

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

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

9 In the matter of: ) DOCKET NO. S-03418A-01-0000  
10 )  
11 Ronald Lee Keel ) **NOTICE OF OPPORTUNITY FOR**  
12 1849 Viola Drive ) **HEARING REGARDING PROPOSED**  
13 Sierra Vista, Arizona 85635 ) **ORDER TO CEASE AND DESIST, FOR**  
14 ) **RESTITUTION, FOR ADMINISTRATIVE**  
15 Donald Ramey ) **PENALTIES, AND FOR OTHER**  
16 211 N. 4<sup>th</sup> Street ) **AFFIRMATIVE ACTION**  
17 Sierra Vista, Arizona 85636 )  
18 )  
19 Meracana Mining Corporation )  
20 1849 Viola Drive )  
21 Sierra Vista, Arizona 85635, )  
22 )  
23 Respondents. )

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

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

26 **I.**  
**JURISDICTION**

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

**II.**  
**RESPONDENTS**

2. Ronald Lee Keel’s (“KEEL”) last known address is 1849 Viola Drive Sierra Vista, Arizona 85635.



**FACTS**

1  
2 12. From approximately May 1992 to April 1999, RESPONDENTS issued, offered for  
3 sale, sold, participated in or induced the sale of stock in MERACANA to at least twenty-five investors  
4 for a total of \$300,000 or more. Many of these investors were friends and family members of  
5 RESPONDENT'S.

6 13. From approximately September 1993 to January 1998, RESPONDENTS issued,  
7 offered for sale, sold, participated in or induced the sale of promissory notes issued by MERACANA to  
8 at least eight investors for a total of \$140,000 or more. Many of these investors were friends and family  
9 members of RESPONDENTS.

10 14. In approximately October 1993, MERACANA purchased three exploitation  
11 concessions and leased one other exploitation concession in Costa Rica. These exploitation concessions  
12 gave MERACANA the right to mine for gold and other minerals on the properties covered by the  
13 concessions. The total purchase price paid for these three concessions was approximately \$414,000.  
14 The Division does not know how much was paid for the leased concession.

15 15. Currently, MERACANA owns only one of the original three exploitation concessions  
16 purchased and does not hold a lease on any exploitation concession in Costa Rica. The concession that  
17 MERACANA still owns is referred to as the "Aguabuena." The Aguabuena was the most expensive  
18 concession MERACANA purchased.

19 16. MERACANA has never started mining operations in Costa Rica on the Aguabuena, or  
20 on any exploitation concession it has owned or leased in the past. Likewise, to date, no gold has been  
21 mined by MERACANA in Costa Rica.

22 17. Beginning in approximately 1993, RESPONDENTS attempted to raise at least  
23 \$600,000, by issuing stock and promissory notes, to mine for gold on the exploitation concessions it  
24 owned and leased in Costa Rica. RESPONDENTS drafted a project report that was distributed to  
25 most if not all of the investors in MERACANA. According to the project report, once funding was  
26 received, mining was to begin on the Aguabuena concession and then sampling, development and finally

1 production would start on the other concessions. The project report included the projected expenses  
2 and profits for mining some of the concessions and showed how mining would proceed in phases with  
3 each phase being more profitable. The last phase of mining on the Aguabuena concession showed a  
4 projected net profit of over \$24,000,000.

5 18. The project plan distributed to investors included material misstatements and omissions.  
6 These material misstatements and omissions were not rectified with investors before they invested. The  
7 project report claimed that the Costa Rican Department of Geology and Mines had certified proven  
8 reserves of 7,500 kilograms of gold on the Aguabuena concession. The Costa Rican Department of  
9 Geology and Mines never certified proven reserves of gold on the Aguabuena. The Costa Rican  
10 Department of Geology and Mines only accepted the estimated reserves of gold on the Aguabuena  
11 concession reported to it by a geologist. No financial statements, i.e., balance sheet and income  
12 statement, were disclosed in the project report or provided to investors. The cost to purchase the three  
13 exploitation mining concessions in Costa Rica and the cost of leasing a mining exploitation concession in  
14 Costa Rica were not disclosed in the project report or provided to investors. No disclosure of the risks  
15 of gold mining, particularly in Costa Rica, were ever made to investors.

16 19. In addition, no disclosure was made to investors that in October 1995, KEEL signed a  
17 loan agreement jointly with his spouse and on behalf of MERACANA by which he could take cash  
18 advances from MERACANA funds. The cash advances were treated as loans by the corporation to  
19 KEEL and his wife. The cash advances bore interest at the rate of 8.5% and were to be repaid from  
20 future dividends by MERACANA. From approximately October 1995 to the present, KEEL received  
21 cash advances of at least \$50,000 from MERACANA in accordance with this agreement. KEEL has  
22 not repaid any of these cash advances.

23 20. Furthermore, no disclosure was made to investors that their money might be used for  
24 uses other than mining operations in Costa Rica in that it might be loaned to one or more persons through  
25 an unsecured loan. In or about January 1996, MERACANA loaned John Ebdon at least \$12,500 on an  
26 unsecured basis. The Commission entered an Order on May 4, 2000, for \$4.2 million dollars against

1 John Ebdon and two other respondents in S-03375A, Decision No. 62509, for securities fraud.  
2 Although Mr. Ebdon did eventually repay the loan, the money was at risk while the loan was outstanding.

3 **IV.**

4 **VIOLATION OF A.R.S. § 44-1841**

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

6 21. From in or about May 1992, RESPONDENTS offered or sold securities in the form of  
7 stocks, notes, evidence of indebtedness, and investment contracts, within or from Arizona.

8 22. The securities referred to above were not registered pursuant to the provisions of Articles  
9 6 or 7 of the Securities Act.

10 23. This conduct violates A.R.S. § 44-1841.

11 **V.**

12 **VIOLATION OF A.R.S. § 44-1842**

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

14 24. RESPONDENTS offered or sold securities within or from Arizona, while not registered  
15 as dealers or salesmen pursuant to the provisions of Article 9 of the Securities Act.

16 25. This conduct violates A.R.S. § 44-1842.

17 **VI.**

18 **VIOLATION OF A.R.S. § 44-1991**

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

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

1 a) Misrepresented to investors that the Costa Rican Department of Geology and Mines  
2 had certified proven reserves of 7,500 kilograms of gold on the Aguabuena concession when the Costa  
3 Rican Department of Geology and Mines never certified proven reserves on this concession but only  
4 accepted the reported reserves of gold on the concession.

5 b) Failed to disclose to investors financial statements, i.e., balance sheet and income  
6 statement. Since financial statements were not disclosed, investors could not ascertain the financial  
7 condition of MERACANA.

8 c) Failed to disclose to investors the cost to purchase the three exploitation mining  
9 concessions in Costa Rica and the cost of leasing a mining exploitation in Costa Rica.

10 d) Failed to disclose to investors the risk of gold mining, particularly in Costa Rica.

11 e) Failed to disclose to investors that KEEL was taking cash advances from  
12 MERACANA'S funds, the sum of the cash advances which increased to at least \$50,000, that the cash  
13 advances were to be repaid from future dividends by MERACANA and that none of the cash advances  
14 had been repaid by KEEL.

15 f) Failed to disclose to investors that their money might not be used for mining  
16 operations in Costa Rica and that it might be loaned to one or more individuals through an unsecured  
17 loan.

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

19 28. KEEL and RAMEY directly or indirectly controlled MERACANA within the meaning of  
20 A.R.S. § 44-1999. Therefore, KEEL and RAMEY are liable to the same extent as MERACANA for  
21 its violations of A.R.S. § 44-1991.

22 ...

23 ...

24 **VII.**

25 **A.R.S. § 44-2003(A)**

26 **(Joint and Several Liability)**



1 ordered by the Commission. If a request for a hearing is not timely made, the Commission may, without  
2 a hearing, enter an order against each RESPONDENT granting the relief requested by the Division in this  
3 Notice of Opportunity for Hearing.

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

8  
9 Dated this \_\_\_\_\_ day of \_\_\_\_\_, 2001.

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12 Mark Sendrow  
13 Director of Securities  
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