BEFORE THE
STATE OF WISCONSIN
DEPARTMENT OF FINANCIAL INSTITUTIONS
DIVISION OF SECURITIES

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| In the Matter of<br>ANDERSON-DRAKE, INC., and<br>JAMES R. YOUNG aka JAY YOUNG | PETITION FOR ORDER |
| Respondents. | File No. S-04093(EX) |

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The staff of the State of Wisconsin Department of Financial Institutions, Division of Securities, Bureau of Registration & Enforcement has conducted an investigation in this matter pursuant to sec. 551.56, Wis. Stats., and as a result thereof alleges as follows:

1. Anderson-Drake, Inc. ("ADI") is a foreign business entity with a last known business address of 16775 Addison Rd., Ste. 600, Addison, TX 75001.

2. King-Holt Ranch #3 & #4 Joint Venture ("KHR 3 & 4") is a foreign business entity with a last known business address at that of ADI.

3. King-Holt Ranch #5 & #6 Joint Venture ("KHR 5 & 6") is a foreign business entity with a last known business address at that of ADI.

4. James R. Young aka Jay Young (DOB 1/3/63; CRD #1725782) ("Young") is an individual who at all times material hereto has been a principal and controlling person of ADI, with a last known business address at that of ADI.

5. David L. Cochran (DOB 4/13/65; CRD #2971741) ("Cochran") is an individual who at all times material hereto has been an agent of ADI, with a last known business address at that of ADI.

6. Rustin Scott ("Scott") is an individual who at all times material hereto has been an agent of ADI, with a last known business address at that of ADI.

7. Scott A. Riggs (DOB 7/18/73; CRD #3037639) ("Riggs") is an individual who at all times material hereto has been an agent of ADI, with a last known business address at that of ADI.

8. Kenneth P. Lawrence (DOB 6/4/76; CRD #4597957) ("Lawrence") is an individual who at all times material hereto has been an agent of ADI, with a last known business address at that of ADI.

9. Jeremy R. Baker (DOB 5/27/72; CRD #4565329) ("Baker") is an individual who at all times material hereto has been an agent of ADI, with a last known business address at that of ADI.

10. During the period of March 2004, Cochran, Scott, Riggs and Lawrence, on behalf of ADI, KHR 3 & 4, KHR 5 & 6 and Young, offered to at least one person in Wisconsin ("the offeree") units of "joint venture interests."

11. The offeree had no preexisting relationship with any of the Respondents.

12. Pursuant to the offering materials received by the offeree, KHR 5 & 6 will engage in the business of exploration, production from, and operation of two oil and/or gas wells.

13. Pursuant to the offering materials received by the offeree, investors in KHR 5 & 6 are to be general partners with unlimited liability, in a high risk venture, in which investors are not to rely on ADI but instead themselves must have the knowledge and experience to manage the deal.

14. In connection with the offer described in Paragraph 10, Cochran stated to the offeree that:

    a. the offering materials were written by ADI's lawyers and had to include all the possible risks to investors, but that Cochran considers the investment "low risk";
    b. as for investors having the knowledge and experience to exercise managing powers, it is language put in the booklet by the ADI lawyers; and
    c. Cochran receives a commission for sales.

15. In connection with the offer described in Paragraph 10, Lawrence stated that:

    a. it was not true that the offeree would have unlimited liability in a venture over which he had no "hands on" control;
    b. the offeree would be a limited partner, with his liability limited to the amount invested;
    c. ADI is the general partner;
    d. the only risk to the offeree is the amount invested;
    e. investors have no duties and responsibilities but to vote on the operator of the wells;
    f. ADI does everything for the investors;
    g. there is no risk to the offeree investing in KHR 3 & 4;
    h. Lawrence is paid a salary for making sales;

16. In connection with the offer described in Paragraph 10, Lawrence sent the following statement by fax to the offeree on ADI stationery, signed by "Kenny Lawrence, Senior Vice President of Operations, Anderson-Drake, Inc." and "Jeremy Baker, Managing Partner, Anderson-Drake, Inc.":

    > Per. your conversation with Kenny Lawrence ,this letter is to inform you that your liability on the King holt Ranch #3 & #4 is limited to the amount of your investment. You are a limited Partner with us on the king Holt #3 and #4. [sic]

17. Upon information and belief, investors can play a passive role in the company with no duties and responsibilities.

18. Upon information and belief, each investor will not be involved in the day-to-day management of KHR 5 & 6 and KHR 3 & 4, since there are too many investors for them to each have any meaningful input, and they do not have the expertise or experience necessary to perform its duties.

19. Since the investors will be involved in a common enterprise with the expectation of profits to be derived from the essential managerial efforts of others, the "units" offered by the respondents are investment contracts as defined by section DFI-Sec. 1.02(6)(a), Wis. Adm. Code, and are therefore securities as defined by sec. 551.02(13), Wis. Stats.

20. The KHR 5 & 6 and KHR 3 & 4 investment contracts have never been registered for offer and sale in Wisconsin pursuant to Ch. 551, Wis. Stats.

21. The Respondents have violated sec. 551.21(1), Wis. Stats., by offering unregistered securities in Wisconsin.

22. In connection with the offers of the securities described above, Cochran, Scott, Riggs, Lawrence, and Baker transacted business in Wisconsin as "agents" for ADI, KHR 3 & 4, KHR 5 & 6 and Young, as that term is defined by sec. 551.02(2), Wis. Stats.

23. At no time have Cochran, Scott, Riggs, Lawrence, and Baker been licensed as securities agents pursuant to Ch. 551, Wis. Stats.

24. Cochran, Scott, Riggs, Lawrence, and Baker have violated sec. 551.31(1), Wis. Stats., by transacting business in Wisconsin as securities agents without licenses.

25. ADI, KHR 3 & 4, KHR 5 & 6, and Young have violated sec. 551.31(2), Wis. Stats., by employing unlicensed agents to represent them in Wisconsin.

26. A supplemental project summary of KHR 5 & 6 dated March 1, 2004, received by the offeree is entitled "ANDERSON-DRAKE, INC., KING-HOLT RANCH #5 & #6, MARTIN COUNTY, TEXAS, LOW RISK, MULTI-PAY, OIL & GAS DEVELOPMENTAL WELLS, A TURNKEY DRILLING PROGRAM."

27. Since no oil and gas well investments are "low risk," the title referred to in Paragraph 26 is an untrue statement of a material fact.

28. Since Baker is not a "Managing Partner" of ADI, the statement referred to in Paragraph 16 above is an untrue statement of a material fact.

29. All Respondents have violated sec. 551.41(2), Wis. Stats., by making an untrue statement of a material fact in connection with the offer and sale of securities to a person in Wisconsin.

30. On February 14, 1997, the State of South Dakota issued an administrative order against ADI, based on allegations of securities law violations.

31. On November 14, 1997, the State of Illinois issued an administrative order against ADI, based on allegations of securities law violations.

32. On September 23, 1998, the State of Pennsylvania issued an administrative order against ADI, based on allegations of securities law violations, including fraud.

33. On August 2, 2002, the State of Pennsylvania issued an administrative order against ADI and Young, based on allegations of securities law violations.

34. On October 28, 2003, the Texas State Securities Board issued a Cease and Desist Order with an Administrative Fine of $5,000 against Lawrence, based on allegations of securities law violations.

35. On October 6, 2003, Baker pled guilty to bank fraud and money laundering charges in the U.S. District Court for the Western District of Texas (Austin) in USA v. Rich, et al., Case No. 03-CR-129.

36. In the matter described in Paragraph 35, Baker was sentenced on June 18, 2004, to 24 months imprisonment, 3 years of supervised release, and restitution totaling $5,015,500.

Therefore, the staff of the Bureau of Registration & Enforcement petitions the Administrator of the Division of Securities for the issuance of the attached Order pursuant to Ch. 551, Wis. Stats.

9/29/05

David A. Cohen
Supervising Attorney
Registration & Enforcement Bureau

Date