

**STATE OF ALABAMA
ALABAMA SECURITIES COMMISSION**

IN THE MATTER OF:	)	
	)	ADMINISTRATIVE ORDER
KATHY M. BAZEMORE	)	NO. CD-2026-0004
VOLATILE ANALYSIS CORPORATION)	)	
COCOON RESOURCES INC.	)	
JAMES S. RIEGER	)	
ROCK SOLID WEALTH STRATEGIES)	)	
<u>RESPONDENTS</u>	)	

CEASE AND DESIST ORDER

The Alabama Securities Commission ("Commission"), having authority to administer and provide for the enforcement of all provisions of Title 8, Chapter 6, Code of Alabama 1975, the Alabama Securities Act ("Act"), upon due consideration of the subject matter hereof, has determined as follows:

RESPONDENTS

1. **KATHY M. BAZEMORE ("BAZEMORE"), 28473 US HWY 431, GRANT, AL, 35747**, is an individual who at all relevant times resided in Grant, Alabama, and is the registered agent of **VOLATILE ANALYSIS CORPORATION**.

2. **VOLATILE ANALYSIS CORPORATION ("VAC")** is a foreign corporation founded in February 2007 with its place of business at **28473 US HWY 431, Grant, AL 35747**. The entity was formed out of **COCOON RESOURCES INC.** and is owned/operated by **BAZEMORE**.

3. **COCOON RESOURCES INC. ("COCOON")** is a domestic corporation formed in 2004 with its place of business at **28473 US HWY 431, Grant, AL, 35747**. **COCOON** is owned/operated by **BAZEMORE**.

4. **JAMES S. RIEGER ("RIEGER"), 7310 Woodmill Way, Madison, AL, 35757,** is an individual who at all relevant times resided in Madison and/or Morgan County, AL, and is the registered agent of **ROCK SOLID WEALTH STRATEGIES, LLC.**

5. **ROCK SOLID WEALTH STRATEGIES, LLC. ("RSWS")** is a limited liability company formed in January 2010 with its place of business at **7310 Woodmill Way, Madison, AL, 35757.** RSWS is owned/operated by **RIEGER.**

STATEMENT OF FACTS

6. **VAC** purports to develop products that use volatile chemicals to detect disease states through metabolomics.

7. In 2016, in an effort to raise funding for **VAC**, **BAZEMORE** hired **RIEGER** to identify individuals who were able and willing to invest in **VAC**. **BAZEMORE** paid **RIEGER** \$50,000 as a consulting fee for his efforts. In September 2016, without **BAZEMORE's** approval/authorization¹, **RIEGER** began issuing promissory notes to investors in exchange for funds that were to be used as investments into **VAC**. After collecting said funds from investors, **RIEGER** failed to give all investor funds to **VAC** and used some investor funds for personal purposes.

8. **RIEGER**, through **RSWS**, solicited and sold securities in the form of promissory notes to five (5) Alabama residents. According to investors, **RIEGER** instructed them to deposit investor funds into **RSWS**, which was controlled by **RIEGER**.

¹ The consulting agreement specifically stated: "Consultant will not transact any investment on behalf of Volatile Analysis Corporation and Volatile Analysis Corporation will directly manage any inquiries specific to investment opportunities. It is understood Consultant is not operating in a broker capacity in any way."

9. The promissory notes listed **RSWS** as the maker, and the investor as the holder of the note. The maturity date for each investor was listed as the “**VAC** stock exit event.” No specific date was listed. The exit event would be determined by **VAC** when their initial public offering occurred, or an acquisition, merger, or sale were to occur. Each investor’s return on investment would be paid with shares of **VAC** stock with the number of shares and price per share varying between each investor. The interest rate was .50% simple interest which accrued quarterly and yearly. The interest payment terms varied from quarterly, yearly, and/or time of **VAC** exit event. According to each victim, **RIEGER** stated their investment would go directly into **VAC**, and they could request to have their money returned at any time.

10. Between May 2017 and January 2024, **BAZEMORE** solicited investments from two (2) Alabama residents that previously invested into **VAC** through **RIEGER/RSWS**. **BAZEMORE** also offered and sold securities in the form of promissory notes.

11. The first promissory note issued listed **VAC** as the maker, and the investor as the holder of the note. The maturity date was listed as December 31, 2018.² The interest accrued at a rate of 8% per annum until fully paid and was to be paid quarterly.

12. The second promissory note issued listed **VAC** as the Company, and the investor as the holder. The maturity date was February 4, 2019. The interest rate was 8% per annum.

13. **BAZEMORE** did not comply with the terms of the first promissory note issued in May 2017 and was in default. **BAZEMORE** was aware she could not comply with the terms of the second promissory note when she issued it in February 2018 and did not disclose to the investor that she was in default of the first promissory note.

² VAC Promissory Note, Article 1, Maturity section noted the date of 12/31/2018. A call provision was included and enabled the holder to call the note after ninety days with a 10 day notice. The notice was to be provided by email to rjames@volatileanalysis.com.

14. A review of the Commission's registration files revealed no record of registration, or notice filing, nor any perfected exemption from registration for the promissory notes offered and sold by **RESPONDENTS**. The search also revealed that neither **RIEGER**³ nor **BAZEMORE** were registered with the Commission as an agent for securities.

CONCLUSIONS OF LAW

15. Pursuant to Section 8-6-2(10), Code of Alabama 1975, the definition of a security includes any "note" or "evidence of indebtedness." The **RSWS** and **VAC** promissory notes offered by **RIEGER** and **BAZEMORE** and issued by **RSWS** and **VAC** are securities as defined by the Act.

16. Pursuant to Section 8-6-3(a), Code of Alabama 1975, it is unlawful for any person to transact business in Alabama as an agent for securities unless that person is registered under the Act. **RIEGER** and **BAZEMORE**, by offering and selling the **VAC** promissory notes, acted as agents in Alabama without having been registered with the Commission, in violation of the Act.

17. Pursuant to Section 8-6-4, Code of Alabama 1975, it is unlawful for any person to offer or sell any security in this state unless it is registered or exempt from registration under Section 8-6-10; or the transaction is exempt under Section 8-6-11. **RESPONDENTS** offered and sold securities (i.e. **VAC** promissory notes), which were neither registered nor subject to a perfected exemption from registration, in violation of the Act.

18. Pursuant to Section 8-6-17(a)(3), Code of Alabama 1975, it is unlawful for any person, in connection with the offer, sale or purchase of any security, directly or indirectly, to

³ **RIEGER**'s registration was terminated on March 31, 2017, due to **RSWS** not filing a Form U5 to terminate the registration, but **RIEGER** continued to offer and sell ten (10) more **VAC** promissory notes to investors after his registration expired.

engage in any act, practice or course of business which operates or would operate as a fraud or deceit upon any person. **RESPONDENT RIEGER** offered and sold securities (promissory notes) of **VAC** without the authorization of **VAC** or **BAZEMORE** and used portions of the proceeds from such sales to enrich himself in violation of the ACT.

19. Pursuant to Section 8-6-17(a)(2), Code of Alabama 1975, it is unlawful for any person, in connection with the offer, sale or purchase of any security, directly or indirectly, to make any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in light of the circumstances in which they were made, not misleading. **RESPONDENT BAZEMORE**, on behalf of **VOLATILE** and **COCOON**, knowingly issued a promissory note when she was aware that they could not comply with the terms of the note in violation of the ACT.

This Order is appropriate in the public interest for the protection of investors and is consistent with the purposes of the Act.

This Order does not prevent the Commission from seeking such other civil or criminal remedies that may be available to it under the Act.

Additionally, if the allegations set forth herein are found to be true, through either administrative adjudication, failure of **RESPONDENTS** to make a timely request for hearing, or default of **RESPONDENTS**, it is the intention of the Commission to impose sanctions upon **RESPONDENTS**. Such sanctions may include, inter alia, an administrative assessment imposed on **RESPONDENTS**, an additional administrative assessment for investigative costs arising from the investigation of the violations described herein against **RESPONDENTS**, and a permanent order to bar **RESPONDENTS** from participation in any securities-related industry in the State of Alabama.

ACCORDINGLY, IT IS HEREBY ORDERED that **RESPONDENTS** immediately
CEASE AND DESIST from further offers or sales of any security into, within or from the State
of Alabama.

Entered at Montgomery, Alabama this 1st day of October, 2014.

ALABAMA SECURITIES COMMISSION
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(334) 242-2984

BY: _____

Amanda Senn
AMANDA SENN
Director

