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Burton M. Bentley (Bar No.: 000980)  
THE BENTLEY LAW FIRM, P.C.  
5333 N. 7th Street, Suite C-121  
Phoenix, AZ 85014  
Phone: (602) 861-3055  
Fax: (602) 861-3230  
E-mail: [bmb@burtonbentley.com](mailto:bmb@burtonbentley.com)

Alan S. Baskin (Bar No. 013155)  
BADE BASKIN RICHARDS PLC  
80 E. Rio Salado Parkway, Suite 511  
Tempe, AZ 85281  
Phone: (480) 968-1225  
Fax: (480) 968-6255  
E-mail: [alan@bbrplc.com](mailto:alan@bbrplc.com)

Attorneys for Respondents

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ARIZONA CORPORATION COMMISSION  
DOCKET CONTROL

Arizona Corporation Commission  
**DOCKETED**

JAN 29 2013

DOCKETED BY

**BEFORE THE ARIZONA CORPORATION COMMISSION**

In the matter of:

CHRISTOPHER DEAN DEDMON  
CRD#3015575 and KIMBERLY DEDMON,  
husband and wife,

ROBERT R. COTTRELL (a.k.a "ROB  
COTTRELL"),

SDC MONTANA CONSULTING, LLC (a.k.a.,  
d.b.a., a.b.n. "SDC MONTANA" and "SDC  
MONTANA OIL & GAS EXPLORATION"),  
an Arizona limited liability company,

RSC ADVENTURES LLC, an Arizona limited  
liability company,

Respondents.

DOCKET Nos.: S-03479A-05-0000

**RESPONDENTS CHRISTOPHER  
DEAN DEDMON, KIMBERLY  
DEDMON, AND SDC MONTANA  
CONSULTING, LLC'S MOTION FOR  
DISCLOSURE OF INFORMATION  
AND REQUEST FOR SUBPOENA TO  
CLEAR ENERGY SYSTEMS, INC.**

Respondents Christopher Dean Dedmon ("Mr. Dedmon"), Kimberly Dedmon, and SDC Montana Consulting, LLC ("SDC") (collectively "Respondents") respectfully request that the Arizona Corporation Commission (the "Commission") direct the Securities Division to produce certain Clear Energy Systems, Inc. ("Clear Energy") investor information as described below. The Clear Energy matter was resolved by Consent Order in 2005, and Mr. Dedmon wishes to pay any amounts still owed

1 pursuant to that matter. He believes, however, he is entitled to a significant set-off and needs basic  
2 investor information to determine whether he still owes money to Clear Energy investors and if so, how  
3 much. The Securities Division refuses to provide the requested information, which harms Mr. Dedmon,  
4 but more importantly, prevents the Clear Energy investors from being paid any amounts they may still  
5 be owed.

## 6 **I. FACTUAL BACKGROUND**

7 Two separate but related Commission proceedings are at issue: the SDC Montana, *et al.* matter  
8 pending before the Commission (S-03479A-12-0360) (the “SDC Matter” or “SDC”) and a prior Order  
9 entered in 2005 (*In the matter of Christopher D. Dedmon, et al.*; (S-03479-05-0000)) (the “Clear  
10 Energy Matter,” or “Clear Energy”; attached hereto as Exhibit A.) SDC has more than repaid all  
11 investors involved in the SDC matter; *it has paid approximately \$1.35 million to a group of*  
12 *entities/individuals who invested a total of \$645,000.* Mr. Dedmon hopes this will enable him to resolve  
13 the SDC Matter in the very near future. He also wishes to resolve the Clear Energy Matter and repay  
14 any remaining amounts owed to those investors, but serious issues exist regarding the proper amount  
15 owed to the Clear Energy investors.

16 The Securities Division, however, has stymied Mr. Dedmon’s efforts to repay the Clear Energy  
17 investors by refusing to provide the information he needs to verify whether he still owes anything. Mr.  
18 Dedmon provided much of this same information to the Commission several years ago, but no longer  
19 has copies. Respondents also believe the Securities Division subpoenaed and received information  
20 from Clear Energy related to its prior Order, but has chosen not to share it. This information would  
21 likely assist Mr. Dedmon in determining whether and how much he owes any Clear Energy investors.

22 Respondents respectfully ask the Commission to give him an opportunity to comply with the  
23 Commission’s prior order by directing the Securities Division to produce any information it has that  
24 may help verify whether and how much Mr. Dedmon owed the Clear Energy investors.

### 25 **A. Clear Energy**

26 The Commission’s prior Order, entered on September 23, 2005 as Decision No. 68160, involved  
27 the offer and sale of Clear Energy stock. Clear Energy designs, manufactures, and distributes power  
generation systems in the United States and internationally. It serves retailers, manufacturers, data  
centers, and office and residential buildings. The company is thriving; it is investing approximately \$10

1 million to construct a 158,000 square foot manufacturing facility in Tempe. (June 19, 2012 *Arizona*  
2 *Republic* article titled “Clear Energy Systems plans new HQ, 225 jobs”; attached hereto as Exhibit B.)  
3 Given these circumstances Clear Energy stock likely has substantial value. Mr. Dedmon helped form  
4 the company, but is no longer associated with it and does not have access to Clear Energy’s records.

5 In its prior Order, the Commission ordered Mr. Dedmon to pay restitution to Clear Energy  
6 investors in the amount of \$656,676.87 at a 5% interest rate, “*subject to any legal set-offs.*” (See Clear  
7 Energy Order, at p.4; A.A.C. R14-4-308(C)(1)(c)). One of the Commission’s claims was that Mr.  
8 Dedmon had not issued (or caused Clear Energy not to issue) stock certificates to all investors. After  
9 the Commission entered its prior Order, Mr. Dedmon dutifully caused the appropriate stock to be  
10 issued. Respondents believe the Securities Division has long been aware of Mr. Dedmon’s compliance  
11 with the Clear Energy Order.

12 Mr. Dedmon wishes to satisfy his obligations under the Clear Energy order. Because he  
13 provided stock to the Clear Energy investors, however, he believes the restitution amount in the  
14 Commission’s prior Order is incorrect because it does not take into account the value of the stock issued  
15 to the investors or, alternatively, the amount received upon any sales of stock. (See Clear Energy Order,  
16 at p.4; A.A.C. R14-4-308(C)(1)(c)).

17 Although Clear Energy is not publically traded, the company has undoubtedly been successful  
18 and its stock likely has substantial value. Similarly, some of the relevant investors may have since sold  
19 their shares. If this is the case, Mr. Dedmon may not owe the investors anything, or far less than what  
20 he was previously ordered to pay. Mr. Dedmon seeks the Commission’s cooperation with his efforts to  
21 determine the value of the stock owned by the Clear Energy investors, and, where appropriate, the  
22 value(s) at which certain investors re-sold their Clear Energy stock. After accounting for all set-offs he  
23 hopes to quickly re-pay any remaining amounts he owes.

24 **B. SDC**

25 The Securities Division initiated the SDC Matter on August 10, 2012 (the “SDC Notice”). The  
26 Securities Division filed the SDC Notice under the same principal Docket Number as the Commission’s  
27 Clear Energy prior Order: S-03479. (August 10, 2012 Notice of Opportunity for Hearing; attached  
hereto as Exhibit C.) The SDC Notice alleges, in pertinent part, that Mr. Dedmon failed to disclose the  
Clear Energy Order when he offered SDC securities. The SDC Notice also alleges that, as of July 2012,

1 Mr. Dedmon and his spouse had paid only \$16,276 of their obligations under the Clear Energy. As  
2 alluded to above, this number is inaccurate and must be updated to properly reflect amounts already  
3 paid by Mr. Dedmon and/or already received by Clear Energy investors.

4 As to SDC, a total of 16 individuals or entities paid a total of \$645,000 to SDC or RSC  
5 Adventures LLC to purchase "points" in SDC. To date, SDC has paid approximately \$1.35 million to  
6 the point-holders, and fully expects to pay more. This is virtually unprecedented in Commission  
7 matters. Given these extraordinary circumstances, Mr. Dedmon hopes to resolve the SDC matter in the  
8 near future. Similarly, by seeking information regarding Clear Energy, Mr. Dedmon's intentions are  
9 undoubtedly clear; he wants to determine what he rightfully owes the Clear Energy investors so he can  
10 repay them and put that matter behind him also. All he needs is some very basic information;  
11 information the Securities Division is unwilling to provide.

12 **C. The Securities Division has Hindered Mr. Dedmon's Attempts to Comply with the**  
13 **Clear Energy Order.**

14 Mr. Dedmon's efforts to pay all Clear Energy investors long predate the Commission's SDC  
15 Notice. In an August 9, 2012 email, the Securities Division advised Mr. Dedmon's counsel that he was:

16 free to bring any evidence he can produce showing that he has satisfied his  
17 restitution obligations under the [Clear Energy] Order and removed the  
18 fraud associated with the transaction. This might include, for example  
19 sufficient evidence that the stock purchasers received money or property  
20 equal in value to the restitution amount owed.

21 (August 9, 2012 e-mail from Ryan Millecam to Burton Bentley; attached hereto as Exhibit D.)

22 To do so Mr. Dedmon's counsel sought the names, addresses and telephone numbers of the  
23 relevant investors. (*Id.*) The Securities Division flatly denied Mr. Dedmon's request, stating that the  
24 Commission was "bound by statute to keep materials relating to its investigations confidential.  
25 Included in those confidential materials are any identifying or contact information." (*Id.*)

26 Mr. Dedmon continued his settlement efforts after the SDC Notice was filed, and made another,  
27 more detailed, request for Clear Energy investor information. On September 14, 2012, counsel for Mr.  
Dedmon sent an e-mail to the Securities Division that read, in pertinent part:

We are anxious to resolve not only the pending matter, but to address the  
lingering restitution issues related to the Omni Matter (S-03479A-05-

1 0000/Decision NO. 68160). I understand that Mr. Dedmon substantially  
2 complied with that Order by working with Clear Energy to ensure the  
3 lawful transfer of Clear Energy stock to several investors, and that these  
4 investors have been made whole (or greater than whole). I also understand  
5 that there are some investors who did not receive stock and to whom Mr.  
6 Dedmon owes restitution. He wishes to pay them back, in full, at the  
7 earliest possible time. In order to do so, we need some very basic  
8 information, which includes the following:

9 1. The names, addresses and telephone numbers of all of the  
10 individuals to whom Mr. Dedmon sold Clear Energy stock, and who  
11 subsequently received stock directly from Clear Energy.

12 2. The amount they paid for the shares and the amount of shares  
13 issued to those individuals.

14 3. The value of the shares and whether these individuals have  
15 received full restitution.

16 4. All documents the investors signed in connection with the issuance  
17 of their Clear Energy stock by the company.

18 5. The names, addresses and telephone numbers of all of the  
19 individuals to whom Mr. Dedmon sold Clear Energy stock, but who did  
20 not ultimately receive stock from the company.

21 6. The amounts the above paid for their stock and the total amount of  
22 restitution the ACC believes is owed to them.

23 7. Any other amounts the ACC believes Mr. Dedmon owes in  
24 connection with the Omni matter.

25 This request is made pursuant to A.R.S. § 44-2042(A) and for the purpose  
26 of identifying all of the investors to whom Mr. Dedmon owes money so he  
27 can pay them back and resolve the pending judgment against him and his  
wife. Mr. Dedmon provided much of this information to the ACC and it is  
most definitely not contrary to the public interest to release the  
information. Indeed it is in the best interests of the public, the investors  
and the ACC that Mr. Dedmon receive this information so he can satisfy  
his obligations.

(September 14, 2012 e-mail from Alan Baskin to Ryan Millecam; attached hereto as Exhibit E.)

In response, the Securities Division produced a minimal list containing the names of Clear  
Energy investors and the amounts the Commission believes were invested. (November 16, 2012 letter  
from Ryan Millecam to Alan Baskin; attached hereto as Exhibit F.) The Securities Division did not

1 provide this limited information until November 16, 2012, over 2 months after Mr. Dedmon made his  
2 initial request. In subsequent conversations, the Securities Division has reiterated its position, leaving  
3 Mr. Dedmon no alternative but to file this motion and/or seek other relief.<sup>1</sup>

4 **II. THE COMMISSION MUST ORDER THE SECURITIES DIVISION TO PRODUCE**  
5 **THE REQUESTED INFORMATION.**

6 A.R.S. § 44-2042 protects certain information collected during the course of the Securities  
7 Division's investigations. A.R.S. § 44-2042, however, also allows for the disclosure of names,  
8 information, and documents, provided that such disclosure is not contrary to the public interest. Names,  
9 information, and documents that the Commission makes a matter of public record by filing the  
10 information with a public tribunal are not protected by the statute. A.R.S. § 44-2042(A).

11 Statutes such as A.R.S. § 44-2042 do not create an absolute privilege for the Commission to  
12 withhold records and information; rather, Arizona courts determine what is "confidential." *Catrone v.*  
13 *Miles*, 215 Ariz. 446, 453, 160 P.3d 1204, 1211 (App. 2007.) The Arizona Court of Appeals examined  
14 A.R.S. § 44-2042 in *Slade v. Schneider*, 212 Ariz. 176, 129 P.3d 465 (App. 2006). In *Slade*, the  
15 respondent requested information from the Commission directly paralleling the information requested  
16 by Mr. Dedmon, namely: (1) the identities of investors who made specific allegations against the  
17 respondent; and (2) information and documents gathered in the course of the Commission's  
18 investigation of the respondent for securities violations. *Id.* at 177, 466.

19 The Court of Appeals held that by including a Commission investigator's affidavit when the  
20 Commission filed its complaint, "the Commission ma[kes] a matter of public record *all* of the  
21 information contained in the investigator's affidavit." *Id.* at 182, 471 (emphasis added). The  
22 Commission was required to disclose the names of the investors referred to in the investigator's *entire*  
23 affidavit (even though only a portion of the affidavit was disclosed) as well as materials upon which the  
24 investigator relied in compiling or assessing the information disclosed in the affidavit. *Id.* at 182, 471.  
25 A.R.S. § 44-2042 and the cases interpreting its scope and purpose support the conclusion that the  
26 Commission should and must produce the requested information.

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<sup>1</sup> Respondents believe the Securities Division subpoenaed certain investor information from Clear Energy. Respondents seek access to all information the Commission received from Clear Energy in response to its request.

1           Moreover, if ever there were an instance where the release of information would be in the public  
2 interest, this is it. Mr. Dedmon wants the Securities Division's cooperation so he can make investors  
3 whole. He has shown his good faith by making the SDC investors far more than whole. By denying his  
4 request, the Securities Division harms those it purports to protect; the Clear Energy investors. There is  
5 no basis to impugn Mr. Dedmon's credibility or motives. He merely wants to do the right thing.

6           Mr. Dedmon needs to know what happened with the stock held by the Clear Energy investors,  
7 the amount received in connection with any sales and the stock's value today. To the extent the  
8 Commission has *any* information that would assist him, Mr. Dedmon is entitled to it. Indeed, Mr.  
9 Dedmon (and his counsel) are stunned that the Securities Division is not cooperating to the fullest  
10 extent to ensure that all investors are fully repaid.

11           Of course, the information Mr. Dedmon seeks is no longer confidential because the Attorney  
12 General's office has converted the Clear Energy Order to a judgment.<sup>2</sup> The Clear Energy order is a  
13 matter of public record and *Slade* confirms that the protective scope of A.R.S. § 44-2042 is  
14 inapplicable. The Commission's use of A.R.S. § 44-2042 defeats its purpose instead of serving it.

15           For the foregoing reasons, Respondents respectfully ask that the Commission immediately  
16 produce the information requested in counsel's September 14, 2012 email. Additionally, Mr. Dedmon  
17 requests that the Commission produce all information subpoenaed from Clear Energy so he can identify  
18 and satisfy any remaining financial obligations to Clear Energy investors. Similarly, Mr. Dedmon asks  
19 the Commission to issue the attached subpoena to Clear Energy. (Administrative Subpoena Duces  
20 Tecum; attached hereto to as Exhibit G.) The Commission should assist Mr. Dedmon in his efforts to  
21 make investors whole, not hamper his efforts. The best interests of the investors, the public,  
22 Respondents, and judicial efficiency all weigh heavily in favor of granting the requested relief.  
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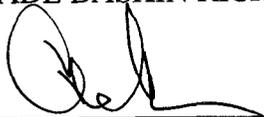
<sup>2</sup> The prior Order was recorded in the Maricopa County Recorder's Office and reduced to a judgment in the Arizona Superior Court to be enforced by the Arizona Attorney General ("AG").

1 DATED this 28<sup>th</sup> day of January, 2013.

2 THE BENTLEY LAW FIRM, P.C.

3   
4 \_\_\_\_\_  
5 Burton M. Bentley

6 BADE BASKIN RICHARDS PLC

7   
8 \_\_\_\_\_  
9 Alan Baskin

10 Attorneys for Respondents

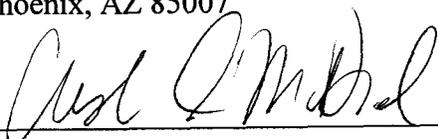
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12  
13 Original and thirteen (13) copies hand-delivered  
14 this 28<sup>th</sup> day of January, 2013, to:

15 Docket Control  
16 Arizona Corporation Commission  
17 1200 West Washington  
18 Phoenix, Arizona 85007

19 COPY of the foregoing hand-delivered  
20 this 28<sup>th</sup> day of January, 2013 to:

21 Matthew J. Neubert  
22 Director of Securities  
23 Securities Division  
24 Arizona Corporation Commission  
25 1300 W. Washington Street, 3<sup>rd</sup> Floor  
26 Phoenix, AZ 85007

27 Ryan J. Millecam  
Staff Attorney  
Arizona Corporation Commission, Securities Division  
1300 W. Washington, 3rd Floor  
Phoenix, AZ 85007

  
\_\_\_\_\_

# EXHIBIT A

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

*Dedmon*

JEFF HATCH-MILLER, Chairman  
WILLIAM A. MUNDELL  
MARC SPITZER  
MIKE GLEASON  
KRISTIN K. MAYES

In the matter of  
CHRISTOPHER D. DEDMON,  
CRD#3015575, and KIMBERLY  
DEDMON, husband and wife,  
8181 W. Gelding Drive  
Peoria, AZ 85381  
OMNI HORIZON GROUP, LLP  
7019 N. 53<sup>rd</sup> Ave.  
Glendale, AZ 85301  
Respondents.

DOCKET NO. S-03479A-05-0000

DECISION NO. 68160

**ORDER TO CEASE AND DESIST, ORDER  
OF RESTITUTION, ORDER FOR  
ADMINISTRATIVE PENALTIES, AND  
CONSENT TO SAME BY RESPONDENTS.**

Respondents CHRISTOPHER D. DEDMON ("CHRIS DEDMON") and KIMBERLY DEDMON ("KIM DEDMON"), husband and wife, and OMNI HORIZON GROUP, LLP ("OMNI") ("Respondents") elect to permanently waive any right to a hearing and appeal under Articles 11 and 12 of the Securities Act of Arizona, A.R.S. § 44-1801 *et seq.* ("Securities Act") with respect to this Order To Cease And Desist, Order of Restitution, Order for Administrative Penalties, and Consent to Same by Respondents ("Order"). Respondents admit the jurisdiction of the Arizona Corporation Commission ("Commission"); neither admit nor deny the Findings of Fact and Conclusions of Law contained in this Order; and consent to the entry of this Order by the Commission.

I.

**FINDINGS OF FACT**

1. CHRIS DEDMON's and KIM DEDMON's last known address is 8181 W. Gelding Drive, Peoria, Arizona 85381.

1       2. OMNI is an Arizona limited liability partnership established on or around August 22, 2000,  
2 whose last known address was 7019 N. 53<sup>rd</sup> Ave., Glendale, Arizona, 85301. At all relevant times,  
3 KIM DEDMON was the President of OMNI.

4       3. Clear Energy Systems, Inc. formerly known as Clear Horizons Energy Systems, Inc. ("Clear  
5 Energy") is and was at all relevant times a privately held company, originally incorporated in the  
6 State of Nevada on June 5, 2001. On or around May 17, 2002, Clear Energy filed with the Arizona  
7 Corporation Commission as a foreign corporation, whose place of business was 2415 East  
8 Camelback Road, Suite #700, Phoenix, Arizona 85016. On or around October 9, 2002, Clear Energy  
9 filed a statement of change of known place of business to 14022 North 47<sup>th</sup> Street, Phoenix, Arizona  
10 85032-5543.

11       4. On or around June 5, 2001, Clear Energy issued a stock certificate to OMNI for 5,500,000  
12 shares of unregistered common stock. The certificate stated that the shares were restricted, and  
13 "transferable only on the books of the Corporation by the holder hereof in person or by duly  
14 authorized Attorney upon surrender of this Certificate properly endorsed." On or around January 1,  
15 2002, Clear Energy issued a second stock certificate to OMNI for 500,000 shares of unregistered  
16 common stock, bearing the same restrictions on transferability.

17       5. OMNI was at all relevant times the majority shareholder of the stock of Clear Energy.

18       6. From on or around September 9, 2003 through November 17, 2004, Respondents offered and  
19 sold stock from the OMNI shares of Clear Energy to investors in Arizona and other states, at least  
20 some of whom were unaccredited investors.

21       7. Many investors received no written disclosure or documentation concerning Clear Energy or  
22 its principals. Some investors received only receipts for their investments. Some investors received  
23 stock certificates representing ownership of Clear Energy stock.

24       8. Respondents distributed receipts and/or stock certificates, which they printed on their own  
25 printer, to private investors. The certificates purported to transfer shares of Clear Energy stock from  
26 OMNI's stockholdings. The shares were not transferred on the books of Clear Energy.

1 9. CHRIS DEDMON and KIM DEDMON agreed to transfer approximately 1,867,377 shares of  
2 Omni's Clear Energy stock to approximately 100 investors in exchange for investment funds totaling  
3 approximately \$535,700.

4 **II.**

5 **CONCLUSIONS OF LAW**

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

8 2. Respondents offered or sold securities within or from Arizona, within the meaning  
9 of A.R.S. §§ 44-1801(15), 44-1801(21), and 44-1801(26).

10 3. Respondents violated A.R.S. § 44-1841 by offering or selling securities that were  
11 neither registered nor exempt from registration.

12 4. Respondents violated A.R.S. § 44-1842 by offering or selling securities while  
13 neither registered as dealers or salesmen nor exempt from registration.

14 5. Respondents violated A.R.S. § 44-1991 by failing to disclose that the certificates  
15 were not transferred on the books of Clear Energy.

16 6. Respondents' conduct is grounds for a cease and desist order pursuant to A.R.S. §  
17 44-2032.

18 7. Respondents' conduct is grounds for an order of restitution pursuant to A.R.S. § 44-  
19 2032.

20 8. Respondents' conduct is grounds for administrative penalties under A.R.S. § 44-  
21 2036.

22 **III.**

23 **ORDER**

24 **THEREFORE**, on the basis of the Findings of Fact, Conclusions of Law, and Respondents'  
25 consent to the entry of this Order, attached and incorporated by reference, the Commission finds  
26

1 that the following relief is appropriate, in the public interest, and necessary for the protection of  
2 investors:

3 IT IS ORDERED, pursuant to A.R.S. § 44-2032, that Respondents permanently cease and  
4 desist from violating the Securities Act. Respondents shall not sell any securities in or from  
5 Arizona without being registered in Arizona as dealers or salesmen, or exempt from such  
6 registration. Respondents shall not sell securities in or from Arizona unless the securities are  
7 registered in Arizona or exempt from registration. Respondents shall not transact business in  
8 Arizona as investment advisers or investment adviser representatives unless licensed in Arizona or  
9 exempt from licensure.

10 IT IS FURTHER ORDERED that Respondents comply with the attached Consent to Entry  
11 of Order.

12 IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2032 and A.A.C. Rule R14-4-308,  
13 that Respondents shall, jointly and severally, pay restitution to investors shown on the records of  
14 the Commission in the amount of \$656,676.87, subject to any legal set-off, and shall pay interest at  
15 the rate of 5% per annum from the date of this Order. Payment shall be due on the date of this  
16 Order and shall be made by cashier's check or money order payable to the "State of Arizona" to be  
17 placed in an interest-bearing account maintained and controlled by the Commission. The  
18 Commission shall disburse the funds on a pro rata basis to investors. Any funds that the  
19 Commission is unable to disburse shall be transferred to the general fund of the state of Arizona.

20 IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2036, that Respondents shall, jointly  
21 and severally, pay administrative penalties in the amount of \$5,000, plus interest at the rate of 5%  
22 per annum from the date of this Order until paid in full. Payment shall be made by cashier's  
23 checks or money orders payable to the "State of Arizona," due and payable on the date of this  
24 Order.

25 ...

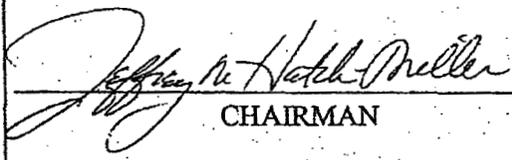
26 ...

1 IT IS FURTHER ORDERED, that if any Respondent fails to comply with this order, the  
2 Commission may bring further legal proceedings against that Respondent including application to  
3 the superior court for an order of contempt.

4 IT IS FURTHER ORDERED that this Order shall become effective immediately.

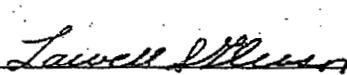
5 BY ORDER OF THE ARIZONA CORPORATION COMMISSION

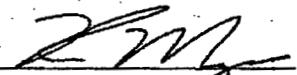
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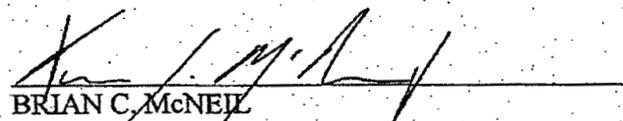
COMMISSIONER

  
COMMISSIONER

  
COMMISSIONER

  
COMMISSIONER

IN WITNESS WHEREOF, I, BRIAN C. McNEIL,  
Executive Director of the Arizona Corporation  
Commission, have hereunto set my hand and caused the  
official seal of the Commission to be affixed at the  
Capitol, in the City of Phoenix, this 23<sup>rd</sup> day of  
September, 2005.

  
BRIAN C. McNEIL  
Executive Director

DISSENT

DISSENT

This document is available in alternative formats by contacting Linda Hogan, Executive Assistant  
to the Executive Director, voice phone number 602-542-3931, E-mail [lhogan@azcc.gov](mailto:lhogan@azcc.gov).

(ptj)



1 factual basis. Respondents will undertake steps necessary to assure that all of their agents and  
2 employees understand and comply with this agreement.

3       7. While this Order settles this administrative matter between Respondents and the  
4 Commission, Respondents understand that this Order does not preclude the Commission from  
5 instituting other administrative proceedings based on violations that are not addressed by this  
6 Order.

7       8. Respondents understand that this Order does not preclude the Commission from  
8 referring this matter to any governmental agency for administrative, civil, or criminal proceedings  
9 that may be related to the matters addressed by this Order.

10       9. Respondents understands that this Order does not preclude any other agency or  
11 officer of the state of Arizona or its subdivisions from instituting administrative, civil or criminal  
12 proceedings that may be related to matters addressed by this Order.

13       10. Respondents agree that they will not apply to the state of Arizona for registration as  
14 a securities dealer or salesman or for licensure as an investment adviser or investment adviser  
15 representative at any time in the future.

16       11. Respondents agree that they will not exercise any control over any entity that offers  
17 or sells securities or provides investment advisory services within or from Arizona at any time in  
18 the future.

19       15. Respondents acknowledge and understand that if they fail to comply with the  
20 provisions of the order and this consent, the Commission may bring further legal proceedings  
21 against them, including application to the superior court for an order of contempt.

22       16. Respondents agree that until restitution and penalties are paid in full, Respondents shall  
23 notify the Director of the Securities Division within 30 days of any change in home address and  
24 any change in Respondents' ability to pay amounts due under this Order. Respondents agree that  
25 they shall provide the Commission with an updated financial statement every six months from  
26 entry of this Order or when any change in their ability to pay restitution occurs. Respondents agree

1 that failure to perform any action in this paragraph shall result in their being in default with any  
2 outstanding balance being immediately due and payable without notice or demand.

3 17. Respondents understand that default shall render them liable to the Commission for  
4 its costs of collection and interest at the maximum legal rate.

5 19. Respondents agree that they will continue to cooperate with the Securities Division  
6 including, but not limited to, providing complete and accurate testimony at any hearing in this  
7 matter and cooperating with the state of Arizona in any related investigation or any other matters  
8 arising from the activities described in this Order.

9 20. Respondents CHRISTOPHER D. DEDMON and Respondent KIMBERLY  
10 DEDMON acknowledge that any restitution or penalties imposed by this Order are obligations of  
11 the Respondent as well as the marital community.

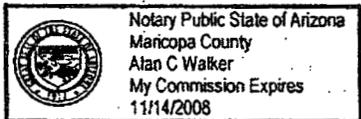
12 21. Respondents consent to the entry of this Order and agree to be fully bound by its  
13 terms and conditions.

14 22. KIMBERLY DEDMON represents that she is President of OMNI HORIZON  
15 GROUP, LLP and has been authorized by OMNI HORIZON GROUP, LLP to enter into this Order  
16 for and on behalf of it. KIMBERLY DEDMON represents that she is authorized by law to enter  
17 into this Order for and on behalf of OMNI HORIZON GROUP, LLP.

18  
19   
CHRISTOPHER D. DEDMON

20 State of Arizona )  
21 County of \_\_\_\_\_ )

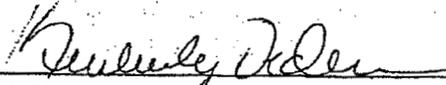
22 SUBSCRIBED AND SWORN TO BEFORE me this 9 day of August, 2005.



24   
NOTARY PUBLIC

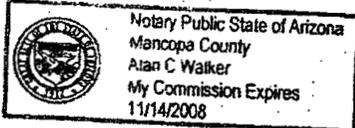
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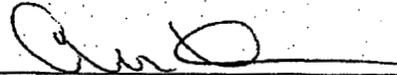
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KIMBERLY DEDMON

State of Arizona )  
County of \_\_\_\_\_ )

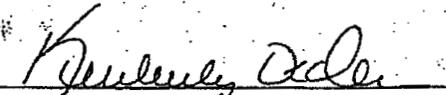
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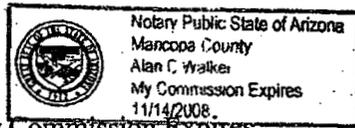
My Commission Expires:  
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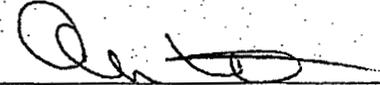
OMNI HORIZON GROUP, LLP

  
By KIMBERLY DEDMON  
Its Managing Member

State of Arizona )  
County of \_\_\_\_\_ )

SUBSCRIBED AND SWORN TO BEFORE me this 9 day of August, 2005.



  
NOTARY PUBLIC

My Commission Expires:  
\_\_\_\_\_

**EXHIBIT B**

# Clear Energy Systems plans new HQ, 225 jobs

by J. Craig Anderson - Jun. 19, 2012 11:31 AM  
The Arizona Republic

A Tempe company has broken ground on a new headquarters and manufacturing plant, a move that will create about 225 jobs over the next three years, the company said.

The portable power-generating systems to be built by Clear Energy Systems at the planned 158,000-square-foot facility, located at 7825 S. Hardy Drive in Tempe, will generate 1 megawatt of electricity, the company said, enough to power 250 homes at once.

The generators will operate on natural gas or other spark-ignited fuels, such as biofuel, or liquid gases, such as methane. The units will be ideal for remote oil exploration or mining, according to Tony Carmen, the company's CEO.

Each unit will be relatively light at about 15,000 pounds, about a third the size of a conventional diesel generator, and could also be transported by helicopter to provide quick power after natural disasters and other emergencies, according to Carmen.

The new plant represents an investment of about \$10 million, on top of about \$30 million Clear Energy Systems already has invested in developing its Genesis 1000 power generating systems, the company said.

The products will be distributed worldwide, possibly including China, Carmen has said. The company considered Arizona and Michigan for the new site but Arizona offered better incentives, he said.

Arizona Commerce Authority officials have said the incentives will be performance-based, as laid out in the state's 2009 Renewable Energy Tax Incentive Program.

Clear Energy Systems also may be able to tap into a \$25 million deal-closing fund legislators created in 2011.

**EXHIBIT C**

**ORIGINAL NEW APPLICATION**

**BEFORE THE ARIZONA CORPORATION COMMISSION**

COMMISSIONERS

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

Arizona Corporation Commission

**DOCKETED**

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ARIZONA CORPORATION COMMISSION  
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In the matter of:

CHRISTOPHER DEAN DEDMON  
CRD#3015575 and KIMBERLY DEDMON,  
husband and wife,

ROBERT R. COTTRELL (a.k.a. "ROB  
COTTRELL"),

SDC MONTANA CONSULTING, LLC  
(a.k.a., d.b.a., a.b.n. "SDC MONTANA" and  
"SDC MONTANA OIL & GAS  
EXPLORATION"), an Arizona limited  
liability company,

RSC ADVENTURES LLC, an Arizona  
limited liability company,

Respondents.

DOCKET NO. S-03479A-12-0360

**NOTICE OF OPPORTUNITY FOR HEARING  
REGARDING PROPOSED ORDER TO  
CEASE AND DESIST, ORDER FOR  
RESTITUTION, ORDER FOR  
ADMINISTRATIVE PENALTIES AND  
ORDER 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 CHRISTOPHER DEAN DEDMON CRD#3015575, ROBERT R. COTTRELL (a.k.a. "ROB COTTRELL"), SDC MONTANA CONSULTING, LLC (a.k.a., d.b.a., a.b.n. "SDC MONTANA" and "SDC MONTANA OIL & GAS EXPLORATION"), and RSC ADVENTURES, LLC, 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").

1 The Division further alleges that Respondent CHRISTOPHER DEAN DEDMON  
2 (“DEDMON”) directly or indirectly controlled Respondent SDC MONTANA CONSULTING,  
3 LLC (“SDC”) within the meaning of A.R.S. § 44-1999; DEDMON is jointly and severally liable  
4 with, and to the same extent as SDC, for the SDC’s violations of the anti-fraud provisions of the  
5 Securities Act.

6 I.  
7 JURISDICTION

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

10 II.  
11 RESPONDENTS

12 2. At all relevant times, Respondent DEDMON has been a married man and an  
13 Arizona resident.

14 3. At all relevant times, DEDMON has been offering and selling limited liability  
15 company (“LLC”) membership interests issued by Respondent SDC (a.k.a., d.b.a., a.b.n. “SDC  
16 MONTANA” and “SDC MONTANA OIL & GAS EXPLORATION”) within or from Arizona as  
17 its member, managing general partner and investment salesman.

18 4. At all relevant times, DEDMON has not been registered by the Commission as a  
19 securities salesman or dealer.

20 5. At all relevant times, Respondent ROBERT R. COTTRELL (a.k.a. “ROB  
21 COTTRELL”) (“COTTRELL”) was an Arizona resident.

22 6. At all relevant times, COTTRELL has been offering and selling LLC membership  
23 interests issued by SDC: (a) in his individual capacity; (b) on behalf of SDC as its member, partner  
24 and investment salesman; and (c) on behalf of Respondent RSC ADVENTURES, LLC (“RSCA”)  
25 as its managing member and investment salesman.  
26



1           16. As generally explained on the "Home" page of Respondents' website at  
2 [www.sdcmontana.com](http://www.sdcmontana.com) ("Website");

3           SDC Montana is an oil and gas firm based in Plentywood, MT that assists in the  
4 acquisition, development, and exploration of oil and natural gas in the Bakken [oil  
shale] rock formation [located, in part, within Montana]...

5           Currently, SDC Montana has operations across Roosevelt, Sheridan and Daniels  
6 counties of Montana covering over 175,000 acres of prospect land and continues to  
grow in size.

7           17. Respondents' Website includes several color photos of oil and gas wells. The  
8 "Current Projects" page of the Website further includes maps regarding Respondents' Montana  
9 oil and gas claims and/or Business operations.

10           18. Prior to February 2012, the Website included an "Investors" page that: (a) stated  
11 that "Investors Information" [sic] is "Coming Soon;" and (b) included two telephone numbers  
12 and an email address that potential investors could use to request additional information from  
13 Respondents (the "Investor Page").

14           19. At all relevant times, potential Arizona investors could also request additional  
15 information from Respondents by completing a form on the "Contact Us" page of Respondents'  
16 Website.

17           B. **The LLC Membership Interests and Summary of Offering**

18           20. From approximately July 2010 through at least October 2011, Respondents issued,  
19 offered and sold, within and from Arizona, LLC membership interests in SDC (the "Membership  
20 Interests").

21           21. The Membership Interests have not been registered with the Commission as  
22 securities to be offered and sold within or from Arizona.

23           22. At all relevant times, Respondents have referred to these Membership Interests as  
24 "points" such that a one-percent Membership Interest equals one point.

25  
26

1           23.     At or around the time SDC was organized in July 2010, SDC issued to SDC's  
2 three founding members Membership Interests totaling 100 points with 40 points going to  
3 DEDMON, 30 points going to COTTRELL, and 30 points going to a third LLC member.

4           24.     From approximately July 2010 to October 2011, Respondents sold Membership  
5 Interests totaling 34.375 points to 13 different investors. Eight of these investors resided in  
6 Arizona; the remaining five investors resided in Florida, North Dakota and Wisconsin.

7           25.     These 13 investors invested a total of approximately \$519,000 in SDC.

8           26.     Principal investment amounts ranged from \$6,000 (for .125 of a point) to  
9 \$233,000 (for 13 total points).

10          27.     The proceeds from these sales went to SDC for its general use.

11          28.     Several investors also received the following documents from SDC:

12           a)     At least four investors received a one-page "Confidential Disclosure  
13 Agreement" to be completed by the investor and his/her spouse (the "Confidentiality  
14 Agreements");

15           b)     At least five investors received a one-page "Stock Registration Form"  
16 written on SDC company letterhead which to be completed by investors to let  
17 Respondents know, for instance, how their SDC Membership Interests should be titled;  
18 and

19           c)     At least six investors received a copy of the five-page SDC "Limited  
20 Liability Company Operating Agreement" ("Operating Agreement").

21          29.     Each copy of the Operating Agreement given to each investor was identical except  
22 in two regards: 1) the signature page would have the investors name as a signee and 2) the list of  
23 members would list the persons who were members at the time of signing.

24          30.     The Operating Agreement states that SDC is a "Manager-Managed" LLC and that  
25 DEDMON is SDC's "Managing General Partner"; at all relevant times, DEDMON has acted in  
26 this capacity.

1           31.   None of these documents contain any disclosure of risk related to the purchase of  
2 the Membership Interests.

3           32.   The Operating Agreement states that DEDMON must approve “[a]ll sales or  
4 assignments of any” Membership Interests.

5           33.   As Managing Partner, DEDMON approved several transactions in which  
6 Membership Interests were resold.

7           34.   Respondents RSCA and COTTRELL have resold RSCA’s Membership Interests  
8 totaling approximately 2.4 points to five different persons for a total of \$80,000 from January  
9 2011 to November 2011.

10          35.   Respondent COTRELL told at least one investor that the investment was a “slam  
11 dunk” and “risk free.”

12           C.    The Arizona Offeree

13          36.   In September and October 2011, an Arizona resident (the “offeree”) viewed  
14 Respondents’ Website and the “Investors” page from Arizona.

15          37.   On October 6, 2011, the offeree called the telephone number listed on the  
16 “Investors” page of the Website and left a message providing the offeree’s Arizona telephone  
17 number (*i.e.*, 480 prefix), and stated that the offeree wanted to speak to someone about pursuing a  
18 potential investment opportunity with SDC.

19          38.   On October 6, 2011, DEDMON telephoned the offeree to follow up on the  
20 offeree’s investment inquiry. The offeree was unavailable and DEDMON left a voice mail  
21 message for the offeree that stated: (a) that the caller was DEDMON with “SDC Montana;” and  
22 (b) provided the offeree with DEDMON’s Arizona telephone number (*i.e.*, 602 prefix).

23          39.   On October 7, 2011, the offeree called DEDMON’s Arizona telephone number  
24 and spoke to DEDMON. During this call, the offeree told DEDMON that the offeree had  
25 approximately \$100,000 to invest and that the offeree was contacting Respondents to see if there  
26 were any private investments for sale.

1           40.     In Response, DEDMON represented to the offeree during call that there were a  
2 couple of SDC investors who may be willing to sell the offeree some or a portion of their  
3 Membership Interests. DEDMON also told the offeree that Respondents had recently completed  
4 \$22,500,000 in Business sales, that Respondents currently have "about \$15,000,000" owed to  
5 Respondents, and, "in the next day or two" Respondents would execute another Business  
6 "contract for about \$50,000,000."

7           41.     On October 7, 2011, COTTRELL sent the offeree a text message to the offeree's  
8 Arizona telephone number that stated that COTTRELL was "from SDC Montana" and that  
9 DEDMON had provided COTTRELL with the offeree's contact information.

10          42.     On October 11, 2011, COTTRELL sent an email to the offeree that stated that,  
11 although the investment opportunity was "sold out" and was "so very close to [its] first payout,"  
12 he might be willing to "let a few points go."

13          43.     Attached to COTTRELL's October 11, 2011, email was a one-page "SDC  
14 Montana Executive Summary." The SDC Executive Summary describes SDC's mineral-acre  
15 holdings in Montana and potential joint ventures and leasing options for these holdings. It did  
16 not discuss any risks associated with investing in SDC.

17          44.     On October 13, 2011, COTTRELL sent an email to the offeree that states that  
18 Respondents might be able to sell the offeree investments for "as low as \$40-80K," that  
19 COTTRELL was working on "other possibilities" in order to sell the offeree more investments,  
20 and that the investments were "great with incredible short-term and long-term return[s]."

21          45.     On October 15, 2011, COTTRELL wrote an email to the offeree that states that  
22 Respondents would soon realize significant Business revenues and profits, that Respondents  
23 would share with investors the profits "within a matter of a couple of months at the most," the  
24 payouts would be based on the points owned by each investor, and that investor payouts could  
25 occur possibly much sooner.

26          46.     The email did not discuss any risks associated with the investment.

1           47.     The email contained projections of payouts that an SDC point-holder could obtain.  
2     The projected payout from selling mineral rights had a projection labeled "our plan" of \$400,000  
3     per point and a "conservative projection" of \$100,000 payout per point. The projected payment  
4     from ongoing drilling activities had a "conservative projection" with a monthly payout of \$1,800  
5     per point and an "our plan" monthly payout of \$36,000 per point. COTTRELL further explained  
6     that under the conservative projections "an \$80,000 investment should return \$200,000 plus  
7     \$3,600 per month in ongoing royalties."

8           48.     On October 16, 2011, COTTRELL sent the offeree an email stating that  
9     COTTRELL would likely decide to allow the offeree to purchase three of COTTRELL's  
10    Membership Interests (*i.e.*, three "points") held in the name of RSCA and that the funds would  
11    go from the offeree to RSC ADVENTURES LLC; the paperwork in terms of corporate  
12    documents would all come directly and officially from SDC Montana LLC.

13          49.     In his October 16, 2011, email to the offeree, COTTRELL also provided the  
14    offeree with COTTRELL's Arizona bank account information so that the offeree could wire to  
15    COTTRELL the payment for the Membership Interests.

16          50.     On October 17, 2011 COTTRELL sent the offeree an email with the following  
17    documents attached: Confidentiality Agreement, Cover Letter, Operating Agreement and Stock  
18    Registration Form.

19          51.     On October 18, 2011, COTTRELL sent an email to the offeree that included a  
20    one-page, color "Memorandum of Understanding" dated October 17, 2011, and signed by  
21    COTTRELL in his capacities as the Partner of both SDC and RSCA stating that RSCA was  
22    selling to the offeree Membership Interests equaling a "three percent ownership" interest in SDC,  
23    and that: "It is understood by all parties that the sole purpose of SDC Montana Consulting LLC is  
24    for lease acquisition, drilling, and all other aspects that may pertain to oil and gas exploration in  
25    the Williston Basin (Bakken Field) located in North Dakota and Montana."  
26

1           52.    Prior to providing the offeree with these documents and wiring instructions,  
2 COTTRELL did not conduct any inquiry, or ask the offeree, a total stranger, whether the offeree  
3 was an “accredited” or sophisticated investor who had, for instance, previously invested in or  
4 managed an oil and gas business.

5           **D.    General LLC Membership Interest Allegations**

6           53.    Except for the purchasers of the 2.4 points that RSCA/COTTRELL resold for  
7 COTTRELL’s own benefit (described in paragraph 34 above), the majority of investors paid for  
8 their Membership Interests with checks, cashier’s checks, money orders or wire transfers payable  
9 to SDC, and they sent the payments to SDC and DEDMON in Arizona. SDC and DEDMON  
10 caused the investment funds to be deposited into Arizona and Montana bank accounts owned and  
11 controlled by SDC and DEDMON.

12          54.    At all relevant times, respondents SDC and DEDMON have represented to  
13 offerees and investors that SDC will combine, pool or commingle the Membership Interest funds  
14 together to fund and operate SDC’s Business and, for instance, acquire oil, gas and mineral  
15 rights, and facilitate drilling for oil and gas.

16          55.    At all relevant times, respondents SDC and DEDMON further represented to  
17 offerees and investors that SDC and DEDMON would manage the essential aspects of the  
18 Business, and that SDC’s ability to repay purchasers their principal investments and projected  
19 profits was interwoven with and primarily dependent on SDC and DEDMON’s business  
20 expertise, operational experience and knowledge of the current Montana oil and gas industry.

21          56.    For instance, the “Current Projects” and “Environmental Responsibilities” pages  
22 of SDC’s Website state that SDC or its agents will implement sophisticated “technologies such as  
23 horizontal drilling” and “hydraulic fracturing” to “break rock along the length of a well to enable  
24 the oil to flow and be extracted” from SDC’s “potentially very large” oil and gas claims within  
25 the Bakken oil shale rock formation.

26

1           57. The Operating Agreement further states that DEDMON, as SDC's "managing  
2 general partner," has the "primary responsibility" for managing the Business and Membership  
3 Interest funds, and grants DEDMON the authority to, without limitation: (a) "make all decisions"  
4 on behalf of SDC; (b) purchase, sell, develop or lease SDC's assets; (c) execute loans and other  
5 contracts on behalf of SDC; and (d) hire or manage employees.

6           58. To date, Membership Interest investors have not yet received back their principal  
7 investment funds or promised profits.

8           **E. Respondents' Non-Disclosure of DEDMON's Previous Violations of the Arizona**  
9           **Securities Act and Related Order and Consent**

10           59. On April 27, 2005, the Division filed a Notice of Opportunity for Hearing  
11 Regarding Proposed Order to Cease and Desist, Order for Restitution, Order for Administrative  
12 Penalties and for Other Affirmative Action (the "Notice") against DEDMON and Omni Horizon  
13 Group, LLP ("Omni"), an Arizona limited liability partnership.

14           60. The Notice ultimately resulted in the Division obtaining an "Order to Cease and  
15 Desist, Order of Restitution, Order for Administrative Penalties, and Consent to Same" that  
16 DEDMON and Omni executed on August 9, 2005 and was approved by the Commission on  
17 September 23, 2005, as Decision No. 68160.

18           61. Decision No. 68160 includes findings of fact and conclusions of law made by the  
19 Commission that DEDMON and Omni violated the registration provisions of the Securities Act,  
20 A.R.S. §§ 44-1841 and 44-1842, by selling unregistered securities within and from Arizona while  
21 not registered as securities salesmen or dealers. Decision No. 68160 further includes findings  
22 that DEDMON and Omni violated the anti-fraud provision of the Securities Act, A.R.S. § 44-  
23 1991, by failing to disclose to their investors that the stock certificates they sold would not be  
24 properly transferred on the corporate books of issuing company.

25           62. In Decision No. 68160 the Commission ordered DEDMON and Omni to: (a)  
26 permanently cease and desist from violating the Securities Act; (b) pay restitution to their  
investors totaling \$656,676.87, with interest thereon at the rate of five percent per annum until

1 paid in full; and (c) to pay an administrative penalty totaling \$5,000, with interest thereon at the  
2 rate of five percent per annum until paid in full.

3 63. In Decision No. 68160, DEDMON further agreed to never “exercise any control  
4 over any entity that offers or sells securities...within or from Arizona at any time in the future.”

5 64. As of July 2012, DEDMON, his spouse and Omni had paid only \$16,276 towards  
6 satisfaction of their restitution and penalty obligations as set forth in Decision No. 68160.

7 65. At all relevant times, Respondents failed to disclose Decision No. 68160 to  
8 Membership Interest offerees and investors.

9 **G. Respondents’ Non-Disclosure of DEDMON’s Previous Bankruptcies**

10 66. Unbeknownst to Membership Interest offerees and investors, DEDMON and his  
11 spouse voluntarily filed a Chapter 7, no-asset bankruptcy petition in the United States District  
12 Court, District of Arizona, No. 2:09-bk-33352-RJH, on December 24, 2009. DEDMON’s  
13 bankruptcy schedules state that he and his spouse were seeking to discharge \$3,427,189 in debt,  
14 including the amount owed under Decision No. 68160, and that they had assets of only \$13,600  
15 with which to satisfy said debt.

16 67. On November 15, 2010, after Respondents began offering and selling the  
17 Membership Interests, DEDMON and his spouse obtained a final order discharging their debts  
18 without payment to any creditors.<sup>1</sup> Subsequent to November 15, 2010, Respondents failed to  
19 disclose DEDMON’s bankruptcy to offerees and investors.

20 68. Unbeknownst to Membership Interest offerees and investors, DEDMON and his  
21 spouse also caused Omni to voluntarily file a Chapter 7 bankruptcy petition in the United States  
22 District Court, District of Arizona, Case 2:09-bk-33353-RTB, on December 29, 2009.

23 69. Omni’s bankruptcy petition states that Omni is seeking to discharge \$2,048,638 in  
24 debt, including the amount owed under Decision No. 68160, and that it only has assets of  
25 \$50,000 from which to satisfy such debt.

26 <sup>1</sup> Under 11 U.S.C. §§ 523(a)(19)(a)(A) & (B), debts arising from violations of the Securities Act like those set forth in  
Decision No. 68160 are not dischargeable in Chapter 7 bankruptcy proceedings.



V.

**VIOLATION OF A.R.S. § 44-1842**

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

76. Respondents offered or sold securities within or from Arizona while not registered as dealers or salesmen pursuant to Article 9 of the Securities Act.

78. This conduct violates A.R.S. § 44-1842.

VI.

**VIOLATION OF A.R.S. § 44-1991**

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

79. In connection with the offer or sale of securities within or from Arizona, Respondents directly or indirectly: (i) employed a device, scheme, or artifice to defraud; (ii) made untrue statements of material fact or omitted to state material facts that were necessary in order to make the statements made not misleading in light of the circumstances under which they were made; or (iii) engaged in transactions, practices, or courses of business that operated or would operate as a fraud or deceit upon offerees and investors. Respondents' conduct includes, but is not limited to, the following:

a) Representing to offerees and investors that they could earn substantial profits in a short period of time by purchasing the SDC Membership Interests, in part, because Respondents oil and gas Business would be managed by DEDMON as SDC's managing general partner, while further failing to disclose to them that DEDMON was previously:

(1) sanctioned by the Commission for fraudulently selling unregistered securities in violation of the Securities Act as set forth in Decision No. 68160;

(2) ordered by the Commission to pay \$656,677.87 in restitution to his previous investor victims, and \$5,000 in administrative penalties;

1 (3) that as of December 2009, only \$16,272 has been paid towards satisfaction of  
2 the Decision No. 68160 by DEDMON and his spouse; and

3 (4) that Decision No. 68160 permanently bans DEDMON from violating the  
4 Securities Act, and from exercising any control over any entity that offers or sells securities  
5 like the Membership Interests within or from Arizona;

6 b) Representing to offerees and investors that they could earn substantial profits  
7 in a short period of time by purchasing the Membership Interests, in part, because  
8 Respondents' oil and gas Business would be managed by DEDMON as SDC's managing  
9 general partner, while further failing to disclose to them about the existence of the  
10 DEDMON's 2009 bankruptcy and the related bankruptcy in which DEDMON's company  
11 Omni is seeking to discharge over \$2,000,000 in debt;

12 c) Failing to disclose risks related to purchasing the Membership Interests  
13 including, without limitation, risks related to the oil and gas industry;

14 d) Representing to offerees and investors that their investment was "risk free,"  
15 and

16 e) Failing to disclose the Division's previous enforcement action to offerees  
17 and investors and misleading investors as to the results and significance of Decision No.  
18 68160.

19 80. This conduct violates A.R.S. § 44-1991.

20 81. DEDMON directly or indirectly controlled SDC within the meaning of A.R.S. § 44-  
21 1999. As a result, DEDMON is jointly and severally liable with, and to the same extent as SDC for its  
22 violations of the anti-fraud provisions of the Securities Act set forth above.

23 **VII.**

24 **REQUESTED RELIEF**

25 The Division requests that the Commission grant the following relief:  
26



1 Persons with a disability may request a reasonable accommodation such as a sign language  
2 interpreter, as well as request this document in an alternative format, by contacting Shaylin A.  
3 Bernal, ADA Coordinator, voice phone number (602) 542-3931, e-mail [sabernal@azcc.gov](mailto:sabernal@azcc.gov).  
4 Requests should be made as early as possible to allow time to arrange the accommodation.  
5 Additional information about the administrative action procedure may be found at  
6 <http://www.azcc.gov/divisions/securities/enforcement/AdministrativeProcedure.asp>

7  
8 **IX.**

9 **ANSWER REQUIREMENT**

10 Pursuant to A.A.C. R14-4-305, if a Respondent or a Respondent Spouse requests a hearing,  
11 the requesting respondent must deliver or mail an Answer to this Notice of Opportunity for Hearing  
12 to Docket Control, Arizona Corporation Commission, 1200 W. Washington, Phoenix, Arizona  
13 85007, within 30 calendar days after the date of service of this Notice. Filing instructions may be  
14 obtained from Docket Control by calling (602) 542-3477 or on the Commission's Internet web site  
15 at <http://www.azcc.gov/divisions/hearings/docket.asp>.

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

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

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



**EXHIBIT D**

**Rosemarie Connell**

---

**From:** Ryan Millecam [RMillecam@azcc.gov]  
**Sent:** Thursday, August 09, 2012 3:44 PM  
**To:** 'bmb@burtonbentley.com'  
**Cc:** Annalisa Weiss  
**Subject:** SDC Montana - Outstanding Order against Dedmons/Omni

Mr. Bentley,

As part of our pre-filing, settlement negotiations on Tuesday, we discussed the ACC's September 23, 2005 order (the "Order") against Dedmon, Dedmon's spouse, and Omni Horizon Group. The Order found fraud in the sale of unregistered securities. The Order is a final order, consented to by respondents, that has been reduced to a transcript judgment that is enforced by the Attorney General. The Division will not revisit the Order or the Order's conclusions.

Dedmon is free to bring any evidence he can produce showing that he has satisfied his restitution obligations under the Order and removed the fraud associated with the transaction. This might include, for example, sufficient evidence that the stock purchasers received money or property equal in value to the restitution amount owed. Copies of alleged Clear Energy stock certificates, dated nearly a year after the Order, are insufficient.

Any evidence of such restitution should be sent to the Attorney General's office, with copies to the Division. The Attorney General and the Division have complete discretion about how to use or not use any evidence provided.

You should also be aware that the Division's investigations are confidential by statute. And the Division will not make public the material associated with its investigation(s) of Dedmon.

Ryan J. Millecam  
Staff Attorney  
Arizona Corporation Commission, Securities Division  
1300 W. Washington, 3rd Floor  
Phoenix, AZ 85007  
(602) 542-3229 (direct line)

This message and any of the attached documents contain information from the Office of the Securities Division of the Arizona Corporation Commission that may be confidential and/or privileged. If you are not the intended recipient, you may not read, copy, distribute, or use this information, and no privilege has been waived by your inadvertent receipt. If you have received this transmission in error, please notify the sender by reply e-mail and then delete this message. Thank you.

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===== This footnote confirms that this email  
message has been scanned to detect malicious content. If you experience problems, please e-mail  
postmaster@azcc.gov =====

**EXHIBIT E**

## Alan Baskin

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**From:** Alan Baskin  
**Sent:** Friday, September 14, 2012 4:15 PM  
**To:** Ryan Millecam  
**Cc:** Burton M. Bentley  
**Subject:** SDC Montana

Ryan

As you know, along with Burton Bentley my firm now represents SDC and Mr. Dedmon.

We are anxious to resolve not only the pending matter, but to address the lingering restitution issues related to the Omni Matter (S-03479A-05-0000/Decision NO. 68160). I understand that Mr. Dedmon substantially complied with that Order by working with Clear Energy to ensure the lawful transfer of Clear Energy stock to several investors, and that these investors have been made whole (or greater than whole). I also understand that there are some investors who did not receive stock and to whom Mr. Dedmon owes restitution. He wishes to pay them back, in full, at the earliest possible time.

In order to do so, we need some very basic information, which includes the following:

1. The names, addresses and telephone numbers of all of the individuals to whom Mr. Dedmon sold Clear Energy stock, and who received subsequently received stock directly from Clear Energy.
2. The amount they paid for the shares and the amount of shares issued to those individuals.
3. The value of the shares and whether these individuals have received full restitution.
4. All documents the investors signed in connection with the issuance of their Clear Energy stock by the company.
5. The names, addresses and telephone numbers of all of the individuals to whom Mr. Dedmon sold Clear Energy stock, but who did not ultimately receive stock from the company.
6. The amounts the above paid for their stock and the total amount of restitution the ACC believes is owed to them.
7. Any other amounts the ACC believes Mr. Dedmon owes in connection with the Omni matter.

This request is made pursuant to A.R.S. § 44-2042(A) and for the purpose of identifying all of the investors to whom Mr. Dedmon owes money so he can pay them back and resolve the pending judgment against him and his wife. Mr. Dedmon provided much of this information to the ACC and it is most definitely not contrary to the public interest to release the information. Indeed it is in the best interests of the public, the investors and the ACC that Mr. Dedmon receive this information so he can satisfy his obligations. Because Clear Energy is a publically traded company, we also believe the Division needs to produce the above because it is already a matter of public record.

Please provide the requested information at your earliest convenience. We look forward to discussing the amicable resolution of both this matter and the pending matter when we meet on Tuesday, September 18.

Thanks

Alan

Alan Baskin  
Bade Baskin Richards PLC  
80 East Rio Salado Parkway, Suite 511  
Tempe, Arizona 85281  
Telephone: 480-968-1225  
Facsimile: 480-968-6255  
E-mail: [alan@bbrplc.com](mailto:alan@bbrplc.com)

**EXHIBIT F**

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

ERNEST G. JOHNSON  
EXECUTIVE DIRECTOR



MATTHEW J. NEUBERT  
DIRECTOR

SECURITIES DIVISION  
1300 West Washington, Third Floor  
Phoenix, AZ 85007  
TELEPHONE: (602) 542-4242  
FAX: (602) 388-1335  
E-MAIL: securitiesdiv@azcc.gov

**ARIZONA CORPORATION COMMISSION**

November 16, 2012 .

Alan Baskin  
Bade Baskin Richards  
80 East Rio Salado Parkway, Suite 511  
Tempe, AZ 85281

RE: SDC Montana Consulting, LLC

Dear Mr. Baskin:

In response to your request, enclosed with this letter is a list of those persons whom the Division identified as investors in Docket No. S-03479A-05-0000, along with the dollar amount each investor invested.

Please call with any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Ryan J. Millecam".

Ryan J. Millecam  
Staff Attorney

<u>Last Name</u>	<u>First</u>	<u>Amount</u>
Aldrich - RT	Ardelle S	10,000.00
Bensemon	Richard	1,500.00
Bohnert	Curtis & Barbara I	24,500.00
Brown	James	7,500.00
Butt	Ronald	2,500.00
Carcione	Fredrick D	3,000.00
Cebulski	Scott	2,500.00
Chalmers	Amos	10,000.00
Coombs	David	4,500.00
Crouse	Ronald S & Shelley R	7,500.00
Davenport	Todd & Joi	6,500.00
Dietrichs	Rudy	2,500.00
Ekberg	Niel Bryce	2,000.00
Engen	Robert	2,500.00
Engen	Steve	5,000.00
Engen	Robert	2,500.00
Erickson	Bradley T	4,000.00
Foote	Randall D	1,000.00
Glynn	James P	5,000.00
Glynn	Timothy	2,500.00
Guida	Michael & Pamela A	17,500.00
Guthrie	Ronald	2,500.00
Guthrie	Rick	2,500.00
Hansen	Mable Keck	4,000.00
Hendrickson	Chris	5,000.00
Jean	Katherine A	2,500.00
Jennings	Kevin J	3,500.00
Johnson	Dave & Lauri Serota	16,093.75
Klein	Mike	7,300.00
McCarthy Jr	John A & Cynthia L	1,000.00
Mercurio Jr	Phillip	5,000.00
Miller	Mark A	2,500.00
Miller	Stan & Judith	15,000.00
Modena	Michael	2,500.00
Monteleone	Anthony J & Linda M	4,000.00
Murray	Jeannie	2,500.00
Naimo	Anthony	2,000.00
Nickel	Alex Wong	2,500.00

Nickel	Dale	5,000.00
Nickel	Kevin	12,500.00
Nickel	Chase	5,000.00
Nickel	Mark	9,093.75
Nickel	Robert	50,000.00
Obeidi Sinclair's Gallery		3,000.00
Parsons	Mark	50,000.00
Pieters	Bram & Nellie	10,000.00
Pope	Linda	2,500.00
Pope Jr	Frederick E	5,000.00
Prine	Roland D or Pamela B	7,500.00
Ransom	W Irving	5,000.00
Reynolds	Ralph E & Barbara L	5,000.00
Reynolds	Rick	10,000.00
Reynolds Jr	Ralph	7,500.00
Ricci-Webb	Christine	4,000.00
Rondberg	Randy & Debbie	10,000.00
Seifman	Thomas	6,000.00
Seligmiller	Brian	7,500.00
Serota	Barry M & Cynthia A	20,000.00
Stinnett	Renee	50,000.00
Stinnett	Sharon	7,500.00
Swortzel	Richard	20,250.00
Swortzel	Robert	35,000.00
Tapella	Fred	20,000.00
Tartaglio	Edward	30,000.00
Totman	James T	500.00
Trepak	Phillip	12,500.00
Walshire	Steve	2,500.00
Warner	Morgan	3,200.00
Wengred	Robin	2,500.00
Whitten	Ruben	5,000.00
Willse	George	39,500.00
Winn	John	3,500.00
Workman	Hugh Lene	2,000.00
Workman	Kit K	9,000.00
Workman	Tony	12,000.00
Workman	Tony & Kit	6,000.00
Zobler	Eric	7,500.00

**EXHIBIT G**

1 Burton M. Bentley (Bar No.: 000980  
THE BENTLEY LAW FIRM, P.C.  
5333 N. 7th St., Suite C-121  
2 Phoenix, AZ 85014  
Phone: (602) 861-3055  
3 Fax: (602) 861-3230  
E-mail: [bmb@burtonbentley.com](mailto:bmb@burtonbentley.com)

4 Alan S. Baskin (Bar No. 013155)  
BADE BASKIN RICHARDS PLC  
5 80 E. Rio Salado Parkway, Suite 511  
Tempe, AZ 85281  
6 Phone: (480) 968-1225  
7 Fax: (480) 968-6255  
E-mail: [alan@bbrplc.com](mailto:alan@bbrplc.com)

8 Attorney for Respondents

9  
10 **BEFORE THE ARIZONA CORPORATION COMMISSION**

11  
12 In the matter of:

13 CHRISTOPHER DEAN DEDMON  
14 CRD#3015575 and KIMBERLY DEDMON,  
husband and wife,

15 ROBERT R. COTTRELL (a.k.a "ROB  
16 COTTRELL"),

17 SDC MONTANA CONSULTING, LLC (a.k.a.,  
18 d.b.a., a.b.n. "SDC MONTANA" and "SDC  
MONTANA OIL & GAS EXPLORATION"),  
19 an Arizona limited liability company,

20 RSC ADVENTURES LLC, an Arizona limited  
liability company,

21 Respondents.  
22

DOCKET No.: S-03479A-12-0360

**ADMINISTRATIVE SUBPOENA  
DUCES TECUM**

23 TO: Clear Energy Systems, Inc.  
24 c/o Daniel McCauley, Statutory Agent  
25 6638 E. Ashler Hills Dr.  
Cave Creek, Arizona 85331  
26

27 Pursuant to A.A.C. R14-3-109(O), it is ordered that you produce the documents listed on  
attached Exhibit "A."



EXHIBIT "A"

For the period of September 1, 2003 to the present:

1. The names, addresses, telephone numbers and e-mail addresses of all of the individuals or entities to whom Christopher Dedmon sold, gave and/or provided Clear Energy Systems, Inc. ("Clear Energy") stock, and who subsequently received stock directly from Clear Energy.

2. The amount, if any, those named in paragraph 1 paid for the shares, the amount of shares issued to those individuals by Clear Energy and the date said shares were issued.

3. All documents related to the ownership, transfer or sale of Clear Energy shares by any shareholder identified in response to paragraph 1, including, but not limited to:

- a. All communications with said shareholders;
- b. All documents related to the value of their Clear Energy stock;
- c. All documents related to the transfer of their Clear Energy stock, including date of transfer and consideration, if any, paid for the shares; and
- d. Name, address, telephone number and e-mail address of any transferees.

4. To the extent not provided in response to paragraph 3, all documents related to the ownership, transfer or sale of Clear Energy stock by the shareholders listed in attached Exhibit "B," including but not limited to:

- a. Name, address, telephone number and e-mail address for said shareholders;
- b. Amount paid for the shares, the amount of shares issued to those individuals by Clear Energy and the date said shares were issued;
- c. All communications with said shareholders;
- d. All documents related to the value of their Clear Energy stock;

1 e. All documents related to the transfer of their Clear Energy stock,  
2 including date of transfer and consideration, if any, paid for the shares; and

3 f. Name, address, telephone number and e-mail address of any transferees.

4 5. All valuations of Clear Energy stock.

5 6. All documents or information reflecting or relating to the present value of Clear Energy  
6 stock.

7 7. All documents signed in connection with the issuance to and/or receipt of Clear Energy  
8 stock by any individual or entity identified in response to this subpoena.

9 8. The names, addresses and telephone numbers of any individuals to whom Mr. Dedmon  
10 sold Clear Energy stock, but who did not ultimately receive stock from the company.

11 9. All communications with Clear Energy shareholders.  
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## EXHIBIT "B"

<u>Last Name</u>	<u>First</u>	<u>Amount</u>
Aldrich - RT	Ardelle S	10,000.00
Bensemon	Richard	1,500.00
Bohnert	Curtis & Barbara I	24,500.00
Brown	James	7,500.00
Butt	Ronald	2,500.00
Carcione	Fredrick D	3,000.00
Cebulski	Scott	2,500.00
Chalmers	Amos	10,000.00
Coombs	David	4,500.00
Crouse	Ronald S & Shelley R	7,500.00
Davenport	Todd & Joi	6,500.00
Dietrichs	Rudy	2,500.00
Ekberg	Niel Bryce	2,000.00
Engen	Robert	2,500.00
Engen	Steve	5,000.00
Engen	Robert	2,500.00
Erickson	Bradley T	4,000.00
Foote	Randall D	1,000.00
Glynn	James P	5,000.00
Glynn	Timothy	2,500.00
Guida	Michael & Pamela A	17,500.00
Guthrie	Ronald	2,500.00
Guthrie	Rick	2,500.00
Hansen	Mable Keck	4,000.00
Hendrickson	Chris	5,000.00
Jean	Katherine A	2,500.00
Jennings	Kevin J	3,500.00
Johnson	Dave & Lauri Serota	16,093.75
Klein	Mike	7,300.00
McCarthy Jr	John A & Cynthia L	1,000.00
Mercurio Jr	Phillip	5,000.00
Miller	Mark A	2,500.00
Miller	Stan & Judith	15,000.00
Modena	Michael	2,500.00
Monteleone	Anthony J & Linda M	4,000.00
Murray	Jeannie	2,500.00
Naimo	Anthony	2,000.00
Nickel	Alex Wong	2,500.00

Nickel	Dale	5,000.00
Nickel	Kevin	12,500.00
Nickel	Chase	5,000.00
Nickel	Mark	9,093.75
Nickel	Robert	50,000.00
Obeidi Sinclair's Gallery		3,000.00
Parsons	Mark	50,000.00
Pieters	Bram & Nellie	10,000.00
Pope	Linda	2,500.00
Pope Jr	Frederick E	5,000.00
Prine	Roland D or Pamela B	7,500.00
Ransom	W Irving	5,000.00
Reynolds	Ralph E & Barbara L	5,000.00
Reynolds	Rick	10,000.00
Reynolds Jr	Ralph	7,500.00
Ricci-Webb	Christine	4,000.00
Rondberg	Randy & Debbie	10,000.00
Seifman	Thomas	6,000.00
Seligmiller	Brian	7,500.00
Serota	Barry M & Cynthia A	20,000.00
Stinnett	Renee	50,000.00
Stinnett	Sharon	7,500.00
Swortzel	Richard	20,250.00
Swortzel	Robert	35,000.00
Tapella	Fred	20,000.00
Tartaglio	Edward	30,000.00
Totman	James T	500.00
Trepak	Phillip	12,500.00
Walshire	Steve	2,500.00
Warner	Morgan	3,200.00
Wengred	Robin	2,500.00
Whitten	Ruben	5,000.00
Willse	George	39,500.00
Winn	John	3,500.00
Workman	Hugh Lene	2,000.00
Workman	Kit K	9,000.00
Workman	Tony	12,000.00
Workman	Tony & Kit	6,000.00
Zobler	Eric	7,500.00