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**STATE OF WASHINGTON
DEPARTMENT OF FINANCIAL INSTITUTIONS
SECURITIES DIVISION**

IN THE MATTER OF DETERMINING) Order No.: S-17-2261-18-CO01
Whether there has been a violation of the)
Securities Act of Washington by:) CONSENT ORDER
Gerald A. Hoye,)
Respondent)

INTRODUCTION

Pursuant to the Securities Act of Washington, RCW 21.20, the Securities Division of the Department of Financial Institutions ("Securities Division") and Respondent Gerald A. Hoye, do hereby enter into this Consent Order in settlement of the matters alleged herein. Respondent Gerald A. Hoye, neither admits nor denies the Findings of Fact and Conclusions of Law as stated below.

FINDINGS OF FACT

Respondent

1. Gerald A. Hoye ("Hoye") was a resident of Auburn, Washington between approximately 2009 and 2012. Hoye currently resides in Kamloops, British Columbia, Canada. From April 2009 until July 2011, while he was living in Washington, Hoye was a registered securities salesperson for State Farm VP Management Corp. (CRD #5628057).

Related Companies

2. Nano-Green Biorefineries Inc. ("Nano-Green") is a privately held Canadian company located in Edmonton, Alberta, Canada. Nano-Green was incorporated on October 9, 2007, and the corporate name was changed to Nano-Green on October 14, 2010. Nano-Green is a holding company that has a patent for cellulose conversion technology.

1 3. Blue Goose Biorefineries Inc. ("Blue Goose") is a privately held Canadian company located
2 in Saskatoon, Saskatchewan, Canada. Blue Goose was incorporated on December 17, 2007, and the
3 corporate name was changed to Blue Goose in August 2010. Blue Goose is a subsidiary of Nano-Green.

4 **Nature of the Conduct**

5 4. From 2010 to 2012, Hoye offered and sold Nano-Green stock to Washington investors by
6 representing that the Nano-Green stock would increase dramatically in value because of the high demand
7 for its product. Nano-Green owns a patent for cellulose conversion technology. Hoye represented that
8 cellulose, micro-crystalline cellulose, and nano-crystalline cellulose ("cellulose") would be derived by
9 refining residual agricultural biomass (such as flax, grass, and corn husks) and forestry biomass (such as
10 wood waste, bark, and sawdust). Hoye represented that the cellulose could be used as an additive for a
11 variety of other products, including paper, food, and concrete. Hoye represented that Nano-Green's
12 subsidiary, Blue Goose, would build and operate a biorefinery plant using environmentally friendly
13 technology to produce the cellulose.

14 5. Between at least October 2010 and August 2012, Hoye offered and sold more than \$230,000
15 worth of Nano-Green stock to approximately eighteen investors who were Washington residents. Most of
16 the investors had no significant prior investment experience and were not accredited investors. Some of the
17 investors used their retirement funds to purchase stock from Hoye. Many of the investments were sold
18 through word-of-mouth referrals. Hoye generally negotiated the sale of the stock through one-on-one
19 transactions with the investors.

20 6. Hoye generally did not provide investors with any written offering materials for Nano-Green,
21 but he did provide at least one investor with a July 2010 business plan for Blue Goose that contained
22 misleading information and omitted material risks of the investment. The cover page for the business plan
23 included the slogan "Turning Waste Into Wealth." The business plan referenced a capital cost of
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1 approximately \$15 million to build a refinery for processing 100 tons of biomass per day, but it failed to
2 disclose the expected capitalization of the company. The business plan projected a capital cost recovery
3 within approximately 24 months, but it provided no reasonable basis for that projection. The business plan
4 did not include any written risk disclosures. The business plan failed to disclose the financial condition of
5 Nano-Green or Blue Goose. The business plan stated that the estimated worldwide demand for cellulose
6 was more than \$420 billion, without disclosing any sales information for Nano-Green or Blue Goose.

7 7. When offering and selling the Nano-Green stock, Hoye represented to investors that the
8 proceeds from the sale of their stock would be used by Nano-Green for research and development. In fact,
9 Nano-Green did not receive any proceeds from the sale of the stock. Instead, the proceeds went to a Nano-
10 Green shareholder, rather than to the company itself.

11 8. Hoye failed to disclose to investors that Hoye's Alberta company was receiving Nano-Green
12 stock at a value of 2.5 cents or 5 cents per share, at the same time that Hoye was selling Nano-Green stock
13 to investors at prices ranging from at least 7.5 cents per share to 26 cents per share. For each sale of stock to
14 investors, Hoye's Alberta company received the discounted shares of Nano-Green stock as an undisclosed
15 sales commission. Hoye also failed to disclose to the investors that the Nano-Green share prices were
16 arbitrary and did not reflect the underlying value of the company.

17 9. Hoye falsely represented to some investors that Nano-Green would be going public. In fact,
18 according to its Chief Executive Officer, Nano-Green is a privately held company that never had any plans
19 to become publicly traded. Hoye also failed to disclose to the investors that because Nano-Green was a
20 Canadian company, there were restrictions on the sale of the stock to United States investors.

21 10. Hoye misleadingly represented to some investors that Nano-Green would earn millions of
22 dollars and that Nano-Green stock would appreciate significantly in value within just a few years. Hoye
23 failed to provide any reasonable basis for the projected increase in Nano-Green's stock value. Hoye also
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1 misleadingly represented to at least one investor that the investor could get his money back at any time.
2 Hoyer failed to disclose that there were no funds set aside to repay investors and there was no obligation for
3 Nano-Green to repay its shareholders.

4 11. Hoyer failed to disclose other material information to the investors. Hoyer failed to provide
5 the investors with any financial statements for Nano-Green or Blue Goose. Hoyer failed to disclose the
6 ownership and the capital structure of Nano-Green or Blue Goose. Hoyer failed to disclose other specific
7 risks of the investment, including inadequate capitalization, the lack of any trading market for the stock, the
8 risk that shares could not be resold after purchase, the lack of any established product markets, and the
9 potential for product liability or patent infringement claims.

10 **Securities Registration Status**

11 12. Nano-Green Biorefineries Inc. is not currently registered to sell its securities in the state of
12 Washington and has not previously been so registered.

13 **Failure to Update Form U4 Filing**

14 13. As a registered securities salesperson, under WAC 460-23B-050, Hoyer had a duty to update
15 his Form U4 registration filing with the Securities Division within 30 days of any event that would cause the
16 Form U4 to be inaccurate. Hoyer sold Nano-Green stock during 2010 and 2011, but he never reported the
17 Nano-Green stock sales as "other business" on his Form U4 registration filing.

18 Based upon the above Tentative Findings of Fact, the following Conclusions of Law are made:
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20 **CONCLUSIONS OF LAW**

21 1. The offer and/or sale of the stock described above constitute the offer and/or sale of a
22 security as defined in RCW 21.20.005(14) and (17).
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1 IT IS FURTHER AGREED that the Securities Division has jurisdiction to enter this Consent Order.

2 IT IS FURTHER AGREED that Respondent Gerald A. Hoye entered into this Consent Order freely
3 and voluntarily and with a full understanding of its terms and significance.

4 IT IS FURTHER AGREED that in consideration of the foregoing, Respondent Gerald A. Hoye
5 waives his right to a hearing and to judicial review of this matter pursuant to RCW 21.20.440 and Chapter
6 34.05 RCW.

7 **WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.**

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9 Signed this 16 day of March, 2018

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11 Signed by:

12 /s/
13 Gerald A. Hoye

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15 SIGNED and ENTERED this 21st day of March, 2018



16
17 *William M. Beatty*

18
19 William M. Beatty
20 Securities Administrator

21
22 Approved by:

23 *Suzanne Sarason*
24 Suzanne Sarason
25 Chief of Enforcement

Presented by:

23 *Janet So*
24 Janet So
25 Financial Legal Examiner

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Reviewed by:



Robert Kondrat
Financial Legal Examiner Supervisor

