

**ADMINISTRATIVE PROCEEDING**

**BEFORE THE**

**SECURITIES COMMISSIONER OF SOUTH CAROLINA**

**IN THE MATTER OF:** )  
 )  
 )  
**Richard L. Grounsell and** )  
**Collaborative Med, LLC,** )  
 )  
**Respondents.** )  
\_\_\_\_\_ )

**ORDER TO CEASE AND DESIST**  
  
**File Number 08003**

WHEREAS, the Securities Division of the Office of the Attorney General of the State of South Carolina (the "Division"), pursuant to authority granted in the South Carolina Uniform Securities Act of 2005 (the "Act"), S.C. Code Ann. §§ 35-1-101 to 35-1-703 (Supp. 2008), in or around February 4, 2008, received information regarding alleged activities involving Richard L. Grounsell ("Grounsell") and Collaborative Med, LLC ("CoMed") (collectively, the "Respondents") which would constitute violations of the Act;

WHEREAS, the Act became effective on January 1, 2006;

WHEREAS, the information led the Division to open and conduct an investigation into the activities of the Respondents pursuant to S.C. Code Ann. § 35-1-602 and this investigation is ongoing;

NOW THEREFORE, in connection with the investigation, the Division determined that the Respondents have engaged and may be about to engage in acts or practices constituting violations of the Act and hereby includes in this Order to Cease and

Desist (“Order”) a statement of the reasons for the Order, a statement of the civil penalty sought as a result, and a notice that a hearing will be scheduled if either Respondent requests a hearing.

### **FACTUAL HISTORY**

1. Respondent Grounsell is a South Carolina resident with a last known address of 35 Weatherby Drive, Greenville, South Carolina 29615.
2. At all times material herein, Respondent CoMed was owned and/or controlled, in whole or part, by Respondent Grounsell.
3. The primary business address for Respondent CoMed during the time period of the transactions alleged was 14-D Pelham Ridge Drive, Greenville, South Carolina 29615. This is also the last known address for CoMed.
4. Neither Respondent Grounsell nor Respondent CoMed is currently registered with the Division as a broker-dealer, broker-dealer agent, investment adviser, investment adviser representative, or issuer of securities, and neither Respondent was registered with the Division in any capacity at any time during the period May 1, 2006, through December 31, 2008.
5. On or around May 11, 2006, Grounsell was elected President/CEO of GlucoTec, Inc. (“GlucoTec”).
6. On or around May 11, 2006, Grounsell announced that shares of GlucoTec stock would be sold to certain persons for the price of one (1) penny per share.
7. On or around May 11, 2007, Grounsell discussed stock restrictions associated with the issue of the shares that were to be issued for the price of one (1) penny per share (the “Initial Founders Round Shares”). Grounsell noted the Initial

Founders Round Shares required three years to vest, and indicated the shares could not be re-sold for “at least 3 years” unless the company was sold or a shareholder became disabled or passed away.

8. On or around May 18, 2006, Grounsell notified a group of shareholders that CoMed had agreed to assign all of its assets, including trademarks, source codes, and customer lists to GlucoTec in exchange for 18,129,066 shares of GlucoTec stock.
9. On or around May 19, 2006, GlucoTec issued a “Confidential Private Placement Memorandum” (the “May 19, 2006, PPM”).
10. Upon information and belief, the May 19, 2006, PPM is the first Private Placement Memorandum issued by GlucoTec.
11. Pursuant to the May 19, 2006, PPM, as of May 19, 2006, GlucoTec already had issued 19,189,066 of its 40,000,000 shares of common stock authorized.
12. Included in the 19,189,066 shares of GlucoTec issued and outstanding, as noted in the May 19, 2006, PPM, were approximately 18,129,066 shares issued to CoMed (the “GT Shares”).
13. No money was paid by CoMed to GlucoTec for the GT Shares. Rather, trademarks, source codes, customer lists, and other assets were assigned to GlucoTec in exchange for the GT Shares.
14. The GT Shares were not registered under the Act.
15. The GT Shares were not eligible for resale in or from the State of South Carolina unless or until the shares were registered under the Act, were a federal covered

security, or the transaction in which the shares were sold or the shares themselves were exempt from registration under the Act.

16. On or about May 22, 2006, Respondent Grounsell, acting on behalf of himself and Respondent CoMed, began offering for sale and selling the GT Shares of GlucoTec stock.
17. During the time period on or about May 22, 2006, through on or about December 31, 2007, Respondent Grounsell was responsible for effecting at least seventy (70) transactions involving sales of the GT Shares.
18. No registration of the GT Shares occurred at any time during the period May 22, 2006, to December 31, 2007.
19. The GT Shares were not federally covered securities at any time during the period May 22, 2006, to December 31, 2007.
20. No claim of exemption has been made regarding the offer or sale of the GT Shares during the period on or about May 22, 2006, through on or about December 31, 2007.

#### **APPLICABLE LAW**

1. Pursuant to Section 35-1-703 of the Act, the Act took effect on January 1, 2006.
2. Pursuant to Section 35-1-102(29) of the Act, the GT Shares offered by Respondents constitute securities.
3. Pursuant to Section 35-1-401(a) of the Act, it is unlawful for a person to transact business in this State as a broker-dealer unless the individual is registered under the Act as a broker-dealer or is exempt from registration as a broker-dealer under the Act.

4. Pursuant to Section 35-1-402(a) of the Act, it is unlawful for a person to transact business in this State as an agent unless the individual is registered under the Act as an agent or is exempt from registration as an agent under the Act.
5. Pursuant to Section 35-1-301 of the Act, it is unlawful for a person to offer or sell a security in this State unless (1) the security is a federal covered security; (2) the security, transaction, or offer is exempted from registration under Sections 35-1-201 through 35-1-203; or (3) the security is registered under the Act.
6. Pursuant to Section 35-1-503(a) of the Act, in a civil action or administrative proceeding under the Act, a person claiming an exemption, exception, preemption, or exclusion has the burden to prove the applicability of the claim.
7. Pursuant to 35-1-501 of the Act, it is unlawful for a person, in connection with the offer, sale, or purchase of a security, directly or indirectly: (1) to employ a device, scheme, or artifice to defraud; (2) to make an 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 under which they were made, not misleading; or (3) to engage in an act, practice, or course of business that operates or would operate as a fraud or deceit upon another person.
8. Pursuant to Section 35-1-602(a)(1), the Securities Commissioner may conduct public or private investigations within or outside the State of South Carolina which the Securities Commissioner considers necessary or appropriate to determine whether a person has violated, is violating, or is about to violate the Act or a rule adopted or order issued under the Act, or to aid in the enforcement of the Act or in the adoption of rules and forms under the Act.

9. Regarding administrative remedies under the Act:

- a. Pursuant to S.C. Code Ann. § 35-1-604(a)(1), if the Securities Commissioner determines that a person has engaged, is engaging, or is about to engage in an act, practice, or course of business constituting a violation of the Act or a rule adopted or order issued under the Act, the Securities Commissioner may issue an order directing the person to cease and desist from engaging in the act, practice, or course of business or to take other action necessary or appropriate to comply with the Act.
- b. Pursuant to S.C. Code Ann. § 35-1-604(b), a cease and desist order issued under S.C. Code Ann. § 35-1-604(a)(1) must include a statement of any civil penalty or costs of investigation the Securities Commissioner will seek, a statement of the reasons for the order, and notice about a hearing.
- c. Pursuant to S.C. Code Ann. § 35-1-604(d), in a final order, the Securities Commissioner may impose a civil penalty in an amount not to exceed ten thousand dollars (\$10,000) for each violation.
- d. Pursuant to S.C. Code Ann. § 35-1-604(e), in a final order, the Securities Commissioner may charge the actual cost of an investigation or proceeding for a violation of the Act or a rule adopted or order issued under the Act.

**DIVISION'S DETERMINATION**

WHEREAS, based on the application of the law to the facts, the Division has determined that the Respondents have engaged, are engaging, or are about to engage in an act, practice, or course of business constituting a violation of the Act and have

engaged, are engaging, or about to engage in an act, practice, or course of dealing constituting a violation of the Act or a rule adopted or order issued under the Act as follows:

- a. During the time period May 22, 2006, through on or about December 31, 2007, Respondents effected at least seventy (70) transactions involving sales of the GT Shares.
- b. The offers of the GT Shares were made in and from the State of South Carolina.
- c. The GT Shares constitute "securities" pursuant to the Act.
- d. The GT Shares were not registered for sale in or from the State of South Carolina.
- e. Respondents are not now and during the time period of the offers and sales of GT Shares described in (a) and (b) above were not licensed to sell securities in or from the State of South Carolina.
- f. No exemption from securities, broker-dealer or agent registration has been filed or claimed by Respondents or anyone acting on Respondents' behalf.
- g. Respondents violated the anti-fraud provisions of the Act by omitting to inform one or more potential investors of the following statements of material fact during their offers to sell the GT Shares:
  - i) The shares being offered were owned by CoMed, rather than by GlucoTec;
  - ii) Sale of the GT Shares would benefit CoMed rather than GlucoTec;
  - iii) CoMed is owned primarily by Grounsell and Grounsell's family;
  - iv) Profits from the sale of the GT Shares primarily inure to the benefit of Grounsell and Grounsell's family; and
  - v) CoMed had not paid the fair market value for the GT Shares.

## **CEASE AND DESIST ORDER**

NOW THEREFORE, pursuant to S.C. Code Ann. § 35-1-604(a)(1) of the Act, it is **HEREBY ORDERED** that each Respondent:

- a. Cease and desist from offering and/or selling securities, in violation of Sections 35-1-301, 35-1-401 and 35-1-501 of the Act; and
- b. Pay a civil penalty in the amount of one hundred thousand dollars (\$100,000.00) if this Order becomes effective by operation of law, or, if a Respondent seeks a hearing and a hearing officer or any other legal authority resolves this matter, pay a civil penalty in an amount not to exceed ten thousand dollars (\$10,000.00) for each violation of the Act committed by that Respondent.

### **REQUIREMENT OF ANSWER AND NOTICE OF OPPORTUNITY FOR HEARING**

Respondents are hereby notified that they each have the right to a hearing on the matters contained herein. To schedule such a hearing, a Respondent must file with the Securities Division, Post Office Box 11549, Rembert C. Dennis Building, Columbia, South Carolina, 29211-1549, attention: Thresechia Navarro, within thirty (30) days of notification of the issuance of this Order to Cease and Desist a written Answer specifically requesting a hearing therein.

In the written Answer, the Respondent, in addition to requesting a hearing, shall admit or deny each factual allegation in this Order, shall set forth specific facts on which the Respondent relies, and shall set forth concisely the matters of law and affirmative defenses upon which the Respondent relies. A Respondent without knowledge or information sufficient to form a belief as to the truth of an allegation shall so state.

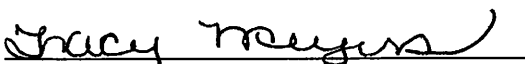


Failure by a Respondent to file a written request for a hearing in this matter within the thirty-day (30) period stated above shall be deemed a waiver by that Respondent of his right to such a hearing. Failure of a Respondent to file an Answer, including a request for a hearing, shall result in this Order, including the stated civil penalty, becoming final as to that Respondent by operation of law.

**CONTINUING TO ENGAGE IN ACTS DETAILED BY THIS ORDER AND/OR SIMILAR ACTS MAY RESULT IN THE DIVISION'S FILING ADDITIONAL ADMINISTRATIVE ACTIONS AND/OR SEEKING FURTHER ADMINISTRATIVE FINES. WILLFUL VIOLATION OF THIS ORDER COULD RESULT IN CRIMINAL PENALTIES. REGARDING MATTERS DESCRIBED HEREIN, THIS ORDER DOES NOT PRECLUDE THE FILING OF PRIVATE CAUSES OF ACTION OR THE FILING OF CRIMINAL CHARGES.**

**IT IS SO ORDERED.**

This 24<sup>th</sup> day of August, 2009

  
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