CONTACT INFORMATION
Mining Records Curator
Arizona Geological Survey
1520 West Adams St.
Phoenix, AZ 85007
602-771-1601
http://www.azgs.az.gov
inquiries@azgs.az.gov

The following file is part of the

Arizona Department of Mines and Mineral Resources Mining Collection

ACCESS STATEMENT

These digitized collections are accessible for purposes of education and research. We have indicated what we know about copyright and rights of privacy, publicity, or trademark. Due to the nature of archival collections, we are not always able to identify this information. We are eager to hear from any rights owners, so that we may obtain accurate information. Upon request, we will remove material from public view while we address a rights issue.

CONSTRAINTS STATEMENT

The Arizona Geological Survey does not claim to control all rights for all materials in its collection. These rights include, but are not limited to: copyright, privacy rights, and cultural protection rights. The User hereby assumes all responsibility for obtaining any rights to use the material in excess of "fair use."

The Survey makes no intellectual property claims to the products created by individual authors in the manuscript collections, except when the author deeded those rights to the Survey or when those authors were employed by the State of Arizona and created intellectual products as a function of their official duties. The Survey does maintain property rights to the physical and digital representations of the works.

QUALITY STATEMENT

The Arizona Geological Survey is not responsible for the accuracy of the records, information, or opinions that may be contained in the files. The Survey collects, catalogs, and archives data on mineral properties regardless of its views of the veracity or accuracy of those data.

U.S. Securities and Exchange Commission

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Securities Exchange Act of 1934
Release No. 47475 / March 10, 2003

Administrative Proceeding
File No. 3-11059

SEC INSTITUTES PROCEEDINGS AGAINST HEXAGON CONSOLIDATED COMPANIES OF AMERICA, INC. BASED ON DELINQUENT FILINGS

The Securities and Exchange Commission ("Commission") announced that it has instituted public administrative proceedings against Hexagon Consolidated Companies of America, Inc. ("HCCA"), a Nevada corporation, pursuant to Section 12(j) of the Securities Exchange Act of 1934, to determine whether it is necessary and appropriate for the protection of investors to suspend or revoke the registration of HCCA's common stock.

The Order Instituting Public Administrative Proceedings and Notice of Hearing Pursuant to Section 12(j) of the Securities Exchange Act of 1934 ("Order") alleges that HCCA's common stock was first registered with the Commission in February 1997. The Order further alleges that, from the quarter ended December 31, 1999, to the present time, HCCA has failed to file annual and quarterly reports, as required by Section 13(a) of the Securities Exchange Act of 1934 and Rules 13a-1 and 13a-13 thereunder.

A hearing will be scheduled before an administrative law judge to determine whether the allegations contained in the Order are true, to provide HCCA an opportunity to dispute these allegations, and to determine whether it is necessary and appropriate for the protection of investors to suspend or revoke the registration of HCCA's common stock pursuant to Section 12(g) of the Securities Exchange Act of 1934.

http://www.sec.gov/litigation/admin/34-47475.htm

Modified: 03/10/2003

U.S. Securities and Exchange Commission

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

SECURITIES AND EXCHANGE COMMISSION,	
Plaintiff,	
vs.	**Civil Action No. 03C-1507**
MICHAEL J. PIETRZAK, MAURICE W. FURLONG and DONALD E. JORDAN,	**Judge Grady Magistrate Bobrick**
Defendants.	

COMPLAINT FOR INJUNCTIVE AND OTHER RELIEF

JURISDICTION AND VENUE

1. The Securities and Exchange Commission ("Commission" or "SEC") brings this action pursuant to Sections 20(b), 20(d) and 20(e) of the Securities Act of 1933 ("Securities Act") [15 U.S.C. §§ 77t(b), 77t(d) and 77t(e)] and Sections 21(d) and 21(e) of the Securities Exchange Act of 1934 ("Exchange Act") [15 U.S.C. §§ 78u(d) and 78u(e)] to enjoin the defendants from engaging in transactions, acts, practices and courses of business alleged in this complaint, and transactions, acts, practices, and courses of business of similar purport and object, for disgorgement of illegally obtained funds and other equitable relief, and for civil money penalties. This Court has jurisdiction of this action pursuant to Sections 20(b), 20(d), 20(e) and 22(a) of the Securities Act [15 U.S.C. §§ 77t(b), 77t(d), 77t(e) and 77v(a)] and Sections 21(d), 21(e) and 27 of the Exchange Act [15 U.S.C. §§ 78u(d), 78u(e) and 78aa].

2. The defendants, directly and indirectly, have made use of the mails, the means and instruments of transportation and communication in interstate commerce, and the means and instrumentalities of interstate commerce, in connection with the transactions, acts, practices and courses of business alleged in this Complaint.

3. Venue lies in this Court pursuant to Section 22(a) of the Securities Act [15 U.S.C. § 77v(a)] and Section 27 of the Exchange Act [15 U.S.C. § 78aa] because defendant Pietrzak resides within this district and is an attorney licensed to practice law in the State of Illinois. By virtue of that professional license, Pietrzak serves as general counsel to Hexagon Consolidated Companies of America, Inc. ("HCCA") and certain of the actions set forth herein occurred within the Northern District of Illinois. Pietrzak also serves as executive vice president, secretary and a director of HCCA, and various meetings of HCCA's board of directors occurred within the Northern District of Illinois.

SUMMARY

4. This matter involves pervasive and protracted efforts of defendants Pietrzak and Furlong, officers of HCCA, to fraudulently increase the stock price and value of the company by, among other means, filing false and misleading registration statements and periodic and current reports, and by issuing false press releases and a letter to shareholders.

5. In addition, Furlong, HCCA's chief executive officer ("CEO"), and Pietrzak, its general counsel, fraudulently sold stock and Furlong failed to file any stock ownership reports.

6. Pietrzak and Furlong sold a total of more than 79.7 million shares of stock, fraudulently receiving at least $4.2 million.

7. From 1996 through 2001, HCCA reported to the public that it was an entity with substantial assets when, in fact, it was virtually worthless.

8. During this time, HCCA overstated its assets by amounts ranging from $261,650 to $318,648,821 (119% to 95,920%) in multiple periodic and current reports on Forms 10-KSB, 10-QSB and 8-K, registration statements on Form 10-SB, and in press releases and a letter to shareholders.

9. HCCA also failed to properly report a change in its independent accountants during 2001 and remains delinquent in filing its Exchange Act reports since filing its September 30, 1999 Form 10-QSB on December 14, 1999.

10. At least one other individual assisted Pietrzak and Furlong with their fraud. Specifically, defendant Donald E. Jordan ("Jordan"), a licensed assayer, issued false and misleading reports that valued HCCA's mining assets at more than $2 billion.

VIOLATIONS

11. Defendant Pietrzak has engaged, and unless restained and enjoined by this Court, will continue to engage in acts and practices which constitute and will constitute violations of Section 17(a) of the Securities Act [15 U.S.C. 77q(a)], Sections 10(b) and 13(b)(5) of the Exchange Act [15 U.S.C. 78j(b) and 78m(b)(5)] and Rules 10b-5 and 13b2-1 thereunder [17 C.F.R. 240.10b-5 and 240.13b2-1], and aiding and abetting violations of Sections 13(a), 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act [15 U.S.C. 78m(a), 78m(b)(2)(A) and 78m(b)(2)(B)] and Rules 12b-20, 13a-1, 13a-11 and 13a-13 thereunder [17 C.F.R. 240.12b-20, 240.13a-1, 240.13a-11 and 240.13a-13].

12. Defendant Furlong has engaged, and unless restained and enjoined by this Court, will continue to engage in acts and practices which constitute and will constitute violations of Section 17(a) of the Securities Act [15 U.S.C. 77q(a)], Sections 10(b), 13(b)(5) and 16(a) of the Exchange Act [15 U.S.C. 78j(b), 78m(b)(5) and 78p(a)] and Rules 10b-5, 13b2-1, 16a-2 and 16a-3 thereunder [17 C.F.R. 240.10b-5, 240.13b2-1, 240.16a-2 and 240.16a-3], and is liable on aiding and abetting violations of Sections 13(a), 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act [15 U.S.C. 78m(a), 78m(b)(2)(A) and 78m(b)(2)(B)] and Rules 12b-20, 13a-1, 13a-11 and 13a-13 thereunder [17 C.F.R. 240.12b-20, 240.13a-1, 240.13a-11 and 240.13a-13].

13. Defendant Jordan has engaged, and unless restained and enjoined by this Court, will continue to engage in acts and practices which constitute and will constitute violations of Section 17(a) of the Securities Act [15 U.S.C. 77q(a)], Section 10(b) of the Exchange Act [15 U.S.C. 78j(b), 78m(b)], and Rule 10b-5 thereunder [17 C.F.R. 240.10b-5] and aiding and abetting violations of Section 13(a) of the Exchange Act [15 U.S.C. 78m(a] and Rule 13a-1 thereunder [17 C.F.R. 240.13a-1].

THE DEFENDANTS

14. Michael J. Pietrzak, 53, of Carol Stream, Illinois, is licensed to practice law in Illinois.

15. On or about November 1, 1996, Pietrzak became general counsel, executive vice president, secretary and a director of HCCA.

16. On or about September 1997, Furlong appointed Pietrzak as HCCA's principal financial officer. In 1985, Pietrzak pled guilty to a crime in Illinois for aiding and abetting others in the misapplication of bank funds, for which he paid a fine.

17. Maurice W. Furlong, 54, of Reno, Nevada, has served as HCCA's chairman, president and CEO since November 1984.

18. Furlong has a long history of securities law violations. In 1977, the securities divisions of the states of Michigan and Wisconsin entered into agreements with Furlong that limited his ability to sell stock in those states.

19. On November 30, 1988, in a Commission action alleging offering fraud, the U.S. District Court for the Middle District of Tennessee entered a Final Judgment of Permanent Injunction against Furlong enjoining him from violating Sections 5(a), 5(c), and 17(a) of the Securities Act and Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, and in January 1989, entered a Final Judgment of Permanent Injunction against HCCA for the same violations.

20. In March 1994, the Commissioner of Commerce and Insurance for Tennessee ordered two predecessors of HCCA and Furlong to cease and desist violating various state securities laws, including its antifraud fraud provisions.

21. In December 1994, the State of South Carolina ordered HCCA and Furlong to cease and desist violating various state securities laws, including its antifraud and securities registration provisions.

22. Donald E. Jordan, 79, of Henderson, Nevada, is a registered assayer in Arizona.

23. An assayer specializes in analyzing the presence, absence, or quantity of components in mineral samples, but not the economic value of such minerals.

24. Jordan has a B.S. in chemistry and a Ph.D. in analytical chemistry.

25. Jordan issued reports in February 1996 and May and November 1997 stating that HCCA held ore valued at approximately $2.4 billion, and in August 1997 and December 1999 stating that HCCA held 500,000 tons of minerals worth more than $3 billion.

RELATED PERSONS AND ENTITIES

26. Hexagon Consolidated Companies of America, Inc. is a Nevada corporation headquartered in Reno, Nevada. HCCA was originally incorporated in Montana in 1967 as Cadgie Taylor Company. After a merger and various name changes, the company changed its name again in July 1999 from Health Care Centers of America, Inc. to Hexagon Consolidated Companies of America, Inc. HCCA's filings disclosed that it had no employees. HCCA never reported any revenues and is a development stage company.

27. HCCA's common stock, which is registered pursuant to Section 12(g) of the Exchange Act, was quoted on the OTC Bulletin Board until it was declared ineligible on February 24, 2000, for failing to meet the NASD's "eligible securities" criteria (Rule 6530). HCCA's stock continues to trade in the over-the-counter market.

BACKGROUND

28. Over the years, HCCA professed to be in various businesses, including mining, real estate investment, and operating health care centers; none of these "businesses" were ever operational.

29. HCCA represented to the public that its future success depended upon its ability to obtain funding to process its precious metals concentrate.

30. HCCA further disclosed that it anticipated obtaining such funding from the use or sale of the ore concentrates, television advertising time credit certificates, and real estate.

31. In fact, HCCA had no reasonable basis to expect any funding to come from these assets because the assets had little or no market value, or in some cases, it did not even own the assets.

HCCA'S ACCOUNTING IMPROPRIETIES

A. HCCA Improperly Recognized and Valued Mining Assets

i. Skull Valley, Arizona

32. On or about August 24, 1995, HCCA issued 100 million shares of stock to acquire a company whose only significant asset was a sublease.

33. HCCA claimed in its filings that the sublease, dated May 11, 1992, provided ownership to

500,000 tons of ore inventory located in Skull Valley, Arizona.

34. The underlying lease provided that the lease could not be sold or assigned or exploration and mining operations initiated without the approval of the State of Arizona. HCCA took no steps at the time to secure such approval. Pietrzak and Furlong, among others at HCCA, each received copies of the lease.

35. HCCA recorded this asset on its books and valued the ore at $200 million.

36. This valuation was a departure from generally accepted accounting principles ("GAAP").

37. Since HCCA failed to establish the fair value of any ore, or ownership of the ore, on the subleased land, there was no basis under GAAP to assign any value to such an asset in the books and records of the company.

38. HCCA never owned the ore and, accordingly, never should have recorded the ore as an asset.

39. The ore that HCCA valued at $200 million consisted of the tailings from a prior mining operation on the leased property.

40. Tailings are the materials that remain after the valuable minerals have been extracted from a mineral deposit.

41. HCCA's only interest in the tailings derived from the mineral lease, which merely gave HCCA the right to extract minerals, if any, from the ore. Arizona, as lessor, retained ownership of the ore.

42. Moreover, HCCA had no basis to value its interest in the mineral lease at $200 million.

43. HCCA never obtained an objectively determinable fair value for the ore.

44. On or about May 14, 1997, when the company's auditor was conducting his audit, he asked Furlong to engage an engineer or geologist to determine the value of the ore. Furlong refused and told the auditor to rely on an assay report.

45. On June 25, 1997, defendant Jordan, without a reasonable basis therefore, sent a report to the auditor stating that the value of the ore was approximately $4 billion.

46. Reliance on an assay report was improper because such reports only describe the mineral components of a substance, and do not describe the economic viability of extracting such minerals.

47. HCCA lacked any system to evaluate whether the value initially assigned to this ore asset, or its subsequent carrying value, conformed with GAAP.

48. For example, HCCA failed to obtain an appraisal or evaluation by a geologist to determine if it initially reported the asset at its fair value.

49. HCCA also failed to conduct any subsequent tests to determine whether the value of the ore had become impaired.

50. Pietrzak and Furlong shared responsibility to keep HCCA's books, records and accounts, and establish and maintain its internal accounting controls.

51. Pietrzak and Furlong each participated in recording this transaction by discussing and deciding how and when to book this asset. There was no basis to record or maintain this asset on HCCA's books.

52. This asset appeared in HCCA's March 1997, June 1997, September 1997, March 1998, June 1998, September 1998, March 1999, June 1999 and September 1999 reports on Form 10-QSB, the amendments to the March and June 1997 Forms 10-QSB, December 1997 Form 10-KSB, December 1998 Form 10-KSB and the December 1999 amendment thereto, and the August 1997 and December 1999 amendments to the Form 10-SB.

ii. Barstow, California

53. On or about February 6, 1997, HCCA acquired 17 mining claims located in Barstow, California, in exchange for 375 million shares of HCCA restricted stock.

54. HCCA acquired the claims, which were located on property owned by the U.S. Government, from Zarzion, Ltd., a company managed by Furlong.

55. Zarzion purportedly acquired the claims in 1996 from Furlong's brother and a third party in exchange for HCCA restricted stock worth approximately $275,000.

56. HCCA recorded the claims it acquired from Zarzion at $69,375,000.

57. This valuation was a departure from GAAP because HCCA could not demonstrate the existence of any economically recoverable mineral reserves at the site.

58. HCCA has never discovered any economically recoverable reserves located on this property.

59. There was no basis under GAAP for HCCA to assign any value to this transaction.

60. On February 6, 1997, HCCA held a special board meeting attended by Furlong and Pietrzak, among others. These directors, led by Furlong, discussed the "potential" acquisition of the California property that was owned by Zarzion along with the mining history of the property.

61. Notwithstanding the lack of evidence to support the existence of any economically recoverable minerals on the claims, Pietrzak and Furlong participated in the decision to approve this transaction and to record it at $69,375,000.

62. Contrary to the board minutes, no assays were reviewed by Pietrzak and Furlong at the time. Also, HCCA never obtained an appraisal of the property from a qualified professional.

63. HCCA, Pietrzak and Furlong lacked any basis for believing that minerals located on the property were economically recoverable.

64. The claims are located on property that was abandoned at the outset of World War II.

65. On March 12, 1998, after she had left the company, a former director, CFO and treasurer of HCCA sent a letter to Furlong stating that this transaction should be reversed unless Furlong obtained an appraisal for the property.

66. On April 4, 1998, Furlong sent a response letter to the former director, CFO and treasurer, which Pietrzak reviewed, telling her that her suggestion to reverse the transaction was "silly and naïve."

67. This asset appeared in HCCA's March 1997, June 1997, September 1997, March 1998, June 1998, September 1998, March 1999, June 1999 and September 1999 reports on Form 10-QSB, the amendments to the March and June 1997 Forms 10-QSB, December 1997 Form 10-KSB, December 1998 Form 10-KSB and the December 1999 amendment thereto, and the December 1999 amendment to the Form 10-SB.

68. Subsequently, in a press release issued January 8, 2001, HCCA announced that it was postponing its (planned) operations at this location.

B. HCCA Improperly Recognized and Valued Real Estate

69. From August 1997 through December 1999, HCCA reported in various filings made with the Commission and elsewhere that it owned real estate collectively called "Investments in Future Acquisitions."

70. HCCA valued these assets, which were to be acquired through the issuance of stock, at approximately $23.5 million at December 31, 1994, and at December 31, 1995, December 31, 1996, March 31, 1997 and June 30, 1997.

71. In the March and June 1997 Forms 10-QSB, HCCA reported $3 million of this asset as "goodwill."

72. There was no basis in GAAP to assign any value to these assets because the transactions to acquire the assets were never consummated.

73. On June 28, 1994, HCCA entered into an agreement with Robert Krilich, to acquire several commercial, residential, and industrial real estate properties (the "Krilich real estate"), in exchange for HCCA stock.

74. However, none of the properties were ever delivered into the possession or control of HCCA, nor did HCCA ever receive income from these properties.

75. Further, in September 1995, Krilich was enjoined by a federal court from transferring, disposing of, or otherwise dealing with any property owned or controlled by him, thereby preventing the transfer of these assets to HCCA.

76. Krilich has testified in another federal court proceeding that he did not transfer any properties to HCCA and that no sales were pending.

77. Furlong attended a special board meeting on September 15, 1996, where the board discussed the fact that this transaction was not consummated and that HCCA lacked title to the majority of the Krilich real estate.

78. As a result, the board decided to direct HCCA's stock transfer agent to place stop orders on all stock previously issued in contemplation of the acquisitions.

79. Pietrzak was aware of this action by December 31, 1996.

80. In April 1997, HCCA filed a legal action against Krilich seeking the properties.

81. Subsequently on October 7, 2001, HCCA and Krilich settled their dispute regarding these assets by executing an agreement whereby Krilich retained the properties.

82. On or about May 1, 1997, Furlong, Pietrzak and another officer and director of HCCA attended a special board meeting where the only matter discussed concerned the "unconsummated acquisitions by the company," including those related to the Krilich real estate.

83. The board again resolved to authorize a stop transfer order for all shares previously issued in contemplation of acquiring the real estate properties.

84. On May 5, 1997, HCCA issued a press release announcing that it purchased real estate (which was part of the Krilich real estate) in June 1994 and that it expected to receive $100,000 of monthly income from the properties.

85. However, HCCA failed to disclose that it did not have title or control of the properties known as the Krilich real estate, that the transaction was being disputed, and that HCCA had placed a stop on the transfer of its stock.

86. On May 9, 1997, Krilich sent a letter to HCCA stating that the May 5, 1997 press release made false statements concerning the purchase and use of income from the properties, and that Krilich considered the exchange agreements to be null and void.

87. In response to a request by Furlong, on July 22, 1997 Pietrzak sent a legal opinion to Furlong and HCCA's auditor in which he stated that the acquisition of the Krilich real estate properties was probable and expected to be consummated.

88. Pietrzak and Furlong, along with another officer and director of HCCA, discussed and jointly decided how to record this asset on HCCA's books even though they knew that HCCA never controlled the Krilich real estate properties, never received any economic benefit from the properties, never obtained title to the properties, never obtained appraisals for the properties, and that the properties were the subject of at least two lawsuits.

89. HCCA lacked any system to evaluate whether it had met legal standards or economically

controlled these properties in order to record these assets in conformity with GAAP.

90. As a result, the financial statements that appeared in HCCA's December 1997 Form 10-KSB, December 1998 Form 10-KSB and the December 1999 amendment thereto, March 1997, June 1997 and September 1997 reports on Form 10-QSB, the amendments to the June 1997 and September 1997 Forms 10-QSB, and in the August 1997 and December 1999 amendments to the Form 10-SB, were materially misstated.

91. Although HCCA disclosed in various filings that it was unable to determine who held title to the real estate and that it was litigating with Krilich over the properties, it had no basis to report these assets in its financial statements.

C. HCCA Improperly Recognized and Valued Advertising

Credits

92. On or about June 26, 1996, HCCA purportedly acquired $100 million of television advertising credits in exchange for 40 million shares of HCCA stock.

93. HCCA was required to pay the issuer of the credits (the television network) a cash fee of 4% of the value of airtime to be used. The certificates stated that the advertising time could be used only when the network had unreserved airtime.

94. In the 1996 Form 10-SB and 1996 Form 10-KSB, HCCA valued these credits at $50 million, million, or 50% of their face value.

95. However, the credits were of no economic use to HCCA and had no apparent market for resale or trade purposes.

96. Recording these credits in excess of the seller's historical cost basis (zero) was a departure from GAAP.

97. To acquire the credits, HCCA issued 40 million shares of restricted stock for all of the outstanding stock of an entity whose only assets were the credits.

98. HCCA claimed that the credits, which were dated May 27, 1994, were to be used to promote various chiropractic practices that HCCA hoped to acquire during 1993 and 1994.

99. However, because of various state and federal laws, none of these acquisitions could be legally consummated.

100. HCCA never used any of the credits.

101. Further, despite its attempts, HCCA was unable to locate any existing markets for the credits and was unable to locate any buyers for the credits.

102. On or about September 26, 1996, HCCA's auditor concluded that recording the credits was "a huge gray area", and another HCCA director communicated this belief to Furlong in a letter. The letter also disclosed that two Nevada CPAs lost their licenses because they improperly accounted for the exchange of stock for nonmonetary assets by failing to record nonmonetary assets at the promoter/transferor's historical cost basis.

103. By October 1, 1996, HCCA's auditor felt that it would be to HCCA's advantage to obtain the SEC's approval in recording the credits, which he claimed had a zero tax basis, further evidencing the lack of any GAAP value, prior to the issuance of HCCA's financial statements.

104. On or about November 14, 1996, prior to the December 1996 filing of the Form 10-SB, Furlong, Pietrzak and the HCCA auditor, among others, knew they needed to obtain support for HCCA's valuation of the credits from a broker or other qualified individual.

105. However, neither Pietrzak nor Furlong ever obtained such support from a broker or other qualified individual.

106. Pietrzak and Furlong and other HCCA directors discussed and approved the recording of the advertising credits on HCCA's books.

107. Pietrzak and Furlong failed to ensure that HCCA's internal accounting controls prevented this asset from being recorded in a manner that did not conform with GAAP.

108. Further, Pietrzak and Furlong failed to evaluate the carrying value of the credits in subsequent periods.

109. These credits materially misstated the financial statements that appeared in HCCA's Form 10-SB and December 1996 Form 10-KSB.

110. Later, in the August 1997 amendment to its Form 10-SB, HCCA disclosed that it was revising the value of the credits down to zero, the seller's basis, because it had obtained the credits from a shareholder.

D. HCCA Improperly Recognized and Valued Notes Receivable

111. From 1996 through 1999, HCCA reported that it held two notes receivable totaling $260,000.

112. The first note obligated a Mexican corporation to pay HCCA $215,000 plus interest, and the second note obligated two individuals to pay HCCA $45,000 plus interest.

113. HCCA failed to record these notes in conformity with GAAP as HCCA lacked a basis for believing the notes were collectible and, in fact, never collected a single payment on the notes.

114. Lacking a reasonable basis for believing the notes were collectible, HCCA should have written the notes down to zero, in order to conform with GAAP.

115. Although both notes were in default at the time HCCA filed its Form 10-SB in December 1996, HCCA continued to report these notes at their full value in subsequent reports rather than assigning a value of zero.

116. HCCA lacked any system to evaluate the collectibility of the notes. For example, HCCA never obtained the debtors' personal or corporate financial statements and even failed to perform credit checks.

117. Pietrzak and Furlong, with another HCCA director, participated in recording and maintaining these assets on HCCA's books, notwithstanding their default status.

118. Neither of these defendants had any basis to believe the notes were collectible.

119. Pietrzak represented to another HCCA director that the notes were collectible and concurred in carrying the notes at their full value and that director relied upon that statement.

120. Pietrzak and Furlong sent a letter dated December 19, 1995, to the individual debtors notifying them that they were in default.

121. The notes continued to be improperly reported at their full values in HCCA's 1996 Form 10-SB, December 1996 through December 1998 Forms 10-KSB and March 1997, June 1997, September 1997 reports on Form 10-QSB and amendments to each of these reports.

EFFECT OF MISSTATEMENTS ON HCCA'S FINANCIAL STATEMENTS AND PERIODIC REPORTS

121. The misstatements contained in HCCA's financial statements were material and caused its registration statement on Form 10-SB and numerous reports on Forms 10-QSB and 10-KSB to be false and misleading.

122. HCCA's failure to properly record assets misled investors as to its true financial condition.

123. From 1996 through 1999, HCCA reported to the public that it was an entity with substantial valuable assets when there was no credible basis for doing so.

124. During this time, HCCA overstated its assets by amounts ranging from $219,881 to $318,648,821, or 27% to 95,920%. In some cases, the same fiscal periods are misstated by different amounts in different reports.

FALSE AND MISLEADING PRESS RELEASES AND LETTER TO SHAREHOLDERS

125. From November 26, 1996 (three weeks prior to the initial filing of HCCA's Form 10-SB) through March 26, 2001, HCCA issued fifteen press releases and one letter to its shareholders that were false and/or misleading.

126. Virtually all of these releases dealt with HCCA's purported mining operations, while one of the releases dealt with future income to be received from real estate HCCA had not actually acquired.

127. The letter to shareholders related to HCCA's purported Arizona mining assets.

128. Furlong and Pietrzak were responsible for preparing each of these press releases and the letter to shareholders.

JORDAN'S REPORTS AND CONSENTS

129. Jordan issued four reports and two consents that purported to value HCCA's mining assets, for which he was paid by HCCA.

130. Jordan knew, should have known, or was reckless in not knowing that these reports and consents were false and misleading.

131. On February 9, 1996, Jordan issued a report that was filed with the 1996 Form 10-KSB in May 1997 and November 1997, the December 1996 Form 10-SB and both amendments to the Form 10-SB, which estimated the value of certain Nevada mining assets to be $2,355,150,000.

132. The report falsely stated that these values were a "pretty good estimate."

133. In a letter dated April 25, 1997, Jordan consented to HCCA including this report with its 1996 Form 10-KSB.

134. The consent stated that Jordan had tested three samples that indicated the existence of "commercial quantities of precious metals." This statement was misleading because Jordan was not qualified to opine on the economic value of mineral properties.

135. On June 13, 1997, Jordan sent a report to HCCA's auditor that included assays from samples purportedly taken at HCCA's Arizona property.

136. This report falsely stated that Jordan observed the taking of the samples from which the valuation of the property was calculated.

137. As a result, the integrity of the assay process was violated.

138. This report was filed with the December 1999 amendment to the Form 10-SB.

139. Less than two weeks later, Jordan sent a report to HCCA's auditor dated June 25, 1997, which stated that the value of the ore located in Arizona was approximately $4 billion.

140. Jordan's opinion was based on undocumented and unsubstantiated assumptions.

141. Jordan should not have sent this report because it contained information which he was not qualified to provide, because he failed to list numerous assumptions of how he arrived at the ore's value and because there was no known economical way to extract the minerals.

142. Jordan never told HCCA's auditor that the report was based on mere possibilities for a best case, unproven scenario.

143. Jordan himself did not believe HCCA could sell the assets for $4 billion.

144. This report was filed with the December 1999 amendment to the Form 10-SB.

145. Jordan issued another report on June 28, 1997, which he provided to HCCA and its auditor.

146. In the report, Jordan purported to calculate the value of the ore located in Arizona after processing costs.

147. Jordan's assays falsely showed, without a reasonable basis therefore, values before extraction to be $13,619.86 per ton, and falsely claimed, without a reasonable basis therefore, that plasma furnaces would collect approximately 80% of the precious metals found in the ore.

148. Jordan, without a reasonable basis therefor, falsely estimated that processing costs should not exceed $3,000 per ton.

149. Jordan, without a reasonable basis therefore, falsely calculated that a pre-tax profit of more than $7,900 per ton would be obtained by HCCA. Jordan then multiplied this by 500,000 tons to arrive at a total estimated pre-tax profit of $3.95 billion.

150. Jordan simply took the amount of 500,000 tons from another assayer's report; however that assayer denies authoring that report.

151. Jordan falsely, and without a reasonable basis therefore, stated that in his "professional opinion," the ore is "worth well in excess of" $3 billion dollars.

152. Although this report purported to account for processing costs, it was misleading because Jordan lacked a reasonable basis to support the assumptions underlying his calculations.

153. Jordan failed to disclose his disbelief that the use of plasma furnaces to recover minerals was possible, at the rate stated in his report.

154. Moreover, Jordan knew that the use of plasma furnaces to recover precious metals from the type of ore held by HCCA was not a proven process.

155. In fact, Jordan did not believe HCCA could achieve the values stated in his report, but nevertheless issued his professional opinion to the contrary.

156. On August 26, 1997, Jordan signed a consent allowing HCCA to file his February 9, 1996 and June 28, 1997 reports with its Form 10-SB and any future reports.

157. In the consent, Jordan repeated his opinion that the Arizona site contained commercial quantities of precious metals worth more than $3 billion and that the ore belonged to HCCA.

158. HCCA filed these reports and consent with the August 1997 and December 1999 amendments to the Form 10-SB.

159. Providing such values in an assay report and consent was a departure from Jordan's normal practice.

160. As an assayer, Jordan's expertise was limited to determining the composition of minerals. Geologists or engineers have the expertise to determine the economic viability of such minerals.

161. Jordan's reports and opinions were misleading because they falsely implied concluded that there were valuable reserves in the ground.

162. Jordan had no basis to conclude that HCCA could economically recover any of the minerals located at its Arizona or California locations, and knew HCCA was a public company. He knew, should have known, and/or was reckless in not knowing that HCCA would use and rely upon his reports.

FRAUDULENT SELLING OF HCCA STOCK BY FURLONG, PIETRZAK AND JORDAN

163. From January 1997 through June 2000, Furlong sold at least 60,133,312 shares of HCCA stock in more than 1,180 transactions, and Pietrzak sold at least 19,637,130 shares in more than 454 transactions.

164. During this time period, HCCA's stock traded in a range of approximately $.001 to $1.875 per share.

165. At the time of their sales, Pietrzak and Furlong knew, or were reckless in not knowing, that HCCA's registration statements, reports, press releases and letters to shareholders were being disseminated with inflated values of HCCA's assets.

166. As a result, Pietrzak and Furlong fraudulently received more than $1,204,405 and $3,007,901, respectively.

167. From January 2000 through May 2000, Jordan received approximately $191,400 in proceeds from the sale of 2,640,000 shares of HCCA stock in 49 transactions.

168. Jordan obtained the stock he sold from Furlong.

169. At the time of these sales, Jordan knew, should have known or was reckless in not knowing that his valuations of HCCA's mining assets were inflated, misleading to HCCA's investors, and included in HCCA's public filings.

FAILURE TO PROPERLY FILE CERTAIN REPORTS WITH THE SEC

A. Annual and Quarterly Reports

170. HCCA has failed to file any quarterly or annual reports since December 14, 1999 when it filed its September 30, 1999 Form 10-QSB.

171. Pietrzak and Furlong are aware that HCCA is delinquent in its filings and are responsible for the delinquency since they are the officers of and control HCCA.

B. November 1, 2001 Form 8-K Current Report

172. After HCCA dismissed its outside auditor on September 1, 2001, it was required to file Form 8-K by September 7, 2001 reporting the termination. HCCA did not file its Form 8-K until November 1, 2001.

173. This Form 8-K failed to disclose whether there were disagreements between HCCA and the outside auditor and failed to disclose the auditor's response letter to the filing of the Form 8-K. Pietrzak and Furlong were responsible for the Form 8-K.

174. It also falsely stated that the auditor was still willing to be associated with previous HCCA financial statements and that nothing had come to his attention that would materially affect his prior audit reports or HCCA's financial statements.

175. In fact, on May 19, 2000, the outside auditor told Furlong and Pietrzak that he would be withdrawing his audit report and HCCA's financial statements needed to be restated.

176. Further, the Form 8-K also contained statements relating to HCCA's ability to sell the ore reserves in Arizona and the advertising credits.

177. These statements were misleading because the ore reserves have little or no value, HCCA does not own the ore reserves, and HCCA has a history of failure when trying to sell the credits.

C. Section 16 Stock Ownership Reports

178. Furlong has never filed any Forms 3, 4 or 5 with the Commission, but has sold more than 60 million shares of HCCA stock from 1997 through 2000.

179. Furlong knowingly, intentionally and/or recklessly failed to report the preceding stock ownership transactions to the Commission.

CLAIMS FOR RELIEF

COUNT I-FRAUD

Violations of Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)]

180. Paragraphs 1-179 are hereby realleged and are incorporated herein by reference.

181. Defendant Furlong, from 1996 through 2001, defendant Pietrzak, from 1996 through 2001, and defendant Jordan, during 2000, singly or in concert, in connection with the offer or sale of securities, specifically the above-described securities, by use of the means and instruments of transportation and communication in interstate commerce or by use of the mails,

(a) directly and indirectly employed devices, schemes and artifices to defraud purchasers of such securities;

(b) directly and indirectly obtained money or property by means of any untrue statement of a material fact or any omission to state a material fact necessary in order to make the statements made, not misleading; and

(c) engaged in transactions, practices and a course of business which would have operated as a fraud or deceit upon the purchasers of such securities, all as more particularly described in paragraphs 1-179 above.

182. Defendants Furlong, Pietrzak and Jordan intentionally, and/or recklessly engaged in the aforementioned devices, schemes and artifices to defraud.

183. By reason of the foregoing, Defendants Furlong, Pietrzak and Jordan have violated and, unless restrained and enjoined, will continue to violate §17(a) of the Securities Act [15 U.S.C. § 77q(a)].

COUNT II--FRAUD

Violations of Section 10(b) of the Exchange Act [15. U.S.C.

§ 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5]

184. Paragraphs 1 through 179 are hereby realleged and are incorporated herein by reference.

185. Defendant Furlong, from 1996 through 2001, defendant Pietrzak, from 1996 through 2001, and defendant Jordan, from 1996 through 2000, singly or in concert, in connection with the purchase and sale of securities described herein, by the use of the means and instrumentalities of interstate commerce and by use of the mails, directly and indirectly:

a) employed devices, schemes, and artifices to defraud;

b) made untrue statements of material facts and 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; and

c) engaged in acts, practices, and courses of business which would and did operate as a fraud and deceit upon the purchasers of such securities,

all as more particularly described above.

186. The Defendants knowingly, intentionally, and/or recklessly engaged in the aforementioned devices, schemes and artifices to defraud, made untrue statements of material facts and omitted to state material facts, and engaged in fraudulent acts, practices and courses of business. In engaging in such conduct, the Defendants acted with scienter, that is, with an intent to deceive, manipulate or defraud or with a severe reckless disregard for the truth.

187. By reason of the foregoing, the Defendants, directly and indirectly, have violated and, unless enjoined, will continue to violate Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5].

COUNT III-REPORTING PROVISIONS VIOLATIONS

Liability of Jordan for aiding and abetting HCCA's Violations of Section 13(a) of the Exchange Act [15 U.S.C. 78m(a)] and Rule 13a-1 thereunder [17 C.F.R. 240.13a-1]

188. Paragraphs 1 through 179 are hereby realleged and are incorporated herein by reference.

189. Defendant Jordan, during 1997, aided and abetted HCCA's violations of Section 13(a) of the Exchange Act, which occurred when it filed annual reports that contained financial statements that were not prepared in conformity with GAAP and contained material misstatements, as described above. HCCA included Jordan's false and misleading reports and consents as exhibits to its 1996 Form 10K-SB filed in May 1997 and November 1997 and Jordan's reports and consents made these filings false and misleading. Jordan knowingly provided substantial assistance to HCCA when it violated the reporting provisions. Jordan issued the false and misleading reports and knew, or was reckless in not knowing, that the reports were false and misleading. Moreover, Jordan consented to their inclusion in HCCA's reports.

190. By reason of the foregoing, HCCA violated Section 13(a) of the Exchange Act [15 U.S.C. 78m(a)] and Rule 13a-1 thereunder [17 C.F.R. 240.13a-1].

191. Defendant Jordan served as HCCA's assayer and issued reports and consents during 1997 as set forth above. Jordan, while associated with HCCA, aided and abetted the conduct of HCCA with respect to the activities constituting the violations of Section 13(a) of the Exchange Act [15 U.S.C. 78m(a)] and Rule 13a-1 thereunder [17 C.F.R. 240.13a-1]. In addition, Jordan was a culpable participant in the conduct.

192. By reason of the foregoing, Jordan is liable for aiding and abetting violations of, and unless enjoined will continue to violate and cause violations of, Section 13(a) of the Exchange Act [15 U.S.C. 78m(a)] and Rule 13a-1 thereunder [17 C.F.R. 240.13a-1].

COUNT IV-REPORTING PROVISIONS VIOLATIONS

Violations By Furlong and Pietrzak of Section 13(b)(5) of the Exchange Act [15 U.S.C. 78m(b)(5)] and Rules 13b2-1 thereunder [17 C.F.R. 240.13b2-1]

193. Paragraphs 1 through 179 are hereby realleged and are incorporated herein by reference.

194. Defendant Furlong, from 1996 through 2001, and defendant Pietrzak, from 1996 through 2001, singly or in concert, knowingly circumvented HCCA's internal accounting controls, knowingly failed to implement certain systems of internal accounting controls, knowingly falsified and caused to be falsified HCCA's books, records and accounts described in Section 13 (b)(2) of the Exchange Act [15 U.S.C. 78m(b)(2)], as described in paragraphs 1 through 179.

195. Furlong and Pietrzak knowingly failed to implement a system of internal accounting controls, which resulted in the improper recording of assets on HCCA's books, records and accounts, as described in paragraphs 1 through 179.

196. Defendant Furlong, from 1996 through 2001, and defendant Pietrzak, from 1996 through 2001, singly or in concert:

a. made or caused to be made materially false or misleading statements; and

b. omitted to state, or caused another person to omit to state, material facts necessary in order to make statements made, in light of the circumstances under which such statements were made, not misleading, to an accountant in connection with (1) an audit or examination of the financial statements of the issuer required to be made pursuant to Section 13 of the Exchange Act; and (2) the preparation or filing of a document or report required to be filed with the Commission pursuant to this subpart or otherwise,

as described in paragraphs 1 through 179 above.

197. By reason of the foregoing, defendants Furlong and Pietrzak have violated, and unless restrained and enjoined, will continue to violate Section 13(b)(5) of the Exchange Act [15 U.S.C. 78m(b)(5)] and Rule 13b2-1 thereunder [17 C.F.R. 240.13b2-1].

COUNT V

Violations by Furlong of Section 16(a) of the Exchange Act [15 U.S.C. 78p(a)] and Rules 16a-2 and 16a-3 thereunder [17 C.F.R. 240.16a-2 and 240.16a-3]

198. Paragraphs 1 through 179 are hereby realleged and are incorporated herein by reference.

199. Defendant Furlong, from 1996 through 2001, singly or in concert, failed to file or filed false and misleading statements of the amount of all equity securities owned of an issuer and any changes in such ownership when he directly or indirectly beneficially owned more than 10 per centum of any class of any equity security which was registered pursuant to Section 12 of the Exchange Act [15 U.S.C. 78l], or was a director or an officer of the issuer of such security, as described in paragraphs 1 through 179 above.

200. Defendant Furlong, singly or in concert, violated Section 16 of the Exchange Act and Rules 16a-2 and 16a-3 because he owned and traded HCCA stock and failed to file any Forms 3, 4 or 5 with the Commission, as described in paragraphs 1 through 179 above.

201. By reason of the foregoing, defendant Furlong has violated, and unless restrained and enjoined, will continue to violate Section 16(a) of the Exchange Act [15 U.S.C. 78p(a) and 78p (c)] and Rules 16a-2 and 16a-3 thereunder [17 C.F.R. 240.16a2-1 and 240.16a-3].

COUNT VI-REPORTING PROVISIONS VIOLATIONS

Liability of Furlong and Pietrzak for aiding and abetting HCCA's Violations of Section 13(a) of the Exchange Act [15 U.S.C. 78m(a)] and Rules 12b-20, 13a-1, 13a-11 and 13a-13 thereunder [17 C.F.R. 240.12b-20, 240.13a-1, 240.13a-11 and 13a-13]

202. Paragraphs 1 through 179 are hereby realleged and are incorporated herein by reference.

203. Defendant Furlong between 1996 and 2001, and Pietrzak between 1996 and 2001 aided and abetted HCCA's violations of Section 13(a) which occurred when it filed annual reports and quarterly reports that contained financial statements that were not prepared in conformity with GAAP and contained material misstatements, as described above. HCCA violated Section 13(a) and Rule 13a-11 when it filed a current report on Form 8-K which failed to disclose timely a change in auditor, failed to disclose whether there were disagreements between HCCA and its auditor, failed to disclose the auditor's response letter to the filing of the Form 8-K, and misrepresented the auditor's willingness to be associated with the previous HCCA financial statements. The Form 8-K also contained statements to HCCA's ability to sell the ore reserves in Arizona and the advertising credits, which were misleading because the ore reserves have little or no value, HCCA does not own the ore reserves, and HCCA has a history of failure when trying to sell the credits.

204. HCCA also violated Section 13(a) of the Exchange Act and Rules 13a-1 and 13a-13 by failing to file annual and quarterly reports after the September 1999 Form 10-QSB, which was filed in September 1999.

205. Furlong and Pietrzak aided and abetted HCCA's violations by knowingly providing substantial assistance to another person in violation of a provision of the Exchange Act or any rule or regulation thereunder.

206. Furlong and Pietrzak provided substantial assistance to HCCA's violations when they prepared and/or signed HCCA's filings on Forms 8-K, 10-KSB and 10-QSB, and while knowing that the mining assets had little or no value, that the real estate transactions had not been consummated, the advertising credits were worthless, and the notes receivable were not collectible; provided substantial assistance when the ignored documentation that indicated that the recording of the transactions were not in accordance with GAAP; and provided substantial assistance by having failed to file HCCA's periodic reports since the September 1999 Form 10-QSB.

207. By reason of the foregoing, HCCA violated Section 13(a) of the Exchange Act [15 U.S.C. 78m(a)] and Rules 12b-20, 13a-1, 13a-11 and 13a-13 thereunder [17 C.F.R. 240.12b-20, 240.13a-1, 240.13a-11 and 240.13a-13].

208. Defendants Furlong and Pietrzak served as officers and directors of HCCA and provided substantial assistance to it in the contents of and filings of its periodic and current reports with the Commission. They, while associated with HCCA, aided and abetted the conduct of HCCA with respect to the activities constituting the violations of Section 13(a) of the Exchange Act [15 U.S.C. 78m(a)] and Rules 12b-20, 13a-1, 13a-11 and 13a-13 thereunder [17 C.F.R. 240.13a-1, 240.13a-11 and 240.13a-13]. Furlong and Pietrzak were culpable participants in

the conduct.

209. By reason of the foregoing, Furlong and Pietrzak aided and abetted HCCA's violations of Section 13(a) of the Exchange Act [15 U.S.C. 78m(a)] and Rules 12b-20, 13a-1, 13a-11 and 13a-13 thereunder [17 C.F.R. 240.13a-1, 240.13a-11 and 240.13a-13] and unless enjoined will continue to aid and abet violations of Section 13(a) of the Exchange Act [15 U.S.C. 78m (a)] and Rules 12b-20, 13a-1, 13a-11 and 13a-13 thereunder [17 C.F.R. 240.12b-20, 240.13a-1, 240.13a-11 and 240.13a-13].

COUNT VII

Liability of Furlong and Pietrzak, for aiding and abetting HCCA's Violations of Sections 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act [15 U.S.C. 78m(b)(2)(A) and 78m(b)(2)(B)] and Rule 13b2-1 thereunder [17 C.F.R. § 240.13b2-1]

210. Paragraphs 1 through 179 are hereby realleged and are incorporated herein by reference.

211. From 1996 through 2001, HCCA failed, as described above, to make and keep books, records, and accounts, which in reasonable detail, accurately and fairly reflected transactions and disposition of its assets.

212. From 1996 through 2001, HCCA failed, as described above, to devise and maintain a system of internal accounting controls sufficient to provide reasonable assurances that: (a) transactions were executed in accordance with management's general or specific authorization, (b) transactions were recorded as necessary (i) to permit preparation of financial statements in conformity with GAAP or any other criteria applicable to such statements, and (ii) to maintain accountability for assets, (c) access to its assets was permitted only in accordance with management's general or specific authorization, and (d) the recorded accountability for its assets was compared with its existing assets at reasonable intervals and appropriate action was taken with respect to any differences.

213. By reason of the foregoing, HCCA violated Sections 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act [15 U.S.C. 78m(b)(2)(A) and 78m(b)(2)(B)].

214. HCCA violated Section 13(b)(2)(A) of the Exchange Act by not accurately recording the mining, real estate, advertising credits, and notes receivable assets on its books and records.

215. From 1996 through 1999, Furlong and Pietrzak, provided knowing and substantial assistance to this violation of HCCA by participating in recording those assets, when they knew, or were reckless in not knowing, that the values ascribed those assets were substantially overstated.

216. HCCA violated Section 13(b)(2)(B) of the Exchange Act by failing to devise internal accounting controls that were sufficient to allow the preparation of its financial statements in conformity with GAAP.

217. From 1996 through 1999, Furlong and Pietrzak, who shared responsibility for establishing and maintaining HCCA's internal accounting controls, provided knowing and substantial assistance to HCCA's violations of Section 13(b)(2)(B) by not establishing adequate controls when they were aware that HCCA was recording transactions without all pertinent information and documents concerning those transactions.

218. Rule 13b2-1 prohibits any person from directly or indirectly falsifying or causing the falsification of any books, records or accounts required by Section 13(b)(2)(A), and HCCA violated that rule when it falsified its books, records and accounts by improperly recording the values of its mining, real estate, advertising credit and notes receivable assets.

219. Furlong and Pietrzak directly or indirectly falsified or caused the falsification of HCCA's books, records, and accounts by participating in these improper entries on HCCA's books and records.

220. By reason of the foregoing, Furlong and Pietrzak aided and abetted HCCA in its violations of Sections 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act [15 U.S.C. 78m(b)(2)(A) and 78m(b)(2)(B)] and Rule 13b2-1 thereunder [17 C.F.R.§ 240.13b2-1] and unless restrained and enjoined, will continue to violate and cause violations of Sections 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act [15 U.S.C. 78m(b)(2)(A) and 78m(b)(2)(B)] and Rule 13b2-1 thereunder [17 C.F.R.§ 240.13b2-1].

PRAYER FOR RELIEF

WHEREFORE, Plaintiff Commission, respectfully prays that the Court:

I.

Make findings of fact and conclusions of law in accordance with Rule 52 of the Federal Rules of Civil Procedure.

II.

Issue a permanent injunction enjoining defendant Furlong, and his agents, servants, employees, attorneys, and all persons in active concert or participation with him who receive actual notice of the order by personal service or otherwise, and each of them:

a. from violating Section 17(a) of the Securities Act [15 U.S.C. 77q(a)];

b. from violating Section 10(b) of the Exchange Act [15 U.S.C. 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. 240.10b-5];

c. from violating Section 13(b)(5) of the Exchange Act [15 U.S.C. 78m(b)(5)] and Rule 13b2-1 thereunder [17 C.F.R. 240.13b2-1];

d. from violating Section 16(a) of the Exchange Act [15 U.S.C. 78p(a)] and Rules 16a-2 and 16a-3 thereunder [17 C.F.R. 240.16a-2 and 240.16a-3];

e. from aiding and abetting violations of Section 13(a) of the Exchange Act [15 U.S.C. 78m(a)] and Rules 12b-20, 13a-1, 13a-11 and 13a-13 thereunder [17 C.F.R. 240.12b-20, 240.13a-1, 240.13a-11 and 240.13a-13]; and

f. from aiding and abetting violations of Sections 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act [15 U.S.C. 78m(b)(2)(A) and 78m(b)(2)(B)] and Rule 13b2-1 thereunder [17 C.F.R. 240.13b2-1].

III.

Issue a permanent injunction enjoining defendant Pietrzak, and his agents, servants, employees, attorneys, and all persons in active concert or participation with him who receive actual notice of the order by personal service or otherwise, and each of them:

a. from violating Section 17(a) of the Securities Act [15 U.S.C. 77q(a)];

b. from violating Section 10(b) of the Exchange Act [15 U.S.C. 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. 240.10b-5];

c. from violating Section 13(b)(5) of the Exchange Act [15 U.S.C. 78m(b)(5)] and Rule 13b2-1 thereunder [17 C.F.R. 240.13b2-1];

d. from aiding and abetting violations of Section 13(a) of the Exchange Act [15 U.S.C. 78m(a)] and Rules 12b-20, 13a-1, 13a-11 and 13a-13 thereunder [17 C.F.R. 240.12b-20, 240.13a-1, 240.13a-11 and 240.13a-13]; and

e. from aiding and abetting violations of Sections 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act [15 U.S.C. 78m(b)(2)(A) and 78m(b)(2)(B)] and Rule 13b2-1 thereunder [17 C.F.R. 240.13b2-1].

IV.

Issue a permanent injunction enjoining defendant Jordan, and his agents, servants, employees, attorneys, and all persons in active concert or participation with him who receive actual notice of the order by personal service or otherwise, and each of them:

a. from violating Section 17(a) of the Securities Act [15 U.S.C. 77q(a)];

b. from violating Section 10(b) of the Exchange Act [15 U.S.C. 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. 240.10b-5]; and

c. from aiding and abetting violations of Section 13(a) of the Exchange Act [15 U.S.C. 78m(a)] and Rule 13a-1, thereunder [17 C.F.R. 240.13a-1].

V.

Issue an Order requiring defendants Furlong, Pietrzak and Jordan to disgorge all ill-gotten gains and losses avoided as alleged in the Commission's Complaint, plus pay prejudgment interest thereon.

VI.

Issue an Order requiring defendants Furlong, Pietrzak and Jordan, pursuant to Section 20(d) of the Securities Act [15 U.S.C. 77t(d)] and Sections 21(d)(3) and 21A of the Exchange Act [15 U.S.C. 78u(d)(3) and 78u-1], to pay civil monetary penalties.

VII.

Issue an Order pursuant to Section 20(e) of the Securities Act [15 U.S.C. 77t(e)] and Section 21(d)(2) of the Exchange Act [15 U.S.C. 78u(d)(2)] permanently prohibiting defendants Furlong and Pietrzak from acting as officers or directors of any company that has a class of securities registered with the Commission pursuant to Section 12 of the Exchange Act [15 U.S.C. 78l] or that is required to file reports with the Commission pursuant to Section 15(d) of the Exchange Act [15 U.S.C. 78o(d)].

VIII.

Issue an Order pursuant to both Section 603 of the Sarbanes-Oxley Act of 2002 (which amended Section 20 of the Securities Act and Section 21(d) of the Exchange Act) and the inherent equitable powers of this Court, which bars defendants Furlong and Pietrzak from participating in any offering of a penny stock, including acting as a promoter, finder, consultant, agent, or other person who engages in activities with a broker, dealer or issuer for purposes of the issuance or trading in any penny stock; or inducing or attempting to induce the purchase or sale of any penny stock.

IX.

Issue an Order that retains jurisdiction over this action in order to implement and carry out the terms of all orders and decrees that may have been entered or to entertain any suitable application or motion by the Commission for additional relief within the jurisdiction of this Court.

X.

Grant such other and further relief as may be necessary and appropriate.

RESPECTFULLY SUBMITTED,

_____

Edward G. Sullivan
SENIOR TRIAL COUNSEL

COUNSEL FOR PLAINTIFF
U. S. SECURITIES AND EXCHANGE COMMISSION
3475 Lenox Road, N.E., Suite 1000
Atlanta, Georgia 30326-1234
(404) 842-7612

http://www.sec.gov/litigation/complaints/comp18016.htm

U.S. SECURITIES AND EXCHANGE COMMISSION

Litigation Release No. 18016 / March 6, 2003

SECURITIES AND EXCHANGE COMMISSION V. MICHAEL J. PIETRZAK, MAURICE W. FURLONG AND DONALD E. JORDAN, Civil Action No. 03C-1507 (N.D. Ill.)

SEC SUES OFFICERS OF HEXAGON CONSOLIDATED COMPANIES OF AMERICA, INC. AND REGISTERED ASSAYER

The Securities and Exchange Commission announced today that it has filed a complaint against three men for various violations of the federal securities law. The three defendants are Michael J. Pietrzak of Carol Stream, Illinois, Maurice W. Furlong of Reno, Nevada, and Donald E. Jordan of Henderson, Nevada. Pietrzak and Furlong are officers and directors of Hexagon Consolidated Companies of America, Inc. ("HCCA"), a development stage mining company headquartered in Reno, Nevada. Pietrzak is HCCA's general counsel, executive vice president and secretary, as well as a director. Furlong is HCCA's chairman, president and CEO. Defendant Jordan is a registered assayer who issued misleading reports that falsely stated that HCCA held ore and other minerals valued at more than $2 billion.

The complaint alleges a wide-range of securities law violations, including that misstatements were made by HCCA in filings with the Commission. Pietrzak and Furlong engaged in protracted efforts to fraudulently increase the stock price and value of the company by, among other means, filing false and misleading registration statements and periodic and current reports, and by issuing false press releases and a letter to shareholders. During the same time, Pietrzak and Furlong sold a total of more than 79.7 million shares of HCCA stock, fraudulently receiving at least $4.2 million. The complaint also alleges that from 1996 through 2001 HCCA, through the efforts of Pietrzak and Furlong, reported to the public that is was an entity with substantial assets when, in fact, it was virtually worthless. Defendant Jordan engaged in fraud when he issued false and misleading reports that valued HCCA's mining assets at more than $2 billion.

Pietrzak and Furlong are charged with violations of the antifraud provisions of Section 17(a) of the Securities Act of 1933 ("Securities Act") and Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act") and Rule 10b-5 thereunder. They are charged with misstatements in filings with the Commission that aided and abetted violations of Section 13(a) of the Exchange Act and Rules 12b-20, 13a-1, 13a-11, 13a-13 thereunder. Pietrzak and Furlong are also charged with aiding and abetting violations involving internal accounting controls and books and records violations of Sections 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act. Pietrzak and Furlong are both charged with books and records violations of Section 13(b)(5) of the Exchange Act and Rules 13b2-1 thereunder. As a final count against him, Furlong is charged with violations of stock ownership

reporting provisions of Sections 16(a) of the Exchange Act and Rules 16a-2 and 16a-3 thereunder.

As to the remaining defendant, Jordan is charged with violations of the antifraud provisions of Section 17(a) of the Securities Act and Section 10(b) of the Exchange Act and Rule 10b-5 thereunder. He is also charged with aiding and abetting violations of Section 13(a) of the Exchange Act and Rule 13a-1 thereunder.

The complaint asks the Court to issue permanent injunctions and to order disgorgement, prejudgment interest thereon and civil penalties against each defendant. The Commission also seeks orders against Pietrzak and Furlong barring them from serving as officers and directors in the future, and imposing a penny stock bar against them.

http://www.sec.gov/litigation/litreleases/lr18016.htm

Home | Previous Page Modified: 03/07/2003

The lease, at issue here, permits the leaseholder to process material and remove valuable minerals. The statutory scheme distinguishes between valuable minerals and common variety minerals. Valuable minerals are subject to lease, common variety minerals are subject to auction. The term of the valuable mineral lease is twenty years. During term of the lease the department must review planned operations to assure that they are consistent with the lease, it was under this responsibility that this review was held. The lease does not give the leaseholder permission to mine common variety mineral to extract from it whatever valuable minerals it may contain.

The question of whether or not the extraction process can/would be profitable is not the ultimate question to be answered but it does aide in determining whether or not the rock on a particular piece of lease land is valuable mineral or common variety mineral.

The State Land Department determined based on the facts presented to it, that the mineral to be mined was common variety mineral. There were facts presented upon which that finding could be made.

Having determined that the proposed operation would be using common variety mineral and not valuable mineral, the State Land Department could and did properly find that the proposed operation exceeded the permission granted by the lease.

Having found that the proposed operation exceeded the permission granted by the lease the Department properly denied the proposed plans of operation.

The decision is affirmed.

Superior Court of Arizona, Maricopa County - Case Information

Case Information

Case Number:	CV2001-012269	**Judge:**	ALBRECHT
Plantiff:	PEEPLES INC	**Case Type:**	CIVIL
Defendant:	STATE OF ARIZONA LAND DEPARTMEN	**Filing Date:**	07/23/2001
Defendant DOB:		**Location:**	CENTRAL PHOENIX

Party Information - (PRO PER means self represented)

P#	Name	Rel	S	BarID	Attorney
001	PEEPLES INC	PLA	N	002667	JERRY L HAGGARD
002	STATE OF ARIZONA LAND DEPARTMENT	DEF	N	010585	THERESA M CRAIG
003	MICHAEL E ANABLE	DEF	M	010585	THERESA M CRAIG

Case Documents

Filing Date	Description	Docket Date
04/01/2002	ME: RULING	04/01/2002
01/24/2002	ME: ORDER ENTERED BY COURT	01/24/2002
01/22/2002	ORDER	02/11/2002 C
	PLAS MOTION TO EXCEED PAGE LIMIT IS GRANTED	
01/21/2002	ME: CONFERENCE	01/21/2002
01/09/2002	REQUEST	02/05/2002 10585 P2-3
	FOR COURT REPORTER	
01/09/2002	ME: PRETRIAL CONFERENCE	01/09/2002
12/24/2001	ORDER	01/14/2002 10585 P2-3
	SETTING DATE AND TIME FOR TELEPHONIC CONFERENCE	
12/20/2001	MOTION	12/28/2001 2667 P1
	TO EXCEED PAGE LIMIT	
12/20/2001	STATEMENT	12/28/2001 2667 P1
	REPLY BRIEF TO DEFS ANSWERING BRIEF	
12/18/2001	RESPONSE	01/04/2002 2667 P1
	TO DEFS REQUEST FOR EXPEDITED TELEPHONIC RULE 16 CONFERENCE	
12/17/2001	MOTION FOR SUMMARY JUDGMENT	12/31/2001 2667 P1
12/17/2001	STATEMENT OF FACTS	12/31/2001 2667 P1
	SEPARATE/ IN SUPPORT OF PLAS MOTION FOR SUMMARY JUDGMENT	
12/14/2001	REQUEST	01/02/2002 10585 P2-3
	FOR EXPEDITED TELEPHONIC RULE 16 CONFERENCE	
12/10/2001	ME: ORAL ARGUMENT SET	12/10/2001
11/21/2001	STATEMENT	12/07/2001 10585 P2-3
	ANSWERING BRIEF	
11/01/2001	ME: HEARING VACATED	11/01/2001
10/18/2001	ME: ORAL ARGUMENT SET	10/18/2001
10/03/2001	ME: RULING	10/03/2001

09/26/2001	MEMORANDUM	10/05/2001 3103 P1
	OPENING BRIEF	
09/26/2001	MEMORANDUM	10/05/2001 3103 P1
	SUPPLEMENTAL BRIEF SUPPORTING REQUEST FOR EVIDENTIARY HEARING	
09/14/2001	MEMORANDUM	09/22/2001 10585 P2-3
	SUPPLEMENTAL BRIEF RE: MOTION FOR EVIDENTIARY HEARING	
09/04/2001	REPLY	09/12/2001 2663 P1
	TO P2'S RESPONSE TO MOTION FOR EVIDENTIARY HEARING	
08/29/2001	ME: CASE REASSIGNED	08/29/2001
08/24/2001	ANSWER	08/29/2001 10585 P3 C
08/24/2001	ANSWER	08/29/2001 10585 P2 C
	RESPONSE TO MOTION FOR EVIDENTIARY HEARING	
08/21/2001	ME: CASE REASSIGNED	08/21/2001
08/13/2001	MOTION	08/21/2001 2667 P1
	FOR EVIDENTIARY HEARING	
08/06/2001	SUMMONS	08/13/2001 2667 P1
08/06/2001	SUMMONS	08/13/2001 2667 P1
08/06/2001	AFFIDAVIT OF SERVICE	08/07/2001 2663 P1
	P3 SERVED 7-24-2001	
08/06/2001	AFFIDAVIT OF SERVICE	08/07/2001 2663 P1
	P2 SERVED 7-24-2001	
07/23/2001	CERT ARBITRATION-NOT SUBJECT	07/27/2001 2667 P1
07/23/2001	COMPLAINT	07/27/2001 2667 P1 PD

1 CA-CV020408

PEEPLES, INC.,	)	
	)	1 CA- CV020408
Plaintiff-Appellant,	)	
	)	
v.	)	
	)	MARICOPA County
ARIZONA STATE LAND DEPARTMENT, ex rel.,	)	Superior Court
MICHAEL E. ANABLE, Commissioner,	)	No. CV01-012269
	)	
Defendants-Appellees.	)	

COURT OF APPEALS, DIVISION ONE

----------CIVIL SPREADSHEET----------

CASE#: CV 02 0408
DEPT: E
COURT: AST CBP GMS
CONSOLIDATED:
SHORT CAPTION: PEEPLES V. AZ STATE LAND DEPT
COUNTY: MARICOPA
COUNTY NOS: CV01-012269
JUDGE: Rebecca A. Albrecht
TRANSFER NOS:

BKTCY STAYED:
BKTCY REINSTATE:
DATE STAYED:
REINSTATE:
TRANSFER:
TRANSFER DATE:
TRANSFER PLACE:
NOTICE OF APPEAL: 13-May-2002
FIRST LETTER:
RECORD RECEIVED: 11-Jun-2002
CROSS FILED: N
CROSS TIMELY: N
CLASS: Affirming Decision of Land Commissioner
NOTICE TO COUNSEL: 7/5/02
INDEX RECEIVED: 13-Jun-2002
CASE FILED IN C/A: 13-Jun-2002
RULE 29 FILED:
OPEN1 BRIEF DUE: 23-Jul-2002
OPEN1 BRIEF FILED: 28-Jun-2002
OPEN2 BRIEF DUE:
OPEN2 BRIEF FILED:
ANSWERING1 BRIEF DUE: 7-Aug-2002
ANSWERING1 BRIEF FILED: 7-Aug-2002
ANSWERING2 BRIEF DUE:
ANSWERING2 BRIEF FILED:
REPLY1 BRIEF DUE: 3-Sep-2002
REPLY1 BRIEF FILED: 30-Aug-2002
REPLY2 BRIEF DUE:
REPLY2 BRIEF FILED:
ANS CROSS OPEN DUE:
ANS CROSS OPEN FILED:
REPLY CROSS ANS DUE:
REPLY CROSS ANS FILED:
CROSS REPLY DUE:
CROSS REPLY FILED:
AT ISSUE: 30-Aug-2002
ISSUE LIST NO.: 02321
ORAL ARGUMENT: Y
CALENDARED DATE: 20-Nov-2002
ORAL ARGUMENT REQUEST: 28-Jun-2002
ORAL ARGUMENT TIME: 10:15
CONFERENCE: N
UNDER ADVISEMENT: 20-Nov-2002
DECISION DATE: 24-Dec-2002
DECISION TYPE: O
DECISION: OP
RESULT: RV RM

---------- RESULT CODES ----------

```
AF = AFFIRMED         DE = DENIED           GR = GRANTED   OT = OTHER     RF = RELIEF
AA = AWARD AFFIRMED   DI = DISMISSED        MO = MODIFIED  PT = IN PART   RM = REMANDED
AS = AWARD SET ASIDE  DR = WITH DIRECTIONS  VA = VACATED   RE = REVIEW    RV = REVERSED
-------------------------------------------------------------------------
PERCURIAM:
AUTHOR:                 CBP
CONCURING:              AST,GMS
DISSENTING:
COSTS FILED:
MR DUE:                  8-Jan-2003
MR FILED:
RESPONSE MR DUE:
RESPONSE MR FILE:
MR ORDER:
MR ORDER DATE:
COST OBJ DUE:
COST OBJ FILED:
COST REPLY DUE:
COST REPLY FILED:
COST ORDER:
COST ORDER DATE:
DECISION SUPPL:
DECISION SUPPL TYPE:
PR DUE:                 23-Jan-2003
PR FILED:
CROSS PR DUE:
CROSS PR FILED:
PR OUTCOME:
PR ORDER DATE:
MANDATE DATE:
TERMINATE DATE:
-------------------------------------------------------------------------------


     1 CA-CV 02 0408  DOCKET ENTRIES


13-Jun-2002 FILED : INDEX OF RECORD (Docketing Statement filed 5/22/02) (Cost Bond
                    filed 5/13/02)
13-Jun-2002 FILED : FIRST LETTER (6/13/02)
18-Jun-2002 FILED : RECEIPT, #0201105, $140.00, Check #3571, Appellant Filing Fee
                    paid by Jerry L. Haggard for Appellant Peeples, Inc.
20-Jun-2002 FILED : NOTICE OF SERVING TRANSCRIPT (Appellant)
20-Jun-2002 FILED : REPORTER'S TRANSCRIPT (1 vol. 1/11/02 - K. Bolton)
28-Jun-2002 FILED : OPENING BRIEF OF APPELLANT, PEEPLES, INC.
28-Jun-2002 FILED : REQUEST FOR ORAL ARGUMENT (Appellant)
 5-Jul-2002 FILED : NOTICE TO COUNSEL (NO APPELLEE FILING FEE DUE)
10-Jul-2002 FILED : AMENDED LETTER, 7/10/02, NOTICE TO COUNSEL (NO APPELLEE FILING
                    FEE DUE)
24-Jul-2002 FILED : NOTICE OF CHANGE OF ADDRESS (Jerry Haggard and James Speer,
                    Attorneys for Appellants)
 2-Aug-2002 FILED : ADDITIONAL MINUTE ENTRY, filed 1/24/02, RE: Order that a
                    duplicate original record be filed on/before 2/8/02.  FURTHER
                    this division is to be advised when the record has been filed.
                    Once the record has been filed and received in this division
                    the court will take the appeal under advisement.  (Hon. R. A.
                    Albrecht)
 2-Aug-2002 FILED : EXHIBIT'S [Certificate of Record on Review, Record on Admin-
                    istrative Hearing (Seven Parts)
 7-Aug-2002 FILED : ANSWERING BRIEF OF APPELLEES
 7-Aug-2002 FILED : APPENDIX TO ANSWERING BRIEF OF APPELLEES (Appellees)
15-Aug-2002 FILED : ORDER - clerk, Maricopa County Superior Court has to/including
                    8/30/02 to transmit record (Glen D. Clark, Clerk)
26-Aug-2002 FILED : RECORD ON APPEAL (Instruments/Minute Entries [1 volume])
                    (Transmittal/Receipt Attached)
30-Aug-2002 FILED : APPELLANTS REPLY BRIEF.
30-Aug-2002 FILED : REQUEST TO PARTICIPATE IN ORAL ARGUMENT (Amicus Arizona
                    Mining Association)
30-Aug-2002 FILED : APPLICATION OF ARIZONA MINING ASSOCIATION FOR PERMISSION TO
                    FILE BRIEF AS AMICUS CURIAE (Arizona Mining Association)
30-Aug-2002 FILED : AMICUS CURIAE BRIEF OF ARIZONA MINING ASSOCIATION
 9-Sep-2002 FILED : ORDER - granting requests for oral argument. (E. Voss,
                    Chief Judge)
```

30-Sep-2002 CLNDR : ORAL ARGUMENT, Dept E, 11-20-02, 10:15 a.m., Courtroom 2, each side 20 mins.
3-Oct-2002 FILED : ORDER - granting the application and accepting the amicus brief as filed on 8/30/02. (Dept. M, Judges Patterson, Lankford, Snow)
7-Oct-2002 FILED : NOTICE OF ORAL ARGUMENT, 11/20/02, 10:15 a.m., Dept. E, Courtroom 2. Each side has 20 minutes.
9-Oct-2002 FILED : RECEIPT OF ORAL ARGUMENT, 11/20/02, signed by Theresa Craig on 10/7/02
11-Oct-2002 FILED : RECEIPT OF ORAL ARGUMENT, 11/20/02, Jerry Haggard signed 10/9/02
11-Oct-2002 FILED : RECEIPT OF ORAL ARGUMENT, 11/20/02, Ralph B. Sievwright signed 10/8/02
20-Nov-2002 FILED : APPEARANCE LIST - under advisement (Dept. E, Judges Timmer, Patterson, Jr., Snow)
24-Dec-2002 FILED : ORDER - OPINION (REVERSED AND REMANDED) (Dept. E, Judge Patterson, Jr., CONCURRING: Judge Timmer, Judge Snow)
24-Dec-2002 FILED : LETTER, 12/24/02, to Mead Data Central, RE: OPINION filed 12/24/02
24-Dec-2002 FILED : LETTER, 12/24/02, to West Publishing Company, RE: OPINION filed 12/24/02
24-Dec-2002 FILED : DHL RECEIPT, #8514657605, to Lexis Nexis
24-Dec-2002 FILED : FEDEX RECEIPT, #835848833783, to West Publishing Corp.
24-Dec-2002 FILED : GENERAL DISTRIBUTION LIST

case history

Superior Court of Arizona, Maricopa County

Case Information

case history court calendar Superior Court dept. home page

Search go

Case Information			
Case Number	CV2001-012269	Judge	Albrecht
Case Type	Civil		
File Date	7/23/2001	Location	Downtown

Party Information			
Party Name	Rel	Sex	Attorney
(1)PEEPLES INC	Plaintiff	None	Jerry Haggard
(2)STATE OF ARIZONA LAND DEPARTMENT	Defendant	None	Theresa Craig
(3)Michael E Anable	Defendant	Male	Theresa Craig

Case Documents

Filing Date	Description	Docket Date	Filing Party
8/22/2002	CAO - Court of Appeals Order	8/22/2002	
	NOTE: TO TRANSMIT WITHIN 15 DAYS THE RECORD ON APPEAL		
8/12/2002	ATR - Appeals Transmittal	10/30/2002	
7/16/2002	LET - Letter	8/21/2002	
	NOTE: AMENDED - RE: FILING FEES (COURT OF APPEALS)		
7/9/2002	NOT - Notice	7/25/2002	
	NOTE: REGARDING FILING FEE		
6/21/2002	NOT - Notice	7/2/2002	
	NOTE: REGARDING FILING FEES		
6/21/2002	CAR - Court of Appeals Receipt	7/2/2002	
6/12/2002	AIX - Appeals Index	6/26/2002	
5/22/2002	CAS - Civil Appeals Docket Statement	5/23/2002	Plaintiff(1)
5/22/2002	NOT - Notice	6/15/2002	Plaintiff(1)
	NOTE: OF SATISFACTORY ARRANGMENTS WITH COURT REPORTER		
5/22/2002	STA - Statement	6/18/2002	Plaintiff(1)
	NOTE: DESIGNATION OF TRANSCRIPT		
5/13/2002	NAP - Notice of Appeal	5/14/2002	Plaintiff(1)
5/13/2002	NOT - Notice	5/31/2002	Plaintiff(1)
	NOTE: OF FILING CASH BOND FOR COSTS ON APPEAL		
5/13/2002	023 - ME: Order Entered by Court	5/13/2002	
5/13/2002	NDC - Notice of Deposit with Court	5/15/2002	
	NOTE: $500.00; APPEAL BOND; PLAINTIFF		
5/6/2002 1:00:00 PM	JUD - Judgment	5/6/2002 1:00:00 PM	
	NOTE: Posted during iCIS Conversion		
4/23/2002	RES - Response	5/6/2002	Defendant(2)
	NOTE: TO PLAINTIFFS OBJECTION TO FORM OF JUDGMENT		
4/17/2002	OBJ - OBJECTION	5/1/2002	Plaintiff(1)
	NOTE: TO FORM OF JUDGMENT		
4/12/2002	NOT - Notice	4/25/2002	Defendant(2)
	NOTE: OF LODGING FORM OF JUDGMENT		
4/1/2002	019 - ME: Ruling	4/1/2002	
1/24/2002	023 - ME: Order Entered by Court	1/24/2002	
1/22/2002	ORD - Order	2/11/2002	
	NOTE: PLAS MOTION TO EXCEED PAGE LIMIT IS GRANTED		
1/21/2002	085 - ME: Conference	1/21/2002	
1/9/2002	027 - ME: Pretrial Conference	1/9/2002	
1/9/2002	REQ - Request	2/5/2002	Defendant(2)
	NOTE: FOR COURT REPORTER		
12/24/2001	ORD - Order	1/14/2002	Defendant(2)
	NOTE: SETTING DATE AND TIME FOR TELEPHONIC CONFERENCE		
12/20/2001	STA - Statement	12/28/2001	Plaintiff(1)
	NOTE: REPLY BRIEF TO DEFS ANSWERING BRIEF		
12/20/2001	MOT - Motion	12/28/2001	Plaintiff(1)
	NOTE: TO EXCEED PAGE LIMIT		

12/18/2001	RES - Response	1/4/2002	Plaintiff(1)
	NOTE: TO DEFS REQUEST FOR EXPEDITED TELEPHONIC RULE 16 CONFERENCE		
12/17/2001	MSJ - Motion for Summary Judgment	12/31/2001	Plaintiff(1)
12/17/2001	SOF - Statement of Facts	12/31/2001	Plaintiff(1)
	NOTE: SEPARATE/ IN SUPPORT OF PLAS MOTION FOR SUMMARY JUDGMENT		
12/14/2001	REQ - Request	1/2/2002	Defendant(2)
	NOTE: FOR EXPEDITED TELEPHONIC RULE 16 CONFERENCE		
12/10/2001	094 - ME: ORAL ARGUMENT SET	12/10/2001	
11/21/2001	STA - Statement	12/7/2001	Defendant(2)
	NOTE: ANSWERING BRIEF		
11/1/2001	002 - ME: Hearing Vacated	11/1/2001	
10/18/2001	094 - ME: ORAL ARGUMENT SET	10/18/2001	
10/3/2001	019 - ME: Ruling	10/3/2001	
9/26/2001	MEM - Memorandum	10/5/2001	Plaintiff(1)
	NOTE: OPENING BRIEF		
9/26/2001	MEM - Memorandum	10/5/2001	Plaintiff(1)
	NOTE: SUPPLEMENTAL BRIEF SUPPORTING REQUEST FOR EVIDENTIARY HEARING		
9/14/2001	MEM - Memorandum	9/22/2001	Defendant(2)
	NOTE: SUPPLEMENTAL BRIEF RE: MOTION FOR EVIDENTIARY HEARING		
9/4/2001	REL - Reply	9/12/2001	Plaintiff(1)
	NOTE: TO P2'S RESPONSE TO MOTION FOR EVIDENTIARY HEARING		
8/29/2001	066 - ME: Case Reassigned	8/29/2001	
8/24/2001	ANS - Answer	8/29/2001	Defendant(2)
	NOTE: RESPONSE TO MOTION FOR EVIDENTIARY HEARING		
8/24/2001	ANS - Answer	8/29/2001	Defendant(3)
8/21/2001	066 - ME: Case Reassigned	8/21/2001	
8/13/2001	MOT - Motion	8/21/2001	Plaintiff(1)
	NOTE: FOR EVIDENTIARY HEARING		
8/6/2001	SUM - Summons	8/13/2001	Plaintiff(1)
8/6/2001	AFS - Affidavit of Service	8/7/2001	Plaintiff(1)
	NOTE: P2 SERVED 7-24-2001		
8/6/2001	AFS - Affidavit of Service	8/7/2001	Plaintiff(1)
	NOTE: P3 SERVED 7-24-2001		
8/6/2001	SUM - Summons	8/13/2001	Plaintiff(1)
7/23/2001	CCN - Cert Arbitration - Not Subject	7/27/2001	Plaintiff(1)
7/23/2001	COM - Complaint/Petition	7/27/2001	Plaintiff(1)

Case Calendar

Date	Time	Event
1/7/2002	8:45	Pre-Trial Conference
1/11/2002	15:30	Oral Argument

Judgments

Date	(F)or / (A)gainst	Amount	Frequency	Type	Status
5/6/2002	**F:** STATE OF ARIZONA LAND DEPARTMENT **A:** PEEPLES INC	$0.00		Judgment Only	

SUPERIOR COURT OF ARIZONA
MARICOPA COUNTY

*** FILED ***
04/01/2002

03/27/2002

CLERK OF THE COURT
FORM V000A

HONORABLE REBECCA A. ALBRECHT

L. Falkenburg
Deputy

CV 2001-012269

FILED: _____

PEEPLES INC

JERRY L HAGGARD

v.

STATE OF ARIZONA LAND DEPARTMENT, et al.

THERESA M CRAIG

MINUTE ENTRY

The Appeal of the Administrative Decision has been under advisement.

The first issue presented to the court is whether this court has jurisdiction to hear this appeal. The state takes the position that there is pending a sua sponte order to reconsider the prior decision and that until that review is complete the order is not final and therefore not appealable. The court's review of the procedural issues persuades the court that this appeal was properly taken and that jurisdiction does lie with this court.

The plaintiff's predecessor on this Mineral Lease mined the area for gold. Through the mining and extraction process rock and other debris was left on the site. The plaintiff plans to use that rock and debris to extract further valuable minerals. The state contends that the rock and debris is now common variety mineral and is not available to plaintiff to use pursuant to its valuable mineral lease.

Case Information

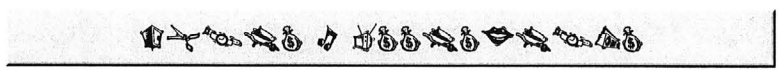
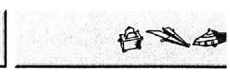
Case Number:	CV2001-012269	**Judge:**	GAINES
Plantiff:	PEEPLES INC	**Case Type:**	CIVIL
Defendant:	STATE OF ARIZONA LAND DEPARTMEN	**Filing Date:**	07/23/2001
Defendant DOB:			
Location:	CENTRAL PHOENIX		

Party Information - (PROPER means self represented)

P#	Name	Rel	S	BarID	Attorney
001	PEEPLES INC	PLA	N	002667	JERRY L HAGGARD
002	STATE OF ARIZONA LAND DEPARTMENT	DEF	N	PROPER	
003	MICHAEL E ANABLE	DEF	M	PROPER	

Case Documents

Filing Date	Description	Docket Date
07/23/2001	CERT ARBITRATION-NOT SUBJECT	07/27/2001 2667 P1
07/23/2001	COMPLAINT	07/27/2001 2667 P1 PD

Home | Court Cases | Rules | Contact Us

Office of Administrative Hearings
1400 West Washington, Suite 101 - Phoenix, Arizona 85007
Telephone (602)-542-9826 FAX (602)-542-9827

Cliff J. Vanell
Director

May 14, 2001

Michael Anable, Director
State Land Department
ATTN: Merv Mason
1616 West Adams
Phoenix, AZ 85007

Re: 01F-009-LAN

PEEPLES, INC.,

Complainant,

-v-

ARIZONA STATE LAND DEPARTMENT,

Respondent.

Dear Mr. Anable:

Please find the decision of the Office of Administrative Hearings for the above entitled matter.

Sincerely,

Cliff J. Vanell
Director

IN THE OFFICE OF ADMINISTRATIVE HEARINGS

IN THE MATTER OF MINERAL LEASE NO. 11-86475 FOR THE STATE LAND DESCRIBED THEREIN. LESSEE: EUGENE BENDER AND ARNOLD SPIELMAN APPELLANT: PEEPLES, INC.	No. 01F-009-LAN RECOMMENDED DECISION OF THE ADMINISTRATIVE LAW JUDGE

On January 18-19, March 14-16, 2001, a five day hearing was held in this matter regarding a Notice of Default and Denial of Plan of Operation issued by the Department. Attorney Jerry L. Haggard represented Peeples, Inc. ("Peeples"). Assistant Attorney General Theresa Craig represented the Arizona State Land Department (the "Department"). Evidence and testimony were presented. Based upon a review of the record, the undersigned Administrative Law Judge makes the following Findings of Fact, Conclusions of Law and Recommended Decision.

FINDINGS OF FACT

A. The Mineral Lease.

1. On or about May 2, 1983, Mineral Lease No. 11-86475 (the "Mineral Lease") was issued to Arnold Spielman and Eugene Bender ("Spielman and Bender") for a term of twenty years expiring on May 1, 2003. See Department's Exhibit 12. The Mineral Lease required only a $5,000 bond. Id.

2. On or about October 11, 1983, Mr. Ed. Spalding, the Department's geologist, prepared a Mineral Lease Application Evaluation Report ("Report") regarding the Mineral Lease. See Peeples' Exhibit C. Mr. Spalding included an assay summary performed by Arizona Testing Laboratories in his Report. See Peeples' Exhibit B. The Arizona Testing Laboratories' assay summary was provided to Mr. Spalding by Spielman and Bender. Mr. Spalding wrote the following in his Report:

Office of Administrative Hearings
1400 West Washington, Suite 101
Phoenix, Arizona 85007
(602) 542-9826

> There is little doubt that a valuable mineral deposit has been proven to exist on the S.W. Flow claim group. This, along with the fact that the Copper Basin District is one of the better placer gold producers historically, I recommend approval of [the Spielman and Bender] application.

See Peeples' Exhibit C.

3. The Mineral Lease specifically stated the following:

> Lessee agrees that before initiating exploration, development, or mining operations on the leased premises, lessee shall submit to the Arizona State Land Department a plan outlining the proposed operations and the measures to be taken to reasonably protect the environment from adverse effects probable under such operations. Upon approval by the State Land Commissioner, the plan shall attach to and become a part of the lease, and the lessee may proceed with the operations proposed.

See Department's Exhibit 12, paragraph 21.

4. Mr. Michael Rice is the Manager of the Department's Minerals Section. Mr. Rice testified that the purpose of a plan of operation is to keep the Department informed about the lessee's mining operations at the mining property. Mr. Rice testified that the Department has a responsibility to manage trust lands which includes mineral development. Mr. Rice testified that the Department is obligated to ensure that there is no unnecessary or undue degradation of the mining property, that operations are conducted in a workmanlike manner, and that reclamation and closure of the property will be done in accordance with good mining practice.

5. Mr. Rice testified that the Department conducted a mineral examination of the mining property prior to issuing the Mineral Lease. However, Mr. Rice conceded that in his experience, the Department has never conducted a mineral examination to

determine the economics of a proposed plan of operation after a mineral lease has been issued.

B. The First and Second Plans of Operation.

6. On or about May 2, 1983, Spielman and Bender submitted the first plan of operation for the Mineral Lease. See Peeple's Exhibit D. Spielman and Bender stated that they had discovered a new deposit of gravel and clays containing feasible amounts of placer gold. Id. This plan of operation was approved by the Department. However, the approval document is missing from the Department's files.

7. Mr. Rice testified that Spielman and Bender subsequently submitted an amended plan of operation to the Department that detailed mining operations that were not covered in the original plan of operation. Mr. Rice testified that the Spielman and Bender mining operation was implemented in conformance with the amended plan of operation. Mr. Rice testified that the amended plan of operation did not propose the mining of platinum group metals, nor did it involve mining or reprocessing the material in the tailings ponds. Mr. Rice testified that the amended plan of operation was approved by the Department. However, the amended plan of operation and its approval document are missing from the Department's files.

8. From 1987 to 1989, Spielman and Bender mined, processed and recovered gold from the Mineral Lease property (the "Property"). The Property is located in Yavapai County. Spielman and Bender processed 123,071 tons of gravel and produced 688.63 ounces of gold valued at more than $308,000.00. See Department's Exhibit 7. Most of the material that was discarded during the mining of the Property was discharged into tailings ponds. The economic value of the discarded tailings in the tailings ponds is the primary issue in the current dispute between Peeples and the Department.

C. The Subcontract.

9. In December of 1990, Mr. Spielman and Mr. Alvin Schlabach, a representative of Peeples, had a meeting with Mr. Rice. See Peeples' Exhibit F. At this meeting, Mr. Rice, Mr. Spielman and Mr. Schlabach discussed the possibility of a subcontract of the Mineral Lease. Id.

10. On or about May 11, 1992, a subcontract (the "Subcontract") was entered into between Spielman & Bender and Peeples. See Department's Exhibit 15. There is no document in the Department's files showing the Commissioner's written approval of the Subcontract.

11. On or about May 20, 1992, Mr. Rice inspected the Property. See Peeples' Exhibit I. Mr. Rice found that Spielman and Bender had failed to properly reclaim the Property or to remove inoperable equipment. Id.

12. On July 30, 1992 and September 1, 1992, Mr. Schlabach submitted a copy of the Subcontract to the Department. See Peeples' Exhibits F,G & H. On April 30, 1996, Mr. Schlabach faxed a copy of the Subcontract to the Department. See Peeples' Exhibit F.

13. In 1992, Mr. Rice told Mr. Schlabach that "for the time being . . . [the Subcontract] was sufficient given the fact that [the Department] was looking at reclamation and testing". Mr. Rice never told Mr. Schlabach that the Subcontract had to be approved by the Department. Furthermore, Mr. Rice never told Peeples in 1992 or 1996 that the Subcontract would require the written approval of the Department.

14. Mr. Rice testified that he believed that the purpose of the Subcontract was to show that Peeples (including Mr. Schlabach) was the operator for Spielman and Bender under the Mineral Lease. Accordingly, Mr. Rice testified that he believed that the Subcontract did not require the Department's approval.

15. On September 1, 2000, the Department sent a letter to Peeples stating that the Subcontract was never approved by the Department. See Department's Exhibit 21. Prior to September 1, 2000, the Department had never informed Peeples that the failure to obtain written approval of the Subcontract from the Department would constitute a basis for default or would cause the denial of the plans of operation.

Surety Bonds

16. Mr. Rice testified that there was only a $5,000.00 surety bond on the Property in 1992. Merchants Bonding Company was the bonding company that issued the $5,000.00 surety bond. See Peeples' Exhibit I. On July 1, 1992, Mr. Rice wrote a letter to Merchants Bonding Company suggesting that Mr. Schlabach might be able to complete the reclamation on the Property. Id.

17. On or about July 7, 1992, Merchants Bonding Company wrote a letter to Mr. Rice accepting Mr. Schlabach's proposal to re-contour and seed the Property. See Peeples' Exhibit J. Merchants Bonding Company also requested a written proposal from Mr. Schlabach outlining his reclamation plans. Id. Several more letters passed between Mr. Rice and Merchants Bonding Company regarding the reclamation of the Property. See Peeples' Exhibits K, L, M & N. On November 12, 1992, Mr. Rice wrote that "Mr. Schlabach has indicated that reclamation and seeding will be conducted in accordance with the terms of the [Mineral Lease]." See Peeples' Exhibit M. Mr. Rice also sent a copy of the Subcontract to Merchants Bonding Company. Id. Mr. Rice testified that he never told Merchants Bonding Company that the Subcontract had not been approved by the Department.

18. On August 6, 1991, the Department asked Mr. Schlabach for a Certificate of Deposit regarding the Mineral Lease. See Peeples' Exhibit O. On or about August 21, 1991, Peeples submitted a $5,000 security assignment to the Department. See Peeples' Exhibit P.

19. On or about March 13, 1996, Peeples submitted (and the Department accepted) two additional surety bonds, each in the amount of $5,000.00. See Peeples' Exhibits Q & R.

20. Mr. Rice conceded that it was reasonable for Merchants Bonding Company to believe that the Subcontract was valid and effective because of the Department's aforementioned correspondence with Merchants Bonding Company and because Peeples had submitted the surety bonds to the Department.

21. Mr. Rice conceded that it was reasonable for Peeples to believe that the Department had recognized the Subcontract as valid and effective because the Department had accepted the surety bonds from Peeples in an amount that was triple the amount required under the Mineral Lease.

Rental Payments

22. Each year between 1993 and 2000, Peeples paid (and the Department accepted) the annual rental payments for the Mineral Lease. See Peeples' Exhibit S.

23. Rent was due and payable on the Mineral Lease on May 2, 1994. See Peeples' Exhibit T. On or about May 18, 1994, the Department issued to Peeples a Notice of Default and Order to Pay Rent and Royalty. Id. The Notice of Default and Order to Pay Rent and Royalty named Peeples as a Lessee under the Mineral Lease. Id. Peeples paid the delinquent rent on May 24, 1994.

Affidavits of Performance

24. Peeples submitted (and the Department accepted) affidavits of performance of assessment work and mining activity regarding the Mineral Lease for each year from 1991 through 2000. See Peeples' Exhibit U.

25. On three occasions (October 19, 1995, November 21, 1995 and April 27, 1998), the Department sent letters to Peeples requesting the submission of assessment work

affidavits. See Peeples' Exhibits V, W, X. None of these letters advised Peeples that the Subcontract had not been approved by the Department. Id.

26. Mr. Rice testified that to the best of his knowledge, until his September 1, 2000 letter was sent to Peeples, the Department had never before defaulted a mineral lease because of the absence of the Department's written approval of a transfer of a mineral lease. Mr. Rice testified that the Department normally advises lessees or assignees that the Department's written approval of a lease transfer will be required.

27. Mr. Rice testified that to the best of his knowledge, until his September 1, 2000 letter was sent to Peeples, the Department had never before denied a plan of operation because of the absence of the Department's written approval of a transfer of a mineral lease.

D. The Third and Fourth Plans of Operation.

28. On November 3, 1992, a third plan of operation (the "1992 Plan") was submitted to the Department by a representative of Peeples. See Department's Exhibit 13. The Department provided no written approval or disapproval of the 1992 Plan until September 1, 2000. See Department's Exhibit 21.

29. The 1992 Plan stated the following:

> We will be reworking the refuse discharge pile, stockpile & ponds. These areas were not reclaimed by the Rainbow Mining Co. We will be clearing some scrub brush on the west side of the discharge pile to make room for the material to be reclaimed. There will be two ponds built on the property. These are to be located to the S-W of the pile of the wash.

See Department's Exhibit 13. The "Applicant" for the 1992 Plan was Peeples and Alvin Schlabach. Id. The 1992 Plan also identified Peeples as the operator. Id. It should be noted that the 1992 Plan was the first plan of operation that set forth Peeples' intent to mine the discarded tailings from the Spielman and Bender operation. It does not show an intent to mine platinum group metals.

30. On March 15, 1996, a fourth plan of operation (the "1996 Plan") was submitted to the Department by a representative of Peeples. See Department's Exhibit 14. The Department provided no written approval or disapproval of the 1996 Plan until September 1, 2000. See Department's Exhibit 21.

31. The 1996 Plan stated the following:

> We will process and reclaim the stockpile, the tailings, the settling ponds and other areas left undone by the former Mining Co. The material will be processed thru a grizzly, thru a scrubber trummel, across a screen system and then the fines go thru the riechart system, middlings go thru a bowl & sluce box and the oversize is discharged. The fines and middlings concentrates are then put across tables for gold recovery. Estimation of yards of materials to be handled and processed is 600,000 to 800,000 yards. The Plant will be operating 8 to 10 hours per day, 5 days per week.

See Department's Exhibit 14. The 1996 Plan is not signed. Id. The 1996 Plan identified Peeples as the operator. Id.

32. The 1996 Plan listed 38 items of equipment to be placed on the Property. Id. The 1996 Plan also stated that a 1.5 million gallon fresh water storage pond would be installed on the Property. Id.

33. On June 7, 2000, a fifth plan of operation (the "2000 Plan") was submitted to the Department by a representative of Peeples. See Department's Exhibit 20. The Department provided no written approval or disapproval of the 2000 Plan until September 1, 2000. See Department's Exhibit 21. The 2000 Plan stated the following:

> Peeples AZ proposes to reclaim and recover valuable precious metals from certain inventoried material placed in settling ponds by previous operators on the site. Peeples AZ will reclaim the pond areas as they process same. A $15,000 Reclamation Bond was placed with the State of Arizona in 1995.

See Department's Exhibit 20. The 2000 Plan was not signed by a representative of Peeples. Id.

34. The 2000 Plan also stated the following:

> Evaluations of the impounded material has been an ongoing process since 1994. Assays show the presence of Gold, Silver and Platinum Group Metals. Beginning in 1997, extraction methods were initiated and have been improved to a current acceptable level. There is approximately 138,000 tons of material available in the ponds. Based on the best current available data, there are approximately 3,000,000 ounces of recoverable precious metals in the ponds having a value of approximately $700,000,000.

See Department's Exhibit 20.

35. On or about September 1, 2000, the Department notified Peeples that the 1992 Plan, 1996 Plan and the 2000 Plan were rejected because they had not been submitted by the lessee of record (i.e., Spielman and Bender). See Department's Exhibit 21. However, in December of 2000, Mr. Arnold Spielman submitted a letter to the Department stating the following:

> I received a copy of your November 22, 2000 letter to Maurice Furlong. You said that Peeples' activities on the property that is covered by Mineral Lease Agreement 11-86475 would have to be approved by me. When you talked with Alvin Schlabach and me many years ago and suggested that we enter a contract with Peeples which we did, I thought I had given my authorization. I entered an agreement with Peeples many years ago that allowed them to operate the Lease. If you need any more authorization then this is it. Thank you for your consideration.

See Department's Exhibit 22.

36. On January 1, 2001, a sixth plan of operation (the "2001 Plan") was submitted to the Department by a representative of Peeples. See Peeples' Exhibit BB. The status of the 2001 Plan is unknown to the undersigned Administrative Law Judge.

E. Environmental Concerns.

37. In 1996, Mr. Schlabach telephoned Mr. Rice and requested permission to begin mining the Property. Mr. Rice testified that he gave verbal permission to Mr. Schlabach to "do a mill run test, some bulk samplings . . ." Mr. Rice further testified:

> . . . [T]hat's why [Mr. Schlabach] placed that trommel on the site in anticipation of doing that testing, and back to your question, that was not part of the plan, no, it was a requirement that I had made of Mr. Schlabach beginning in 1992 that he do some testing on the property to confirm the feasibility of processing the tailings.

See 3-14 Transcript, page 61.

38. Mr. Rice conceded that he never put a limit on the quantity of material to be processed by Mr. Schlabach. However, Mr. Rice testified that there was an understanding that Mr. Schlabach would only perform a bulk sampling in a mill run test. Mr. Rice testified that he allowed Mr. Schlabach to move some equipment onto the Property for testing purposes. Mr. Rice testified that the necessary equipment for a mill run test consisted generally of a grizzly, feed hopper, trommel, Reichert concentrating spiral, and some earth moving equipment like a bobcat loader or small front end loader.

39. The definition of a "mill run" in the Dictionary of Mining, Mineral, and Related Terms, (Second Edition), compiled by the American Geologic Institute, is "[a] given quantity of ore tested for its quality by actual milling; the yield of such a test." See Department's Exhibit 42. Mr. Rice testified that the 2000 Plan and 2001 Plan show equipment currently on the Property that is in excess of the equipment that he had authorized for a mill run test. See Department's Exhibit 20; Peeples' Exhibits BB & JJJ (pictures).

40. Mr. Rice also testified that he had previously approved of the placement of a pond for testing as long as it was placed in an already disturbed area of the Property.

However, Mr. Rice testified that he discovered during a March 1996 inspection that a portion of a large pond (in excess of that required for testing) had been placed in an undisturbed area on the Property. Mr. Rice further testified that there had been unauthorized excavations within the drainage areas of the Property that had previously been reclaimed.

41. Dr. Ottozawa Chatupron is the Manager of the Department's Engineering Department. In March of 1996, Mr. Rice and Dr. Chatupron inspected the Property. Mr. Schlabach was present for this inspection. Mr. Rice testified that the purpose of the inspection was to discuss the testing of the tailings on the Property and the reclamation of the Property. Mr. Rice testified that he or Dr. Chatupron told Mr. Schlabach that several conditions had to be satisfied prior to testing the tailings at the Property. Dr. Chatupron memorialized a list of these conditions for the Department's files. See Peeples' Exhibit Z. However, the Department never sent a written list of these conditions to Peeples or Mr. Schlabach.

42. Mr. Rice testified that one of the conditions was for Mr. Schlabach to contact the Army Corps of Engineers and the Arizona Department of Environmental Quality ("ADEQ") prior to testing on the Property to determine and resolve any environmental issues. Mr. Rice testified that he told Mr. Schlabach to contact ADEQ and the Army Corps of Engineers to acquire the appropriate permits for testing on the Property. However, the Department never sent a letter to Peeples requiring that Peeples contact ADEQ or the Army Corps of Engineers. Dr. Chatupron testified that Peeples or Mr. Schlabach never acquired these permits in 1996.

43. Mr. Maurice Furlong is the president and CEO of Hexagon Consolidated Companies of America ("HCCA"), the company that owns Peeples. He is also the Director of Peeples Mining Company in Nevada. Mr. Furlong testified that Peeples has applied for the appropriate permits to mine the Property. See Peeples' Exhibits HHH &

JJJ. Mr. Furlong testified that ADEQ has already informed Peeples that a permit will not be necessary for mining the Property. See Peeples' Exhibit III.

44. Mr. Rice testified that Peeples was also supposed to place rip-rap to prevent erosion of the tailings, construct a fence around the fresh water pond, remove inoperable equipment from the Property, meter any water use, use corrugated pipe as a low flow culvert for existing grade control structures within the Property's wash, and construct a spillway for the freshwater pond. Mr. Rice further testified that there was not supposed to be any further filling or excavation in the Property's wash. However, as stated above, the Department never sent a letter to Peeples regarding these conditions. Mr. Rice testified that a subsequent inspection revealed that Peeples had failed to satisfy most of the conditions.

45. Mr. Rice testified that he spoke to Mr. Maurice Furlong by telephone in February of 2000. Mr. Rice testified that Mr. Furlong asked to replace some equipment on the Property. Mr. Rice testified that he approved the replacement of the equipment on the Property. Mr. Rice also testified that Mr. Furlong asked to construct a canopy on the Property to provide shade for the mill run test. Mr. Rice testified that he approved the canopy. Mr. Rice testified that he could not recall if he had approved the construction of a steel framed canopy.

46. In May of 2000, Mr. Rice and Mr. Richard Ahern, a geologist with the Department, made a field visit to the Property. Mr. Rice testified that he personally viewed the steel framed canopy on the Property. See Peeples' Exhibit GG (picture of canopy). Mr. Rice testified that the steel framed canopy was not what he had envisioned when he approved of a simple canopy to provide shade for a mill run test at the Property. However, Mr. Rice conceded that the steel framed canopy could be removed with no remnants left behind.

47. Mr. Rice testified that substantial equipment had been moved onto the Property

and three additional ponds had been excavated in the Property's wash. Mr. Rice testified that some of the equipment, the steel framed canopy and the additional ponds had been placed or constructed on previously undisturbed areas of the Property.

48. Mr. Furlong testified that he has paid over $800,000.00 for the equipment on the Property. Mr. Furlong testified that his extended family has paid another $400,000.00 to mine the Property.

F. Sale of Tailings

49. Mr. Maurice Furlong testified that Peeples has an interest in the Mineral Lease because of the aforementioned Subcontract. See Department's Exhibit 15. Mr. Furlong testified that Peeples contracted to sell the tailings on the Property in 1994 to a company named Zarzion, Ltd. However, Mr. Furlong testified that HCCA ultimately purchased the tailings from Zarzion, Ltd. Mr. Furlong testified that HCCA transferred the tailings back to Peeples.

G. Expert testimony - Assays

a. Dr. Donald Jordan - MRAL

50. Dr. Donald E. Jordan is the owner of Metallurgical Research and Assay Laboratory ("MRAL") in Phoenix, Arizona. See Peeples' Exhibit MMM (resume). Dr. Jordan is the chief analytical chemist and research person for MRAL. Dr. Jordan is a registered assayer in the State of Arizona. Dr. Jordan is also a shareholder of HCCA, the company that owns Peeples.

51. Peeples provided assays to the Department that were performed by Dr. Jordan and MRAL. See Department's Exhibit 2. Dr. Jordan's assays do not indicate if blanks or standards were used during the assaying process. Id. Dr. Jordan's assays indicate high amounts of gold, silver and platinum group metals in the tailings at the Property. Id. Dr. Jordan's assays indicate amounts of platinum group metals that are greater than that found in producing platinum mines.

52. Dr. Jordan testified that MRAL does not participate in any governmental proficiency testing programs for platinum group metals.

53. Dr. Jordan does not use the lead fire assay method that is a standard technique in the industry for assaying platinum group metals and for removing iron interferences that cause artificially high and incorrect results for platinum group metals and other precious metals. Dr. Jordan used a Direct Current Plasma spectrometer to determine the amount of platinum or other precious metals in the samples. Dr. Jordan testified regarding acceptable wavelengths for the ICP and DCP machines. However, he could not discuss the technologies involved in the machines. Dr. Jordan employs a proprietary process to remove iron and nickel from the "dore" bars. Dr. Jordan refused to disclose this proprietary process.

b. Mr. D. A. Shah

54. Peeples also submitted assays performed by Dnyanendra A. Shah, an Arizona registered assayer. See Peeples' Exhibit DD. Mr. Shah is a chemist and chemical engineer. See Peeples' Exhibit CC (resume). He is the president of Copper State Analytical Laboratories ("CSAL"). Mr. Shah is not a geologist. Mr. Shah conceded that he has little experience in assaying platinum group metals. Mr. Shah testified that he has never performed platinum assays for major corporations, platinum purchasers, or platinum refiners.

55. Mr. Shah assayed samples of material from the Property. He ran assays of belt sludge water, mill feed, sludge and a "dore" bar produced from samples put through a fire assay process at Minex that involved introducing nickel into the sample and subjecting it to a fusion process. Mr. Shah testified that he used "Dr. Jordan's procedure" to assay the samples. Mr. Shah explained that "Dr. Jordan's procedure" requires that a sample be dissolved in "aqua regia" which is combination of nitric acid

and hydrochloric acid. Mr. Shah testified that he found good values for the platinum group metals using "Dr. Jordan's procedure".

56. Mr. Shah conceded that the Arizona Department of Health Services has found deficiencies in CSAL's quality control procedures. Mr. Shah conceded that the Arizona Department of Health Services has found deficiencies concerning expired standards utilized by CSAL in detecting metals. Mr. Shah conceded that these deficiencies have occurred in the past year.

57. Mr. Shah does not verify his results by running blanks and standards throughout the entire assay process. Mr. Shah only ran a standard through the ICP emissions machine to verify the manufacturer's wavelengths for platinum group metals.

58. Mr. Shah testified that he also used a second procedure to assay the samples. Mr. Shah testified that the second procedure included a fire assay using tin as a collector. Mr. Shah testified that this second procedure was used to verify "Dr. Jordan's procedure". However, notable inconsistencies occurred in the results between the two procedures regarding gold and silver.

59. Mr. Shah attributed these inconsistencies to a lack of homogeneity in the sample. Mr. Shah explained that different portions of the same sample can produce different results. However, the values reported under the two procedures are virtually identical for palladium and iridium. Accordingly, the lack of homogeneity of the sample cannot account for the inconsistencies between the two procedures performed by Dr. Shah.

60. The undersigned Administrative Law Judge finds that the assay reports submitted by Dr. Jordan and Mr. Shah are highly suspicious and unreliable. This finding is based on the credible expert testimony presented by the Department's witnesses (discussed below).

61. In May, 2000, the Department collected four samples of material from barrels on the Property and one sample from a white tub on the Property. Mr. Richard Ahern is a geologist for the Department. Mr. Ahern collected the samples at the Property. Mr. Ahern testified that a Peeples' representative told him that the sampled material in the barrels came from the tailings ponds. Mr. Ahern later collected two more samples at the Property. Mr. Ahern testified that he took the samples to Actlabs-Skyline ("Actlabs"). Actlabs is a reputable and reliable commercial laboratory that specializes in platinum group metal assays. Actlabs has performed thousands of assays over the last year. Actlabs is well known throughout the mining industry.

62. The Actlabs assay report showed that both blanks and standards were utilized. Blanks and standards are used to assure that the assay procedures are accurate and produce reliable results. A "blank" is a material known to contain none of the elements of interest in the analysis. A "standard", or reference material, is a material containing a specific known concentration of the element. See Department's Exhibit 29, pp. 26-27. Mr. Ahern testified that the Actlabs assay report showed an assay grade for gold of .005 ounces per ton for the materials sampled by the Department from the barrels. See Department's Exhibit 1.

63. Mr. Ahern testified that he calculated that Peeples will spend a minimum of $4.81 per ton to produce $1.37 per ton worth of gold., operating at a loss of $3.44 per ton or more. See Department's Exhibit 7 (Ahern Report). Mr. Ahern further calculated that Peeples would spend in excess of $704,883.00 to produce less than $188,736.00 worth of gold at an operating cost of $1,021.57 per ounce. Id. Mr. Ahern concluded that this would create a direct operating loss of $516,148.00 for Peeples. Id. Mr. Ahern testified that the Actlabs assay report showed platinum values that were too minimal to even consider.

c. Dr. Eric Hoffman - Actlabs

64. Dr. Eric Hoffman testified regarding assay procedures and technology. Dr. Eric

Hoffman has a Bachelor of Science degree from McGill University in Montreal, Canada; a Master of Science degree from McGill University; and a Ph.D. in geochemistry from the University of Toronto. See Department's Exhibit 4 (resume). Dr. Hoffman's Ph.D. thesis dealt with platinum group metals and the gold content of nickel sulfide ores. He has written numerous papers regarding assay techniques. He is president of Activational Laboratories, Ltd. and is a major shareholder in Actlabs.

65. Dr. Hoffman testified that Actlabs participates in proficiency testing and has been deemed proficient in testing for gold, platinum and palladium by the Canada Center for Mineral and Energy Technology (CANMET). Actlabs also is accredited to the Standards Council of Canada and the International Standards Organization.

66. Dr. Hoffman testified that Actlabs uses blanks and standards in its testing. Dr. Hoffman testified that most mainstream commercial laboratories will routinely use blanks and standards to validate their results. Dr. Hoffman testified that blanks and standards are used as a check to make sure that the values that are obtained in the assays are reliable relative to what was obtained on the certified reference materials.

67. Dr. Hoffman testified that there is no reason to believe that protocols for assaying and security were not followed regarding the samples submitted by the Department from the Property. Dr. Hoffman testified that the techniques used by Actlabs to assay the Department's samples from the Property involved a combination of lead fire assay collection, followed by an ICP/MS finish on the analyses. Dr. Hoffman testified that this technique is aimed at detecting very low levels of platinum and palladium. Dr. Hoffman testified that the lead fire assay collection technique is the mainstream technique used by virtually all labs that are assaying gold, platinum and palladium.

68. Dr. Hoffman testified that the lead fire assay component of the analysis is necessary to separate iron from the gold and platinum metals. Dr. Hoffman testified

that this pre-concentration of the precious metals (e.g., gold or platinum) is necessary to avoid iron interference using the ICP emissions spectrometer or the Direct Current Plasma instrumentation. The ICP/MS and Neutron Activation techniques used by Actlabs are substantially different methodologies from the ICP emissions spectrometer used by Mr. Shah in assaying on behalf of Peeples and the DCP emissions spectrometer used by Dr. Jordan in assaying on behalf of Peeples.

69. Dr. Hoffman compared the Actlabs assay report to Dr. Jordan's MRAL assay report. See Department's Exhibits 1 & 2. Both reports pertained to the assaying of virtually the same material on the Property. Dr. Hoffman testified:

> There is no resemblance whatsoever. [Dr. Jordan's] numbers – I would have to do the calculations, but we're talking many orders of magnitude difference in values. [Actlabs] is showing essentially background levels and [Dr. Jordan is] showing the most phenomenal values that I've ever seen.

See 1-18-01 Transcript, page 107.

70. Dr. Hoffman testified that the Actlabs assay report showed some minor amounts of gold in some of the samples collected by the Department from the Property. Dr. Hoffman testified that it would not be economically feasible to extract the gold from the Property. Dr. Hoffman testified that it would not be economically feasible to mine platinum from the Property even if the price of platinum escalated to "many thousand times of what it is now."

71. Dr. Hoffman testified that Actlabs also used a second assay procedure involving a nickel sulfide fire assay concentration, followed by a neutron activation analysis technique. Dr. Hoffman has pioneered the assay techniques using nickel sulfide as a collector. The results from the nickel sulfide assay collection procedure also showed insignificant amounts of gold, platinum and paladium for the five samples collected from the Property.

72. Dr. Hoffman reviewed the assays performed by Mr. Shah and CSAL. Dr. Hoffman testified that Mr. Shah failed to properly consider interferences that can provide false values for an element. Dr. Hoffman testified that there was an obvious problem with the furnace that was used by Mr. Shah during his assay. Dr. Hoffman further testified that Mr. Shah failed to indicate if he had added tellurium to the tin fire assay procedure. Dr. Hoffman explained that tellurium is essential to the tin fire assay procedure. Dr. Hoffman also noted other inconsistencies in Mr. Shah's assays. See 3-15 Transcript, pp. 142-161.

73. Mr. Rice testified that the Department also sent the five initial samples (returned by Actlabs) to Bondar-Clegg for analysis, along with two samples of black sand heavy mineral fraction taken from the Property. See Department's Exhibit 27 (Bondar-Clegg Report). Mr. Rice testified that Bondar-Clegg is a very well known analytical lab in Canada. Bondar-Clegg used blanks and standards in its analysis. Id. Mr. Rice testified that the Bondar-Clegg assay results are consistent with the Actlabs assay results.

d. Mr. Matt Shumaker

74. Mr. Matt Schumaker is employed as a geologist for the U.S. Department of Interior, Bureau of Land Management, National Training Center in Phoenix, Arizona. Mr. Schumaker is registered as a professional geologist with the Arizona State Board of Technical Registration. Mr. Schumaker reviews assay reports for mineral patent applications for the U.S. Secretary of Interior.

75. Mr. Schumaker testified that he has reviewed assay reports created by Dr. Jordan. Mr. Schumaker testified that in one instance, the federal government reviewed a claim that gold and platinum were present in substantial values on federal land in Nevada. Mr. Schumaker testified that the claim was supported by assay reports created by Dr. Jordan. Mr. Schumaker testified that Dr. Jordan's assays "showed purported

concentrations of gold, silver, platinum, palladium and other precious metals in concentrations that are basically unprecedented on earth." See 3-14 Transcript, p. 162.

76. Mr. Schumaker testified that he sent three samples to Dr. Jordan for testing. Mr. Schumaker testified that two of the samples came from the Nevada mining claim. Mr. Schumaker testified that the third sample came from his front yard. Mr. Schumaker testified that he never told Dr. Jordan that one sample was from his front yard. Mr. Schumaker testified that Dr. Jordan provided assay results that were incorrect.

77. Mr. Schumaker testified that Dr. Jordan and MRAL incorrectly reported significant amounts of platinum in the sample that consisted of yard dirt. See Department's Exhibit 29, pp. 35-39. Mr. Schumaker testified that MRAL reported assay results showing no platinum when it was provided with a sample of highly enriched platinum from the Stillwater Platinum Mine in Montana. Id. The report produced by the federal examiners recommended that the federal government not rely on assays performed by MRAL or Dr. Jordan. The report concluded:

> The poor lab technique and wildly incorrect results for blanks and standards cause all results reported by MRAL to be suspect. . . .The problems that we found cast considerable doubt on any assays reported by this laboratory. We believe that results reported by MRAL, Donald Jordan or the staff of MRAL should not be accepted at face value by the BLM for any purpose, and that independent analysis of verifiable samples by an unrelated, competent lab must be required.

See Department's Exhibit 29, p. 39.

e. Dr. Levitt Clark Arnold

78. Dr. Levitt Clark Arnold is a geologist. See Department's Exhibit 31 (resume). Dr. Arnold testified that he was asked to review a mining claim in Nevada in 1998. Dr. Arnold testified that the mining claim was based on assay reports created by Dr. Jordan showing large quantities of precious and platinum group metals. Dr. Arnold testified that he sampled the mining claim. Dr. Arnold testified that he also collected a sample from a street corner in Tucson, Arizona. Dr. Arnold testified that he sent the samples to

Dr. Jordan and to a reputable company called Actlabs. See Department's Exhibit 32 (Arnold Report).

79. Dr. Arnold testified that the Actlabs assay report showed that the samples from the mining claim and the Tucson street corner showed no precious or platinum group metals. However, Dr. Arnold testified that Dr. Jordan found significant amounts of platinum and precious metals in the mining claim samples. Dr. Arnold further testified that Dr. Jordan also found significant amounts of platinum and precious metals in the sample taken from the Tucson street corner. Dr. Arnold concluded that he would never rely on assays performed by Dr. Jordan.

f. Dr. Sydney Williams

80. Dr. Sydney Williams has a Bachelor's and Master's degree from the Michigan School of Mines. Dr. Williams also has a Doctorate in mineralogy, petrography and geochemistry from the University of Arizona. He is currently a consultant in the mineral exploration industry. Dr. Sydney Williams performed an X-ray fluorescence analysis on samples taken from the Property by the Department to identify the samples' component elements. Dr. Williams testified that he found no trace of gold or platinum in the samples.

g. Dr. Charles Miller

81. Dr. Charles Miller is an Arizona Registered Geologist, with a Bachelor of a Science degree in Mining Engineering from Lehigh University; a Bachelor of a Arts degree in Geology from Lehigh University; and a Master's and Ph.D. degree in Geology from Stanford University. Dr. Miller has 43 years of experience in economic geology and mineral exploration. He has worked in most of the western United States, Mexico, Canada, Central America and the Carribean. On January 13 & 14, 2001, Dr. Miller inspected the Property. Dr. Miller prepared a report (the "Miller Report") describing the location of the Property and the geologic conditions at the Property. See Department's Exhibit 3. The purpose of the Miller Report was to evaluate the geologic conditions that

affected the mineral values of the tailings on the Property. Id.

82. Dr. Miller reviewed the Mineral Lease Application Evaluation Report prepared by Mr. Spalding. See Department's Exhibit C. Dr. Miller testified that Mr. Spalding found that the average grade of gold was .02 for the samples taken by Mr. Spalding in 1983 of the Property.

83. Dr. Miller testified that Actlabs is considered one of the most accurate and reliable labs in the country regarding assays. Dr. Miller testified that Actlabs is well known throughout the mining industry. Dr. Miller reviewed the Actlabs assay report on the samples taken from the Property. See Department's Exhibit 1. Dr. Miller testified that the assays showed that the ounces per ton of gold range from .000280 to .0143. Dr. Miller testified that it would not be economically feasible to mine gold at such a low grade.

84. Dr. Miller testified that the Actlabs assay report showed that the ounces per ton of platinum range from .000014 to .00032. See Department's Exhibit 1. Dr. Miller testified that it would also not be economically feasible to mine platinum at such a low grade. Dr. Miller concluded that the geologic setting of the Property made it geologically unlikely that any significant concentrations of platinum group metals would occur in the small gold placer deposits in the Property. See Department's Exhibit 3. Dr. Miller testified that there are no mines in Arizona that are primarily producing platinum.

85. Dr. Miller also reviewed the assay reports submitted by MRAL regarding samples taken from the Property. See Department's Exhibit 2. Dr. Miller testified that he was not familiar with Dr. Jordan or MRAL. Dr. Miller testified that he would not rely on the MRAL assay report because it failed to set forth the technique used by MRAL in assaying the samples from the Property. Furthermore, Dr. Miller testified that the MRAL assay report failed to show if blanks and standards were used. Dr. Miller explained that blanks and standards are used to verify that the assay procedures are

accurate.

86. Dr. Miller defined "tailings" as a term used in the mining industry to represent rejects from a processing operation . . . the material from which the valuable minerals have been extracted. Mr. Miller defined "waste" as material that has no economic value, no valuable concentrations, or economically recoverable concentrations of valuable elements. Mr. Miller testified that the tailings on the Property are waste rock.

h. Dr. Anthony Naldrett

87. Dr. Anthony Naldrett holds a Masters of Science degree and a Ph.D. from Queen's University in Canada in rocks, minerals, and the geochemistry of copper/nickel/platinum deposits. See Department's Exhibit 5 (resume). Dr. Naldrett has worked in just about every copper-nickel and platinum deposit in the world and has spent all of his professional career analyzing copper/nickel deposits and the platinum group elements contained within.

88. Dr. Naldrett testified that the nickel sulphide fire assay coupled with neutron activation finish used by Actlabs is the standard technique used in the industry for detecting the platinum group elements.

89. Dr. Naldrett concluded that the Property's geologic setting would make it unlikely that any concentrations of platinum group metals would occur in the gold placer deposits in the Property.

90. Dr. Naldrett compared the Actlabs assay report to Dr. Jordan's MRAL assay report. See Department's Exhibits 1 & 2. Dr. Naldrett found the results reported in the Actlabs assay report to be more believable because of the geology of the Property. Dr. Naldrett testified that the Actlabs assay report showed that the samples collected at the Property are waste. Dr. Naldrett testified that there are no primary producers in the world that are mining platinum group metal deposits of a grade as low as that reported by Actlabs for the samples collected at the Property.

91. Dr. Naldrett also reviewed Dr. Jordan's MRAL assay report. See Department's Exhibit 2. Dr. Naldrett testified that he is not aware of any mine in the world producing values as high as the values reported by Dr. Jordan. Dr. Naldrett testified that Dr. Jordan's values are one hundred times greater than the values reported from any deposit in the world.

---

92. On or about October 20, 2000, the Department issued to Peeples a Notice of Default and Denial of Plan of Operation that stated the following:

Pursuant to A.R.S. 37-289, notice is given that the above referenced lease is in default due to the following lease violation(s):

1. State Mineral Lease conditions provide under Page 1, Paragraph 5 that the lessee "shall not use nor permit the use of said lands and premises for any other purpose than herein authorized." The Mineral lease conditions provide under Page 3, Paragraph 2 that the permit "is issued for such leasable minerals now owned by the State of Arizona." The tailings constitute a common variety mineral under A.R.S. §27-271 and are not subject to mining, processing, or disposal under mineral lease agreement 11-86475 and would be instead be subject to public auction under A.R.S. § 27-271.
2. State Mineral Lease conditions provide under Page 2, Paragraph 13 that "This lease is made and accepted subject to existing law and any laws hereinafter enacted, also to the regulations relative to such leases heretofore or hereafter prescribed by the lessor. Pursuant to Arizona Administrative Code R12-5-511 and Page 2, Paragraph 13 of the lease agreement, a sublease requires approval by the Commissioner. The document entitled "subcontract", dated May 11, 1992, is a sublease that has not been approved by the Commissioner.
3. State Mineral Lease conditions provide under Page 2, Paragraph 13 that "This lease is made and accepted subject to existing law and any laws hereinafter enacted, also to the regulations relative to such leases heretofore or hereafter prescribed by the lessor. The conditions prerequisite to testing addressed environmental concerns and were required in order to avoid regulatory violations. The unauthorized excavation without necessary permits, is a regulatory violation and, therefore, a violation of the lease.
4. State Mineral Lease conditions provide under Page 4, Paragraph 21 that the Lessee agrees that before initiating exploration, development, or mining operations on the leased premises, lessee shall submit to the Arizona State Land Department a plan outlining the proposed operations and the measures to be taken to reasonably protect the environment from adverse effects probable under the operations. Upon approval by the State Land Commissioner, the plan shall attach to and become a

part of this lease, and the lessee may proceed with the operations proposed. The construction of footings and a steel framed canopy along with the placement of equipment beyond that required for testing, and the excavation of tailings ponds designed for mining all constitute development undertaken without approval of a plan of operation by the Land Commissioner, in violation of Page 4, paragraph 21 of the lease agreement.

See Notice of Default and Denial of Plan of Operation. The Department advised Peeples that it had 45 days to cure the aforementioned defaults. Id.

93. On or about October 20, 2000, the Department also denied the 1992 Plan, the 1996 Plan and the 2000 Plan for the following reasons:

1. The plans of operation propose mining tailings which contain no economically recoverable mineral values and pursuant to A.R.S. §27-271 are common variety minerals not subject to disposal under Mineral Lease Agreement 11-86475 and state law. The plans of operation propose activities that do not comport with the law, and therefore, should not be approved. Additionally, it is not in the best interests of the Trust to approve the June 7, 2000, plan that indicates mineral values the Department is unable to confirm.
2. The operator identified in the plans of operation has exceeded the scope of authorized non-mining activities on the leased premises, failed to address environmental concerns on the property and is, therefore, an unacceptable operator. It is not in the best interests of the Trust to allow an operator onto the property who cannot be relied upon to conduct operations in conformance with the lease and agreed upon conditions.
3. The plans of operation are incomplete, being either unsigned or not signed by an authorized agent. The document entitled "Subcontract", dated May 11, 1992, is insufficient to determine that the plans were submitted by the lessee or lessee's agent or that the plans would be implemented by the lessee or lessee's agent.
4. The plan incorporates unauthorized activities that are currently the subject of lease default.

See Notice of Default and Denial of Plan of Operation.

APPLICABLE LAW

1. Every mineral lease of state lands shall be for a term of twenty years. See A.R.S. § 27-235(B). The lease shall confer the right to extract and ship minerals from the leased land. See A.R.S. § 27-235(C)(1).

2. "Mineral" means "all metallic ore minerals and industrial minerals other than common variety minerals as defined in § 27-271." See A.R.S. § 27-231.

3. For purposes of this article, "common variety minerals":

    1. Includes deposits of petrified wood, stone, pumice, pumicite or cinders, decomposed granite, sand, gravel, boulders, common clay, fill dirt and waste rock.
    2. Includes deposits that, although they may have value for use in trade, manufacturing and the construction, landscaping and decorative rock industries, do not possess a distinct, special economic value for those uses beyond the normal uses of those deposits.

. . .

See A.R.S. § 27-271(1)& (2).

4. The Department may:

    dispose of common variety minerals at auction and may execute common variety mineral leases offered at auction for the severance, extraction or disposal of common variety minerals.

See A.R.S. § 27-272(A).

5. Every mineral lease of state lands shall provide for:

    The development and use of the property according to the lessee's general mining plan approved by the commissioner.

See A.R.S. § 27-235(D)(1).

6. General mining plan requirements:

A. Until the state land department adopts rules governing the general mining plans required by 27-235, subsection D, paragraph 1, Arizona Revised Statutes, as amended by this act, the department shall review and approve the plans pursuant to the requirements set forth in subsection B, C, and D. of this section.

B. The state land department may require some or all of the following components, or their substantial equivalents, to be included in a general mining plan for lands covered by the lease:
    1. A topographic map of the property.
    2. Proposed periods of operation.

3. A description of access routes.

4. A description of the types of vehicles to be used in mining operations.

5. Information sufficient to describe the development and mining activities, including the types and extent of mining operations to be performed on the leased property and an estimate of the acreage to be distributed.

6. An identification of any proposed exploration sites to be made on the map required by paragraph 1 of this subsection.

7. A summary of planned drilling operations, including ground elevation and total depth of planned drill holes.

8. A description of anticipated water use on the lands covered by the lease.

9. Information sufficient to describe planned reclamation activities.

C. A lessee shall submit a revised general mining plan to the state land department only if a substantial change to the activities or information described in an existing general mining plan occurs during the term of the lease. For purposes of this subsection, "substantial change" means a significant increase in the amount or a change in the type of minerals mined on the leased lands, a significant increase in the amount of acreage on leased land to be disturbed or a significant change in the nature or scope of planned development, mining or reclamation activities.

D. The state land department may disapprove a new or modified general mining plan if it does not contain the information set forth in subsection B of this section or if it is substantially inconsistent with any requirement of title 27, chapter 2, article 3, Arizona Revised Statutes. The department shall review any new or modified general mining plan and provide the lessee written approval or disapproval within sixty days of receipt of the plan. If the department disapproves a new or modified general mining plan, the department shall provide a detailed written explanation of the basis for the disapproval and an opportunity to modify the plan to address the basis for the disapproval.

See Laws 1998, Ch. 133, Section 24.

7. The Commissioner shall provide the lessee with a written report of each inspection, investigation and audit. A.R.S. §27-239(E).

8. The lessee of each mineral claim, if not in default of rent or royalty, and who has kept and performed all the conditions of his lease, may with the written approval of the Commissioner assign his lease. . . . See A.A.C. R12-5-1805(F).

CONCLUSIONS OF LAW

A. Default of Mineral Lease

1. The Department has the burden of proving that Peeples is in default concerning the Mineral Lease and that the Mineral Lease should be canceled. The standard of proof on all issues is by a preponderance of the evidence. Culpepper v. State, 187 Ariz. 431, 930 P.2d 508 (App. 1996). A "preponderance of the evidence is such proof as convinces the trier of fact that the contention is more probably true than not." Morris K. Udall, *Arizona Law of Evidence*, §5 (1960). It "is evidence which is of greater weight or more convincing than the evidence which is offered in opposition to it; that is, evidence which as a whole shows that the fact sought to be proved is more probable than not." *Black's Law Dictionary*, 1182 (6th ed. 1990).

2. The Department has met its burden of showing that the tailings on the Property constitute a common variety mineral pursuant to A.R.S. §27-271(1)&(2). The assay reports created by Dr. Jordan and Mr. Shah are highly suspicious and unreliable. The expert testimony presented by the Department shows that the tailings constitute waste and have no special economically recoverable value. See A.R.S. §27-271(1)&(2). The Department has met its burden of showing that the tailings cannot be mined under the Mineral Lease. See A.R.S. § 27-231 and A.R.S. § 27-235(C)(1). A common variety mineral must be mined and auctioned under a common variety mineral lease. A.R.S. §27-272(A).

3. However, the undersigned Administrative Law Judge concludes that the Mineral Lease cannot be canceled on the basis that the tailings constitute waste or a common variety mineral. The Mineral Lease pertains to the entire Property. The Property has a proven history of producing valuable minerals. The Property may still hold some valuable minerals. The Department has only proven that the tailings are not economically valuable.

4. The undersigned Administrative Law Judge concludes that the Mineral Lease cannot be canceled on the basis that Peeples failed to obtain written consent of the Subcontract by the Commissioner pursuant to A.A.C. R12-5-1805(F). The evidence shows that the Department viewed and accepted Peeples as the Lessee under the Mineral Lease. The Department (1) accepted rent from Peeples; (2) accepted three surety bonds from Peeples; (3) accepted Affidavits of Performance from Peeples; and (4) never informed Peeples over an eight year relationship that the Subcontract was invalid or ineffective.

5. The Administrative Law Judge concludes that the Mineral Lease cannot be canceled on the basis that Peeples failed to obtain the appropriate permits from ADEQ and the Army Corps of Engineers for mining the Property. ADEQ apparently does not require a permit for the type of mining that Peeples has proposed to conduct. Peeples is also working with the Army Corps of Engineers to obtain the required permit to mine the Property.

6. The Administrative Law Judge concludes that the Mineral Lease cannot be canceled on the basis that Peeples performed unauthorized excavation on the Property, installed unauthorized equipment on the Property and failed to satisfactorily complete a list of conditions prior to mining the Property.

7. Mr. Rice is statutorily required to provide a written report to the lessee after an inspection. A.R.S. §27-239(E). However, Mr. Rice failed to send a letter to Peeples setting forth the list of conditions that required completion prior to mining the Property. Likewise, Mr. Rice verbally authorized equipment (including the installation of a pond) for a mill run test on the Property. Peeples may have installed more equipment than necessary for a mill run test. However, once again, Mr. Rice failed to put anything in writing. Almost all of the communications between Mr. Rice and Peeples were verbal and informal. Without formal written instructions, it was reasonable for Peeples to

misinterpret the situation. In any event, the Mineral Lease should not be canceled on the basis of unauthorized excavation and equipment.

B. Denial of Plans of Operation

8. The Department has the burden of proving that it properly denied the 1992 Plan, the 1996 Plan and the 2000 Plan. The standard of proof on all issues is by a preponderance of the evidence. Culpepper v. State, 187 Ariz. 431, 930 P.2d 508 (App. 1996). A "preponderance of the evidence is such proof as convinces the trier of fact that the contention is more probably true than not." Morris K. Udall, *Arizona Law of Evidence*, §5 (1960). It "is evidence which is of greater weight or more convincing than the evidence which is offered in opposition to it; that is, evidence which as a whole shows that the fact sought to be proved is more probable than not." *Black's Law Dictionary*, 1182 (6th ed. 1990).

9. The Department may disapprove a plan of operation if it does not contain the information or components set forth in Laws 1998, Ch. 133, Section 24, paragraph B **or if the plan of operation is substantially inconsistent with any requirement of Title 27, Chapter 2, Article 3 of the Arizona Revised Statutes.** See Laws 1998, Ch. 133, Section 24, paragraph D (emphasis added). No evidence was presented showing that Peeples did not comply with the requirements in Laws 1998, Ch. 133, Section 24, paragraph B.

10. The Department argued that the 1992 Plan, the 1996 Plan and the 2000 Plan are substantially inconsistent with any requirement of Title 27, Chapter 2, Article 3 of the Arizona Revised Statutes. See Laws 1998, Ch. 133, Section 24, paragraph D. More specifically, the Department argued that "mineral' is defined as all metallic ore minerals and industrial minerals other than common variety minerals. A.R.S. §27-231. The Department argued that the aforementioned Plans provide for the mining of tailings or a common variety mineral. The Department argued that the mining of a common variety mineral is substantially inconsistent with the terms of the Mineral Lease and Title 27,

Chapter 2, Article 3 of the Arizona Revised Statutes (both of which pertain to the mining of minerals other than a common variety mineral). See A.R.S. § 27-231 and A.R.S. § 27-235(C)(1).

11. The undersigned Administrative Law Judge concludes that the Department has met its burden of showing that the tailings on the Property constitute a common variety mineral pursuant to A.R.S. §27-271(1)&(2). The assay reports created by Dr. Jordan and Mr. Shah are highly suspicious and unreliable. The expert testimony presented by the Department shows that the tailings constitute waste and have no special economically recoverable value. See A.R.S. §27-271(1)&(2). The Department has met its burden of showing that the tailings cannot be mined under the Mineral Lease. See A.R.S. § 27-231 and A.R.S. § 27-235(C)(1). A common variety mineral must be mined and auctioned under a common variety mineral lease. See A.R.S. §27-272(A).

12. The Department has the responsibility to prevent undue and unnecessary degradation of state lands. The Department has the authority and the responsibility to reject the 1992 Plan, the 1996 Plan and the 2000 Plan if the Department believes that the tailings constitute waste (or a common variety mineral) that cannot be mined under the terms of the Mineral Lease. See A.R.S. § 27-231, A.R.S. § 27-235(C)(1), A.R.S. § 27-271(1)&(2) and A.R.S. § 27-272(A). In short, the Department's approval of the 1992 Plan, the 1996 Plan and the 2000 Plan would violate the terms of the Mineral Lease as well as existing law. Accordingly, the undersigned Administrative Law Judge concludes that the Department has met its burden of showing that the Department properly denied the 1992 Plan, the 1996 Plan and the 2000 Plan.

13. The undersigned Administrative Law Judge concludes that the Department has not met its burden of showing that the Department had the authority to deny the 1992 Plan, the 1996 Plan and the 2000 Plan based on the remaining items set forth in the Denial of Plan of Operation (See above discussion in Default of Mineral Lease).

RECOMMENDED DECISION

Based on the foregoing, the undersigned Administrative Law Judge recommends that the Mineral Lease not be canceled. The undersigned Administrative Law Judge further recommends that the Department's denial of the 1992 Plan, the 1996 Plan and the 2000 Plan be upheld.

Done this day, May 14, 2001.

Casey J. Newcomb
Administrative Law Judge

Original transmitted by mail this
14 day of May, 2001, to:

Michael E. Anable
State Land Department
ATTN: Merv Mason
1616 West Adams
Phoenix, AZ 85007

By Alicia Vazquez

Arizona Department of Mines and Mineral Resources
Field Visit Information Summary

Mine: Peeples Lease (f)
County: Yavapai Co.
Location: T13N, R4W, Sec. 11 NW

Date: July 29, 2000
Engineer: Nyal Niemuth

Following a number of recent investor inquiries and a prior inquiry from Laura Shimkus, Special Agent, Dept. of the Treasury, Internal Revenue Service, Chicago, IL (6/97) a brief reconnaissance visit was made to see if 1) any large quantity of tailings were in evidence from a prior mining operation that could today serve as a reserve of precious metals, 2) what if any activity was occurring at the site and 3) examine the onsite geology.

Background: The property is reported by Hexagon Consolidated Companies of America Inc. (Trading Symbol HCCA) in their Securities and Exchange Commission 10-SB filing, under its Peeples Mining Co. subsidiary to have in excess of 500,000 tons in ore concentrate and or tailings valued at over $3 billion in precious metals (over $10,900 dollars per ton of gold, but mostly the platinum group metals platinum, osmium, rhodium, reported values of over an ounce for platinum and osmium!) by Arizona registered assayer Don Jordan, Metallurgical Research and Recovery Lab. (See ADMMR Peeples Lease file for details of the filing).

No personnel were at the site at the time of my visit. A camper vehicle may host some personnel but was empty. No one appears to have been onsite since the last rain.

The site is located in a saddle of an eroding gravel pediment on the west side of the Bradshaw Mountains. Sometime, apparently a few years ago, based on vegetation growth, some retention basins were established in the the wash just south of the mill site. See attached portion of the USGS Kirkland topographic map for access and location details.

Constructed of an open sided but coverd mill building was recently started and appears to be just about completed. Standard marine cargo containers are used as 3 "walls" and to provide rooms. A trommel and spirals appears to have been used while nearly all the other concentrating equipment is new and appears to have been just delivered as it stashed as unloaded and not installed in a working manner. Portions of the wiring and compressed air lines are also still under construction. (Compare the photos I took on July 29 to those posted on the web a month or so earlier when the equipment is not there.) The earth moving equipment is used but it also appears not to have been used on the site (or for some time) as it shows signs of refurbishment but no evidence of any wear on blades, etc. Equipment consist of a D-4, blade, tractor mounted backhoe, construction yard forklift.

Many barrels (over a hundred?) that contained screened gravel are stacked on one of the sites middle terraces. A few of the barrels contain gravel material that appears to have been roasted or chemically treated.

There is no evidence of recent mining but instead the remains of what appears to have been a placer sampling project as evidenced by sreened piles and retension basins.

Two grab samples were taken.

1) "cocncentrate from an open barrel. the material appears to have been raoseted or chemically treated.
2) Screened gravel from the pile located to the east of the trommel.

See photos 7-29-2000 #1-23 and notes on attached portion of topographic map for site details.

STATE LAND DEPARTMENT OF THE STATE OF ARIZONA
BEFORE THE STATE LAND COMMISSIONER

IN THE MATTER OF MINERAL LEASE NO. 11-86475 FOR THE STATE LAND DESCRIBED THEREIN.	ORDER NO. 160-2000/2001
	NOTICE OF DEFAULT AND DENIAL OF PLAN OF OPERATION
LESSEE: EUGENE BENDER AND ARNOLD SPIELMAN	ADMIN. DOCKET NO. 009-2000/2001

State Land Department
1616 WEST ADAMS
PHOENIX, ARIZONA 85007

BACKGROUND

The records of the Arizona State Land Department ("the Department") reflect:

1. A twenty year mineral lease, number 11-86475, was issued to Arnold Spielman and Eugene Bender commencing on May 2, 1983, expiring on May 1, 2003.

2. Production reports submitted to the Department indicate production of gold from the lease from April 1987 through February of 1989. Mining ceased in March 1989.

3. In December 1990, the Department was approached by Alvin Schlabaugh and Arnold Spielman, also known as Barnie Spielman, who proposed the processing of mill tailings for residual gold and to undertake reclamation of the property.

4. Thereafter in 1992, Peoples Mining, Inc. submitted a "Subcontract" dated May 11, 1992 between Peoples Mining, Inc. and Eugene Bender and Arnold Spielman. The document purports to allow Peoples Mining, Inc. to perform and carry out the terms of the lease. The document states that the Contractees (Spielman and Bender) will not interfere with the mining activities of the Contractor, Peoples Mining, Inc. Based on oral representations, Department staff understood that Peoples Mining, Inc. would be acting as the operator on the property and in behalf of the lessee.

5. A plan of operation proposing removal of gold from the tailings was submitted in 1992 by Peeples Inc. In 1996, a second amended and unsigned plan was submitted for review. Neither plan was submitted by the lessee and neither plan was acted upon by the Department.

6. On March 22, 1996, the Department authorized within a six month period, a mill run test of the tailings using the spiral concentrator then located on the property. Prior to conducting the testing, Peeples Mining, L.L.C. was to do the following:

a) Protect the toe of the tailings and drainage bank with rip-rap through the use of a wire gabion or rock and rail structure within the existing wash.

b) Use corrugated pipe as a low flow culvert for the existing grade control structures.

c) Place a chain link fence around the fresh water pond to prevent the loss of wildlife and contamination of the pond.

d) There was to be no excavation or filling of material into the wash.

e) The pre-existing tailings pond now showing growth of trees and other vegetation was to have the banks reinforced in order to avoid flooding and run-off into the wash.

f) Construct an emergency spillway for the fresh water pond that had been placed in an undisturbed area, was designed for mining purposes, and had not been authorized by the Department.

g) Contact the U.S. Army Corps of Engineers and Arizona Department of Environmental quality regarding mitigation of already excavated tailings ponds and the need for 401 and 404 permits.

h) Remove inoperable equipment, scrap metal, pvc pipe, and other debris from the property.

7. During the six month period allowed for a mill run test, Peeples Mining, L.L.C. was to meter any use of water, was to complete testing without the use of chemicals, and upon completion of testing, was to provide the Department with the results of testing. Upon confirming the economic feasibility of continuing, the Department would, at that time, review the plan of operation.

8. On June 22, 1997, Department staff conducted a field examination of the property. None of the conditions prerequisite to testing had been completed.

9. As reported on Affidavits of Assessments, the excavation of material from tailings ponds continued from and after March 22, 1996 without Peeples Mining L.L.C. having contacted either the U.S. Army Corps of Engineers or the Arizona Department of Environmental Quality.

10. Peeples Mining L.L.C. reported that on or about late January or early February, 2000 Peeples Mining L.L.C. moved equipment onto the property. The equipment moved onto the property is beyond the scope required for testing, includes lab equipment and chemicals, and was never authorized by the Department.

11. On or about May 11, 2000, Peeples Mining L.L.C. began construction of footings and a steel framed canopy without authorization.

12. On May 25, 2000 Department staff conducted a field examination of the property. During the course of the field examination, four samples of screened placer tailings and one sample of concentrate were obtained by the Department. Based on the assay of those samples and operating costs determined by the Department, there are no economically recoverable mineral values in the tailings.

13. On May 25, 2000 Department staff conducted a field examination of the property. As reported by Peeples Mining L.L.C., water use was not metered and records of the Department do not reflect payment for water used.

14. On May 25, 2000 Peeples Mining L.L.C. was directed to suspend activities on the property until further notice by the Department. From and after May 25, 2000, Peeples Mining L.L.C. completed construction of the steel framed canopy.

15. A third plan of operation, also not executed by the lessee, was submitted by Peeples Mining L.L.C. on June 7, 2000 stating that there was an approximate 3 million ounces of recoverable metals including gold, silver, and the platinum group metals. The plan also identified equipment already placed on the property as well as additional equipment that might be needed. The plan did not identify chemicals which would be used in the wet laboratory, indicates that no agencies were contacted regarding the

need for environmental or other operating permits, identifies 38 pieces of equipment on the property which are in excess of the requirements for the proposed operation identified in the plan at Figure 3A, the Water and Material Flow Sheet, and the plan fails to identify the steel framed canopy.

16. On page 8 of the plan of operation submitted by Peeples Mining L.L.C. on June 7, 2000, it is stated that there are "approximately 3 million ounces of recoverable precious metals in the ponds having a value of approximately 700 million," and that based on those figures the Department could expect to receive approximately 3.5 million dollars in royalties. Based on assay results and operating costs determined by the Department, there are no economically recoverable mineral values.

17. As reported by Peeples Mining L.L.C. in a letter dated July 24, 2000, Peeples Mining L.L.C. removed 400 pounds of material from the property. The removal of material from the property was never authorized by the Department.

18. On September 1, 2000, the Department sent a letter to Mr. Eugene Bender and Mr. Arnold Spielman, the lessees of record, and demanded that all equipment to be removed from the property. The certified letters were returned to the Department.

19. On September 1, 2000, the Department sent a letter to Hexagon Consolidated Companies of America, a Nevada corporation and the stated owner of Peeples Mining L.L.C. demanding that all equipment be removed from the property and that reclamation be completed.

20. On September 8, 2000, certified copies of the September 1, 2000, correspondence were sent to Mr. Maurice Furlong, Manager of Peeples Mining L.L.C.

21. In a letter dated September 10, 2000, Hexagon Consolidated Companies of America, Inc., states the material to be processed is not tailings. The material is mill tailings produced from April 1987 through February 1989.

22. In a letter dated September 12, 2000, Peeples Mining L.L.C. indicates that Hexagon Consolidated Companies of America, Inc. or "HCCA" purchased the mineral concentrate inventory on the property, which was previously processed and concentrated by Messrs. Bender and Spielman, and others. The sale of tailings and any mineral concentrate produced from further processing the tailings was never authorized by the Department.

NOTICE OF DEFAULT

Pursuant to A.R.S. § 37-289, notice is given that the above referenced lease is in default due to the following lease violation(s):

1. State Mineral Lease conditions provide under Page 1, Paragraph 5 that the lessee "shall not use nor permit the use of said lands and premises for any other purpose than herein authorized." The Mineral lease conditions provide under Page 3, Paragraph 2 that the permit "is issued for such leasable minerals now owned by the State of Arizona." The tailings constitute a common variety mineral under A.R.S. §27-271 and are not subject to mining, processing, or disposal under mineral lease agreement 11-86475 and would instead be subject to public auction under A.R.S. §27-271.

2. State Mineral Lease conditions provide under Page 2, Paragraph 13 that "This lease is made and accepted subject to existing law and any laws hereafter enacted, also to the regulations relative to such leases heretofore or hereafter prescribed by the lessor. Pursuant to Arizona Administrative Code R12-5-511 and Page 2, Paragraph 13 of the lease agreement, a sublease requires approval by the Commissioner. The document entitled "Subcontract",dated May 11, 1992, is a sublease that has not been approved by the Commissioner.

3. State Mineral Lease conditions provide under Page 2, Paragraph 13 that "This lease is made and accepted subject to existing law and any laws hereafter enacted, also to the regulations relative to such leases heretofore or hereafter prescribed by the lessor. The conditions prerequisite to testing addressed environmental concerns and were required in order to avoid regulatory violations. The unauthorized excavation without necessary permits, is a regulatory violation and, therefore, a violation of the lease.

4. State Mineral Lease conditions provide under Page 4, Paragraph 21 that the Lessee agrees that before initiating exploration, development, or mining operations on the leased premises, lessee shall submit to the Arizona State Land Department a plan outlining the proposed operations and the measures to be taken to reasonably protect the environment from adverse effects probable under such operations. Upon approval by the State Land Commissioner, the plan shall attach to and become a part of this lease, and the lessee may proceed with the operations proposed. The construction of footings and a steel framed

canopy along with the placement of equipment beyond that required for testing, and the excavation of tailings ponds designed for mining all constitute development undertaken without approval of a plan of operation by the Land Commissioner, in violation of Page 4, Paragraph 21 of the lease agreement.

You are advised that you have 45 days from receipt of this notice to cure any curable default as identified above.

If you wish to cure any curable default, contact the Natural Resources Division, Minerals Section, at 542-4628. In the event the default is cured in the specified time frame, to the Department's satisfaction, the Notice of Default will be considered quashed.

DENIAL OF PLANS OF OPERATION

The Department finds:

1. The plans of operation propose mining tailings which contain no economically recoverable mineral values and pursuant to A.R.S. 27-271 are common variety minerals not subject to disposal under Mineral Lease Agreement 11-86475 and state law. The plans of operation propose activities that do not comport with the law, and therefore, should not be approved. Additionally, it is not in the best interests of the Trust to approve the June 7, 2000, plan that indicates mineral values the Department is unable to confirm.

2. The operator identified in the plans of operation has exceeded the scope of authorized non-mining activities on the leased premises, failed to address environmental concerns on the property and is, therefore, an unacceptable operator. It is not in the best interests of the Trust to allow an operator onto the property who cannot be relied upon to conduct operations in conformance with the lease and agreed upon conditions.

3. The plans of operation are incomplete, being either unsigned or not signed by an authorized agent. The document entitled "Subcontract", dated May 11, 1992, is insufficient to determine that the plans were submitted by the lessee or lessee's agent or that the plans would be implemented by the lessee or lessee's agent.

4. The plan incorporates unauthorized activities that are currently the subject of a lease default.

Approval of the plans of operation dated November 2, 1992, March 15, 1996, and May 28, 2000 is not in the best interest of the Trust and, therefore, are hereby denied.

This is an appealable agency action. Pursuant to A.R.S. § 41-1092.03 and A.A.C. R12-5-202, if you are directly or adversely affected by this decision, you may request a hearing within thirty (30) days of the date you receive this notice. A request for a hearing must be in writing and filed with the Department, and must state your name and address, the specific action or actions of the Department which are the basis of the hearing request, and a concise statement of the reasons for this appeal. You also have the right to an informal settlement conference pursuant to A.R.S. § 41-1092.06 if it is requested in writing and filed with the Department no later than twenty (20) days before the hearing.

Send your request to the State Land Department, Attention: Director, Operations Division. If you do not timely file a request for a hearing, the decision of the Commissioner may be final and not subject to further review.

In accordance with Title II of the Americans With Disabilities Act (ADA), the Arizona State Land Department does not discriminate on the basis of disability in the provision of its programs, services and activities.

Persons with a disability may request a reasonable accommodation such as a sign language interpreter, by contacting the Department's, ADA Coordinator, at (602) 542-2639. Request should be made as early as possible to allow time to arrange the accommodation.

GIVEN under my hand and the official seal of the Arizona State Land Department this 20 day of October, 2000.

MICHAEL E. ANABLE
State Land Commissioner

(SEAL)

by

Copy of the foregoing mailed/
delivered this 20 day of
October, 2000 to:

Certified No. 210691	Arnold Spielman 1328 Eagle View Drive Colorado Springs, Colorado 80909
Certified No. 210701	Arnold Spielman 18215 64th NE Kenmore, Washington 98029
Certified No. 210692	Arnold Spielman 18215 64th NE Seattle, Washington 98155
Certified No. 210693	Dwain Maddin c/o Paul L. Roberts, Esq. Walraven & Roberts 239 South Cortez Street Prescott, Arizona 86303
Certified No. 210694	Peeples Mining L.L.C. 1207 Copper Basin Road Prescott, Arizona 86303
Certified No. 210695	Peeples Mining L.L.C. 100 N. Arlington Avenue 22F Reno, Nevada 89501
Certified No. 210696	Hexagon Consolidated Companies of America, Inc. 100 North Arlington Avenue 22F Reno, Nevada 89501
Certified No. 210697	Eugene Bender Oak Hills Apartment #93 Jefferson City, Tennessee 37760

Certified No. 210698 Eugene Bender and Arnold Spielman
P.O. Box 1696
Wickenburg, Arizona 85388

Certified No. 210700 Jerry L. Haggard, Esq.
Gust Rosenfeld P.L.C.
201 N. Central Ave. Ste. 3300
Phoenix, Arizona 85073-3300

Copy to: Attorney General's Office, Natural Resources Section/attn. T. Craig
Natural Resources Div./Minerals Section/ attn. Mike Rice
Tucson Office
File No. 11-86475

Carol Holtzy