

COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF BANKING AND SECURITIES

FILED

2014 DEC 11 AM 9:28

PA DEPARTMENT OF
BANKING AND SECURITIES

COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF BANKING AND
SECURITIES, BUREAU OF SECURITIES
LICENSING, COMPLIANCE AND
EXAMINATIONS

Docket No. : 14 0053 (SEC-OSC)

v.

RONALD D. COLEMAN

NOTICE TO ANSWER AND REQUEST A HEARING

You, Ronald D. Coleman, have the right to challenge the attached Order to Show Cause ("Order") by filing an Answer, in writing, with the Banking and Securities Commission ("Commission") **within 30 days** of the date of this Order as required by 1 Pa. Code § 35.37. **If you do not file an Answer within 30 days, then you will waive your right to a hearing and the Commission may enter a final order against you.**

Your Answer must be in writing, specifically admit or deny the allegations in the Order, set forth the facts you rely upon and state concisely the law you rely upon. General denials of the allegations set forth in the Order are not sufficient; you must support your denials with specific facts. Failure to support your denials with specific facts may cause the Commission to deem the facts in the Order as admitted and to enter a final order against you, without a hearing.

The Answer and any other documents must be filed with:

Linnea Freeberg, Docket Clerk
Department of Banking and Securities
17 N. Second Street, Suite 1300
Harrisburg, PA 17101

Further, you must serve a copy of the Answer and any other documents on the person who signed the Order by providing a copy to his or her counsel indicated below:

John Chiappetta
Assistant Counsel
Office of the Chief Counsel
Attorney ID # 62902

FOR: Commonwealth of Pennsylvania
Department of Banking and Securities
301 5th Avenue, Suite 290
Pittsburgh, PA 15222
(412) 565-5084

Once you file your Answer, you will be notified of pertinent information such as the name of the presiding officer designated by the Commission to hear this matter and, if a hearing is scheduled, the date, time and location of the hearing. You have the right to be represented by an attorney.

All procedural matters will be governed by the Pennsylvania Administrative Agency Law, 2 Pa. C.S. §§ 501-508, 701-704, and the General Rules of Administrative Practice and Procedure, 1 Pa. Code §§ 31.1.-35.251.

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DEPARTMENT OF BANKING AND	:	BANKING AND SECURITIES
SECURITIES, BUREAU OF SECURITIES	:	
LICENSING, COMPLIANCE AND	:	
EXAMINATIONS	:	DOCKET NO. 14 <u>0053</u> (SEC-CAO)
	:	
v.	:	
	:	
RONALD D. COLEMAN	:	

ORDER TO SHOW CAUSE

You, **RONALD D. COLEMAN**, are notified that the Department of Banking and Securities ("Department") through the Bureau of Securities Licensing, Compliance and Examinations ("Bureau") hereby **ORDERS YOU TO SHOW CAUSE** why the Banking and Securities Commission ("Commission") should not impose the sanctions and remedies described below. Specifically, this proceeding is instituted pursuant to 1 Pa. Code § 35.14 to determine:

- (1) whether the allegations set forth below are true; and
- (2) if these allegations are true, whether there has been a violation of the Pennsylvania Securities Act of 1972 ("1972 Act") or of the regulations promulgated thereunder; and
- (3) if so, whether the sanctions and remedies proposed by the Bureau should be imposed by the Commission.

The Bureau alleges the following facts and violations of law for the purpose of tentatively framing the issues for consideration by the Commission. The Commission may consider this

matter directly, or may designate a hearing officer to issue a recommended decision prior to the Commission issuing a final order.

**STATEMENT OF THE PARTICULARS AND MATTERS
CONCERNING WHICH THE BUREAU IS INQUIRING**

PARTIES

1. The Department is the Commonwealth of Pennsylvania's administrative agency authorized and empowered to administer and enforce the 1972 Act.

2. The Bureau is primarily responsible for administering and enforcing the 1972 Act for the Department.

3. The Bureau operates from the Department's main office located at 17 North Second Street, Suite 1300, Harrisburg, PA 17101.

4. Ronald D. Coleman (Respondent Coleman) was, at all times material herein, an individual with an address at 39249 Dovetree Drive, Murrieta, California 92563.

BACKGROUND

5. McLaughlin Drilling Program 2011-2 JV (McLaughlin) was, at all times material herein, an entity with an address at 314 Petroleum Drive, Oil City, Pennsylvania 16301. At all times material herein, McLaughlin was offering for sale joint venture interests ("Interests") in McLaughlin.

6. Utica Resources, Inc. (Utica) was, at all times material herein, an entity with an address at 314 Petroleum Drive, Oil City, Pennsylvania 16301. At all times material herein, Respondent Coleman was the chief executive officer of Utica and Utica was the project manager of McLaughlin.

7. Jon Malis (Malis) was, at all times material herein, an individual with addresses at 314 Petroleum Drive, Oil City, Pennsylvania 16301 and 2570 Matterhorn Drive, Wexford, Pennsylvania 15090. Malis was, at all times material herein, the chief financial officer of Utica.

8. Timothy Coleman (T. Coleman) was, at all times material herein, an individual with an address at 314 Petroleum Drive, Oil City, Pennsylvania 16301. T. Coleman was, at all times material herein, the executive vice president of Utica.

FACTUAL ALLEGATIONS

9. In or about June 2011, at least one Pennsylvania resident ("PA Resident") observed an advertisement ("Ad") entitled, "Investors Wanted for Pennsylvania Drilling Projects!!" on an Internet message board. The Ad stated: "Oil & Gas Joint Ventures available, have leases in Pennsylvania ready to go."

10. In or about June 2011, using an e-mail address provided in the Ad, at least one PA Resident e-mailed Respondent Coleman for additional information about investing.

11. In or about June 2011, Respondent Coleman telephoned the PA Resident and offered for sale the Interests. Respondent Coleman stated:

a. Utica is offering investments in a ten-well project in Warren County, Pennsylvania;

b. This type of investment is likely to have "quick returns";

c. There are fifty Interests available at a cost of \$33,770 per Interest;

d. Each Interest represents 2% ownership in each of the ten wells and investors in an Interest would receive 2% of everything that the ten wells produce; and

e. The PA Resident would not have to do anything once the PA Resident

invested and Utica would do everything.

12. In or about June 2011, the PA Resident received offering materials (“Materials”) via U.S. Mail. The Materials state:

a. There are fifty Interests available at a cost of \$33,770 per Interest for a total offering of \$1,688,500;

b. The minimum investment is \$33,770; and

c. The project manager is Utica.

13. In or about June 2011, Malis telephoned the PA Resident and stated:

a. “A dry hole was unlikely” and it is “almost a guarantee” that McLaughlin “would complete a well”;

b. The PA Resident’s return would probably be 100%;

c. The state of Colorado had issued a cease and desist order against him and another company when the company solicited investors in a separate investment opportunity by telephone; and

d. The cease and desist order from Colorado was provided to the “PA SEC,” which conducted “an audit” and “did not find anything wrong,” and, therefore, the PA Resident should feel comfortable about investing in the Interests.

14. The PA Resident had no substantive, pre-existing relationship with Respondent Coleman, McLaughlin, Utica, Malis or T. Coleman.

15. The PA Resident was not an accredited investor under Rule 501 of Regulation D, and did not have sufficient knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of the investment.

16. The Ad did not contain the disclosure set forth in Commission Regulation 203.190,

64 Code § 203.190.

17. On or about June 28, 2011, based upon the above, the Bureau, acting through the former Pennsylvania Securities Commission, issued a Summary Order to Cease and Desist (“Summary Order”) against Respondent Coleman, McLaughlin, Utica and Malis.

18. Respondent Coleman and Malis were served with the Summary Order in or about June 2011 and did not request a hearing.

19. McLaughlin and Utica were served with the Summary Order in or about October 2012 and did not request a hearing.

20. The Interests described above are “securities” within the meaning of Section 102(t) of the 1972 Act, 70 P.S. § 1-102(t).

21. McLaughlin is the “issuer” of the Interests described above within the meaning of Section 102(l) of the 1972 Act, 70 P.S. § 1-102(l).

22. Utica acted as an “affiliate” of McLaughlin within the meaning of Section 102(b) of the 1972 Act, 70 P.S. § 1-102(b), and, as such, caused McLaughlin to commit the herein alleged acts which violated the 1972 Act, 70 P.S. § 1-102(b).

23. Respondent Coleman acted as an “affiliate” of Respondent Utica within the meaning of Section 102(b) of the 1972 Act, 70 P.S. § 1-102(b), and, as such, caused Utica to commit the herein alleged acts which violated the 1972 Act, 70 P.S. § 1-102(b).

24. Malis acted as an “affiliate” of Utica within the meaning of Section 102(b) of the 1972 Act, 70 P.S. § 1-102(b), and, as such, caused Utica to commit the herein alleged acts which violated, and are about to violate, the 1972 Act, 70 P.S. § 1-102(b).

25. T. Coleman acted as an “affiliate” of Utica within the meaning of Section 102(b) of the 1972 Act, 70 P.S. § 1-102(b), and, as such, caused Utica to commit the herein alleged acts which violated, and are about to violate, the 1972 Act, 70 P.S. § 1-102(b).

26. In the offer of the Interests, Respondent Coleman omitted to disclose the following facts to the PA Resident which would have been necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading:

a. That Malis was discharged in bankruptcy under Chapter 7 of the United States Bankruptcy Code in or about May 2006, by the United States District Court for the Western District of Pennsylvania.

b. That Malis was the subject of a federal tax lien filed in May 2010 in the amount of \$40,265.

c. That Respondent Coleman was the subject of a federal tax lien filed in April 2010 in the amount of \$71,052.

d. That T. Coleman was the subject of a federal tax lien filed in June 2011 in the amount of \$52,641.

27. On or about October 23 , 2014, the Department entered into a Consent Agreement and Order with McLaughlin, Utica, Malis and T. Coleman for violations of Sections 201 and 401(b) of the 1972 Act, 70 P.S. § 1-201 and 1-401(b).

COUNTS

Violation of Section 201 of the 1972 Act, 70 P.S. §1-201

28. Paragraphs 1 through 27 are incorporated herein by reference as if set forth in their entirety.

29. By engaging in the acts and conduct set forth in paragraphs 9 through 25 of the Factual Allegations, Respondent Coleman offered the Interests in wilful violation of Section 201 of the 1972 Act, 70 P.S. §1-201.

Violation of Section 401(b) of the 1972 Act, 70 P.S. §1-401(b)

30. Paragraphs 1 through 29 are incorporated herein by reference as if set forth in their entirety.

31. By engaging in the acts and conduct set forth in paragraphs 9 through 26 of the Factual Allegations, Respondent Coleman has, in connection with the offer, sale or purchase of a security in the State, directly or indirectly, made untrue statements of material fact or omitted to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they are made, not misleading, in wilful violation of Section 401(b) of the 1972 Act, 70 P.S. §1-401(b).

SANCTIONS AND REMEDIES

WHEREAS, the Bureau respectfully requests the penalties and relief pursuant to its authority under the 1972 Act:

1. That an order be issued pursuant to Section 512 of the 1972 Act, 70 P.S. § 1-512, permanently barring Respondent Coleman from:
 - a. Representing an issuer offering or selling securities in this State;
 - b. Acting as a promoter, officer, director or partner of an issuer (or an individual occupying a similar status or performing similar functions) offering or selling securities in this State or of a person who controls or is controlled by such issuer;

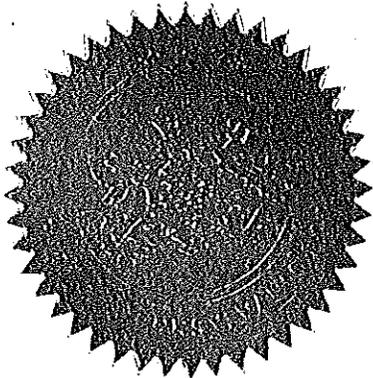
c. Being registered as a broker-dealer, agent, investment adviser or investment adviser representative under Section 301 of the 1972 Act, 70 P.S. § 1-301;

d. Being an affiliate of any person registered under Section 301 of the 1972 Act; or

e. Relying upon an exemption from registration contained in Section 202, 203 or 302 of the 1972 Act, 70 P.S. § 1-202, 203 or 302;

2. That Respondent Coleman be ordered to pay the costs of the investigation pursuant to Section 602.1 (b) of the 1972 Act, 70 P.S. § 1-602.1 (b).

IT IS SO ORDERED.



FOR THE COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF BANKING AND SECURITIES
BUREAU OF SECURITIES LICENSING, COMPLIANCE
AND EXAMINATIONS

James Klutinoty, Chief, Western Region
Bureau of Securities Licensing, Compliance and Examinations

Date: 12/8/14

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CERTIFICATE OF SERVICE

I hereby certify that I have this day served a copy of the foregoing Order upon the parties below, who constitute the only parties of record in this proceeding, in accordance with the requirements of 1 Pa. Code §§ 33.35, 33.36 and 33.37:

BY CERTIFIED AND FIRST CLASS MAIL

Ronald D. Coleman
39249 Dovetree Drive
Murrieta, CA 92563-5369

Dated this 11th day of December, 2014

Fran Beers, Administrative Officer
Office of Chief Counsel
FOR: Commonwealth of Pennsylvania
Department of Banking and Securities
Market Square Plaza
17 North Second Street, Suite 1300
Harrisburg, PA 17101
717-787-1471