

ORIGINAL

NEW APPLICATION



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BEFORE THE ARIZONA CORPORATION COMMISSION

RECEIVED

AZ CORP COMMISSION
DOCKET CONTROL

COMMISSIONERS

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

2012 APR 5 PM 3 31

In the matter of:)
 CRYSTAL PISTOL RESOURCES, LLC, a)
 Nevada limited liability company,)
 CRYSTAL PISTOL MANAGEMENT, LLC,)
 a Nevada limited liability company,)
 LIBERTY BELL RESOURCES I, LLC, a)
 Nevada limited liability company,)
 PETER POCKLINGTON, a married man,)
 and)
 JOHN M. MCNEIL, an unmarried man,)
 Respondents)

DOCKET NO. S-20845A-12-0134

**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**

Arizona Corporation Commission

DOCKETED

APR - 5 2012

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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 CRYSTAL PISTOL RESOURCES, LLC, CRYSTAL PISTOL MANAGEMENT, LLC, LIBERTY BELL RESOURCES I, LLC, PETER POCKLINGTON and JOHN M. MCNEIL, 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").

The Division alleges PETER POCKLINGTON controlled CRYSTAL PISTOL RESOURCES, LLC, CRYSTAL PISTOL MANAGEMENT, LLC and LIBERTY BELL RESOURCES I, LLC within the meaning of A.R.S. § 44-1999 so that he is jointly and severally liable under A.R.S. § 44-1999 to the same extent as CRYSTAL PISTOL RESOURCES, LLC,

1 CRYSTAL PISTOL MANAGEMENT, LLC and LIBERTY BELL RESOURCES I, LLC, for
2 violations of the Securities Act.

3 **I.**

4 **JURISDICTION**

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

7 **II.**

8 **RESPONDENTS**

9 2. CRYSTAL PISTOL RESOURCES, LLC ("CPR"), since October 23, 2009, is a
10 Nevada limited liability company conducting business in Scottsdale, Arizona. On May 16, 2011,
11 CPR was authorized to transact business as a foreign limited liability company in Arizona.

12 3. CRYSTAL PISTOL MANAGEMENT, LLC ("CPM"), since January 31, 2011, is a
13 Nevada limited liability company conducting business in Scottsdale, Arizona. According to the
14 offering documents, CPM is the manager of CPR.

15 4. LIBERTY BELL RESOURCES I, LLC ("LIBERTY BELL"), since April 28, 2011,
16 was a Nevada limited liability company that conducted business from offices located in Scottsdale,
17 Arizona and Palm Desert, California. In about December 2011, LIBERTY BELL closed the
18 Scottsdale, Arizona location.

19 5. PETER POCKLINGTON ("POCKLINGTON") was, at all relevant times, a
20 married man residing in California. According to the documents filed with the Nevada Secretary of
21 State, POCKLINGTON was the managing member of CPR. According to the offering documents,
22 POCKLINGTON was the managing director of CPM. POCKLINGTON was the manager and
23 member of LIBERTY BELL

24 6. JOHN M. MCNEIL ("MCNEIL") was, at all relevant times, an unmarried resident
25 of Arizona. MCNEIL was a member of CPR. MCNEIL was the Vice President of Operations for
26 CPM and LIBERTY BELL.

1 raised from at least 56 investors. On September 7, 2011, CPR filed another Amended Form D that
2 indicates CPR raised over \$4.8 million from at least 116 investors.

3 13. On June 10, 2011, CPR filed a copy of a Form D with the Arizona Corporation
4 Commission. According to the Form D filed with the Arizona Corporation Commission, CPR had
5 sold \$2,722,400 to investors. No disclosure was made as to whether any of the investors were in
6 Arizona.

7 14. Some CPR investors received unsolicited telephone calls offering the opportunity to
8 invest in CPR. These investors had no pre-existing business relationship with CPR or CPM.

9 15. CPR and CPM issued two confidential private placement memoranda ("PPMs").
10 The first PPM was dated January 7, 2011, and the second PPM was dated May 25, 2011. A one
11 page supplement to the PPM was issued on September 22, 2011.

12 16. CPR operates a website, www.goldnuggetmine.com, which provides information
13 regarding CPR and its Arizona Mining Property. The website states that CPR is "initiating the
14 'Gold Nugget Project', [sic] a placer mining endeavour [sic], focusing initially on gold." Through
15 videos that were accessible website, the geologist for CPR discusses finding gold in every test
16 location. The CPR geologist represents that the Arizona Mining Property is very promising for a
17 gold investor.

18 17. CPR Respondents then posted to the website various newsletters titled *Gold Nugget*
19 *Miner, A Newsletter About the Gold Nugget Mine 2011*. One newsletter posted on August 19,
20 2011, *LLC unit holders to benefit from generous dividend plan*, stated that "[t]he Gold Nugget
21 Mine is offering unit holders one of the most lucrative dividend plans in the mining business." The
22 newsletter further stated that "an initial investment of \$10,000 at \$1 per unit would pay a return
23 between \$25,000 and \$40,000 per year." The newsletter then explained that CPR wanted to raise
24 \$15 million and \$20 million more in capital over the next several weeks.

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1 18. The newsletter also stated that hedge funds and banks were interested in completing
2 the capitalization of the CPR. The final quote by POCKLINGTON in the newsletter stated “[t]he
3 situation is a real go. Nothing now will stop it.”

4 19. When contacted by an Arizona resident (“Offeree”) via email about a possible
5 investment, MCNEIL responded and indicated a willingness to meet and discuss an investment.
6 Subsequent emails from MCNEIL, included copies of subscription agreements, an operating
7 agreement and other information related to the Gold Nugget Mining Project.

8 20. The subscription agreement states that the potential investor must have “a pre-
9 existing business relationship with [CPR], [CPM] or an officer, director, employee, referring party
10 or consultant to the [CPR] or [CPM], and was not solicited pursuant to any form of public
11 advertisement, cold calling or general solicitation.” There was no inquiry into whether the Offeree
12 had a pre-existing business relationship of any kind with CPR, CPM or their respective employees
13 or officers.

14 21. The Offeree requested and received a PPM dated May 25, 2011. The PPM
15 specifically states that the investment is for “ACCREDITED INVESTORS ONLY.” At no time did
16 the CPR Respondents seek information regarding whether the Offeree was accredited. In fact,
17 when the Offeree inquired into what was meant by accredited investors, MCNEIL specifically
18 stated that many of the investors in CPR were not accredited.

19 22. POCKLINGTON, MCNEIL and others brought offerees and investors to the CPR
20 mine site.

21 23. On May 18, 2011, POCKLINGTON, through Tombstone Minerals, LLC²,
22 submitted a notice to the BLM indicating that CPR Respondents were going to have a Notice-level
23 operation³ on the Arizona Mining Property that allows surface disturbance of five acres or less of
24 public land (“Notice”). The Notice submitted to the BLM allows for exploration only and limits the
25

26 ² Tombstone Minerals, LLC has been an Arizona limited liability company since September 11, 2008. Upon information and belief, POCKLINGTON has no ownership interest in Tombstone Minerals, LLC.

³ 43 CFR §3809.10(b) (2004).

1 amount of material that may be removed to only one thousand tons of presumed ore for testing. A
2 Plan-level of operations⁴ is required for any bulk sampling in which more than one thousand tons
3 of presumed ore would be removed.

4 24. MCNEIL represented to the Offeree that CPR was processing a thousand tons per
5 month and within a week of their meeting CPR would have cash flow of about \$300,000 to
6 \$400,000 a week. This is a violation of the Notice-level operation as submitted to the BLM.

7 25. Pursuant to the terms of the PPM, CPM has “the responsibility and authority for the
8 day-to-day management” of CPR. The investors have no role in the management of CPR or CPM.
9 Further, all authority to act on behalf of CPR is vested in CPM. “Members will be entrusting their
10 funds to the Manager, upon whose judgment and discretion the Members must depend.”

11 26. POCKLINGTON was the managing member of CPR and CPM. POCKLINGTON
12 was the sole signatory on the CPR bank accounts. POCKLINGTON made the decisions relating to
13 CPR. On any decisions related to CPR, MCNEIL would talk to POCKLINGTON.

14 27. The website and MCNEIL emphasized a document purported to be a “National
15 Instrument 43-101 Standards of Disclosure for Mineral Projects” (“CPR 43-101 report”). The
16 National Instrument 43-101 Standards of Disclosure for Mineral Projects is a required document in
17 Canada for publicly offered mining projects traded on Canadian stock exchanges. However, the
18 CPR 43-101 report provided by CPR Respondents is not a recognized, legally required or necessary
19 document in the United States.

20 28. While the CPR 43-101 report’s text appears to follow the format of a National
21 Instrument 43-101 Standards of Disclosure for Mineral Projects document, the analyses related to
22 the quantity of gold held by the CPR mining claims as outlined in the CPR 43-101 report are
23 flawed and do not follow the Canadian requirements necessary to be recognized as a National
24 Instrument 43-101 Standards of Disclosure for Mineral Projects. The CPR 43-101 over estimates
25 the quantity of recoverable gold based upon the flawed analysis.

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⁴ 43 CFR §3809.10(c) (2004).

1 29. Further, the estimates of gold resources listed on the CPR Respondents' website are
2 not supportable with the methods currently available in the industry.

3 30. On April 1, 2011 and August 8, 2011, CPR provided a total of \$40,000 to an escrow
4 account for the purchase of mining claims for the benefit of LIBERTY BELL.

5 31. CPR's only source of funds was from investors.

6 **LIBERTY BELL**

7 32. LIBERTY BELL was formed in "April 2011 to acquire, own and operate 'placer'
8 type surface gold mines on a series of contiguous mining claims covering approximately 2,700 acres
9 of land in La Paz County, Arizona."

10 33. According to the November 1, 2011, offering document, LIBERTY BELL is
11 offering 36,000,000 units of limited liability interests to investors at \$.50 per share. The minimum
12 investment is \$50,000 for 100,000 units. The maximum offering is \$18,000,000, "subject to
13 [LIBERTY BELL's] option to increase the amount of the offering by an additional \$1, 000,000 for
14 a total maximum capitalization of \$19,000,000."

15 34. The offering document further stated that LIBERTY BELL has an option to
16 purchase several mining claims from CPR and assume CPR's liabilities. LIBERTY BELL will
17 issue "membership units to members of CPR equal to three units for each dollar of capital
18 contributed by a CPR member." LIBERTY BELL discloses that CPR "has raised approximately
19 \$5,225,000 from approximately one hundred investors."

20 35. LIBERTY BELL plans to close the acquisition of the mining claims, "prepare,
21 construct, and equip the sites for gold mining operations, and conduct those operations with the
22 goal of extracting and selling substantial commercial quantities of gold and other minerals."

23 36. According to the offering documents, LIBERTY BELL is managed by its Manager
24 (POCKLINGTON). The investors will not participate in the management of LIBERTY BELL.

25 37. On November 22, 2011, LIBERTY BELL filed a Form D ("November Form D")
26 with the SEC. The November Form D disclosed that LIBERTY BELL sought \$19 million from

1 investors and had already raised \$310,000. The November Form D discloses that the first sale was
2 made on November 9, 2011. On January 24, 2012, LIBERTY BELL filed an amended Form D
3 (“January Form D”) with the SEC that disclosed the LIBERTY BELL had raised \$1,287,500 from
4 29 investors. On February 15, 2012, LIBERTY BELL filed another amended Form D (“February
5 Form D”) with the SEC that disclosed \$1,572,500 had been raised from 40 investors.

6 38. In another filing with the SEC on February 15, 2012, submitted by
7 POCKLINGTON, disclosed that on February 9, 2012, there was a “purchase of assets for
8 membership units.”

9 39. All the Form Ds filed by LIBERTY BELL disclose that no revenue has been
10 generated.

11 40. LIBERTY BELL placed unsolicited telephone calls seeking investors to individuals
12 throughout the United States.

13 41. According to a Supplement to the LIBERTY BELL offering documents, dated
14 January 24, 2012, effective as of January 24, 2012, LIBERTY BELL acquired “substantially all of
15 the assets of CPR.”

16 42. The offering documents provided to prospective investors in LIBERTY BELL use
17 the same geological reports and findings that were used in the CPR offering documents even
18 though the mining claims for LIBERTY BELL and CPR are different claims.

19 43. LIBERTY BELL maintains a website for its investors. Offerees and investors are
20 required to use a password to access the website. Individuals who were contacted through
21 unsolicited telephone calls were provided the password to access the LIBERTY BELL website
22 prior to becoming an investor in LIBERTY BELL.

23 44. The content of LIBERTY BELL website is substantially the same as the CPR
24 website. Specifically, the LIBERTY BELL website discloses the geological reports and findings
25 that were obtained for the CPR mining claims without disclosing the assays and testing was from
26 the CPR mining claims.

1 45. The sole source of funds in LIBERTY BELL is investor funds.

2 **LIBERTY BELL BUYOUT OF CRYSTAL PISTOL**

3 46. As of January 24, 2012, LIBERTY BELL and CPR “closed the purchase of
 4 substantially all of the assets of CPR.” “In consideration for the assets of CPR, [LIBERTY BELL]
 5 is issuing to CPR approximately 54,000,000 [LIBERTY BELL] membership units.”

6 47. Upon information and belief, CPR investors would receive unit certificates in
 7 Liberty Bell in exchange for the Crystal Pistol Resources units. All of the Crystal Pistol unit
 8 holders will receive three units for every one unit they hold.

9 48. Some CPR investors received a letter or telephone call informing them that their
 10 investment in CPR would be changing to LIBERTY BELL. However, no disclosure documents
 11 were provided to the CPR investors. The CPR investors were not informed about how the purchase
 12 of LIBERTY BELL of the CPR assets would effect their investments.

13 **IV.**

14 **VIOLATION OF A.R.S. § 44-1841**

15 **(Offer or Sale of Unregistered Securities)**

16 49. From on or about January 7, 2011, Respondents offered or sold securities in the form
 17 of investment contracts, within or from Arizona.

18 50. The securities referred to above were not registered pursuant to Articles 6 or 7 of the
 19 Securities Act.

20 51. This conduct violates A.R.S. § 44-1841.

21 **V.**

22 **VIOLATION OF A.R.S. § 44-1842**

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

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

26 53. This conduct violates A.R.S. § 44-1842.

1 VI.

2 VIOLATION OF A.R.S. § 44-1991

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

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

- 10 (a) Respondents misrepresented to offerees and investors the amount of recoverable gold
11 available on the Arizona Mining Property.
- 12 (b) Respondents misrepresented to offerees and investors the ability to economically
13 recover gold from the Arizona Mining Property.
- 14 (c) MCNEIL misrepresented to the offeree that CPR was processing a thousand tons per
15 month and that cash flow would begin within a week of their meeting, when, in fact,
16 CPR had not submitted (nor was approved) to the BLM to process any amount of
17 presumed ore over one thousand tons.

18 55. This conduct violates A.R.S. § 44-1991.

19 56. POCKLINGTON directly or indirectly controlled persons or entities within the
20 meaning of A.R.S. § 44-1999, including but not limited to CRYSTAL PISTOL RESOURCES, LLC,
21 CRYSTAL PISTOL MANAGEMENT, LLC and LIBERTY BELL RESOURCES I, LLC.
22 Therefore, POCKLINGTON is jointly and severally liable under A.R.S. § 44-1999 to the same extent
23 as CRYSTAL PISTOL RESOURCES, LLC, CRYSTAL PISTOL MANAGEMENT, LLC and
24 LIBERTY BELL RESOURCES I, LLC for any violations of A.R.S. § 44-1991.

VII.

REQUESTED RELIEF

The Division requests that the Commission grant the following relief:

1. Order Respondents to permanently cease and desist from violating the Securities Act, pursuant to A.R.S. § 44-2032;
2. Order Respondents to take affirmative action to correct the conditions resulting from Respondents' acts, practices, or transactions, including a requirement to make restitution pursuant to A.R.S. § 44-2032;
3. Order Respondents to pay the state of Arizona administrative penalties of up to five thousand dollars (\$5,000) for each violation of the Securities Act, pursuant to A.R.S. § 44-2036; and
4. Order any other relief that the Commission deems appropriate.

VIII.

HEARING OPPORTUNITY

Each respondent may request a hearing pursuant to A.R.S. § 44-1972 and A.A.C. R14-4-306.

If a Respondent requests a hearing, the requesting respondent must also answer this Notice. A request for hearing must be in writing and received by the Commission within 10 business days after service of this Notice of Opportunity for Hearing. The requesting respondent must deliver or mail the request to Docket Control, Arizona Corporation Commission, 1200 W. Washington, Phoenix, Arizona 85007. Filing instructions may be obtained from Docket Control by calling (602) 542-3477 or on the Commission's Internet web site at <http://www.azcc.gov/divisions/hearings/docket.asp>.

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

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.
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 **IX.**

8 **ANSWER REQUIREMENT**

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

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

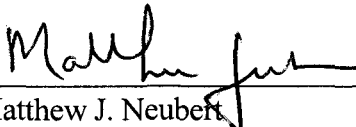
19 The Answer shall contain an admission or denial of each allegation in this Notice and the
20 original signature of the answering respondent or respondent's attorney. A statement of a lack of
21 sufficient knowledge or information shall be considered a denial of an allegation. An allegation not
22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

23 When the answering respondent intends in good faith to deny only a part or a qualification
24 of an allegation, the respondent shall specify that part or qualification of the allegation and shall
25 admit the remainder. Respondent waives any affirmative defense not raised in the Answer.
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The officer presiding over the hearing may grant relief from the requirement to file an Answer for good cause shown.

Dated this 5th day of April, 2012.



Matthew J. Neubert
Director of Securities