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## Texas State Securities Board

208 E. 10th Street, 5th Floor  
Austin, Texas 78701-2407  
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SOAH DOCKET NO. 312-10-2045

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IN THE MATTER OF  
SOUTHERN PACIFIC ENERGY, INC.;  
ANDREW CORDOVA; AND  
GLENN KANEKO

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§  
§

Order No. **ENF-10-CD0-1685**

TO: Southern Pacific Energy, Inc.  
c/o Christopher A. Wilson, Esq.  
Wilson, Haglund & Paulsen, P.C.  
9110 Irvine Center Drive  
Irvine, California 92618  
and  
386 S. Burnside Avenue #3J  
Los Angeles, CA 90036

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### DEFAULT ORDER AFFIRMING CEASE AND DESIST ORDER

Be it remembered that this is your OFFICIAL NOTICE of the issuance by the Securities Commissioner of the State of Texas ("Securities Commissioner") of a DEFAULT ORDER pursuant to Section 23-2 of The Securities Act, TEX. REV. CIV. STAT. ANN. Art. 581-1 et seq. (Vernon 1964 & Supp. 2009) ("The Securities Act") and Section 105 of the Rules and Regulations of the Texas State Securities Board, 7 Tex. Admin. Code Chapter 101 et seq. (Supp. 2009) ("Board Rules").

## STATEMENT OF THE CASE

On April 2, 2009, the Texas Securities Commissioner issued an Emergency Cease and Desist Order, Order No. ENF-09-CDO-1670, against Respondents 808 Investments, LLC, 808 Energy, LLC, Southern Pacific Energy, Inc., Patrick S. Carter, Andrew Cordova and Glenn Kaneko.

On May 1, 2009, the Staff of the Enforcement Division ("Staff") received a Request for Hearing seeking to have the Emergency Order modified or set aside. This request was filed on behalf of all entities and individuals named in the Emergency Order.

808 Investments, LLC, 808 Energy, LLC, Southern Pacific Energy, Inc., Patrick S. Carter, Andrew Cordova and Glenn Kaneko, by and through counsel, waved their right to a hearing within 10 days, as provided for by Section 23-2.D. of the Texas Securities Act.

On or about December 3, 2009, 808 Investments, LLC, 808 Energy, LLC, and Patrick S. Carter consented to the entry of an Agreed Cease and Desist Order and Order Assessing Administrative Fine, Order No. ENF-09-CDO/FIN-1680 (the "Agreed Order"). In connection with the Agreed Order, 808 Investments, LLC, 808 Energy, LLC, and Patrick S. Carter withdrew their request for a hearing on the Emergency Order. Accordingly, Southern Pacific Energy, Inc., Andrew Cordova and Glenn Kaneko are the sole remaining Respondents contesting the Emergency Order.

On January 5, 2010, a Notice of Hearing was filed with the State Office of Administrative Hearings ("SOAH"), SOAH Docket No. 312-10-2045, whereby a hearing was set for 9:00 AM, February 24, 2010, to determine whether the Emergency Order should be affirmed, modified or set aside solely as it relates to Southern Pacific Energy, Inc., Andrew Cordova and Glenn Kaneko.

On February 17, 2010, the Staff filed with the SOAH a Motion to Dismiss from SOAH Docket, SOAH Docket No. 312-10-2045, based upon the failure to file a written answer or other responsive pleading to the Notice of Hearing on or before the 20<sup>th</sup> day after service of the notice.

On February 23, 2010, the Honorable Michael J. Borkland, SOAH Administrative Law Judge, granted the Staff's Motion to Dismiss from SOAH Docket and dismissed SOAH Docket No. 312-10-2045 from its docket.

## FINDINGS OF FACT

1. The Securities Commissioner entered an Emergency Cease and Desist Order, Order No. ENF-09-CDO-1670 (the "Emergency Order"), against Southern Pacific Energy, Inc., Andrew Cordova, Glenn Kaneko (collectively, "Respondents") and others on April 2, 2009.

2. The Emergency Order advised Respondents of their right to a hearing. Respondents thereafter filed a timely request for hearing on May 1, 2009, and waived their right to a hearing within 10 days, as provided for by Section 23-2.D. of The Securities Act.
3. On or about January 5, 2010, the Staff filed with the SOAH a Notice of Hearing (the "Notice") and served the same upon Respondents in compliance with Section 105.2 of the Board Rules. Said Notice provided for a hearing on the contested case to take place on February 24, 2010, and contained a statement of the allegations.
4. The Notice included the disclosure language required by Section 105.6(a)(1) of the Board Rules.
5. Respondents failed to file a written answer or other responsive pleading to the matters asserted in the Notice as required by Section 105.7 of the Board Rules.
6. On February 17, 2010, the Staff filed a Motion to Dismiss from SOAH Docket, SOAH Docket No. 312-10-2045, based upon Respondents' failure to file a written answer or other responsive pleading to the Notice of Hearing on or before the 20<sup>th</sup> day after service of the notice as required by Section 105.7 of the Board Rules.
7. On February 23, 2010, the SOAH judge granted the Staff's above-referenced motion, dismissed SOAH Docket No. 312-10-2045 from its docket and cancelled the hearing scheduled to commence on February 24, 2010.
8. Pursuant to Section 105.8(a)(1) of the Board Rules, the Securities Commissioner may make an informal disposition of a contested case by default by issuing an order in which the relief requested in the notice of hearing is granted and the matters set forth in the notice are deemed admitted as true upon proof to the Commissioner that the notice was mailed or personally served on a respondent in accordance with Section 105.2 of the Board Rules and such respondent has failed to file a written response as provided for in Section 105.7 of the Board Rules.
9. In the Notice and the Emergency Order incorporated therein, the Staff made the following allegations against Respondents:
  - A. Respondent Southern Pacific maintains a last known address at 386 S. Burnside Avenue #3J, Los Angeles, CA 90036
  - B. Respondent Cordova maintains a last known address at 5011 Argosy Avenue, Suite 4, Huntington Beach, California 92649. He is a Senior Advisor of 808 Energy.

- C. Respondent Kaneko maintains a last known address at 386 South Burnside Avenue #J, Los Angeles, California 90036. He is the President of Respondent Southern Pacific.
- D. Respondents made available the opportunity for investors in Texas to purchase units that consisted of 25,000 Series A Common Membership Shares in 808 Energy for \$25,000.00 per unit. This offering was made pursuant to an agreement between 808 Investments and Respondent Southern Pacific, the terms of which are as follows:
- i. Respondent Southern Pacific was the original owner of both 808 Energy and a co-generation power plant;
  - ii. Respondent Southern Pacific engaged 808 Investments to act as a “financial fund raiser” by raising capital for Respondent Southern Pacific through the sale of investments;
  - iii. 808 Investments was authorized to transfer a predetermined amount of capital to Respondent Southern Pacific, at which time Respondent Southern Pacific was required to transfer ownership of the co-generational power plant to 808 Energy; and
  - iv. 808 Investments was thereafter required to provide Respondent Southern Pacific with additional funds raised from investors. Respondent Southern Pacific was required to transfer ownership interests to 808 Investments to be used in connection with the solicitation of investments.
- E. Investors were also told that the co-generation power plant was being leased to a third party and that investors would receive a profit from payments made by the third party pursuant to the terms of the lease.
- F. The units have not been registered by qualification, notification or coordination and no permit has been granted for their sale in Texas.
- G. Respondents have not been registered with the Securities Commissioner as dealers or agents at any time material hereto.
- H. In connection with the offer for sale of the units, Respondent Cordova misrepresented the relevant fact that the proceeds of the offering would be used to operate a co-generation power plant that was currently leased to a third party under terms that provide for a “10-year payment commitment,” when in fact the following is true:
- i. The parties to the lease of the co-generation power plant were the third party and Respondent Southern Pacific Energy, Inc., and the

lease could not be assigned to anyone other than a lender or affiliate of the parties.

- ii. The lease was entered into in 2005, had a term of seven years, and was subject to termination for cause on thirty days written notice. The third party had the right, but not the obligation, to extend the lease for an additional three years.
- I. Respondent Cordova encouraged prospective investors in Texas to solicit others to purchase units in 808 Energy in exchange for a "finder's fee." This statement was materially misleading or otherwise likely to deceive the public because the Texas Securities Act requires that entities and individuals be registered as a dealer or agent before engaging in the offer for sale and sale of securities.
- J. Respondent Cordova represented that Carter held a Series 3, 7 and 66 licenses. This statement was materially misleading or otherwise likely to deceive the public because Carter was not registered with the Securities Commissioner to sell securities in Texas.

#### CONCLUSIONS OF LAW

1. The State Securities Board has jurisdiction over the Respondents and the subject matter of this disciplinary action pursuant to the provisions of The Securities Act. TEX. REV. CIV. STAT. ANN. Art. 581-1 et seq.
2. On receiving a request for a hearing from a person who is the subject of an Emergency Cease and Desist Order, the Securities Commissioner must serve notice of the time and place of the hearing. The hearing must be held not later than the 10<sup>th</sup> day after the date the Securities Commissioner receives the request for a hearing unless the parties agree to a later hearing date. The Securities Act, Section 23-2.D.
3. Based on the above Findings of Fact, the notice requirements required by Section 105 of the Board Rules were provided to Respondents.
4. Pursuant to §105.8(a)(1) of the Board Rules and based upon the above Findings of Fact, the matters set forth in Finding of Fact 9 above and alleged by the Staff in the Notice, are deemed admitted as true.
5. Pursuant to §105.8(a)(1) of the Board Rules and Section 23-2 of The Securities Act, the Staff is entitled to the relief requested in the Notice.
6. The Series A Common Membership Shares described in the above Findings of Fact that were offered for Respondents are "securities" as that term is defined by Section 4.A of the Texas Securities Act.

7. Respondents violated Section 7 of the Texas Securities Act by offering securities in Texas at a time when the securities were not registered with the Securities Commissioner.
8. Respondents violated Section 12 of the Texas Securities Act by offering securities in Texas without being registered.
9. Respondent Cordova engaged in fraud in connection with the offer for sale of securities.
10. Respondent Cordova made an offer containing statements that were materially misleading or otherwise likely to deceive the public.
11. Respondents' conduct, acts and practices threatened immediate and irreparable public harm.
12. The foregoing violations constitute bases for the issuance of an Emergency Cease and Desist Order pursuant to Section 23-2 of The Securities Act.
13. Based on the above Findings of Fact and Conclusions of Law, the Emergency Cease and Desist Order should be upheld pursuant to Section 23-2 of The Securities Act.

ORDER

1. It is therefore ORDERED that the Emergency Cease and Desist Order, Order No. ENF-09-CDO-1670, issued against SOUTHERN PACIFIC ENERGY, INC., ANDREW CORDOVA and GLENN KANEKO on April 2, 2009, is AFFIRMED in all respects and SHALL REMAIN IN FULL FORCE AND EFFECT.

SIGNED AND ENTERED by the Securities Commissioner this 16<sup>th</sup> day of March, 2010.

  
DENISE VOIGT CRAWFORD  
Securities Commissioner

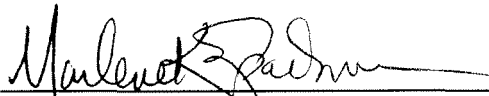
## CERTIFICATE OF SERVICE

I hereby certify that true and correct copies of the foregoing Default Order Affirming Cease and Desist Order have been sent to Respondents and their representative by certified mail, return receipt requested, at their last known addresses as set forth on Page 1 of this Order and identified below, on this the 16<sup>th</sup> day of March, 2010.

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Marlene K. Sparkman  
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State Securities Board