

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2
3 CARL J. KUNASEK
Chairman
4 JIM IRVIN
Commissioner
5 WILLIAM A. MUNDELL
Commissioner
6

7 In the matter of)
8 MINING VENTURES INTERNATIONAL, LLC)
2301 S. Valley View Ave., Ste. F-4)
Las Vegas, NV 89102 and)
9)
4139 Highlander Ave.)
10 Lake Havasu City, AZ 86406)
11 GEORGE BRIAN STONE)
4139 Highlander Ave.)
12 Lake Havasu City, AZ 86406)
13)
SHIRLEY BURNETT)
14 4139 Highlander Ave.)
Lake Havasu City, AZ 86406)
15)
Respondents.)
16 _____)

DOCKET NO. S-03406A-00-0000
DECISION NO. _____
**ORDER TO CEASE AND DESIST,
ORDER OF RESTITUTION, ORDER
FOR ADMINISTRATIVE
PENALTIES AND CONSENT TO
SAME**

17 RESPONDENTS MINING VENTURES INTERNATIONAL, LLC (“MVI”), GEORGE
18 BRIAN STONE and SHIRLEY BURNETT [“RESPONDENTS”] elect to permanently waive
19 their right to a hearing and appeal under Articles 11 and 12 of the Securities Act of Arizona,
20 A.R.S. § 44-1801, *et seq.* (“Securities Act”) with respect to this Order to Cease and Desist, Order
21 of Restitution, Order for Administrative Penalties and Consent to Same (“Order”).
22 RESPONDENTS admit the jurisdiction of the Arizona Corporation Commission
23 (“Commission”); neither admit nor deny the Findings of Fact and Conclusions of Law contained
24 in this Order; and consent to the entry of this Order by the Commission.
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I.

FINDINGS OF FACT

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4 1. From on or about August 1998 through the present, RESPONDENTS offered or
5 sold investment opportunities in the form of units in a “turnkey mining project” (the “Project”).
6 RESPONDENTS contacted potential investors through a web site or through personal contacts.

7 2. RESPONDENTS represented to potential investors that MVI controlled 160 acres
8 of mining claims near Lake Havasu City, Arizona. RESPONDENTS represented to potential
9 investors that quantities of gold on the claim were “valid, verified and proven.”
10 RESPONDENTS represented to potential investors that MVI would process from 600 to 1200
11 tons of ore per day off the claim. RESPONDENTS provided “details” that the gold reserves at
12 the claim would last as long as 72 years. RESPONDENTS stated that they were raising
13 \$1,000,000 to begin operations.

14 3. RESPONDENTS claimed that they had developed a trademarked system known
15 as the “Fast Track Placer Mining System” or “HMFB Microfine Precious Metal Recovery
16 System,” which provided a “proven technology” that made “substantial recovery in most tailings
17 dumps feasible and extremely profitable.” Potential investors were told that all costs and values
18 were already known, that recovery techniques were proven, and that MVI used “state-of-the-art”
19 equipment to recover microfine particles of gold from desert placer (rock, gravel and sand).

20 4. RESPONDENTS represented to potential investors that the total value of precious
21 metals on the mining site was at least \$116,000,000.

22 5. RESPONDENTS provided potential investors with an offering brochure that
23 offered 40 interests in the Project for a minimum investment of \$25,000. However,
24 RESPONDENTS ultimately accepted any amount an investor offered to make in the Project.

25 6. RESPONDENTS represented to potential investors that a \$25,000 interest would
26 provide returns of over 150% to 400% per year. Investors could expect to begin receiving

1 returns on their investment within 120 days after the program was funded. Funds were to be
2 controlled and disbursed by a “third party fiduciary.” Investors could choose to receive their
3 proceeds in cash, bullion coins, or warehouse receipts.

4 7. RESPONDENTS represented to potential investors that MVI would provide
5 equipment, personnel and expertise to begin production, but after 30 days of operation MVI
6 would transfer “ownership” to the investors. The investors could then choose to retain MVI as
7 operator, or could choose to operate the Project themselves.

8 8. RESPONDENTS instructed potential investors to contact MVI for a “complete
9 informational binder” along with a non-circumvention/non-disclosure document. The binder
10 was to contain “everything you want to know to do your due diligence.” RESPONDENTS also
11 offered a book for sale on their web site entitled, “Honestly Recovering Microfine Precious
12 Metals.”

13 9. The written information provided to potential investors stated that all values were
14 already known, including the value of metals present and the complete cost of the Project.

15 10. Potential investors were not told that STONE had a substantial history of
16 securities violations related to sales of mining and precious metals investments.

17 11. On or around April 1999, STONE and BURNETT offered investors an
18 opportunity to invest additional money in Maxwell Mining #2 LLC (“Maxwell”), a Nevada
19 limited liability company to be formed. BURNETT was the general manager of Maxwell.
20 RESPONDENTS told investors that the purpose of Maxwell was to build and own “a pilot plant
21 mining operation”. RESPONDENTS stated that they would sell six memberships in Maxwell
22 for \$25,000 each. RESPONDENTS stated that the Maxwell program could begin immediately
23 and that the potential returns would be “even greater” than with the earlier Project.
24 RESPONDENTS would operate the Maxwell project for 50% of the profits.

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1 12. At least four investors from the Project became members of Maxwell. By the end
2 of April 1999, RESPONDENTS told investors that the Project was “fully funded” and “rapidly
3 moving ahead.”

4 13. At least 10 investors invested over \$230,000 with RESPONDENTS in either the
5 Project or in Maxwell. Investors never received any returns, but received continuous telephone
6 calls from STONE requesting more money.

7 14. No operations ever began on the purported mining claims with their purported
8 “known” values of gold. Instead, respondent BURNETT wrote letters to investors telling them
9 that Maxwell was looking for a buyer. RESPONDENTS did not give investors any decision-
10 making role in the operation or disposition of Maxwell.

11 15. BURNETT sent letters to investors on various occasions, stating that a variety of
12 buyers were interested in the Project or its equipment. BURNETT never identified any of the
13 buyers, nor did she provide any documentation of inquiries from potential buyers.

14 16. STONE told investors that he could get between \$240,000 and \$500,000 for the
15 equipment at the processing “plant”, if a new purchaser could be found. However, a mining
16 consultant hired by the investors, who visited the “plant”, estimated that the equipment had a
17 value of between \$10,000 to \$15,000, and that the “microfine” process touted by
18 RESPONDENTS, in fact did not work.

19 17. RESPONDENTS made misrepresentations and omissions in the offer and sale of
20 the Project, including the following:

- 21 a) RESPONDENTS represented that MVI’s process for extracting fine gold
22 from tailings was a “proven technology,” when in fact, RESPONDENTS
23 failed to tell investors that an earlier operation promoted by STONE and
24 BURNETT resulted in a loss of money to investors;
- 25 b) RESPONDENTS provided investors with historical assays and tests on
26 various mining properties; however, RESPONDENTS failed to tell

1 investors that results presented were from properties several miles from the
2 claims purportedly controlled by MVI (the “MVI site”), and thus the assay
3 results had no relation to interests held by investors;

4 c) RESPONDENTS provided investors with assay results on the MVI site
5 from a company called Gold Hunter Ltd.; however, RESPONDENTS
6 failed to state that Gold Hunter Ltd. was wholly owned and controlled by
7 respondent STONE.

8 d) RESPONDENTS represented that the U.S. Department of Interior Bureau
9 of Mines had done testing on the MVI site, when in fact, no such testing
10 had been done;

11 e) RESPONDENTS represented that ownership of the MVI site would be
12 transferred by quit claim to investors, when in fact, no such transfer ever
13 took place, and MVI did not have any ownership interest to transfer;

14 f) RESPONDENTS represented that mining permits would be filed within
15 days of investors’ participation in the Project, when in fact, no Start-up
16 Notice was ever filed with the Arizona Mine Inspector’s Office, nor was
17 any Plan of Operation ever filed with BLM;

18 g) RESPONDENTS represented in the Project that a third party fiduciary
19 would administer the use of investor funds, but failed to identify the
20 fiduciary. In fact, STONE and BURNETT controlled investor funds,
21 paying personal expenses and taking cash withdrawals while providing no
22 accounting or verification for their use;

23 h) RESPONDENTS represented to at least one investor that MVI had
24 invested over \$500,000 in development of the mining project to date, when
25 in fact, there was no basis for such a statement;
26

1 i) RESPONDENTS failed to tell potential investors that STONE had an
2 extensive history of securities fraud and registration violations involving
3 mining investments, including:

4 i) an Order of the Wisconsin Securities Division in 1981
5 finding sale of unregistered securities;

6 ii) a judgment of the Eleventh Judicial Circuit Court, Dade
7 County, Florida in 1983, finding fraud and registration
8 violations in the sale of securities and ordering restitution
9 of \$238,000;

10 iii) an Order of the Arizona Corporation Commission in
11 1985 finding fraud and registration violations in the sale
12 of securities;

13 iv) an Order of the Arizona Corporation Commission in
14 1987 finding fraud and registration violations in violation
15 of the 1985 Order ;

16 v) a Cease & Desist Order from the state of Montana in
17 1988 for violations of securities laws in sales of gold and
18 silver yet to be mined;

19 vi) a permanent injunction in the state of Idaho in 1989 for
20 violations of state securities laws;

21
22 j) STONE failed to tell investors that in April, 1998, he and Gold Hunter,
23 Ltd. were subject to a judgment in the amount of \$129,407.77 with
24 punitive damages in the amount of \$388,223.31 for fraud and other actions
25 against an investor/employee who invested in STONE's purported method
26 for microfine gold recovery;

1 k) STONE represented in his biography that he had “successfully” operated
2 Phenix Mining Corporation in Wickenburg, Arizona, but failed to tell
3 investors that the Arizona Corporation Commission found in both 1985
4 and 1987 that Phenix Mining Corporation and STONE had committed
5 fraud in the offer and sale of unregistered securities related to a gold
6 mining venture.

7 18. RESPONDENTS’ letters to investors continued to lull investors with information
8 and updates indicating that MVI and/or Maxwell has its operation and equipment for sale for
9 substantial amounts, with frequent interested investors. In fact, the equipment that is present has
10 minimal value that would not begin to compensate investors for the amounts they have paid to
11 RESPONDENTS.

12 **II.**

13 **CONCLUSIONS OF LAW**

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

16 2. RESPONDENTS offered or sold securities within or from Arizona, within the
17 meaning of A.R.S. §§ 44-1801(15), 44-1801(21), and 44-1801(26).

18 3. RESPONDENTS violated A.R.S. § 44-1841 by offering or selling securities that were
19 unregistered, not the subject of a notice filing under A.R.S. § 44-3321, and not exempt from
20 registration.

21 4. RESPONDENTS violated A.R.S. § 44-1842 by offering or selling securities while not
22 registered as dealers or salesmen, and not exempt from registration.

23 5. RESPONDENTS violated A.R.S. § 44-1991 by offering or selling securities within
24 or from Arizona by (a) employing a device, scheme or artifice to defraud, (b) making untrue
25 statements or misleading omissions of material facts, and (c) engaging in transactions, practices,
26 or courses of business which operate or would operate as a fraud or deceit.

1 IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2036, that RESPONDENTS shall,
2 jointly and severally, pay an administrative penalty in the amount of \$10,000, payable to the
3 State of Arizona. Payment shall be made in full by cashier's check on the date of this Order.

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

5 BY ORDER OF THE ARIZONA CORPORATION COMMISSION

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8 CHAIRMAN

COMMISSIONER

COMMISSIONER

9 IN WITNESS WHEREOF, I, Brian C. McNeil, Executive
10 Secretary of the Arizona Corporation Commission, have
11 hereunto set my hand and caused the official seal of the
12 Commission to be affixed at the Capitol, in the City of
13 Phoenix, this ____ day of _____, 2000.

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15 _____
16 BRIAN C. McNEIL
17 Executive Secretary

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19 _____
20 DISSENT
21 (SF)

22 This document is available in alternative formats by contacting Cynthia Mercurio-Sandoval,
23 ADA Coordinator, voice phone number: 602/542-0838, email: csandoval@cc.state.az.us.

24
25 Enforce/cases/MVI/pleadings/consent order
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CONSENT TO ENTRY OF COMMISSION ORDER AND WAIVER OF HEARING

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

11 2. RESPONDENTS knowingly and voluntarily waive any right they may have under
12 Article 12 of the Securities Act to judicial review by any court by way of suit, appeal, or
13 extraordinary relief 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 them to enter into it.

16 4. RESPONDENTS acknowledge that they have not been represented by counsel in this
17 matter, but that they have reviewed this Order and understand all terms it contains.

18 5. RESPONDENTS neither admit nor deny the Findings of Fact and Conclusions of Law
19 contained in this Order. RESPONDENTS agree that they shall not challenge their validity in any
20 present or future administrative proceeding before the Commission or any other state agency
21 concerning the denial or issuance of any licenses or registrations required by the state of Arizona
22 in order to engage in the practice of any business or profession.
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24 6. RESPONDENTS consent to the entry of this Order and agree to be fully bound by its
25 terms and conditions.
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1 7. By consenting to the entry of this Order, RESPONDENTS agree not to take any action
2 or to make, or permit to be made, any public statement denying, directly or indirectly, any
3 Finding of Fact or Conclusion of Law in this Order or creating the impression that this Order is
4 without factual basis. RESPONDENTS will undertake steps necessary to assure that all of their
5 agents and employees understand and comply with this agreement. If RESPONDENTS breach
6 this agreement, the Commission may vacate this Order and restore this case to its active docket.
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8 8. While this Order settles this administrative matter between RESPONDENTS and the
9 Commission, RESPONDENTS understand that this Order does not preclude the Commission
10 from instituting other administrative proceedings based on facts not presently known by the
11 Commission.

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

19 11. RESPONDENTS agree that, as a part of the settlement reached herein, they will not
20 apply for registration as a securities dealer or salesman or for licensure as an investment adviser
21 or investment adviser representative, under the Securities Act of Arizona or the Arizona
22 Investment Management Act, at any time in the future.
23

24 12. RESPONDENTS STONE and BURNETT agree, that as part of the settlement
25 reached herein, they will not act as a principal of a corporation, limited liability company, or
26 other entity created or recognized under Arizona law, or the laws of any other state, that raises

1 capital through the non-public offering of securities within or from Arizona. Further,
2 RESPONDENTS agree that they will not engage in any business in Arizona related to mining of
3 precious metals at any time in the future.

4 13. RESPONDENTS acknowledge interest of 10% per annum will continue to accrue on
5 the unpaid balance of the funds until the amount is paid in full.

6 14. RESPONDENTS understand that any default under the payment terms of this Order
7 will render them immediately liable to the Commission for the full balance of the monies owed,
8 for costs of collection and for interest at the maximum legal rate.
9

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11 _____
12 GEORGE BRIAN STONE, individually and
13 as General Manager of MINING VENTURES
INTERNATIONAL, LLC

14 SUBSCRIBED AND SWORN TO BEFORE me this _____ day of _____,
15 2000. _____

16 NOTARY PUBLIC

17 My Commission expires:

18 _____

19 _____
20 SHIRLEY BURNETT, individually and as
21 General Manager of MINING VENTURES
INTERNATIONAL, LLC

22 SUBSCRIBED AND SWORN TO BEFORE me this _____ day of _____,
23 2000. _____

24 NOTARY PUBLIC

25 My Commission expires:

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