

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

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In the Matter of

3E TENNESSEE, INC.,  
and JASON W. TOWE,

ORDER TO CEASE AND DESIST  
(CONSENT)

File No. S-235298(EX)

Respondents.

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The Administrator of the State of Wisconsin, Department of Financial Institutions, Division of Securities (“the Division”), having authority to administer and provide for enforcement of the Wisconsin Uniform Securities Law, Wis. Stat. Chapter 551, (“WUSL”), and having determined that this action is necessary and appropriate in the public interest and for the protection of investors, hereby enters this Order directing Respondents to immediately Cease and Desist from violating the WUSL.

Based upon the evidence obtained by the Division’s Bureau of Enforcement, there are grounds sufficient for the Administrator to make the following findings of fact and conclusions of law:

**RESPONDENTS**

1. 3E Tennessee, Inc. (“3E”) is a Tennessee corporation organized on April 13, 2010, and administratively dissolved on August 13, 2013, with a last known business address of 3200 West End Avenue, Suite 500, Nashville, Tennessee 37203.
2. Jason W. Towe (“Towe”) is an adult born in July 1972, who at all times material hereto has been the founder and President of 3E, with a last known residential address of 1430 Butler Mill Hollow Road, Bethpage, Tennessee 37022-8415.

**FINDINGS OF FACT**

3. On October 14, 2009, the State of Pennsylvania Securities Commission issued a summary cease and desist order against Towe, Earth Energy Development, LLC, and another entity for sales of unregistered securities in Pennsylvania.
4. On September 2, 2010, the State of Colorado Securities Commission entered into a consent cease and desist order with Towe, Earth Energy Development, LLC, and others for sales of unregistered securities, acting as unlicensed sales representatives or broker-dealers, and engaging in securities fraud in Colorado.
5. On April 28, 2011, investigators from the Indiana Secretary of State, Securities Division, interviewed Towe relative to his activities as President of 3E, founder of Earth Energy Development, LLC, and President of Earth Energy Exploration, Inc., all companies dealing with oil and gas investments. The investigation of Towe ultimately led to felony charges against Towe of corrupt business influence and aiding in the unlawful offer, sale or purchase of a security. The criminal acts were alleged to have occurred between August 2010 and April 2011, and resulted in criminal charges filed August 14, 2015, in Floyd County, Indiana.

6. In December of 2012, Towe contacted a Wisconsin resident by telephone to offer an investment opportunity on behalf of 3E, who was selling units of the Summer Shade 5, Joint Venture ("Summer Shade 5"). The Wisconsin resident received at his home various investment-related documents describing the Summer Shade 5 opportunity, including a contract entitled "Subscription Agreement."
7. Towe did not inform the Wisconsin resident of the previous orders issued against him for securities fraud and violation of licensing requirements or the pending criminal investigation for securities-related activities.
8. According to the Subscription Agreement of Summer Shade 5, an investor would receive one unit of Summer Shade 5 for \$28,500, representing a 2 % working interest/net revenue interest per unit in five oil wells to be drilled and re-worked in south central Kentucky. The Agreement characterized this investment as subject to a "HIGH RISK OF LOSS."
9. The Subscription Agreement appointed 3E as the Managing General Partner with full powers to manage the business on behalf of the investors, including the Wisconsin resident, and authorized the Managing General Partner to act in the investor's interest.
10. In December 2012, the Wisconsin resident completed the subscription agreement of Summer Shade 5, and on or about December 20, 2012, sent the executed documents back to 3E by courier service along with a personal check in the amount of \$28,500 to be invested in Summer Shade 5.
11. On July 9, 2013, the State of California Department of Business Oversight issued a desist and refrain order against Towe, Earth Energy Development, LLC, and others, for selling unregistered securities beginning in 2009 in California.
12. Additional states also investigated Towe for unlawful securities activities.
13. In 2013, Towe contacted the same Wisconsin resident by telephone at his home with an offer to invest in a separate opportunity called the Ten-Well Development, LP ("Ten-Well Development"). The Wisconsin resident received various investment-related documents, including a Subscription Agreement, on the Ten-Well Development at his home.
14. In August 2013, the Wisconsin resident agreed to invest in the Ten-Well Development, and on or about August 8, 2013, sent a personal check in the amount of \$26,250, to 3E by courier service to be invested in the Ten-Well Development.
15. This investment was made under the same terms as the Summer Shade 5 Subscription Agreement.
16. Towe never disclosed the summary order of Pennsylvania, the 2010 consent order with the Colorado Securities Commissioner, the July 2013 California order nor the investigation of the Indiana Securities Division or other states, to the Wisconsin investor prior to his investment in Ten-Well Development, offered by 3E.

#### **CONCLUSIONS OF LAW**

17. The Subscription Agreements for investment in Summer Shade 5 and the Ten-Well Development offered by 3E constitute investment contract securities under Wis. Stat. § 551.102(28)(d).

18. The Respondents violated Wis. Stat. § 551.501(2) when, in connection with the offer and sale of the interest in Summer Shade 5 to a person in Wisconsin, Towe omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading, prior to the Wisconsin investor's investment in Summer Shade 5, including, but not limited to:
  - a. the 2009 Pennsylvania summary order,
  - b. the 2010 Colorado cease and desist order, and
  - c. the investigation by the Indiana Securities Division
  
19. The Respondents further violated Wis. Stat. § 551.501(2) when, in connection with the offer and sale of the interest in Ten-Well Development to a person in Wisconsin, Towe omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading, prior to the Wisconsin investor's investment in Ten-Well Development, including, but not limited to:
  - a. the 2009 Pennsylvania summary order,
  - b. the 2010 Colorado cease and desist order,
  - c. the investigation by the Indiana Securities Division,
  - d. the 2013 California order, and
  - e. the securities violations investigated by other states,

**Therefore, pursuant to Wis. Stat. § 551.604(1) & (2),**

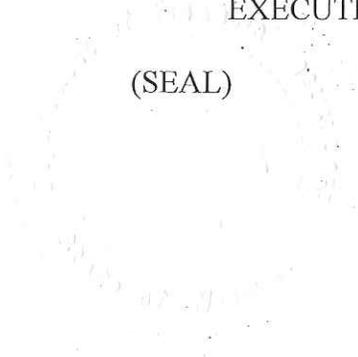
**IT IS ORDERED THAT:**

- a. RESPONDENTS, their agents, servants, officers, employees, successors, affiliates, and every entity and person directly or indirectly controlled or organized by or on behalf of any RESPONDENT, shall cease and desist from making or causing to be made to any person or entity in Wisconsin any further offers or sales of securities unless and until such securities qualify as covered securities or are registered under Wis. Stat. Ch. 551 or successor statute.
  
- b. All exemptions from registration set forth at Wis. Stat. Ch. 551 or successor statute that might otherwise apply to any offer or sale of any security of or by any of the RESPONDENTS, their agents, servants, officers, employees, successors, affiliates, and every entity and person directly or indirectly controlled or organized by or on behalf of any RESPONDENT, are hereby revoked.
  
- c. RESPONDENTS, their successors, affiliates, controlling persons, officers, agents, servants, employees, and every entity and person directly or indirectly controlled or hereafter organized by or on any of their behalves, are prohibited from violating Wis. Stat. Ch. 551 or successor statute that might otherwise apply to any offer or sale of any security of or by RESPONDENTS.

c. This Order, when signed by the Administrator of the Division of Securities, is effective as of the date issued. A willful violation of this Order signed by the Administrator or Wis. Stat. Ch. 551, subjects the RESPONDENTS to criminal penalties pursuant to Wis. Stat. § 551.508.

EXECUTED at Madison, Wisconsin, this 16<sup>th</sup> day of September, 2016.

(SEAL)



*Leslie M. Van Buskirk*

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Leslie M. Van Buskirk  
Administrator  
Division of Securities