



0000190077

BEFORE THE ARIZONA CORPORATION COMMISSION

Arizona Corporation Commission

DOCKETED

COMMISSIONERS

TOM FORESE - Chairman  
BOB BURNS  
ANDY TOBIN  
BOYD DUNN  
JUSTIN OLSON

JUN 25 2018

DOCKETED BY

In the matter of )  
MICHAEL SMOOT (d/b/a GSI Global TV, )  
Inc.); )  
BLACK PLATINUM HOLDINGS, LLC, )  
an Arizona limited liability company; )  
GSI GLOBAL, INC., an Arizona )  
corporation; )  
Respondents. )

DOCKET NO. S-21045A-18-0097

DECISION NO. 76752

**ORDER TO CEASE AND DESIST, ORDER  
FOR RESTITUTION, ORDER FOR  
ADMINISTRATIVE PENALTIES, AND  
CONSENT TO SAME  
BY: MICHAEL SMOOT; BLACK PLATINUM  
HOLDINGS, LLC; AND GSI GLOBAL, INC.**

Michael Smoot (d/b/a GSI Global TV, Inc.); Black Platinum Holdings, LLC; and GSI Global, Inc. (collectively, "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 Restitution, and Order for Administrative Penalties ("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. At all times relevant to this matter, Michael Smoot ("Smoot") has been a resident of Arizona.

1           2.     Black Platinum Holdings, LLC ("BPH") is an Arizona limited liability company,  
2 previously named Fraud Busters, LLC, which was organized on or around May 21, 2009.

3           3.     At all relevant times, Smoot was a manager of BPH.

4           4.     GSI Global, Inc. ("GSI") is an Arizona corporation incorporated on or around  
5 September 20, 2013.

6           5.     None of the Respondents have been registered with the Commission as a securities  
7 salesman or dealer or licensed with the Commission as an investment adviser or investment adviser  
8 representative at any time.

9           6.     All conduct relevant to this matter occurred within or from Arizona.

10          7.     During 2012 and 2013, Smoot engaged in a series of offerings and sales of stock and  
11 ownership interests in several purported oil and media companies.

12          8.     Potential investors were cold-called from Arizona and solicited for investment into  
13 one or more of the companies.

14          9.     Some investors purchased stock from Smoot with a direct cash payment.

15          10.    Smoot convinced other investors to provide him with personal information that he  
16 used to obtain investment funds by applying for loans and credit cards on the investors' behalf. At  
17 Smoot's request, the investors also executed power-of-attorney agreements in order to facilitate  
18 credit applications.

19          11.    Smoot then entered into agreements with the investors whereby investors would  
20 receive stock or ownership interests in entities Smoot controlled based on the amount of money that  
21 Smoot was able to obtain using the investors' credit.

22          12.    Once the agreements were in place, Smoot worked with investors to apply for  
23 hundreds of thousands of dollars in credit and then used certain investment proceeds for his  
24 personal benefit.

*Black Platinum Holdings, LLC*

13. From January through October 2013, Smoot and BPH offered and sold equity ownership interests in BPH to at least three investors ("BPH Investors") in exchange for \$181,355.

14. While offering equity ownership interests in BPH, Smoot and BPH represented to the BPH Investors that:

- a. BPH planned to invest \$10,000,000 in the Siggins oil field project, an oil drilling project using a new technology called "green machine" to harvest oil from depleted oil wells;
- b. The Siggins oil field project would yield tens of millions of barrels of oil for as little as \$2.00 per barrel;
- c. BPH will leverage investors' credit ratings to obtain initial round of funding using "methods of funding that are safe yet require less paperwork"; and
- d. Their investment funds would be used for purchasing established shell corporations, purchasing insurance, retaining legal and financial counsel, and managing and maintaining debt service.

15. Smoot and BPH represented to BPH Investors that they would receive a return on their investment based on the revenue of the Siggins project, and that the expected return would be \$250,000 annually per 1% ownership in BPH.

16. Some BPH Investors invested solely by transferring cash directly to BPH. Smoot and BPH obtained funds from other investors by using their personal information to obtain loans and credit cards, and then appropriating the proceeds.

17. BPH Investors did not participate in the management or operations of BPH, nor did they have any control over BPH. The investors, who resided in Missouri, Illinois, and Florida, had no input regarding BPH operations, and lacked any knowledge of or experience in the oil industry.

18. Smoot and BPH used certain investment funds to pay for Smoot's personal expenses.

3           20.     BPH Investors received no return on their investments, and only \$7,385 of BPH  
4 Investors' principal was repaid.

**GSI Global, Inc.**

6           21. In or around October 2013, Smoot offered and sold GSI common stock to an  
7 investor ("GSI Investor") in exchange for \$21,030.

8           22. Pursuant to the agreement between GSI Investor and Smoot, GSI Investor would  
9 receive GSI stock in an amount proportional to the amount of “startup funding” Smoot was able to  
10 obtain by applying for credit using GSI Investor’s personal information.

11 23. Smoot and GSI represented to GSI Investor that GSI would provide streaming media  
12 services including local networks and cable channels for a fee.

13 24. Smoot also represented to GSI Investor that:

- 14 a. The proceeds would be used for working capital;
- 15 b. GSI profits could be in the tens of millions and GSI Investor could receive at
- 16 least \$100,000 per year;
- 17 c. GSI would repay the debts incurred to obtain the funding for GSI; and
- 18 d. GSI Investor would have no risk, liability, or exposure to loss regarding the
- 19 debts incurred using GSI Investor's credit.

20      25. Smoot and GSI ultimately raised \$21,030 using GSI Investor's credit.

21           26.     GSI Investor never received the promised return on her investment, and the debts  
22 incurred by GSI Investor to obtain the funds for GSI were not repaid.

23            27. Smoot and GSI used some of the GSI Investor's investment funds to pay for  
24 Smoot's personal expenses.

*GSI Global TV, Inc.*

28. On or around August 27, 2013 Smoot offered and sold at least one investor ("GSI TV Investor") 113,000 shares of stock of the fictitious media company, GSI Global TV, Inc. ("GSI TV") in exchange for \$113,567.92.

29. While offering GSI TV stock to GSI TV Investor, Smoot represented to GSI TV Investor that:

- a. Her investment funds would be used for startup expenses for a business that would offer cable television channels on an "a la carte" basis; and
- b. She would receive a return on her investment of \$500 per month as well as a percentage of the income generated by the business.

30. Because GSI TV Investor did not have money to invest, Smoot encouraged her to borrow funds to invest. GSI TV Investor subsequently obtained a loan using her home as collateral and invested \$113,567.92, approximately two-thirds of the proceeds, with Smoot.

31. GSI TV Investor never received GSI TV stock because GSI TV was never incorporated.

32. GSI TV Investor never received a return on her investment or the return of her investment principal.

33. Smoot used some of the GSI Investors' investment funds to pay for his personal expenses.

34. None of the foregoing investments offered and sold by Respondents were registered with the Commission at any time.

35. With the exception of one investor in BPH, none of the foregoing investors were accredited.

**II.**

**CONCLUSIONS OF LAW**

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

37. Smoot, BPH, and GSI offered or sold securities within or from Arizona, within the meaning of A.R.S. §§ 44-1801(15), 44-1801(21), and 44-1801(26).

38. Smoot, BPH, and GSI violated A.R.S. § 44-1841 by offering or selling securities that were neither registered nor exempt from registration.

39. Smoot, BPH, and GSI violated A.R.S. § 44-1842 by offering or selling securities while neither registered as a dealer or salesman nor exempt from registration.

40. Smoot, BPH, and GSI violated A.R.S. § 44-1991 by engaging in the foregoing conduct in connection with the offer or sale of securities within or from Arizona.

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

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

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

44. Smoot directly or indirectly controlled persons or entities within the meaning of A.R.S. § 44-1999, including but not limited to BPH and GSI. Therefore, Smoot is jointly and severally liable under A.R.S. § 44-1999 to the same extent as BPH and GSI for any violations of A.R.S. § 44-1991.

**III.**

**ORDER**

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

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 Smoot, BPH, GSI, and any of their  
4 agents, employees, successors and assigns, permanently cease and desist from violating the  
5 Securities Act.

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

8 IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2032, that Respondent Smoot shall,  
9 jointly and severally with BPH, pay restitution to the Commission in the principal amount of  
10 \$173,970 as a result of the conduct set forth in the Findings of Fact and Conclusions of Law.  
11 Payment is due in full on the date of this Order. Payment shall be made to the "State of Arizona" to  
12 be placed in an interest-bearing account controlled by the Commission.

13 IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2032, that Respondent Smoot shall,  
14 jointly and severally with GSI, pay restitution to the Commission in the principal amount of  
15 \$21,030 as a result of the conduct set forth in the Findings of Fact and Conclusions of Law.  
16 Payment is due in full on the date of this Order. Payment shall be made to the "State of Arizona" to  
17 be placed in an interest-bearing account controlled by the Commission.

18 IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2032, that Respondent Smoot shall  
19 pay restitution to the Commission in the principal amount of \$113,567.92 as a result of the conduct  
20 set forth in the Findings of Fact and Conclusions of Law. Payment is due in full on the date of this  
21 Order. Payment shall be made to the "State of Arizona" to be placed in an interest-bearing account  
22 controlled by the Commission.

23 IT IS FURTHER ORDERED that the restitution ordered in the preceding paragraphs will  
24 accrue interest, as of the date of the Order, at a rate per annum that is equal to one per cent plus the  
25 prime rate as published by the board of governors of the federal reserve system in statistical release  
26 H. 15 or any publication that may supersede it on the date that the judgment is entered.



1       The Commission shall disburse the funds on a pro-rata basis to investors shown on the  
2 records of the Commission. Any restitution funds that the Commission cannot disburse because an  
3 investor refuses to accept such payment, or any restitution funds that cannot be disbursed to an  
4 investor because the investor is deceased and the Commission cannot reasonably identify and  
5 locate the deceased investor's spouse or natural children surviving at the time of the distribution,  
6 shall be disbursed on a pro-rata basis to the remaining investors shown on the records of the  
7 Commission. Any funds that the Commission determines it is unable to or cannot feasibly disburse  
8 shall be transferred to the general fund of the state of Arizona.

9       IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2036, that Smoot shall, jointly and  
10 severally with BPH, pay an administrative penalty in the amount of \$25,000 as a result of the  
11 conduct set forth in the Findings of Fact and Conclusions of Law. Payment is due in full on the  
12 date of this Order. Payment shall be made to the "State of Arizona." Any amount outstanding shall  
13 accrue interest as allowed by law.

14       IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2036, that Smoot shall, jointly and  
15 severally with GSI, pay an administrative penalty in the amount of \$10,000 as a result of the  
16 conduct set forth in the Findings of Fact and Conclusions of Law. Payment is due in full on the  
17 date of this Order. Payment shall be made to the "State of Arizona." Any amount outstanding shall  
18 accrue interest as allowed by law.

19       IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2036, that Smoot shall pay an  
20 administrative penalty in the amount of \$15,000 as a result of the conduct set forth in the Findings  
21 of Fact and Conclusions of Law. Payment is due in full on the date of this Order. Payment shall be  
22 made to the "State of Arizona." Any amount outstanding shall accrue interest as allowed by law.

23       IT IS FURTHER ORDERED that payments received by the state of Arizona shall first be  
24 applied to the restitution obligation. Upon payment in full of the restitution obligation, payments  
25 shall be applied to the penalty obligation.

26       For purposes of this Order, a bankruptcy filing by any Respondent shall be an act of default.



If any Respondent does not comply with this Order, any outstanding balance may be deemed in default and shall be immediately due and payable.

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

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

BY ORDER OF THE ARIZONA CORPORATION COMMISSION

*Pro. Forese*

CHAIRMAN FORESE

*[Signature]*

COMMISSIONER DUNN

*[Signature]*

COMMISSIONER TOBIN

*[Signature]*

COMMISSIONER OLSON

Commissioner Burns  
Absent

COMMISSIONER BURNS



IN WITNESS WHEREOF, I, TED VOGT, 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 25<sup>th</sup> day of June, 2018.

*[Signature]*

TED VOGT  
EXECUTIVE DIRECTOR

DISSENT

DISSENT

This document is available in alternative formats by contacting Kacie Cannon, ADA Coordinator, voice phone number (602) 542-3931, e-mail [kcannon@azcc.gov](mailto:kcannon@azcc.gov).

(CAN)

**CONSENT TO ENTRY OF ORDER**

1. Respondents admit the jurisdiction of the Commission over the subject matter of this proceeding. Respondents acknowledge that they have been fully advised of their right to a hearing to present evidence and call witnesses and Respondents knowingly and voluntarily waive any and all rights to a hearing before the Commission and all other rights otherwise available under Article 11 of the Securities Act and Title 14 of the Arizona Administrative Code. Respondents acknowledge that this Order to Cease and Desist, Order for Restitution, Order for Administrative Penalties, and Consent to Same ("Order") constitutes a valid final order of the Commission.

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

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

4. Respondents understand and acknowledge that they have a right to seek counsel regarding this Order, and that they have had the opportunity to seek counsel prior to signing this Order. Respondents acknowledge and agree that, despite the foregoing, Respondents freely and voluntarily waive any and all right to consult or obtain counsel prior to signing this Order.

5. Respondents neither admit nor deny the Findings of Fact and Conclusions of Law contained in this Order. Respondents agree that they shall not contest the validity of the Findings of Fact and Conclusions of Law contained in this Order in any present or future proceeding in which the Commission is a party.

6. Respondents further agree that they shall not deny or contest the Findings of Fact and Conclusions of Law contained in this Order in any present or future: (a) bankruptcy proceeding, or (b) non-criminal proceeding in which the Commission is a party (collectively, "proceeding(s)"). They further agree that in any such proceedings, the Findings of Fact and Conclusions of Law contained in this Order may be taken as true and correct and that this Order

1 shall collaterally estop them from re-litigating with the Commission or any other state agency, in  
2 any forum, the accuracy of the Findings of Fact and Conclusions of Law contained in this Order. In  
3 the event a Respondent pursues bankruptcy protection in the future, Respondents further agree that  
4 in such bankruptcy proceeding, pursuant to 11 U.S.C. § 523(a)(19), the following circumstances  
5 exist:

6       A.     The obligations incurred as a result of this Order are a result of the conduct set forth  
7 in the Findings of Fact and Conclusions of Law in the Order and are for the violation of Arizona  
8 state securities laws, pursuant to 11 U.S.C. § 523(a)(19)(A)(i);

9       B.     This Order constitutes a judgment, order, consent order, or decree entered in a state  
10 proceeding pursuant to 11 U.S.C. § 523(a)(19)(B)(i), a settlement agreement entered into by  
11 Respondents pursuant to 11 U.S.C. § 523(a)(19)(B)(ii), and a court order for damages, fine,  
12 penalty, citation, restitution payment, disgorgement payment, attorney fee, cost or other payment  
13 owed by Respondents pursuant to 11 U.S.C. § 523(a)(19)(B)(iii).

14       7.     By consenting to the entry of this Order, Respondents agree not to take any action or  
15 to make, or permit to be made, any public statement denying, directly or indirectly, any Finding of  
16 Fact or Conclusion of Law in this Order or creating the impression that this Order is without factual  
17 basis. This paragraph does not apply to any criminal, civil, or administrative proceeding unless the  
18 Commission is a party to such proceeding.

19       8.     While this Order settles this administrative matter between Respondents and the  
20 Commission, Respondents understands that this Order does not preclude the Commission from  
21 instituting other administrative or civil proceedings based on violations that are not addressed by  
22 this Order.

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

26       10.    Respondents understand that this Order does not preclude any other agency or

1 officer of the state of Arizona or its subdivisions from instituting administrative, civil, or criminal  
2 proceedings that may be related to matters addressed by this Order.

3 11. Respondents agree that they will not apply to the state of Arizona for registration as  
4 a securities dealer or salesman or for licensure as an investment adviser or investment adviser  
5 representative until such time as all restitution and penalties under this Order are paid in full.

6 12. Respondents agree that they will not exercise any control over any entity that offers  
7 or sells securities or provides investment advisory services within or from Arizona until such time  
8 as all restitution and penalties under this Order are paid in full.

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

11 14. Respondents acknowledge and understand that if Respondents fail to comply with  
12 the provisions of the order and this Consent, the Commission may bring further legal proceedings  
13 against Respondents, including application to the superior court for an order of contempt.

14 15. Respondents understand that default shall render Respondents liable to the  
15 Commission for its costs of collection, including reasonable attorneys' fees and interest at the  
16 maximum legal rate.

17 16. Respondents agree and understand that if Respondents fail to make any payment as  
18 required in the Order, any outstanding balance shall be in default and shall be immediately due and  
19 payable without notice or demand. Respondents agree and understand that acceptance of any  
20 partial or late payment by the Commission is not a waiver of default by the Commission.

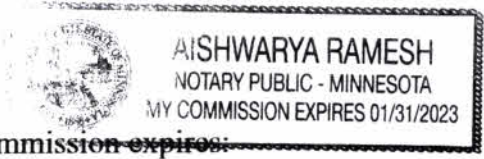
21 17. Michael Smoot represents that he is a manager of Black Platinum Holdings, LLC  
22 and has been authorized by Black Platinum Holdings, LLC to enter into this Order for and on  
23 behalf of it.

24 18. Michael Smoot represents that he is a director of GSI Global, Inc. and has been  
25 authorized by GSI Global, Inc. to enter into this Order for and on behalf of it.  
26

  
\_\_\_\_\_  
Michael Smoot

MINNESOTA  
STATE OF WISCONSIN )  
County of HENNEPIN ) ss

SUBSCRIBED AND SWORN TO BEFORE me this 23<sup>RD</sup> day of APRIL, 2018.



  
\_\_\_\_\_  
NOTARY PUBLIC

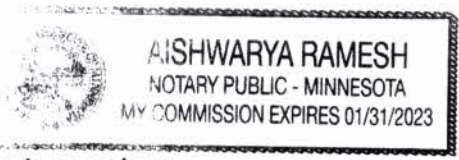
My commission expires:  
01/31/2023

Black Platinum Holdings, LLC

By:   
\_\_\_\_\_  
Its: Manager

MINNESOTA  
STATE OF WISCONSIN )  
County of HENNEPIN ) ss

SUBSCRIBED AND SWORN TO BEFORE me this 23<sup>RD</sup> day of APRIL, 2018.



  
\_\_\_\_\_  
NOTARY PUBLIC

My commission expires:  
01/31/2023



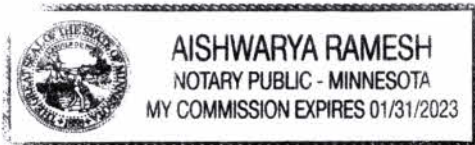
GSI Global, Inc.

By: [Signature]

Its: Director

MINNESOTA  
STATE OF ~~WISCONSIN~~ )  
County of HENNEPIN ) ss

SUBSCRIBED AND SWORN TO BEFORE me this 23<sup>RD</sup> day of APRIL, 2018



[Signature]

NOTARY PUBLIC

My commission expires:

01/31/2023

1 SERVICE LIST FOR: Michael Smoot *et al.*

2

3 Michael Smoot

4 648 W. Dale St.

5 Ellsworth, WI 54011

6 *Respondent*

7 *Manager of Respondent Black Platinum Holdings, LLC*

8 *Director of Respondent GSI Global, Inc.*

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

26



1                               **BEFORE THE ARIZONA CORPORATION COMMISSION**

2                               **COMMISSIONERS**

3                               TOM FORESE – Chairman  
4                               BOB BURNS  
5                               ANDY TOBIN  
6                               BOYD DUNN  
7                               JUSTIN OLSON

8                               In the matter of:

9                               MICHAEL SMOOT (d/b/a GSI Global TV, Inc.);

10                              BLACK PLATINUM HOLDINGS, LLC, an  
11                              Arizona limited liability company;

12                              GSI GLOBAL, INC., an Arizona corporation;

13                              Respondents.

) DOCKET NO: S-21045A-18-0097

) **CERTIFICATION OF SERVICE OF**  
) **PROPOSED OPEN MEETING AGENDA**  
) **ITEM**

14                              On this 29th day of May, 2018, the foregoing document was filed with Docket Control as a  
15                              Securities Division Memorandum & Proposed Order, and copies of the foregoing were mailed on  
16                              behalf of the Securities Division to the following who have not consented to email service. On this  
17                              date or as soon as possible thereafter, the Commission's eDocket program will automatically email  
18                              a link to the foregoing to the following who have consented to email service.

19                              Michael Smoot

20                              648 W. Dale St.

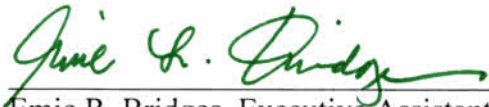
21                              Ellsworth, WI 54011

22                              Respondent

23                              Manager of Respondent Black Platinum Holdings, LLC

24                              Director of Respondent GSI Global, Inc.

25                              By:

26                                
Emie R. Bridges, Executive Assistant