

BEFORE THE ARKANSAS SECURITIES COMMISSIONER  
CASE NO. S-11-0310

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ARKANSAS SECURITIES DEPT.

IN THE MATTER OF

UNITED STATES OIL & GAS CORP.,  
OMAR LEON PLUMMER (CRD# 2967570),  
& ALEXANDER WILLIAM TAWSE

RESPONDENTS

**REQUEST FOR CEASE AND DESIST ORDER**

The Staff of the Arkansas Securities Department (“Staff”) has received information and has in its possession certain evidence which indicates that United States Oil and Gas Corp. (“USOG”), Omar Leon Plummer (CRD# 2967570) (“Plummer”), and Alexander William Tawse (“Tawse”) (collectively “Respondents”) have violated various provisions of the Arkansas Securities Act, Ark. Code Ann. §§ 23-42-101 through 23-42-509 (“Act”), and the Rules of the Arkansas Securities Commissioner (“Rules”), and for its Request for Cease and Desist Order states as follows:

**ADMINISTRATIVE AUTHORITY**

1. This action is brought in connection with violations of the Act and Rules and is, therefore, properly before the Arkansas Securities Commissioner (“Commissioner”), in accordance with Ark. Code Ann. § 23-42-209.

**RESPONDENTS**

2. USOG is a corporation organized and operating under the laws of Delaware with its principal place of business located in Brooklyn, New York. During the time period discussed herein, USOG maintained its principal place of business in Austin, Texas. USOG has never been registered with the Arkansas Securities Department (“Department”) in any capacity.

3. Tawse is a resident of Austin, Texas. During the time period discussed herein, Tawse served as the President, Chairman of the Board of Directors, and Chief Executive Officer

(“CEO”) of USOG. USOG accepted Tawse’s resignation from all positions effective April 27, 2012. Tawse has never been registered with the Department in any capacity.

4. Plummer is a resident of Blacklick, Ohio. Pursuant to a six-month employment agreement (“Agreement”) between USOG, Tawse, and Plummer executed on January 7, 2011, Plummer began employment as the Vice President of Investor Relations for USOG on January 10, 2011. USOG did not renew the Agreement after its expiration date, and Plummer is no longer employed by USOG. While Plummer has been registered as a broker-dealer agent in other states, Plummer has never been registered with the Department in any capacity.

#### **FACTS SUPPORTING CEASE AND DESIST ORDER**

5. USOG made its first sale of securities in a USOG private placement offering (“Offering”) to an Arkansas resident (“AR1”) on or about March 25, 2011. USOG offered for sale up to \$6 million of its ten-percent convertible promissory notes (“Notes”), with principle and accrued interest payable on December 31, 2015, for minimum investments of \$25,000.00. AR1 made a payment of \$25,000.00 to USOG by check on March 17, 2011. Tawse, as USOG’s President and CEO, sent AR1 a welcome letter and an executed \$25,000.00 Note on March 25, 2011.

6. On or about March 29, 2011, USOG filed a Notice of Sale of Securities on United States Securities and Exchange Commission (“SEC”) Form D (“Form D”) with the Department for the sales of the Notes pursuant to Rule 506 of Regulation D (“Reg D”), codified at 17 C.F.R. §§ 230.501 through 230.508, as required by Ark. Code Ann. § 23-42-509(c)(1) and Rule 509.01(b)(2) of the Rules. The Form D indicated that Plummer was the individual who would receive sales compensation for the sales of the Notes in Arkansas.

7. Tawse informed the Staff that Plummer’s inclusion on the Form D as the individual to receive sales compensation for the sale of the Notes was in error, that Plummer was

hired by USOG to assist with fundraising, and that Plummer was a salaried employee of USOG. Additionally, Tawse stated that Plummer was not paid a commission, that Plummer's role was not limited to sales of the Notes, and that Plummer's compensation was not tied to the sale of securities of USOG.

8. Pursuant to the Agreement, as compensation for the services Plummer performed for USOG, Plummer was to receive an \$18,000.00 monthly salary and certain quarterly bonuses of up to \$100,000.00, as determined by USOG's Board of Directors and based upon the capitalization and performance of USOG. Upon information and belief, while employed by USOG, Plummer received approximately upwards of \$58,000.00 for his services. On or about January 21, 2011, pursuant to the Agreement and as an additional employment incentive, USOG issued Plummer 10 million shares of USOG common stock in consideration for his services to USOG.

9. Before investing in USOG, AR1 was cold-called by Plummer and solicited by Plummer to purchase the Notes. Prior to the telephone call from Plummer, AR1 had never heard of USOG, had never spoken to Plummer, and did not have a substantive, pre-existing business relationship with USOG. AR1 is not certain how USOG or Plummer obtained AR1's telephone number. At the time of the investment, AR1 was ninety-one years old.

10. As recently as on or about August 20, 2012, Plummer made contact with AR1 by telephone to discuss AR1's investment in USOG and to offer AR1 an investment in an annuity product. AR1 did not invest with Plummer during this telephone call and has not invested with Plummer since the purchase of the Notes on March 25, 2011.

11. The Staff's review of Plummer's Central Registration Depository profile maintained by the Financial Industry Regulatory Authority ("FINRA"), the federal self-regulatory organization for securities firms in the United States, shows that Plummer has a

history of legal and regulatory actions that were not disclosed in the USOG private placement memorandum (“PPM”) for the Notes. USOG and Tawse were aware of at least some of Plummer’s adverse regulatory actions and did not disclose this information in the PPM, despite the fact that Plummer was listed as a director or executive officer of USOG in the PPM.

12. On February 22, 1999, Plummer was the subject of a cease and desist order entered by the Minnesota Commerce Commissioner for the unlicensed offer and sale of unregistered securities in Minnesota and a failure to completely respond to the Minnesota Commerce Commissioner’s investigative order.

13. Throughout 2003, Plummer was convicted of several non-investment-related criminal misdemeanor offenses in the Broward County Court, Florida.

14. On August 4, 2010, Plummer and Lion Global Strategies, LLC, were the subject of a consent cease and desist order entered by the Colorado Securities Commissioner (“Colorado Order”), which prohibited Plummer from selling unregistered securities, engaging in unlicensed sales activity, violating the anti-fraud provisions of the Colorado Securities Act, and violating any provision of the Colorado Securities Act. The Colorado Order alleged that Plummer had cold-called Colorado residents to solicit investments in unregistered securities without being registered to sell securities in Colorado and failed to disclose certain material facts to the investors.

15. Plummer verbally disclosed and explained the circumstances surrounding the Colorado Order to USOG and Tawse. USOG and Tawse did not investigate the Colorado Order beyond Plummer’s explanation. Additionally, USOG and Tawse were unable to provide the Staff with copies of director and officer questionnaires or any communications, documentation, and information pertaining to or referencing a background investigation of Plummer by USOG prior to Plummer’s appointment as the Vice President of Investor Relations. During the time

period discussed herein, the Colorado Order and the remainder of Plummer's legal and regulatory history were accessible through FINRA's BrokerCheck program, which allows for public searches for information about current and former FINRA-registered broker-dealers and broker-dealer agents and which provides information on any customer disputes, regulatory and disciplinary events, and other legal history on a broker-dealer agent's record. Again, USOG and Tawse did not disclose any of Plummer's adverse regulatory actions or legal history in the PPM for the Notes.

16. On January 3, 2012, the Colorado Securities Commissioner filed a complaint in the Denver District Court, Denver, Colorado ("Colorado Complaint"), against the Respondents for injunctive and other relief related to violative sales of the Notes in Colorado. The Colorado Complaint alleged the offer or sale of unregistered Notes to a Colorado resident; securities fraud; and a violation of the Colorado Order by the Respondents; and unlicensed sales representative activity by Plummer. The Respondents have since been the subjects of Orders of Permanent Injunction and Other Relief in the Denver District Court as well consent cease and desist orders entered by the Colorado Securities Commissioner, which were entered pursuant to stipulations between the Respondents and the Colorado Securities Commissioner.

#### **APPLICABLE LAW**

17. The Act's definition of "security" includes notes and evidences of indebtedness. Ark. Code Ann. § 23-42-102(15)(A)(i) and (vi).

18. The Act's definition of "person" includes an individual or a corporation. Ark. Code Ann. § 23-42-102(11).

19. An "issuer" is defined as every person who proposes to issue any security. Ark. Code Ann. § 23-42-102(9).

20. It is unlawful for any person to offer or sell any security in Arkansas unless it is registered under the Act, the security or transaction is exempted under Ark. Code Ann. §§ 23-42-503 or 23-42-504, or it is a covered security. Ark. Code Ann. § 23-42-501.

21. With respect to any security that is a covered security under Section 18(b)(4)(D) of the Securities Act of 1933 (“1933 Act”), the Commissioner, by rule or order, may require the issuer to file a Form D no later than fifteen days after the first sale of such covered security in Arkansas. Ark. Code Ann. § 23-42-509(c)(1). Rule 509.01(b) of the Rules outlines the requirements of notice filings for covered securities under Section 18(b)(4)(D) of the 1933 Act.

22. It is unlawful for any person to transact business in Arkansas as an agent of the issuer unless such person is registered under the Act. Ark. Code Ann. § 23-42-301(a).

23. It is unlawful for any issuer to employ an unregistered agent except a nonresident agent who is registered by any other state securities administrator and who effects transactions in this state exclusively with registered broker-dealers. Ark. Code Ann. § 23-42-301(b)(1).

24. An agent is defined as any individual, other than a broker-dealer, who represents a broker-dealer or issuer in effecting purchases or sales of securities. Ark. Code Ann. § 23-42-102(1)(A). Any person who represents an issuer in effecting transactions in covered securities exempted by Section 18(b)(4)(D) of the 1933 Act is not an agent if no commission or other remuneration is paid or given directly or indirectly for soliciting any prospective purchaser in Arkansas. Rule 509.02(b) of the Rules.

25. “Control” is defined as the power to direct or cause the direction of the management or policies of a person, whether through ownership of securities, by contract, or otherwise. Control of a person is presumed when any individual is a director, partner or officer exercising executive responsibility or has a similar status or performs similar functions. Rule 102.01(11) of the Rules.

26. Rule 506 of Reg D sets forth certain standards required to meet the federal private offering exemption under Section 4(2) of the 1933 Act. Pursuant to Rule 508(A)(2) of Reg D, insignificant deviations from a term, condition, or requirement of Reg D will not result in the loss of a Rule 506 exemption. However, a violation of Rule 502(c) of Reg D, which prohibits the issuer or any person acting on its behalf from offering or selling securities by any form of general solicitation, shall be deemed to be significant to the offering as a whole and will, as a result, cause the loss of the exemption.

27. It is unlawful for any person, in connection with the offer, sale, or purchase of any security, directly or indirectly, 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 light of the circumstances under which they are made, not misleading. Ark. Code Ann. § 23-42-507(2).

28. Whenever it appears to the Commissioner, upon sufficient grounds and evidence satisfactory to the Commissioner, that any person has engaged or is about to engage in any act or practice constituting a violation of the Act, or any rule or order under the Act, the Commissioner may summarily order the person to cease and desist from the act or practice. Ark. Code Ann. § 23-42-209(a)(1)(A).

29. After notice and an opportunity for a hearing, the Commissioner may, for a violation of the Act, by order, levy a fine not to exceed \$10,000.00 for each violation or an amount equal to the total amount of money received in connection with each violation; or if a victim of a violation is sixty-five years of age or older, \$20,000.00 for each violation or two times the amount of money received in connection with each violation. Ark. Code Ann. § 23-42-209(a)(2)(C)(ii).

## CONCLUSIONS OF LAW

30. The Notes offered and sold in Arkansas through the Offering were securities pursuant to Ark. Code Ann. § 23-42-102(15)(A)(i) and (vi).

31. USOG is an issuer and person, pursuant to Ark Code Ann. § 23-42-102(9) and (11). Plummer and Tawse are persons, pursuant to Ark. Code Ann. § 23-42-102(11).

32. USOG through its agent Plummer made an unsolicited cold-call to AR1, an individual with whom USOG and Plummer had no substantive, pre-existing business relationship. By cold-calling AR1, USOG and Plummer generally solicited AR1 to purchase securities from USOG, in violation of Rule 502(c) of Reg D, which resulted in a loss of USOG's Rule 506 exemption to offer and sell securities in Arkansas as covered securities without registration or exemption under the Act. As a result, USOG sold securities, the Notes, in Arkansas without the securities being registered, exempt from registration, or covered securities, in violation of Ark. Code Ann. § 23-42-501.

33. Plummer received a commission or other remuneration from USOG for the services he provided to USOG, including, but not limited to, the solicitation of AR1 to purchase securities in the USOG offering. Pursuant to Rule 509.02(b) of the Rules, Plummer was an agent of the issuer, USOG. Plummer was not registered with the Department as an agent of the issuer and, as a result, acted as an unregistered agent of the issuer in Arkansas, in violation of Ark. Code Ann. § 23-42-301(a).

34. As the President, Chairman of the Board of Directors, and CEO of USOG, Tawse exercised executive responsibility over USOG and is presumed to have had control over USOG during the time period discussed herein, pursuant to Rule 102.01(11) of the Rules. In such capacity, Tawse had the power to direct or cause the direction of the management or policies of USOG.

35. USOG and Tawse employed Plummer as an unregistered agent, in violation of Ark. Code Ann. § 23-42-301(b)(1).

36. Plummer served as the Vice President of Investor Relations of USOG and, in this role, was listed as a director or executive officer in the USOG PPM. USOG and Tawse were, at a minimum, aware of Plummer's Colorado Order and did not investigate the Colorado Order beyond Plummer's explanation. Additionally, through a reasonable due diligence investigation, USOG and Tawse could have obtained information about the remainder of Plummer's legal and regulatory actions. However, the USOG PPM provided to AR1 did not disclose any of Plummer's adverse legal and regulatory history. In connection with the offer, sale, or purchase of the Notes, the Respondents omitted to state material facts that were necessary to make the statements made in the sale of the Notes, in light of the circumstances under which they were made, not misleading. As a result, the Respondents violated Ark. Code Ann. § 23-42-507(2) in the offer and sale of the Notes in Arkansas.

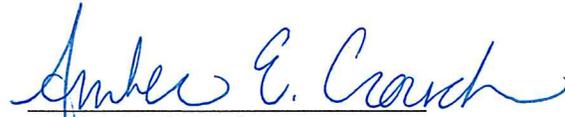
37. Due to the above-referenced violations of the Act and Rules, a cease and desist order against the Respondents is necessary or appropriate in the public interest or for the protection of investors, pursuant to Ark. Code Ann. § 23-42-209(a)(1)(A).

#### **PRAYER FOR RELIEF**

WHEREFORE, the Staff respectfully requests that the Commissioner summarily order USOG, Plummer, Tawse to immediately CEASE AND DESIST from the offer or sale of securities in Arkansas and from all other activity in violation of the Act and Rules. Upon notice and an opportunity for a hearing on the order, the Staff further requests that the Commissioner by order fine USOG, Plummer, and Tawse, individually, up to \$20,000.00 for each violation of the Act or Rules, or up to \$50,000.00, which constitutes two times the \$25,000.00 received in connection with the violations of the Act and Rules, as the Arkansas victim of the violative offer

and sale of the Notes was over sixty-five years of age, pursuant to Ark. Code Ann. § 23-42-209(a)(1)(C)(ii)(b), and grant all other permissible relief to the Staff.

Respectfully submitted,



Amber E. Crouch  
Staff Attorney  
Arkansas Securities Department

December 4, 2012  
Date