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ARKANSAS SECURITIES DEPARTMENT

*****FOR IMMEDIATE RELEASE*****

Date: July 9, 2013
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ARKANSAS SECURITIES COMMISSIONER SETTLES WITH CREWS & ASSOCIATES, INC. AND ISSUES CEASE & DESIST ORDER AGAINST BAMCO GAS, LLC, ERNEST BARTLETT, AND HOWARD APPEL

On July 9, 2013, Arkansas Securities Commissioner A. Heath Abshure entered a consent order with Crews & Associates, Inc., and entered a cease and desist order against Bamco Gas, LLC, and two control persons of Bamco, Ernest Bartlett, III, of Little Rock, Arkansas, and Howard Appel of Pennsylvania.

Bamco was formed in 2004 to participate in the oil and natural gas industry. Between August 2005 and December 2008, Bamco conducted two offerings of debentures raising a total of \$17 million from investors in 16 states, including Arkansas. On May 4, 2009, First Security Bank, the trustee for the debenture offerings and an affiliate of Crews, initiated a receivership action citing numerous failures by Bamco under the trust indentures. Alan Barksdale, a former Crews employee and Bartlett's son-in-law, was appointed receiver to collect and preserve Bamco's assets.

In its request for cease and desist order, the Department Staff alleged Bamco, Bartlett, and Appel committed securities fraud for failure to disclose a number of issues. These disclosure failures included the omission of Appel's regulatory and criminal history. Both Appel and Bartlett had been banned from the securities industry and Appel had pled guilty to conspiracy to commit securities fraud and conspiracy to commit money laundering. On February 26, 2008, Appel was sentenced to one year and one day in prison and three years of supervised release. Bamco, Bartlett, and Appel also failed to disclose outstanding debt and liens in excess of \$10 million. These undisclosed debts and liens, in part, led to Bamco's failure. The Commissioner ordered Bamco, Bartlett, and Appel to cease and desist from further acts of securities fraud. The respondents have thirty days to request a hearing on the order.

Crews acted as the private placement agent for the sales of the Bamco debentures. Crews and Bamco sold all of the Bamco debentures to investors and prepared the offering documents for the Bamco debenture offerings. Without admitting or denying the allegations against it, Crews entered into a consent order. The Department Staff alleged that Crews failed to adequately investigate Bamco and its principals, failed to reasonably supervise its agents, and failed to disclose relevant information in the Bamco debenture offering documents. Crews was ordered to

cease and desist from further securities law violations and to retain an expert to review and provide recommendations regarding Crews' supervisory and compliance procedures. Based on Crews' efforts to repay its customers and a charitable donation of \$150,000.00 to the North American Securities Administrators Association to advance its regulator training and investor-protection programs, the Commissioner did not impose a fine against Crews.

"State securities regulators continue to see an explosion in sales of alternative investments to customers that invest traditionally in much more secure and liquid investments," stated Abshure. "It remains one of the top securities enforcement issues around the country. Investors are fearful of the markets, and broker-dealers are using this fear to put unsophisticated investors into investments like non-traded REITS and business development companies."

"The Department is taking a hard look at broker-dealer firms that sell alternative investments to their customers," added Amber E. Crouch, Staff Attorney for the Department. "We expect to see broker-dealer compliance with due diligence responsibilities as well as an adequate determination that any recommendation is in fact suitable for the particular customer. Customers rely on their securities professionals. Those professionals owe it to their customers to conduct reasonable investigations into potential investments and to be certain that all recommendations are appropriate for their customers."

The orders are accessible online at the Department's website, www.securities.arkansas.gov.