## STATE OF CALIFORNIA BUSINESS, CONSUMER SERVICES AND HOUSING AGENCY DEPARTMENT OF BUSINESS OVERSIGHT

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Jack Lee Markwell A Markwell Shaw Energy Company 840 South Broadway Portland, TN 37148

## DESIST AND REFRAIN ORDER

(For violations of section 25401 of the Corporations Code)

The Commissioner of Business Oversight finds that:

- 1. At all relevant times herein, A Markwell Shaw Energy Company (AMS), a business of unknown form, was located at 840 South Broadway Street, Portland, TN 37148.
  - 2. Jack Lee Markwell ("Markwell") was at all relevant times a co-owner of AMS.
- 3. Beginning in February 2014 and continuing through November 2014, Markwell, acting as a representative of AMS, offered oil extraction investments to California investors.
- 4. In February 2014, Markwell provided a resident of Rancho Mirage, California ("Rancho Mirage resident"), with a document entitled "Binkley Lease Executive Summary." This document offered an investment opportunity in "The Binkley Lease," an oil extraction project (hereinafter "the Binkley Project") located in Nowata County, Oklahoma. For an investment of \$75,000, an investor would be entitled to nine per cent of the net revenue generated by the project. The executive summary estimated "over a 50% return the first year" and provided no disclosure of any risks associated with the project. Investors would have no role in the Binkley Project other than through their funding of the project. The executive summary also stated that once AMS received partial funding from investors, it would start the project so that investors "can start receiving checks" back on their investment almost right away."
- 5. On March 10, 2014, AMS (through Markwell) entered into an "Interest Holder Purchase Agreement" with the Rancho Mirage resident, wherein the resident provided \$37,500 to

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- 6. In October or early November 2014, a representative of AMS called a resident of Long Beach, California ("Long Beach resident") to offer an investment opportunity in an oil extraction project (hereinafter "the Brady Project") also located in Nowata County, Oklahoma. Shortly after the call, Markwell mailed the Long Beach resident a document entitled "Brady Lease Executive Summary." The executive summary stated that for an investment of \$70,000, an investor would be entitled to a six per cent net revenue interest in the project. The executive summary stated that partners would "start receiving revenue very quickly."
- Neither the Binkley Lease Executive Summary, nor Brady Lease Executive Summary 7. included any disclosures that state regulatory authorities had previously brought enforcement actions against Markwell. On October 27, 2009, the Pennsylvania Department of Banking and Securities issued an order against Markwell for offering and selling unregistered securities in Pennsylvania in violation of Pennyslvania law. On August 24, 2010, the Alabama Securities Commission issued a Cease and Desist Order against Markwell for offering and selling non-exempt securities in Alabama in violation of Alabama law.
- 8. In connection with the offer and sale of securities related to the Binkley Project and the Brady Project, AMS and Markwell omitted material facts necessary to make their offers not misleading under the circumstances under which they were made. These omissions included, but are not limited to:
  - a. Failing to describe financial risks associated with oil drilling projects;
  - b. Failing to disclose previous enforcement actions that Alabama and Pennsylvania authorities had brought against Markwell for marketing and selling securities in violation of state laws.

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Based on the foregoing findings, the Commissioner of Business Oversight is of the opinion that the securities issued by A Markwell Shaw Energy Company were offered and sold in this state by means of written or oral communications which omitted material facts necessary to make the offers not misleading in light of the circumstances under which they were made, in violation of Corporations Code section 25401, subdivision (b).

Pursuant to Section 25532 of the Corporations Code, A Markwell Shaw Energy Company and Jack Lee Markwell are hereby ordered to desist and refrain from offering or selling any security in the State of California, including but not limited to limited partnership interests, by means of any written or oral communication which omits material facts necessary to make the offers made not misleading under the circumstances under which they are made.

This Order is necessary, in the public interest, for the protection of investors and consistent with the purposes, policies, and provisions of the Corporations Code.

Dated: September 24, 2015

San Francisco, California

JAN LYNN OWEN Commissioner of Business Oversight

By: MARY ANN SMITH

**Deputy Commissioner Enforcement Division**