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**BEFORE THE ARIZONA CORPORATION COMMISSION**

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Arizona Corporation Commission

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COMMISSIONERS

GARY PIERCE, Chairman  
BOB STUMP  
SANDRA D. KENNEDY  
PAUL NEWMAN  
BRENDA BURNS

DOCKETED BY nr

In the matter of: )  
Chazel Capital, Inc., a Canadian corporation, )  
OFIR Mine Project, LP, a California limited )  
partnership, )  
Kyle K. Huskin, a California resident, )  
Respondents. )

DOCKET NO. S-20848A-12-0150

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

**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 CHAZEL CAPITAL, INC., OFIR MINE PROJECT, LP, and KYLE K. HUSKIN, are engaging in or are about to engage in acts and practices that constitute violations of A.R.S. § 44-1801, *et seq.*, the Arizona Securities Act ("Securities Act"), and that the public welfare requires immediate action.

**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. At all relevant times, CHAZEL CAPITAL, INC. ("CHAZEL") has been a

1 Canadian corporation headquartered in Québec, Canada. CHAZEL was incorporated with the  
2 Registraire des Entreprises Québec (Québec Registrar of Companies) on May 26, 2010 under  
3 Number 1166612938. CHAZEL also maintains an office in San Diego, California, and has been  
4 registered to do business in the state of California since May 3, 2011. CHAZEL has not been  
5 registered by the Commission as a securities salesman or dealer.

6 3. At all relevant times, OFIR MINE PROJECT, LP (“OFIR LP”) has been a limited  
7 partnership organized under the laws of the state of California on August 13, 2010, with a  
8 business address in San Diego, California. OFIR LP has not been registered by the Commission as  
9 a securities salesman or dealer.

10 4. At all relevant times, KYLE K. HUSKIN (“HUSKIN”) has been a California  
11 resident. At all relevant times, HUSKIN offered unregistered securities within and from Arizona in  
12 his individual capacity, and on behalf of CHAZEL as the “Senior VP of Acquisitions & Investor  
13 Relations.” HUSKIN has not been registered by the Commission as a securities salesman or  
14 dealer.

15 5. CHAZEL, OFIR LP, and HUSKIN may be referred to collectively as  
16 “Respondents.”

17 **III.**

18 **FACTS**

19 6. From at least March 26, 2012, CHAZEL has been and is offering investors limited  
20 partnership interests to fund a joint venture in a mining project (hereafter, “limited partnership  
21 mining interests”).

22 7. CHAZEL offered limited partnership mining interests in OFIR LP to offerees via its  
23 website, <http://www.chazelcapital.com> (“Chazel website”), directly contacted one Arizona resident  
24 and offeree on March 26, 2012 (“Offeree-1”) by telephone solicitation with a follow-up email  
25 solicitation, and again offered the limited partnership mining interests to an Arizona offeree in  
26 April 2012 (“Offeree-2”).

1           8.       CHAZEL solicited Offeree-1 by telephone and email on March 26, 2012. Offeree-1  
2 had no previous relationship with CHAZEL, the individual that contacted him on behalf of  
3 CHAZEL, or OFIR LP. The email solicitation attached a document titled "OFIR Mine Executive  
4 Summary" ("Executive Summary").

5           9.       Via its email solicitation and distribution of the Executive Summary, CHAZEL  
6 represented that it is "is a privately held 'Acquisition, Mining, and Exploitation Company' that  
7 seeks out and formulates 'Profit Sharing Joint Ventures' with Junior Exploration Companies that  
8 have proven resources and are on the verge of becoming a gold producer."

9           10.      CHAZEL represented to Offeree-1 via its email solicitation and Executive Summary  
10 that CHAZEL had recently obtained a 50% interest in a profit sharing joint venture in  
11 "development and exploitation" of multiple gold veins at the OFIR mine located in the Arequipa  
12 region of Peru ("OFIR Mine"). CHAZEL represented to Offeree-1 that its joint venture partner in  
13 the OFIR Mine is Rocmec Mining, Inc. ("Rocmec"), a publicly traded Canadian mining  
14 corporation traded on TSX Ventures Exchange, the Frankfurt Stock Exchange, and the OTC Pink  
15 Sheets.

16           11.      CHAZEL's represented "THE OPPORTUNITY" in the limited partnership mining  
17 interests to Offeree-1 via its email solicitation and Executive Summary. The terms were as  
18 follows:

19                   (a) the investment is in units of a California limited partnership, OFIR LP, with  
20 funds used "to make necessary property improvements, acquire additional mining  
21 equipment, and implement modern mechanized extraction techniques" for the OFIR  
22 Mine;

23                   (b) that investors in OFIR LP will act as one of three "joint venture parties" for the  
24 OFIR Mine, including CHAZEL, Rocmec, and OFIR LP. Rocmec is to act as the  
25 mine operator, and OFIR LP is to fund the OFIR Mine project via its investors;

26                   (c) the total offering price for OFIR LP is \$2,000,000;

1 (d) the minimum investment is \$10,000 for one partnership unit in OFIR LP;

2 (e) 25% of the profits are to be shared between the OFIR LP investors, 25% to  
3 CHAZEL, and 50% to Rocmec, distributed quarterly for five years in cash or gold  
4 after mechanized production of the mine begins.

5 12. CHAZEL represented to Offeree-1 via its email solicitation and Executive Summary  
6 a projected “annualized return of 110%, equating to a 5 year ROI of 550%” based on 48,000  
7 ounces of gold produced by the mine at \$1,250 an ounce each year.

8 13. The Executive Summary highlights projected returns for the limited partnership  
9 mining interests, but does not adequately disclose any risks, including the risk of a decline in gold  
10 prices over the investment period.

11 14. The email solicitation and OFIR Mine Executive Summary states as follows:  
12 “**Geology Studies:** Studies by licensed geologists and a drilling program have established a non-  
13 compliant NI43-101 gold resource calculation of approximately **48,000 ounces**”. (emphasis in  
14 original).

15 15. At all relevant times, Rocmec published on its website (www.rocmeccmines.com)  
16 (“Rocmec website”), and the Chazel website linked, a technical report on the OFIR Mine. The  
17 report, known as National Instrument 43-101, discloses scientific and technical information about  
18 mineral projects to the public in Canada. The National Instrument 43-101 report on the OFIR  
19 Mine published on the Rocmec website discloses that “[t]otal exploitable resources in the four  
20 main veins are 20,004 ounces of gold.” There is no technical report or other supporting  
21 information concerning CHAZEL’s representation of an additional 28,000 ounces of gold.

22 16. Via its email solicitation and Executive Summary, CHAZEL encouraged Offeree-1  
23 to contact the Investor Relations Division of CHAZEL in San Diego, California, and to visit the  
24 Chazel and Rocmec websites.

25 17. On April 6, 2012, CHAZEL again communicated with another Arizona resident and  
26 offeree (“Offeree-2”) regarding the limited partnership mining interests. Offeree-2 was put in

1 touch with HUSKIN to discuss the limited partnership mining interests on behalf of CHAZEL.  
2 Offeree-2 had no previous relationship with HUSKIN, CHAZEL or OFIR LP.

3 18. Between April 9, 2012 and April 12, 2012, Offeree-2 and HUSKIN exchanged  
4 several emails and had several telephone calls regarding the limited partnership mining interests.  
5 HUSKIN emailed Offeree-2 a subscription agreement for the investment, which offers limited  
6 partnership interests in OFIR LP to offerees at a cost of \$10,000 per unit, with a total offering of  
7 200 units.

8 19. HUSKIN represented to Offeree-2 that there were numerous investors in the limited  
9 partnership mining interests, and that the investment was low risk, stating that “the majority of the  
10 risk has been taken out”.

11 20. HUSKIN also emailed Offeree-2 the Executive Summary and a Limited Partnership  
12 Agreement for OFIR LP (“Partnership Agreement”). The Partnership Agreement states that the  
13 General Partner of OFIR LP is CHAZEL, and that the

14 General Partner shall have full, exclusive and complete discretion in the  
15 management and control of the affairs of the Partnership for the purposes herein  
16 stated, and shall make all decisions affecting Partnership affairs, and shall have the  
17 exclusive rights and authority to execute and deliver on behalf of the Partnership  
18 such documents or instruments relating to Partnership affairs as may in his opinion  
19 be appropriate in the conduct of Partnership business . . .

20 The Partnership Agreement also states that “[t]he General Partner shall, to the best of his ability,  
21 manage and control the business of the Partnership and shall have the exclusive power to do all  
22 things which he deems necessary or advisable for such purpose.” The Partnership Agreement  
23 further states that “No Partner shall in any way participate in the management or control of the  
24 business of the Partnership or transact business in the name of the Partnership. Furthermore, no  
25 Partners shall have the power to sign for or bind the Partnership to any agreement or document.”  
26

1           21.     At all relevant times, the CHAZEL website has been available to the public and  
2 contains information that is similar, but not identical, to the information in the email solicitation  
3 and Executive Summary concerning the limited partnership mining interests.

4           22.     At all relevant times, on the Current Project tab of the Chazel website, CHAZEL has  
5 provided offerees information about the limited partnership mining interests, and has invited  
6 offerees to input their name and phone number to receive an "OFIR Mine Executive Summary".

7           23.     The Chazel website discloses to offerees the joint partnership with Rocmec in the  
8 OFIR Mine, represents that the mine can produce 48,000 ounces of gold, and allows offerees to  
9 open a link to an Executive Presentation on the OFIR Mine Project ("Executive Presentation").

10          24.     CHAZEL's Executive Presentation provides offerees with the terms of the limited  
11 partnership mining interests set forth in Paragraph 11, and again represents that the OFIR Mine has  
12 48,000 ounces of gold reserves.

13          25.     CHAZEL's Executive Presentation also contains a slide titled "What's the risk?"  
14 The slide lists no risks and only highlights purported benefits of the limited partnership mining  
15 interests.

16          26.     CHAZEL's Executive Presentation represents to offerees that investors can profit  
17 from "gold price upswing (no upper limit)", claims that "[g]old prices are poised to soar", and that  
18 "[g]old price has no where [sic] to go but UP". (emphasis in original). There is no disclosure in  
19 the Executive Presentation of the risk of a decline in gold prices during the investment period, nor  
20 is there any disclosure of the projected return or risk of loss if gold prices decline during the  
21 investment period.

22          27.     CHAZEL also represents to offerees via the Executive Presentation that the limited  
23 partnership mining interests are a "Turnkey opportunity - Ideal for investors who are not experts in  
24 mining deals".

25          28.     On August 12, 2011, the Pennsylvania Securities Commission issued a Summary  
26 Order to Cease and Desist against CHAZEL and OFIR LP finding that the limited partnership

1 mining interests offered to a Pennsylvania resident violated the Pennsylvania Securities Act of  
2 1972, and ordering them to stop offering the sale of the limited partnership mining interests in  
3 Pennsylvania (“Pennsylvania Cease and Desist Order”). On October 4, 2011, the Pennsylvania  
4 Securities Commission entered Findings of Fact, Conclusions of Law, and Order (“October 4<sup>th</sup>  
5 Order”) due to an offer of settlement by CHAZEL and OFIR LP. The October 4<sup>th</sup> Order contains a  
6 finding of a violation of the Pennsylvania Securities Act of 1972, and CHAZEL and OFIR  
7 consented to imposition of sanctions related to the limited partnership mining interests.

8 29. Respondents did not disclose the Pennsylvania Cease and Desist Order and October  
9 4<sup>th</sup> Order to offerees on the CHAZEL website, or in any of the written or oral communications  
10 with, or materials provided to, Offeree-1 and Offeree-2.

11 **IV.**

12 **VIOLATION OF A.R.S. § 44-1841**

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

14 30. From on or about March 26, 2012, Respondents have been offering or selling  
15 securities in the form of investment contracts within or from Arizona.

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

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

19 **V.**

20 **VIOLATION OF A.R.S. § 44-1842**

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

22 33. Respondents are offering or selling securities within or from Arizona while not  
23 registered as dealers or salesmen pursuant to Article 9 of the Securities Act.

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

1 VI.

2 VIOLATION OF A.R.S. § 44-1991

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

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

- 11 a. Representing to offerees that the OFIR Mine can produce 48,000 ounces of  
12 gold when a technical report provided by Rocmec substantiates only 20,004  
13 ounces;
- 14 b. Representing to offerees a five-year return on investment based on production of  
15 48,000 ounces of gold at the OFIR Mine, despite the technical report  
16 substantiating only 20,004 ounces;
- 17 c. Failing to adequately disclose any risk of loss with the limited partnership  
18 mining interests; specifically, representing that "gold price upswing (no upper  
19 limit)", claims that "[g]old prices are poised to soar", and that "[g]old price  
20 has no where [sic] to go but UP", but failing to disclose the risk that gold  
21 prices could decline during the investment period.
- 22 d. Failing to disclose the existence of the Pennsylvania Cease and Desist Order  
23 and October 4<sup>th</sup> Order to offerees.

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

VII.

TEMPORARY ORDER

Cease and Desist from Violating the Securities Act [or IM 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. § 44-1972(C) and A.A.C. R14-4-307, that Respondents, their agents, servants, employees, successors, assigns, and those persons in active concert or participation with Respondents 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:

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 Respondents' 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 any other relief that the Commission deems appropriate.

IX.

HEARING OPPORTUNITY

1  
2  
3 Each respondent may request a hearing pursuant to A.R.S. § 44-1972 and A.A.C. Rule 14-4-  
4 307. **If a Respondent requests a hearing, the requesting respondent must also answer this**  
5 **Temporary Order and Notice.** A request for hearing must be in writing and received by the  
6 Commission within 20 days after service of this Temporary Order and Notice. The requesting  
7 respondent must deliver or mail the request for hearing to Docket Control, Arizona Corporation  
8 Commission, 1200 West Washington, Phoenix, Arizona 85007. Filing instructions may be obtained  
9 from Docket Control by calling (602) 542-3477 or on the Commission's Internet web site at  
10 [www.azcc.gov/divisions/hearings/docket.asp](http://www.azcc.gov/divisions/hearings/docket.asp).

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

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

21 Persons with a disability may request a reasonable accommodation such as a sign language  
22 interpreter, as well as request this document in an alternative format, by contacting Shaylin A.  
23 Bernal, ADA Coordinator, voice phone number 602/542-3931, e-mail [sabernal@azcc.gov](mailto:sabernal@azcc.gov).  
24 Requests should be made as early as possible to allow time to arrange the accommodation.  
25  
26

X.

**ANSWER REQUIREMENT**

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

Additionally, the answering respondent must serve the Answer upon the Division. Pursuant to A.A.C. R14-4-303, service upon the Division may be made by mailing or by hand-delivering a copy of the Answer to the Division at 1300 West Washington, 3<sup>rd</sup> Floor, Phoenix, Arizona, 85007, addressed to Stacy Luedtke.

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

When the answering respondent intends in good faith to deny only a part or a qualification of an allegation, the respondent shall specify that part or qualification of the allegation and shall admit the remainder. Respondent 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 25<sup>th</sup> day of April, 2012.

  
Matthew J. Neubert  
Director of Securities