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**STATE OF WASHINGTON
DEPARTMENT OF FINANCIAL INSTITUTIONS
SECURITIES DIVISION**

IN THE MATTER OF DETERMINING) Order No. S-16-1958-17-FO01
Whether there has been a violation of the)
Securities Act of Washington by:) ENTRY OF FINDINGS OF FACT AND
Aegis Oil, LLC,) CONCLUSIONS OF LAW AND
Aegis Disposal Systems, LLC,) FINAL ORDER TO CEASE AND DESIST
Patrick Reagan Beason,) AS TO FRANK AUGUST
Ranald James Moran, III,)
Michael Louis Stokes, Sr.,)
Thierry Jean Hennequin,)
Mark David Long,)
Frank August,)
Respondents.)

11 **THE STATE OF WASHINGTON TO: Frank August**

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13 On June 29, 2017, the Securities Administrator of the state of Washington issued Order No. S-16-
14 1958-17-SC01, hereinafter referred to as "Statement of Charges." The Statement of Charges, together with a
15 Notice of Opportunity to Defend and Opportunity for Hearing, hereinafter referred to as "Notice of
16 Opportunity for Hearing," and an Application for Adjudicative Hearing, hereinafter referred to as
17 "Application for Hearing," were served on Respondent Frank August, on July 3, 2017. The Notice of
18 Opportunity for Hearing advised Respondent Frank August that a written application for an administrative
19 hearing on the Statement of Charges must be received within twenty days from the date of receipt of the
20 notice.

21 On July 25, 2017, Respondent Frank August waived his right to a hearing. In lieu of requesting a
22 hearing, Respondent Frank August submitted a written statement for consideration by the Agency Director or
23 Securities Administrator. After considering the written statement, the Securities Administrator finds no
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ENTRY OF FINDINGS OF FACT AND
CONCLUSIONS OF LAW AND
FINAL ORDER TO CEASE AND DESIST
AS TO FRANK AUGUST

1 material grounds for amendment of the Statement of Charges, and will therefore adopt as final the findings of
2 fact and conclusions of law as set forth in the Statement of Charges, and enter a final order against Respondent
3 Frank August to cease and desist from violations of the Securities Act, to impose fines, and to charge costs.

4 The Securities Administrator finds as follows:

5 **FINDINGS OF FACT**

6 **Respondents**

7 1. Aegis Oil, LLC is a Texas limited liability company with its principal place of business in
8 Plano, Texas. Aegis Oil, LLC (“Aegis Oil”) was formed on August 26, 2009 and is currently inactive. Aegis
9 Oil was in the business of exploring, developing, and producing oil and gas. Aegis Oil also offered investments
10 in a variety of oil and gas joint ventures and acted as managing venturer for these various joint ventures.

11 2. Aegis Disposal Systems, LLC (“Aegis Disposal”) is a Texas limited liability company with its
12 principal place of business in Lewisville, Texas. Aegis Disposal was formed on November 2, 2011 and is
13 currently inactive. Aegis Disposal was in the business of exploring, developing, and producing oil and gas.
14 Aegis Disposal also offered investments in at least one oil and gas joint venture and acted as managing
15 venturer for that venture.

16 3. Patrick Reagan Beason, a/k/a Reagan Beason, (“Beason”) is a resident of Texas, and he was
17 the President and Chief Executive Officer of Aegis Oil and Aegis Disposal. Between August 1991 and
18 December 1991, Beason was registered as a securities salesperson with multiple Financial Industry
19 Regulatory Authority (“FINRA”) member firms, and his Central Registration Depository (“CRD”) number is
20 2143250.

21 4. Ranald James Moran, III, a/k/a Jim Moran, (“Moran”) is a resident of Nevada and the owner
22 of PR Media and Marketing. Between September 2006 and June 2007, Moran was registered as a securities
23 salesperson with a FINRA member firm, and he was registered as a securities salesperson with the Securities
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1 Division during December 2006. Moran's CRD number is 5225532. Between at least August 2012 and June
2 2014, Moran sold Aegis Oil investments as an independent contractor.

3 5. Michael Louis Stokes, Sr. ("Stokes") is a resident of Florida and was the owner of MBSK
4 Consulting Services, Inc. Between 1999 and 2006, Stokes was registered with the National Futures
5 Association ("NFA") at multiple firms, and his NFA ID is 0293046. Between at least May 2014 and October
6 2014, Stokes sold Aegis Oil investments as an independent contractor.

7 6. Thierry Jean Hennequin ("Hennequin") is a resident of California and the owner of H&H
8 Capital, LLC. Between 1989 and 2011, Hennequin was registered with NFA at multiple firms, and his NFA
9 ID is 0212315. Between 2002 and 2004, Hennequin was registered as a securities salesperson and investment
10 advisor representative with a FINRA member firm, and his CRD number is 1817579. Between approximately
11 November 2012 and November 2014, Hennequin sold Aegis Oil investments as an independent contractor.

12 7. Mark David Long, a/k/a Mark Davis, ("Long") is a resident of Florida. Between 1985 and
13 1993, Long was registered as a securities salesperson with multiple FINRA member firms. Long was
14 registered as a securities salesperson with the Securities Division from November 1990 to March 1991, and
15 from June 1992 to September 1992. Long's CRD number is 1251036. Between at least February 2013 and
16 May 2014, Long sold Aegis Oil investments as an independent contractor.

17 8. Frank August ("August") is a resident of Nevada. Between approximately January 2013 and
18 August 2013, August sold Aegis Oil investments as an independent contractor.

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20 **Prior Bankruptcy and Regulatory Actions Related to Beason**

21 9. On January 26, 1996, the Wisconsin Commissioner of Securities ("the Commissioner") entered
22 an Order of Prohibition against Beason and his company, Sabre Energy, Inc. The Commissioner alleged that
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1 Beason and his company offered unregistered oil and gas securities in violation of the Wisconsin Securities
2 Act.

3 10. On February 9, 2007, the Illinois Securities Department (“the Department”) entered a
4 Temporary Order of Prohibition against Beason and his company, North American Pipeline Corporation. The
5 Department alleged that Beason and his company sold working interests in oil and gas wells located in Illinois,
6 and that Beason and his company misrepresented the use of investors’ funds in violation of the fraud
7 provisions of the Illinois Securities Law of 1953. The Order of Prohibition became final on April 19, 2007.

8 11. On July 27, 2007, Beason and North American Pipeline Corporation filed for Chapter 7
9 bankruptcy in the Eastern District of Texas. Beason and North American Pipeline claimed more than \$7
10 million in unsecured nonpriority claims held by hundreds of oil and gas investors in multiple projects. Three
11 of these investors filed adversary proceedings alleging fraud in the Beason bankruptcy. North American
12 Pipeline Company’s bankruptcy was closed on July 1, 2011. Beason received a discharge of some of his debts
13 on January 3, 2008. In early 2009, the court entered final orders in the adversary proceedings, determining
14 that more than \$800,000 in debt that Beason owed to the investors was not dischargeable due to fraud.
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16 12. On September 26, 2016, the Securities and Exchange Commission (“SEC”) filed a civil
17 complaint against Aegis Oil and Beason in the Southern District of Florida. The SEC alleged that, between
18 October 2010 and October 2015, Beason and Aegis Oil sold more than \$31 million of unregistered
19 investments in 15 oil and gas projects to approximately 250 investors nationwide. The SEC alleged that
20 Beason and Aegis Oil made material misrepresentations or omissions when offering and selling these
21 investments in violation of the Securities Act of 1933 and the Exchange Act of 1934. On October 5, 2016, the
22 court entered final judgments against Beason and Aegis Oil, who each consented to the entry of the orders
23 without admitting or denying the allegations in the complaint. The final orders enjoined Beason and Aegis
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1 Oil from violating the Securities Act of 1933 and the Exchange Act of 1934, and they ordered Beason and
2 Aegis Oil to pay a total of \$43,684,036 in disgorgement, prejudgment interest, and civil penalties.

3 **Prior Bankruptcy and Regulatory Actions Related to Aegis Oil Salespersons**

4 13. On May 25, 2005, the NFA issued a complaint alleging that Stokes made deceptive and
5 misleading sales solicitations in violation of NFA Rules. On January 31, 2006, Stokes settled the matter.
6 Without admitting or denying the allegations, Stokes agreed to pay a \$7,500 fine and to be barred from NFA
7 membership for six months.

8 14. On October 14, 2005, Stokes filed for Chapter 7 bankruptcy in the Southern District of Florida.
9 He received a discharge of his debts on March 1, 2006.

10 15. On June 8, 2009, the SEC filed a civil complaint against Long and several other parties in the
11 Southern District of Indiana. The SEC alleged that Long sold unregistered oil and gas investments in violation
12 of the Securities Act of 1933. The SEC also alleged that Long failed to disclose information material to the
13 investment, such as the basis for projections and the use of funds, in violation of the Exchange Act of 1934.
14 On September 2, 2010, Long settled the matter. Without admitting or denying the SEC's allegations, Long
15 agreed to the entry of the Final Order, which permanently restrained Long from violating the Securities Act
16 of 1933 and the Exchange Act of 1934. Long also agreed to pay a total of \$590,312.73 in disgorgement,
17 prejudgment interest, and civil penalties.
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19 16. On July 26, 2010, the Colorado Division of Securities ("the Division of Securities") filed a
20 Verified Petition to Show Cause directed at Long and other respondents. The Division of Securities alleged
21 that Long offered and sold unregistered securities in Colorado, and that he failed to disclose material
22 information related to the securities. On August 12, 2010, Long settled the matter. Long admitted that he was
23 in violation of a Colorado Securities Commissioner order from 1993 that barred Long from selling securities
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1 in Colorado. In addition, without admitting or denying the allegations in the Petition, Long agreed to cease
2 and desist from violating the Colorado Securities Act.

3 17. On December 9, 2010, the NFA issued a complaint against Hennequin alleging that he failed
4 to supervise his firm's associated persons, and that Hennequin participated in developing a firm trading
5 strategy that resulted in large commissions for the firm but was detrimental to the firm's customers. On July
6 28, 2011, Hennequin settled the matter. Without admitting or denying the allegations, Hennequin agreed to
7 be barred from NFA membership for five years and to pay a fine of \$30,000 upon reapplication for NFA
8 membership.

9 **Related Parties**

10 18. Eagle Ford Hydro Disposal JV ("Eagle Ford") is a Texas joint venture that was formed on
11 November 28, 2011 to acquire and operate a hydro disposal well operation in Dewitt County, Texas.

12 19. Pecos River JV VIII ("Pecos VIII") is a Texas joint venture that was formed on June 28, 2012
13 to acquire working interests in three oil and gas wells in Pecos County, Texas.

14 20. Pecos River JV IX ("Pecos IX") is a Texas joint venture that was formed on February 15, 2013
15 to acquire working interests in three oil and gas wells in Pecos County, Texas.

16 21. Pecos River JV X ("Pecos X") is a Texas joint venture that was formed on May 1, 2013 to
17 acquire working interests in two oil and gas wells in Pecos County, Texas.

18 22. Pecos River JV XI ("Pecos XI") is a Texas joint venture that was formed on July 1, 2013 to
19 acquire working interests in two oil and gas wells in Pecos County, Texas.

20 23. Habanero Field JV II ("Habanero II") is a Texas joint venture that was formed on September
21 1, 2013 to acquire working interests in two oil and gas wells in Pecos County, Texas.
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1 24. Habanero Field JV IV (“Habanero IV”) is a Texas joint venture that was formed on April 5,
2 2014 to acquire working interests in an oil and gas well in Pecos County, Texas.

3 25. Habanero Field JV V (“Habanero V”) is a Texas joint venture that was formed on May 26,
4 2014 to acquire working interests in an oil and gas well in Pecos County, Texas.

5 26. Yates Field JV I (“Yates”) is a Texas joint venture that was formed on August 1, 2014 to
6 acquire working interests in three oil and gas wells in Pecos County, Texas.

7 **Nature of the Offering**

8 *Overview*

9 27. Between at least October 2010 and April 2015, Aegis Oil, Aegis Disposal, and Beason offered
10 and sold more than \$31 million in unregistered oil and gas investments to approximately 250 investors in
11 several states. The investments were in the form of units in oil and gas joint ventures, and Aegis Oil, Aegis
12 Disposal, and Beason sold units in 15 different oil and gas joint ventures. To offer and sell the investments,
13 Aegis Oil, Aegis Disposal, and Beason used a number of unregistered salespersons who cold-called
14 prospective investors.
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16 28. Between February 2012 and October 2014, Aegis Oil, Aegis Disposal, Beason, Moran, Stokes,
17 Hennequin, Long, and August (collectively, “Respondents”) sold more than \$1.5 million of these oil and gas
18 investments to 12 Washington investors. At the time the investments were offered and sold, Respondents
19 failed to disclose material information to Washington investors related to the investment, including the
20 payment of 35% sales commissions, Beason’s regulatory and financial history, and the regulatory history of
21 some of the sales agents.
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The Offerings

29. To offer and sell the investments, Aegis Oil salespersons, including Stokes, Long, Hennequin, and Moran, contacted prospective investors by email or phone. If a prospective investor was interested in more information, Beason, Aegis Oil, or Aegis Disposal sent offering documents to the prospective investors. Prospective investors could also access the offering documents on Aegis Oil’s website. These offering documents included an introductory letter from Beason, a projected economic summary, a private placement memorandum, a subscription agreement, and a turnkey contract.

30. Respondents sold units in nine oil and gas joint ventures to 12 Washington residents. Several of these Washington investors invested in more than one offering. The table below lists the investments sold to Washington residents:

Offering Name	Total Offering Amount	Unit Price	Dates Sold in WA	WA Investors	Amount Sold in WA
Eagle Ford	\$2,347,264	\$75,352	Feb. 2012-May 2014	3	\$103,914.84
Pecos VIII	\$2,836,960	\$88,655	Aug. 2012-Jan. 2013	3	\$184,698.00
Pecos IX	\$3,652,992	\$114,156	March 2013-April 2013	4	\$161,721.00
Pecos X	\$3,652,992	\$114,156	May 2013-June 2013	2	\$228,312.00
Pecos XI	\$3,652,992	\$114,156	July 2013-Aug. 2013	2	\$95,130.00
Habanero II	\$4,310,784	\$134,712	Sept. 2013-Dec. 2013	4	\$269,424.00
Habanero IV	\$3,941,920	\$123,185	May 2014	3	\$184,777.50
Habanero V	\$6,948,000	\$217,125	June 2014-Aug. 2014	2	\$162,843.75
Yates	\$4,315,200	\$134,850	Oct. 2014	1	\$134,850.00
				Total	\$1,525,671.09

31. Moran sold an investment in Pecos VIII to at least one Washington investor. In August 2012, Moran emailed the investor and explained that Aegis Oil had just launched a new joint venture called Pecos VIII. Moran touted the investment as a “rare opportunity in one of the most profitable areas of the U.S.” The email contained links to the offering documents, and the investor sent an investment check to Aegis Oil three days later.

1 32. Stokes sold investments in Habanero IV and Habanero V to at least one Washington investor.
2 Stokes cold-called the investor in early 2014 and explained that Aegis Oil had an investment opportunity.
3 Stokes told the investor that Aegis Oil was operating wells in Texas with great success, and that they were
4 looking to expand their operations. Stokes directed the investor to Aegis Oil's website for information about
5 the investment, including the offering documents. Between May and July 2014, the Washington investor
6 invested once in Habanero IV and twice in Habanero V.

7 33. August and Hennequin sold an investment in Pecos VIII to at least one Washington investor.
8 In January 2013, August cold-called the investor and explained that Aegis Oil was offering an investment in
9 the Permian Basin of Texas. August directed the investor to Aegis Oil's website for information about the
10 company and the investment. The investor received the offering documents from Aegis Oil through FedEx.
11 The investor also spoke with Hennequin about the investment, and the investor had multiple conversations
12 with August and Hennequin before he invested. Hennequin and August told the investor that the wells in the
13 investment would produce in a matter of months, and that the investor would receive income from his
14 investment shortly after. In January 2013, the investor invested in Pecos VIII.
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16 34. After this first investment, the investor spoke with Hennequin, August, and Long, who
17 provided the investor with updates about his investment. Hennequin, August, and Long also spoke with the
18 investor about additional investments offered by Aegis Oil, including Pecos X. In June 2013, the investor
19 invested in Pecos X. Hennequin also sold an investment in Pecos IX to at least one other Washington investor
20 in March 2013.

21 35. Long sold an investment in Habanero IV to at least one Washington investor. The investor had
22 already invested three times in two different joint ventures after he was cold-called by a salesperson in the
23 spring of 2013. Long contacted the investor and told him about Aegis Oil's newest joint venture, Habanero
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1 IV. Long told the investor that the wells in the offering were projected to produce 400 barrels per day, and
2 that the wells would produce in 5 to 6 months. The investor received the offering documents from Aegis Oil
3 through FedEx. In May 2014, the investor invested in Habanero IV.

4 36. The joint venture units that the respondents sold to Washington investors were securities.
5 While the offering documents asserted that investors were afforded “extensive and significant” management
6 powers over the joint venture, investors had limited input or control over the management of the joint venture.
7 In each offering, a managing venturer was appointed to oversee the day-to-day management of the joint
8 venture at its formation. Aegis Disposal was the managing venturer for the Eagle Ford joint venture, and
9 Aegis Oil was the managing venturer for the rest of the joint ventures. Both managing venturers were owned
10 and controlled by Beason.

11 37. As managing venturers, Aegis Oil and Aegis Disposal had the complete discretion to determine
12 when to drill the wells, where to drill the wells, which service providers to hire, which invoices to pay, and
13 when to abandon a well. The managing venturer could only be replaced if investors with 51% of the interests
14 in the joint venture voted to do so. In addition, at least a third of the Washington investors expected that their
15 investment would be passive. Further, investors were not required to have experience in oil and gas to invest,
16 were located in several different states, did not know one another, did not have contact information for another,
17 and were not allowed to speak during investor conference calls.

18 38. While investors were allowed to vote on certain joint venture actions, the voting did not allow
19 investors to exercise meaningful control over the management of the joint venture. For the bulk of the ballots,
20 a failure to vote was counted as a yes vote. In multiple instances, Beason and the managing venturer asked
21 investors to vote on actions that Beason and the managing venturer were already obligated to do. In addition,
22 Beason and the managing venturer did not provide investors with information material to the ballots, such as
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1 an itemization of the proposed action's costs, alternatives to the proposed action, how many ballots were sent
2 out, and the results of the vote. For two of the joint ventures, Beason and Aegis Oil requested that investors
3 vote to drill deeper on existing wells, but they failed to disclose that Aegis Oil had already drilled the wells
4 deeper than their existing lease allowed.

5 *The Joint Ventures*

6 39. For each joint venture, Beason determined how many wells would be in the oil and gas project
7 and where the wells would be drilled. After making these determinations, each joint venture entered into a
8 Turnkey Drilling and Completion Contract ("turnkey contract") with the managing venturer. Under the
9 turnkey contract, the managing venturer agreed to conduct the drilling and testing of the wells in the project
10 for a fixed price. This fixed price was the amount that Aegis Oil, Aegis Disposal, and Beason sought to raise
11 from investors in each joint venture.

12 40. Under the turnkey contract, if the costs of the initial drilling and testing exceeded the fixed
13 turnkey price, then the managing venturer would pay those excess costs. If the initial operations cost less than
14 the fixed turnkey price, then the managing venturer would keep those excess funds as a management fee.
15 Respondents did not provide investors with a basis or itemization of costs for the turnkey price. In the offering
16 documents, Beason, Aegis Oil and/or Aegis Disposal represented that the managing venturer would pay 1%
17 of the costs of the joint venture. Respondents failed disclose to investors whether the turnkey price in earlier
18 offerings was sufficient to meet the costs of the initial operations, and they did not disclose whether the
19 managing venturer had the financial ability to pay 1% of the costs or cover any excess turnkey costs.
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21 41. Aegis Oil, Aegis Disposal, Beason, Moran, Stokes, Hennequin, Long, and August
22 misrepresented the use of funds to investors. In each offering, Beason used 35% of investors' funds to pay
23 sales commissions. Beason paid the commissions to a third party, who then distributed a portion of the
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1 commissions to each of the salespersons who sold the investment. In the offering documents for each offering,
2 Beason, Aegis Oil, and/or Aegis Disposal represented that 10% of the invested funds would be used for
3 administrative and marketing expenses, and that 85% of the invested funds would be used for the turnkey
4 drilling expenses. In reality, no more than 65% of the invested funds were used for drilling expenses because
5 Beason, Aegis Oil, and Aegis Disposal used 35% of the invested funds to pay sales commissions.

6 42. Respondents misrepresented that a working capital reserve would be established. In the
7 offering documents for each offering, Beason, Aegis Oil, and/or Aegis Disposal represented that 5% of the
8 invested funds would be placed in a "Turnkey Working Capital Reserve." Beason did not establish a reserve
9 fund for any of the joint ventures.

10 43. Respondents misrepresented to investors that each joint venture would have its own bank
11 account. Despite the offering documents stating that each joint venture would have its own bank account and
12 directing investors to deposit funds into that bank account, Beason commingled investment funds from all the
13 joint ventures into one account. For each joint venture, after investment funds were deposited into a joint
14 venture's bank account by Aegis Oil or the investor, Beason transferred the funds from the joint venture
15 account into Aegis Oil's bank account. Beason then paid any invoices for services provided to the joint
16 ventures from the Aegis Oil account. Because the funds were commingled, funds invested by an investor in
17 one joint venture could be used to pay invoices for another joint venture, which was not disclosed to investors.

18 44. Aegis Oil, Beason, Long, and Stokes failed to disclose to investors that Aegis Oil drilled four
19 wells for Pecos X and Pecos XI deeper than Aegis Oil's lease allowed. In 2012, Aegis Oil acquired a lease
20 for property in Pecos County, Texas, which allowed Aegis Oil to drill up to 3,000 feet below ground. Beason
21 failed to acquire the lease necessary to drill deeper than 3,000 feet. From mid-to-late 2013, Aegis Oil began
22 drilling wells on the property and drilled each deeper than 3,000 feet. In March 2014, Beason and Aegis Oil
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1 received a demand letter from the company that owned the mineral and lease rights for the property deeper
2 than 3,000 feet. The demand letter stated that Aegis Oil was drilling deeper than its lease allowed, informed
3 Aegis Oil that drilling deeper than 3,000 feet trespassed on the owner's property, and demanded that Aegis
4 Oil cease operations below 3,000 feet. Aegis Oil and Beason did not disclose to existing investors that Aegis
5 Oil had drilled deeper than its lease allowed, or that Aegis Oil and Beason had received a letter demanding
6 that they cease operations below 3,000 feet. Aegis Oil, Beason, Long, and Stokes failed to disclose to investors
7 solicited after mid-2013 that Aegis Oil had drilled four wells deeper than its lease allowed.

8 45. By the end of 2013, Beason had failed to pay invoices for services performed on the leased
9 property related to Pecos X and Pecos XI. In February 2014, the landowner filed a mineral lien against the
10 lease held by Aegis Oil for failing to pay for services related to the lease. By May 2014, Aegis Oil had stopped
11 paying multiple invoices for services provided to multiple joint ventures. In solicitations made during and
12 after February 2014, Aegis Oil, Beason, Long, and Stokes failed to disclose that a lien had been filed on an
13 Aegis Oil lease, and that Aegis Oil had not paid invoices for services provided to some of the joint ventures.

14 46. Aegis Oil, Aegis Disposal, Beason, Moran, Stokes, Hennequin, Long, and August failed to
15 disclose material information related to the projected returns on investment. In each of the offerings, Beason,
16 Aegis Oil, and/or Aegis Disposal projected substantial returns on the investment. For instance, in the Eagle
17 Ford offering, Aegis Disposal and Beason projected a return on investment of \$1,500,000 per unit over the
18 life of the investment, yielding a 22 to 1 return. In the Habanero II offering, Aegis Oil and Beason projected
19 a return of \$1,620,000 per unit over the life of the investment. In the Yates offering, Aegis Oil and Beason
20 projected that the return on investment would range between 59% and 207% per unit, depending on the
21 volume and price of oil and gas.
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1 47. Aegis Oil, Aegis Disposal, Moran, and Beason also made annual and monthly revenue
2 projections. In the Pecos VIII offering, for example, Beason and Aegis Oil projected that investors would
3 receive annual revenue of \$54,203 to \$206,955 per unit, depending on the volume and price of oil and gas. In
4 the Habanero IV offering, Aegis Oil and Beason projected annual revenues of \$78,840 to \$279,225 per unit.
5 In the Pecos VIII offering, Moran represented to at least one Washington investor that the return on investment
6 was “conservatively” estimated at \$8,500 per unit per month. In each of the offerings, Aegis Oil, Aegis
7 Disposal, Beason, Moran, Stokes, Hennequin, Long, and August failed to disclose the assumptions upon
8 which the projections were made and a basis for the projections. Respondents also failed to disclose the costs
9 of production, and that the projections did not take these costs into account.

10 48. Aegis Oil, Aegis Disposal, Beason, Moran, Stokes, Hennequin, Long, and August failed to
11 disclose material information related to Beason’s background. In the private placement memorandum for each
12 of the offerings, Beason, Aegis Oil and/or Aegis Disposal stated that Beason had 30 years of experience in
13 the oil and gas industry. Respondents failed to disclose that Beason had been the subject of 1996 and 2007
14 regulatory orders by the Wisconsin and Illinois Securities Divisions, and that the Illinois Securities Division
15 alleged misrepresentations by Beason related to the use of investment funds. Respondents also failed to
16 disclose that Beason and North American Pipeline Corporation filed for bankruptcy in 2007, and that Beason
17 and the company sought to discharge debt that they owed to hundreds of oil and gas investors.

18 49. Aegis Oil, Beason, Long, Stokes, and Hennequin failed to disclose material information related
19 to the regulatory history of Long, Stokes, and Hennequin. Aegis Oil, Beason, and Long failed to disclose to
20 at least two investors that Long was the subject of a 2009 civil action by the SEC and a 2010 regulatory action
21 by the Colorado Securities Commission, both of which alleged that Long sold unregistered securities and
22 failed to disclose material information in violation of securities laws.
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1 50. Aegis Oil, Beason, and Stokes failed to disclose to at least one investor that Stokes was the
2 subject of a regulatory action taken by the NFA in 2005, in which the NFA alleged that Stokes made deceptive
3 and misleading sales solicitations in violation of NFA Rules. Aegis Oil, Beason, and Stokes also failed to
4 disclose that Stokes had filed for bankruptcy in 2005. Aegis Oil, Beason, and Hennequin failed to disclose to
5 at least one investor that Hennequin had been the subject of regulatory action taken by the NFA in 2010, in
6 which the NFA alleged that Hennequin failed to supervise associates and developed a trading strategy that
7 harmed customers in violation of NFA Rules.

8 51. By February 2015, companies that provided services to the joint ventures had filed multiple
9 liens on Aegis Oil leases for its failure to pay invoices. By April 2015, Aegis Oil owed millions of dollars in
10 unpaid invoices for services provided to the joint ventures. Many Aegis Oil investors had not received any
11 revenue payments, or received payments for far less than they expected. In May 2015, Beason and Aegis Oil
12 entered into an agreement with a third party, in which Aegis Oil would transfer management of the joint
13 ventures and Aegis Oil's interest in the joint ventures to that third party. After ballots were sent to investors,
14 the agreement was finalized in mid-2015.

15 **Registration Status**

16 52. The securities issued by the Aegis Joint Ventures are not currently registered to be sold in the
17 state of Washington and have not previously been so registered, nor have claims of exemption from
18 registration been filed.

19 53. Aegis Disposal Systems, LLC is not currently registered as a broker-dealer in the state of
20 Washington and has not previously been so registered.

21 54. Aegis Oil, LLC is not currently registered as a broker-dealer in the state of Washington and
22 has not previously been so registered.
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1 55. Patrick Reagan Beason is not currently registered as a securities salesperson or broker-dealer
2 in the state of Washington and has not previously been so registered.

3 56. Ranald James Moran, III is not currently registered as a securities salesperson or broker-dealer
4 in the state of Washington and has not been so registered since December 2006.

5 57. Michael Louis Stokes, Sr. is not currently registered as a securities salesperson or broker-dealer
6 in the state of Washington and has not previously been so registered.

7 58. Thierry Jean Hennequin is not currently registered as a securities salesperson or broker-dealer
8 in the state of Washington and has not previously been so registered.

9 59. Mark David Long is not currently registered as a securities salesperson or broker-dealer in the
10 state of Washington and has not been so registered since 1992.

11 60. Frank August is not currently registered as a securities salesperson or broker-dealer in the state
12 of Washington and has not previously been so registered.

13 **CONCLUSIONS OF LAW**

14 1. The offer and sale of units in an oil and gas joint venture as described above constitutes the
15 offer and sale of a security as defined in RCW 21.20.005(14) and RCW 21.20.005(17).

16 2. Frank August has violated RCW 21.20.140 because, as set forth in the Findings of Fact, August
17 offered and sold securities issued by the Aegis Joint Ventures for which no registration is on file with the
18 Securities Administrator.

19 3. Frank August has violated RCW 21.20.040 because, as set forth in the Findings of Fact, August
20 offered and sold securities issued by the Aegis Joint Ventures while not being registered as a securities
21 salesperson or broker-dealer in the state of Washington.
22
23
24

1 4. Frank August has violated RCW 21.20.010 because, as set forth in the Findings of Fact, in
2 connection with the offer, sale, or purchase of securities, August made untrue statements of material fact or
3 omitted to state material facts necessary to make the statements made, in light of the circumstances in which
4 they were made, not misleading.

5 Based upon the foregoing and finding it in the public interest:

6 **FINAL ORDER**

7 IT IS HEREBY ORDERED that Respondent Frank August, his agents, and his employees each shall
8 cease and desist from offering or selling securities in any manner in violation of RCW 21.20.140, the section
9 of the Securities Act of Washington requiring registration of securities.

10 IT IS HEREBY ORDERED that Respondent Frank August, his agents, and his employees each shall
11 cease and desist from offering or selling securities in any manner in violation of RCW 21.20.040, the section
12 of the Securities Act of Washington requiring registration of securities salespeople and broker-dealers.

13 IT IS FURTHER ORDERED that Respondent Frank August, his agents, and his employees each shall
14 cease and desist from violating RCW 21.20.010, the anti-fraud section of the Securities Act of Washington.

15 IT IS FURTHER ORDERED that Respondent Frank August shall be liable for and pay a fine in the
16 amount of \$5,000.

17 IT IS FURTHER ORDERED that Respondent Frank August shall be liable for and pay costs in the
18 amount of \$1,000.

19 **AUTHORITY AND PROCEDURE**

20 This FINAL ORDER is entered pursuant to the provisions of RCW 21.20.110 and RCW 21.20.390,
21 and is subject to the provisions of RCW 21.20.120 and Chapter 34.05 RCW. Respondents have the right to
22 petition the superior court for judicial review of this agency action under the provisions of RCW 34.05. For
23 the requirements for Judicial Review, see RCW 34.05.510 and sections following. Pursuant to RCW
24

1 21.20.395, a certified copy of this Order may be filed in Superior Court. If so filed, the clerk shall treat the
2 Order in the same manner as a Superior Court judgment as to the fine, and the fine may be recorded, enforced,
3 or satisfied in like manner.

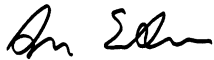
4 **WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.**

5 SIGNED and ENTERED this 28th day of July 2017.

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10 _____
11 William M. Beatty
12 Securities Administrator

13 Approved by:

14 

15 _____
16 Suzanne Sarason
17 Chief of Enforcement

18 Presented by:

19 

20 _____
21 Holly Mack-Kretzler
22 Financial Legal Examiner

23 Reviewed by:

24 

25 _____
26 Robert Kondrat
27 Financial Legal Examiner Supervisor