



ARIZONA CORPORATION COMMISSION

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Commission Finds Convicted Felon, Surprise Man and Craigslist Advertiser Committed Securities Fraud

PHOENIX – The Arizona Corporation Commission today issued orders in three separate cases that involve securities fraud totaling more than \$12.5 million.

Kenneth White and Marchant International Resources, Inc.

The Commission issued a default order against convicted felon Kenneth White of Texas and his affiliated company, ordering them to pay \$1,352,144 in restitution and a \$150,000 administrative penalty for securities fraud in connection with an unregistered oil and gas investment program.

The Commission found that White offered and sold units of participation in two oil well projects to 12 investors. The Commission found that White and his company misrepresented to investors that they were working with an established drilling company and that oil well production was either already occurring or about to occur. Additionally, the Commission found that White touted his business acumen, but failed to disclose his prior felony conviction for theft totaling more than \$4.3 million.

Brian C. Hageman, Deluge Inc. and Hydrotherm Power Corporation

The Commission ordered Brian C. Hageman of Surprise and his affiliated companies to pay a \$55,000 administrative penalty and \$11,179,254 in restitution for defrauding shareholders in connection with a thermal hydraulic engine project.

The Commission found that Hageman and his affiliated companies, Deluge Inc. and Hydrotherm Power Corporation, called the thermal hydraulic engine the “natural energy” machine. The Commission found, however, Hageman committed securities fraud by failing to inform the more than 700 investors that Deluge Inc. and Hydrotherm Power Corporation were no longer valid corporations and that there were a number of lawsuits filed against himself and his affiliated companies. Additionally, the Commission found that Hageman misrepresented his use of investor funds by taking out “shareholder loans” to pay himself first before developing the hydrothermal technology project as promised. To date, none of the investors have received any return on their investments.

Gregory McClain

The Commission issued a default order against Gregory McClain of Georgia and ordered him to pay a \$12,000 administrative penalty for committing fraud in the offer of securities and for his violations of the antifraud provisions in the Investment Management Act.

The Commission found that, while not registered as a securities salesman or licensed as an investment adviser representative, McClain offered investments on Craigslist whereby he would engage in trading on behalf of investors. The Commission found that McClain offered monthly returns in excess of 20 percent in exchange for incentive fees ranging from 30 to 50 percent. Also, the Commission found that McClain misrepresented the level of risk to potential investors, and failed to disclose that at least two prior investors had lost nearly all of their investments.

For more details about these cases, view the full text of the Commission’s orders: [S-20975A-16-0208](#) (McClain) [S-20959A-16-0109](#) (White and Marchant International Resources) and [S-20896A-13-0378](#) (Hageman,

et al). The Commission's final order against the named respondents will be posted online as soon as it is signed by all of the Commissioners. Please check the website:

<http://www.azcc.gov/divisions/securities/enforcement/enforce-orders.asp>

Resources for Investors

Arizonans can ask and check before they invest by contacting the Securities Division Investigator on Duty by telephone at 602-542-0662 or by email, info@azinvestor.gov. Investors can obtain guidelines on wise investing and know how to recognize fraud by visiting www.azinvestor.gov. Also, the Securities Division has a speakers bureau that conducts educational seminars for throughout the year. Request a speaker for a group meeting or event by contacting the Investor Education Coordinator directly at (602) 542-0428 or email info@azinvestor.gov.

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