



0000156340

BEFORE THE ARIZONA CORPORATION COMMISSION

Arizona Corporation Commission
DOCKETED

AUG 12 2014

COMMISSIONERS

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

DOCKETED BY NR

| | | |
|--|---|---|
| In the matter of: |) | DOCKET NO. S-20908A-14-0104 |
| Neoteric Energy, Inc., a Nevada corporation, |) | DECISION NO. <u>74696</u> |
| Kevin D. Grace, an individual, |) | ORDER TO CEASE AND DESIST AND |
| Madelynn R. Jones, (CRD# 4482773) an individual, |) | ORDER FOR ADMINISTRATIVE |
| Respondents. |) | PENALTY |
| |) | RE: NEOTERIC ENERGY, INC., KEVIN D. GRACE, AND MADELYNN R. JONES |

On March 24, 2014, the Securities Division ("Division") of the Arizona Corporation Commission ("Commission") filed a Temporary Order to Cease & Desist and Notice of Opportunity for Hearing against Neoteric Energy, Inc. ("Neoteric"), Kevin D. Grace ("Grace"), and Madelynn R. Jones ("Jones") ("TC&D"). On April 3, 2014, the Division served the TC&D on Neoteric Energy, Inc. ("Neoteric") by certified mail to its registered agent for service of process, Hubco Registered Agent Services pursuant to A.A.C. R14-4-303(E)(3). On May 25, 2014, the Division served the TC&D on Jones pursuant to A.A.C. R14-4-303(D)(1). On June 25, 2014, the Division served the TC&D on Grace pursuant to A.A.C. R14-4-303(D)(1). The Division filed affidavits of service for all Respondents.

As of the date of this filing, no requests for a hearing or Answers have been filed by Respondents.

//

//

//

Decision No. _____

I.

FINDINGS OF FACT

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26

1. At all relevant times, Neoteric has been a Nevada corporation. Neoteric was organized under the laws of the state of Nevada in April 2013. Neoteric has not been registered by the Commission as a securities salesman or dealer.

2. At all relevant times, Grace has been an unmarried man and resident of the state of California. At all relevant times, Grace has been the president of Neoteric.

3. At all relevant times, Jones (CRD# 4482773) has been an unmarried woman and resident of the state of California.

4. At all times relevant, Jones and Neoteric offered unregistered securities within and from Arizona. Jones has not been registered by the Commission as a securities salesman or dealer.

5. In or about February 2014, Jones and Neoteric offered stock in Neoteric to an Arizona resident (“Arizona offeree”).

6. The Arizona offeree had no previous relationship with Jones or Neoteric at the time of the offer.

7. Jones provided the Arizona offeree with a website to review, www.neotericenergy.com (“Neoteric website”), a brochure, a private placement memorandum (“PPM”), and wiring instructions.

8. The PPM contains a subscription agreement with Grace as the signatory for Neoteric.

9. The PPM Jones submitted to the Arizona offeree describes Neoteric as a Nevada corporation located in Las Vegas, Nevada, and an “oil and gas company”. It also provides the Neoteric website.

10. The PPM states that Neoteric “was organized primarily for the purpose of developing and marketing KBT-1, a game changing technology invented and patented by [a third party company (“COII”)] which is an extremely efficient, and cost effective means of extracting

1 more oil from a well or reserve (be it oil sands, shale, etc.) than ever thought possible by current
2 technology and techniques.”

3 11. The PPM states that Neoteric is, “focused on increasing production by means of
4 continuing acquisitions, with focus on implementing the KBT-1 technology, owned and patented
5 by [COII].” The PPM also states, “In late March 2013, the board of directors of [COII] approved
6 the development of the Company [Neoteric] for the purpose of investing in the development of oil
7 and gas properties and implementing the KBT-1 technology.”

8 12. The brochure provided to the Arizona offeree states that “Neoteric Energy will
9 locate investment partners to help finance the production and placement of units to work with the
10 technology to implement the enhanced oil recovery process.”

11 13. The PPM provided to the Arizona offeree offers shares of common stock in
12 Neoteric. It states that 10,200,000 shares were being offered, with the first 600,000 shares offered
13 at .50 per share; the next 2,700,000 shares offered at \$1.00 per share; the next 3,000,000 shares
14 offered at \$2.50 per share; and the final 3,900,000 shares offered at \$5.00 per share. The total
15 offering is stated to be \$30,000,000, with the average price per share at \$2.94.

16 14. The brochure Jones submitted to the Arizona offeree provides an overview of how
17 the KBT-1 technology works, and states that it is a technology patented by COII “that separates
18 thick heavy crude oil from sand, water, and other contaminants at the source of application in just
19 seconds!”

20 15. The brochure also states that Neoteric “holds exclusive distribution rights to KBT-
21 1”, and that Neoteric “is currently the only company which holds the rights to sell, use and
22 distribute KBT-1.”

23 16. The brochure provides a “Management Team Designated for Success” including,
24 but not limited to: Grace as president and co-founder of Neoteric; Jones as CFO of Neoteric; and
25 the president of COII (“TT”) as a director of Neoteric. The PPM lists “Management” of Neoteric
26 that will direct and control the company, and also lists these three individuals as Management.

1 17. The brochure and PPM promote Grace as having extensive experience in “founding,
2 owning and operating many companies” with significant revenues, and promotes his experience
3 with companies in the “energy sector”. These documents also state that Grace is acting as
4 Chairman for COII.

5 18. The brochure and PPM promote TT as the “President & CEO of [COII] and now
6 Director of Neoteric Energy, Inc.”

7 19. The Neoteric website also contains information about KBT-1, stating that it is a
8 “new patented technology”, and has an “Investor” tab that allows investors to “Contact Us”
9 [Neoteric] for information regarding investment opportunities.

10 20. The Neoteric website also advises visitors that the Corporate Management Team
11 includes TT and Jones, with descriptions similar to those described above.

12 21. Jones also provided the Arizona offeree with wiring instructions for Neoteric for
13 investment funds. The bank account provided in the wiring instructions is for a Neoteric account
14 held at Bank of America (“BOA Account”).

15 22. On January 28, 2008, a Desist & Refrain Order was entered against Grace by the
16 California Corporations Commissioner (“D&R Order”). The D&R Order found that Grace
17 violated California securities laws in offering and selling stock in an entity known as Black Gold
18 Energy, Inc.

19 23. The D&R Order was not disclosed to the Arizona offeree.

20 24. Although COII holds a trademark for the name KBT-1, no patent currently exists or
21 is pending for the KBT-1 technology.

22 25. According to TT, TT and COII have not provided Neoteric with any distribution
23 rights to the KBT-1 technology, nor provided consent for Respondents to solicit investors related to
24 the technology.

25 26. According to TT, at all relevant times, Grace has had no director or officer role with
26 COII, and had previously been removed from any involvement with COII by TT.

1 in full on the date of this Order. Payment shall be made to the "State of Arizona." Any amount
2 outstanding shall accrue interest as allowed by law.

3 IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2036, that Jones shall pay an
4 administrative penalty in the amount of \$10,000.00. Payment is due in full on the date of this
5 Order. Payment shall be made to the "State of Arizona." Any amount outstanding shall accrue
6 interest as allowed by law.

7 IT IS FURTHER ORDERED that the penalties ordered hereinabove shall bear interest at
8 the rate of the lesser of ten percent per annum or at a rate per annum that is equal to one per cent
9 plus the prime rate as published by the board of governors of the federal reserve system in
10 statistical release H.15 or any publication that may supersede it on the date that the judgment is
11 entered.

12 IT IS FURTHER ORDERED, that if Neoteric, Jones or Grace fail to comply with this
13 Order, the Commission may bring further legal proceedings against Neoteric, Jones and/or Grace,
14 including application to the superior court for an order of contempt.

15 IT IS FURTHER ORDERED, that pursuant to A.R.S. § 44-1974, upon application the
16 Commission may grant a rehearing of this Order. The application must be received by the
17 Commission at its offices within twenty calendar days after entry of this Order. Unless otherwise
18 ordered, filing an application for rehearing does not stay this Order. If the Commission does not
19 grant a rehearing within twenty calendar days after filing the application, the application is
20 considered to be denied. No additional notice will be given of such denial.

21 //

22 //

23 //

24 //

25 //

26 //

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

2 BY ORDER OF THE ARIZONA CORPORATION COMMISSION

3
4
5 

CHAIRMAN

6 

COMMISSIONER

7 

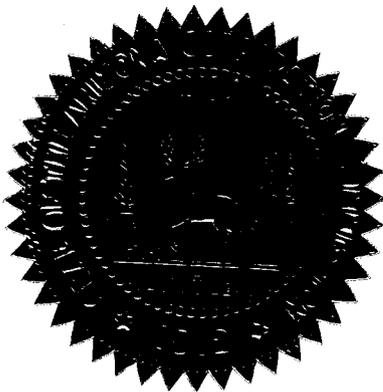
COMMISSIONER

8 

COMMISSIONER

9 

COMMISSIONER



10 IN WITNESS WHEREOF, I, JODI JERICH, Executive
11 Director of the Arizona Corporation Commission, have
12 hereunto set my hand and caused the official seal of the
13 Commission to be affixed at the Capitol, in the City of
14 Phoenix, this 12th day of August, 2014.

15 

JODI JERICH
EXECUTIVE DIRECTOR

16 DISSENT

17 DISSENT

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

21 SERVICE LIST FOR: Neoteric Energy, Inc.

22 Neoteric Energy, Inc.
23 c/o Hubco Registered Agent Services
24 318 N. Carson St., Suite 208
25 Carson City, Nevada 89701
26

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

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

| | | |
|--|---|--|
| In the matter of: |) | DOCKET NO. S-20908A-14-0104 |
| Neoteric Energy, Inc., a Nevada corporation, |) | |
| Kevin D. Grace, an individual, |) | DECISION NO. <u>74696</u> |
| Madelynn R. Jones, (CRD# 4482773) an individual, |) | NOTICE OF FILING OF PROPOSED OPEN MEETING AGENDA ITEM |
| Respondents. |) | |

Pursuant to A.A.C. R14-4-303, you are hereby notified that the attached: Order to Cease and Desist and Order Administrative Penalty Re: Neoteric Energy, Inc., Kevin D. Grace, and Madelynn R. Jones was filed with the Arizona Corporation Commission's Docket Control.

Dated: 7/29/14 By: 
Stacy L. Luedtke, Staff Attorney

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

Neoteric Energy, Inc.
c/o Hubco Registered Agent Services
318 N. Carson St., Suite 208
Carson City, Nevada 89701

Madelynn Jones
539 N. Century Dr.
Anaheim, CA 92805

1 Kevin Grace
2 1077 Park Ave. #7
3 Long Beach, CA 90804

4 Dated: 7/29/14

By: Karen Hoube

5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26