

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2
3 WILLIAM A. MUNDELL
Chairman
4 JIM IRVIN
Commissioner
5 MARC SPITZER
Commissioner

6 In the matter of)
7)
8 M.G. NATURAL RESOURCES CORPORATION)
fka Mariah International, Guildmark Industries and)
9 M.G. Gold Corporation, currently known as Xenolix)
Technologies, Inc.)
34 Maple St.)
10 Summit, NJ 07901)
11)
ALVIN CHARLES JOHNSON, JR.)
12 1930 East Third Street, Suite 11)
Tempe, AZ 85281,)
13)
14 Respondents.)

DOCKET NO. S-03356A-01-0000

**NOTICE OF OPPORTUNITY FOR
HEARING REGARDING PROPOSED
ORDER TO CEASE AND DESIST,
FOR ADMINISTRATIVE PENALTIES,
AND FOR OTHER AFFIRMATIVE
ACTION**

15 **NOTICE: RESPONDENTS HAVE 10 DAYS TO REQUEST A HEARING**

16 The Securities Division (“Division”) of the Arizona Corporation Commission (“Commission”) alleges
17 that Respondents have engaged in acts, practices and transactions, which constitute violations of the Securities
18 Act of Arizona, A.R.S. § 44-1801 *et seq.*, (“Securities Act”).

19 **I.**

20 **JURISDICTION**

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

23 **II.**

24 **RESPONDENTS**

25 2. M.G. NATURAL RESOURCES CORPORATION fka Mariah International, Guildmark
26 Industries and M.G. Gold Corporation cka Xenolix Technologies, Inc. (“M.G. NATURAL RESOURCES”),

1 whose last known business address is 34 Maple St., Summit, NJ 07901, was at all relevant times operating
2 within or from the state of Arizona. M.G. NATURAL RESOURCES is a Nevada corporation.

3 3. ALVIN CHARLES JOHNSON, JR. (“JOHNSON”), whose last known business address is
4 1930 East Third Street, Suite 11, Tempe, AZ, 85281, began providing technical advice to M.G. NATURAL
5 RESOURCES beginning in about December of 1998. JOHNSON became a director of M.G. NATURAL
6 RESOURCES beginning in October of 1999. When M.G. NATURAL RESOURCES changed its name to
7 Xenolix Technologies, Inc. (“Xenolix”) on June 16, 2000, JOHNSON continued as a director and became a
8 vice president of Technology, Research and Development of Xenolix. JOHNSON is a major shareholder in
9 M.G. NATURAL RESOURCES. JOHNSON holds a PhD in Geology and claims to be a self-employed
10 geologist.

11 4. M.G. NATURAL RESOURCES and Xenolix will hereinafter be referred to as “M.G.
12 NATURAL RESOURCES.”

13 5. M.G. NATURAL RESOURCES and JOHNSON may be collectively referred to as
14 RESPONDENTS.

15 III.

16 FACTS

17 6. On May 15, 1997, Mariah International and Guildmark Industries merged with M.G. Gold
18 Corporation. M.G. Gold Corporation was the surviving corporation. M.G. Gold Corporation, through a
19 name change, became M.G. NATURAL RESOURCES on November 18, 1998. M.G. NATURAL
20 RESOURCES, through a name change, became Xenolix Technologies, Inc. on June 16, 2000 to the present.

21 7. Xenolix Technologies, Inc. assumed the assets and liabilities of M.G. NATURAL
22 RESOURCES when the name changed.

23 8. Initially, M.G. NATURAL RESOURCES claimed to be in the business of exploring and
24 developing mining property and natural resource opportunities. The focus of the business changed in about
25 December of 1999 to focus on developing technology for the economical extraction of precious metals.
26

1 9. M.G. NATURAL RESOURCES was traded on the OTC BB. M.G. NATURAL
2 RESOURCES became ineligible for quotation as of February of 2000. The stock is now traded on the pink
3 sheets.

4 10. RESPONDENTS are attempting to develop technology that would allow for the economical
5 identification and recovery of precious metals from scoria, volcanic cinders or other media. M.G.
6 NATURAL RESOURCES owns approximately 413 acres of land located near Flagstaff, Arizona. Situated
7 on this land is a volcanic cinder cone. In addition, M.G. NATURAL RESOURCES owns an ore processing
8 plant near Winslow, Arizona.

9 11. On or about April 1, 1997, M.G. NATURAL RESOURCES offered and sold stock in M.G.
10 NATURAL RESOURCES to 71 investors raising approximately \$750,000. Little or no disclosures were
11 provided to the investors prior to their investment.

12 12. In about April of 1997, M.G. NATURAL RESOURCES offered rescission to the 71
13 investors in the April 1, 1997 offering. Approximately 18 investors requested a refund totaling approximately
14 \$250,000. The remaining investors chose to keep their stock in M.G. NATURAL RESOURCES. The
15 investors were not provided a disclosure document explaining the reasons for the rescission.

16 13. On or about March 16, 1998, M.G. NATURAL RESOURCES offered one million shares of
17 stock in M.G. NATURAL RESOURCES to a number of offerees. No sales of the stock were made. No
18 offering documents were provided to the offerees. The offering was withdrawn when M.G. NATURAL
19 RESOURCES learned that the use to which the monies were to be applied (*i.e.* development of another mine
20 property) was no longer viable.

21 14. JOHNSON and Austin Lett are partners of Johnson Lett & Company ("Johnson/Lett"). In
22 about December of 1998, M.G. NATURAL RESOURCES and Johnson/Lett began negotiations for M.G.
23 NATURAL RESOURCES to purchase technology from Johnson/Lett. Johnson/Lett purported to have
24 technology, developed by JOHNSON, which would allow for the economical recovery of precious metals
25 from scoria, volcanic cinders or other media.

1 15. From the time that M.G. NATURAL RESOURCES and Johnson/Lett began to negotiate,
2 M.G. NATURAL RESOURCES has been utilizing JOHNSON's technology.

3 16. On or about December 9, 1998, M.G. NATURAL RESOURCES offered and sold stock to
4 at least 42 investors. M.G. NATURAL RESOURCES raised \$995,000 in this offering. Although the
5 offering documents represented that only accredited investors were allowed to invest, M.G. NATURAL
6 RESOURCES in fact sold stock to a number of unaccredited investors.

7 17. M.G. NATURAL RESOURCES acquired Johnson/Lett on or about May 10, 1999, for 13
8 million shares of M.G. NATURAL RESOURCES.

9 18. On or about November 11, 1999, M.G. NATURAL RESOURCES offered and sold stock
10 for \$165,000 to approximately eight investors comprised exclusively of previous investors or individuals
11 represented by previous investors.

12 19. In the November, 1999 offering, the focus of the company changed from a mining company
13 to a technology company. M.G. NATURAL RESOURCES was promoted in this offering as a "high-
14 technology" company engaged in the research and development of geological and chemical research. The
15 funds were to be used for the normal operating expenses of M.G. NATURAL RESOURCES' contract
16 laboratory in Tempe. The laboratory is owned and operated by JOHNSON. In addition, the funds were to
17 be used for the operating costs and capital equipment purchases at the pilot plant.

18 20. Although JOHNSON did not speak directly with investors, JOHNSON admitted that he
19 benefited financially from the sale of stock. JOHNSON knew that the sole source of funds for M.G.
20 NATURAL RESOURCES was from the sale of stock to investors. Moreover, the sole source of
21 JOHNSON's salary was from the funds raised through the sale of stock in M.G. NATURAL RESOURCES.
22 Furthermore, the expenses of JOHNSON's laboratory were paid for from the proceeds of the sale of stock
23 in M.G. NATURAL RESOURCES.

24 21. JOHNSON admitted to assisting in the drafting of the technical information contained in the
25 offering documents that were provided to investors. JOHNSON admitted that he knew the documents would
26 be provided to investors. In addition, JOHNSON reviewed and approved the technical information released

1 to the public through the web site and press releases regarding the success of his technology in finding
2 precious metals in scoria, volcanic cinders or other media.

3 22. Investors were not told that JOHNSON had been trying since 1980 to obtain precious metals
4 from volcanic cinders. JOHNSON claimed that he had been successful in extracting precious metals from
5 scoria, volcanic cinders or other media. However, JOHNSON failed to tell investors that his technology has
6 never been replicated in a commercially economical system.

7 23. No investor has received a return on his or her investment from any of the offerings that were
8 sold.

9 24. M.G. NATURAL RESOURCES issued press releases beginning on December 1, 1998, to
10 the present referencing JOHNSON's technology and its ability to obtain precious metals from scoria, volcanic
11 cinders or other media. The technology would then be used to produce commercial quantities of precious
12 metals economically. For example, the February 16, 1999, press release stated that the Johnson/Lett
13 recovery process appears to be economical. The March 15, 1999, press release stated that Dr. Al Johnson
14 and his associates have proven irrefutably to M.G. management, that gold can be economically extracted from
15 cinders. The press releases issued on April 21, 1999, and May 10, 1999, stated that M.G. NATURAL
16 RESOURCES had successfully transformed itself into a profitable natural resource provider with the potential
17 to redefine the parameters of precious metals extraction.

18 25. On February 20, 2001, Xenolix, the successor company to M.G. NATURAL
19 RESOURCES, issued a press release stating that through the "proprietary nanotechnological processing
20 technology" patented by Xenolix and developed by JOHNSON, it was able to produce non-silver precious
21 metals from coal combustion products ("CCP"). The Division has been unable to confirm that non-silver
22 precious metals even exists in CCPs. In fact, the information the Division has obtained, indicates that if any
23 non-precious metals exist in CCPs it is unlikely to be the 10 – 14 Troy ounces per ton that is represented by
24 Xenolix. In Arizona, the main use of CCP is to make cement/concrete products.

25 26. M.G. NATURAL RESOURCES is not a registered securities dealer.
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1 Respondent JOHNSON indirectly: (i) employed a device, scheme or artifice to defraud; (ii) made untrue
2 statements of material fact or omitted to state material facts which were necessary in order to make the
3 statements made not misleading in light of the circumstances under which they were made; and (iii) engaged in
4 transactions, practices or courses of business which operated or would operate as a fraud or deceit upon
5 offerees and investors. RESPONDENTS' conduct includes, but is not limited to, the following:

- 6 a) In connection with the offerings of March, 1998, December, 1998 and November, 1999,
7 M.G. NATURAL RESOURCES failed to disclose that at the time the above referenced
8 offerings were made, there was a pending lawsuit for \$250,000 filed against M.G.
9 NATURAL RESOURCES by a former insider.
- 10 b) In connection with the offers and sales of securities on April, 1997, March, 1998 and
11 December, 1998, M.G. NATURAL RESOURCES failed to provide adequate disclosure
12 information to the offerees and investors to allow them to make an informed investment
13 decision at the time investors invested.
- 14 c) In connection with the December 1998 offer and sale of securities, M.G. NATURAL
15 RESOURCES and JOHNSON failed to disclose to offerees and investors that the
16 technology upon which the company's future depended had been in development for over 20
17 years by JOHNSON, director and vice president of Technology, Research and Development
18 of M.G. NATURAL RESOURCES, and that it had yet to prove commercially viable.
- 19 d) M.G. NATURAL RESOURCES issued press releases on a regular basis starting from about
20 the beginning of 1997 and continuing through at least July of 2000. Some of the press
21 releases misrepresented or otherwise gave the misleading impression that M.G. NATURAL
22 RESOURCES was close to economically producing precious metals from scoria, volcanic
23 cinders or other media. In fact, there was no basis for such representations and the company
24 has yet to produce precious metals in commercial quantities through an economically viable
25 process.
26

1 e) JOHNSON provided information that was contained in press releases beginning in December
2 of 1998 and continuing through at least July of 2000. Some of the press releases represented
3 or otherwise gave the impression that M.G. NATURAL RESOURCES was close to
4 economically producing precious metals from scoria, volcanic cinders or other media using the
5 technology developed by JOHNSON. In fact, there was no basis for such representations
6 and the company has yet to produce precious metals in commercial quantities through an
7 economically viable process.

8 34. This conduct violates A.R.S. § 44-1991.

9 **VII.**

10 **REQUESTED RELIEF**

11 The Division requests that the Commission grant the following relief against RESPONDENTS:

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

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21 ...

22 **VIII.**

23 **HEARING OPPORTUNITY**

24 RESPONDENTS may request a hearing pursuant to A.R.S. § 44-1972 and A.A.C. R14-4-306. A
25 request must be in writing and received by the Commission within 10 business days after service of this Notice
26 of Opportunity for Hearing. Each RESPONDENT must deliver or mail the request to Docket Control,

1 Arizona Corporation Commission, 1200 W. Washington, Phoenix, Arizona 85007. A Docket Control cover
2 sheet must accompany the request. A cover sheet form and instructions may be obtained from Docket
3 Control by calling (602) 542-3477 or on the Commission's Internet web site at
4 www.cc.state.az.us/utility/forms/index.htm.

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

10 Persons with a disability may request a reasonable accommodation such as a sign language interpreter,
11 as well as request this document in an alternative format, by contacting Shelly M. Hood, ADA Coordinator,
12 voice phone number 602/542-3931, e-mail shood@cc.state.az.us. Requests should be made as early as
13 possible to allow time to arrange the accommodation.

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15 Dated this _____ day of _____, 2001.

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17 _____
18 Mark Sendrow
19 Director of Securities
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