

**UNITED STATES OF AMERICA**  
**Before the**  
**SECURITIES AND EXCHANGE COMMISSION**

**SECURITIES ACT OF 1933**

**Release No. 11072 / June 13, 2022**

**SECURITIES EXCHANGE ACT OF 1934**

**Release No. 95089 / June 13, 2022**

**ADMINISTRATIVE PROCEEDING**

**File No. 3-20898**

**In the Matter of**

**Petroteq Energy, Inc., and  
Aleksandr Blyumkin**

**Respondents.**

**ORDER INSTITUTING CEASE-AND-DESIST  
PROCEEDINGS PURSUANT TO SECTION 8A  
OF THE SECURITIES ACT OF 1933 AND  
SECTION 21C OF THE SECURITIES  
EXCHANGE ACT OF 1934, MAKING  
FINDINGS AND IMPOSING A CEASE-AND-  
DESIST ORDER, AND NOTICE OF HEARING**

**I.**

The Securities and Exchange Commission (“Commission”) deems it appropriate that cease-and-desist proceedings be, and hereby are, instituted pursuant to Section 8A of the Securities Act of 1933 (“Securities Act”) and Section 21C of the Securities Exchange Act of 1934 (“Exchange Act”) against Petroteq Energy, Inc. (“Petroteq”) and Aleksandr Blyumkin (“Blyumkin”) (collectively, “Respondents”).

**II.**

In anticipation of the institution of these proceedings, Respondents have submitted Offers of Settlement (the “Offers”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over them and the subject matter of these proceedings, which are admitted, and except as provided herein in Section VI, Respondents consent to the entry of this Order Instituting Cease-and-Desist Proceedings Pursuant to Section 8A of the Securities Act of 1933 and Section 21C of the Securities Exchange Act of 1934, Making Findings and Imposing a Cease-and-Desist Order, and Notice of Hearing (“Order”), as set forth below.

**III.**

On the basis of this Order and Respondents' Offers, the Commission finds<sup>1</sup> that:

## SUMMARY

1. This matter involves violations by Petroteq, a public company based in Sherman Oaks, California, and its former executive chairman, Blyumkin. First, Petroteq raised \$7.39 million in an unregistered securities offering from September 2017 to May 2019. Petroteq filed Form D notices with the Commission, signed by Blyumkin, falsely stating that the company paid no sales commissions in the offering. In reality, Petroteq paid commissions exceeding \$2.89 million. Second, Blyumkin withdrew cash for himself from Petroteq's bank accounts and directed company money to his companies, to his sister, and to companies owned by his brother-in-law and former domestic partner in transactions not disclosed in Petroteq's Commission filings. As a result of these transactions, which totaled at least \$3,065,595, Blyumkin received financial benefits from Petroteq exceeding his compensation described in Petroteq's Commission filings. Third, in a transaction negotiated by Blyumkin, Petroteq reported paying \$23.8 million in cash and stock to purchase certain mineral-lease operating rights, which accounted for 32.6% of the company's total assets. Petroteq's Commission filings failed to disclose that Petroteq purchased the assets from a related person, as defined in Exchange Act Regulation S-K, Item 404, and failed to disclose details concerning the lack of impairment analysis of the asset's value.

2. In addition, from at least 2018 through 2020, Petroteq's independent auditor identified material weaknesses in Petroteq's internal control over financial reporting ("ICFR"), including that Blyumkin held single-signature authority over Petroteq's bank accounts and that a material amount of Petroteq's expenses were personal to Blyumkin. The auditor noted that these weaknesses increased the risk of misappropriation and financial misstatements. Despite these warnings, Blyumkin failed to implement internal accounting controls to address the material weaknesses that the auditor identified. The company failed to conduct an impairment analysis of Petroteq's operating-rights assets, and the company's financial statements failed to disclose certain other related-party transactions as required under generally accepted accounting principles ("GAAP").

## RESPONDENTS

3. **Petroteq Energy, Inc.**, incorporated in Canada, has its principal executive offices in Sherman Oaks, California. Its primary business is developing proprietary tar-sands mining and processing technology. Since June 2017, its common stock has traded on the OTC Pink Market, OTCQX International Market, the TSX Venture Exchange in Canada, and on the Frankfurt Stock Exchange in Germany. Petroteq's common stock has been registered with the Commission under Exchange Act Section 12(g) since July 2019.

4. **Aleksandr Blyumkin**, age 50, resides in Beverly Hills, California. At various times, Blyumkin served as Petroteq's chairman of the board, executive chairman, president, and

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<sup>1</sup> The findings herein are made pursuant to Respondents' Offers of Settlement and are not binding on any other person or entity in this or any other proceeding.

chief executive officer (“CEO”) from November 2006 until his resignation August 6, 2021.

## **FACTS**

### **Background: Petroteq’s Business, Management, and Accounting**

5. Since 2011, Petroteq’s business has focused primarily on developing its proprietary tar-sands mining system called Clean Oil Recovery Technology (“CORT”). Petroteq claims that its CORT system employs a solvent-recycling process to extract almost all marketable hydrocarbons from tar sands, leaving behind no hazardous waste. Since September 2017, Petroteq has earned total revenues of \$350,144 and incurred net expenses totaling \$47.77 million.

6. Blyumkin held positions variously described in Petroteq’s Commission filings as chairman of the board, executive chairman, president, and CEO. He carried out his roles and managed Petroteq’s business activities from its offices in Sherman Oaks, California, including its asset acquisitions, capital raising, and cash management. For Petroteq’s fiscal year ended August 31, 2019, he signed the company’s annual report filed with the Commission on Form 10-K (“10-K”) as its executive chairman. For the fiscal year ended August 31, 2020, Blyumkin signed Petroteq’s 10-K as its executive chairman, CEO, and president and signed a certification included with the report, as amended, pursuant to Rule 13a-14 under the Exchange Act.

7. Petroteq’s CFO, who worked part time from an office in Florida, reviewed Petroteq’s expenditures and determined whether to capitalize them, reconciled accounting records kept at the Petroteq plant in Utah with records kept by Petroteq’s main office in California, and conferred with Blyumkin on the payment of expenses. At the end of each Petroteq fiscal period, the CFO also reconciled an account called the “officer-loan account” created to track all financial transactions between Blyumkin and Petroteq. The CFO also oversaw the preparation of Petroteq’s financial statements, its quarterly Commission report on Form 10-Q (“10-Q”), and its 10-K.

### **False Statements Concerning Sales Commissions and Executive Compensation in Unregistered Securities Transactions**

8. From September 2017 to May 2019, Petroteq raised \$7.39 million from 32 investors in 20 states in sales of its common stock. Petroteq filed no registration statement with the Commission for the transactions. Instead, it filed notices on Form D, claiming the transactions were exempt from registration.

9. Petroteq’s Form D filings, each signed by Blyumkin, falsely stated that Petroteq paid no sales commissions in the securities offerings. In fact, Petroteq paid sales commissions totaling \$2,893,000 to two individuals retained by Petroteq to sell the securities.

10. In several instances, Blyumkin withdrew cash for himself from Petroteq’s bank account immediately after the deposit of proceeds from the securities sales. These withdrawals totaled \$68,623. Petroteq’s Form D filings stated that no “amount of the gross proceeds of the offering . . . has been or is proposed to be used for payments” to Petroteq’s executive officers or

directors.

### **Misleading Statements Concerning Petroteq's Purchase of Operating Rights on Leases in Federal Tar Sands in Utah**

11. In a report on Form 8-K ("8-K") filed with the Commission July 26, 2019, Petroteq announced that it had acquired certain operating rights under oil-and-gas leases administered by the U.S. Department of Interior's Bureau of Land Management ("BLM") in Utah within federally designated Special Tar Sands Areas (the "BLM Leases"). In the 10-K for Petroteq's fiscal year ended August 31, 2019, filed with the Commission on December 16, 2019, Petroteq listed these operating rights among its assets. Petroteq's financial statements in the report reflected a value of \$23.8 million for the operating rights under the leases, representing 32.6% of Petroteq's total assets.

12. The 10-K explained that Petroteq acquired the operating rights in two transactions. First, Petroteq acquired a 50% interest in the rights from a private company called Momentum Asset Partners I LLC ("Momentum") for \$10.8 million. According to the 10-K, Petroteq paid Momentum \$1.8 million in cash on January 18, 2019, and, three months later, issued 15 million shares of common stock, priced at \$0.60, for a total share cost of \$9 million, to complete the purchase. In the second transaction, covering the remaining 50% interest, Petroteq agreed to pay the seller, Petrollo LP Corp. ("Petrollo"), another private company, \$13 million, payable by issuing 30 million shares of Petroteq common stock, valued at \$0.40 per share, plus \$1 million in cash. Petroteq issued Petrollo the shares in July 2019, but made no cash payments until 2020, when it paid \$900,000. As of December 15, 2021, Petroteq still owed \$100,000 of the cash consideration.

13. Momentum and Petrollo were part of a group of companies (the "Control Group") controlled by a Blyumkin associate residing in Switzerland. In 2013, the Control Group began purchasing Petroteq equity securities through direct investments in Petroteq, eventually coming to control a large block of Petroteq's common stock. The Control Group entities collectively controlled 8.96% of Petroteq's common stock before selling Petroteq the operating rights and 35.88% after the sale. Blyumkin knew that Momentum and Petrollo were part of the Control Group and that the Control Group owned a large amount of Petroteq's common stock. But he did not disclose all material facts concerning these transactions to Petroteq's outside auditor or to Petroteq's CFO.

14. Statements in the 10-K describing the operating-rights acquisitions were misleading because they omitted material facts. Exchange Act Regulation S-K, Item 404, provides that any group holding more than 5% of a class of the registrant's voting securities is a "related person" of the registrant. For transactions with a related person, Item 404 requires the registrant to identify the related person and to disclose the related person's interest in the transaction. Item 404 also requires the registrant to disclose "[a]ny other information regarding the transaction or the related person in the context of the transaction that is material to investors in light of the circumstances of the particular transaction." Similar disclosure requirements apply under GAAP, specifically Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 850, Related Party Disclosures. FASB ASC 850 defines related party to include, among others, the entity's management, family members of management,

affiliates, and owners of more than 10% of the entity's voting securities.

15. Here, the Control Group qualified as a related person under Item 404 and as a related party under GAAP. But the 10-K failed to disclose the Control Group as such and its interest in the operating-rights transaction. Two months before selling the operating rights to Petroteq for \$23.8 million, the Control Group acquired the same rights from a third party in exchange for a promise to pay the third party \$275,000 in cash plus an option granting the third party the right to purchase 20 million shares of Petroteq stock from the Control Group. Before agreeing to the sell the rights to the Control Group, the third party demanded a license to use Petroteq's CORT system on other leases that the third party owned. To facilitate the Control Group's purchase of the operating rights, Blyumkin signed an agreement in which Petroteq granted the third party the license. The 10-K failed to disclose the terms of the Control Group's operating-rights purchase from the third party, including Petroteq's granting the third party a license agreement to facilitate it.

16. The 10-K also failed to disclose material information concerning the consideration that Petroteq paid the Control Group to purchase the rights. Most of the \$1.8 million in cash that Petroteq paid Momentum on January 18, 2019, flowed back to Petroteq and Blyumkin in round-trip transactions. An agent of Momentum, who was also a Petroteq employee, served as the signatory on Momentum's bank account. As Blyumkin knew, four days after the account received the \$1.8 million, the agent wired \$46,000 from the Momentum account to a company owned by Blyumkin's former domestic partner, \$7,500 split among two Blyumkin-controlled companies, and \$253,000 to a company owned by Blyumkin's brother-in-law, who transferred \$250,000 of the proceeds to Blyumkin's father. On the same day, the agent transferred \$1.4 million to two other Control Group entities. These two entities transferred \$1.39 million back to Petroteq the next day. Blyumkin testified that the two entities transferred these funds to Petroteq to purchase Petroteq equity securities. The 10-K, however, did not disclose any such transaction among the transactions listed in the 10-K under the heading "Recent Sales of Unregistered Securities." Over the next five days, Blyumkin withdrew \$173,000 of these funds from Petroteq's bank account for himself.

#### **Misleading Statements Concerning Risks, Contingencies, and Costs Associated with Petroteq's Operating Rights on the BLM Leases**

17. Petroteq's July 26, 2019 8-K and its 10-Ks for its 2019, 2020, and 2021 fiscal years also contained misleading statements concerning risks, contingencies, and costs associated with Petroteq's operating rights on the BLM Leases. Until the BLM converts each of the BLM Leases to a Combined Hydrocarbon Lease ("CHL"), Petroteq cannot legally exercise its operating rights on the leases to mine their tar sands. While the 10-K explained that the "BLM Leases are in 'suspension status' under BLM regulations until the new CHLs are issued," Petroteq failed to disclose the following material facts concerning CHL conversion:

- a. Petroteq has not obtained record title to the operating rights. Until it does so, the BLM will not consider any request from Petroteq to complete a CHL conversion.
- b. The Control Group has not paid the third-party seller \$105,000 of the agreed

\$275,000 cash consideration to acquire the operating rights. As a result, the third party has not executed instruments required by the BLM to establish Petroteq’s title to the operating rights.

- c. Even if Petroteq perfects title to the operating rights, the BLM’s position is that one of the BLM Leases—constituting approximately 60% of the leased acreage—can no longer be converted to a CHL. On October 13, 2020, the registered owner of the lease on this acreage (a party wholly separate from the Control Group, the third-party seller, and Petroteq) elected not to convert the lease to a CHL. The BLM’s position is that no new CHL-conversion application can be filed because the deadline for doing so has passed. However, Petroteq believes that it has developed legal and factual arguments to reverse this position and allow such a conversion to take place. Therefore, while mining tar sands on this acreage is presently prohibited, Petroteq intends to engage the BLM in discussions to reverse the current position and enable such mining to occur. There is no assurance that the BLM will agree.
- d. The remaining 40% of the acreage is subject to undisclosed risks and costs associated with meeting the regulatory requirements of not only the BLM, but also of the National Park Service (“NPS”), because this acreage is within the Glen Canyon National Recreation Area. No one, including Petroteq, has ever presented the operational plan and environmental-impact statement necessary to proceed with the CHL conversion of this acreage. Petroteq has not disclosed the anticipated costs or timing associated with preparing such an operational plan or environmental-impact statement, nor has it otherwise disclosed how its tar-sands mining would be compatible with BLM and NPS requirements.

18. Despite the title deficiency, mining prohibition, and contingencies described above, the financial statements included in Petroteq’s 10-Ks for 2019, 2020, and 2021 each valued the operating rights at \$23.8 million, Petroteq’s reported purchase price. Petroteq failed to perform any impairment analysis on the operating rights, however, and the financial statements included in the relevant Forms 10-Ks otherwise do not reflect the results of any such analysis.

**Undisclosed Compensation Arrangements and Transactions with Blyumkin**

19. Regulation SK, Item 402, “requires clear, concise and understandable disclosure of all plan and non-plan compensation awarded to, earned by, or paid to” executive officers and directors. The table below reflects Blyumkin’s total compensation by fiscal year as reported in Petroteq’s 10-Ks.

<b>Blyumkin’s Compensation as Reported on Form 10-K</b>			
<b>Fiscal Year</b>	<b>Salary</b>	<b>Director Fees</b>	<b>Total</b>
2018	\$240,000	\$ 18,000	\$258,000
2019	\$240,000	\$ 46,000	\$286,000
2020	\$366,254	\$ 60,000	\$426,254
Total	\$846,254	\$124,000	\$970,254

20. Blyumkin did not receive salary or director-fee compensation in payments of a set amount on a regular interval in these periods. Instead, he withdrew cash from Petroteq’s bank accounts without adequate oversight by Petroteq and without adequate written justification. In fiscal years 2018, 2019, and 2020 combined, Blyumkin made more than 230 such withdrawals.

21. For fiscal year 2020, Blyumkin’s salary was initially set at \$240,000. Blyumkin’s withdrawals throughout the year resulted in him receiving \$126,254 more than his set salary amount for fiscal year 2020 (\$240,000). Petroteq’s 10-K for the period disclosed a salary increase of \$126,254 for Blyumkin, but it did not disclose that the increase resulted from Blyumkin’s cash withdrawals.

22. In addition to Blyumkin’s cash withdrawals in fiscal years 2018, 2019, and 2020, Petroteq made payments to Blyumkin in Petroteq stock in the same period. The table below reflects the cash and stock payments to Blyumkin in the period.

<b>Payments to Blyumkin</b>			
<b>Fiscal Year</b>	<b>Withdrawals</b>	<b>Stock</b>	<b>Total</b>
2018	\$ 412,938	\$1,425,521	\$1,838,459
2019	\$ 584,791	\$ 409,303	\$ 994,094
2020	\$ 467,189	\$ 94,255	\$ 561,444
<b>Total</b>	<b>\$1,464,918</b>	<b>\$1,929,079</b>	<b>\$3,393,997</b>

23. The total cash and stock payments in the table above included payments for Blyumkin’s salary and director fees along with reimbursements for loans that Blyumkin made to Petroteq and for business expenses that he purportedly paid on Petroteq’s behalf. For at least \$859,302 of the business-expense reimbursements, however, Blyumkin failed to properly document a business-related justification.

24. Petroteq’s 10-Ks for its fiscal years 2019 and the 2020 contained representations that the company “did not provide any compensation that would be considered a perquisite or personal benefit to executive officers.” From September 25, 2017, through August 25, 2020, however, Petroteq made payments at Blyumkin’s direction to a Blyumkin-owned company totaling \$152,190, all or part of which Blyumkin used to lease and insure automobiles used by him and members of his immediate family.

**Undisclosed Transactions between Petroteq and Blyumkin’s Former Domestic Partner**

25. Instruction 1 to Item 404 defines related person to include “any person (other than a tenant or employee) sharing the household of” an executive officer or director of the registrant. From September 2017 through May 2020, at Blyumkin’s direction, Petroteq engaged in transactions with Blyumkin’s former domestic partner, who is the mother of his child and with whom he shared a residence during some or all of this period, and a company owned by her. These transactions resulted in Blyumkin’s former domestic partner and her company collectively receiving \$377,300 from Petroteq in fiscal year 2018, \$319,000 in fiscal year 2019, and

\$578,303 in fiscal year 2020. Petroteq's books and records inadequately documented the bases to establish these payments as valid Petroteq obligations. Blyumkin did not fully disclose to Petroteq's CFO the nature of his relationship with his former domestic partner or her company. Petroteq's 10-Ks for its fiscal years 2019 and 2020 did not disclose that these transactions involved a related person, as required under Item 404 and under GAAP.

### **Undisclosed Transactions between Petroteq and Blyumkin's Sister**

26. In fiscal years 2018 and 2019, Blyumkin's sister performed legal services for Petroteq as Petroteq's in-house counsel under a retainer agreement calling for payments of up to \$35,000 per month. In total, she received \$833,500 from Petroteq in 2018 and \$326,750 in 2019. Payments to her in these periods, however, included payments in addition to compensation for legal services. In 2018, the payments included a \$300,000 loan, which she repaid the same year, and a \$250,000 payment made at Blyumkin's direction and on his behalf. Petroteq's CFO recorded the \$250,000 payment as a reduction to the amount that Petroteq owed to Blyumkin in the officer-loan account. In 2019, at Blyumkin's direction, Petroteq made a \$50,000 payment to her apart from compensation for legal services to Petroteq.

27. Blyumkin knew that Petroteq compensated Blyumkin's sister for legal services and that she had engaged in lending transactions with the company. But Petroteq did not identify any of the payments to her as related-person transactions in Petroteq's 10-Ks for 2019 and 2020, as required under Item 404 and GAAP.

### **Petroteq's Ineffective ICFR and Disclosure Controls and Procedures**

28. Petroteq's auditor identified material weaknesses in Petroteq's ICFR from at least 2018 through 2020. In its reports to Petroteq, the auditor noted that these deficiencies included:

- a. Accounting policies not formally documented, including with respect to assessing any impairments;
- b. Journal entries not subjected to any significant detailed review by management;
- c. Transactions not adequately documented;
- d. Limited segregation of duties between custody of assets and control over accounting records; and
- e. Single-signature authority over Petroteq's operating bank accounts.

29. The auditor's 2018 report to the audit committee of Petroteq's board of directors noted that a material amount of expenses paid by the company were personal expenditures by Blyumkin, increasing the risk of misstatements and misappropriations. Petroteq's 2019 and 2020 10-Ks disclosed that, because of a lack of segregation of duties, its disclosure controls and procedures ("DCP") were ineffective. Despite the auditor's warning and Petroteq's acknowledgement of its ineffective DCP, Petroteq did not appropriately remediate the material



weaknesses in its ICFR or DCP.

### **Blyumkin's Financial Benefit from the Misconduct**

30. As described above, Blyumkin withdrew cash for himself from Petroteq's bank accounts and directed company money to himself, to his companies, to his sister, and to companies owned by his brother-in-law and former domestic partner. As a result of such transactions, which totaled at least \$3,065,595, Blyumkin received financial benefits from Petroteq exceeding his compensation described in Petroteq's Commission filings.

### **Blyumkin Concealed from the CFO and the Auditor a \$6 Million Liability**

31. In March 2021, Petroteq adopted a Code of Business Conduct and Ethics, binding on its directors and officers. The code specified that Petroteq was to maintain accurate books and records, and to comply with all applicable laws, rules, and regulations. Petroteq also adopted written policies regarding the review and approval of related-person transactions and material transactions in excess of \$500,000.

32. On July 16, 2021, Petroteq filed a Form 8-K with the Commission, warning investors not to rely on financial statements in its reports previously filed with the Commission because they failed to disclose a \$6 million contingent liability. According to the filing, Blyumkin had not disclosed to the CFO or to Petroteq's auditor that he had entered Petroteq into a settlement agreement with a Luxembourg-based lender in December 2018. In the agreement, Petroteq gave the lender a security interest in the operating rights on the BLM Leases and a \$6 million promissory note. The note matured in December 2020 and remains unpaid. The agreement settled Petroteq's obligation to indemnify indebtedness of the Control Group to the lender, which had financed a Control Group investment in Petroteq in 2013.

33. On August 19, 2021, Petroteq filed amended 10-Qs and 10-Ks to correct its financial statements with respect to the third-party obligations. As amended, Petroteq disclosed the \$6 million note as a contingent liability.

### **VIOLATIONS**

34. Securities Act Section 5(a) prohibits any person from selling a security through interstate commerce "[u]nless a registration statement is in effect as to [such] security."

35. Securities Act Section 5(c) prohibits any person from offering to sell a security through interstate commerce "unless a registration statement has been filed as to such security."

36. Securities Act Sections 17(a)(1) and (3) prohibit any person from, in the offer or sale of a security, employing "any device, scheme, or artifice to defraud" or engaging in any "transaction, practice, or course of business" which operates as a fraud or deceit upon the purchaser. Negligence is sufficient for liability under Securities Act Section 17(a)(3). Exchange Act Section 10(b) and Rules 10b-5(a) and (c) prohibit any person from employing "any device, scheme, or artifice to defraud" or engaging in any "act, practice, or course of business" which operates as a fraud or deceit, in connection with the purchase or sale of a security.

37. Securities Act Section 17(a)(2) prohibits any person from, in the offer or sale of a security, “obtain[ing] 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, in light of the circumstances under which they were made, not misleading.” Negligence is sufficient for liability under Securities Act Section 17(a)(2). Exchange Act Section 10(b) and Rule 10b-5(b) thereunder prohibit any person from “making any untrue statement of a material fact” or “omit[ting] to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading,” in connection with the purchase or sale of a security.

38. Exchange Act Section 13(a) and Rules 12b-20, 13a-1, 13a-11, and 13a-13 thereunder, require every issuer of a security registered pursuant to Exchange Act Section 12 to file with the Commission information, documents, annual reports, current reports, and quarterly reports as the Commission may require, and mandate that the statements and reports contain such further material information as may be necessary to make the required statements not misleading.

39. Exchange Act Section 13(b)(2)(A) requires reporting companies to make and keep books, records, and accounts which, in reasonable detail, accurately and fairly reflect their transactions and dispositions of their assets.

40. Exchange Act Section 13(b)(2)(B) requires all reporting companies to devise and maintain a system of internal accounting controls sufficient to provide reasonable assurances that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP.

41. Exchange Act Section 13(b)(5) provides that no person shall knowingly circumvent or knowingly fail to implement a system of internal accounting controls.

42. Rule 13b2-1 and 13b2-2 under the Exchange Act provide that no person shall, directly or indirectly, falsify or cause to be falsified, any book, record, or account subject to Exchange Act Section 13(b)(2)(A) and that no officer or director of an issuer shall, directly or indirectly, make a materially false or misleading statement, or omit certain material facts, to an accountant in connection with an audit or take any action to mislead any independent public or certified public accountant engaged in the performance of an audit or review of the financial statements of that issuer that are required to be filed with the Commission.

43. Rule 13a-14 under the Exchange Act requires an issuer’s principal executive officer and principal financial officer, in each quarterly and annual report filed under Section 13(a) of the Exchange Act, to make the certifications specified in Regulation S-K Item 601(b)(31) [17 C.F.R. § 229.601(b)(31)].

44. Rule 13a-15(a) under the Exchange Act Rule 13a-15 requires an issuer to maintain DCP and ICFR.

## **FINDINGS**

45. As a result of the conduct described above, Petroteq violated Securities Act Sections 5(a) and (c) and 17(a) and Exchange Act Sections 10(b), 13(a), 13(b)(2)(A), and

13(b)(2)(B) and Rules 10b-5, 12b-20, 13a-1, 13a-11, 13a-13, and 13a-15(a) thereunder.

46. As a result of the conduct described above, Blyumkin violated Securities Act Sections 5(a) and (c) and 17(a) and Exchange Act Sections 10(b) and 13(b)(5) and Rules 10b-5, 13a-14, 13b2-1, and 13b2-2, thereunder, and caused Petroteq's violations of Securities Act Sections 5 and 17(a)(1), (2), and (3) and Exchange Act Sections 10(b), 13(a), 13(b)(2)(A), 13(b)(2)(B) and Rules 10b-5, 12b-20, 13a-1, 13a-11, 13a-13, and 13a-15(a) thereunder.

### **UNDERTAKINGS**

47. Respondent Petroteq undertakes as follows:

a. Within 90 days of the entry of this Order (the "Compliance Deadline"), Petroteq will fully remediate and correct:

i. any material weaknesses in its DCPs and its ICFRs (the "Controls Remediation"), including those as identified in its 10-K filed with the Commission for Petroteq's fiscal year 2021 and those identified in writing by its outside auditor (the "Material Weaknesses"), which agrees to provide to the Commission, within seven days of receiving them; and,

ii. any material misstatements and omissions in Petroteq's prior Forms 10-K and 10-Q filings with the Commission (the "Prior Filings") as discussed in this Order, including with respect to identifying securities placement commissions, related parties, related party transactions, related party securities holdings, executive compensation, and the costs, circumstances, risks and contingencies associated with the BLM operating rights, in filings (the "Corrective Filings") made in accordance with the technical and substantive requirements for EDGAR documents and Section 13(a) of the Exchange Act and the rules and regulations thereunder.

b. Petroteq will retain an independent consultant ("Independent Consultant"), not unacceptable to the staff of the Commission, to conduct a comprehensive review (the "Review") of the Controls Remediation and the Corrective Filings.

c. Within 30 days after the Remediation Deadline, the Independent Consultant shall deliver a written report to Petroteq and to the Commission staff. The Independent Consultant's report will certify whether or not, in the Independent Consultant's opinion, Petroteq's Controls Remediation eliminated the Material Weaknesses and its Corrective Filings corrected Prior Filings.

i. The Independent Consultant shall certify whether or not Petroteq has complied with these Undertakings. The certifying report shall describe Petroteq's remediation and corrections, and the basis for the Independent Consultant's opinion that the Controls Remediation eliminated the material weaknesses and the Corrective Filings corrected Prior Filings. If the Independent Consultant certifies Petroteq's compliance with these Undertakings, then

Petroteq's obligations under this Undertaking shall be complete.

ii. If the Independent Consultant declines to certify Petroteq's compliance with these Undertakings, then Petroteq shall continue to retain the Independent Consultant. The Independent Consultant shall review and recommend changes to Petroteq policies, procedures, controls, and training reasonably designed to eliminate the Material Weaknesses and the Corrective Filings it needs to make (the "Recommendations"). The Independent Consultant will have 90 days to make the Recommendations. The Independent Consultant shall give notice to Petroteq and the Commission of the Recommendations within seven days of completing them. Petroteq will cooperate fully with the Independent Consultant and will provide the Independent Consultant with access to its own files, books, records, and personnel as reasonably requested for its review.

d. Petroteq will promptly adopt all of the Recommendations, provided, however, that within 14 days after receiving the Recommendations, Petroteq may give written notice to the Independent Consultant and the Commission staff of any of the Recommendations that it considers to be unnecessary, unduly burdensome, impractical, or costly, and propose in writing an alternative policy, procedure, or control designed to achieve the same objective or purpose. If Petroteq and the Independent Consultant do not reach an agreement on resolving Petroteq's objections, within 14 days after Petroteq gives such notice, and after attempting in good faith to reach an agreement, Petroteq will abide by the determination of the Independent Consultant as to the policy, procedure, or control to adopt.

i. Within 30 days after Petroteq adopts the Recommendations, whether by their acceptance or after any objections are resolved as set forth at paragraph 47d above, the Independent Consultant shall certify to the Commission whether or not Petroteq has fully complied with the Recommendations. The certification shall describe any determinations as to the adequacy of Petroteq's DCP and ICFR and its Corrective Filings.

ii. If the Independent Consultant's certification indicates anything other than Petroteq's full compliance with the Recommendations or if, in the audit of Petroteq's financial statements for fiscal years 2022 and 2023, Petroteq's outside auditor provides notice to Petroteq that one or more of the Material Weaknesses is present which Petroteq must provide to the Commission within seven days of receiving such notice, then:

(a) Within 14 days of receiving such certification by the Independent Consultant or such notice by the auditor, Petroteq shall file a Form 15, terminating the registration of all classes of its securities registered under Section 12(g) of Exchange Act; or,

(b) If Petroteq fails to file such Form 15, then Petroteq shall not contest any proceedings instituted by the Commission against Petroteq

pursuant to Section 12(j) of the Exchange Act to determine whether it is necessary and appropriate for the protection of investors to suspend, for a period not exceeding twelve months, or to revoke the registration of each class of Petroteq's securities registered pursuant to Section 12 of the Exchange Act.

48. Any notices or reports to the Commission by Petroteq or the Independent Consultant shall be submitted to Timothy McCole, Assistant Regional Director, Division of Enforcement, Fort Worth Regional Office, Securities and Exchange Commission, Fort Worth Regional Office, Suite 1900, 801 Cherry Street, Fort Worth, Texas 76102, with a copy to the Office of Chief Counsel of the Enforcement Division.

49. Petroteq's engagement of the Independent Consultant will require the Independent Consultant to enter into an agreement that provides that, for the period of engagement and for a period of two years from completion of the engagement, the Independent Consultant shall not enter into any employment, consultant, attorney-client, auditing or other professional relationship with Petroteq, or any of its present or former affiliates, directors, officers, employees, or agents acting in their capacity. The agreement will also provide that the Independent Consultant will require that any firm with which the Independent Consultant is affiliated or of which the Independent Consultant is a member, and any person engaged to assist the Independent Consultant in performance of the Independent Consultant's duties under this Order shall not, without prior written consent of the Fort Worth Regional Office of the Commission, enter into any employment, consultant, attorney-client, auditing or other professional relationship with Petroteq or any of its present or former affiliates, directors, officers, employees, or agents acting in their capacity as such for the period of the engagement and for a period of two years after the engagement.

50. These undertakings shall be binding upon any acquirer of, or successor in interest to, Petroteq. Petroteq shall provide a copy of these Undertakings to its shareholders of record and by posting it upon its website. For good cause shown, the Commission's staff may extend any of the procedural dates set forth above.

51. Petroteq shall certify, in writing, compliance with the undertakings set forth above. The certification shall identify the undertakings, provide written evidence of compliance in the form of a narrative, and be supported by exhibits sufficient to demonstrate compliance. The Commission staff may make reasonable requests for further evidence of compliance, and Respondent agrees to provide such evidence. The certification and supporting material shall be submitted to Timothy S. McCole, Assistant Regional Director, Fort Worth Regional Office, with a copy to the Office of Chief Counsel of the Enforcement Division, no later than sixty (60) days from the date of the completion of the undertakings.

#### **IV.**

Pursuant to Respondent Blyumkin's Offer of Settlement, Respondent Blyumkin agrees to additional proceedings in this proceeding to determine what, if any, disgorgement and prejudgment interest are appropriate under Section 8A of the Securities Act and Section 21C of the Exchange Act. In connection with such additional proceedings: (a) Respondent Blyumkin

agrees that he will be precluded from arguing that he did not violate the federal securities laws described in this Order; (b) Respondent Blyumkin agrees that he may not challenge the validity of this Order; (c) solely for the purposes of such additional proceedings, the findings made in this Order shall be accepted as and deemed true by the hearing officer; and (d) the hearing officer may determine the issues raised in the additional proceedings on the basis of affidavits, declarations, excerpts of sworn deposition or investigative testimony, documentary evidence, and, if the hearing officer determines it necessary, hearing testimony.

## V.

In view of the foregoing, the Commission deems it appropriate to impose the sanctions agreed to in Respondents' Offers.

Accordingly, pursuant to Section 8A of the Securities Act and Section 21C of the Exchange Act, it is hereby ORDERED, effective immediately, that:

A. Respondent Petroteq shall cease and desist from committing or causing any violations and any future violations of Securities Act Sections 5(a) and (c) and 17(a), and Exchange Act Sections 10(b), 13(a), 13(b)(2)(A), and 13(b)(2)(B) and Rules 10b-5, 12b-20, 13a-1, 13a-11, 13a-13, and 13a-15(a) thereunder.

B. Respondent Blyumkin shall cease and desist from committing or causing any violations and any future violations of Securities Act Sections 5(a) and (c) and 17(a), and Exchange Act Sections 10(b), 13(a), 13(b)(2)(A), 13(b)(2)(B), and 13(b)(5) and Rules 10b-5, 12b-20, 13a-1, 13a-11, 13a-13, 13a-14, 13a-15(a), 13b2-1, and 13b2-2 thereunder.

C. Respondent Blyumkin is prohibited, pursuant to Section 21C(f) of the Exchange Act, from acting as an officer or director of any issuer that has a class of securities registered pursuant to Section 12 of the Exchange Act or that is required to file reports pursuant to Section 15(d) of the Exchange Act.

D. Respondent Petroteq shall pay civil penalties of \$1,000,000 to the Securities and Exchange Commission. Payment shall be made in the following installments:

1. \$250,000 within 10 days of the entry of this Order;
2. \$250,000 within 180 days of the entry of this Order;
3. \$250,000 within 270 days of the entry of this Order; and
4. \$250,000 within 364 days of the entry of this Order.

E. Respondent Blyumkin shall pay civil penalties of \$450,000 to the Securities and Exchange Commission. Payment shall be made in the following installments:

1. \$150,000 within 30 days of the entry of this Order;
2. \$100,000 within 180 days of the entry of this Order;
3. \$100,000 within 270 days of the entry of this Order; and
4. \$100,000 within 364 days of the entry of this Order.

As to each of the Respondents, payments shall be applied first to post order interest, which accrues pursuant to 31 U.S.C. § 3717. Prior to making the final payment set forth herein, Respondent shall contact the staff of the Commission for the amount due. If Respondent fails to make any payment by the date agreed and/or in the amount agreed according to the schedule set forth above, all outstanding payments under this Order, including post-order interest, minus any payments made, shall become due and payable immediately at the discretion of the staff of the Commission without further application to the Commission.

F. The Commission may distribute civil money penalties collected in this proceeding if, in its discretion, the Commission orders the establishment of a Fair Fund pursuant to 15 U.S.C. § 7246, Section 308(a) of the Sarbanes-Oxley Act of 2002. The Commission will hold funds paid pursuant to this paragraph in an account at the United States Treasury pending a decision whether the Commission, in its discretion, will seek to distribute funds or, subject to Exchange Act Section 21F(g)(3), transfer them to the general fund of the United States Treasury. As to each of the Respondents, if timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. § 3717.

G. As to each of the Respondents, payment must be made in one of the following ways:

1. Respondent may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;
2. Respondent may make direct payment from a bank account via Pay.gov through the SEC website at <http://www.sec.gov/about/offices/ofm.htm>; or
3. Respondent may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center  
Accounts Receivable Branch  
HQ Bldg., Room 181, AMZ-341  
6500 South MacArthur Boulevard  
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying the Respondent by name as a Respondent in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to Eric Werner, Associate Director, Division of Enforcement, Fort Worth Regional Office, Securities and Exchange Commission, Fort Worth Regional Office, Suite 1900, 801 Cherry Street, Fort Worth, Texas 76102.

H. Regardless of whether the Commission in its discretion orders the creation of a Fair Fund for the penalties ordered in this proceeding, amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all

purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Respondents agree that in any Related Investor Action, Respondents shall not argue that they are entitled to, nor shall they benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Respondents' payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondents agree that they shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the Securities and Exchange Commission. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this proceeding. For purposes of this paragraph, a "Related Investor Action" means a private damages action brought against any of the Respondents by or on behalf of one or more investors based on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding.

- I. Petroteq shall comply with the undertakings set forth in paragraph 47, above.

## **VI.**

It is further Ordered that, solely for purposes of exceptions to discharge set forth in Section 523 of the Bankruptcy Code, 11 U.S.C. §523, the findings in this Order are true and admitted by Respondent Blyumkin, and further, any debt for disgorgement, prejudgment interest, civil penalty, or other amounts due by Respondent Blyumkin under this Order or any other judgment, order, consent order, decree, or settlement agreement entered in connection with this proceeding, is a debt for the violation by Respondent Blyumkin of the federal securities laws or any regulation or order issued under such laws, as set forth in Section 523(a)(19) of the Bankruptcy Code, 11 U.S.C. §523(a)(19).

## **VII.**

IT IS ORDERED that a public hearing for purposes of taking evidence on the questions set forth in Section IV hereof shall be convened at a time and place to be fixed and before an Administrative Law Judge to be designated by further order as provided by Rule 110 of the Commission's Rules of Practice, 17 C.F.R. § 201.110.

If Respondent Blyumkin fails to appear at a hearing after being duly notified, Respondent Blyumkin may be deemed in default and the proceedings may be determined against him upon consideration of this Order, the allegations of which may be deemed to be true as provided by Rules 155(a), 220(f), 221(f) and 310 of the Commission's Rules of Practice, 17 C.F.R. §§ 201.155(a), 201.220(f), 201.221(f) and 201.310.

IT IS FURTHER ORDERED that, pursuant to Rule 360(a)(2) of the Commission's Rules of Practice, 17 C.F.R. § 201.360(a)(2), the Administrative Law Judge shall issue an initial decision no later than 120 days from the occurrence of one of the following events: (A) The completion of post-hearing briefing in a proceeding where the hearing has been completed; (B)



Where the hearing officer has determined that no hearing is necessary, upon completion of briefing on a motion pursuant to Rule 250 of the Commission's Rules of Practice, 17 C.F.R. § 201.250; or (C) The determination by the hearing officer that a party is deemed to be in default under Rule 155 of the Commission's Rules of Practice, 17 C.F.R. § 201.155 and no hearing is necessary.

The Commission finds that it would serve the interests of justice and not result in prejudice to any party to provide, pursuant to Rule 100(c) of the Commission's Rules of Practice, 17 C.F.R. § 201.100(c), that notwithstanding any contrary reference in the Rules of Practice to service of paper copies, service to the Division of Enforcement of all opinions, orders, and decisions described in Rule 141, 17 C.F.R. § 201.141, and all papers described in Rule 150(a), 17 C.F.R. § 201.150(a), in these proceedings shall be by email to the attorneys who enter an appearance on behalf of the Division, and not by paper service.

In the absence of an appropriate waiver, no officer or employee of the Commission engaged in the performance of investigative or prosecuting functions in this or any factually related proceeding will be permitted to participate or advise in the decision of this matter, except as witness or counsel in proceedings held pursuant to notice. Since this proceeding is not "rule making" within the meaning of Section 551 of the Administrative Procedure Act, it is not deemed subject to the provisions of Section 553 delaying the effective date of any final Commission action.

By the Commission.

Vanessa A. Countryman  
Secretary