$55 since on or around
24 November 20, 2008;

25 b) Respondents provided information regarding potential positive returns to
26 potential investors, but failed to disclose to at least one PAI that other factors may influence the

1 investment returns, including but not limited to, economic, public policy, costs of production,
2 environmental issues, and weather disruptions; and

3 c) Respondents failed to provide to at least one PAI sufficient financial
4 information about ENERGETICS so as to allow the PAI to determine whether ENERGETICS
5 had an ability to operate as a going concern.

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

7 **VII.**

8 **REQUESTED RELIEF**

9 The Division requests that the Commission grant the following relief:

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

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

15 3. Order Respondents to pay the state of Arizona administrative penalties of up to five
16 thousand dollars (\$5,000) for each violation of the Securities Act, pursuant to A.R.S. § 44-2036;

17 4. Order that the marital community of STEVEN P. GIUFFRIDA and MICHELLE
18 GIUFFRIDA be subject to any order of restitution, rescission, administrative penalties, or other
19 appropriate affirmative action pursuant to A.R.S. § 25-215; and

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

21 **VIII.**

22 **HEARING OPPORTUNITY**

23 Each respondent including Respondent Spouse may request a hearing pursuant to A.R.S.
24 § 44-1972 and A.A.C. R14-4-306. **If a Respondent or Respondent Spouse requests a hearing,**
25 **the requesting respondent must also answer this Notice.** A request for hearing must be in writing
26 and received by the Commission within 10 business days after service of this Notice of Opportunity

1 for Hearing. The requesting respondent must deliver or mail the request to Docket Control, Arizona
2 Corporation Commission, 1200 W. Washington, Phoenix, Arizona 85007. Filing instructions may
3 be obtained from Docket Control by calling (602) 542-3477 or on the Commission's Internet web
4 site at <http://www.azcc.gov/divisions/hearings/docket.asp>.

5 If a request for a hearing is timely made, the Commission shall schedule the hearing to begin
6 20 to 60 days from the receipt of the request unless otherwise provided by law, stipulated by the
7 parties, or ordered by the Commission. If a request for a hearing is not timely made the Commission
8 may, without a hearing, enter an order granting the relief requested by the Division in this Notice of
9 Opportunity for Hearing.

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

14 IX.

15 ANSWER REQUIREMENT

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

22 Additionally, the answering respondent must serve the Answer upon the Division.
23 Pursuant to A.A.C. R14-4-303, service upon the Division may be made by mailing or by hand-
24 delivering a copy of the Answer to the Division at 1300 West Washington, 3rd Floor, Phoenix,
25 Arizona, 85007, addressed to Aikaterine Vervilos.

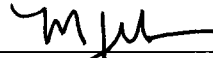
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1 The Answer shall contain an admission or denial of each allegation in this Notice and the
2 original signature of the answering respondent or respondent's attorney. A statement of a lack of
3 sufficient knowledge or information shall be considered a denial of an allegation. An allegation
4 not denied shall be considered admitted.

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

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

10 Dated this 12 day of January, 2009.

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13 _____
14 Matthew J. Neubert
15 Director of Securities

16 (AV)
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