

4. On February 7, 2017, the Commission staff received information from an Alabama resident that **ROBINSON**, representing **HER LLC**, cold called him in July 2014 to offer an investment in a multi-well oil development drilling project called Magee-Smith ("MS") #1 and MS #6 located in Deer Park, Louisiana. **ROBINSON** told the Alabama resident that an investment of \$29,000.00 could bring him as much as a \$200,000.00 return with little to no risks

involved. The Alabama resident was directed to contact **LIPPINCOTT** by telephone at which time **LIPPINCOTT** told the Alabama resident “his first payment check would be coming in about two months and he should expect a full pay out in about five to six months.”

5. On July 20, 2014, after speaking with both **ROBINSON** and **LIPPINCOTT** via telephone, the Alabama resident made his first investment of \$28,950.00 (3% working interest) into MS #1 and MS #6. The Subscription Agreement, contained in the execution documents to the Confidential Private Placement Memorandum (PPM), stated that **HER LLC** is the “Operator” on all projects. The PPM also stated that the payout of capital to investors could be plus or minus five months’ in time. The PPM identified **LIPPINCOTT** as the Chief Executive Officer of **HER LLC**.

6. On September 29, 2014, **LIPPINCOTT** published a Field Report and emailed it to the Alabama investor, in which he stated that “We truly hit a home run and more to come” regarding the MS #6 well. **LIPPINCOTT** also stated in the report that “MS #1 should also be another excellent well for production”.

7. On May 26, 2015, the same Alabama investor was solicited by **LIPPINCOTT** to invest an additional \$27,300.00 (3% working interest) into the project Magee Smith #3. The Subscription Agreement, contained in the execution documents to the Confidential Private Placement Memorandum (PPM), states that **HER LLC** is the “Operator” on all projects. The PPM identified **LIPPINCOTT** as the Chief Executive Officer of **HER LLC**.

8. The PPM’s describe the investments offered to the Alabama resident as the “participation in units of interest in a joint venture”. **HER LLC** is the operator and is responsible for the monthly regulatory reports to the state of Louisiana Office of Conservation. **HER LLC** is in complete control of daily production operations of the Magee-Smith Lease located in Deer Park, Louisiana

9. On November 12, 2002, the state of Pennsylvania issued a Summary Order to Cease and Desist against **LIPPINCOTT** and his company Diamond “S” Oil LLC. This order was issued due to **LIPPINCOTT** and Diamond “S” offering unregistered securities in the form of working interests into oil and gas ventures.

10. On February 14, 2003, the state of Texas issued an Emergency Cease and Desist Order (CDO-1497) against **LIPPINCOTT** and his company listed as Diamond “S” Oil LLC. This order was issued due to **LIPPINCOTT** and Diamond “S” offering unregistered working

interests in an oil, gas or mining lease. **LIPPINCOTT** and Diamond “S” were not registered to offer securities in Texas and failed to disclose the 2002 Pennsylvania Cease and Desist Order. The order alleges that **LIPPINCOTT** made misleading statements to investors in connection with the offering of unregistered securities.

11. On July 17, 2007, the state of California issued a Desist and Refrain order against **LIPPINCOTT** and his company listed as Diamond “S” Oil LLC. This order was issued due to the failure to disclose to investors that a previous Desist and Refrain Order had been issued by the California Department of Corporations on May 18, 2006. The 2006 order alleged the sale of unqualified nonexempt securities in the form of working interests in oil drilling projects in Texas and misrepresenting or failing to disclose material facts with regard to the sale of those securities.

12. Based on the subscription agreements presented to the Alabama investor by **LIPPINCOTT** for his investments in the **HER LLC** projects Magee-Smith #1, #6 and Magee-Smith #3, **LIPPINCOTT** failed to disclose that he is listed as a respondent in the above listed Cease and Desist Orders.

13. A review of the files of the Registration Division of the Alabama Securities Commission was conducted on March 20, 2017, disclosing no record of registration or any perfected exemption from registration for the offered securities, to wit: units of working interest in the various **HER LLC** projects.

14. A review of the files of the Registration Division of the Alabama Securities Commission was conducted on March 20, 2017, disclosing no record of registration for **LIPPINCOTT** or **ROBINSON** as broker dealer agents, investment advisors, or investment advisor representatives in the state of Alabama.

15. A review of the files of the Registration Division of the Alabama Securities Commission was conducted on March 20, 2017, disclosing no record of registration for **HER LLC** as a broker dealer in the state of Alabama.

CONCLUSIONS OF LAW

16. Pursuant to Section 8-6-2(10), Code of Alabama 1975, the definition of “security” includes any “...participation in an oil, gas, or mining title or lease or in payments out of production under such a title or lease...”. The interests sold by **RESPONDENTS** in the various

projects of **HER LLC** are based on a share of the investment returns on the production from oil, gas or other mining interests and are securities as defined by the Act.

17. Pursuant to Section 8-6-2(5), Code of Alabama 1975, the definition of Issuer includes, “every person who proposes to issue, has issued, or shall hereafter issue any security...”. **HER LLC** issued securities to wit: interests in an oil, gas, or mining title or lease or in payments out of production under such a title or lease. **HER LLC** is an issuer under the Act.

18. Pursuant to Section 8-6-2(2), Code of Alabama 1975, the definition of “Agent” includes any individual who represents a dealer or issuer in effecting or attempting to effect sales of securities. By soliciting and effecting sales **LIPPINCOTT** and **ROBINSON** represented **HER LLC** while affecting the sale of unregistered securities to wit: interests in an oil, gas, or mining title or lease or in payments out of production under such a title or lease and are agents under the Act.

19. Pursuant to Section 8-6-3(a), Code of Alabama 1975, it is unlawful for any person to transact business in this state as an agent or dealer for securities unless such person is registered under the Act. **LIPPINCOTT** and **ROBINSON** by offering and selling securities, to wit: interests in an oil, gas, or mining title or lease or in payments out of production under such a title or lease, issued to an Alabama resident, acted as agents of **HER LLC** in Alabama without benefit of registration with the Commission in violation of the Act.

19. Pursuant to Section 8-6-3(a), Code of Alabama 1975, it is unlawful for any issuer to employ an agent, not registered with the Commission under the Act, to solicit or sell securities on its behalf. **HER LLC** employed **LIPPINCOTT** and **ROBINSON**, to solicit and sell securities to wit: interests in an oil, gas, or mining title or lease or in payments out of production under such a title or lease, while **LIPPINCOTT** and **ROBINSON** were not registered with the Commission in violation of the Act.

20. 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 the security: (1) is registered under the Act; (2) the security is exempt from registration under section 8-6-10; or (3) the transaction is exempt under section 8-6-11. The security offered by **RESPONDENTS**; to wit: interests in an oil, gas, or mining title or lease or in payments out of production under such a title or lease issued by **HER**

LLC, were neither registered nor subject to a perfected exemption from registration in Alabama and were offered and sold in violation of the Act.

21. Pursuant to Section 8-6-17(a)(2), Code of Alabama, 1975, it is unlawful for a person, in connection with the offer, sale, or purchase of a security, 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 the light of the circumstances under which they are made, not misleading. **LIPPINCOTT** and **ROBINSON** made representations of anticipated investment returns without any factual basis upon which to base such representations, in violation of the ACT.

22. Pursuant to Section 8-6-17(a)(2), Code of Alabama, 1975, it is unlawful for a person, in connection with the offer, sale, or purchase of a security, 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 the light of the circumstances under which they are made, not misleading. **RESPONDENTS** failed to disclose that **LIPPINCOTT** was the subject of several cease and desist orders issued in numerous states alleging fraudulent conduct in the sale of securities. That information being material, the failure to disclose such information is a violation of the anti-fraud provisions of the Act.

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

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

Additionally, if the allegations set forth herein are found to be true, through either administrative adjudication, failure of the **RESPONDENTS** to make a timely request for hearing, or default of the **RESPONDENTS**, it is the intention of the Commission to impose sanctions upon the **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 violation(s) 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, AL, this 25th day of May, 2018.



ALABAMA SECURITIES COMMISSION
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BY:

A handwritten signature in blue ink, appearing to read "J. P. Borg", is written over a horizontal line.

JOSEPH P. BORG
Director