

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

In the Matter of
BEAR CREEK MINING,
RICHARD E. SHELL, and
PATRICK M. MCKEOWN, JR.,

PETITION FOR ORDER

Respondents.

File No. S-05185(EX)

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

1. Upon information and belief, Bear Creek Mining, is a foreign business entity with a last known business address of 200 W. 34th Avenue #1183, Anchorage, Alaska 99503;
2. Upon information and belief, Richard E. Shell ("Shell") is an individual with a date of birth of December 8, 1936, who at all times material hereto has been an owner, officer or controlling person of Bear Creek Mining, with a last known home address of 8630 E. San Bruno Drive, Scottsdale, Arizona 85258-2540, and business address at that of Bear Creek Mining;
3. Upon information and belief, Patrick M. McKeown, Jr. ("McKeown") is an individual with a date of birth of February 2, 1958, who at all times material hereto has been an owner, officer or controlling person of Bear Creek Mining, with a last known home and business address of 3838 N. Maryland Avenue, Milwaukee, Wisconsin 53211;
4. Upon information and belief, during the period of 1992, McKeown and Shell offered and sold to at least one person in Wisconsin interests in a note of McKeown and Shell as evidence of a business loan of \$9,000, in which McKeown and Shell stated that they would repay the principal and pay a 100 percent return on investment in one month;
5. According to information received from McKeown and Shell by the person in Wisconsin in the offer and sale referred to in Paragraph 4 above, McKeown and Shell will engage in the business of owning and operating a gold mine in Alaska through Bear Creek Mining;
6. Upon information and belief, during the period of 2001 McKeown, offered one and sold to at least one person in Wisconsin interests in two oral investment contracts of Bear Creek Mining, in which McKeown stated that the person would be repaid the principal, and be paid a return on investment, when a mine owned by Bear Creek Mining in Alaska, which was called the Bear Creek Mine, went into production;
7. According to information received from McKeown by the person in Wisconsin in the offer and sale referred to in Paragraph 6 above, Bear Creek Mining will engage in the business of owning and operating a gold mine in Alaska;
8. Upon information and belief, during the period of 2003 McKeown offered and sold to a second person in Wisconsin interests in a written investment contract of Bear Creek Mining as a business loan of \$15,000;

9. According to a written document provided by McKeown to that person in Wisconsin in the offer and sale referred to in Paragraph 8 above, "Bear Creek Mining is a partnership between Richard E. Shell and Patrick M. McKeown to acquire, develop and expand precious metals mining properties which have been fully tested and proven to be economically feasible to operate in large scale commercial production. ...";

10. According to a written loan agreement provided by McKeown to that person in Wisconsin in the offer and sale referred to in Paragraph 8 above, Bear Creek Mining was to pay the person a \$30,000 payment on July 5, 2004, a \$15,000 payment on November 1, 2004, and a \$15,000 payment on November 1, 2005, and that "Bear Creek Mining will operate the Bear creek (sic) Mine in Alaska and will produce gold from its operation of that placer mine using floating dredge-based technology. ...";

11. The promissory note, oral investment contracts and written investment contract offered and sold to the persons in Wisconsin, referred to in Paragraphs 4, 6 and 8 above, are securities as defined by section DFI-Sec. 1.02(6)(a), Wis. Adm. Code, and are therefore a security as defined by sec. 551.02(13), Wis. Stats.;

12. The promissory note, and oral and written investment contracts have never been registered for offer and sale in Wisconsin, pursuant to Ch. 551, Wis. Stats.;

13. Upon information and belief, in 1990, Shell was sentenced in Superior Court of Arizona, Maricopa County, Case Number CR1988-011354, to four years in prison for securities fraud for his role in a scheme involving a gold mining operation named Shell Mining Ltd. ("Shell Mining"), for which Shell served about two years in prison;

14. Upon information and belief, the Arizona Corporation Commission issued an administrative sanction to Shell on September 6, 1966, "... restraining Shell from engaging in practices and transactions which constituted violations of the Securities Act of Arizona";

15. Upon information and belief, the Arizona Corporation Commission issued an administrative sanction against Shell, and others, on May 5, 1988, based on findings of fact and conclusions of law, following an extensive hearing, which ordered Shell, and others, to cease and desist from making any untrue statement of material facts and/or omitting to state material facts necessary in order to make the statements made, in light of the circumstances under which they are made, not misleading in connection the offer or sale of any security within or from Arizona ...";

16. Upon information and belief, the administrative sanction against Shell, and others, referred to in Paragraph 15 above, also ordered Shell, and others, to "... make restitution of all monies received from the 39 investors referred to hereinabove in the amount of \$873,883 ...";

17. Upon information and belief, at least five of the investors referred to in Paragraph 16 above were persons with addresses in Wisconsin, who made loans to Shell Mining, of which Shell was the then-president;

18. Upon information and belief, the administrative sanction against Shell, and others, referred to in Paragraph 15 above, involved Shell, and another person, "... soliciting funds from investors purportedly for the purchase of an Alaskan gold and gravel mining operation by Shell Mining. ...";

19. Upon information and belief, the findings of fact in the administrative sanction against Shell, and others, referred to in Paragraph 15 above, stated, among other things, that "A variety of promises were made to the investors on the return on which they could expect for providing their monies to the Respondents such as: full repayment within thirty days ...";

20. According to what McKeown told staff of the Division, Bear Creek Mining is a “dba” (doing business as) and is not registered with any government agency. Bear Creek Mining is a dba of McKeown, Shell, and a loose confederation of others who are working at the Bear Creek Mine in Alaska. It is named the Bear Creek Mine after one of the nearby creeks. The entity owning the Bear Creek Mine is now named Concha Holdings, Ltd., which is a Delaware corporation, headquartered in Dallas, Texas;
21. According to what McKeown told staff of the Division, that although he knew of it, McKeown did not inform the persons in Wisconsin in the offers and sales referred to in Paragraphs 6 and 8 above, of the criminal conviction and imprisonment of Shell in Arizona, referred to in Paragraph 13 above;
22. According to what McKeown told staff of the Division, the person in Wisconsin referred to in Paragraph 4 above invested in Bear Creek Mining in the early 1990’s, that the money was not repaid to the investor when due, and that that investor got a judgment of about \$25,000 against McKeown and Shell in the mid-1990’s, but that the debt has since been discharged through McKeown’s bankruptcy filing in 2000;
23. According to what McKeown told staff of the Division, McKeown did not inform the persons in Wisconsin in the offers and sales referred to in Paragraphs 6 and 8 above, of the failure to repay the investor in Bear Creek Mining, and of the judgment of the investor against McKeown and Shell, referred to in Paragraph 22 above;
24. According to what McKeown told staff of the Division, McKeown did not inform the persons in Wisconsin in the offers and sales referred to in Paragraphs 6 and 8 above, of his bankruptcy filing and the discharge of the debts of McKeown in the year 2000, referred to in Paragraph 22 above;
25. Bear Creek Mining and McKeown have violated sec. 551.41(2), Wis. Stats., by omitting to state material facts necessary in order to make the statements made, in the light of the circumstances under which they are made, not misleading, in connection with the offers and sales of securities to persons in Wisconsin;
26. According to the persons in Wisconsin referred to in Paragraphs 4, 6 and 8 above, that person received no information of the criminal conviction and imprisonment of Shell in Arizona referred to in Paragraph 13 above;
27. Shell and McKeown have violated sec. 551.41(2), Wis. Stats., by omitting to state material facts necessary in order to make the statements made, in the light of the circumstances under which they are made, not misleading, in connection with the offers of securities to persons in Wisconsin;
28. According to what McKeown told staff of the Division, McKeown used the money of those persons in Wisconsin referred to in Paragraphs 6 and 8 above for business purposes in the business of the Bear Creek Mine;
29. According to a letter dated November 7, 2005, of Edward M. Edson (Edson), legal counsel for Shell and others who own and operate the gold mine at Bear Creek in Alaska, sent in response to a letter of the staff of the Division about the investment transactions of the persons in Wisconsin referred to in Paragraphs 3 and 6 above, “...RE Shell (Shell) is a minority shareholder in Concha Holdings, Ltd. (the ‘Company’). As previously stated, and since more or less August 2, 2001, the Company has ‘owned and operated’ the Bear Creek Mine near McGrath, Alaska ...” “...I personally know of no valid, binding and enforceable partnership between Pat McKeown and RE Shell, be it called the ‘Bear Creek Mine,’ or otherwise. ...; “

30. According to the same letter referred to in Paragraph 30 above, Edson wrote to the staff of the Division that "...To my knowledge, after inquiry, the Company got none of the \$15,000 in proceeds from the December 2003 transaction (referred to in Paragraph 6 above). I have previously reported that the Company got none of the \$6,000 in proceeds from the June/July 2001 transaction (referred to in Paragraph 3 above), but RE Shell admits he got those funds personally and committed to pay them back to Patrick McKeown, as previously reported, under a hand shake arrangement. ...; "

31. According to another letter of Edson to the staff of the Division, dated November 28, 2005, relating to the same matter, "... (the persons in Wisconsin referred to in Paragraphs 6 and 8 above) have no legal or equitable right, title or interest in or to Concha Holdings, Ltd. and /or its wholly owned subsidiaries/affiliates. Neither Mr. Shell nor the Company intend to provide (the persons in Wisconsin referred to in Paragraphs 6 and 8 above) with any return of or return on their investment negotiated by, through and solely with Mr. McKeown. Mr. McKeown does not represent, now or ever, the Company in any context. ..."

32. According to another letter of Edson to the staff of the Division, dated November 1, 2005, relating to the same matter, "... Note, that Mr. McKeown is not a director, officer or employee of the Company, although he visited the mine site last summer, and has performed certain limited services as an independent contractor for us. ..."

33. According to another letter of Edson to the staff of the Division, dated December 22, 2005, relating to the same matter, concerning the investment of the person referred to in Paragraph 4 above, "...I say this: Your document is a complete forgery, yet you seem – again – utterly convinced that it is real. ... All of which leads me to believe that Wisconsin is full of people committing forgery. Perhaps that is why they have never bothered to try to enforce this judgment outside of Wisconsin. ...";

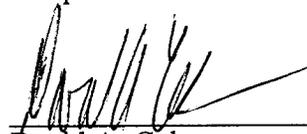
34. According to statements made by McKeown to the staff of the Division of Securities, McKeown is aware that the investments of those persons in Wisconsin referred to in Paragraphs 6 and 8 above are not recorded in the Bear Creek Mine, and McKeown has no documentation of having provided the \$15,000 of the person referred to in Paragraph 8 above for the business of the Bear Creek Mine; and

35. Bear Creek Mining and McKeown have violated § 551.41(3), Wis. Stats., by engaging in an act, practice or course of business which operates or would operate as a fraud or deceit upon any person.

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.


 Mark E. Dorman
 Examiner

2-20-06
 Date


 David A. Cohen
 Supervising Attorney

2/23/06
 Date