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UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF IDAHO

SECURITIES AND EXCHANGE
COMMISSION,

PLAINTIFF,

v.

GORDON W. JENKINS, an individual,
THEODORE P. SWEETEN, an individual,
FRANCIS W. KREAIS III, an individual, and
CRAIG L. PARKINSON, an individual,

DEFENDANTS.

COMPLAINT

Civil No.: 4:16-cv-00402

Judge:

Plaintiff, Securities and Exchange Commission (the “Commission”), for its Complaint against Defendants Gordon W. Jenkins (“Jenkins”), Theodore P. Sweeten (“Sweeten”), Francis Kreais III (“Kreais”) and Craig L. Parkinson (“Parkinson”) alleges as follows:

INTRODUCTION

1. This matter involves material misrepresentations and omissions in the unregistered offer and sale of securities by Arco Hills Silica Company (“Arco Hills”), its president Jenkins, Sweeten, Kreais and his company JCF Funding LLC (“JCF”) and Parkinson.

2. Beginning in January 2011 and continuing through August 2014, Jenkins, Sweeten and Kreais engaged in a scheme whereby they offered and sold \$504,475.24 in promissory notes to approximately 12 investors located throughout the country by cold calling, holding marketing meetings in investors' homes and emails while acting as unregistered brokers.

3. Investors were told by Jenkins, Sweeten and Kreais that Arco Hills would use their money to pay the routine costs in locating long-term financing from individuals and financial institutions to establish mining operations on its mining claims located in southern Idaho.

4. Jenkins, Sweeten and Kreais promised investors that they would receive a guaranteed return from 53% to 120% within days of Arco Hills' obtaining financing and that their investment principal and interest was secured by a single mining claim held by the company valued at \$6.8 billion based upon fraudulent geological and valuation reports prepared by Parkinson, a licensed geologist. Jenkins, Sweeten and Kreais told investors this mining claim could be sold quickly to ensure each investor received their money back if their promissory notes went into default.

5. Parkinson claimed in his reports that Arco Hills could mine 20 billion tons of high quality silica from its mining claims that could be sold for \$20 to \$30 per ton. Parkinson also represents in his reports the silica in Arco Hills' mining claims contains approximately 460 million ounces of gold within a value of \$805 billion.

6. Jenkins, Sweeten and Kreais also told investors that their investment was further guaranteed from loss by bogus indemnity bonds.

7. Jenkins, Sweeten and Kreais misappropriated \$422,536.58 of investors' proceeds for their own use.

8. Jenkins, Sweeten and Kreais paid earlier investors approximately \$25,394.68 with new investor money.

JURISDICTION AND VENUE

9. This Court has subject matter jurisdiction by authority of Sections 20 and 22 of the Securities Act of 1933 (the “Securities Act”) [15 U.S.C. §§ 77t and 77v] and Sections 21 and 27 of the Securities Exchange Act of 1934 (the “Exchange Act”) [15 U.S.C. §§ 78u and 78aa].

10. Defendants, directly and indirectly, singly and in concert, have made use of the means and instrumentalities of interstate commerce and the mails in connection with the transactions, acts and courses of business alleged herein, certain of which have occurred within the District of Idaho.

11. Venue for this action is proper in the District of Idaho under Section 22(a) of the Securities Act [15 U.S.C. § 77v(a)] and under Section 27 of the Exchange Act [15 U.S.C. § 78aa] because certain of the transactions, acts, practices, and courses of business alleged in this Complaint took place in this district and because the Defendants resided in and transacted business in this district.

12. Defendants, unless restrained and enjoined by this Court, will continue to engage in the transactions, acts, practices, and courses of business alleged herein and in transactions, acts, practices, and courses of business of similar purport and object.

13. Defendants’ conduct took place in connection with the offer, purchase and/or sale of promissory notes issued by Arco Hills and JCF, which are securities.

DEFENDANTS

14. **Gordon W. Jenkins**, age 70, is a resident of Idaho Falls, Idaho. Jenkins is and has been the only officer and director of Arco Hills. He solicited investors directly for Arco Hills.

15. **Theodore P. Sweeten**, age 62, is originally from Ashland, Oregon. Sweeten also solicited investors for Arco Hills.

16. **Francis W. Kreais III**, age 55, is a resident of Helena, Ohio. Kreais, through his company JCF, solicited investors for Arco Hills.

17. **Craig L. Parkinson**, age 57, is a resident of Penn Valley, California. Parkinson d/b/a as Parkinson Geologic Services was hired by Jenkins and Sweeten to prepare and update geological and mineral valuation reports for Arco Hills' mining claims.

RELATED PARTIES

18. **Arco Hills Silica Company** ("Arco Hills") was incorporated in Idaho in July 2002 with its principal place of business in Idaho Falls, Idaho. Arco Hills has not registered with the Commission in any capacity and has no disciplinary history. No registration statement has been filed with the Commission by Arco Hills in connection with the offer and sale of promissory notes.

19. **JCF Funding LLC** ("JCF") was incorporated in Nevada in January 2005 with its principal place of business in Las Vegas, Nevada. JCF has not registered with the Commission in any capacity nor has it made any filing in connection with the offer and sale of promissory notes.

SOLICITATION OF INVESTORS

20. In January 2012, Jenkins and Sweeten approached Kreais and asked him if he could assist them in locating additional investors who would pay for Arco Hills' costs in locating long-term financing from individuals and financial institutions to fund its mining operations on its mining claims located in southern Idaho.

21. Jenkins and Sweeten told Kreais that once Arco Hills had secured the financing, investors would receive a guaranteed rate of return ranging from 53% to 120% within 30 to 90 days, if not earlier.

22. Jenkins, Sweeten and Kreais told investors' their investment principal and interest would never be lost because Arco Hills had pledged a single mining claim valued at \$6.8 billion to collateralize their investment. Investors were told this mining claim could be sold quickly to guarantee a return on their investment.

23. The value of each mining claim had been determined by Parkinson who is a licensed geologist in multiple western states. Parkinson prepared a geological and valuation report in 2010, and updated in 2011, which stated each one of Arco Hills 119 mining claims was worth \$6.8 billion based upon his own analysis and his review of prior expert's fieldwork, assay tests and geological data who had purportedly examined Arco Hills' mining claims in detail.

24. Kreais agreed to participate in locating investors based upon what Jenkins and Sweeten told him about Parkinson's reports and by his confirming that Arco Hills' had mining claims on file with the Bureau of Land Management ("BLM").

25. Beginning in January 2011, Jenkins and Sweeten actively solicited investors for Arco Hills by cold calling, emailing and asking friends, family and business associates for the names of individuals who would be interested in investing in Arco Hills.

26. In January 2012, Kreais, conducting business under the name of JCF, began soliciting investors during weekly Bible study classes he was teaching and by cold calling and emailing potential investors. Kreais also held investor solicitation meetings in investors' homes.

27. Jenkins and Sweeten provided Kreais with a copy of the promissory note he was to have JCF investors sign. The promissory note listed JCF as the issuer of the note.

28. Kreais told investors even though the promissory note listed JCF as the issuer of the note, Arco Hills would be receiving their investment proceeds and would be responsible for paying back investors their guaranteed principal and interest returns.

29. Jenkins and Sweeten also spoke to and emailed Arco Hills and JCF investors, encouraging them to sign the promissory notes and assured them their money was safely invested.

30. In June 2012, Jenkins, Sweeten and Kreais began telling investors their investment principal and interest would also be protected by indemnity bonds. These bonds would further guarantee investors received a return of their investment.

31. Jenkins, Sweeten and Kreais continually assured investors orally and in emails that 100% of their investment would be used by Arco Hills to secure financing and not for their personal living expenses.

32. At no time did Jenkins, Sweeten or Kreais provide investors with any financial statements, accreditation documents, a private placement memorandum or a copy of Parkinson's report.

33. Despite this lack of information, Jenkins, Sweeten and Kreais raised \$504,436.26 from investors who are unaccredited and unsophisticated.

PARKINSON'S FRAUDULENT GEOLOGICAL AND VALUATION REPORT

34. In January 2010, Jenkins and Sweeten hired Parkinson to prepare a geological and valuation report called a National Instrument 43-101 report (“NI 43-101”) for Arco Hills with the understanding his report would be used to solicit funding from individuals and financial institutions. A NI 43-101 report requires Parkinson to make specific disclosures in a particular format in evaluating a mining property so as to not mislead investors by using false and misleading mining methods, terms and data.

35. The requirements of NI 43-101 mandates that Parkinson verify the accuracy of the work performed and data collected by other individuals or experts who have performed work on the Arco Hills mining claims prior to using their data in his reports. Parkinson was also required to conduct his own tests and analysis to verify the accuracy of the prior work done by others. Parkinson knowing or recklessly failed to comply with the obligations of NI 43-101 which resulted in false and misleading statements being made to investors.

36. On February 17, 2010, Parkinson issued his report to Jenkins and Sweeten in which he stated that he shipped silica rock samples taken from Arco Hills’ mining claims to an assay laboratory to determine quality of the silica that could be mined from Arco Hills’ mining claims. The assay would also determine the amount of precious metals such as gold or silver that was contained in the silica.

37. Parkinson knew his statement that he shipped silica samples to an assay laboratory was false and misleading. He admitted that no rock samples had been sent to any assay laboratory because Arco Hills could not pay to process the samples.

38. In the same report, Parkinson stated that he relied upon a letter purportedly written by an Idaho Falls civil engineer in 2007 claiming Arco Hills could mine 20 billion tons

of high quality silica from its mining claims. Parkinson knew or was reckless in not knowing the civil engineer never authored the letter nor did he have any knowledge of mining. Parkinson never communicated with the civil engineer or verified the authenticity or accuracy of the letter. Parkinson never conducted his own calculations to determine how many tons of silica could be mined from Arco Hills' mining claims.

39. Parkinson also relied on a 2008 letter provided by a self-professed marketing expert that Arco Hills could sell silica for \$20.00 to \$30.00 per ton. Parkinson knew or was reckless in not knowing this statement was also false because he never spoke to the author of the letter nor did he do any independent market analysis of what silica could be sold for in 2010.

40. In his November 2011 updated report, Parkinson calculated that Arco Hills' mining claims contained 460 million ounces of gold that would be worth \$805 billion. Again, Parkinson knew this statement was false and misleading as no assay samples had been submitted by him to any laboratory on behalf of Arco Hills. Additionally, multiple rock samples taken by the BLM geologists and assayed by other certified laboratories show microscopic to no gold in Arco Hills' mining claims.

41. Parkinson's false statements regarding the gold and valuation amounts are fraudulent. His calculations indicated that Arco Hills' mining claims would qualify as the largest gold deposit ever discovered in North America and the second largest in the world. Parkinson knew or was reckless in not knowing such representations in his 2011 report were patently false and misleading.

42. Jenkins and Sweeten knew that the accuracy of Parkinson's report was being disputed by a potential investor in April 2010. In an email to Jenkins and Sweeten, this individual told Jenkins and Sweeten that Parkinson's report never provided any current data to

establish how many tons of silica could be mined by the company nor were there any new assay test results that showed the quality of the silica.

43. Kreais learned in May 2012 that Parkinson's report was fraudulent.

Notwithstanding the fantastical nature of the claims relating to the value of the gold deposits, Kreais knew that no significant funding based upon the value of the mining claims could be obtained by Jenkins or Sweeten.

44. Jenkins, Sweeten and Kreais intentionally failed to tell investors that no funding could be located by Arco Hills.

45. Jenkins, Sweeten and Kreais knowingly failed to tell investors that the mining claim that had been pledged as collateral for their promissory notes could not be sold to pay back investors their investment funds.

46. Despite knowing that Parkinson's reports were fraudulent, that no funding had been located for Arco Hills and that the mining claim could not be sold, Jenkins, Sweeten and Kreais continued to solicit investors while using false and misleading information and omitting to disclose material information to investors as stated above.

PHONY INDEMNITY BONDS

47. On June 1, 2012, Jenkins, Sweeten and Kreais began telling investors their investment principal and interest would also be protected by indemnity bonds issued by U.S. Department of the Treasury Department ("Treasury Department") and Bank of America. Kreais claimed he had located an individual, Marsha Ann Willardson ("Willardson") who could issue indemnity bonds on behalf of the federal government and banking institutions.

48. On approximately June 15, 2012, Willardson provided Kreais with a \$350 million bond purportedly back by the Treasury Department. Later, on September 24, 2012, Kreais

received an email from Willardson claiming she had submitted the bond for payment through Bank of America but the Treasury Department had declined to pay off the bond. Attached to the email was a letter from the Treasury Department stating that the bond was bogus and it had sent the bond to the IRS Criminal Investigation Division. Willardson failed to provide the second indemnity bond as promised.

49. Kreais informed Jenkins and Sweeten that the bond was a bogus and that the criminal authorities had been notified. Nevertheless, Jenkins, Sweeten and Kreais continued to make false and misleading statements to investors that the indemnity bonds would pay them back their investment shortly.

MISAPPROPRIATION OF INVESTOR FUNDS

50. The investors were told by Jenkins, Sweeten and Kreais that 100% of their investment proceeds would be used by Arco Hills to located funding for the company to begin mining operations on its mining claims. Jenkins, Sweeten and Kreais knew this was a false and misleading statement.

51. Beginning in December 2011 through August 2014, Jenkins, Sweeten and Kreais intentionally misappropriated approximately \$422,536.58, or 84%, of the \$504,436.26 in investor proceeds. Jenkins stole \$82,757.06, Sweeten misappropriated \$227,702.32 and Kreais took \$112,077.20 of investor money. None of this information was disclosed to investors.

52. Despite promises to the contrary, Jenkins, Sweeten and Kreais used investors' money to pay for their daily expenses, entertainment, house payments, legal expenses and medical bills.

53. In addition, Kreais, with the knowledge and approval of Jenkins and Sweeten, paid back old investors with \$25,394.68 of new investor money. Investors were not told that money from new investors was being used to pay earlier investors.

54. Jenkins, Sweeten or Kreais were not registered with the Commission in any capacity at the time they offered and sold promissory notes to investors in several states.

FIRST CAUSE OF ACTION
EMPLOYMENT OF A DEVICE, SCHEME OR ARTIFICE TO DEFRAUD
Violation of Section 17(a)(1) of the Securities Act [15 U.S.C. § 77q(a)(1)]

55. The Commission realleges and incorporates by reference the allegations contained in paragraphs 1 through 54 above.

56. Defendants Jenkins, Sweeten, Kreais and Parkinson, by engaging in conduct described above, directly or indirectly, in the offer or sale of securities, by the use of the means or instruments of transportation or communication in interstate commerce or by use of the mails, with scienter, employed devices, schemes, or artifices to defraud.

57. By reason of the foregoing, Defendants Jenkins, Sweeten, Kreais and Parkinson, directly or indirectly, violated, and unless restrained and enjoined by this Court, will continue to violate Section 17(a)(1) of the Securities Act [15 U.S.C. § 77q(a)(1)].

SECOND CAUSE OF ACTION
FRAUD IN THE OFFER AND SALE OF SECURITIES
Violations of Section 17(a)(2) of the Securities Act [15 U.S.C. § 77q(a)(2)]

58. The Commission realleges and incorporates by reference the allegations contained in paragraphs 1 through 54 above.

59. Defendants Jenkins, Sweeten, Kreais and Parkinson, by engaging in the conduct described above, directly and indirectly, in the offer and sale of securities, by the use of the means or instruments of transportation or communication in interstate commerce or by use of the

mails, obtained money or property by means of making an untrue statements of material fact or by omitting 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, and engaged in transactions, practices, or courses of business which operate or would operate as a fraud or deceit upon the purchaser.

60. By reason of the foregoing, Defendants Jenkins, Sweeten, Kreais and Parkinson, directly or indirectly, violated, and unless restrained and enjoined will continue to violate, Section 17(a)(2) [15 U.S.C. §§ 77q(a)(2)].

THIRD CAUSE OF ACTION
FRAUD IN THE OFFER AND SALE OF SECURITIES
Violations of Section 17(a)(3) of the Securities Act [15 U.S.C. § 77q(a)(3)]

61. The Commission realleges and incorporates by reference the allegations contained in paragraphs 1 through 54 above.

62. Defendants Jenkins, Sweeten and Kreais, by engaging in the conduct described above, directly and indirectly, in the offer and sale of securities, by the use of the means or instruments of transportation or communication in interstate commerce or by use of the mails, obtained money or property by means of making an untrue statements of material fact or by omitting 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, and engaged in transactions, practices, or courses of business which operate or would operate as a fraud or deceit upon the purchaser.

63. By reason of the foregoing, Defendants Jenkins, Sweeten and Kreais, directly or indirectly, violated, and unless restrained and enjoined will continue to violate, Section 17(a)(3) [15 U.S.C. §§ 77q(a)(3)].

**FOURTH CAUSE OF ACTION
FRAUD IN CONNECTION WITH THE PURCHASE AND SALE OF
SECURITIES**

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]

64. The Commission realleges and incorporates by reference the allegations contained in paragraphs 1 through 54 above.

65. Defendants Jenkins, Sweeten, Kreais and Parkinson, by engaging in the conduct described above, directly or indirectly, by the use of means or instrumentalities of interstate commerce or use of the mails, in connection with the purchase or sale of securities, with scienter: (1) employed devices, schemes, or artifices to defraud; (2) made untrue statements of material fact or omitted to state a material fact necessary in order to make statements made, in light of the circumstances under which they were made not misleading; or (3) engaged in acts, practices, or courses of business that operated or would operate as a fraud and deceit upon other persons.

66. By reason of the foregoing, Defendants violated, and unless restrained and 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].

**FIFTH CAUSE OF ACTION
OFFER AND SALE OF UNREGISTERED SECURITIES
Violation of Sections 5(a) and (c) of the Securities Act [15 U.S.C. § 77e(a) and (c)]**

67. The Commission realleges and incorporates by reference the allegations contained in paragraphs 1 through 54 above.

68. Defendants Jenkins, Sweeten and Kreais, by engaging in the conduct described in the paragraphs above, directly or indirectly, through use of the means or instruments of transportation or communication in interstate commerce or the mails, offered to sell or sold JCF and Arco Hills securities, directly or indirectly, or carried such securities through the mails or in interstate commerce, for the purpose of sale or delivery after sale.

69. No registration statement has been filed with the Commission or has been in effect with respect to these securities.

70. By reason of the foregoing, Defendants Jenkins, Sweeten and Kreais, directly or indirectly, violated, and unless enjoined will continue to violate Sections 5(a) and 5(c) of the Securities Act [15 U.S.C. §§ 77e(a) and 77e(c)].

**SIXTH CAUSE OF ACTION
OFFER AND SALE OF SECURITIES BY AN UNREGISTERED BROKER OR
DEALER
Violation of Section 15(a)(1) of the Exchange Act [15 U.S.C. § 78o(a)]**

71. The Commission realleges and incorporates by reference the allegations contained in paragraphs 1 through 54 above.

72. Defendants Jenkins, Sweeten and Kreais, directly or indirectly, made use of the mails or the means or instrumentalities of interstate commerce to effect transactions in, or to induce or attempt to induce the purchase and sale of securities in JCF and Arco Hills without being registered as a broker or dealer with the Commission or associated with a broker-dealer registered with the Commission.

73. By reason of the foregoing, Defendants Jenkins, Sweeten and Kreais violated, and unless restrained and enjoined will continue to violate, Section 15(a)(1) of the Exchange Act [15 U.S.C. 78o(a)].

RELIEF REQUESTED

WHEREFORE, the Commission respectfully requests that this Court:

I.

Issue findings of fact and conclusions of law that Defendants committed the violations charged herein.

II.

Issue in a form consistent with Rule 65(d) of the Federal Rules of Civil Procedure orders that permanently enjoins Defendants, and their officers, agents, servants, employees, attorneys, and accountants, and those persons in active concert or participation with him, who receive actual notice of the order by personal service or otherwise, and each of them, from engaging in transactions, acts, practices, and courses of business described herein, and from engaging in conduct of similar purport and object in violation of Sections 5(a), 5(c) and 17(a) of the Securities Act and Sections 10(b), and 15(a)(1) of the Exchange Act and Rule 10b-5 thereunder.

III.

Enter an order directing Defendants to pay civil money penalties pursuant to Section 20(d) of the Securities Act and Section 21(d)(3) of the Exchange Act.

IV.

Enter an order directing Defendants to disgorge all ill-gotten gains received during the period of violative conduct and pay prejudgment interest on such ill-gotten gains.

V.

Retain jurisdiction of this action in accordance with the principles of equity and the Federal Rules of Civil Procedure in order to implement and carry out the terms of all orders and

decrees that may be entered, or to entertain any suitable application or motion for additional relief within the jurisdiction of this Court.

Dated: September 7, 2016.

Respectfully submitted,

/s/ Daniel J. Wadley

Daniel J. Wadley

Amy J. Oliver

Lindsay S. McCarthy

Attorneys for Plaintiff

U. S. Securities & Exchange Commission