

COMMONWEALTH OF KENTUCKY
PUBLIC PROTECTION CABINET
DIVISION OF SECURITIES
ADMINISTRATIVE ACTION NO. 2017-AH-00017

ENTERED
APR 12 2019
HOL B. LAM
COMMISSIONERS OFFICE

DEPARTMENT OF FINANCIAL INSTITUTIONS

COMPLAINANT

vs.

**COMMISSIONER'S FINDINGS OF FACT,
CONCLUSIONS OF LAW, AND FINAL ORDER**

CHRISTINA K. KNIGHT, and
PLOUTOS OIL, LLC

RESPONDENTS

The Department of Financial Institutions (“DFI”) is responsible for administering the provisions of Kentucky Revised Statutes (“KRS”) Chapter 292, as well as any applicable rules, regulations and orders entered pursuant to KRS 292. On February 12, 2019, the Hearing Officer, having reviewed the record, including all exhibits and written submissions by the parties in this matter, issued a Recommended Findings of Fact, Conclusions of Law, and Recommended Order (“Recommended Order”). After careful consideration of the record, including the Recommended Order and any duly filed exceptions, for the reasons set forth herein, DFI’s Commissioner hereby enters this Findings of Fact, Conclusions of Law, and Final Order adopting the Hearing Officer’s Recommended Order of Default Judgment.

PARTIES

1. The Commissioner is responsible for administering the provisions of KRS Chapter 292, the Securities Act of Kentucky (“the Act”), as well as any applicable rules, regulations and orders entered pursuant to the Act.

2. Respondent Ploutos Oil, LLC (“Ploutos Oil”) is a Kentucky Limited Liability Company with a registered principal office location of 211 Lewis Lane, Beaver Dam, KY 42320, and a registered agent for service of process under the name of Christina Knopp Taylor, aka Christina K. Knight.

3. Respondent Christina K. Knight (“Respondent Knight”) is the Organizer, CEO and Managing Member of Ploutos Oil.

FACTS

4. Respondent Knight established Ploutos Oil on April 21, 2014, and through the issuer, Ploutos Oil, solicited investors to purchase interests in oil leases and/or well-drilling projects.

5. On November 24, 2015, DFI initiated an inquiry of Ploutos Oil after the DFI Securities Division received a complaint relating to the business activities of Ploutos Oil and Respondent Knight. DFI subsequently upgraded the complaint to an investigation on April 21, 2016.

6. During the course of the investigation, DFI discovered that Ploutos Oil and Respondent Knight offered and sold to investors fractional undivided interests in twelve (12) oil lease and/or well-drilling projects. Respondents, through written and electronically distributed materials, including email communications, solicited investors and indicated that, for a designated purchase price, an investor would receive a certain percentage of working interest in Kentucky oil well projects, to be leased or drilled by Ploutos Oil.

7. In addition, Respondent Knight provided inaccurate and extremely speculative revenue and profit expectations in the solicitation materials, and guaranteed a minimum return on

investments. Specifically, in a July 28, 2015 email, Respondent Knight guaranteed a twenty-five percent (25%) return to a potential investor on an enterprise known as the “Taylor Project 2015.”

8. For investment purposes, Ploutos Oil’s oil leases and drilling projects were divided into fractional investment units. An investor could purchase any number of units, up to the maximum allotted, to invest into the project.

9. The investment unit was divided into two components, working interest and net revenue interest. The working interest (“WI”) of the investment was designated for purchasing equipment and the costs of drilling or maintaining the wells. The net revenue interest (“NRI”) was the percentage of the profits obtained when the oil was pumped from the well and sold to a local oil distributor. Respondent Knight, by her own written admission on the offering documents, arbitrarily set the investment unit prices for the WI and NRI for each project.

10. Respondent Knight solicited and received more than one million two hundred eighty thousand dollars (\$1,280,000) in investor capital by selling investors fractional undivided interests in the twelve (12) project offerings.

11. During all times relevant to the operation of Ploutos Oil, Respondent Knight was authorized to make deposits and withdrawals of investor funds from the Ploutos Oil bank accounts.

12. Respondents’ bank records indicate there were over thirty-nine (39) investors who invested in the twelve (12) project offerings, and the investors’ funds were deposited into the above-referenced bank accounts. Furthermore, the bank records indicate there were minimal withdrawals of investor funds from the accounts that could reasonably relate to the oil lease and/or well drilling projects. Instead, the majority of investor money withdrawn from the business accounts was utilized for unknown or non-business related expenses.

13. The use of investor money for non-business related expenses was not disclosed in Respondents' investor solicitations or offering documents.

14. Neither Respondent Knight nor Ploutos Oil filed required registration documents with DFI for the above-referenced investments. Furthermore, during the course of the investigation, the Respondents failed to provide DFI with required information and documentation when requested, and repeatedly made false claims that neither Respondent Knight nor Ploutos Oil received investor funds for several of the twelve (12) solicited projects.

15. In addition, Respondent Knight failed to register as an agent of Ploutos Oil during the above-referenced time period.

16. On October 4, 2017, DFI filed an Administrative Complaint based upon the aforementioned conduct, alleging several violations of KRS Chapter 292. Respondents filed an Answer and requested a hearing.

17. Thereafter, the assigned Administrative Hearing Officer ("Hearing Officer") conducted a pre-hearing conference in which all parties were represented by counsel. A discovery, motion and hearing schedule was entered.

18. On June 5, 2018, an Amended Administrative Complaint was filed amending the case style from listing "Christina Knight d/b/a Ploutos Oil LLC" as a single Respondent, to delineating "Christina Knight and Ploutos Oil LLC" as separate Respondents.

19. During the course of discovery, DFI made several requests to Respondents regarding document production and deposition scheduling. However, Respondents failed to substantially comply with the document requests and failed to provide a schedule or any proposed deposition dates. Several emails were exchanged between the parties in an effort to move the case

forward. Ultimately, the parties agreed to mediate the case on November 13, 2018, and a final hearing date was scheduled for January 9, 2019.

20. On October 24, 2018, counsel for Respondents filed a motion to withdraw from the case, citing a lack of client cooperation and communication. A status conference was held on November 9, 2018, to address the motion, which was not opposed by DFI. Respondents failed to participate in the status conference. An Order was entered on November 10, 2018, giving Respondents until December 23, 2018, to obtain new counsel. Respondents failed to obtain new counsel by this date.

21. On January 8, 2019, Respondents emailed the Hearing Officer and DFI two motions. The first requested a continuance and the second was termed a “motion for clarification” of the claims. DFI objected to both motions, and the Hearing Officer deferred addressing the motions until the previously scheduled January 9, 2019 hearing date.

22. On January 9, 2019, Respondents again failed to provide notice to the Hearing Officer and DFI of the appointment of new counsel and failed to appear, either in person or by teleconference, for the scheduled hearing.

23. On January 10, 2019, the Hearing Officer denied the motion for clarification, but granted a continuance of the hearing and ordered Respondents to provide notice of new counsel by February 11, 2019. The order advised that Respondents’ failure to obtain new counsel and comply with the order could result in the entry of a recommended order of default judgment against Respondents. Respondents also failed to comply with this order.

24. On February 12, 2019, the Hearing Officer entered a Recommended Order of Default Judgment, to which Respondents have filed no exceptions.

CONCLUSIONS OF LAW

25. Pursuant to KRS 13B.080(6), if a party fails to participate in a pre-hearing conference, hearing or other stage of the administrative hearing process, or fails to comply with the orders of a Hearing Officer, the Hearing Officer may adjourn the proceedings and issue a default order granting or denying relief as appropriate. A default order under KRS 13B.080(6) shall be considered a recommended order and shall be processed as provided in KRS 13B.110.

26. The Hearing Officer concluded that the Respondents failed to participate in both a scheduled Final Hearing and status hearings, and were in violation of previous Orders in this matter. The Hearing Officer concluded it was Respondents' actions which prevented this matter from being decided on the merits. Consequently, pursuant to KRS 13B.080(6), the Respondents were subject to the entry of a Default Judgment. The Hearing Officer found that it was in "the interests of justice and the orderly and prompt conduct of the proceedings" to enter such a Default Judgment.

27. Furthermore, the Hearing Officer noted in his Recommended Order that "Respondent Christine Knight argued that an individual owner or stockholder is not generally liable for the debts of a corporation or LLC. However, that is not the claim here. Rather, the Complainant alleges that she (Respondent Knight) committed violations of the Kentucky Securities Act herself, individually. She has cited no authority for the proposition that she cannot be held liable for administrative penalties for her own violations. Neither is the Hearing Officer aware of any such authority."

28. Accordingly, the Hearing Officer recommended that a "Default Judgment in favor of the Complainant, the Kentucky Department of Financial Institutions, be entered in this matter,

granting the relief and imposing the sanctions sought in the Amended Complaint filed June 5, 2018, against Respondents Christina K. Knight and Ploutos Oil, LLC.”

29. For purposes of DFI’s Final Order, the Commissioner hereby adopts the Hearing Officer’s Recommended Order of Default Judgment.

FINAL ORDER

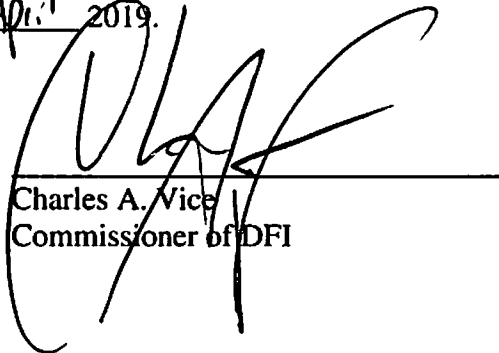
THEREFORE, based on the foregoing Findings of Fact and Conclusions of Law, and pursuant to KRS 292.470, KRS 292.500 and KRS 13B.120, the Commissioner **ORDERS**:

1. Respondent Knight and Ploutos Oil CEASE AND DESIST solicitations of all securities and from future violations of the Act;
 2. Respondent Knight pay a fine in the amount of Twenty Thousand dollars (\$20,000.00) for violation of KRS 292.320(1);
 3. Respondent Knight pay a fine in the amount of Ten Thousand dollars (\$10,000.00) for violation of KRS 292.330(3);
 4. Respondent Knight and Ploutos Oil pay a fine in the amount of Ten Thousand dollars (\$10,000) for each of the twelve (12) unregistered oil lease and well drilling projects offered to investors for a total fine of One Hundred Twenty Thousand dollars (\$120,000) for violations of KRS 292.340;
 5. Respondent Knight pay a fine in the amount of Ten Thousand dollars (\$10,000) for false and misleading statements and failure to provide documentation in violation of 808 KAR 10:440 Section 3(1); and
 6. Respondents Knight and Ploutos Oil make restitution to investors.
- This is a **FINAL** and **APPEALABLE ORDER**.

NOTICE OF APPEAL RIGHTS

Pursuant to KRS 292.490, you are hereby notified that any person aggrieved by the FINAL ORDER of the Commissioner may obtain a review of the Order by the Franklin Circuit Court. If you choose to appeal, you must file a written petition asking that the Order be modified or set aside, in whole or in part, in the Franklin Circuit Court within thirty (30) days after the entry of the Order. A copy of the petition must be served on the Commissioner.

It is so Ordered on this the 12th day of April, 2019.



Charles A. Vice
Commissioner of DFI

Certificate of Service


I hereby certify that a copy of the foregoing was sent by electronic mail and certified mail on this the 12th day of April, 2019, to the following:

VIA email and Certified Mail to:

nbures@sunsetevansville.com
Christina Knight, individually and as Agent for Service of Process
Plutos Oil, LLC
5448 State Route 69 South
Centertown, KY 42328

Via messenger mail to:

Mr. Jim Howard, ALJ
Office of Administrative Hearings
128 Brighton Park Boulevard|
Frankfort, Kentucky 40601
jim.howard@ky.gov



Name: Allison Reid
Title: Public Information Officer