

**BEFORE THE DIRECTOR OF THE DEPARTMENT OF FINANCE
OF THE STATE OF IDAHO**

STATE OF IDAHO, Department of Finance,
Securities Bureau,

Complainant,

vs.

TEDDY L. ROBERTS

Respondent.

Docket No. 2017-7-09
AGREEMENT AND ORDER

The Director of the Department of Finance has instituted an investigation into the business activities of TEDDY L. ROBERTS (Roberts). Pursuant to said investigation, it appears to the Director that violations of the Idaho Uniform Securities Act 2004 (Act), Idaho Code §30-14-101 *et seq.*, have occurred. The Director and the named Respondent have agreed to resolve this matter without a public hearing or other adjudication of this matter. Therefore, the Director deems it appropriate and in the public interest to enter into this Agreement and Order (Order). Respondent consents to the entry of this Order.

RESPONDENT

1. Respondent Teddy L. Roberts (Roberts) was an Oregon resident during all times relevant to this matter. Roberts was an insurance agent licensed in Oregon from August 20, 1998 until December 28, 2012. His last known address is 872 Wendy Street, Chubbuck, ID.

Other related parties

2. Lloyd Benton Sharp was a Washington resident at all times relevant to this matter. His last known address was Seagoville Federal Correctional Facility, 2113 N. Hwy 175, Seagoville, TX 75159. Sharp used the name Kevin Thomas (Thomas) at all times relevant to this matter.

3. Clean Energy Association (CEA) was an Oregon corporation located in Oregon City, OR. CEA was incorporated on September 10, 2008. It was owned and operated by Thomas. It was active during the time relevant to this matter. It is no longer active.

4. Gerald Harrington (Harrington) was the operator of the mining project. He had developed a mining process that would profitably extract gold from mine tailings and remove toxic mercury and cyanide from the same ore. He owned and operated the mine through a company called Ensol Group Worldwide, Inc. (EGW). Harrington passed away in February of 2016.

5. EGW was a Wyoming corporation with headquarters in OroGrande, CA. It was incorporated on July 15, 2010. It was founded and owned by Harrington. It is no longer in operation.

BACKGROUND

6. In or about 2010 Thomas began promoting a gold bullion purchase investment offered by CEA. CEA had leased a gold mining property in Northern California. CEA contracted with Harrington and EGW to develop and operate the mine. Harrington had represented that he had a process that would extract gold from mine tailings while at the same time extracting hazardous materials such as cyanide and mercury.

7. The gold bullion purchase contracts issued by CEA would allow investors to purchase the future production of gold from the mine at a price lower than the market price.

8. Thomas and Roberts had become acquainted on prior projects and Roberts expressed interest in the mining project. Beginning in 2010 Roberts began soliciting investors in Idaho and other states to invest in gold bullion purchase contracts issued by CEA. Roberts was to receive a 3.33% commission on investment funds that he brought into the program.

9. The gold bullion purchase contracts offered 100 ounces of gold bullion for

\$1,200.00/oz. The total cost of a contract was \$120,000.00. The gold bullion was to be delivered within 180 days. At the time the contracts were offered gold was selling near \$1,800.00/oz.

10. The contracts required a 10% (\$12,000.00) down payment at signing. The remaining balance of \$108,000.00 would be due on delivery and could be paid from the proceeds of the sale of the gold.

11. The contracts stated that if the spot price of gold decreased prior to delivery then the purchase price would be adjusted so that the investor would never be charged more than 20% less than current spot.

12. The contracts stated that in the event CEA failed to deliver the gold CEA would make a full refund of the down payment plus 6% interest from the date of deposit. The down payment was to be secured by a 1,000,000 share gold stock certificate with each share redeemable for one troy oz. of gold. The issuer of the gold stock certificate was a Utah company identified as National Gold, Inc.

13. An addendum to the contract stated that "40% of the profit will be paid out in 60 days with the remaining 60% being paid out in another 60 to 90 days. The refinery will sell the gold to pay the rest of the contract." No explanation was given for this addendum.

14. Roberts contacted prospective investors and told them about the mining project and the technology that Harrington had invented. He told investors that the State of California was in support of this project because it contributed to environmental cleanup.

15. Roberts represented to investors that their funds would be used by CEA to fund the development and operation of the mine and that they would make \$990,000.00 on a \$72,000.00 investment. The investors were not provided with a prospectus or any other disclosure documents.

16. Roberts told investors that the gold would be available to the investors after it had been mined, processed and delivered to a gold dealer. The dealer could also sell it for them if they didn't want to take physical possession.

17. Investors were told by Roberts that they could take money out of their IRAs to invest and that they would have it back in their IRA before the IRS 60 day restriction for IRA transfers.

18. Roberts provided one investor with a letter that stated he and his partner would guarantee the return of his down payment if he did not receive his money within 51 days.

19. Based on these and other representations approximately 15 Idaho investors invested approximately \$786,000.00 in CEA gold bullion purchase contracts.

20. The investors later learned that Thomas had not forwarded their investment funds to Harrington for the operation of the mine and that Thomas may have used their funds to pay investors in these other investment schemes.

21. After further investigation the investors learned that Thomas was actually an alias used by Lloyd Benton Sharp. They learned that he had been involved in other investment schemes and that the U.S. Attorney's office in Oregon had charged him with fraud in a \$1.3 million international bio-diesel fuel investment offering.

22. Sharp was tried in Oregon District Court for securities fraud in the bio-diesel offering. In April of 2015 Sharp was convicted and sentenced to three years in Federal prison. The court also ordered him to pay restitution in the amount of \$6,021,482.00 to victims of all his investment schemes. Roberts was implicated in the same Federal action but was not charged.

23. The Idaho investors in CEA were included in the restitution ordered by the Oregon District Court.

24. Harrington passed away in April of 2014. The expenses of the mine operation

had not been paid and CEA was behind on the lease payments. The development of the mine ceased and the mine property reverted to its original owners. The investors received no compensation from the disposition of the mine assets.

25. The Idaho investors did not receive any gold and they have not received their investment funds back. The investors consider their investments a total loss.

VIOLATIONS

Unregistered Securities

26. The gold bullion purchase contracts are investment contracts. Investment contracts are securities as defined in Idaho Code, § 30-14-102(28).

27. The securities were not registered as required by Idaho Code, § 30-14-301(c).

28. Roberts violated Idaho Code, § 30-14-301(c).

Unlicensed Salespersons

29. Roberts was not licensed to sell securities in or from Idaho.

30. Roberts sold securities to residents of Idaho and received a 3.33% commission on each sale.

31. Roberts violated Idaho Code, § 30-14-402.

Misrepresentations of Material Fact

32. In connection with the offer and sale of securities, Roberts made the following untrue statements of material fact:

a. Roberts represented to the investors that their investments would be used to develop and operate a mining project and that they would share in the profits. Their investments were not used for a mining project but were converted by Thomas to other investment schemes.

b. Roberts represented to investors that the investments were safe. Roberts

provided no basis as to why a mining investment would be safe.

- c. Roberts represented to investors that they would make \$990,000.00 on a \$72,000.00 investment. Roberts provided no basis for such claim.
 - d. Roberts represented to investors that their investments would be guaranteed by promising that they could purchase gold at 20% less than market value. Roberts provided no basis that the mine could produce gold at a cost that would allow for that amount of profit.
 - e. Roberts represented to investors that in the event CEA failed to deliver the gold CEA would make a full refund of the down payment plus 6% interest from the date of deposit.
 - f. Roberts represented to investors that the refund of their down payment would be secured by a 1,000,000 share gold stock certificate with each share redeemable for one troy oz. of gold.
 - g. Roberts represented to investors that 40% of the profits would be paid out within 60 days and that the remaining profits would be paid out in another 60-90 days. Roberts provided no basis for the ability of the investment to pay out in those time frames.
 - h. Roberts represented to one investor that he and his partner would guarantee the return of his funds if he did not receive his money within 51 days. Roberts and his partner did not return that investor's money.
33. Roberts violated Idaho Code, § 30-14-501(2).

Omissions of Material Fact.

34. In connection with the offer and sale of securities, Roberts failed to disclose the following facts:

- a. Roberts failed to disclose to investors that he was not licensed to offer or sell securities in Idaho as required by Idaho Code, § 30-14-401.
 - b. Roberts failed to disclose to investors that the gold bullion purchase contracts were not registered as securities in Idaho as required by Idaho Code, § 30-14-301(c).
 - c. Roberts failed to disclose to investors the financial history of the issuer or the promoters of the offering.
 - d. Roberts failed to disclose the risks inherent in mining operations including but not limited to the failure to locate financial viable quantities of ore, the liabilities associated with mining dangers and the inability to access sufficient capital to complete the operation.
 - e. Roberts failed to disclose to investors that Thomas was not paying the mine operator.
 - f. Roberts failed to disclose the actual use of proceeds raised in the offering.
35. Roberts violated Idaho Code, § 30-14-501(2)

Idaho Commodity Code Violations

36. The gold bullion purchase contracts are commodity contracts as defined in Idaho Code, §30-1501(4) (a).
37. Idaho Code, §30-1502 prohibits any person from offering to sell or purchase any commodity under any commodity contract in the State of Idaho unless exempt under Idaho Code, §30-1503.
38. Roberts offered and sold gold bullion purchase contracts to Idaho investors. Roberts was not an exempt person as described in Idaho Code, §30-1503.
39. Roberts violated Idaho Code, §30-1502 and Idaho Code, §30-1505.

40. Roberts conducted commodity transactions which were not exempt as described in Idaho Code, §30-1504.

41. Roberts violated Idaho Code, §30-1502 and Idaho Code, §30-1505.

AGREEMENT, ACKNOWLEDGEMENT AND REMEDIES

Complainant and the Respondent hereby agree as follows:

42. Roberts represents that the information provided to the Complainant in its investigation of this matter is complete and accurate.

43. Roberts admits the findings of violations as alleged herein.

44. Roberts agrees to pay to each Idaho investor any commissions or other compensation he received as a result of their investing in CEA gold bullion purchase contracts.

45. The Department will suspend enforcement of the repayment of commissions or other compensation based on the following conditions:

a) Roberts submits a signed financial statement of current assets and liabilities with the representation that it is accurate and complete.

b) Roberts submits a copy of his 2016 tax returns.

c) Roberts submits a signed affidavit stating that he is financially unable to provide repayment of commissions or other compensation to investors.

46. Roberts agrees to pay a civil penalty in the amount of \$20,000.00 to the Idaho Department of Finance.

47. The Department will waive all but \$1,000.00 of the penalty based upon Robert's representations regarding his financial inability to pay.

48. The reduced penalty of \$1,000.00 is due and payable to the Department no later than June 30, 2019.

49. Roberts agrees to not solicit any further investments into or from Idaho unless and

until the offerings are in compliance with the Idaho Securities Act or the Idaho Commodity Code as required.

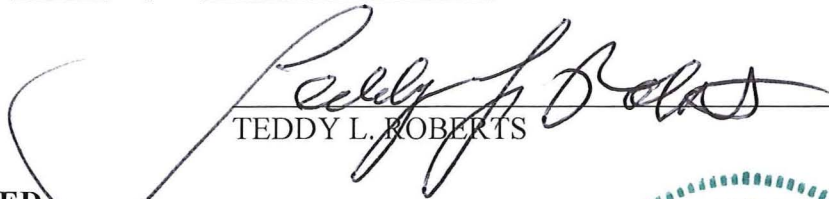
50. Roberts agrees to not claim the availability of, use, or offer or sell securities under any exemptions under the Idaho Uniform Securities Act or the Idaho Commodity Code without giving written notice to the Director. Said written notice shall be provided at least ten (10) days in advance of the proposed activities in Idaho.

51. Roberts agrees to abide by the Idaho Uniform Securities Act and the Idaho Commodity Code in the future.

52. In the event that Roberts commits future violations of the Idaho Uniform Securities Act or the Idaho Commodity Code or fails to adhere to the terms of this Order, he acknowledges that Complainant can incorporate the allegations giving rise to this Order in any future proceeding.

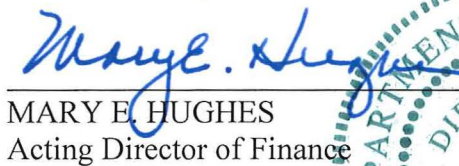
53. This Agreement and Order is in lieu of civil litigation or other proceedings.

DATED this 12 day of June 2017.



TEDDY L. ROBERTS

IT IS SO ORDERED.



MARY E. HUGHES
Acting Director of Finance

