

ORIGINAL

COMMISSIONERS
BOB STUMP, Chairman
GARY PIERCE
BRENDA BURNS
BOB BURNS
SUSAN BITTER SMITH

JODI JERICH
EXECUTIVE DIRECTOR

OPEN MEETING ITEM

6/11-12/13



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Phoenix, AZ 85007
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ARIZONA CORPORATION COMMISSION

MEMORANDUM

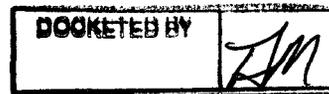
TO: Bob Stump, Chairman
Gary Pierce
Brenda Burns
Bob Burns
Susan Bitter Smith

Arizona Corporation Commission

DOCKETED

MAY 29 2013

FROM: Matthew J. Neubert *MJN*
Director of Securities



DATE: May 28, 2013

RE: *In re SDC Montana Consulting, LLC, et al., Docket No. S-03479A-12-0360*

CC: Jodi Jerich, Executive Director

ARIZONA CORPORATION COMMISSION
DOCKET CONTROL

2013 MAY 29 A 9:51

RECEIVED

Attached for your consideration is a proposed Order to Cease and Desist, Order for Administrative Penalties, and Consent to Same ("Order") entered into by Christopher D. Dedmon and SDC Montana Consulting, LLC, an Arizona limited liability company ("Respondents").

The Order finds that from approximately July 2010 to October 2011, Respondents offered and sold membership interests issued by SDC. Respondents sold these membership interests to 13 different persons for a total of \$547,500. The proceeds from these sales went to SDC where they were pooled for general use in SDC's oil and gas business. The membership interests constituted securities and were not registered with the Commission. Neither Dedmon nor SDC was licensed by the Commission to sell securities.

When selling these securities to certain purchasers, Respondents failed to disclose a 2005 Commission consent order against Dedmon that prohibited him from selling securities or exercising control over an entity that sells securities. Respondents' failure to disclose the 2005 consent order violated A.R.S. § 44-1991.

SDC Montana has made cash distributions to these purchasers in amounts exceeding the amounts they paid SDC to purchase the interests.

The Order requires Respondents to permanently cease and desist from violating the Securities Act and to pay a \$25,000 administrative penalty. The Division has received a \$25,000 cashier's check from Respondents that pays this penalty.

The Division recommends the Order as appropriate, in the public interest and necessary for the protection of investors.

Originator: Ryan J. Millecam

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 **COMMISSIONERS**

3 **BOB STUMP, Chairman**
4 **GARY PIERCE**
5 **BRENDA BURNS**
6 **BOB BURNS**
7 **SUSAN BITTER SMITH**

7 In the matter of

) DOCKET NO. S-03479A-12-0360

8 **CHRISTOPHER DEAN DEDMON**
9 **CRD#3015575 and KIMBERLY**
10 **DEDMON, husband and wife,**

) DECISION NO. _____

11 **ROBERT R. COTTRELL (a.k.a. "ROB**
12 **COTTRELL"),**

) **ORDER TO CEASE AND DESIST, ORDER**
13 **FOR ADMINISTRATIVE PENALTIES AND**
14 **CONSENT TO SAME**

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

) **Re: Respondent CHRISTOPHER DEAN**
20 **DEDMON and Respondent SDC MONTANA**
21 **CONSULTING, LLC**

22 **RSC ADVENTURES LLC, an Arizona**
23 **limited liability company,**

) **ORDER TO DISMISS**
24 **Re: KIMBERLY DEDMON**

25 **Respondents.**

26 Respondents CHRISTOPHER DEAN DEDMON, CRD#3015575 and SDC MONTANA
CONSULTING, LLC ("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 for Administrative
Penalties, and Consent to Same ("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.

The Commission, conditioned on having received full payment of the penalty described in
this Order at the time this Order is issued, voluntarily dismisses Kimberly Dedmon.

I.

FINDINGS OF FACT

1
2
3 1. At all relevant times, Respondent CHRISTOPHER DEAN DEDMON
4 CRD#3015575 (“DEDMON”) has been a married man and an Arizona resident.

5 2. At all relevant times, DEDMON has been offering and selling limited liability
6 company (“LLC”) membership interests issued by Respondent SDC MONTANA CONSULTING,
7 LLC (“SDC”) within or from Arizona as its member, managing general partner and investment
8 salesman.

9 3. DEDMON and SDC may be referred to as “Respondent(s).”

10 4. SDC was organized as an Arizona limited liability company on or about July 19,
11 2010. At all relevant times, SDC’s operating agreement has stated that SDC is a manager-managed
12 LLC. At all relevant times, SDC has maintained a place of business in Peoria, Arizona, and it
13 offered and sold LLC membership interests issued by SDC within or from Arizona.

14 5. At all relevant times, Respondents have not been registered by the Commission as a
15 securities salesman or dealer.

16 6. Kimberly Dedmon was at all relevant times an Arizona resident and the spouse of
17 DEDMON. Kimberly Dedmon was joined in this action under A.R.S. § 44-2031(C) solely for
18 purposes of determining the liability of her marital community with DEDMON.

19 **SDC’s oil Business, sale of LLC Membership Interests, and distributions to investors**

20 7. At all relevant times, SDC was engaged in oil and gas exploration and
21 development, including the procurement and sale of oil, gas and mineral rights (the “Business”).

22 8. From approximately July 2010 through at least October 2011, SDC issued and
23 Respondents offered and sold within and from Arizona, LLC membership interests in SDC (the
24 “Membership Interests”).

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

1 10. At all relevant times, Respondents have referred to these Membership Interests as
2 “points” such that a one-percent Membership Interest equals one point.

3 11. At or around the time SDC was organized in July 2010, SDC issued to SDC’s
4 three founding members Membership Interests totaling 100 points with 40 points going to
5 DEDMON, 30 points going to respondents Robert Cottrell and/or RSCA Adventures, LLC
6 (RSCA), and 30 points going to a third SDC member.

7 12. From approximately July 2010 to October 2011, Respondents sold Membership
8 Interests to 13 different investors. Eight of these investors resided in Arizona.

9 13. These investors invested a total of approximately \$547,500 in SDC.

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

11 15. 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 was to be completed by investors; the
17 information provided by investors was to let Respondents know how the investors’ SDC
18 Membership Interests should be titled; and

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

21 17. Each copy of the Operating Agreement given to each investor was identical except
22 in two regards: 1) the signature page had the particular investor’s name as a signee and 2) the list
23 of members listed the persons who were members at the time of signing.

24 18. 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 19. The Operating Agreement states that DEDMON, as SDC's "managing general
2 partner," has the "primary responsibility" for managing the Business and Membership Interest
3 funds, and grants DEDMON the authority to, without limitation: (a) "make all decisions" on
4 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 20. The Operating Agreement further states that DEDMON must approve "[a]ll sales
7 or assignments of any" Membership Interests.

8 21. As Managing Partner, DEDMON approved several transactions in which
9 Membership Interests were resold.

10 22. Some of these DEDMON-approved transactions included sales by respondents
11 RSCA and Cottrell, who from January 2011 to November 2011 sold RSCA's Membership
12 Interests totaling approximately 4.5 points to five different persons for a total of \$97,500.

13 23. Except for the purchasers of the points that RSCA/Cottrell resold for Cottrell's
14 own benefit, the majority of investors paid for their Membership Interests with checks, cashier's
15 checks, money orders or wire transfers payable to SDC, and they sent the payments to SDC and
16 DEDMON in Arizona. SDC and DEDMON caused the investment funds to be deposited into
17 Arizona and Montana bank accounts owned and controlled by SDC.

18 24. Respondents SDC and DEDMON combined, pooled or commingled the
19 Membership Interest funds to fund and operate the Business.

20 25. To date, each Membership Interest investor has received distributions from SDC
21 that exceed the investor's principal investment.

22 **The Omni Consent**

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

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IT IS FURTHER ORDERED that Kimberly Dedmon is dismissed from this action with prejudice.

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

BY ORDER OF THE ARIZONA CORPORATION COMMISSION

CHAIRMAN

COMMISSIONER

COMMISSIONER

COMMISSIONER

COMMISSIONER

IN WITNESS WHEREOF, I, JODI JERICH, 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 _____ day of _____, 2013.

JODI JERICH
EXECUTIVE DIRECTOR

DISSENT

DISSENT

This document is available in alternative formats by contacting Shaylin A. Bernal, ADA Coordinator, voice phone number 602-542-3931, e-mail sabernal@azcc.gov.

(RJM)

CONSENT TO ENTRY OF ORDER

1
2 1. Respondents Christopher Dean Dedmon, an individual (“Dedmon”), and SDC
3 Montana Consulting, LLC, an Arizona limited liability company (“SDC”) (together,
4 “Respondents”) admit the jurisdiction of the Commission over the subject matter of this
5 proceeding. Respondents acknowledge that they have been fully advised of their right to a hearing
6 to present evidence and call witnesses and Respondents knowingly and voluntarily waive any and
7 all rights to a hearing before the Commission and all other rights otherwise available under Article
8 11 of the Securities Act and Title 14 of the Arizona Administrative Code. Respondents
9 acknowledge that this Order to Cease and Desist, Order for Administrative Penalties, and Consent
10 to Same (“Order”) constitutes a valid final order of the Commission.

11 2. Respondents knowingly and voluntarily waive any right under Article 12 of the
12 Securities Act to judicial review by any court by way of suit, appeal, or extraordinary relief
13 resulting from the entry of this Order.

14 3. Respondents acknowledge and agree that this Order is entered into freely and
15 voluntarily and that no promise was made or coercion used to induce such entry.

16 4. Respondents have been represented by attorneys in this matter, Respondents have
17 reviewed this order with their attorneys, Alan Baskin and Burton Bentley, and understand all terms
18 it contains. Respondents acknowledge that their attorneys have apprised them of their rights
19 regarding any conflicts of interest arising from dual representation. Respondents acknowledge that
20 they have each given their informed consent to such representation.

21 5. Respondents neither admit nor deny the Findings of Fact and Conclusions of Law
22 contained in this Order. Respondents agree that Respondents shall not contest the validity of the
23 Findings of Fact and Conclusions of Law contained in this Order in any present or future
24 proceeding in which the Commission or any other state agency is a party concerning the denial or
25 issuance of any license or registration required by the state to engage in the practice of any business
26 or profession.

1 6. By consenting to the entry of this Order, Respondents agree not to take any action or
2 to make, or permit to be made, any public statement denying, directly or indirectly, any Finding of
3 Fact or Conclusion of Law in this Order or creating the impression that this Order is without factual
4 basis. Respondents will undertake steps necessary to assure that all of Respondents' agents and
5 employees understand and comply with this agreement. This Order is entered without trial of any
6 issue of fact. Except for in this case and any other proceeding involving the Commission, this
7 Order is not intended to have any collateral estoppel or res judicata effect against Respondents or to
8 preclude Respondents from defending themselves in such proceedings not involving the
9 Commission.

10 7. While this Order settles this administrative matter between Respondents and the
11 Commission, Respondents understand that this Order does not preclude the Commission from
12 instituting other administrative or civil proceedings based on conduct not addressed by this Order.

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

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

19 10. Respondents agree that they will not offer or sell securities, or exercise any control
20 over any entity that offers or sells securities or provides investment advisory services, within or
21 from Arizona in violation of Arizona law.

22 11. Respondents acknowledge that the penalties and interest imposed by this Order are
23 the joint and several obligations of the Respondents.

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

26

1 13. Respondents acknowledge and understand that if they fail to comply with the
2 provisions of the order and this consent, the Commission may bring further legal proceedings
3 against Respondents, including application to the superior court for an order of contempt.

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

6 15. Respondents agree and understand that if they fail to make any payment as required
7 in the Order, any outstanding balance shall be in default and shall be immediately due and payable
8 without notice or demand. Respondents agree and understand that acceptance of any partial or late
9 payment by the Commission is not a waiver of default by the Commission.

10 16. Dedmon represents that he is manager of SDC and has been authorized by name of
11 SDC to enter into this Order for and on behalf of it.

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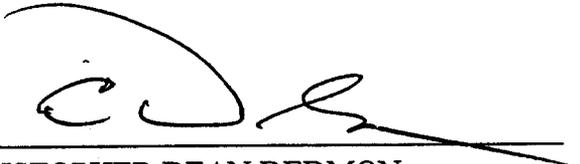
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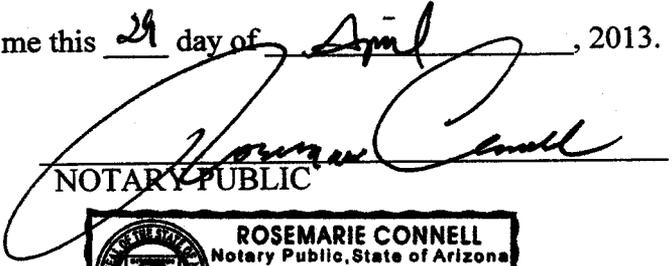
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Respondents' signature page to Consent to Entry of Order


CHRISTOPHER DEAN DEDMON

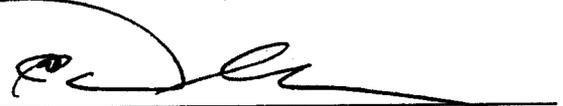
STATE OF ARIZONA)
) ss
County of)

SUBSCRIBED AND SWORN TO BEFORE me this 24 day of April, 2013.


NOTARY PUBLIC

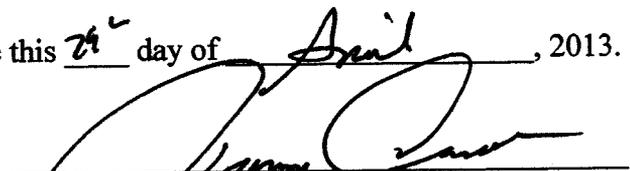
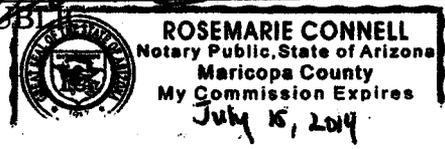

My commission expires:
July 15, 2014

SDC MONTANA CONSULTING, LLC, an
Arizona limited liability company


By: Christopher Dean Dedmon, Manager

STATE OF ARIZONA)
) ss
County of)

SUBSCRIBED AND SWORN TO BEFORE me this 24 day of April, 2013.


NOTARY PUBLIC


My commission expires:
July 15, 2014

1 SERVICE LIST FOR: SDC Montana Consulting, LLC *et al.*

2 Alan Baskin
3 Bade Baskin Richards
4 80 East Rio Salado Parkway, Suite 511
5 Tempe, AZ 85281
6 Attorneys for Respondents and Kimberly Dedmon

7 Burton Bentley
8 The Bentley Law Firm, P.C.
9 5333 N. 7th St., Suite C-121
10 Phoenix, AZ 85014
11 Attorneys for Respondents and Kimberly Dedmon

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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

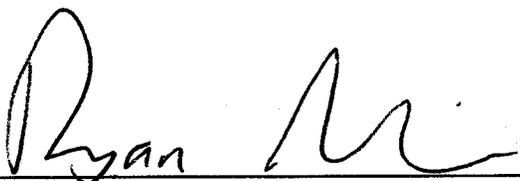
**BOB STUMP, Chairman
GARY PIERCE
BRENDA BURNS
BOB BURNS
SUSAN BITTER SMITH**

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 FILING OF PROPOSED
OPEN MEETING AGENDA ITEM
Re: Respondents Christopher Dedmon
and SDC Montana Consulting, LLC

Pursuant to A.A.C. R14-4-303, you are hereby notified that the attached Order to Cease and Desist, Order for Administrative Penalties, and Consent to Same, Re: Christopher D. Dedmon and SDC Montana Consulting, LLC, was filed with the Arizona Corporation Commission's Docket Control.

Dated: 5/29/13

By: 
Ryan J. Millecam, Staff Attorney

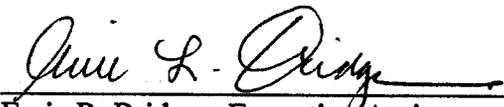
1 I hereby certify that I have this day served the foregoing document on all parties of record
2 in this proceeding by mailing a copy thereof, properly addressed with first class postage prepaid to:
3

4 Jeff Gardner
5 SACKS TIERNEY P.A.
6 4250 N. Drinkwater Blvd.
7 Fourth Floor
8 Scottsdale, Arizona 85251-3693
9 *Attorneys for Cottrell and RSC Adventures, LLC*

8 Alan Baskin
9 Bade Baskin Richards
10 80 East Rio Salado Parkway, Suite 511
11 Tempe, Arizona 85281

11 Burton Bentley
12 The Bentley Law Firm, P.C.
13 5333 North 7th Street, Suite C-121
14 Phoenix, Arizona 85014
15 *Attorneys for Respondents Dedmon and SDC Montana Consulting, LLC*

16 Dated: 5/29/13

16 By: 
17 Emie R. Bridges, Executive Assistant