

State of Missouri
Office of Secretary of State

Case No. AP-08-26

IN THE MATTER OF:

PETRO AMERICA CORPORATION;
OWEN HAWKINS; *and*
MARTIN ROPER,

Respondents.

Serve: Petro America Corporation and
Owen Hawkins at
2300 Main Street, Suite 900,
Kansas City, Missouri 64108

and

Petro America Corporation and
Owen Hawkins at
837 North 57th Street
Kansas City, Kansas 66102

Serve: Martin Roper at
512 North 75th Terrace
Kansas City, Kansas 66112

**ORDER TO CEASE AND DESIST AND ORDER TO SHOW CAUSE WHY
CIVIL PENALTIES AND COSTS SHOULD NOT BE IMPOSED**

On October 31, 2008, the Enforcement Section of the Securities Division (the "Division") of the Office of Secretary of State, through its Assistant Commissioner of Securities Mary S. Hosmer, submitted a Petition for Order to Cease and Desist and Order to Show Cause Why Civil Penalties and Costs Should Not Be Imposed (the "Petition"). After reviewing the Petition, the Commissioner issues the following findings of fact, conclusions of law and order:

I. FINDINGS OF FACT

1. On April 13, 2007, Petro America Corporation ("PAC") incorporated with the Kansas Secretary of State. On September 26, 2008, PAC registered as a foreign corporation with the Missouri Secretary of State. At all times relevant to this Order, PAC purported to have its main corporate business address at 2300 Main Street, Suite 900, Kansas City, Missouri 64108.
2. At all times relevant to this Order, Owen Hawkins ("Hawkins") purported to be the president and registered agent of PAC and purported to have a business address of 2300 Main Street, Suite 900, Kansas City, Missouri 64108. Hawkins has a residential address of 837 North 57th Street, Kansas City, Kansas 66102.
3. At all times relevant to this Order, Martin Roper ("Roper") purported to be an agent for PAC and has an address of 512 North 75th Terrace, Kansas City, Kansas 66112.
4. As used in this document, the term "Respondents" refers to PAC, Hawkins and Roper.
5. On or before October 1, 2008, a Texas Resident ("TR") received an e-mail offering an investment opportunity in PAC. The e-mail was originated by Roper on behalf of Roper, Hawkins, and PAC. The e-mail stated, among other things, that:
 - a. Roper was collecting payments for PAC;
 - b. for each one hundred dollar (\$100.00) investment, investors were to receive one hundred thousand (100,000) shares of stock in PAC;
 - c. PAC was an oil company that would be going on the stock market within the next six (6) months;
 - d. Hawkins was the president of PAC;
 - e. the PAC website was located at www.petroamericacorp.com;

- f. "Mr. Hawkins confirmed that there is currently \$68 Million on Petro Books with SEC Exchange [sic]. Attorney has notarized and signed off on this already;"
 - g. "This 'special offer' is ending soon for new Stockholders. This offer is being presented through a Stockholder, not the Company. Initially, they only wanted 1000 people;"
 - h. "They would like to have as much money on the books as they can, prior to going public, in order to drive up the price of the stock;"
 - i. PAC was working with "various insurance companies who are offering to purchase these shares and either place them in an annuity or a combination of annuity/buy out. Which means if you purchase \$200.00 worth of shares, you could place \$100.00 worth into an annuity and have them place the other \$100 worth into an escrow account, until everything is finalized. It can only be done in increments of \$100 though. . . That means no matter what the stock market does you have made a huge profit already, because at this moment the insurance companies have place [sic] a value of \$2.00 per share. $\$100.00 = 100,000 \text{ shares} = \$200,000.00$;"
 - j. "to participate here is what I need you to do. Let me know YES in the Subject Line and I will need you to send me your Personal Check, Money Order or Cashier's Check. Make it payable to Petro America Corp;" and
 - k. "You will receive your Stock Certificate within just a few days. Within the next 6 months, it is expected to be offered on the Pink Sheets stock market. It will possibly go on the market in November or December of this year. "
6. The e-mail contained Roper's address at 512 North 75th Terrace, Kansas City, Kansas 66112. Funds were to be sent to Roper who would deliver the funds to PAC.
 7. TR was also provided a telephone number and a personal identification number to a call center to listen in on a PAC pre-recorded conference call.
 8. On or about October 1, 2008, TR listened to a PAC pre-recorded conference call. TR stated, among other things, that from the conference call he understood that:
 - a. the PAC opportunity was offered to one thousand (1,000) people, and that the company would go to the open market within six (6) months;
 - b. the one hundred dollars (\$100.00) would purchase one hundred thousand (100,000) shares of PAC equaling a two hundred thousand dollar (\$200,000.00) value;
 - c. five hundred dollars (\$500.00) would buy five hundred thousand (500,000) shares and that investors could "cash out some for cash, keep some for annuities;"
 - d. investors would receive a stock certificate;
 - e. PAC was working with four (4) different insurance companies to provide annuities;
 - f. PAC stock was currently valued at two dollars (\$2.00) per share;
 - g. the insurance companies were offering annuity policies on the shares, and that an annuity on one hundred thousand (100,000) shares would pay approximately one thousand, seven hundred dollars (\$1,700.00) per month for the investor's life;
 - h. the annuity documentation would come from the insurance company(s).
 9. On October 1, 2008, TR sent an e-mail to PAC to find out how to set up an annuity.
 10. On October 1, 2008, a PAC representative sent an e-mail to TR that stated, among other things, the following:

"The annuities have to be set up with the insurance companies and you will receive the name of the company when you receive your stock certificate. You then go and negotiate with them about how much you want in an annuity and/or how many shares you would like to sell outright. I cannot answer anything more about it because it is strictly between the individual and the insurance company. Hope this suffices for information."
 11. TR did not invest with PAC.
 12. On or about September 29, 2008, an Oregon Resident ("OR") received an e-mail concerning an investment opportunity in PAC. This e-mail was purportedly originated by Roper, Hawkins, and PAC. This e-mail provided both a Missouri telephone number and a Missouri cell phone number for Roper.
 13. On or about September 29, 2008, OR listened to a PAC pre-recorded conference call.
 14. On October 1, 2008, OR purchased a two hundred dollar (\$200.00) cashier's check for an investment in PAC. OR made

the check payable to "Petro America Corp" and submitted the payment to Martin Roper at 512 North 75th Terrace, Kansas City, Kansas 66112 via U.S. mail.

15. On or about October 2, 2008, OR decided to withdraw from the investment. OR telephoned the offices of PAC in Missouri to request the return of OR's investment check. Among other things, a representative of PAC informed OR that OR's message would be passed to Hawkins for processing.
16. On October 2, 2008, OR provided a written request to PAC via e-mail requesting to withdraw OR's investment.
17. To date, OR has not heard from Roper, Hawkins or PAC nor has OR received a return of OR's investment in PAC.
18. On October 9, 2008, an investigator with the Division listened to PAC's pre-recorded conference call. This pre-recorded conference call was aimed at religious investors who were being offered a chance to "share the blessing" by investing in PAC. Hawkins claimed that God had opened up opportunities for PAC. The call was hosted by "Teresa" who stated, among other things, that:
 - a. PAC's telephone number was 816-448-3723;
 - b. "this is a blessing that has been given to us";
 - c. "we want to be able to share this with you and to share the blessing";
 - d. this was an opportunity to buy stock from PAC;
 - e. Owen Hawkins was the president and the owner of PAC; and
 - f. Hawkins was on the call and was going to answer some questions.
19. During this conference call Hawkins stated, among other things, that:
 - a. he was happy to be invited to speak;
 - b. he had started the company a year and one half ago;
 - c. "some of the ground floor people . . . have reached out to a lot of people in Kansas City";
 - d. the stock has a book value of two dollars (\$2.00) a share;
 - e. "God has really opened up a lot of opportunities for this business";
 - f. "my personal goal is I would like to create as many billionaires in this as I, as I possibly can, shareholders, people that have taken the risk and chance with us they deserve the rewards;
 - g. he had a personal goal to receive the Nobel Peace Prize for doing good work;
 - h. "we want to do goodwill";
 - i. "we want to do some humanitarian projects";
 - j. "we want to bless others and change others lives";
 - k. "I can't do it alone. I need your support and together we can make this one of the greatest companies and we have the right thing with this Petro America and we can do this in America"
20. Information obtained by the Division indicated, among other things, that:
 - a. PAC leased space from Regus Management Group, LLC ("Regus") at 2300 Main Street, Suite 900, Kansas City, Missouri 64108. Regus offered among other things, workplace solutions such as suite rentals, virtual office program options, and telephone answering options;
 - b. the telephone number listed on the PAC website for their Missouri corporate office is a Missouri telephone number and is answered by Regus. Regus directs these calls to Roper;
 - c. Respondents offered and/or sold investments in PAC to investors in California, Kansas, Texas, Oregon, Tennessee and Missouri; and
 - d. many of these investors and potential investors learned about the investment opportunity at church or in e-mails forwarded from family or friends. These e-mails were substantially similar to the e-mail received by TR as mentioned in paragraphs five (5) through seven (7) above.
 - e. "This note [sic] is subject to the terms of the Custodial agreement in conjunction with anticipated treasury based

repurchase Agreements [sic]. This Note is assured by the companies [sic] position under the terms of the previously or above stated repurchase agreement.”...;

21. On October 17, 2008, an investigator with the Division contacted the PAC telephone number and asked for Roper. The answering service located in Missouri connected the investigator to Roper’s telephone and the investigator left a message. Later that day Roper called the investigator and stated, among other things, the following:
 - a. Roper read about PAC on the internet;
 - b. he had met Hawkins and that Hawkins was the owner of PAC;
 - c. Roper was a shareholder in PAC;
 - d. he had sent an e-mail about investing in PAC to 15-20 people in Missouri, Kansas and Tennessee;
 - e. in this e-mail he had requested that investors who wished to purchase stock in PAC send these funds to Roper’s Kansas address;
 - f. sending the e-mail was a “mistake;”
 - g. he had received investor funds from several investors in PAC;
 - h. he claimed that he had given these funds to Teresa Hill, another shareholder in PAC;
 - i. did not explain why the solicited funds were sent to Roper;
 - j. could not explain the annuities described in the e-mail;
 - k. he thought that the information about the annuities had been added to his e-mail after he had sent this e-mail;
 - l. did not know how much money he had collected on behalf of PAC; and
 - m. he had to hang up the telephone because he needed to attend a meeting.
22. On October 9, 2008, the Division sent a letter, via certified mail to the Respondents. The letter asked Respondents to provide the definitional or registration exemption upon which Respondents had relied in allegedly offering unregistered securities. The letter also requested additional information about the alleged offers.
23. On October 24, 2008, an attorney for PAC filed a response to the Division’s letter of inquiry dated October 9, 2008. In this response the attorney stated that, “At this time the company does not believe it is eligible to use any exemption from registration under Missouri law.” In addition, the attorney provided a list of over three hundred Missouri investors who had invested over one hundred thousand dollars (\$100,000) in PAC since September 22, 2008.
24. A check of the records maintained by the Missouri Commissioner of Securities revealed no registration, granted exemption or notice filing indicating status as a “federal covered security” for any of the securities offered by Respondents in or from Missouri.
25. Respondents were not registered to offer and sell securities in or from the State of Missouri.
26. Respondents omitted to state to investors and potential investors that:
 - a. that Respondents could not lawfully offer or sale securities in or from the State of Missouri;
 - b. the securities were not registered in the State of Missouri;
 - c. facts or information regarding the risks of the investment;
 - d. the background, history, and experience of Hawkins and Roper;
 - e. the background, history, and financial condition of PAC;
 - f. the basis for the two dollar (\$2.00) a share valuation of the PAC stock;
 - g. the name of the attorney who had “signed off” on the fact that there was “\$68 Million on Petro Books with SEC Exchange [sic];”or
 - h. the names of the specific humanitarian projects PAC was going to do.
27. This order is in the public interest and consistent with the purposes intended by this act. See Section 409.6-605(b) RSMo. (Cum. Supp. 2007).

II. STATUTORY PROVISIONS

28. Section 409.1-102(26), RSMo. (Cum. Supp. 2007), defines “sale” to include “every contract of sale, contract to sell, or disposition of, a security or interest in a security for value.” That same section defines “offer to sell” as “every attempt or offer to dispose of, or solicitation of an offer to purchase, a security or interest in a security for value.”

29. Section 409.1-102(28), RSMo. (Cum. Supp. 2007), includes, in part, any “certificate of interest or participation in a profit-sharing agreement,” and “investment contract” within the definition of a security.

30. Section 409.3-301, RSMo. (Cum. Supp. 2007), states:

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 409.2-201 to 409.2-203; or
- (3) The security is registered under this act.

31. Section 409.4-402, RSMo. (Cum. Supp. 2007), states:

It is unlawful for an individual to transact business in this state as an agent unless the individual is registered under this act as an agent or is exempt from registration as an agent under subsection (b).

32. Section 409.4-402(d), RSMo. (Cum. Supp. 2007), states:

It is unlawful for any broker-dealer or an issuer engaged in offering, selling, or purchasing securities in this state, to employ or associate with an agent who transacts business in this state on behalf of broker-dealers or issuers unless the agent is registered under subsection (a) or exempt from registration under subsection (b).

33. Section 409.5-501, RSMo. (Cum. Supp. 2007), states:

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 statement made, in the light of the circumstances under which it is 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.

34. Section 409.6-604(a), RSMo. (Cum. Supp. 2007), states:

If the 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 this act or a rule adopted or order issued under this act . . . the commissioner may:

- (1) 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 this act . . .

35. Section 409.6-604(d), RSMo. (Cum. Supp. 2007), reads as follows: “In a final order under subsection (c), the commissioner may impose a civil penalty up to one thousand dollars for a single violation or up to ten thousand dollars for more than one violation.”

36. Section 409.6-604(e), RSMo. (Cum. Supp. 2007), reads as follows: “In a final order, the commissioner may charge the actual cost of an investigation or proceeding for a violation of this act These funds may be paid into the investor education and protection fund.”

III. CONCLUSIONS OF LAW

Multiple Violations of Offering or Selling Nonexempt, Unregistered Securities

37. Paragraphs 1 through 36 are incorporated by reference as though fully set forth herein.

38. The investments offered and sold by the Respondents come under the definition of “securities” contained in Section 409.1-102(28), RSMo. (Cum. Supp. 2007).

39. The Respondents' actions in offering and selling securities from Missouri satisfies the definition of "offer to sell" and "sale" under Section 409.1-102(26), RSMo. (Cum. Supp. 2007).
40. At all times relevant, records maintained by the Missouri Commissioner of Securities contained no registration, granted exemption or notice filing indicating status as a "federal covered security" for any security allegedly offered or sold by Respondents.
41. The Respondents violated Section 409.3-301, RSMo. (Cum. Supp. 2007), when they offered or sold securities in Missouri without the securities being (1) a federal-covered security, (2) exempt from registration under Sections 409.2-201 or 409.2-202, RSMo. (Cum. Supp. 2007), or (3) registered under the Missouri Securities Act of 2003.
42. Respondents' actions in offering or selling unregistered securities constitute an illegal act, practice, or course of business under Section 409.6-604(a), RSMo. (Cum. Supp. 2007).

**Multiple Violations of Transacting Business as an Unregistered Agent
by Hawkins and Roper**

43. Paragraphs 1 through 36 are incorporated by reference as though fully set forth herein.
44. At all times relevant, records maintained by the Missouri Commissioner of Securities contained no registration or granted exemption for Respondents Hawkins or Roper to transact business as issuer agents in the State of Missouri.
45. Respondents Hawkins and Roper violated Section 409.4-402(a), RSMo. (Cum. Supp. 2007), when they offered or sold securities in the State of Missouri without being registered or exempt from registration as agents.
46. Respondents Hawkins and Roper's actions in transacting business as unregistered agents constitute an illegal act, practice, or course of business and such action is therefore subject to the commissioner's authority under Section 409.6-604(a), RSMo. (Cum. Supp. 2007).

**Multiple Violations by Respondent PAC
of Employing Unregistered Agents**

47. Paragraphs 1 through 36 are incorporated by reference as though fully set forth herein.
48. Respondent PAC created the stock offered and sold in this matter and are thus the issuer of these securities as that term is defined under Section 409.1-102(17), RSMo. (Cum. Supp. 2007).
49. As the issuer, Respondent PAC employed Hawkins and Roper who solicited investors in Missouri on numerous occasions to purchase a security. These solicitations constitute transacting business in the State of Missouri.
50. Respondent PAC has not registered any issuer agents in the State of Missouri.
51. Respondent PAC violated Section 409.4-402(d), RSMo. (Cum. Supp. 2007), when they employed unregistered agents who transacted business in the State of Missouri.
52. Employing unregistered agents who transact business in this state constitutes an illegal act, practice, or course of business and such action is therefore subject to the commissioner's authority under Section 409.6-604(a), RSMo. (Cum. Supp. 2007).

**Multiple Violations of Omitting to State Material
Facts in Connection with the Sale of a Security**

53. Paragraphs 1 through 36 are incorporated by reference as though fully set forth herein.
54. The Respondents violated Section 409.5-501(2), RSMo. (Cum. Supp. 2007), when, in connection with the offer and sale of securities, they omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading, including, but not limited to:
 - a. the Respondents could not lawfully offer or sale securities in or from the State of Missouri;
 - b. the securities were not registered in the State of Missouri;
 - c. facts or information regarding the risks of the investment;
 - d. the background, history, and experience of Hawkins and Roper;
 - e. the background, history, and financial condition of PAC;
 - f. the basis for the two dollar (\$2.00) a share valuation of the PAC stock;
 - g. the name of the attorney who had "signed off" on the fact that there was "\$68 Million on Petro Books with SEC

Exchange [sic];or

h. the names of the specific humanitarian projects PAC was going to do.

55. Respondents' actions in omitting to state a material fact necessary to make statements made not misleading, in connection with the offer, sale or purchase of a security, constitute an illegal act, practice, or course of business under Section 409.6-604(a), RSMo. (Cum Supp. 2007).

ORDER

NOW THEREFORE, it is hereby ordered that Respondents, their agents, employees and servants, and all other persons participating in or about to participate in the above-described violations with knowledge of this Order are prohibited from:

NOW, THEREFORE, it is hereby Ordered that:

- A. offering or selling any securities as defined by Section 409.1-102(28), RSMo. (Cum Supp. 2007), in the State of Missouri unless those securities are registered with the Securities Division of the Office of the Secretary of State in accordance with the provisions of Section 409.3-304;
- B. transacting business as an unregistered agent in violation of Section 409.4-402, RSMo. (Cum Supp. 2007);
- C. employing an unregistered agent in violation of Section 409.4-402, RSMo. (Cum Supp. 2007); and
- D. violating or materially aiding in any violation of Section 409.5-501, RSMo. (Cum Supp. 2007), by, in connection with the offer or sale of securities, making an untrue statement of a material fact or omitting to state a material fact necessary in order to make a statement made, in the light of the circumstances under which it is made, not misleading.

IT IS FURTHER ORDERED that, pursuant to Section 409.6-604(d), RSMo. (Cum Supp. 2007), the Commissioner will determine whether to grant the Enforcement Section's petition for an imposition of a civil penalty of up to ten thousand dollars (\$10,000) against each Respondent individually for multiple violations of Section 409.3-301, RSMo. (Cum Supp. 2007), in a final order, unless Respondents request a hearing and show cause why the penalty should not be imposed.

IT IS FURTHER ORDERED that, pursuant to Section 409.6-604(d), RSMo. (Cum Supp. 2007), the Commissioner will determine whether to grant the Enforcement Section's petition for an imposition of a civil penalty of up to ten thousand dollars (\$10,000) against each of Respondents Hawkins and Roper for multiple violations of Section 409.4-402(a), RSMo. (Cum Supp. 2007), in a final order, unless those Respondents request a hearing and show cause why the penalty should not be imposed.

IT IS FURTHER ORDERED that, pursuant to Section 409.6-604(d), RSMo. (Cum Supp. 2007), the Commissioner will determine whether to grant the Enforcement Section's petition for an imposition of a civil penalty of up to ten thousand dollars (\$10,000) against Respondent PAC for multiple violations of Section 409.4-402(d), RSMo. (Cum Supp. 2007), in a final order, unless Respondent PAC requests a hearing and shows cause why the penalty should not be imposed.

IT IS FURTHER ORDERED that, pursuant to Section 409.6-604(d), RSMo. (Cum Supp. 2007), the Commissioner will determine whether to grant the Enforcement Section's petition for an imposition of a civil penalty of up to ten thousand dollars (\$10,000) against each Respondent individually for multiple violations of Section 409.5-501(2), RSMo. (Cum Supp. 2007), in a final order, unless Respondents request a hearing and show cause why the penalty should not be imposed.

IT IS FURTHER ORDERED that, as the Enforcement Section has petitioned for the costs of the investigation in this proceeding to be charged against Respondents, the Commissioner will issue a final order, pursuant to Section 409.6-604(e), RSMo. (Cum Supp. 2007), awarding an amount to be determined after review of evidence submitted by the Enforcement Section, unless Respondents request a hearing and show cause why an award should not be made.

SO ORDERED:

WITNESS MY HAND AND OFFICIAL SEAL OF MY OFFICE AT JEFFERSON CITY, MISSOURI THIS 12TH DAY OF NOVEMBER, 2008.

ROBIN CARNAHAN
SECRETARY OF STATE

(Signed/Sealed)
MATTHEW D. KITZI
COMMISSIONER OF SECURITIES

[REDACTED]

State of Missouri
Office of Secretary of State

Case No. AP-08-26

IN THE MATTER OF:

PETRO AMERICA CORPORATION;
OWEN HAWKINS; *and*
MARTIN ROPER,

Respondents.

Serve: Petro America Corporation and
Owen Hawkins at
2300 Main Street, Suite 900,
Kansas City, Missouri 64108

and

Petro America Corporation and
Owen Hawkins at
837 North 57th Street
Kansas City, Kansas 66102

Serve: Martin Roper at
512 North 75th Terrace
Kansas City, Kansas 66112

NOTICE

TO: Respondents and any unnamed representatives aggrieved by this Order:

You may request a hearing in this matter within thirty (30) days of the receipt of this Order pursuant to Section 409.6-604(b), RSMo. (Cum. Supp. 2007), and 15 CSR 30-55.020.

Within fifteen (15) days after receipt of a request in a record from a person or persons subject to this order, the Commissioner will schedule this matter for a hearing.

A request for a hearing must be mailed or delivered, in writing, to:

**Matthew D. Kitz, Commissioner of Securities
Office of the Secretary of State, Missouri
Kirkpatrick State Information Center
600 West Main Street, Room 229
Jefferson City, Missouri, 65102.**

CERTIFICATE OF SERVICE

I hereby certify that on this 12th day of November, 2008, copies of the foregoing Order and Notice in the above styled case was **mailed by certified U.S. Mail, postage prepaid, to:**

Petro America Corporation
2300 Main Street, Suite 900
Kansas City, Missouri 64108

Owen Hawkins
2300 Main Street, Suite 900
Kansas City, Missouri 64108

Petro America Corporation
837 North 57th Street
Kansas City, Missouri 66102

Owen Hawkins
837 North 57th Street
Kansas City, Kansas 66102

Martin Roper
512 North 75th Terrace
Kansas City, Kansas 66112

And hand delivered to:

Mary Hosmer
Assistant Commissioner
Securities Division

John Hale, Specialist