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PRINTED: 12/17/2002

ARIZONA DEPARTMENT OF MINES AND MINERAL RESOURCES AZMILS DATA

PRIMARY NAME: CINDER ASSOCIATES #23 AND #24

ALTERNATE NAMES:
CINDER MOUNTAIN PROJECT

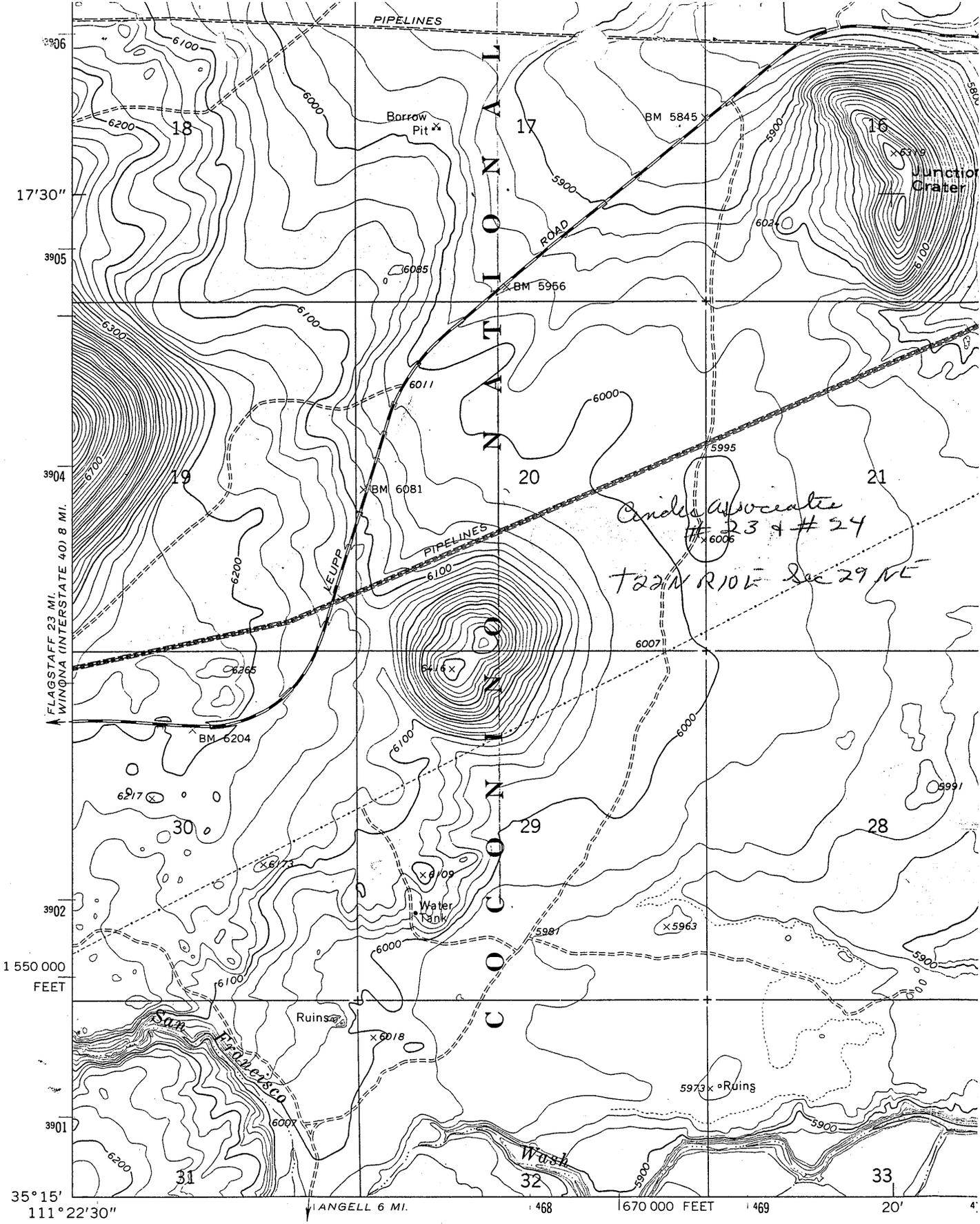
COCONINO COUNTY MILS NUMBER: 528

LOCATION: TOWNSHIP 22 N RANGE 10 E SECTION 29 QUARTER NE
LATITUDE: N 35DEG 21MIN 12SEC LONGITUDE: W 111DEG 16MIN 17SEC
TOPO MAP NAME: MERRIAM CRATER - 7.5 MIN

CURRENT STATUS: OTHER

COMMODITY:
PUMICE CINDER

BIBLIOGRAPHY:
ADMMR CINDER ASSOCIATES #23 AND #24 FILE



(WINONA)
3754 III NW

Mapped, edited, and published by the Geological Survey
 Control by USGS and USC&GS
 Topography by photogrammetric methods from aerial
 photographs taken 1968. Field checked 1969
 Polyconic projection. 1927 North American datum
 10,000-foot grid based on Arizona coordinate system, central zone
 1000-meter Universal Transverse Mercator grid ticks,
 zone 12, shown in blue
 Fine red dashed lines indicate selected fence lines

Merriam Crater 2.5'

GN
MN

0° 11' 3 MILS
14 1/2° 258 MILS

UTM GRID AND 1969 MAGNETIC NORTH

RENZ D. JENNINGS
CHAIRMAN

MARCIA WEEKS
COMMISSIONER

DALE H. MORGAN
COMMISSIONER



JAMES MATTHEWS
EXECUTIVE SECRETARY

ARIZONA CORPORATION COMMISSION

January 2, 1990

Mr. Ken Phillips
Mr. Dick Beard
Dept. of Mines & Mineral Resources
State Fair Grounds
Phoenix, AZ 85007

RE: WHITE ROCK MINING, INC., ET AL.

Dear Ken and Dick:

I would like to take this opportunity to inform you of three different legal proceedings which have taken place concerning the White Rock Mining Project and various people who have been associated with it.

On December 6, 1989, the Arizona Corporation Commission issued two Orders to Cease and Desist in the matter of White Rock Mining, Inc., et al. One Order was entered into against those Respondents which requested a hearing and one against those who had not. They were ordered to cease and desist from offering or selling unregistered securities by fraudulent misrepresentations or material omissions. These Respondents were ordered to pay restitution to the four Arizona investors we were aware of when the Order was issued. They were also ordered to pay administrative fines. Respondents Reese T. Houston, Houston R.R. Corporation and Houston R&R Corporation were dismissed from the Order with prejudice because the Commissioners did not feel their participation was significant enough to name them in the Order. Rochdale Recovery Group and Rick Stevens were dismissed without prejudice since they were never notified of the pending action.

On October 16, 1989, Lloyd Sharp was convicted in Mohave County of four felony counts:

- 1) fraudulent schemes and artifices;
- 2) sale of an unregistered security;
- 3) sale of a security by an unregistered salesman; and
- 4) illegally conducting an enterprise.

Re: White Rock Mining Project, et al.
December 28, 1989
Page 2

Mr. Sharp was sentenced on December 14, 1989, to 5.25 years in prison and ordered to pay over \$20,000 in restitution.

On December 18, 1989, the Federal Trade Commission filed a Temporary Restraining Order in the U.S. District Court, Las Vegas, Nevada to several defendants relating to the White Rock Mining Project and the Cinder Mountain Mining Project. All the defendants' assets have been frozen and a temporary receiver has been appointed for Lloyd's International, Inc., White Rock Mining, Inc. and Houston R&R Corporation. On January 5, 1990, a hearing will be held at which time the court will determine if a Preliminary Injunction should be issued and a permanent receiver appointed.

I have enclosed for your reference copies of the Commission's Cease and Desist Orders and the Temporary Restraining Order filed by the Federal Trade Commission. If you have any questions, please feel free to contact me at (602) 542-4242.

Very truly yours,



KATHLEEN SHANE
Investigator

KS:dlh

Enclosures

Shane

BEFORE THE ARIZONA CORPORATION COMMISSION

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RENZ D. JENNINGS
 Chairman
 MARCIA WEEKS
 Commissioner
 DALE H. MORGAN
 Commissioner

IN THE MATTER OF THE OFFERING
 OF SECURITIES BY:

WHITE ROCK MINING, INC.
 4625 South Wynn Road, Suite 209
 Las Vegas, NV 89103

ACCRUED FINANCIAL SERVICES, INC.
 333 North Rancho Drive
 Suite 820
 Las Vegas, NV 89106

APACHE RAND CORPORATION d/b/a
 APACHE RAND REFINERY d/b/a
 APACHE RAND, INC.
 c/o Floyd Robertson
 6804 Stone Avenue
 Las Vegas, NV 89106

GAYLE B. GUNN II d/b/a G.B. GUNN
 3616 West Aster
 Phoenix, Arizona

MARCEL, EDWARDS, HALL &
 ASSOCIATES
 333 North Rancho Drive
 Suite 820
 Las Vegas, NV 89106

STEVEN J. BOURQUE a/k/a J.W. HALL
 333 North Rancho Drive, Suite 820
 Las Vegas, NV 89106

HOUSTON R.R. CORPORATION d/b/a
 THE HOUSTON CORPORATION
 1374 S. Nelson Drive
 Chandler, AZ 85224

HOUSTON R & R CORPORATION
 c/o Reese T. Houston, President
 1374 S. Nelson Drive
 Chandler, AZ 85224

REESE T. HOUSTON
 3407 South Roberts Road
 Tempe, AZ 85282

DOCKET NO. S-2553-I

DECISION NO. 56723

ORDER TO
CEASE AND DESIST

Arizona Corporation Commission

DOCKETED

DEC 6 1989

DOCKETED BY	na
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1 LLOYD B. SHARP d/b/a LLOYD SHARP)
 BUSINESS CONSULTANT)
 2 2900 Bristol Street, Ste. A-102)
 Costa Mesa, CA 92626)
 3)
 4 ROGER D. SWAYZE)
 7635 S.E. Deardoff)
 Portland, OR 97236)
 5)
 6 MADRE MINING INCORPORATED)
 7138 S. Highland Drive)
 Salt Lake City, UT 84121)
 7)
 8 ROCHDALE RECOVERY GROUP)
 5859 Kanan Road, Ste. 287)
 Agoura Hills, CA 91301)
 9)
 10 RICK STEVENS)
 560 N. Moorpark Road)
 1000 Oaks, CA 91360)
 11)
 12 CARL GRODIN)
 333 North Rancho Drive, Ste. 820)
 Las Vegas, NV 89106)
 13)
 14 SIEGFRIED JACHMANN)
 7138 S. Highland Drive)
 Salt Lake City, UT 84121)
 15)
 16)

I.

17
 18 On April 18, 1989 the Securities Division of the
 19 Arizona Corporation Commission (Commission) issued a Notice of
 20 Opportunity for Hearing Regarding Proposed Order to Cease and
 21 Desist (Notice) to the above Respondents. Copies of the Notice
 22 were served on the following Respondents by Certified mail:

<u>Respondent</u>	<u>Date Served</u>
1. WHITE ROCK MINING, INC. (WHITE ROCK)	4-18-89
2. ACCRUED FINANCIAL SERVICES, INC. (ACCRUED)	4-19-89
3. APACHE RAND CORPORATION (APACHE)	4-20-89
4. MARCEL, EDWARDS, HALL & ASSOCIATES (MARCEL)	4-19-89
5. STEVEN J. BOURQUE (BOURQUE)	4-19-89
6. MADRE MINING INCORPORATED (MADRE)	4-24-89
7. CARL GRODIN (GRODIN)	4-19-89
8. SIEGFRIED JACHMANN (JACHMANN)	4-24-89

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1 The Notice specified that the Respondents would be afforded an
2 opportunity for an administrative hearing regarding the proposed
3 Order to Cease and Desist upon written request filed with Docket
4 Control of the Commission within 10 days after receipt of the
5 Notice.

6 Respondents WHITE ROCK, ACCRUED, APACHE, MARCEL,
7 BOURQUE, MADRE, GRODIN AND JACHMAN failed to request an
8 administrative hearing within 10 days after receipt of the
9 Notice. Therefore, Respondents WHITE ROCK, ACCRUED, APACHE,
10 MARCEL, BOURQUE, MADRE, GRODIN AND JACHMAN are deemed to have
11 admitted the Findings of Fact and Conclusions of Law set forth in
12 this Order. All further references to Respondents in this Order
13 refer to WHITE ROCK, ACCRUED, APACHE, MARCEL, BOURQUE, MADRE,
14 GRODIN and JACHMAN.

15 II.

16 FINDINGS OF FACT

17 1. WHITE ROCK MINING, INC. (WHITE ROCK) is a Nevada
18 corporation whose last known business address is 4625 S. Wynn
19 Road, Suite 209, Las Vegas, Nevada 89103, and who was at all
20 relevant times doing business within or from Arizona. White Rock
21 sold ore from the "White Rock Mining Project," purportedly
22 containing gold, to Arizona citizens.

23 2. ACCRUED FINANCIAL SERVICES, INC. (ACCRUED) is a
24 Nevada Corporation, whose last known business address is 333
25 North Rancho Drive, Suite 820, Las Vegas, Nevada 89106, and who
26 was at all relevant times doing business within or from Arizona.
27 ACCRUED was the bookkeeping and money collection arm for the
28 "White Rock Mining Project". Investors from Arizona sent their

1 money to ACCRUED to be held "in trust".

2 3. APACHE RAND CORPORATION d/b/a APACHE RAND REFINERY
3 d/b/a APACHE RAND, INC. (APACHE) is a Nevada corporation, whose
4 last known address was 4202 East University Dr., Phoenix, Arizona
5 85034, and was at all relevant times doing business within or
6 from Arizona. APACHE sold ore from the "White Rock Mining
7 Project", purportedly containing gold, to Arizona citizens.

8 5. MARCEL, EDWARDS, HALL & ASSOCIATES (MARCEL) is a
9 Nevada corporation incorporated Decemember 30, 1986 whose last
10 known business address is 333 North Rancho Drive, Suite 820, Las
11 Vegas, Nevada 89106, and who was at all relevant times doing
12 business within or from Arizona. MARCEL acted as an underwriter
13 for the ore contracts sold to Arizona citizens relating to the
14 "White Rock Mining Project".

15 6. STEVEN J. BOURQUE (BOURQUE) aka J.W. HALL, whose
16 last known business address is 333 North Rancho Drive, Suite 820,
17 Las Vegas, Nevada 89106, was at all relevant times president and
18 director of ACCRUED, and president of MARCEL.

19 7. MADRE MINING INCORPORATED (MADRE) is a Nevada
20 corporation whose last known business address is 7138 S. Highland
21 Drive, Salt Lake City, Utah 84121, and who was at all relevant
22 times doing business within or from Arizona. Madre marketed the
23 ore from the "White Rock Mining Project" which was sold by WHITE
24 ROCK and APACHE.

25 8. CARL GRODIN (GRODIN), whose last known business
26 address is 333 North Rancho Drive, Suite 820, Las Vegas, Nevada
27 89106, was at all relevant times the Chief Financial Officer of
28 ACCRUED.

1 9. SIEGFRIED JACHMANN (JACHMANN) whose last known
2 business address is 7138 S. Highland Drive, Salt Lake City, Utah
3 84121 is and was at all relevant times the president of MADRE.

4 10. From approximately January, 1987 to December, 1988
5 Respondents offered and sold ore contracts within Arizona. From
6 1988 to the present, Respondents were and are collecting monthly
7 payments on the ore contracts from investors.

8 11. The ore contracts referred to in paragraphs 1-9
9 above were not registered by description under A.R.S. §§ 44-1871
10 through 44-1875; were not registered by qualification under
11 A.R.S. §§ 44-1891 through 44-1900; were not exempt securities
12 under A.R.S. § 44-1843 or § 44-1843.01; were not offered or sold
13 in exempt transactions under A.R.S. § 44-1844 and were not
14 securities exempt under any rule or order promulgated by the
15 Commission.

16 12. In connection with these offers to sell and sales
17 of ore contracts, Respondents acted as dealers or salesmen
18 although not registered pursuant to the provisions of Article 9
19 of the Securities Act of Arizona (the Act).

20 13. In connection with the offers to sell and sales of
21 ore contracts, Respondents, directly or indirectly, made untrue
22 statements of material fact or omitted to state material facts
23 necessary in order to make the statements made, in light of the
24 circumstances under which they were made, not misleading; and
25 Respondents engaged in transactions, practices or courses of
26 business which operated or would operate as a fraud or deceit
27 within the meaning of A.R.S. § 44-1991, including, but not
28 limited to the following:

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- a. RESPONDENTS, in the offering materials, said this offering was not a security when in fact there was no basis for such a statement and no due diligence was provided concerning Arizona law.
- b. RESPONDENTS, in the offering materials, said the cost of production for this offering would be in the range of industry standards when in fact they knew no feasibility study had been completed; therefore, they had no basis for such statement.
- c. RESPONDENTS stated in the offering materials that the construction phase of the project would be completed by February, 1989, at the latest, when in fact it has not begun as of March, 1989.
- d. RESPONDENTS, in the offering materials, said the projected processing date for the ore would be in one to three years from the date of purchase, however Respondent STEVENS told investors it would be before December, 1988 when in fact production had not begun as of March, 1989.
- e. RESPONDENTS, in the offering materials, said the ore had in excess of one ounce of gold per ton when in fact adequate testing had not been completed; therefore, they had no reasonable basis for such statement.

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- f. RESPONDENTS stated in the offering materials that extensive assay work had been performed on the property when in fact adequate testing had not been completed; therefore there was no basis for such a statement.
- g. RESPONDENTS, in the offering materials, warranted the ore to be worth at least \$400.00 per ton when in fact adequate testing had not been completed; therefore there was no basis for such a statement.
- h. RESPONDENTS stated that the interest income from the investors would be adequate capital to put the mine fully into operation when in fact additional financing is necessary.
- i. RESPONDENTS stated in the offering materials that tests of the White Rock ore had yielded gold as high as 5.8 oz. per ton when in fact there was no basis for such statement.
- j. RESPONDENTS, in the offering materials, (Ore Purchase Contract and Bill of Sale) stated that an ore reserve of 50,000 tons was being held at THI Accounting Services to back the warranties when in fact this was not true.
- k. RESPONDENTS failed to disclose to offerees or investors the risks involved in investing with WHITE ROCK and/or APACHE.

1. RESPONDENTS failed to disclose to offerees or investors the earnings and business history of WHITE ROCK, APACHE, ACCRUED, MADRE, HOUSTON R.R., HOUSTON R&R, MARCEL, or ROCHDALE.

m. RESPONDENTS failed to disclose to offerees and investors the background and business experience of Respondents SHARP, BOURQUE, GUNN, HOUSTON, SWAYZE, GRODIN, JACHMANN and STEVENS.

n. RESPONDENTS failed to disclose to offerees an Indictment and Cease and Desist orders against the following RESPONDENTS from the following states:

<u>Date</u>	<u>State</u>	<u>Document</u>	<u>Respondent</u>
3-18-84	Oregon-US	Injunction	SHARP
11-20-87	Alabama	Cease and Desist	MARCEL, BOURQUE, ACCRUED, GRODIN
12-11-87	Idaho-US	Indictment	SWAYZE
12-17-87	Iowa	Cease and Desist	MARCEL, BOURQUE
3-28-88	North Carolina	Cease and Desist	MARCEL, BOURQUE, ACCRUED
5-26-88	Alabama	Cease and Desist	HOUSTON, GUNN, HOUSTON R.R.
5-31-88	Georgia	Order of Prohibition	HOUSTON R.R., SWAYZE, WHITE ROCK
10-31-88	Alabama	Cease and Desist	WHITE ROCK, GUNN, SWAYZE
12-28-88	Idaho-US	Criminal Verdict	SWAYZE
1-24-89	Wisconsin	Order of Prohibition	WHITE ROCK, SWAYZE, APACHE, GUNN

1 o. RESPONDENTS MARCEL and BOURQUE told investors that
2 they were licensed mining and metalurgical
3 consultants when in fact they only had a city
4 business license.

5 p. Respondents failed to disclose to offerees and
6 investors that neither the Respondents nor the
7 securities they offered or sold were registered
8 with the Securities Division of the Corporation
9 Commission.

10 III.

11 CONCLUSIONS OF LAW

12 14. The Arizona Corporation Commission has jurisdiction
13 over this matter pursuant to Article 15 of the Arizona
14 Constitution and pursuant to the Securities Act, A.R.S. § 44-1801
15 et seq.

16 15. The ore contracts sold are securities as defined by
17 A.R.S. § 44-1801(5) and 44-1801(20).

18 16. The securities offered and sold by Respondents were
19 unregistered, in violation of A.R.S. § 44-1841.

20 17. In connection with these offers to sell and sales
21 of securities, Respondents acted as dealers or salesmen although
22 not registered pursuant to the provisions of Article 9 of the
23 Securities Act of Arizona, in violation of A.R.S. § 44-1842.

24 18. Respondents offered and sold securities within or
25 from Arizona through material untrue statements and omissions of
26 material fact, and engaged in transactions, practices or courses
27 of business which operated or would operate as a fraud or deceit,
28 in violation of A.R.S. § 44-1991.

1 IV.

2 ORDER

3 THEREFORE, on the basis of the Findings of Fact and
4 Conclusions of Law, the Commission finds that the following Order
5 is appropriate, in the public interest and necessary for the
6 protection of investors:

7 IT IS ORDERED, pursuant to A.R.S. § 44-2032, that
8 Respondents, WHITE ROCK, ACCRUED, APACHE, MARCEL, BOURQUE, MADRE,
9 GRODIN and JACHMANN their agents, servants, employees,
10 successors, assigns, and those persons in active concert or
11 participation with them CEASE AND DESIST from the following and
12 any other violations of the Act:

13 a. Offering to sell or selling securities within or
14 from the State of Arizona unless the securities are registered
15 with the Commission pursuant to Articles 6 and 7 of the Act, or
16 an exemption from registration is available;

17 b. Offering to sell or selling securities within or
18 from the State of Arizona unless proper prior registration as a
19 dealer or salesman is obtained under Article 9 of the Act, or an
20 exemption from registration is available;

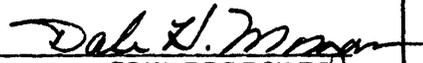
21 c. Offering to sell or selling securities within or
22 from the State of Arizona in violation of A.R.S. § 44-1991.

23 IT IS FURTHER ORDERED that, pursuant to A.R.S. §
24 44-2032, Respondents WHITE ROCK, ACCRUED, APACHE, MARCEL,
25 BOURQUE, MADRE, GRODIN AND JACHMANN shall pay jointly and
26 severally \$51,078.95, less any refunds which investors have
27 received since the hearing, as restitution, to be paid 30 days
28 after entry of this Order, such payment to be made payable to the

1 Securities Division, Arizona Corporation Commission to be placed
2 in a trust account maintained and controlled by the Arizona
3 Attorney General's Office.

4 IT IS FURTHER ORDERED that, pursuant to A.R.S. S
5 44-2036, Respondents WHITE ROCK, ACCRUED, APACHE, MARCEL,
6 BOURQUE, MADRE, GRODIN AND JACHMANN shall jointly and severally
7 pay an administrative penalty in the amount of \$153,235.85 said
8 payment to be made 30 days after entry of this Order, payable to
9 the State Treasurer for deposit in the general fund of the State
10 of Arizona.

11 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

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13   
14 CHAIRMAN COMMISSIONER COMMISSIONER

16 IN WITNESS WHEREOF, I, JAMES
17 MATTHEWS, Executive Secretary of
18 the Arizona Corporation Commission,
19 have hereunto set my hand and
20 caused the official seal of this
21 Commission to be affixed in the
22 City of Phoenix, this 6 day
23 of December, 1989.

24
25 
26 JAMES MATTHEWS
27 Executive Secretary

28

DISSENT

Condon H. Doc. # 23424 (file)

CK
WMS

IN THE DISTRICT COURT OF THE UNITED STATES
DISTRICT OF SOUTH CAROLINA
CHARLESTON DIVISION

UNITED STATES OF AMERICA)
vs.)
LLOYD BENTON SHARP,)
GEORGE HOWARD ANDERSON,)
ROGER D. SWAYZE,)
J. W. HALL, a/k/a Steven J.)
Bourque)
REESE T. HOUSTON,)
AL MARCEL, a/k/a Alfonso M.)
Harris a/k/a Al Harris)
VERNON JENSEN,)
CAYLE B. GUNN, II)
ROY BONN,)
DUDLEY W. HARDIN,)
DON E. NOOE,)
CALE EDWARD JACKSON, JR,)
a/k/a Jack Edwards, AND)
CARL MICHAEL GRODIN)

) CRIMINAL NO. _____
) 18 USC §1341
) 18 USC §371
) 18 USC §2

INDICTMENT

MAXIMUM SENTENCE THESE COUNTS
FINE OF \$250,000.00 (18 USC 3571)
AND/OR IMPRISONMENT FOR 5 YEAR(S)
AND A TERM OF SUPERVISED RELEASE OF
3 YR(S) (18 USC 3583)
SPECIAL ASSESSMENT \$50.00
(18 USC 3013)

COUNT 1-13

THE PARTIES

THE GRAND JURY CHARGES:

At all times relevant to this Indictment:

1. LLOYD BENTON SHARP was the President of White Rock Mining, Inc. and Lloyds International, two business concerns involved in marketing the sale of silver and gold ore contracts by means of telephonic and mail solicitations.

2. GEORGE HOWARD ANDERSON was involved in all phases of the White Rock Mining, Inc. venture, including but not limited to research, development, and marketing.

3. ROGER D. SWAYZE was President of White Rock Mining, Inc., and Lloyds International through December 1988, and performed management functions for the White Rock project.

4. J. W. HALL, a/k/a Steven J. Bourque, was the President of Marcel, Edwards, Hall & Associates (hereinafter "MEH"), a Las Vegas company which sold White Rock ore contracts to telemarketers and to the public.

5. REECE T. HOUSTON was the President of Houston R&R Corporation, (Houston R&R), a/k/a The Houston R.R. Corporation, a/k/a Houston Corporation which performed ore assays for the White Rock ore, and provided technical information for newsletters disseminated to purchasers of ore contracts which described the progress of the White Rock project.

6. AL MARCEL a/k/a Alfonso M. Harris, a/k/a Al Harris, was a principal in the firm of Marcel, Edwards, Hall and Associates and was involved in the sale of White Rock ore contracts to telemarketers and to the public.

7. VERNON JENSEN was an investor in the White Rock project, encouraged others to invest in the project, and eventually became an independent contractor actively selling White Rock ore contracts to the public and received commissions on the contracts he sold.

8. GAYLE B. GUNN, II, was the President of Apache Rand, Inc., was the original promoter of the White Rock project, and became a consultant to the Houston Corporation. He provided information for the newsletters sent to investors.

9. ROY BONN was the President of Nevada Business Services, Inc. and performed bookkeeping services for investors who purchased White Rock ore contracts through Jack Edwards and Associates.

10. DUDLEY W. HARDIN was President of Hydromet, Inc. and performed ore assays on ore from the White Rock project.

11. CARL MICHAEL GRODIN was an accountant for Accrued Financial Services, received White Rock investor's funds, and disbursed those funds to, among others, Madre Mining, Inc. and Lloyds International.

12. DON E. NOOE was President of Mineral Worlds, Inc. and performed various engineering tasks associated with the White Rock mining project, such as surveys, sampling, and assay verification.

13. GALE EDWARD JACKSON, JR. a/k/a Jack Edwards, was an officer of "MEH", and was a principal in JACK EDWARDS & ASSOCIATES, which sold White Rock ore contracts to the public.

THE CORPORATIONS

A. WHITE ROCK MINING, INC. was a Nevada corporation having its principal office in Las Vegas, Nevada, and was incorporated on or about June 19, 1987. Defendant ROGER D. SWAYZE was President until Defendant LLOYD BENTON SHARP became President in 1989. Defendants ROGER D. SWAYZE, LLOYD BENTON SHARP, and GEORGE HOWARD ANDERSON were the principals behind White Rock Mining, Inc. and organized, promoted, and marketed the sales of ore contracts from, through, and on behalf of the corporation.

B. LLOYDS INTERNATIONAL, INC. was a Nevada corporation having its principal office in Las Vegas, Nevada, and was incorporated on or about June 22, 1988. Defendant ROGER D. SWAYZE was President until succeeded by Defendant LLOYD BENTON SHARP in 1989. The corporation's purposes were to engage in the business of mining, milling, and processing of minerals and to provide consulting services.

C. MARCEL, EDWARDS, HALL & ASSOC. was a Nevada corporation having its principal office in Las Vegas, Nevada, and was incorporated on or about December 30, 1986. The initial board of directors consisted of Defendants J. W. HALL, a/k/a Steven J. Bourque, AL MARCEL, a/k/a Alfonzo M. Harris, a/k/a Al Harris, and GALE EDWARD JACKSON, JR., a/k/a Jack Edwards. MEH sold White Rock ore contracts from June, 1987 to March, 1988 and on June 19, 1987 purchased 1000 White Rock ore contracts from Defendant ROGER D. SWAYZE for sale to telemarketers and the general public.

D. HOUSTON R&R CORPORATION, a/k/a THE HOUSTON CORPORATION was a Nevada corporation with its principal office located in Chandler, Arizona, and was responsible for the testing and refining of the White Rock ore. Defendant REECE T. HOUSTON was President of the corporation and provided information for White Rock Mining, Inc's sales materials and newsletters concerning the progress of the White Rock project.

E. APACHE RAND, INC. was a Nevada corporation having its principal office in Las Vegas, Nevada. Defendant GAYLE B. GUNN, II was President of the corporation and allegedly held the mineral rights to the ore at the White Rock site. APACHE RAND

with or on behalf of White Rock Mining, Inc. offered for sale 50,000 tons of ore of the White Rock mining project.

F. NEVADA BUSINESS SERVICES, INC. was a Nevada corporation with its principal office being located in Las Vegas, Nevada. Defendant ROY BONN was the president of the corporation and provided bookkeeping services for investors purchasing White Rock ore contracts from Jack Edwards and Assoc., owned and operated by Defendant GALE EDWARD JACKSON, JR. Defendant ROY BONN received, deposited, and disbursed monthly payments mailed to the corporation from various investors.

G. HYDROMET, INC. was a Nevada corporation having its principal office in Las Vegas, Nevada. Defendant DUDLEY W. HARDIN was president of the corporation and entered into a contract in 1986 with Defendants GEORGE HOWARD ANDERSON and LLOYD BENTON SHARP to market and sell ore through Results Plus, a company then operated by Defendants GEORGE HOWARD ANDERSON and LLOYD BENTON SHARP to market the Claim 72 and Golden Sands projects. Defendants DUDLEY W. HARDIN and LLOYD BENTON SHARP utilized the bookkeeping services of Nevada Business Services, Inc., operated by Defendant ROY BONN, in connection with the Claim 72 and Golden Sands sales promotion. Thereafter, HYDROMET, INC. also performed assays on ore from the White Rock site in 1988 and issued a report indicating significant amounts of gold and silver were found in the ore tested at the Houston Corporation site in Chandler, Arizona.

H. ACCRUED FINANCIAL SERVICES, INC. was a Nevada corporation incorporated on or about September 25, 1987. The

initial board of directors consisted of Defendants J.W. HALL, a/k/a Steven J. Bourque, AL MARCEL, a/k/a Alfonzo M. Harris, a/k/a Al Harris, and CARL MICHAEL GRODIN. ACCRUED FINANCIAL SERVICES shared office space with MEH, which was controlled and operated by AL MARCEL, a/k/a Alfonzo M. Harris, a/k/a Al Harris, J. W. HALL, a/k/a Steven J. Bourque, AND GALE EDWARD JACKSON. ACCRUED operated as a trust company. All investor funds were sent to ACCRUED, which placed all principal payments into a "Buyer's Trust Account." A portion of the investors' funds were then wire transferred to Madre Mining, Inc., a Nevada Corporation, to Lloyds International, and to MEH.

I. MINERAL WORLD, INC. was a company headquartered in Bartow, Florida; and Defendant DON E. NOOE was employed as a consulting engineer. This corporation, through Defendant NOOE performed survey, sampling, and assay analysis for White Rock Mining, Inc. and issued a report indicating that significant amounts of gold and silver were contained in ore samples from the White Rock site.

J. MADRE MINING CORP. was a Nevada corporation which served as an administrative arm for the White Rock mining project, and served as the project manager.

THE SCHEME AND ARTIFICE

From on or about June, 1987, up to and including the date of this Indictment, in the District of South Carolina and elsewhere, the Defendants LLOYD BENTON SHARP, GEORGE HOWARD ANDERSON, ROGER D. SWAYZE, J. W. HALL, a/k/a Steven J. Bourque, REESE T. HOUSTON, AL MARCEL, a/k/a Alfonzo M. Harris, a/k/a Al Harris, VERNON

JENSEN, GAYLE B. GUNN, II, ROY BONN, DUDLEY W. HARDIN, CARL MICHAEL GRODIN, DON E. NOOE, AND GALE EDWARD JACKSON, JR., a/k/a Jack Edwards knowingly and willfully devised and intended to devise a scheme and artifice to defraud investors purchasing ore contracts in the White Rock mining venture by means of false and fraudulent pretenses and representations.

The scheme and artifice was devised and perpetrated by the Defendants to unjustly enrich the Defendants and cause a financial loss to the investors in the White Rock mining venture.

(1) It was part of the scheme and artifice that the Defendants would and did represent to potential purchasers of ore contracts that they were selling a portion of the ore from the White Rock mining project to raise funds to put the mine fully into operation.

(2) It was further part of the scheme and artifice that the Defendants directly and through their agents, offered to sell contracts for ore to be mined, processed and refined into precious metals (gold & silver), at discounted prices, with delivery to the purchaser within 1-3 years.

(3) It was further part of the scheme and artifice that the Defendants provided to potential investors a brochure describing the mining project and its management, an insert promoting gold and silver as an investment, preprinted contracts, a promissory note, and instructions for making monthly payments to an accounting firm.

(4) It was further part of the scheme and artifice that the Defendants caused purchasers of ore contracts to sign an

Ore Purchase Agreement, to send 10% of the total purchase price as a down payment, and to sign a non-recourse promissory note for the balance due on their purchase. The balance due was to be paid in monthly installments.

(5) It was further part of the scheme and artifice that the Defendants represented that White Rock ore contained deposits of precious metals (gold & silver) in insufficient quantity and quality to justify mining. The Defendants warranted that White Rock ore, sold for \$200 per ton, contained gold and silver worth at least \$400 per ton.

(6) It was further part of the scheme and artifice that the Defendants based their representations concerning the value of the ore on fraudulent assay test results performed by Defendants REESE T. HOUSTON, DUDLEY W. HARDIN, AND DON E. NOOE. Defendants represented that test results on White Rock ore ranged from .03 to 7.35 ounces of gold per ton; that recovery of at least one ounce of gold per ton was not unreasonable; and that assay tests were yielding an average of 1 1/2 oz. of gold per ton, when in truth and in fact, as Defendants well knew, the ore contained only traces of gold and silver in quantities so small that mining the ore would not be economically feasible.

(7) It was further part of the scheme and artifice that Defendants represented to investors that part of the funds received from the sale of ore contracts would be used to construct facilities to process large quantities of ore into precious metals, and that purchasers could expect to receive their gold or silver within 1-3 years. However, Defendants never

constructed any such facilities, nor did they obtain permits necessary to conduct mining operations, said permits taking 2-3 years for ultimate approval by various governmental agencies.

(8) It was further part of the scheme and artifice that the Defendants created a host of subsidiary and affiliated business entities acting in concert to defraud investors of the White Rock project, said business entities being owned or operated by the Defendants and operated in such a fashion as to prevent detection of the ultimate disposition of the investors' funds.

(9) It was further part of the scheme and artifice that the Defendant caused investor funds from the sale of White Rock ore contracts to be mailed to Accrued Financial Services, a corporation controlled by Defendants J. W. HALL, a/k/a Steven J. Bourque, AL MARCEL, a/k/a Alfonzo M. Harris, a/k/a Al Harris, GALE EDWARD JACKSON, JR., a/k/a Jack Edwards and CARL MICHAEL GRODIN, and thereafter disbursed at the direction of Defendants ROGER D. SWAYZE, LLOYD BENTON SHARP and GEORGE HOWARD ANDERSON to other parties and entities such as Lloyds International, a corporation controlled by Defendants ROGER D. SWAYZE and LLOYD BENTON SHARP; and Madre Mining, a corporation controlled by Defendants LLOYD BENTON SHARP, ROGER D. SWAYZE, and GEORGE HOWARD ANDERSON. Madre Mining in turn disbursed investor funds to Defendant REESE T. HOUSTON.

(10) It was further part of the scheme and artifice that the Defendants caused investors of White Rock ore contracts to mail and send to Accrued Financial Services from September

1987 through and including November 1989, the sum of approximately \$2,304,773, and the Defendants did cause Accrued to disburse approximately \$2,288,571 to various parties and entities such as Lloyds International, (approximately \$575,585), and Madre Mining, (approximately \$138,183); said investors received no gold or silver from the Defendants as a result of their investments in the White Rock mining project.

MANNER & MEANS OF EXECUTING THE
SCHEME AND ARTIFICE TO DEFRAUD

(11) On or about the date hereinafter specified, in the District of South Carolina, the Defendants, LLOYD BENTON SHARP, GEORGE HOWARD ANDERSON, ROGER D. SWAYZE, J. W. HALL, a/k/a Steven J. Bourque, REESE T. HOUSTON, AL MARCEL, a/k/a Alfonzo M. Harris, a/k/a Al Harris, VERNON JENSON, GAYLE B. GUNN, II, ROY BONN, DUDLEY W. HARDIN, DON E. NOOE, GALE EDWARD JACKSON, JR., a/k/a Jack Edwards, AND CARL MICHAEL GRODIN for the purpose of executing and attempting to execute this scheme and artifice to defraud, did knowingly cause the following checks drawn on the accounts of the individual investors listed below and payable to THI Accounting Services and/or Accrued Financial Services, to be delivered by the U.S. Postal Service in accordance with the direction thereon to Accrued Financial Services, 333 N. Rancho, Suite 820, Department B. Las Vegas, Nevada 89106, or THI Accounting Services, 7701 E. Gray Road, Suite D, Scottsdale, Arizona 85260, from the investor hereinafter specified;

<u>COUNT</u>	<u>DATE</u>	<u>CHECK NO.</u>	<u>AMOUNT</u>	<u>INVESTOR</u>
1.	Oct. 10, 1987	124	5,050.00	Miles H. or Dorothy P. Mauney, Hilton Head, S.C.
2.	Dec. 25, 1987	481	7,650.00	Marvin P. Guy Hilton Head, S.C.
3.	Aug. 17, 1987	2752	8,080.00	Donald K. Chalker Hilton Head, S.C.
4.	Aug. 27, 1987	376	10,100.00	James Carlen, Hilton Head, S.C.
5.	Oct. 15, 1987	2107	2,020.00	David C. or Lynne R. Anderson Hilton Head, S.C.
6.	Oct. 21, 1987	385	1,010.00	Frederick Scheper Hilton Head, S.C.
7.	Oct. 25, 1987	2921	1,010.00	Mary Russell Freeman Hilton Head, S.C.
8.	Nov. 2, 1987	734	2,020.00	Jack H. Biel Hilton Head, S.C.
9.	Nov. 25, 1987	513	1,010.00	Charles and Sheila Ogletree, Hilton Head, S.C.
10.	Dec. 17, 1987	104	2,020.00	Paul W. or Fran H. Burgess, Hilton Head, S.C.
11.	Dec. 22, 1987	543	510.00	Charles and Sheila Ogletree, Hilton Head, S.C.
12.	Oct. 20, 1987	119	2,020.00	Hans or Barbara Fritze, Hilton Head, S.C.
13.	Jan. 6, 1988	312	3,050.00	Margaret J. Morrison Belfiore Hilton Head, S.C.

All in violation of Title 18, United States Code, Sections
1341 and 2.

MAXIMUM SENTENCE THIS COUNT
FINE OF \$ 250,000.⁰⁰ (18 USC 3571)
AND/OR IMPRISONMENT FOR 5 YR(S)
AND A TERM OF SUPERVISED RELEASE OF
3 YR(S) (18 USC 3583)
SPECIAL ASSESSMENT \$ 50.⁰⁰
(18 USC 3013)

COUNT 14

THE GRAND JURY FURTHER CHARGES:

That from on or about June, 1987, and continuing thereafter until the date of this Indictment, in the District of South Carolina and elsewhere, the Defendants LLOYD BENTON SHARP, GEORGE HOWARD ANDERSON, ROGER D. SWAYZE, J. W. HALL, a/k/a Steven J. Bourque, REESE T. HOUSTON, AL MARCEL, a/k/a Alfonzo M. Harris, a/k/a Al Harris, VERNON JENSEN, GAYLE B. GUNN, II, ROY BONN, DUDLEY W. HARDIN, CARL MICHAEL GRODIN, DON E. NOOE, AND GALE EDWARD JACKSON, JR., a/k/a Jack Edwards, knowingly and willfully did combine, conspire, confederate and agree together and have a tacit understanding with each other and with various other persons to the Grand Jury unknown to commit in the manner, by means, and to the extent hereinafter shown, certain offenses against the laws of the United States, to wit:

1. Unlawfully and knowingly to use the mails for the purpose of executing the scheme and artifice to defraud, as more fully described in Counts 1-13 of this Indictment which are incorporated herein by reference, in violation of the provisions of Title 18, United States Code, §§1341 and 2.

2. It was part of the said conspiracy that the Defendants and others would cause individuals from the State of South

Carolina and elsewhere to invest monies to purchase ore contracts in the White Rock mining project by means of false and fraudulent pretenses, representations and promises.

3. It was a further part of the conspiracy that the Defendants and others aided, assisted and protected each other in the commission of the aforesaid acts and facilitated the commission of said acts.

4. That the aforesaid Defendants and others having combined, conspired, confederated, and agreed together as aforesaid, and in furtherance of such conspiracy and during its continuance, and to effect the objects thereof, committed the following overt acts and others in the District of South Carolina and elsewhere at the time and in the manner set forth herein, to wit:

OVERT ACTS

1. On or about December, 1987, Defendant ROGER D. SWAYZE signed a White Rock Newsletter stating that the target date for ground breaking for the on-site ore processing plant was December 15, 1987.

2. On or about December 7, 1987 Defendant DUDLEY W. HARDIN refused to send White Rock ore samples to an independent assay lab after being advised that there was no gold in said ore sample.

3. On or about December 10, 1987 Defendant J. W. HALL, a/k/a Steven J. Bourque, signed promotional material for the White Rock mining project which stated that investors could realize "from 600% to 2600% return" on their investment in fairly short order.

4. From on or about June, 1987 to on or about June, 1988, Defendant VERNON JENSEN received approximately \$193,013.08 in sales commissions from selling ore contracts in the White Rock mining project.

5. During the period of the conspiracy AL MARCEL, a/k/a Al Harris, a/k/a Alfonzo M. Harris, signed White Rock promotional material sent to investors, signing said promotional material as a senior partner of Marcel, Edwards, Hall and Associates.

6. On or about January 9, 1988 Defendant ROY BONN was advised at a meeting at Nevada Business Services that there was no gold in White Rock ore and that the required permits to mine such ore did not exist.

7. On or about June 16, 1988 Defendant DON E. NOOE signed a letter written on Mineral Worlds, Inc. letterhead wherein he represented that significant amounts of gold and silver were present in a White Rock ore sample.

8. On or about July, 1988, Defendant REECE T. HOUSTON advised a White Rock investor that REESE T. HOUSTON had done a lot of tests on White Rock ore and was getting 1 1/2 oz. of gold per ton.

9. On or about July, 1988, Defendant CALE EDWARD JACKSON, JR. a/k/a Jack Edwards represented to a White Rock ore purchaser that assay tests of the White Rock ore were showing an average yield of 1 1/2 oz. of gold per ton.

10. On or about October, 1988, Defendant GEORGE HOWARD ANDERSON came to Hilton Head Island, South Carolina and told a group of investors that the White Rock mining project was

"unequivocally economically feasible", and would pay off investors within 3 to 7 months.

11. On or about February, 1989, Defendant GAYLE B. GUNN, II told a White Rock investor that GAYLE B. GUNN, II expected the White Rock mine to be in production within a couple of months.

12. That on or about March, 1989, Defendant LLOYD BENTON SHARP issued and caused to be issued a White Rock newsletter, which was mailed to various investors in the White Rock mining project, and represented to said investors that the project was expected to be in limited production within 90 days.

13. On or about August 10, 1989, Defendant LLOYD BENTON SHARP advised a White Rock investor that all White Rock investors would be paid off by April, 1990.

All in violation of Title 18, United States Code, §371.

A _____ BILL

FOREMAN

~~E/B~~ BART DANIEL

E. BART DANIEL (DLD)
UNITED STATES ATTORNEY

Share

BEFORE THE ARIZONA CORPORATION COMMISSION

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RENZ D. JENNINGS
CHAIRMAN
MARCIA WEEKS
COMMISSIONER
DALE H. MORGAN
COMMISSIONER

IN THE MATTER OF THE OFFERING OF)
SECURITIES BY:)

WHITE ROCK MINING, INC.)
4625 SOUTH WYNN ROAD, SUITE 209)
LAS VEGAS, NEVADA 89103)

ACCRUED FINANCIAL SERVICES, INC.)
333 NORTH RANCHO DRIVE, SUITE 820)
LAS VEGAS, NEVADA 89106)

APACHE RAND CORPORATION, DBA)
APACHE RAND REFINERY, DBA)
APACHE RAND, INC.)
C/O FLOYD ROBERTSON)
6804 STONE AVENUE)
LAS VEGAS, NEVADA 89106)

GAYLE B. GUNN II, DBA G.B. GUNN)
3616 WEST ASTER)
PHOENIX, ARIZONA)

MARCEL, EDWARDS, HALL & ASSOCIATES)
333 NORTH RANCHO DRIVE, SUITE 820)
LAS VEGAS, NEVADA 89106)

STEVEN J. BOURQUE, AKA J.W. HALL)
333 NORTH RANCHO DRIVE, SUITE 820)
LAS VEGAS, NEVADA 89106)

HOUSTON R.R. CORPORATION, DBA)
THE HOUSTON CORPORATION)
1374 SOUTH NELSON DRIVE)
CHANDLER, ARIZONA 85224)

HOUSTON R & R CORPORATION)
C/O REESE T. HOUSTON, PRESIDENT)
1374 SOUTH NELSON DRIVE)
CHANDLER, ARIZONA 85224)

REESE T. HOUSTON)
3407 SOUTH ROBERTS ROAD)
TEMPE, ARIZONA 85282)

DOCKET NO. S-2553-I

DECISION NO. 56733

Arizona Corporation Commission
DOCKETED

DEC 6 1989

DOCKETED BY *ma*

- 1 LLOYD B. SHARP DBA LLOYD SHARP)
- BUSINESS CONSULTANT)
- 2 2900 BRISTOL STREET, SUITE A-102)
- COSTA MESA, CALIFORNIA 92626)
- 3)
- 4 ROGER D. SWAYZE)
- 7635 SOUTHEAST DEARDOFF)
- PORTLAND, OREGON 97236)
- 5)
- 6 MADRE MINING INCORPORATED)
- 7138 SOUTH HIGHLAND DRIVE)
- SALT LAKE CITY, UTAH 84121)
- 7)
- 8 ROCHDALE RECOVERY GROUP)
- 5859 KANAN ROAD, SUITE 287)
- AGOURA HILLS, CALIFORNIA 91301)
- 9)
- 10 RICK STEVENS)
- 560 NORTH MOORPARK ROAD)
- 1000 OAKS, CALIFORNIA 91360)
- 11)
- 12 CARL GRODIN)
- 333 NORTH RANCHO DRIVE, SUITE 820)
- LAS VEGAS, NEVADA 89106)
- 13)
- 14 SIEGFRIED JACHMANN)
- 7138 SOUTH HIGHLAND DRIVE)
- SALT LAKE CITY, UTAH 84121)
- 15)

OPINION AND ORDER

16 DATES OF HEARING: July 10, 11, and 12, 1989

17 PLACE OF HEARING: Phoenix, Arizona

18 PRESIDING OFFICER: Beth Ann Burns

19 APPEARANCES: JOSEPH P. CILLO, P.A., by Mr. Joseph P.
20 Cillo, and TREW AND WOODFORD, P.C., by
21 Mr. Reid Woodford, on behalf of
22 Respondents Mr. Gayle B. Gunn II, dba
23 G.B. Gunn, and Mr. Lloyd B. Sharp, dba
24 Lloyd Sharp Business Consultant;

25 JAMES E. BACHE, P.C., by Mr. James E.
26 Bache, on behalf of Respondents Houston
27 R.R. Corporation, dba The Houston
28 Corporation, Houston R & R Corporation
and Mr. Reese T. Houston; and

Mr. Robert K. Corbin, Attorney General,
by Ms. Lisa K. Daniel, Assistant Attorney
General, and Ms. Katrina L. Rogers,
Securities Division, on behalf of the
Securities Division of the Arizona
Corporation Commission.

1 BY THE COMMISSION:

2 On April 18, 1989, the Acting Director of the Securities
3 Division ("Division") of the Arizona Corporation Commission
4 ("Commission") issued a Notice of Opportunity for Hearing Regarding
5 Proposed Order to Cease and Desist to the above-named respondents.
6 The Division was unable to serve the Rochdale Recovery Group and Mr.
7 Rick Stevens with the notice. Accordingly, those respondents should
8 be dismissed from this matter.

9 On April 29, 1989, Mr. Lloyd B. Sharp and Mr. Gayle B. Gunn
10 requested that a hearing be held in this matter and agreed to waive
11 the requirement that the hearing commence within 15 days as provided
12 in A.R.S. §44-1972(D).

13 On May 3, 1989, Mr. Roger D. Swayze filed a request for hearing
14 and agreed to an extension of the hearing date.

15 On May 3, 1989, Houston R.R. Corporation, dba the Houston
16 Corporation, Houston R & R Corporation, and Mr. Reese T. Houston
17 (collectively "Houstons") filed a request for hearing. By letter
18 dated May 4, 1989, the Houstons also agreed to waive the 15-day
19 requirement.

20 The Commission scheduled the hearing in this matter to commence
21 on June 19, 1989. On May 26, 1989, the Houstons filed a motion for
22 a continuance of the hearing. By Procedural Order dated May 30,
23 1989, the motion was granted and July 10, 1989 was set as the new
24 hearing date.

25 The hearing commenced as scheduled and continued on July 11 and
26 12, 1989. Mr. Sharp, Mr. Gunn, the Houstons, and the Division
27 appeared through counsel. Mr. Swayze did not appear for financial
28 reasons, as stated in his July 6, 1989 memorandum.

1 At the hearing, the Division presented the testimony of Mr.
2 David Bond, Mr. Herman Randolph Daymude, Jr., Mr. Lon Slechta, and
3 Ms. Sandra Jane Smith as investors; Mr. Joseph Murry, an
4 Investigator for the State of Nevada, Secretary of State, Securities
5 Division; Mr. Roshan Boman Bhappu, a metallurgist and President of
6 Mountain States Research and Development International (MSR&D); Mr.
7 Marvin Schloatman, the Vice President and Analytical Lab Manager for
8 MSR&D; Mr. David D. Rabb, a metallurgist and mining engineer; Mr.
9 Robert M. Long who provided accounting work for the White Rock
10 Project; Ms. Kathleen Shane, an Investigator with the Division; and
11 Mr. Tom Woods, a Staff Certified Public Accountant with the
12 Division. Mr. Bhappu was also called as a witness by the Houstons.
13 The respondents presented no other witnesses.

14 The Division and the Houstons filed post-hearing briefs on
15 August 23 and 25, 1989, respectively, and reply briefs on September
16 12 and 15, 1989, respectively.

17 **DISCUSSION:**

18 Apache Rand Corporation, dba Apache Rand Refinery, dba Apache
19 Rand, Inc. ("Apache Rand") obtained a lease which provides the
20 mineral rights to mine 640 acres in San Bernardino County,
21 California, across the state line from Lake Havasu City, Arizona.
22 The White Rock Mining Project was formed to mine the ore deposit for
23 gold and silver. Apache Rand and White Rock Mining, Inc. ("White
24 Rock") share ultimate responsibility for directing the project. In
25 1987, they hired Madre Mining, Inc. ("Madre Mining") to be the
26 administrator of the project and Madre Mining in turn hired the
27 Houstons to supervise the development of the mining operation.

28

1 For the alleged purpose of raising capital to purchase
2 equipment and process the ore into concentrate, 50,000 tons of the
3 ore were offered for sale through investment contracts at a total
4 price of \$10 million. Since 1987, offering materials for the White
5 Rock Project have been circulated and at least three sales of the
6 securities occurred in Arizona in February 1988.¹ The ore was sold
7 in 50-ton increments. The tonnage specified in each investment
8 contract was sold by Apache Rand / Marcel, Edwards, Hall &
9 Associates, Inc. ("Marcel") to the Rochdale Recovery Group for
10 resale to the investor upon his execution of a non-recourse
11 promissory note to Apache Rand. The investor made an initial
12 payment of 10% of the purchase price as a fee for commissions and
13 expenses. Payments on the promissory note were made by the investor
14 according to a monthly schedule which includes an annual interest
15 charge of 10%. The monthly payments were made to Accrued Financial
16 Services, Inc. ("Accrued"), which shared offices with Marcel.
17 Accrued then issued checks in the amount of the monthly payments it
18 received to either Madre Mining or Lloyds International, Inc.
19 ("Lloyds"), whose sole corporate officer also serves as the sole
20 corporate officer for White Rock.

21 The offering materials circulated to market the White Rock
22 Project contain statements the record evidence has shown to be
23 untrue or to be without factual basis. These are not isolated
24 statements of minor importance. They inaccurately portray major
25 components of the project.

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28 ¹ Each of the investors purchased the securities from Mr. Rick
Stevens, a named respondent upon whom service of the notice of
opportunity for hearing could not be accomplished.

1 The misstatements are that: (a) construction of the processing
2 plant would be completed by early 1989; (b) the ore would be
3 processed within 1 to 3 years from the date of purchase; (c) the
4 ore carries an average of 1 ounce of gold per ton; (d) extensive
5 assay work has been performed; (e) the estimated cost of production
6 would be in the range of industry standards; (f) the ore is
7 warranted to be worth at least \$400 per ton; (g) the ore purchase
8 is not a security; (h) interest income from the \$10 million in
9 contract sales is adequate capital to put the mine fully into
10 operation; and (i) an ore reserve of 50,000 tons has been placed
11 with THI Accounting Services ("THI") to be used in the event the
12 values do not meet the \$400 per ton warranty.

13 In addition to containing misstatements, the offering materials
14 are defective because they omitted several material facts. They did
15 not disclose: (a) the earnings and business history of the corporate
16 respondents, with the exception of the Houston corporations; (b) the
17 background and business experience of the individual respondents,
18 with the exception of Mr. Houston; (c) the existence of two cease
19 and desist orders, an injunction, and an indictment entered by other
20 states against one or more of the respondents;² (d) that neither the
21 respondents nor the securities offered or sold were registered with
22 the Division; and (e) that none of the corporate respondents are
23 presently authorized to do business in Arizona.

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27 ² These cease and desist orders, injunction, and indictment
28 were issued prior to the sales of White Rock securities to Arizona
investors in February 1988. Since that time, four additional cease
and desist orders, two orders of prohibition, and a criminal verdict
have been entered against one or more of the respondents.

1 The record clearly establishes that offers and sales of the
2 White Rock securities have occurred in Arizona in circumstances
3 where material facts were not disclosed, fraud was committed, and
4 neither the securities nor the salesmen were registered with the
5 Division. See also Decision No. _____ issued this date. It
6 remains for the Commission to determine the factual extent to which
7 the Houstons, Mr. Gunn, Mr. Sharp, and Mr. Swayze participated in
8 the enterprise and whether their conduct violated Arizona's
9 securities laws.

10 RESPONDENT SWAYZE

11 Mr. Swayze was the Director, President, and sole officer of
12 White Rock, a Nevada Corporation, from its incorporation in 1987 to
13 December 1988. Under his management, White Rock was a key
14 participant in furthering the enterprise. It was during his tenure
15 that the fraudulent offering materials were circulated and induced
16 Arizona residents to purchase the securities. Mr. Swayze, as
17 President of White Rock, authored periodic newsletters to investors
18 describing the alleged progress at the mining operation. The
19 newsletters contained statements such as "[t]he Houston Corporation
20 has developed a proven recovery process for the recovery of gold and
21 silver" and "[o]n September 18 the first truck load of White Rock
22 ore was delivered to the Houston corporation facilities....[a]nother
23 load (approx. 22 tons) was delivered the following week." The
24 record evidence indicates these statements are untrue or lack
25 factual foundation. It further suggests that the newsletters
26 contained intentional misstatements to maintain the investors'
27 stream of monthly payments with the prospect that success at the
28 mine would soon be achieved.

1 Until December 1988, Mr. Swayze also served as the President
2 and sole officer of Lloyds, one of the entities to which the monthly
3 payments were channeled.

4 Although the record evidence fails to link Mr. Swayze directly
5 with a sale of White Rock securities, it does establish that he was
6 a control person in the enterprise and, in that capacity, committed
7 fraud pursuant to A.R.S. §44-1991. That statute provides, in
8 pertinent part that:

9 It is a fraudulent practice and unlawful for a person, in
10 connection with a transaction or transactions within or
11 from this state involving an offer to sell ... securities,
or a sale or purchase of securities... directly or
indirectly to do any of the following:

- 12 1. Employ any device, scheme or artifice to defraud.
- 13 2. Make any untrue statement of material fact, or omit to
14 state any material fact necessary in order to make the
15 statements made, in light of the circumstances under which
16 they were made, not misleading.
- 17 3. Engage in any transaction, practice or course of business
18 which operates or would operate as a fraud or deceit.

19 Mr. Swayze violated the law by directly or indirectly permitting to
20 be published and circulated fraudulent offering materials in
21 connection with offers to sell and sales of securities in Arizona.
22 He also committed fraud with respect to the investors' monthly
23 payments which are "...transactions...involving...a...purchase of
24 securities..." under the statute. Mr. Swayze issued newsletters
25 which, for the purpose of inducing investors to continue making
26 their monthly payments in connection with the purchase of the
27 securities: served as a device or artifice to defraud; or made
28 untrue statements of material fact or omitted to state material
facts necessary in order to make the statements made, in light of
the circumstances under which they were made, not misleading.

1 The Division has requested that Mr. Swayze, as a control person
2 in the operation, be held liable for the offers and sales of White
3 Rock securities to the three Arizona investors. Having found direct
4 violations of the Securities Act of Arizona ("Securities Act") by
5 Mr. Swayze, we do not believe it is necessary to reach the question
6 of participant liability.

7 RESPONDENT SHARP

8 In January 1989, Mr. Sharp officially joined the enterprise
9 when he succeeded Mr. Swayze as the President and sole officer of
10 both White Rock and Lloyds. Mr. Sharp on deposition claimed this
11 to be his first contact with the White Rock Project. According to
12 other record evidence, though, he had prior involvement as follows:

13 (a) in 1987, Mr. Sharp approached the owner of THI to request his
14 accounting services for the project and to take him on a tour of the
15 facilities associated with the project; and (b) in October 1988, Mr.
16 Sharp attempted to obtain a loan on behalf of White Rock in the
17 absence of Mr. Swayze who was in jail on charges of criminal fraud
18 and perjury. Further evidence suggests Mr. Sharp operated as a
19 decision maker for the project even while Mr. Swayze was the head
20 of White Rock and Lloyds.

21 As the sole corporate officer for White Rock and Lloyds, Mr.
22 Sharp has continued the practice of issuing newsletters concerning
23 the impending success of the project which contain statements that
24 are untrue or without factual foundation, such as, "construction
25 crews are standing by" or "payments on the ore contracts [will
26 start] by the first of July."

27 The record evidence regarding Mr. Sharp's involvement with the
28 White Rock project in 1987 and 1988 is insufficient to support a

1 finding that he was a culpable participant in the fraudulent
2 activity at that time. While the Division has requested that Mr.
3 Sharp be held liable for the unlawful offers and sales of White Rock
4 securities in Arizona in February 1988, since he was not
5 significantly participating in the operation at that time, such a
6 finding would be inappropriate.

7 For the post-1989 period, however, it is clear that Mr. Sharp
8 held a control position with the operation and, in that capacity,
9 perpetuated the fraud by issuing newsletters which, for the purpose
10 of inducing investors to continue making their monthly payments in
11 connection with the purchase of the securities: served as a device
12 or artifice to defraud; or made untrue statements of material fact
13 or omitted to state material facts necessary in order to make the
14 statements made, in light of the circumstances under which they were
15 made not misleading. He thereby violated A.R.S. §44-1991.

16 He also directly participated in an illegal offer and sale of
17 securities in Arizona. On February 2, 1989, Mr. Sharp, as President
18 of Lloyds, executed a promissory note and entered into a contract
19 with Mr. and Mrs. Smith pursuant to which Lloyds agreed to sell 20
20 truck loads of "gold and silver bearing ore" to them for \$50,000 and
21 then repurchase the ore at the time of processing for \$60,000. As
22 consideration for the agreement, the Smiths wrote two checks in the
23 total amount of \$20,000. Mr. Sharp promised the return would be
24 realized within 45 days. He failed to disclose financial
25 information concerning the investment, the risks associated with the
26 ore investment, or the existence of a permanent injunction issued
27 against him by the United States District Court in Oregon for
28 violations of federal securities laws. As of the hearing date, the

1 Smiths had neither realized a return on their investment nor had
2 the \$20,000 they initially paid returned in full.

3 This investment contract is a security, not registered by
4 description under A.R.S. §§44-1871 through 44-1875, not registered
5 by qualification under A.R.S. §§44-1891 through 44-1900, not exempt
6 under A.R.S. §44-1843 or §44-1843.01, not offered or sold in an
7 exempt transaction under A.R.S. §44-1844, and not exempt under any
8 rule or order promulgated by the Commission. The sale of the
9 security, therefore, violated A.R.S. §44-1841. In addition, since
10 Mr. Sharp is not a registered salesman in Arizona, the sale violated
11 A.R.S. §44-1842. In connection with the sale, Mr. Sharp also
12 violated A.R.S. §44-1991 by making an untrue statement of material
13 fact about the time for return of the investment and omitting to
14 state material facts concerning risks associated with the investment
15 which were necessary in order to make the statements made, in light
16 of the circumstances under which they were made, not misleading.

17 RESPONDENT GUNN

18 In August 1987, Mr. Gunn became the President of Apache Rand,
19 the company which shared responsibility with White Rock for
20 directing the project. As President, Mr. Gunn authored at least
21 one newsletter to investors which the record evidence has shown
22 misrepresented progress at the mine. For example, it stated that
23 "many long days of research" had occurred and that "we should begin
24 construction of the 500/ton per day on-site processing plant next
25 month."

26 In January 1989, when Mr. Sharp became President of White Rock,
27 he appointed Mr. Gunn to be his assistant. Under a rental agreement
28 with the Houstons, Mr. Gunn maintains an office at the Houstons'

1 plant for the purpose of promoting public relations for White Rock
2 by assisting investors and potential investors who call or wish to
3 tour the facility. Mr. Gunn did conduct a guided tour for two of
4 the Arizona investors, but the record is unclear whether it occurred
5 before or after their investment decision was made. Mr. Gunn's
6 salary is paid by Houston R & R Corporation.

7 As the President of Apache Rand, Mr. Gunn held an influential
8 position with the operation through which he violated A.R.S. §44-
9 1991 by issuing at least one newsletter which, for the purpose of
10 inducing investors to continue making their monthly payments in
11 connection with the purchase of the securities: served as a device
12 or artifice to defraud; or made untrue statements of material fact
13 or omitted to state material facts necessary in order to make the
14 statements made, in light of the circumstances under which they were
15 made not misleading. The record evidence is insufficient to
16 determine whether Mr. Gunn violated the Securities Act while in
17 charge of public relations for White Rock.

18 The Division has requested that Mr. Gunn, as a control person
19 in the operation, be held liable for the illegal offers and sales
20 of White Rock securities to the three Arizona investors. Having
21 found that Mr. Gunn has directly violated the Securities Act, we do
22 not believe it is necessary to reach the question of participant
23 liability.

24 **RESPONDENTS HOUSTONS**

25 Houston R.R. Corporation, dba the Houston Corporation ("Houston
26 R.R."), was incorporated in Arizona on March 12, 1981. On September
27 10, 1988, the Commission revoked its Articles of Incorporation for
28

1 failure to file an annual report, but the company has continued to
2 conduct business in Arizona.

3 Houston R & R Corporation ("Houston R & R") was initially
4 incorporated in Nevada on May 15, 1987 as Blue Moon Marketing, Inc.
5 The name change was effectuated in December 1987 by an amendment to
6 the Articles of Incorporation. Houston R & R is not authorized to
7 do business in Arizona.

8 Mr. Houston, who describes his occupation as research and
9 development in the field of metallurgy, is the Director and
10 President of both Houston corporations, which are actually operated
11 as one entity.

12 In 1987, Madre Mining, the outfit hired by White Rock to be the
13 administrator of the project, entered into a contract with Houston
14 R & R to supervise the development and eventual production of the
15 mining operation. Mr. Houston, through his corporations, has begun
16 to prepare the mine site, to have test holes drilled, to test and
17 have ore samples tested, and to drill a water well. From December
18 11, 1987 to October 20, 1988, Mr. Houston received at least \$263,700
19 from Madre, Apache, and Accrued for his services.

20 The issue to be decided is whether Mr. Houston exceeded the
21 role of an independent professional and participated in the
22 fraudulent activities. Expert testimony presented by the Division
23 raises questions concerning the suitability of the Houstons'
24 facilities and the adequacy of the services performed to develop a
25 successful ongoing mining venture. The record, however, does not
26 convincingly establish that the mining activities are just a sham
27 to defraud the public into investing in a dirt pile. Consequently,
28 Mr. Houston's involvement in matters other than management of the

1 mining project must be examined to determine the extent of his
2 participation in the enterprise. These other matters include
3 preparation of the offering materials, meetings with investors, and
4 the sale of securities.

5 The written offering materials circulated for the White Rock
6 Project contain a one-page description of the Houston refinery, with
7 several pictures of the facility and resumes for Mr. Houston and his
8 son, the Vice-President of Houston R.R. According to one of the
9 Division's expert witnesses, the description of the facility is
10 essentially correct but should provide greater detail of
11 accomplishments and the production history of satisfied clients.
12 At least one of the Arizona investors based his investment decision
13 on the credentials listed for the Houstons in the prospectus. On
14 deposition, Mr. Houston claimed that he had written the description
15 and resumes as a mailer to solicit business and was unaware it had
16 been included in the offering circular.

17 Accompanying the prospectus, investors received a video tape
18 as part of the offering materials. The tape includes an interview
19 with Mr. Houston, lasting approximately 6 minutes, in which he
20 discusses the development plans and production schedule for White
21 Rock ore. On deposition, Mr. Houston claimed that: (a) he had not
22 understood the purpose of the filming and did not give his
23 permission for it; (b) he consented to the interview only subject
24 to his review of the tape produced; (c) he was not provided with an
25 opportunity to review the tape; and (d) he submitted a written
26 request that the film not be used.

27 There is a conflict in the record evidence as to whether Mr.
28 Houston met with any investors or potential investors in the White

1 Rock Project. Two of the Arizona investors, Mr. Daymude and Mr.
2 Slechta, testified that around the time of their investment decision
3 in February 1988, they toured the Houston plant and met with Mr.
4 Houston and Mr. Gunn. One of the investors did not recall Mr.
5 Houston discussing the project at that meeting, while the other
6 believed Mr. Houston talked about its feasibility. At a second
7 meeting with Mr. Slechta, Mr. Houston stated that White Rock was a
8 good project and that the cease and desist orders in other states
9 were due to a lack of paper work. On deposition, Mr. Houston
10 indicated that to his knowledge he had never spoken to a potential
11 investor because the offer had been sold out before he was hired.

12 The record evidence does not establish that Mr. Houston
13 personally offered or sold securities in the White Rock Project.
14 However, he was present on February 2, 1989 when Mr. Sharp illegally
15 sold a security to the Smiths, as discussed above. Approximately
16 two months later, he accompanied Mr. Sharp and Mrs. Smith to the
17 bank when they attempted to cash in the Smiths' retirement annuities
18 to use as additional investment. He was also present when the
19 Smiths approached Mr. Sharp at the Houston plant site to get their
20 money back. It appeared to Mrs. Smith that it was Mr. Houston who
21 made the decision that their money should not be returned.

22 The weight of the evidence just discussed fails to support a
23 finding that Mr. Houston committed fraud as the project manager or
24 acted as a significant participant in the fraudulent activities.
25 Accordingly, Mr. Houston and the Houston corporations should not be
26 held liable for the violations of the Securities Act which have
27 occurred in connection with the offer and sale of securities for the
28 White Rock Project.

1 RELIEF

2 The Division recommends that: (a) a cease and desist order be
3 entered against the respondents; (b) the Arizona investors be
4 awarded full restitution in the amount of \$47,996; (c)
5 administrative fines in the maximum amount allowed by law be
6 assessed; and (d) respondents be held jointly and severally liable
7 for payment of the restitution and fines. The Division recommends
8 the imposition of maximum fines because this is a nationwide,
9 ongoing fraud and the respondents have had cease and desist orders
10 issued against them in the past.

11 The Commission agrees that a cease and desist order should be
12 issued against the respondents found herein to have violated
13 Arizona's securities laws.

14 With regard to relief for the three Arizona investors, we find
15 that they should be offered rescission of the purchase, including
16 cancellation of their promissory notes, and should receive full
17 restitution in the amount of \$28,078.95, disbursed as follows:
18 \$1,754.45 to the Daymudes,³ \$2,049.50 to Mr. Bond,⁴ and \$24,275 to
19 Mr. Slechta,⁵ less any refunds which the investors have received
20 since the hearing. We further find that because Mr. Swayze, Mr.
21 Sharp, and Mr. Gunn were either engaged in fraudulent activity at
22 the time the initial investments were made or perpetuated the fraud

23

24

25 ³ \$1,754.45 = \$1,010 initial payment plus \$850.50 for nine
26 monthly payments of \$94.50 each, less \$106.05 already subject to
refund.

27 ⁴ \$2,049.50 = \$1,010 initial payment plus \$1,039.50 for 11
monthly payments of \$94.50 each.

28 ⁵ \$24,275 = \$10,100 initial payment plus \$15,120 for 15
monthly payments of \$945.

1 during the period monthly payments were made, they should share
2 joint and several liability for providing this restitution.

3 With regard to relief for the Smiths, we find that they are
4 entitled to receive \$23,000 in restitution,⁶ less any refunds they
5 have received since the hearing. Since Mr. Sharp was solely
6 responsible for the unlawful sale of securities to the Smiths, he
7 alone should be held liable for payment of that restitution.

8 Lastly, we do not believe that a singular unlawful sale of
9 securities by Mr. Sharp or the nature of the fraud committed by Mr.
10 Swayze, Mr. Sharp, or Mr. Gunn warrants the imposition of maximum
11 allowable penalties. We will accordingly assess administrative
12 fines as follows: \$15,000 from Mr. Swayze,⁷ \$12,500 from Mr. Sharp,⁸
13 and \$7,500 from Mr. Gunn.⁹

14
15 * * * * *

16 Having considered the entire record herein and being fully
17 advised in the premises, the Commission finds, concludes, and orders
18 that:

19
20
21 ⁶ The Smiths actually invested \$20,000, but just prior to
22 the hearing, they agreed to accept a promissory note from Mr. Sharp
23 in the amount of \$24,700 to replace the \$50,000 note he had
previously executed. Mr. Sharp then paid \$1,700 on the new note,
leaving a balance owed of \$23,000 as of the time of hearing.

24 ⁷ \$15,000 = 2 violations of A.R.S. §44-1991 x \$2,500 per
25 violation x 3 investors.

26 ⁸ \$12,500 = \$2,500 each for 2 violations of A.R.S. §44-1991
27 re: Mr. Slechta and Mr. Bond, plus 1 violation each of A.R.S. §§44-
1841, 44-1842, and 44-1991 re: the Smiths. The Daymudes ceased
making monthly payments before Mr. Sharp joined the operation.

28 ⁹ \$7,500 = 1 violation of A.R.S. §44-1991 x \$2,500 x 3
investors.

FINDINGS OF FACT

1
2 1. On April 18, 1989, the Acting Director of the Division
3 issued a Notice of Opportunity for Hearing Regarding Proposed Order
4 to Cease and Desist to the above-named respondents.

5 2. The Division was unable to serve the Rochdale Recovery
6 Group and Mr. Rick Stevens with the notice.

7 3. Mr. Sharp, Mr. Gunn, Mr. Swayze, and the Houstons
8 requested that a hearing be held in this matter and agreed to waive
9 the requirement that the hearing commence within 15 days as provided
10 in A.R.S. §44-1972(D).

11 4. The hearing in this matter was held on July 10, 11, and
12 12, 1989.

13 5. The White Rock Mining Project was formed to mine a 640-
14 acre ore deposit in San Bernardino County, California, for gold and
15 silver.

16 6. Apache Rand and White Rock share ultimate responsibility
17 for directing the mining project, with Madre Mining as the
18 administrator and the Houstons as project manager.

19 7. For the alleged purpose of raising capital to purchase
20 equipment and process the ore into concentrate, 50,000 tons of the
21 White Rock ore were offered for sale through investment contracts.

22 8. Since 1987, offering materials for the White Rock Project
23 have been circulated and at least three sales of the securities
24 occurred in Arizona in February 1988.

25 9. The sales were made subject to the execution of a
26 promissory note by the buyer, an initial payment of 10% of the
27 purchase price as a fee for commissions and expenses, and monthly
28 payments which include an annual interest charge of 10%.

1 10. The offering materials circulated to market the White Rock
2 Project contain the following statements the record evidence has
3 shown to be untrue or to be without factual basis: (a) construction
4 of the processing plant would be completed by early 1989; (b) the
5 ore would be processed within 1 to 3 years from the date of
6 purchase; (c) the ore carries an average of 1 ounce of gold per ton;
7 (d) extensive assay work has been performed; (e) the estimated cost
8 of production would be in the range of industry standards; (f) the
9 ore is warranted to be worth at least \$400 per ton; (g) the ore
10 purchase is not a security; (h) interest income from the \$10 million
11 in contract sales is adequate capital to put the mine fully into
12 operation; and (i) an ore reserve of 50,000 tons has been placed
13 with THI to be used in the event the values do not meet the \$400 per
14 ton warranty.

15 11. The offering materials omitted several material facts, as
16 follows: (a) the earnings and business history of the corporate
17 respondents, with the exception of the Houston corporations; (b) the
18 background and business experience of the individual respondents,
19 with the exception of Mr. Houston; (c) the existence of two cease
20 and desist orders, an injunction, and an indictment entered by other
21 states against one or more of the respondents; (d) that neither the
22 respondents nor the securities offered or sold were registered with
23 the Division; and (e) that none of the corporate respondents are
24 presently authorized to do business in Arizona.

25 12. From 1987 through December 1988, Mr. Swayze was the
26 Director, President, and sole officer of White Rock, a key
27 participant in the enterprise.

28

1 13. During Mr. Swayze's tenure with White Rock: the fraudulent
2 offering materials were circulated and induced Arizona residents to
3 purchase the securities; and Mr. Swayze authored periodic
4 newsletters to investors which contained statements the record
5 evidence has shown to be untrue or without factual foundation, such
6 as "[t]he Houston Corporation has developed a proven recovery
7 process for the recovery of gold and silver" and "[o]n September 18
8 the first truck load of White Rock ore was delivered to the Houston
9 corporation facilities....[a]nother load (approx. 22 tons) was
10 delivered the following week."

11 14. The record evidence indicates that these, and subsequent,
12 newsletters contained intentional misstatements to maintain the
13 investors' stream of monthly payments with the prospect that success
14 at the mine would soon be achieved.

15 15. Mr. Sharp succeeded Mr. Swayze as the President and sole
16 officer of both White Rock and Lloyds.

17 16. Mr. Sharp has continued the practice of issuing
18 newsletters concerning the impending success of the project which
19 contain statements that are untrue or without factual foundation,
20 such as, "construction crews are standing by" or "payments on the
21 ore contracts [will start] by the first of July."

22 17. On February 2, 1989, Mr. Sharp, as President of Lloyds,
23 executed a promissory note and entered into a contract with Mr. and
24 Mrs. Smith pursuant to which Lloyds agreed to sell 20 truck loads
25 of "gold and silver bearing ore" to them for \$50,000 and then
26 repurchase the ore at the time of processing for \$60,000.

27 18. In connection with the sale, Mr. Sharp promised the Smiths
28 the return would be realized within 45 days and he failed to

1 disclose financial information concerning the investment, the risks
2 associated with the ore investment, the existence of a permanent
3 injunction issued against him by the United States District Court
4 in Oregon for violations of federal securities laws, or the fact
5 that he is not a registered salesmen in Arizona.

6 19. As consideration for the agreement, the Smiths wrote two
7 checks in the total amount of \$20,000, which investment, as of the
8 hearing date, had not realized a return or been repaid in full.

9 20. In August 1987, Mr. Gunn became the President of Apache
10 Rand and in that capacity authored at least one newsletter to
11 investors which the record evidence has shown misrepresented
12 progress at the mine through statements, such as, "many long days
13 of research" had occurred and that "we should begin construction of
14 the 500/ton per day on-site processing plant next month."

15 21. Houston R.R. was an Arizona corporation which has
16 continued to conduct business in the State although its Articles of
17 Incorporation were revoked on September 10, 1988 for failure to file
18 an annual report.

19 22. Houston R & R was incorporated in Nevada on May 15, 1987
20 and is not authorized to do business in Arizona.

21 23. Mr. Houston, who describes his occupation as research and
22 development in the field of metallurgy, is the Director and
23 President of both Houston corporations, which are actually operated
24 as one entity.

25 24. In 1987, Madre Mining entered into a contract with Houston
26 R & R to supervise the development and eventual production of the
27 White Rock mining operation.

28

1 25. Mr. Houston, through his corporations, has begun to
2 prepare the mine site, to have test holes drilled, to test and have
3 ore samples tested, and to drill a water well.

4 26. The weight of the evidence fails to support a finding that
5 Mr. Houston committed fraud as the project manager or acted as a
6 significant participant in the fraudulent activities.

7 27. The three Arizona investors should be offered rescission
8 of the purchase, including cancellation of their promissory notes,
9 and should receive full restitution in the amount of \$28,078.95,
10 disbursed as follows: \$1,754.45 to the Daymudes, \$2,049.50 to Mr.
11 Bond, and \$24,275 to Mr. Slechta, less any refunds which the
12 investors have received since the hearing.

13 28. Because Mr. Swayze, Mr. Sharp, and Mr. Gunn were either
14 engaged in fraudulent activity at the time the initial investments
15 were made or perpetuated the fraud during the period monthly
16 payments were made, they should share joint and several liability
17 for providing restitution to the three Arizona investors.

18 29. The Smiths are entitled to receive \$23,000 in restitution,
19 less any refunds they have received since the hearing.

20 30. Since Mr. Sharp was solely responsible for the unlawful
21 sale of securities to the Smiths, he alone should be held liable for
22 payment of that restitution.

23 31. The following penalties should be imposed for the fraud
24 committed: \$15,000 from Mr. Swayze, \$12,500 from Mr. Sharp, and
25 \$7,500 from Mr. Gunn.

26

27

28

CONCLUSIONS OF LAW

1
2 1. The Commission has jurisdiction over this matter pursuant
3 to Article XV of the Arizona Constitution and A.R.S. §44-1801, et
4 seq.

5 2. Since the Division was unable to serve the Rochdale
6 Recovery Group and Mr. Rick Stevens with the April 18, 1989 notice
7 of opportunity for hearing, those respondents should be dismissed
8 from this matter.

9 3. The investment contracts offered and sold to the three
10 Arizona investors in connection with the White Rock Project are
11 securities within the meaning of A.R.S. Section 44-1801.

12 4. Mr. Swayze was a control person who violated A.R.S. §44-
13 1991 by directly or indirectly permitting to be published and
14 circulated fraudulent offering materials in connection with offers
15 to sell and sales of securities in Arizona.

16 5. The monthly payments made by the investors are
17 "...transactions...involving...a...purchase of securities..." under
18 A.R.S. §44-1991.

19 6. Mr. Swayze committed fraud by issuing newsletters which,
20 for the purpose of inducing investors to continue making their
21 monthly payments in connection with the purchase of the securities:
22 served as a device or artifice to defraud; or made untrue statements
23 of material fact or omitted to state material facts necessary in
24 order to make the statements made, in light of the circumstances
25 under which they were made, not misleading.

26 7. Since 1989, Mr. Sharp has held a control position with the
27 operation and, in that capacity, violated A.R.S. §44-1991 by
28 perpetuating the fraud through newsletters which, for the purpose

1 of inducing investors to continue making their monthly payments in
2 connection with the purchase of the securities: served as a device
3 or artifice to defraud; or made untrue statements of material fact
4 or omitted to state material facts necessary in order to make the
5 statements made, in light of the circumstances under which they were
6 made not misleading.

7 8. The investment contract Mr. Sharp sold to the Smiths is
8 a security, not registered by description under A.R.S. §§44-1871
9 through 44-1875, not registered by qualification under A.R.S. §§44-
10 1891 through 44-1900, not exempt under A.R.S. §44-1843 or §44-
11 1843.01, not offered or sold in an exempt transaction under A.R.S.
12 §44-1844, and not exempt under any rule or order promulgated by the
13 Commission.

14 9. Mr. Sharp's sale of the unregistered security to the
15 Smiths violated A.R.S. §44-1841.

16 10. Since Mr. Sharp is not a registered salesman in Arizona,
17 the sale of the security to the Smiths violated A.R.S. §44-1842.

18 11. In connection with the sale of the security to the Smiths,
19 Mr. Sharp violated A.R.S. §44-1991 by making an untrue statement of
20 material fact and omitting to state material facts which were
21 necessary in order to make the statements made, in light of the
22 circumstances under which they were made, not misleading.

23 12. Mr. Gunn held an influential position with the operation
24 through which he violated A.R.S. §44-1991 by issuing at least one
25 newsletter which, for the purpose of inducing investors to continue
26 making their monthly payments in connection with the purchase of the
27 securities: served as a device or artifice to defraud; or made
28 untrue statements of material fact or omitted to state material

1 facts necessary in order to make the statements made, in light of
2 the circumstances under which they were made not misleading.

3 13. Mr. Houston and the Houston corporations should not be
4 held liable for the violations of the Securities Act which have
5 occurred in connection with the offer and sale of securities for the
6 White Rock Project.

7 14. The respondents found herein to have violated Arizona's
8 securities laws should be restrained from any future violations of
9 A.R.S. Sections 44-1841, 44-1842, and 44-1991, or any other
10 provisions of the Securities Act.

11 15. The investors should be offered rescission and restitution
12 pursuant to A.R.S. §40-2032 and A.A.C. R14-4-308.

13 16. Administrative penalties should be imposed for the fraud
14 committed.

15 ORDER

16 IT IS THEREFORE ORDERED that the Rochdale Recovery Group, Mr.
17 Rick Stevens, Mr. Reese T. Houston, Houston R.R. Corporation, and
18 Houston R & R Corporation are hereby dismissed as respondents in
19 this matter.

20 IT IS FURTHER ORDERED that pursuant to the authority granted
21 to the Commission under A.R.S. §44-2032, Mr. Roger G. Swayze, and
22 Mr. Gayle B. Gunn, their agents, servants, employees, assigns,
23 successors, and those persons acting in concert or participation
24 with them shall cease and desist from the following and other
25 violations of the Securities Act:

26 Directly or indirectly making any untrue statement of material
27 fact and/or omitting to state material facts necessary in order
28 to make the statements made, in light of the circumstances in

1 which they are made, not misleading in connection with the
2 offer or sale of any security within or from Arizona, and
3 engaging in transactions and practices or a course of business
4 which operates or would operate as a fraud or deceit upon
5 potential or actual investors.

6 IT IS FURTHER ORDERED that pursuant to the authority granted
7 to the Commission under A.R.S. §44-2032, Mr. Lloyd B. Sharp, his
8 agents, servants, employees, assigns, successors, and those persons
9 acting in concert or participation with him shall cease and desist
10 from the following and other violations of the Securities Act:

11 (1) Offering to sell or selling securities within or from the
12 State of Arizona without first registering said securities
13 by description under Article VI of the Securities Act or
14 registering said securities by qualification under Article
15 VII of the Securities Act, or qualifying for exemption
16 thereunder;

17 (2) Offering to sell or selling securities within or from the
18 State of Arizona without first registering as dealers or
19 salesmen under Article IX of the Securities Act or
20 qualifying for an exemption thereunder; and

21 (3) Directly or indirectly making any untrue statement of
22 material fact and/or omitting to state material facts
23 necessary in order to make the statements made, in light
24 of the circumstances in which they are made, not
25 misleading in connection with the offer or sale of any
26 security within or from Arizona, and engaging in
27 transactions and practices or a course of business which
28

1 operates or would operate as a fraud or deceit upon
2 potential or actual investors.

3 IT IS FURTHER ORDERED that pursuant to the authority granted
4 to the Commission under A.R.S. §44-2032, Mr. Roger D. Swayze, Mr.
5 Lloyd B. Sharp, and Mr. Gayle B. Gunn shall pursuant to A.A.C. R14-
6 4-308 offer to the three Arizona investors rescission, including
7 cancellation of their promissory notes, and shall jointly and
8 severally be liable for restitution in the amount of \$28,078.95,
9 disbursed as follows: \$1,754.45 to the Daymudes, \$2,049.50 to Mr.
10 Bond, and \$24,275 to Mr. Slechta, less any refunds which the
11 investors have received since the hearing, said payments to be made
12 within 15 days from the effective date of this Decision.

13 IT IS FURTHER ORDERED that pursuant to the authority granted
14 to the Commission under A.R.S. §44-2032, Mr. Lloyd B. Sharp, shall
15 pursuant to A.A.C. R14-4-308 offer restitution to the Smiths in the
16 amount of \$23,000, less any refunds which the Smiths have received
17 since the hearing, said payment to be made within 15 days from the
18 effective date of this Decision.

19 IT IS FURTHER ORDERED that pursuant to the authority granted
20 to the Commission under A.R.S. §44-2036, Mr. Roger D. Swayze shall
21 pay an administrative penalty in the amount of \$15,000, said payment
22 to be made 30 days after the effective date of this Decision,
23 payable to the State Treasurer for deposit in the general fund of
24 the State of Arizona.

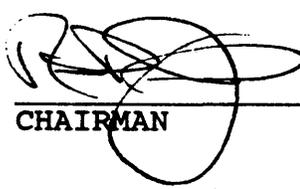
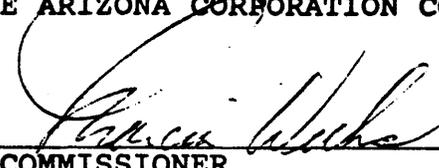
25 IT IS FURTHER ORDERED that pursuant to the authority granted
26 to the Commission under A.R.S. §44-2036, Mr. Lloyd B. Sharp shall
27 pay an administrative penalty in the amount of \$12,500, said payment
28 to be made 30 days after the effective date of this Decision,

1 payable to the State Treasurer for deposit in the general fund of
2 the State of Arizona.

3 IT IS FURTHER ORDERED that pursuant to the authority granted
4 to the Commission under A.R.S. §44-2036, Mr. Gayle B. Gunn shall pay
5 an administrative penalty in the amount of \$7,500, said payment to
6 be made 30 days after the effective date of this Decision, payable
7 to the State Treasurer for deposit in the general fund of the State
8 of Arizona.

9 IT IS FURTHER ORDERED that this Decision shall become effective
10 immediately.

11 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

		
CHAIRMAN	COMMISSIONER	COMMISSIONER

15 IN WITNESS WHEREOF, I, JAMES MATTHEWS, Executive
16 Secretary of the Arizona Corporation Commission,
17 have hereunto set my hand and caused the
18 official seal of the Commission to be affixed at
the Capitol, in the City of Phoenix, this
6 day of December, 1989.

19 
20 JAMES MATTHEWS
21 EXECUTIVE SECRETARY

22 DISSENT _____
23 babs

24
25
26
27
28

JAY C. SHAFFER
Acting General Counsel

STEPHEN GURWITZ
CONNIE WAGNER
MELISSA FEINBERG
Federal Trade Commission
Pennsylvania Ave. & Sixth St., N.W.
Washington, D.C. 20580
(202) 326-3272

RUTH L. COHEN
ASSISTANT UNITED STATES ATTORNEY
330 S. Third Street
Las Vegas, NV 89101
(702) 388-6336

Attorneys for Plaintiff

RECEIVED

DEC 18 1989

U.S. DISTRICT COURT
DISTRICT OF NEVADA

UNITED STATES DISTRICT COURT
DISTRICT OF NEVADA

FEDERAL TRADE COMMISSION)

Plaintiff,)

vs.)

LLOYD SHARP)
et al.)

Defendants.)

CV-S-**CV-S-89-870-RDF-RJJ**

TEMPORARY RESTRAINING ORDER WITH ASSET FREEZE,
ORDER FOR APPOINTMENT OF TEMPORARY RECEIVER, ORDER
PERMITTING EXPEDITED DISCOVERY, AND ORDER TO SHOW CAUSE
WHY A PRELIMINARY INJUNCTION SHOULD NOT ISSUE AND WHY A
PERMANENT RECEIVER SHOULD NOT BE APPOINTED

Plaintiff, Federal Trade Commission ("Commission"), has made an Ex Parte Motion for a Temporary Restraining Order with Asset Freeze, Order Appointing Temporary Receiver, Order Permitting Expedited Discovery and Accounting, and Order to Show Cause Why a

Preliminary Injunction Should Not Issue and Why a Permanent Receiver Should Not Be Appointed. The Court has considered the plaintiff's pleadings, memoranda, declarations and other exhibits filed in support of said Motion, and now being advised in the premises finds:

1. That this Court has jurisdiction of the subject matter of this case and there is good cause to believe it will have jurisdiction of all the parties hereto.

2. That there is good cause to believe that defendants Lloyd Sharp, George Anderson, Steven J. Bourque a/k/a J.W. Hall, Roger Swayze, Gayle Gunn, Gale E. Jackson a/k/a Jack Edwards, Reese T. Houston, Merlyn Berg, Houston R & R Corporation a/k/a the Houston Corporation, White Rock Mining, Inc., Lloyds International, Inc., [hereinafter collectively referred to as "defendants"] and each of them have engaged and are likely to engage in acts and practices constituting violations of Section 5(a) of the Federal Trade Commission Act, as amended, 15 U.S.C. §45(a), and that the Commission is therefore likely to prevail on the merits of this action.

3. That there is good cause to believe that immediate and irreparable damage to plaintiff's ability to achieve effective final relief for consumers in the form of monetary redress will occur from the sale, transfer, assignment or other disposition or

concealment by defendants of their assets or records unless defendants are immediately restrained and enjoined by order of this Court;

4. That good cause exists for the appointment of a temporary receiver and for relieving plaintiff of the duty of providing defendants with prior notice of this motion;

5. That, weighing the equities and considering the Federal Trade Commission's likelihood of ultimate success, a temporary restraining order and freeze of assets would be in the public interest;

6. That no security is required of any agency of the United States for the issuance of a restraining order. Fed.R.Civ.P. 65(c).

I.

IT IS THEREFORE ORDERED, ADJUDGED, AND DECREED that defendants and their officers, directors, agents, servants, employees, salespersons, independent contractors, attorneys, corporations, subsidiaries, affiliates, successors, assigns, and other entities or persons directly or indirectly under their control, and all persons or entities in active concert or participation with them, and each of them, directly or

indirectly, in the promotion, sale, or offering for sale of any ore purchase contracts, or any other investment offering, are hereby restrained and enjoined from:

- (1) Falsely representing in any manner, directly or indirectly, expressly or implicitly, that the ore from their mines contains valuable deposits of precious metals in sufficient quantity and quality to justify commercial exploitation;
- (2) Falsely representing in any manner, directly or indirectly, expressly or implicitly, the value of gold and silver in their mining claims;
- (3) Falsely representing in any manner, directly or indirectly, expressly or implicitly, that the mine is a successful project;
- (4) Falsely representing in any manner, directly or indirectly, expressly or implicitly, the degree of risk in the purchase of their ore purchase contracts, or any other investment offering;
- (5) Falsely representing in any manner, directly or indirectly, expressly or implicitly, the potential profit investors may realize by purchasing their ore purchase contracts, or any other investment offering;
- (6) Falsely representing in any manner, directly or indirectly, expressly or implicitly, that they are constructing processing plants or pilot test plants;

- (7) Falsely representing in any manner, directly or indirectly, expressly or implicitly, that they will deliver, or will be able to deliver, refined precious metals to ore purchasers within one to three years from the purchase date;
- (8) Falsely representing in any manner, directly or indirectly, expressly or implicitly (a) the past or future earnings of any customer, or (b) the nature or quality of any service of defendants in connection with the sale or offering of ore purchase contracts, or any investment offering;
- (9) Falsely representing in any manner, directly or indirectly, expressly or implicitly, any other fact likely to affect a consumer's decision to purchase defendants' ore purchase contracts for gold and silver, or any investment offering;
- (10) Soliciting ore purchasers to make payments to defendants or their agents.

II.

IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that defendants, and their respective officers, directors, agents, servants, employees, salespersons, independent contractors, attorneys, corporations, subsidiaries, affiliates, successors, assigns, and other entities or persons directly or indirectly

under their control, or under common control with them, and all persons or entities in active concert or participation with them, and each of them, including but not limited to Administrative Management Services, Nevada Business Service, Universal Bookkeeping Service, Accrued Financial Services, L. George Hukriede Accountancy Corporation, and Cinder Mountain Trust, be and hereby are restrained and enjoined until further order of the Court from directly or indirectly:

- (1) Failing to make and keep books, records, accounts, bank statements, current accountants' reports, general ledgers, general journals, cash receipts ledgers, cash disbursements ledgers and source documents, documents indicating title to real or personal property, and any other data which, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of defendants, but only to the extent necessary to comply with the directives of any receiver appointed herein;

- (2) Destroying, mutilating, changing, concealing, altering, transferring or otherwise disposing of, in any manner, directly or indirectly, any books, records, tapes, disks, accounting data, checks (fronts and backs), correspondence, forms, advertisements, brochures, manuals, electronically stored data, banking records, customer lists, customer files, telephone records, commission ledgers, payroll

records, or other documents of any kind, including information stored in computer-maintained form, in the possession, custody or control of any of the defendants, and all persons or entities in active concert or participating with them, until further order of this Court.

III.

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that all of the defendants and their respective officers, directors, agents, servants, employees, independent contractors, salespersons, attorneys, corporations, subsidiaries, affiliates, successors, assigns, and other entities or person directly or indirectly under their control or under common control with them, and all persons or entities in active concert or participation with them, and each of them, including but not limited to Administrative Management Services, Nevada Business Service, Accrued Financial Services, Universal Bookkeeping Service, L. George Hukriede Accountancy Corporation, and Cinder Mountain Trust, are hereby restrained and enjoined until further order of the Court from directly or indirectly:

- (1) transferring, converting, encumbering, selling, concealing, dissipating, disbursing, assigning, spending, withdrawing, or otherwise disposing of any funds, property, contracts, shares of stock, precious metals, or any other assets,

wherever located, owned, controlled by, in whole or in part, or in the actual or constructive possession of defendants Lloyds International, Inc., White Rock Mining, Inc., and Houston R & R Corporation, other than to make any transfers to any receiver appointed herein;

- (2) transferring, converting, encumbering, selling, concealing, dissipating, disbursing, assigning, spending, withdrawing, or otherwise disposing of any funds, property, contracts, shares of stock, precious metals, or any other assets, wherever located, owned, controlled by, in whole or in part, or in the actual or constructive possession of defendants Lloyd Sharp, George Anderson, Steven J. Bourque a/k/a J.W. Hall, Roger Swayze, Gayle Gunn, Gale E. Jackson a/k/a Jack Edwards, Reese T. Houston, Merlyn Berg, or any corporation, partnership, or other entity directly or indirectly owned, managed, or controlled by, or under common control with them or any of them (excluding defendants Lloyds International, Inc., White Rock Mining, Inc., and Houston R & R Corporation), until further order of this Court, except:
- a) to pay from their personal funds reasonable, usual, ordinary, and necessary living expenses after notice to the Commission and approval by the Court; and b) to pay reasonable attorneys' fees after notice to the Commission and approval by the Court. The funds, property, contracts, shares of stock, precious metals or any other assets

affected by this paragraph shall include both existing assets and assets acquired after the effective date of this Order.

(3) Accounts or assets subject to the above provisions include, but are not limited to, the following accounts:

a. at Valley Bank of Nevada, Las Vegas, Nevada:

(i) in the name of Lloyds International, Inc.

Buyers Trust Account, 510-105-780 or 510-112-336;

(ii) in the name of Accrued Financial Services

Trust Account, 048-190-714, 510-119-189, or 044-414-789;

(iii) in the name of Universal Bookkeeping

Service, 150-131-993, 150-146-854, 150-137-405, 150-089-180, 150-087-134, 150-092-821;

(iv) in the name of Nevada Business Service, 510-

103-668, 510-116-823, 510-110-774;

(v) in the name of Administrative Management

Services, 510-107-265;

(vi) in the name of Marcel, Edwards, Hall &

Associates, 510-105-604;

b. at First Interstate Bank, Las Vegas, Nevada:

(i) in the name of Steven J. Bourque, 510-104-262

or 010-48-5291;

c. at Bank of Westminster, Westminster, CA:

- (i) in the name of L. George Hukriede Accountancy
Buyers Trust Account, 02607433, or 01014730;

d. at Valley National Bank, Phoenix, AZ:

- (i) in the name Houston Corporation, 1278-4412;
- (ii) in the name of Houston R & R Corporation,
1278-4084;
- (iii) in the name of Triad Industries, 1278-4068;

e. at First Interstate Bank, Phoenix, AZ:

- (i) in the name of A.B. Martin, 725-11997;

f. at First West Bank, Phoenix, AZ:

- (i) in the name of Houston R & R Corporation,
6151 801 701.

IV.

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that each defendant shall, within four (4) days from entry of this Order, prepare and deliver to the Court, counsel for the Commission, and any receiver appointed herein, 1) a complete schedule identifying the nature, location, source and dollar value, estimated if necessary, of all their tangible and intangible assets and property, regardless of location, status or form, including, but not limited to cash holdings, precious metals, bank accounts, partnership interests, promissory notes, real estate holdings,

corporate securities, bonds and notes of indebtedness, and 2) a list of all transfers or assignment of assets and property worth \$1,000 or more since January 1, 1989 that shall include the name of the transferee or assignee, and the type and amount of consideration paid to the defendant.

V.

IT IS FURTHER ORDERED, ADJUDGED, AND DECREED, pending determination of the Commission's request for a preliminary injunction, that each of the entities named in Paragraph III above and any other financial, or brokerage institution, commodity trading company, bookkeeping, accounting company or other entity that holds accounts or property of any of defendants and which is served with a copy of this Order, shall hold and retain within its control and prohibit the withdrawal, removal, assignment, transfer, pledge, hypothecation, encumbrance, disbursement, dissipation, conversion, sale or other disposal of any of the assets, funds or other property held by, or under its control, on behalf of defendants in any account maintained in the name of, or for the benefit of any defendant(s), except for transfer to any receiver appointed herein. The assets, funds or other property affected by this paragraph shall include both existing assets and assets acquired after the effective date of this Order.

VI.

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that plaintiff is granted leave, pursuant to Rule 30(a) of the Federal Rules of Civil Procedure, to take the deposition of any party at any time after the date of this Order, and that forty-eight (48) hours notice shall be deemed sufficient for any such deposition; and that the plaintiff is granted leave, pursuant to Rule 34 of the Federal Rules of Civil Procedure, to request production of documents of the defendants herein at any time after the date of this Order, and that response to such request for production shall be served on counsel for the Plaintiff within fifteen (15) days after the service of the request.

VII.

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that, pursuant to Rule 65(b) of the Federal Rules of Civil Procedure and LR 210-2, Matthew Callahan is appointed a temporary receiver with the full power of an equity receiver, for defendants Lloyds International, Inc., White Rock Mining Inc., and Houston R & R Corporation, and their subsidiaries and affiliates (hereinafter referred to as "the receivership defendants"), and of all the funds, properties, premises and other assets directly or indirectly owned, beneficially or otherwise, by said defendants, with directions and authority to accomplish the following:

A. To take custody, control and possession of all the funds, property, premises, mail, and other assets of, or in the possession or under the control of, the receivership defendants, wherever situated, with full power to sue for, collect, receive and take possession of all goods, chattels, rights, credits, moneys, effects, lands, leases, books, workpapers, and records of accounts, including computer-maintained information, and other papers and documents of the receivership defendants and members of the public whose interests are now held by or under the direction, possession, custody or control of the receivership defendants;

B. To conserve, hold and manage all such assets, pending further order of this Court, in order to prevent any irreparable loss, damage and injury to investors; to conserve and prevent the withdrawal or misapplication of funds entrusted to the receivership defendants; to obtain an accounting thereof; to prevent the inequitable distribution or withdrawal of funds and to determine, adjust and protect the interests of members of the public whose investments have been entrusted to the receivership defendants, their respective officers, directors, agents, servants, employees, attorneys, salespersons, successors, assigns, subsidiaries, affiliates, corporations and other persons or entities under their control and all persons in active concert or participation with them.

C. To hold, preserve and administer the business of the receivership defendants until further order of this Court, with full authority to perform all acts necessary or incidental thereto;

D. To employ such managers, agents, employees, servants, accountants as may in his judgment be advisable or necessary in the management, conduct, control or custody of the affairs of the receivership defendants and of the assets thereof; and otherwise generally to assist in the receivership;

E. To make such payments and disbursements as may be necessary and advisable for the preservation of the properties of the receivership defendants and as may be necessary and advisable in discharging his duties as receiver;

F. To retain and employ attorneys or accountants of his choice to assist, advise, and represent him;

G. To receive and collect any and all sums of money due to or owing to the receivership defendants in any manner whatsoever, whether the same are now due or shall hereafter become due and payable, and to do such things and enter into such agreements in connection with the administration, care, preservation and

maintenance of the properties of the receivership defendants as he may deem advisable;

H. To institute, prosecute and defend, compromise, adjust, intervene in or become party to such actions or proceedings in state or federal courts as may in his opinion be necessary or proper for the protection, maintenance and preservation of the assets of the receivership defendants or the carrying out of the terms of this order, and likewise to defend, compromise or adjust or otherwise dispose of any or all actions or proceedings instituted against him as receiver or against the receivership defendants, and also to appear in and conduct the defense of any suit or adjust or compromise any actions or proceedings now pending in any court by or against the receivership defendants where such prosecution, defense or other disposition of such actions or proceeding will in the judgment of the said receiver be advisable or proper for the protection of the properties of the receivership defendants.

I. To remove defendants Lloyd Sharp, Reese T. Houston, and any other officer, employee or agent of the receivership defendants, from control and management of the affairs of the receivership defendants to prevent further evasions and violations of federal law.

VIII.

IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that, in light of the appointment of a temporary receiver herein, the receivership defendants are hereby prohibited from filing a petition for relief under the United States bankruptcy code without prior permission from this Court.

IX.

IT IS FURTHER ORDERED, ADJUDGED, AND DECREED, that the defendants and their respective officers, directors, agents, servants, employees, attorneys, salespersons, independent contractors, successors, assigns, subsidiaries, affiliates, corporations and other persons or entities directly or indirectly under the control of any of them, or under common control with them or any of them, and all persons or entities in active concert or participation with them or any of them, including but not limited, to Administrative Management Services, Nevada Business Service, Universal Bookkeeping Service, Accrued Financial Services, L. George Hukriede Accountancy Corporation and Cinder Mountain Trust, deliver over to said temporary receiver possession and custody of: 1) all funds, assets, property owned beneficially or otherwise, and all other assets, wherever situated, of the receivership defendants; 2) all books

and records of accounts, all financial and accounting records, balance sheets, income statements, bank records (including monthly statements, cancelled checks, records of wire transfers, and check registers), all client lists, all title documents and other papers of the receivership defendants; and all funds and other assets belonging to members of the public now held by or on behalf of the receivership defendants, within 24 hours of service of this Order upon them. The defendants and their respective officers, directors, agents, servants, attorneys, employees, salespersons, successors, assigns, subsidiaries, affiliates, corporations and other persons or entities under the control of any of them or under common control with them or any of them, and all persons or entities in active concert or participation with them or any of them, shall refrain from interfering with said receiver taking such custody, control or possession and from interfering in any manner, directly or indirectly, with such custody, possession and control of said receiver.

X.

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that the receivership defendants and the temporary receiver shall allow representatives of the plaintiff immediate access to inspect the premises and all books, records, accounts and other property of said defendants.

XI.

IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that the defendants, their respective officers, directors, agents, servants, employees, independent contractors, attorneys, salespersons, successors, assigns, subsidiaries, affiliates, corporations and other persons or entities under the control of any of them, or under common control with them, fully cooperate with and assist the temporary receiver appointed in this action and that they take no action, directly or indirectly, to hinder or obstruct the receiver in the conduct of his duties or to interfere in any manner, directly or indirectly, with the custody, possession, management or control by said receiver.

XII.

IT IS FURTHER ORDERED that the temporary receiver shall file with the Clerk of this Court a bond in the sum of \$100,000⁰⁰, with sureties to be approved by the Court, conditioned that he will well and truly perform the duties of his office and duly account for all monies and properties which may come into his hands and abide by and perform all things which he shall be directed to do.

XIII.

IT IS FURTHER ORDERED that each defendant shall immediately provide a copy of this Order to each of his officers, directors, managing agents, supervisory employees, divisions, subsidiaries, corporations, affiliates, successors, assigns and each of their employees, representatives or independent contractors. Within twenty-one (21) calendar days following service of this Order by plaintiff, each defendant shall file with this Court, and serve on plaintiff, an affidavit identifying the names, titles, addresses, and telephone numbers of the persons and entities whom defendants have served with a copy of this Order in compliance with this provision. The temporary receiver has no obligations under the provisions of this paragraph.

XIV.

IT IS FURTHER ORDERED that the Temporary Restraining Order granted herein expires on 12/28/89 noon unless within such time the Order, for good cause shown, is extended, or unless, as to any defendant, the defendant consents that it should be extended for a longer period.

XV.

IT IS FURTHER ORDERED that each of the defendants shall appear before this Court on the 27th day December 1989, at 10:00 o'clock A.m. at the United States Courthouse, Las Vegas, Nevada, to show cause if any there be, why this Court should not appoint a permanent receiver in this case, and why this Court should not enter a preliminary injunction, pending final ruling on the complaint, against said defendants enjoining them from further violations of Section 5(a) of the Federal Trade Commission Act, 15 U.S.C. 45(a), continuing the freeze of their assets, and imposing such additional relief as may be appropriate.

XVI.

IT IS FURTHER ORDERED that defendants shall serve opposing affidavits and memoranda on counsel for plaintiff not less than three (3) business days before the hearing on the order to show cause why a preliminary injunction should not issue and a permanent receiver should not be appointed, and plaintiff shall serve responsive affidavits and memoranda not less than one day before such hearing.

XVII.

IT IS FURTHER ORDERED that copies of this Order may be served by employees of the Federal Trade Commission or their agents upon any financial or brokerage institution or any entity that may be in possession of any assets, property or property right of defendants.

XVIII.

IT IS FURTHER ORDERED that each defendant notify plaintiff of all sales of ore purchase contracts transacted subsequent to the date of entry of this Order, or receipt of any funds from ore contract purchasers, identifying each sale or receipt by the name, address and telephone number of the purchaser.

XIX.

IS FURTHER ORDERED that pursuant to Section 604 of the Fair Credit Reporting Act, 15 U.S.C. § 1681b, any consumer reporting agency may furnish a consumer report concerning any defendant to plaintiff or the temporary receiver.

There being no just reason for delay, the Clerk of the Court is hereby directed to enter this Order.

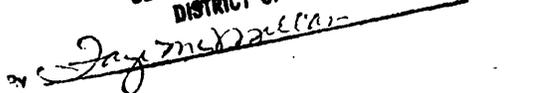
Issued at Noon .m.

12/18, 1989


United States District Judge

I hereby attest and certify on 12-18-89
that the foregoing document is a full, true and correct
copy of the original on file in my office, and in my
legal custody.

CAROL C. FITZGERALD
CLERK, U. S. DISTRICT COURT
DISTRICT OF NEVADA


Deputy

BERG MANAGEMENT GROUP, INC.
3111 SOUTH VALLEY VIEW BLVD.
SUITE B-205
LAS VEGAS, NEVADA 89102
(702)362-5600

SEPTEMBER 20TH SPECIAL BULLETIN

Dear Cinder Mountain Project Ore Buyers:

Berg Management just finalized a contract with General Research & Development to complete the building of a pilot plant for processing the cinder ore. The signing of this contract will allow us to commence payment on the ore contracts at the earliest possible date.

At this time we only have one obstacle standing between us and being in production. We need \$30,000 to complete our processing plant. With that amount of funds and 45 days, we should be producing gold.

Universal Bookkeeping is presently holding over \$30,000 in an ore buyers trust account which could be used for the completion of the processing plant. However, it will be necessary for Berg Management to obtain written permission from the ore buyers to use these funds.

Berg Management is willing to pay the ore buyers fourteen percent (14%) interest plus increase their ore contracts by ten percent (10%) as an incentive for the ore buyers to grant the use of these funds. These funds would only be released when the following conditions have been met:

CONDITIONS

1. Funds can only be released when you, the ore buyer, has granted in writing to Universal Bookkeeping permission to release his/her funds.
2. All funds released will be set aside in a special account to be used only for the completion and operating of said plant.
3. When Berg Management has signed a Note to Universal Bookkeeping for the replacement of funds. Note will carry an interest rate of 14% and be secured by the plant being completed. Note will be paid at the time ore buyers ore contract is processed.

CRITICS AND DOUBTING THOMASES ARE GOING TO EAT CROW ON THIS ONE.....

ON PAYMENT REFERRED TO BELOW
WON'T GUARANTEE IT? DROP US A LINE, LET US KNOW WHAT YOU CAN DO, WE
WILL TRY. YOU MAY CALL MERLE BERG AT 702-362-5600.

CINDER MOUNTAIN PROJECT UPDATE

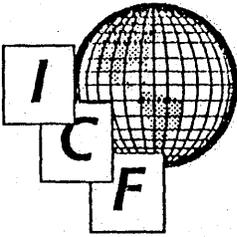
JUNE 1989

Over the past ten weeks, extensive work has been going on at the Chandler facilities in preparation for the initial 100 ton-per-day cinder processing plant. One aspect of this on-site operation which had to be addressed was the fact that the ore which will be processed is being purchased from another location and consequently has different characteristics which require certain modifications in order to make recovery as complete as possible. One problem has been that this new ore has a considerable amount of a material known as "slimes" and a method had to be developed to eliminate this material, as it was affecting the recovery process dramatically. It appears that most of the corrections have been made and there is now a one-thousand pound pilot test plant in full operation to test all critical aspects of recovery. Once the large facility is in full operation, this test plant will continue to be in operation in order to upgrade our recovery as time goes on. It is of sufficient size that the results obtained are very meaningful in relation to a fullsize facility.

We are anxiously awaiting word from one of the interested parties who are arranging the financing of this initial plant. We believe we are close but at the time of this update the funds have not reached the bank. It was our goal to be in full production in the month of July but it is doubtful this will take place. But once the necessary funds are in place, all hands will be ready to begin the assembly process, which should take approximately thirty days to complete. From that point, there should be no problems in upgrading the plant to run sufficient tonnage to start a schedule off payoffs on a regular basis. And of course, you will be updated as progress is made.

We want you to know that we appreciate your continued confidence in the project we are striving to complete. We again affirm our commitment to each of you who remain in good standing. We are also willing to work with those who wish to remain but have fallen behind in working out a schedule for you to catch up. But it's your obligation to notify us in writing as to your intent.

Until our next update, our best to you!



International Capital Funders, Inc.

*Valley Bank Center P-107
101 Convention Center Drive
Las Vegas, Nv. 89109
(702) 796-1700*

Through experience, we know most people prefer short term, safe attractive financial opportunities. Fortunately, this excellent opportunity is now available. However, it is a very limited offer.

The Cinder Company Trust has made available 750,000 tons of gold and silver bearing ore as a start-up capital for their Cinder Mountain Mining Project in Arizona. Through independent experts they know that this development will prove to be, "one of the most promising new projects in the mining industry".

- * For the security of the participant, a bonded accounting firm will receive and disburse funds.*
- * For your surety, all funds will be placed in an FDIC insured Client Trust Account.*
- * For your fidelity, 100% of the principal and all accumulated bank interest may be refunded for and reason.*
- * For your safety, a high yield, based on very conservative estimates, is absolutely warranted.*

Participants' only cash outlay on this will be a modest fee for marketing expenses, followed by monthly payments based on your tonnage purchased. The remaining balance of the principal will be paid from the production when your ore is processed.

This excellent opportunity is a limited offer. So....., read through this brochure immediately, paying particular attention to pages 1, 3 through 6 and 15 through 20; making notes of any particular questions you may have and have this literature handy when I call you back in 4 to 6 days.

Please feel free to call me anytime at (702) 796-1700.

Sincerely,

Account Executive

"OUR GOLDEN RULE"

TO TREAT OUR CLIENTS AS WE (OURSELVES)
WISH TO BE TREATED

QUESTIONS MOST FREQUENTLY ASKED

Q When will the processing plant be completed and mining started ?

A *The construction schedule indicates completion of Phase I in the summer of 1988. After 2 to 3 months of fine-tuning, construction is scheduled to begin providing additional production capacity.*

Q When will my ore be processed ?

A *The projected processing date of your ore is to be in one to three years. Ore purchased under contract will be processed in the order of the date of purchase, thus the earlier a purchase is made, the earlier in the program the ore will be processed.*

Q What will happen when gold or silver prices rise?

A *The profit that you receive will rise proportionally to the increase in gold and silver prices.*

Q What will happen when gold or silver prices drop?

A *The seller warrants a net smelter recovery value of not less than \$42 per ton of ore purchased. If recovery values are less than \$42 per ton, additional ore will be processed to satisfy the warranty.*

Q Will I receive cash, gold or silver ?

A *Since you own the ore, you will choose how you wish to be paid at the time your ore is processed. You have a choice of receiving cash or gold and silver or a combination .*

Q Will I be able to visit the processing plant and mine site ?

A *Yes, you will be welcome to tour the operation, however, you will be required to make prior arrangements as the property and plant will not be open to the public.*

Q What is meant by "non-recourse" as it relates to the Agreement ?

A *Non-recourse simply means that there is no action that the Seller can take against the Buyer to collect in the event of non-payment, other than to declare the Agreement in default and reclaim the security, which in this case is the ore.*

Q Is this project considered a "Tax Shelter", and if so, what tax benefits might I qualify for ?

A *This is a profit-making business venture. For answers to questions concerning tax benefits or consequences, as they might pertain to you, we respectfully refer you to your tax preparation professional. We will do our best to answer specific questions as they arise.*

H O U S T O N
C O R P O R A T I O N

(602) 961-0253
(602) 961-0254

1371 S. Nelson Dr., P.O. Box 5005
Chandler, AZ 85226

MARCH UPDATE

We would first like to congratulate all of the buyers of ore in the Cinder Mountain Mining Project for their decision to "come aboard". We also want to apologize for not having reported to you earlier. We will do our best to pass on to you pertinent news as it happens.

Many of you have asked how the volcanic cinders became loaded with precious metals. Briefly, these cinder cones (there are several of the cinder cones located at the mine site NE of Flagstaff, Arizona), once they surfaced, became a volcanic vent for hot ascending gasses coming up through the earth below. As these gasses rise and become loaded with precious metals, they condense as they reach the earth's surface temperature, and precipitate onto the cinders (a glass) in the form of "salts". The recovery process developed by Houston Corporation, simply "washes" the "salts" from the cinder base material. The precious metals which are dissolved into a solution are then precipitated out of solution. The final stages of the recovery process involve the use of electro-plating to produce the precious metals in final form.

To date, regular testing on the cinders continues. Work is still being done to "fine-tune" the proven recovery methods, so that when it comes time to process the ore in large quantities, everything will be ready to go.

We expect to have a 5-ton "pilot" plant operating very soon. The operation of this small test plant will precede the larger pilot plant scheduled for construction later this summer. With this smaller pilot plant, we will be able to demonstrate to anyone's satisfaction that the recovery process developed by Houston Corporation will work, and work very well.

In our future updates we hope to have some photographs to show you of the pilot plant and other aspects of development that will be of interest to you.



HOUSTON CORPORATION

International Capital Funders, Inc.

101 Convention Center Drive
Valley Bank Center P-107
Las Vegas, Nevada 89109
(702)796-1700

A word from the Management:

It takes three things to have a successful Mining Project:

1. You must start with a good property:

- a) the property must contain precious metals in sufficient quantity and quality to justify mining.
- b) the proper equipment and extraction process must be available to make the project feasible.
- c) the location must allow for access to the property.
- d) the mining season must be of sufficient length to make the project feasible.

2. You must have qualified people that are capable of administering and operating the project.

3. You must have adequate capital.

PROPERTY: Now, let us consider the Cinder Mountain Mining Project.

The project is located 25 miles NE of Flagstaff, Arizona in a volcanic cinder cone on Marriam Crater. The extraction of gold and silver from volcanic cinders was developed by Houston Corporation. They found that volcanic cinders do have considerable gold and silver values and have perfected a method to extract those values using a chemical leaching system which is economically viable and overcomes previously encountered problems when working with this material. In addition, the extraction solution and processes used are "closed systems" and therefore non-polluting and acceptable to all government agencies' environmental standards.

PROJECT MANAGEMENT: Mr. Reese T. Houston, founder and President of Houston Corporation will head a team of qualified and respected mining professionals. Cimrad Corporation (Camarillo, CA) is the project engineer, Jim Youell is the chief chemist who will work with several other chemist-consultants. Houston Corporation has refining facilities in Chandler, Arizona which are described in this booklet and will oversee construction and operation of the on-site processing plant and ore handling.

CAPITAL: International Capital Funders, Inc. is selling 750,000 tons of ore in this offering. The total sales will provide Houston Corporation with \$93,750 in monthly interest revenue based on \$11,250,000 in contract sales.. When this is completed, Houston Corporation will have adequate monthly interest income to put the project fully into operation.

THE CINDER MOUNTAIN MINING PROJECT

The extraction of gold and silver from volcanic cinders was developed and perfected by Houston Corporation of Chandler, Arizona. They found that volcanic cinders have considerable gold and silver values and were able to extract those values in a laboratory. This was nothing new. Other companies had tried for years to extract gold and silver from cinders but had failed to put into production a process which would extract those values economically.

The approach taken by Houston Corporation is considerably different than that taken by most mining engineers and chemists. In mining, it is generally the policy to extract 80% to 90% of the values present in an ore body. In order to do this with volcanic cinders it is necessary to grind them to a very fine mesh (somewhere below 100 mesh) . When this is done, the values can be extracted, but the price to do the grinding is more costly than the values returned in the ore. The cost of grinding is apparent when one looks at the grinding equipment at days end. Small diamond-like particles are a part of the abrasive cinders and literally chew up any grinding equipment used. Replacement equipment is more costly than the values extracted from the ore, consequently cinder projects have been abandoned because of the grinding problems.

Houston Corporation has designed and built a special crusher to reduce the size of the cinders to about 3/8 inches in diameter. This allows the extraction of values by utilizing a percolation leaching process. This method was found to work even though some of the values are left in the waste " tailings ". Even though some of the gold and silver is left behind after leaching, the values recovered are better than many other mining projects and at a more effective rate.

Capital funding is needed to expand the business of extracting gold and silver from these volcanic cinders. The purpose of the funding is to build and equip a 4,800 ton per day plant. The recovery method developed by Houston Corporation will require the capability of moving and handling this tremendous amount of material efficiently. Numerous attempts were tried to find the best method of getting the precious metals into solution as well as additional attempts to find the best way of getting the values back out of solution. Five different methods were tried, but each one failed because a thin gray film formed over the plating surface. This gray surface was later found to be platinum. After many thousands of man hours and thousands of dollars expended, the plating process along with activated charcoal and resin recovery systems were discarded as a viable method of extraction.

Extensive work has been done by the University of Arizona and Arizona State University laboratories. The solution to the extraction problem was found by accident, but proved successful. Both universities have been helpful in consulting with the Houston Corporation. A method was found which helped get the precious metals into solution and then out again during the extraction process.

The recovery process is a "closed loop" system, where nothing is wasted, poured on the ground, polluted, or harmful to the environment. After recycling the solution over 20 times, it was found that the solution became loaded with carbonates and other elements and had to be dumped. Therefore, it became necessary to find a way to extract these elements from the solution along with the precious metals. Since this would be an "environmental impact", it was determined that a system had to be found to clean the solution without dumping it. After several months of trial and

error , a system was developed which dropped the elements out of solution ,thereby allowing a continuous recycling of the extraction solution. *This permits the use of the "closed loop" system which is non-polluting and acceptable to all government environmental agencies.*

After the process was developed and proven, increases in the size of the tests were conducted to insure that the process worked on large volumes of ore. Tests of up to 40 tons have been run successfully and it has been found that the process works equally well in large tonnage or in small lot sizes. Recognizing the handling problems inherent in handling 4,800 tons per day, the proposed plant has been designed for a continuous flow of cinder material. This will permit the movement of the ore without affecting the on-going extraction of gold and silver.

To build a production plant, the equipment necessary is primarily "off the shelf" equipment which can be purchased from known manufacturers. Approximately 20% of the equipment will have to be fabricated from raw materials in a manufacturing facility. Drawings are completed and ready to send to manufacturers for bids to build the large tanks and other handling equipment necessary. The holding tanks, for example, must be fabricated and coated with a special material to withstand the solutions used and the friction generated by the abrasive cinders.

An important feature of the Houston process is the use of computers. All equipment designs have been studied with the use of computers to reveal any weakness before manufacture. Time was leased from a computer firm to prove the feasibility of all phases of the proposed system and to insure production capability. Human error can become a very expensive ingredient when dealing with solutions and an extraction process that is very exact.

To control the human error variables, Houston Corporation has computerized the entire precious metal recovery process. Solutions will be maintained to specific ph values, temperatures, times, reformulations, etc. to make the process completely controlled. A unique feature of the computer control system is the satellite link up between the plant and a large computer which will monitor every step of the extraction process. With labor reliability and labor problems being a concern to many mining projects, Houston Corporation will not have to rely on the human method of control, but will have monitors to check on the computer system with adequate backup controls.

THE HOUSTON CORPORATION REFINERY

The Houston Corporation refinery is a research and development facility located on a 10-acre site at the Pima-Chandler Industrial Park in Chandler, Arizona. The refinery incorporates a wide variety of fixed and portable treatment and processing systems using the latest in modern technology. The present facilities were first occupied in 1977. The principals of the Houston Corporation, Reese Houston and his son Robert have been involved in mining for over 30 years.

Houston Corporation is able to work with raw ore and ore concentrates from which precious metals can be recovered. Most of the concentration of the head (raw) ore is to be performed at the Cinder Mountain mine site. The concentrates are then shipped to the refinery for further treatment and processing. Flexibility is an important factor in research and development. Houston Corporation employs a number of techniques and processes as well as obtaining independent evaluations by outside consultants when studying new ore samples submitted for analysis, to determine the most efficient and cost effective method of precious metal recovery.

Facilities include: a complete analytical and metallurgical laboratory which features an atomic absorption spectrophotometer (capable of detecting even minute amounts of precious metals in solutions), a number of furnaces specifically designed for various stages of smelting and refining, a leaching system complete with two 20-ton agitating vats, transfer and storage solutions. Various mixing, grinding, screening and classifying machines, filtration equipment, electro-winning and plating systems are also available. Houston Corporation has also made arrangements with nearby laboratories for the use of Direct Plasma Arc (DPA) and X-ray spectrophotometry equipment., allowing them to perform analysis of ore samples, leach solutions, smelted and refined metals using the latest technology. Much of the equipment used has been developed by Reese and Robert Houston since they began in 1958.

The plant is provided with a good water supply by the Pima-Chandler Industrial Park and the City of Chandler. A reverse osmosis water deionization system provides the purest water used in special applications. The plant is equipped with a DX 2000 sewage treatment system manufactured in Dallas, Texas and approved by the Environmental Protection Agency. Acids and volatile or hazardous chemicals are stored in separate facilities away from the main refinery building. Protective safety equipment and emergency first aid supplies are located throughout the plant. Office facilities for Houston Corporation are also located in a separate building on the 10-acre site.

REESE T. HOUSTON
President, Houston Corporation

PAST EXPERIENCE:

President of Lodestar Management Company ; processing minerals.

Mgr. of Operations for limited partnership, Phoenix, AZ., in development of extracting gold and silver from tailings ponds.

Vice President of YMAX Industries, a consulting firm for mining and oil properties.

Owned and operated the following companies:

Leben Drilling	Wichita, Kansas
Hivac Development	Bedford, Texas
Telcal	Abilene, Kansas
Houston Drilling	Bedford, Texas
Maxwell Well Service	Longview, Texas

Owner and operator of Houston Tool Company, Simi Valley , CA. Developed and patented many units for drilling and concentration of mineral deposits. Received the Blue Ribbon Award for the most outstanding development in mining in the U. S. in 1958 and 1961. Developed all of sampling and drilling equipment for the Atomic Energy Commission in 1958-1962. Developed and mapped underground water for U.S. Agriculture Research Service in 1963.

ADDITIONAL INFORMATION

Consultant to major oil companies, such as : Atlantic Richfield, Shell, Mobil, Phillips, Sun, Sinclair, and Kerr McGee.

Consultant to major mining companies, such as: Reynolds Metals, Aluminum of Canada, Kaiser, Engineer Aluminum Industries, Kennecott Copper Corporation, Cyprus Mines, Utah Construction Mining Co., Columbia Iron Mining (subsidiary of U. S. Steel).

Consultant to major industrial companies , such as: Pacific Power and Light, Texas Instruments, General Motors Defense Research Lab, Metropolitan Water, L.A., CA., So. Cal. Gas Co., Pan American World Airways, Nuclear Rocket Div., Reynolds Electric Co.(Atomic Energy Division) .

Consultant to various government agencies: U. S. Dept. of Interior, Atomic Energy Commission, U. S. Forest Service, and N. A. S. A.

(Detailed information furnished upon request)

ROBERT R HOUSTON
Vice President, Houston Corporation

PAST EXPERIENCE:

Asst. Mgr. of Lodestar Management Co.; processing minerals.

Consulting Engineer for the following companies: Houston Corporation, Sulfide Mining, CHK Corporation, VS & R Corporation, Pacific Energy Corporation, Hassayampa Mining, Monarch Mining, L & M Oro, Riddle Oil Co., Geneva Minerals, National Energy, Amarada Hess, and Nuclear Energy.

Designed and manufactured pulverizing/concentrating equipment, Reno, Nevada.

Manager of core, water and oil wells in Texas, California, and Nevada for major oil companies.

Assistant manager for the following:

Leben Drilling	Wichita, Kansas
Hivac Development	Bedford, Texas
Telcal	Abilene, Kansas
Houston Drilling	Bedford, Texas
Maxwell Well Service	Longview, Texas

Superintendent of engineering and manufacturing at Houston Tool Company. Supervised transport and technical training of all Houston Drilling rigs sold world-wide.

ACKNOWLEDGMENTS:

Received Blue Ribbon Award for most outstanding development in Mining, World-Wide in 1961.

Perfected and mapped underground water with Agriculture Research Services for all of the United States in 1963.

Co-designed and engineered with Webb and Lippo, a new development in tie-backs for retaining walls. These were used in the water ways at Disneyland, the Union Bank Building, the Richfield Towers in Los Angeles, and the underground tunnels for the Bay Area Rapid Transit, San Francisco, CA.

Have patents pending on several designs on drilling and mining equipments.

(Detailed information furnished upon request)

HOUSTON

CORPORATION

(602) 961-0253

(602) 961-0254

1371 S. Nelson Dr., P.O. Box 5005

Chandler, AZ 85224

SUMMARY OF ARIZONA CINDERS TESTS

<u>TEST NO.</u>	<u>TROY OUNCES OF DORÉ PER TON</u>	<u>DOLLARS PER TON</u>
72	.23	\$ 35.65
77	.37	57.33
78	.38	58.90
117	.18	27.90
118	.23	35.65
119	.36	55.80
120	.29	44.95
121	.30	46.50
122	.38	58.90
123	.32	49.60
124	.18	27.90
125	.97	150.35
126	.81	125.55
127	.94	145.70
128	.30	46.50
129	.25	38.75
130	.56	86.80
131	.48	74.40

AVERAGE DOLLAR VALUE PER TON OF ORE \$65.99

* Dollar values are based on:

1. The ratio of gold to silver = 1 oz. gold / 2 oz. silver
2. Gold valued at \$450 per troy ounce, silver at \$7.50

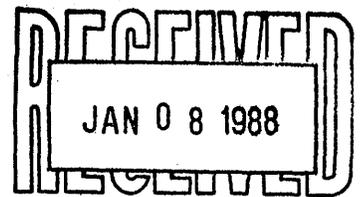
There has been approximately 4,000 tons of cinder material processed in tests to date.

From the last 500 tons of cinder material processed during this testing phase, over 100 ounces of gold was recovered.

ARIZONA DEPT. OF MINES & MINERAL RESOUR
STATE OFFICE BUILDING
#16 W. CONGRESS, ROOM 161
TUCSON, ARIZONA 85701



LLOYDS INTERNATIONAL, INC.
4625 So. Wynn Road
Las Vegas, Nevada 89103
(702) 365-1160 (702) 365-1168



It Takes Three Things To Have A Successful Mining Project:

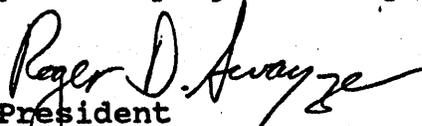
1. You must start with a good property:
 - a) property must contain precious metals in a sufficient quantity and quality to justify mining
 - b) proper equipment and/or extraction process must be available to make the project feasible.
 - c) location must allow for access to the property
 - d) mining season must be of sufficient length to make project practical to operate
2. You must have qualified people who are capable of administering and operating the project.
3. You must have adequate capital.

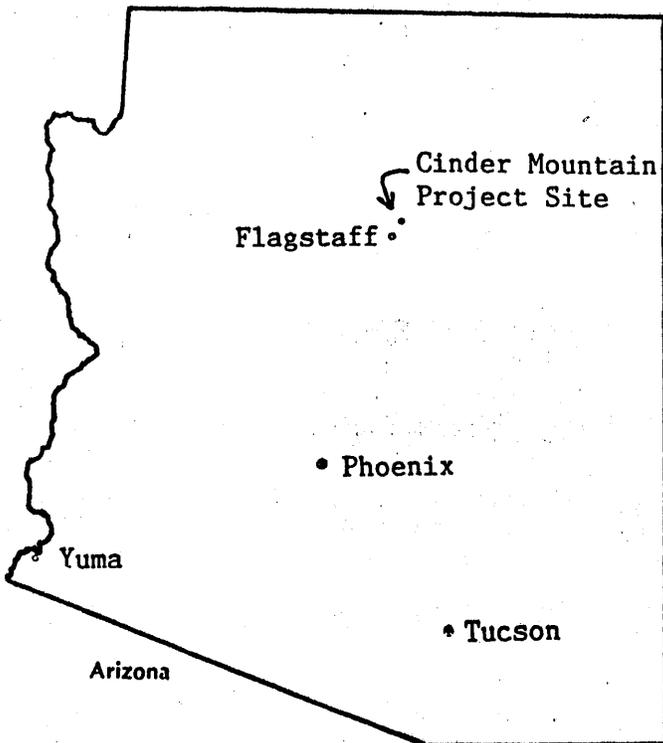
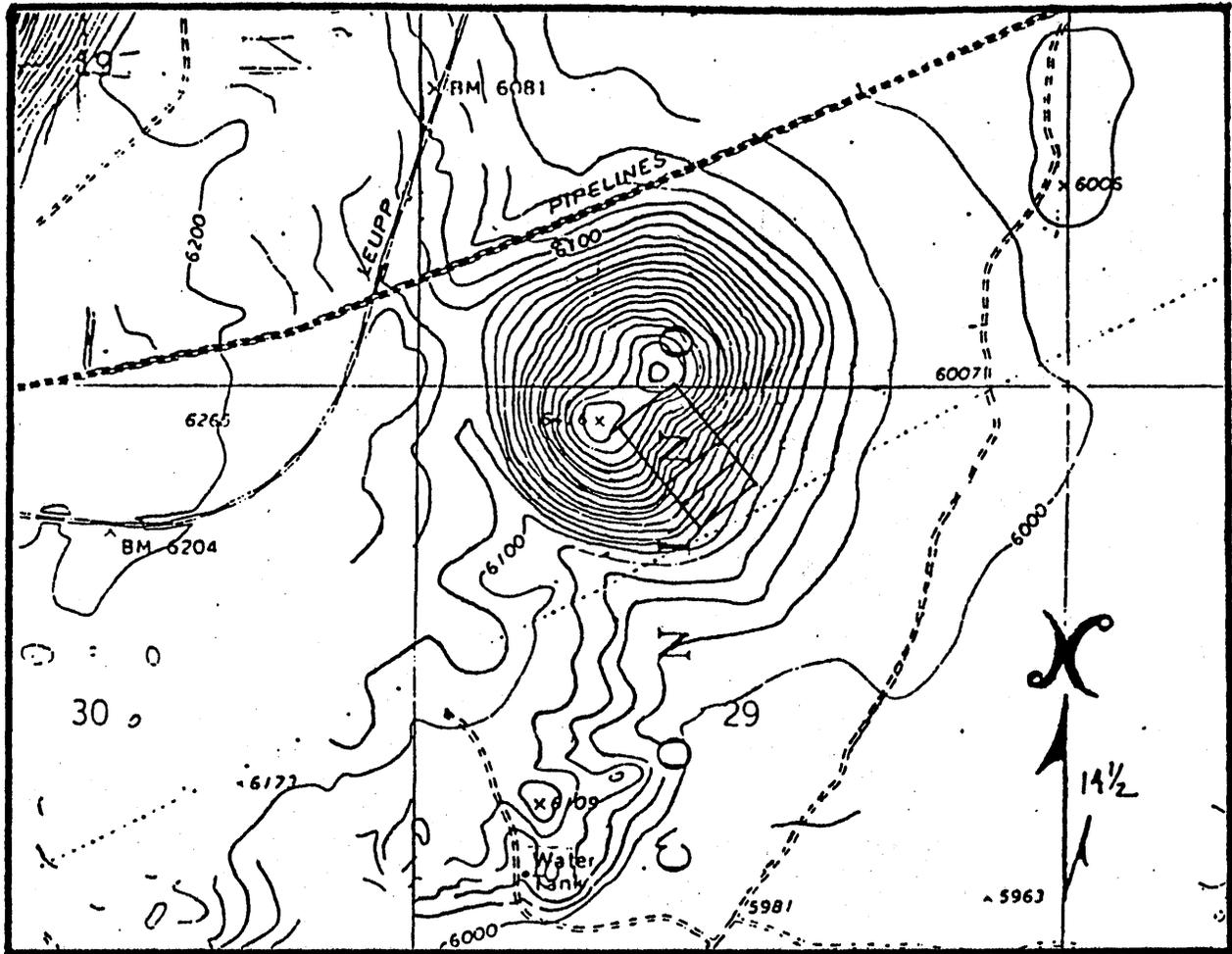
Now let us consider Cinder Mountain Mining Project 2.

The project is located 25 miles NE of Flagstaff, Arizona in a volcanic cinder cone on Marriam Crater. The extraction of gold and silver from volcanic cinders was developed by Houston Corporation. They found that volcanic cinders do have considerable gold and silver values and have perfected a method to extract those values using a chemical leaching system which is economically viable and overcomes previously encountered problems when working with this material. In addition, the extraction solution and processes used are "closed systems" non-polluting and acceptable to any government agency's environmental standards.

PROJECT MANAGEMENT: Mr. Reese T. Houston, founder and President of Houston Corporation will head a team of qualified and respected mining professionals. Cimrad Corporation (Camarillo, CA) is the project engineer, Jim Youell (Wenden, AZ) is the chief geologist and Noel Rhodes (Phoenix, AZ) is the chief chemist who will work with several other chemist-consultants. Houston Corporation has refining facilities in Chandler, Arizona which are described in this booklet and will oversee construction and operation of the on-site processing plant and ore handling.

CAPITAL: Lloyds International, Inc. is selling 250,000 tons of ore in this offering. The total sales will give Houston Corporation \$11,250,000 in contract sales. When this is completed, Houston Corporation will have adequate monthly interest income to put the project fully into operation.


President



The mining claims in the Cinder Mountain Project are located 28 miles NE of Flagstaff, Arizona in Coconino Co. The legal claim names, Bureau of Land Management claim numbers and legal descriptions follow:

518 Cinder Association #2 AMC# 272562
SW 1/4 Sect. 20 - Twp. 22N - Range 10E

519 Cinder Association #2 AMC# 272563
SE 1/4 Sect. 20 - Twp. 22N - Range 10E

524 Cinder Association #2 AMC# 272564
NE 1/4 Sect. 20 - Twp. 22N - Range 10E

525 Cinder Association #2 AMC# 272565
NW 1/4 Sect. 20 - Twp. 22N - Range 10E

Legal descriptions are in reference to the G&SRB&M Meridian Crater Quadrangle

THE CINDER MOUNTAIN MINING PROJECT

The extraction of gold and silver from volcanic cinders was developed and perfected by Houston Corporation of Chandler, Arizona. They found that volcanic cinders do have considerable gold and silver values and were able to extract those values initially in a laboratory. This was nothing new. Other companies had tried for years to extract gold and silver from cinders but had failed to put into production a process which would extract those values economically.

The approach taken by Houston Corporation is considerably different than that taken by most mining engineers and chemists. In mining, it is generally the policy to extract 80% to 90% of the values present in an ore body. In order to do this with volcanic cinders it is necessary to grind them to a very fine mesh (somewhere below 100 mesh). When this is done the values can be extracted, but the price to do the grinding is more costly than the values returned in the ore. The cost of grinding is apparent when one looks at the grinding equipment at days end. Small diamond-like particles are a part of the abrasive cinders and literally chew up any grinding equipment used. Replacement equipment is more costly than the values extracted from the ore, consequently cinder projects have been abandoned because of the grinding problems.

Houston Corporation decided to leave the cinders in their original state and just extract those values which would come from a chemical leaching process. This method was found to work even though some of the values are left in the waste "tailings". Even though some of the gold and silver is left behind after leaching, the values recovered are better than many other mining projects. For example, Newmont Mining in Carlton, Nevada extracts less than .18 troy ounce of gold per ton of ore while Houston Corporation extracts .2 ounces of gold per ton. The Newmont project uses 80% of the values recovered to cover their costs while Houston Corporation uses less than 5% of the values recovered to cover mining costs.

Capital funding is needed to expand the business of extracting gold and silver from these volcanic cinders. The purpose of the funding is to build and equip a 4,800 ton per day plant. The recovery method developed by Houston Corporation will require the capability of moving and handling this tremendous amount of material efficiently. Over 1.5 million dollars has been spent by the Houston family developing the leaching and extraction process which, needless to say, did not come easily. Numerous attempts were tried to find the best method of getting the precious metals into solution as well as additional attempts to find the best way of getting the values back out of solution. In one attempt, a well known Ph.D. chemist who is an expert in plating was hired to solve the plating problems. Five different methods were tried, but each one failed because a thin gray film formed over the plating surface. This gray surface was later found to be platinum. After many thousands of man hours and thousands of

dollars were expended, the plating process along with activated charcoal and resin recovery systems were discarded as a viable method of extraction.

Extensive work has been done with the University of Arizona and Arizona State University chemical laboratories. When the solution to the extraction problem was found it was by accident, but proved successful. Both universities had been helpful in finding reagents which help get the values into solution and then out again during the extraction process. There have been other problems to overcome besides those mentioned.

The recovery process is a "closed loop" system, where nothing is wasted, poured on the ground, polluted, or harmful to the environment. After recycling the solution 22 or 23 times, it was found that the solution became loaded with carbonates and had to be dumped. Therefore, it became necessary to find a way to extract the carbonates from the solution along with the precious metals. Since this would be an "environmental impact", it was determined that a reagent had to be found to clean the solution without dumping it. Arizona State University was hired to help with the problem. After several months they were able to find a reagent which dropped the carbonates out of solution thereby allowing a continuous recycling of the extraction solution. This permits the use of the "closed loop" system which is non-polluting and acceptable to any government environmental agency.

After the process was developed and proven, increases in the size of the tests were conducted to insure that the process worked on large volumes of ore. Tests of up to 40 tons have been run successfully and it has been found that the process works equally well in large tonnage or in small lot sizes. Recognizing the handling problems inherent in handling 4,800 tons per day, the proposed plant has been designed to handle lots of 100 tons.



Aerial Photo of the Houston Corporation Research Refinery

This will permit the movement of the ore without affecting the on-going extraction of gold and silver. Having spent 1.5 million dollars on the pilot plant where the process was developed and tested, the guess work has been eliminated.

To build a production plant, the equipment necessary is primarily "off the shelf" equipment which can be purchased from known manufacturers. Approximately 20% of the equipment will have to be fabricated from raw materials in a manufacturing facility. Drawings are already completed and a manufacturer has been selected to build the large tanks and other handling equipment necessary. The holding tanks, for example, must be fabricated from fiberglas-coated steel to withstand the solutions used and the friction generated by the abrasive cinders.

An important feature of the Houston process is the use of computers. All equipment designs have been studied with the use of computers to reveal any weakness before manufacture. The firm selected owns a 100 million dollar computer. Time was leased from this firm to prove the feasibility of all phases of the proposed system to insure production capability. To know that the process and equipment will work is a major question of any investor as well as the management team. Human error can become a very expensive ingredient when dealing with solutions and an extraction process that is very exact.

To control the human error variable, Houston Corporation has computerized the entire precious metal recovery process. Solutions will be maintained to specific ph values, temperatures, times, reformulations, etc. to make the process completely controlled. A unique feature of the computer control system is the satellite linkup between the plant and a large computer which will monitor every step of the extraction process. With labor reliability and labor problems being a concern to many mining projects, Houston Corporation will not have to rely on the human method of control but will have monitors to check on the computer system.

The processed cinders will also be used. Once the precious metal values have been extracted, spent material will be used by a cinder block manufacturing firm to build cinder blocks. This will be an additional source of income and a by-product of the gold and silver recovery business. Cinders will be sorted into different sizes after the extraction is complete and placed in different dump piles according to size. The finished concrete cinder blocks can be used in the construction of buildings, walls or other similar purposes.

Further research is underway to examine other by-product business opportunities. Mixing resins and tars with the cinders of small size can produce tiles, roofing materials, paving material, stakes, etc. Funds for the construction of these businesses can be generated from the gold and silver recovery business after the initial ore purchase contracts have been fulfilled.

H O U S T O N
C O R P O R A T I O N

(602) 961-0253
(602) 961-0254

1371 S. Nelson Dr., P.O. Box 5005
Chandler, AZ 85224

SUMMARY OF ARIZONA CINDERS TESTS

<u>TEST NO.</u>	<u>GRAMS OF METAL PER TON</u>	<u>DOLLARS PER TON</u>
72	7.12	\$ 24.06
77	11.64	38.95
78	11.82	39.52
117	5.75	19.25
118	7.23	24.17
119	11.10	37.12
120	9.25	30.93
121	9.49	31.73
122	11.88	39.75
123	10.00	33.45
124	5.65	18.90
125	30.07	100.59
126	25.27	84.55
127	29.53	95.43
128	9.21	30.82
129	7.84	26.24
130	17.57	58.77
131	15.00	50.18

AVERAGE DOLLAR VALUE PER TON \$65.37

* Dollar values are based on:

1. The ratio of gold to silver = 1 oz. gold / 2 oz. silver
2. Gold valued at \$450 per troy ounce, silver at \$7.50

There has been approximately 4,000 tons of cinder material processed to date.

From the last 500 tons of cinder material processed during this testing phase, over 100 ounces of gold was recovered and sold.

THE HOUSTON CORPORATION REFINERY

The Houston Corporation refinery in Chandler, Arizona is a 4,800 sq./ft. research and development facility located on a 10-acre site at the Pima-Chandler Industrial Park in Chandler, Arizona which incorporates a wide variety of fixed and portable treatment and processing systems using the latest in modern technology. The present facilities were first occupied in 1977, however the principals of Houston Corporation, Reese Houston and his son Robert have been involved in mining for over 30 years.

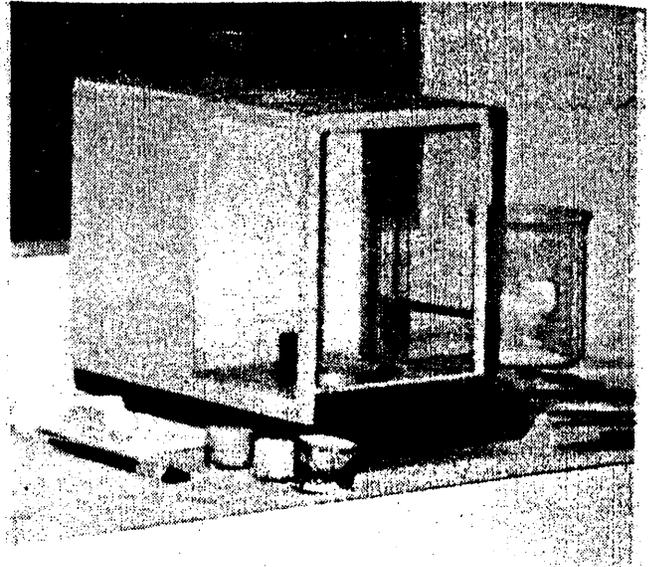
Houston Corporation is able to work with raw ore, ore concentrates and also with waste products from which precious metals can be recovered. Most of the concentration of head (raw) ore is performed at the mine site, and then concentrates are brought to the refinery for further treatment and processing. Flexibility is an important factor in research and development. Houston Corporation employs a number of techniques and processes as well as obtaining independent evaluations by outside consultants when studying new ore samples submitted for analysis, to determine the most efficient and cost effective method of precious metal recovery.

Facilities include: a complete analytical and metallurgical laboratory which features an atomic absorption spectrophotometer (capable of detecting even minute amounts of precious metals in solutions), a number of furnaces specifically designed for various stages of smelting and refining, a leaching system complete with two 20-ton agitating vats, transfer and storage tanks as well as heating and cooling equipment for the leach solutions. Various mixing, grinding, screening and classifying machines, filtration equipment, electro-winning and plating systems are also available. Houston Corporation has also made arrangements with nearby laboratories for the use of Direct Plasma Arc (DCA) and X-ray spectrophotometry equipment, allowing them to perform analysis of ore samples, leach solutions, smelted and refined metals using the latest technology. Much of the equipment used has been developed by Reese and Robert Houston since they began in 1958.

The plant is provided with a good water supply by the Pima-Chandler Industrial Park and the City of Chandler. A reverse osmosis water deionization system provides the purest water used in special applications, and the plant is equipped with a DX 2000 sewage treatment system manufactured in Dallas, Texas and approved by the Environmental Protection Agency. The refinery has passed inspection by OSHA. Acids and volatile or hazardous chemicals are stored in separate facilities away from the main refinery building. Protective safety equipment and emergency first aid supplies are located throughout the plant. Office facilities for Houston Corporation are also located in a separate building on the 10-acre site.



Mr. Reese Houston examines an ore sample.

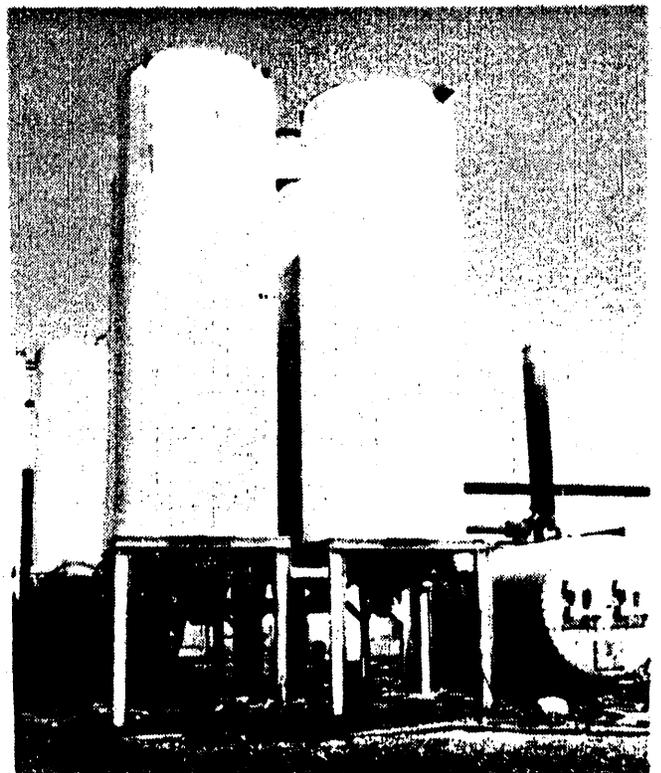


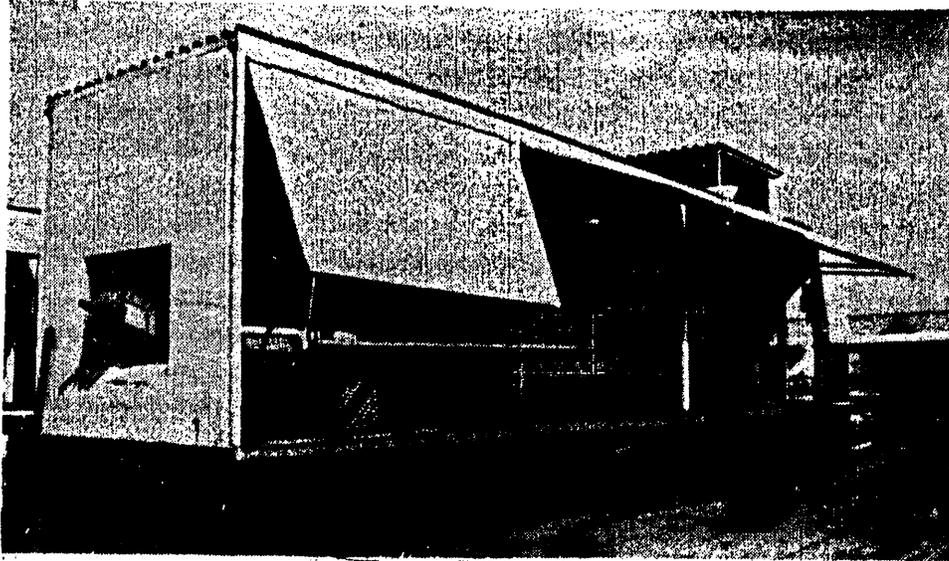
Electronic draft-free scale used for weighing precious metal samples.

A laboratory technician checks electro-plating research equipment.



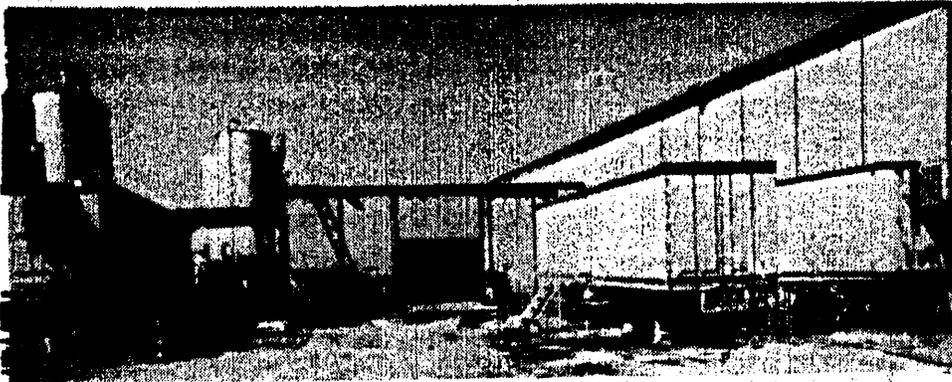
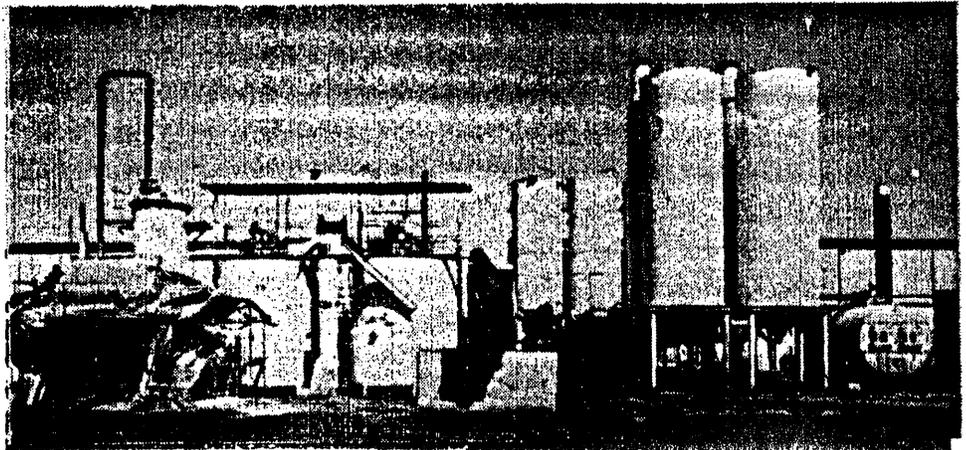
"Pregnant" liquid storage tanks and heating equipment used in the leaching system.





One of the portable processing plants which can be towed to a mine site.

The chemical leaching system.



Volatile and hazardous materials are stored in mobile containers outside the main plant building.

Office facilities are located on-site near the main plant building.



RESUME

REESE T. HOUSTON
3407 E. Roberts Road
Tempe, Arizona 85281

PERSONAL: Birthdate: June 16, 1914
Place: Apache, Arizona

EDUCATION: College: 1948 - 1955 - 1960
Business Graduate Courses: LA Business Grade and
High School: Mesa, Arizona

EXPERIENCE:

- 1984 - 1985 President of Houston Corporation, Manufacture Mining Equipment and Processing of Minerals.
- 1982 - 1983 President of Lodestar Management Company. Processing of Minerals.
- 1979 - 1982 Manager of Operations for a limited partnership in Phoenix, Arizona area, in the development of extracting gold and silver from tailings ponds.
- 1976 - 1978 Vice-President, Ymax Industries, Bedford, Texas. Ymax Industries is a consulting firm for mining and oil properties.
- 1975 - 1976 Drilled and developed oil wells in Texas for major oil companies. Drilled oil wells in the Fort Worth Basin.
- 1971 - 1975 Manager of drilling operations for Leben Drilling, Inc. Wichita, Kansas. Purchased the company in 1974.

Owned and operated the following companies:

Leben Drilling	Wichita, Kansas
Hivac Development	Bedford, Texas
Telcal	Abilene, Kansas
Houston Drilling	Bedford, Texas
Maxwell Well Service	Longview, Texas

- 1970 - 1971 Started drilling operations in Abilene, Texas for oil.
- 1955 - 1970 Owner and operator of Houston Tool Company, Simi Valley, California. Developed and patented many units for drilling and concentration of mineral deposits. Received the Blue Ribbon Award for the most outstanding development in the mining field in the United States in 1958 and again in 1961. Developed all of Sampling and drilling equipment for the Atomic Energy Commission in 1958 and 1962. Developed and mapped the underground water with the Agriculture Research Service for all of the United States in 1963.

- 1952 - 1955 Vice-President and co-inventor of oil drilling tool for American Percussion Tool Company, Inc. for the development of oil.
- 1943 - 1952 Supervisor for Simco, Inc. syndicate for land, mineral, oil and water development in California, Nevada, Idaho and Oregon.
- 1941 - 1943 Army Engineers in Iran.
- 1938 - 1941 Construction Business in Los Angeles, California. California licensed contractor.
- 1935 - 1938 University of Arizona manager of experimental studies of protein supplements in animal husbandry.

BACKGROUND INFORMATION:

1955 - Present: Consultant to major oil companies, mining companies, industrial developments and various governmental agencies.

A list of the oil companies includes: Atlantic Richfield, Shell, Mobil, Phillips, Sun, Sinclair, and Kerr McGee.

Mining companies include: Reynolds Metals, Aluminum of Canada, Kaiser Engineer Aluminum Industries, Kennecott Copper Corporation, Cyprus Mines, Utah Construction Mining Company, Columbia Iron Mining (subsidiary of U.S. Steel).

Industrial Companies include: Pacific Power and Light, Texas Instruments, General Motors Defense Research Lab, Metropolitan Water, Los Angeles Southern Cal Gas Company, Pan American World Airways, Nuclear Rocket Division, Reynolds Electric Company Atomic Energy.

Governmental Agencies include: U.S. Department of the Interior, Atomic Energy Commission, U.S. Forest Service, and N.A.S.A.

REFERENCES: References and additional information may be furnished upon request.

RESUME

ROBERT R. HOUSTON
 1020 W. 1st Street #55
 Tempe, Arizona 85281
 (602) 961-1020

EDUCATION: Simi Valley High School; Simi California
 Ventura College (Engineering); Ventura, CA
 Harris Corporation for completion of courses in
 computer operations, Auto CAD drafting and data
 processing, and management.

PERSONAL: Birthdate: 9/29/37
 Place: Los Angeles, California
 Marital Status: Married, no children
 Health: Excellent

EXPERIENCE:

- 1984 - 1986 Vice-president of Houston Corporation, engaged in
 processing precious metals, engineering and manufac-
 turing of mining equipment with the aid of computer
 technology.
- 1982 - 1983 Assistant manager of Lodestar Management, Inc.
- 1978 - 1982 Consulting Engineer for the following companies:
 Houston Corporation, Sulfide Mining, CHK Corporation,
 VS & R Corporation, Pacific Energy Corporation, Hassa-
 yampa Mining, Monarch Mining, L & M Oro, Riddle Oil
 Company, Geneva Minerals, National Energy, Amarada
 Hess, and Nuclear Energy.
- 1977 - 1978 Designed and manufactured pulverizing and concentrating
 equipment. Reno, Nevada
- 1976 - 1977 Manager of core, water and oil drilling operations for
 Mountain Meadow Drilling Company. Susanville, Cali-
 fornia.
- 1975 - 1976 Drilled and developed oil wells in Texas, California,
 and Nevada for major oil companies.
- 1971 - 1975 Manager of all trucking operations for Leben Drilling
 Company. Wichita, Kansas. Assistant manager for the
 following:
- | | |
|-------------------|-----------------|
| Leben Drilling | Wichita, Kansas |
| HiVac Development | Bedford, Texas |

TelCal Drilling
 Maxwell Well Service
 Houston Drilling

Abilene, Texas
 Longview, Texas
 Bedford, Texas

- 1970 - 1971 Drilled and developed oil well operations in Abilene, Texas.
- 1960 - 1970 Superintendent of engineering and manufacturing at Houston Tool Company. Supervised shipping and technical training of all Houston Drilling rigs sold world-wide.

ACKNOWLEDGMENTS

Received the Blue Ribbon Award for the most outstanding development in the mining field, world-wide, 1961.

Perfected and mapped underground water with Agriculture Research Services for all of the United States, 1963.

Co-designed and engineered with Webb and Lippo new development in tie-backs for retaining walls. These were used in building all the water ways at Disneyland, the Union Bank Building and the Richfield Oil Twin Towers in downtown Los Angeles, and in building the underground tunnels for the B.A.R.T. (Bay Area Rapid Transit) downtown San Francisco.

Have patents pending on several designs on drilling and mining equipment.

INTERESTS

Team roping (member PRCA), traveling, prospecting.

References and additional information furnished upon request.

L. George Hukriede

Member American Institute of CPA's

ACCOUNTANCY CORPORATION

Member California Society of CPA's

14600 GOLDEN WEST STREET, SUITE 209
WESTMINSTER, CA 92683 (714) 898-8005 (714) 739-1332

RESUME AND STATEMENT OF QUALIFICATIONS

EDUCATION:

High School Diploma, Long Beach Poly
A.A. Degree, Long Beach City College
B.S. Calif. State Univ. Long Beach

PRIOR EXPERIENCE:

Auditor, Frazer & Torbet Los Angeles

Major Clients include:

- * Alta Dena Dairy
- * Rockview Dairy
- * Hehr Manufacturing
- * Marshburn Farms

Controller, Marshburn Farms Norwalk, CA



HISTORY OF PRESENT FIRM:

Purchase was made of a small accounting practice in 1977. Since that time the firm has moved twice, added staff and opened two additional office locations in San Diego and Corona, California. Specialties include: Financial Planning, Unit Investment Trusts, Mutual Funds, Limited Partnerships, IRS Audits and services to Homeowner Associations.

Clients include wholesale and retail businesses, garages, manufacturing firms, manufacturer's representatives, construction companies, service industries, law offices, organizations and professional clients.

The firm has helped businesses establish both manual and computerized bookkeeping systems, and has served as an expert witness in court.

PROFESSIONAL AFFILIATIONS:

- * American Institute of Certified Public Accountants
- * California Society of Certified Public Accountants
- * National Society of Public Accountants
- * American Association of Personal Financial Planners
- * Community Association Institute
- * Christian Management Association

QUESTIONS MOST FREQUENTLY ASKED

- Q- When will the processing plant be completed and mining started?**
A- The construction schedule indicates completion of Phase I in the summer of 1988. After 2 to 3 months of fine-tuning, construction is scheduled to begin providing additional production capacity.
- Q- When will my ore be processed?**
A- The projected processing date of your ore is to be in one to three years. Ore purchased under contract will be processed in the order of the date of purchase, thus the earlier a purchase is made, the earlier in the program the ore will be processed.
- Q- What will happen when gold or silver prices rise?**
A- The profit that you receive will rise proportionally to the increase in gold and silver prices.
- Q- What if gold and silver prices drop?**
A- The seller warrants a net smelter recovery value of not less than \$42 per ton of ore purchased. If recovery values are less than \$42 per ton, additional ore will be processed to satisfy the warranty.
- Q- Will I receive cash or gold or silver?**
A- Since you own the ore, you will choose how you wish to be paid at the time your ore is processed. You have a choice of receiving cash, gold, silver, or any combination of the three.
- Q- Will I be able to visit the processing plant and mine site?**
A- Yes, you will be welcome to tour the operation, however, you will be required to make prior arrangements as the property and plant will not be open to the public.
- Q- What is meant by "non-recourse" as it relates to the contract?**
A- Non-recourse simply means that there is no action that the Holder can take against the Maker to collect in the event of non-payment, other than to declare the contract in default and reclaim the security, which in this case is the ore.
- Q- Is this project considered a "Tax Shelter", and if so, what tax benefits might I qualify for?**
A- This is a profit-making business venture. For answers to questions concerning tax benefits or consequences, as they might pertain to you, we respectfully refer you to your tax preparation professional. We will do our best to answer specific questions as they arise.

PROFORMA

PROFIT PER UNIT

Warranted value per unit @ \$42.00 per ton 1 Unit = 250 tons	\$10,500
Less - Cost of Tonnage \$15.00 x 250 tons	- 3,750
Less - Expenses and Commissions (10%)	- 375
GROSS PROFIT	<u><u>\$6,375</u></u>

Less Interest On Purchase Agreement:

After:	1 Year	2 Years	3 Years
	6,375	6,375	6,375
	- 373	- 739	- 1,098
	<u><u>6,002</u></u>	<u><u>5,636</u></u>	<u><u>5,277</u></u>
Net Warranted Return:	\$6,002	\$5,636	\$5,277

Note A \$5.00 per month service charge will be added for purchases of only one unit.

Note The above profit is projected on the Warranted value per unit and could be greater, depending on the price of gold and silver at the time of processing.

PURCHASE INSTRUCTIONS

1. Complete and sign the Agreement of Understanding.
2. Complete and sign the Ore Purchase Contract and Bill of Sale.
3. Complete and sign the letter of instructions for Buyer's Trust Account.
4. Recap of Tonnage, Principal sum, Monthly payment and Commission & Expenses are as follows:

<u>Tonnage</u>	<u>Principal Sum</u>	<u>Monthly Payment*</u>	<u>Commission & Expenses**</u>
250	\$ 3,750	\$ 36.00 #	\$ 375.00
500	7,500	72.00	750.00
750	11,250	108.00	1,125.00
1000	15,000	144.00	1,500.00
1250	18,750	180.00	1,875.00
1500	22,500	216.00	2,250.00
1750	26,250	252.00	2,625.00
2000	30,000	288.00	3,000.00
2250	33,750	324.00	3,375.00
2500	37,500	360.00	3,750.00

For each additional 250 ton contract, increase by:

250	3,750	36.00	375.00
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A \$5.00 per month service charge is added to purchases of a single unit.

* Your first monthly contract payment on this purchase is due 30 days after signing the Ore Purchase Contract and Bill of Sale.

** The commission & expenses are to be remitted with the completed documents.

5. Mail your check and all completed papers to:

L. George Hukriede Accountancy Corporation
 14600 Golden West Street, Suite 209
 Westminster, California 92683

7. Signed copies of each document will be sent to you after processing and recording. Your cancelled check is your receipt for each payment.

**PLEASE REMEMBER TO MAKE YOUR CHECK
 PAYABLE TO:**

L. GEORGE HUCKRIEDE ACCOUNTANCY CORPORATION BUYER'S TRUST ACCOUNT

AGREEMENT OF UNDERSTANDING

BUYER AND SELLER UNDERSTAND AND AGREE TO THE FOLLOWING:

1. **WARRANTY:**

IT IS UNDERSTOOD AND AGREED: The gold and silver value per ton in Buyer's Ore Contract will be a minimum of \$42.00 per ton, and further, shall provide no less than 25 troy ounces of gold per 250 ton unit. If not, Seller agrees to sell Buyer additional tonnage at one cent (\$0.01) per ton from the warranty reserve held by Administrative Management Services until the value has reached \$42.00 per ton in Buyer's Purchase Contract.

2. **RESERVE FOR WARRANTY:**

IT IS UNDERSTOOD AND AGREED: That Western Mining Concepts, Inc. has established an Irrevocable Trust and placed within that Trust 750,000 tons of Cinder Mountain ore reserves. This Trust is held by Administrative Management Services for meeting any warranty claims that may arise.

3. **BUYERS TRUST ACCOUNT:**

IT IS UNDERSTOOD AND AGREED: That all funds will be placed in Administrative Management Services Buyer's Trust Account and will be disbursed according to Buyer's written instructions. These instructions require Administrative Management Services to remit interest on the contract payments to Houston Corporation or their designated assignee, and to place principal payments in an FDIC insured interest-bearing bank account, with interest credited to the benefit of the Buyer, until such time as ore has been processed and Buyer has received his/her gold and/or silver and has signed a letter of acceptance and satisfaction.

4. **DELIVERY DATE:**

IT IS UNDERSTOOD AND AGREED: That there is no way to pinpoint an exact date of delivery; however, the projected delivery date would be one to three years, depending on the startup date and the date Buyer makes his/her purchase.

5. **NON-RECOURSE CONTRACT:**

Non-recourse simply means that if Buyer should, for any reason, choose to discontinue making payments on the purchase agreement, there is no possible action which could be taken by the Seller to require payments. In this case, the only action available to the Seller is to take back the ore, terminate the agreements, and keep any interest payments made as liquidated damages.

6. **CANCELLATION CLAUSE:**

IT IS UNDERSTOOD AND AGREED: That the Buyer, subject to a 30-day notice, can cancel his/her contract at any time, for any reason, and receive a refund of all principal payments, plus accumulated bank interest on the same.

Buyer

Seller

Mining Contract No. _____

**ORE PURCHASE CONTRACT
and BILL OF SALE**

THIS AGREEMENT, entered into this _____ day of _____, 1987 is by and between Lloyds International, Inc. (a Nevada corporation), hereinafter referred to as "Seller", and _____, hereinafter referred to as "Buyer".

WHEREAS the Seller has gold and silver bearing ore situated in a "Cinder Cone" on Marriam Crater, within the 7 1/2 minute quadrangle, twenty-five miles NE of Flagstaff, Coconino County, State of Arizona, and,

WHEREAS the Buyer desires to immediately purchase _____ tons of said ore from Seller, and Seller agrees to sell said tonnage of ore at the execution of this agreement, subject to the following terms and conditions,

NOW THEREFORE, for valuable consideration, the parties hereto have agreed:

1. The Seller will now sell _____ tons of ore to Buyer at Fifteen dollars (\$15) per ton for a total purchase amount of _____ dollars (\$_____). (Price includes royalty, processing and refining.) Buyer agrees to pay for the ore upon signing this Agreement by making monthly principal and interest payments in the amount of _____ dollars (\$_____) per month, interest at the rate of ten percent (10%) per annum. The first monthly payment is due thirty days after the date this Agreement is signed and continuing monthly thereafter, until such time as the ore is processed, at which time the balance of this contract is due and payable from the proceeds of Buyer's ore, which shall be paid from Buyer's precious metals. Buyer further agrees to remit to L. George Hukriede Accountancy Corporation at 14600 Golden West Street, Suite 209, Westminster, California 92683, the sum of Ten dollars (\$10) as an administrative, handling and recording fee.
2. The Buyer shall have full and complete ownership rights of all minerals in the entire tonnage of ore as referred to in provision #1. above, including the right to remove the ore at his/her cost, subject to the terms of said provision #1.
3. The Buyer shall have reasonable access to his/her property at all times and will, in turn, grant reasonable access to other property owners.
4. It is agreed by the Seller and Buyer that mining operations of said tonnage will commence within a reasonable time and are to be performed expeditiously from the mining claims referred to above.

5. Execution hereof by the Seller is an acknowledgment and representation relied upon by the Buyer as a part of the consideration hereof that deposits of precious metals are known to exist in sufficient quantity and quality to reasonably justify commercial exploitation.
6. Buyer hereby acknowledges the option to have the Houston Corporation, under a separate agreement, to mine, process and refine any precious metals in the ore in said claim to hallmarked bars on behalf of Buyer, by executing a mining, processing and refining contract.
7. The Seller warrants to Buyer that the net smelter value of said ore shall have a minimum value of Forty Two dollars (\$42) per ton of ore purchased and, if lacking that value, Seller reserves the right to substitute an ore body of greater value, or shall sell to owner additional ore at a cost of one cent (\$.01) per ton and shall process said ore upon the same terms until sufficient ore has been purchased and processed to provide equivalent value to Buyer as required by this Warranty for the amount of the original ore purchase. Seller has placed an ore reserve with the L. George Hukriede Accountancy Corporation in the amount of Seven Hundred Fifty Thousand (750,000) tons to be used in the event the values do not meet the Forty Two dollar (\$42) per ton Warranty.
8. Default by Buyer. If Buyer shall be in default under this Agreement and such default shall not be remedied within ten (10) days after written notice, Seller may elect to terminate this agreement and retain any interest earned hereunder as liquidated damages. In that event, Seller shall have no further recourse against Buyer for the collection of any remaining principal or interest.

THE PARTIES HEREBY AGREE to the terms and conditions set forth herein on the date first written above.

Accepted and Approved by Seller

Accepted and Approved by Buyer

Lloyds International, Inc.

Signature

MINING, PROCESSING AND REFINING CONTRACT

THIS CONTRACT is between Houston Corporation, (a Nevada corporation), hereinafter "Refiner", and _____ hereinafter "Buyer".

FOR VALUABLE CONSIDERATION, the parties hereto agree:

1. Refiner will mine, process and refine _____ tons of Buyer's ore and deliver refined bars of gold and silver to a reputable company for certification of weight and purity and application of said company's "hallmark" to said bar(s).
2. The time of delivery to the hallmarking company will be within 25 days after the ore has been refined.
3. The Buyer will be advised of the name and address of the hallmarking company and the date by which the bars of precious metal(s) will be available. The Buyer will receive his/her refined and hallmarked precious metals from the hallmarking company or make other arrangements for delivery.
4. The Buyer will receive a copy of the contract with the hallmarking company entered into by the refiner. On the contract shall be indicated the amount of gold, silver or other precious metal the Buyer is to receive. The Buyer will present his/her copy of the contract and proper identification to the hallmarking company.
5. The time of refining is based upon a "first in - first out" basis.
6. This Agreement is terminable by Buyer upon 30 days written notice to Refiner.

This contract is entered into this _____ day of _____ 19____.

Refiner - signature

Houston Corporation

Buyer - signature

Type or Print Name

Address

Buyer's A/C and Telephone No.

City, State, Zip

INSTRUCTIONS FOR BUYER'S TRUST ACCOUNT
Cinder Mountain Mining Project II

L. George Hukriede Accountancy Corporation
14600 Golden West Street, Suite 209
Westminster, California 92683

_____, 19____

I/we herewith enclose an amount equal to \$10.00 per 250 ton contract or \$_____ as an administrative handling and recording fee, plus _____ dollars (\$_____), or a total check in the amount of _____ dollars (\$_____), which you are hereby authorized to disburse as you see fit for fees, commissions and expenses.

Further, I/we have executed a certain Ore Purchase Contract of even date to these instructions and will be directing interest and principal payments to you which you are to place in your Buyer's Trust Account. You are authorized to remit interest paid on said contract to Houston Corporation, or their designated assignee, and further to place all principal payments on said contract in an FDIC insured, interest-bearing account, with interest accumulating to my/our credit.

These instructions are to remain in effect until such time as they may be amended or terminated by me/us in writing.

Signature

Print or type name

Mining Contract No. Rick Hass
Portland

**ORE PURCHASE CONTRACT
and BILL OF SALE**

THIS AGREEMENT, entered into this _____ day of _____, 1987 is by and between Lloyds International, Inc. (a Nevada corporation), hereinafter referred to as "Seller", and _____, hereinafter referred to as "Buyer".

WHEREAS the Seller has gold and silver bearing ore situated in a "Cinder Cone" on Marriam Crater, within the 7 1/2 minute quadrangle, twenty-five miles NE of Flagstaff, Coconino County, State of Arizona, and,

WHEREAS the Buyer desires to immediately purchase _____ tons of said ore from Seller, and Seller agrees to sell said tonnage of ore at the execution of this agreement, subject to the following terms and conditions,

NOW THEREFORE, for valuable consideration, the parties hereto have agreed:

1. The Seller will now sell _____ tons of ore to Buyer at Fifteen dollars (\$15) per ton for a total purchase amount of _____ dollars (\$_____). (Price includes royalty, processing and refining.) Buyer agrees to pay for the ore upon signing this Agreement by making monthly principal and interest payments in the amount of _____ dollars (\$_____) per month, interest at the rate of ten percent (10%) per annum. The first monthly payment is due thirty days after the date this Agreement is signed and continuing monthly thereafter, until such time as the ore is processed, at which time the balance of this contract is due and payable from the proceeds of Buyer's ore, which shall be paid from Buyer's precious metals. Buyer further agrees to remit to L. George Hukriede Accountancy Corporation at 14600 Golden West Street, Suite 209, Westminster, California 92683, the sum of Ten dollars (\$10) as an administrative, handling and recording fee.
2. The Buyer shall have full and complete ownership rights of all minerals in the entire tonnage of ore as referred to in provision #1. above, including the right to remove the ore at his/her cost, subject to the terms of said provision #1.
3. The Buyer shall have reasonable access to his/her property at all times and will, in turn, grant reasonable access to other property owners.
4. It is agreed by the Seller and Buyer that mining operations of said tonnage will commence within a reasonable time and are to be performed expeditiously from the mining claims referred to above.

5. Execution hereof by the Seller is an acknowledgment and representation relied upon by the Buyer as a part of the consideration hereof that deposits of precious metals are known to exist in sufficient quantity and quality to reasonably justify commercial exploitation.
6. Buyer hereby acknowledges the option to have the Houston Corporation, under a separate agreement, to mine, process and refine any precious metals in the ore in said claim to hallmarked bars on behalf of Buyer, by executing a mining, processing and refining contract.
7. The Seller warrants to Buyer that the net smelter value of said ore shall have a minimum value of Forty Two dollars (\$42) per ton of ore purchased and, if lacking that value, Seller reserves the right to substitute an ore body of greater value, or shall sell to owner additional ore at a cost of one cent (\$0.01) per ton and shall process said ore upon the same terms until sufficient ore has been purchased and processed to provide equivalent value to Buyer as required by this Warranty for the amount of the original ore purchase. Seller has placed an ore reserve with the L. George Hukriede Accountancy Corporation in the amount of Seven Hundred Fifty Thousand (750,000) tons to be used in the event the values do not meet the Forty Two dollar (\$42) per ton Warranty.
8. Default by Buyer. If Buyer shall be in default under this Agreement and such default shall not be remedied within ten (10) days after written notice, Seller may elect to terminate this agreement and retain any interest earned hereunder as liquidated damages. In that event, Seller shall have no further recourse against Buyer for the collection of any remaining principal or interest.

THE PARTIES HEREBY AGREE to the terms and conditions set forth herein on the date first written above.

Accepted and Approved by Seller

Accepted and Approved by Buyer

Lloyds International, Inc.

Signature

AGREEMENT OF UNDERSTANDING

BUYER AND SELLER UNDERSTAND AND AGREE TO THE FOLLOWING:

1. **WARRANTY:**

IT IS UNDERSTOOD AND AGREED: The gold and silver value per ton in Buyer's Ore Contract will be a minimum of \$42.00 per ton, and further, shall provide no less than 25 troy ounces of gold per 250 ton unit. If not, Seller agrees to sell Buyer additional tonnage at one cent (\$0.01) per ton from the warranty reserve held by the L. George Hukriede Accountancy Corporation until the value has reached \$42.00 per ton in Buyer's Purchase Contract.

2. **RESERVE FOR WARRANTY:**

IT IS UNDERSTOOD AND AGREED: That Lloyds International, Inc. has established an Irrevocable Trust and placed within that Trust 750,000 tons of Cinder Mountain ore reserves. This Trust is held by the L. George Hukriede Accountancy Corporation for meeting any warranty claims that may arise.

3. **BUYERS TRUST ACCOUNT:**

IT IS UNDERSTOOD AND AGREED: All funds will be placed in the L. George Hukriede Accountancy Corporation Buyer's Trust Account and will be disbursed according to Buyer's written instructions. These instructions require L. George Hukriede Accountancy Corporation to remit interest on the contract payments to Houston Corporation or their designated assignee, and to place principal payments in an FDIC insured interest-bearing bank account, with interest credited to the benefit of the Buyer, until such time as ore has been processed and Buyer has received his/her gold and/or silver and has signed a letter of acceptance and satisfaction.

4. **DELIVERY DATE:**

IT IS UNDERSTOOD AND AGREED: That there is no way to pinpoint an exact date of delivery; however, the projected delivery date would be one to three years, depending on the startup date and the date Buyer makes his/her purchase.

5. **NON-RECOURSE CONTRACT:**

Non-recourse simply means that if Buyer should, for any reason, choose to discontinue making payments on the purchase agreement, there is no possible action which could be taken by the Seller to require payments. In this case, the only action available to the Seller is to take back the ore, terminate the agreements, and keep any interest payments made as liquidated damages.

6. **CANCELLATION CLAUSE:**

IT IS UNDERSTOOD AND AGREED: That the Buyer, subject to a 30-day notice, can cancel his/her contract at any time, for any reason, and receive a refund of all principal payments, plus accumulated bank interest on the same.

Buyer

Seller

MINING, PROCESSING AND REFINING CONTRACT

THIS CONTRACT is between Houston Corporation, (a Nevada corporation), hereinafter "Refiner", and _____ hereinafter "Buyer".

FOR VALUABLE CONSIDERATION, the parties hereto agree:

1. Refiner will mine, process and refine _____ tons of Buyer's ore and deliver refined bars of gold and silver to a reputable company for certification of weight and purity and application of said company's "hallmark" to said bar(s).
2. The time of delivery to the hallmarking company will be within 25 days after the ore has been refined.
3. The Buyer will be advised of the name and address of the hallmarking company and the date by which the bars of precious metal(s) will be available. The Buyer will receive his/her refined and hallmarked precious metals from the hallmarking company or make other arrangements for delivery.
4. The Buyer will receive a copy of the contract with the hallmarking company entered into by the refiner. On the contract shall be indicated the amount of gold, silver or other precious metal the Buyer is to receive. The Buyer will present his/her copy of the contract and proper identification to the hallmarking company.
5. The time of refining is based upon a "first in - first out" basis.
6. This Agreement is terminable by Buyer upon 30 days written notice to Refiner.

This contract is entered into this _____ day of _____ 19____.

Refiner - signature

Houston Corporation

Buyer's A/C and Telephone No.

Buyer - signature

Type or Print Name

Address

City, State, Zip

INSTRUCTIONS FOR BUYER'S TRUST ACCOUNT
Cinder Mountain Mining Project II

L. George Hukriede Accountancy Corporation
14600 Golden West Street, Suite 209
Westminster, California 92683

_____, 19__

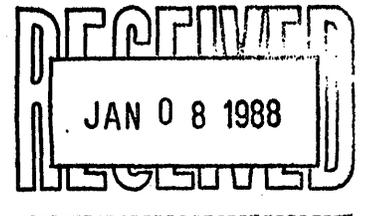
I/we herewith enclose an amount equal to \$10.00 per 250 ton contract or \$_____ as an administrative handling and recording fee, plus _____ dollars (\$_____), or a total check in the amount of _____ dollars (\$_____), which you are hereby authorized to disburse as you see fit for fees, commissions and expenses.

Further, I/we have executed a certain Ore Purchase Contract of even date to these instructions and will be directing interest and principal payments to you which you are to place in your Buyer's Trust Account. You are authorized to remit interest paid on said contract to Houston Corporation, or their designated assignee, and further to place all principal payments on said contract in an FDIC insured, interest-bearing account, with interest accumulating to my/our credit.

These instructions are to remain in effect until such time as they may be amended or terminated by me/us in writing.

Signature

Print or type name



ARIZONA DEPT. OF MINES & MINERAL RESOURCES
STATE OFFICE BUILDING
416 W. CONGRESS, ROOM 161
TUCSON, ARIZONA 85701

REFERRALS

28

Referred by _____ Date _____

Name _____
Last First Nickname

Address _____
Street City State Zip

Phone Number -Day _____ -Evening _____
Best time to call _____

REFERRALS

Referred by _____ Date _____

Name _____
Last First Nickname

Address _____
Street City State Zip

Phone Number -Day _____ -Evening _____
Best time to call _____

REFERRALS

Referred by _____ Date _____

Name _____
Last First Nickname

Address _____
Street City State Zip

Phone Number -Day _____ -Evening _____
Best time to call _____

REFERRALS

Referred by _____ Date _____

Name _____
Last First Nickname

Address _____
Street City State Zip

Phone Number -Day _____ -Evening _____
Best time to call _____