

**BEFORE THE ARKANSAS SECURITIES COMMISSIONER
CASE NO. S-09-028**

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ARKANSAS SECURITIES D

IN THE MATTER OF:

Order No. S-09-028-11-OR03

**KRISELL OIL COMPANY, INC.
and LEONARD KRISELL**

RESPONDENTS

CONSENT ORDER

This Consent Order is entered pursuant to the Arkansas Securities Act, codified at Ark. Code Ann. §§ 23-42-101 through 23-42-509 (“Act”), the Rules of the Arkansas Securities Commissioner (“Rules”) promulgated under the Act, and the Arkansas Administrative Procedures Act, codified at Ark. Code Ann. §§ 25-15-201 through 25-15-219, in accordance with an agreement by and between the Staff of the Arkansas Securities Department (“Staff”), Leonard Krisell (“Krisell”), and Krisell Oil Company, Inc. (“Krisell Oil”) in full and final settlement of all claims that could be brought against Krisell by the Staff on the basis of the facts set forth herein.

Krisell admits the jurisdiction of the Act and the Arkansas Securities Commissioner (“Commissioner”), waives his right to a formal hearing, consents to the entry of this order, and agrees to abide by its terms. Krisell also agrees that entry of this order has no impact on his civil liability to Arkansas investors under Ark. Code Ann. § 23-42-106 for the violations detailed below.

FINDINGS OF FACTS

1. Krisell Oil is a corporation that was organized under the laws of the state of Arkansas, with its principal place of business in Carlisle, Arkansas.
2. Leonard Krisell is a resident of Dover, Arkansas. At all times relevant to this request, Krisell was acting as an agent and Chief Executive Officer of Krisell Oil.

3. On May 28, 2009, an Order Directing Investigation was entered by the Commissioner ordering the Staff to investigate whether Krisell and/or Krisell Oil have engaged in violations of the Act and/or any rule or order promulgated thereunder.

4. Krisell Oil purports to be an entity engaged in the manufacture of bio-diesel fuel for diesel engines using a process that combines kerosene and used cooking oil.

5. As part of its investigation, the Staff determined that since approximately February 22, 2006, Krisell and Krisell Oil have been actively engaged in the sale of unregistered securities to investors in Krisell Oil, in violation of the Act.

6. Information obtained by the Staff indicates that Krisell, acting as an agent of Krisell Oil Company, solicited investors throughout the State of Arkansas to enter into revenue-sharing agreements with Krisell Oil.

7. While the specific title of these revenue-sharing agreements sometimes varied, and the specific language of these agreements sometimes varied, the general nature of each agreement was that the investor would pay Krisell Oil an amount of money (ranging typically from \$5,000 to \$25,000). As consideration for the payment from the investor, Krisell Oil agreed to pay the investor an amount equal to a set percentage of the gross monthly profit derived from Krisell Oil's refining plant located in Carlisle, Arkansas. The percentage paid to the investor varied according to the amount of the investment. For example, an investment of \$25,000 would entitle the investor to 1% of the gross profit.

8. The revenue-sharing agreements executed by investors in Krisell Oil are securities as defined by the Act pursuant to Ark. Code Ann. § 23-42-102(15)(A).

9. Information obtained by the Staff indicates that, to date, approximately 27 individuals and entities have executed some version of a revenue-sharing agreement with Krisell

Oil. Each of these persons and entities was solicited to enter into the agreements by Krisell, individually and in his capacity as CEO of Krisell Oil. Further, Krisell executed the revenue-sharing agreements on behalf of Krisell Oil.

10. Information obtained by the Staff indicates that, to date, Krisell and Krisell Oil have raised approximately \$700,000 through the sale of unregistered securities in Krisell Oil.

11. No registration statement was filed with the Arkansas Securities Department (“Department”) or was in effect with respect to any securities issued by Krisell Oil. Further, no exemption filing has been made with the Department with regard to the offer and sale of any securities issued by Krisell Oil.

12. On behalf of Krisell Oil, Krisell made the following untrue statements of material facts in connection with the offer and sale of securities:

- a. That Krisell was a CPA, attorney, master electrician, and a master mechanic. Krisell admitted that he has never been any of the above, nor does he possess the qualifications to become licensed.
- b. That Krisell held patents on his heating and air invention and that he was obtaining patents on the biofuel process. Krisell admitted that he never completed the patent process and does not hold any patents.
- c. That Krisell Oil had an agreement with Tyson Foods, Inc. (“Tyson”) to supply the company with its used cooking oil. Information obtained by the Staff indicates that neither Krisell nor Krisell Oil had any kind of contracts with Tyson, and there is no record of sales of used cooking oil to Krisell or Krisell Oil.

13. On behalf of Krisell Oil, Krisell failed 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 statements of material facts in connection with the offer and sale of securities:

- a. Krisell showed investors projections of a profitable bio-diesel plant and promised returns of up to \$3,000 or \$4,000 per month within a short period of time.
- b. Krisell failed to provide a reasonable basis for the financial projections and any limitations on those projections. The projected returns on an investment for a company with no operating history were misleading and unrealistic.
- c. Krisell failed to disclose any kind of risks or disclosures to the investors such as:
 - i. A complete description of Krisell's business background;
 - ii. Risk of inadequate capitalization;
 - iii. Information about competitors in the industry;
 - iv. Risk of investing in a start-up company with no operating history; and
 - v. Any other general or specific risk involved in investing in a bio-diesel company.

LEGAL AUTHORITY AND CONCLUSIONS OF LAW

14. Ark. Code Ann. § 23-42-102(15)(A)(vii) states that a security includes "participation in any profit-sharing agreement."

15. Ark. Code Ann. § 23-42-501 provides that it is unlawful for any person to offer or sell any security which is not registered or which is not exempt from registration under the terms of the Act.

16. Ark. Code Ann. § 23-42-507(1) provides that it is unlawful for any person in connection with the offer or sale of any security to employ any device, scheme, or artifice to defraud.

17. Ark. Code Ann. § 23-42-507(2) provides that it is unlawful for any person in connection with the offer or sale of any security to make any untrue statement or omit to state a material fact necessary in order to make the statements made not misleading in light of the circumstances under which they are made.

18. Ark. Code Ann. § 23-42-507(3) provides that it is unlawful for any person in connection with the offer or sale of any security to engage in any act, practice, or course of business which operates or would operate as a fraud or deceit upon any person.

19. The facts as set out in paragraph seven indicate that the revenue-sharing agreements executed by investors were a participation in a profit-sharing agreement and would be considered a security under Ark. Code Ann. § 23-42-102(15)(A)(vii).

20. A search of the records of the Department did not reflect a filing for registration of securities, a proof of exemption, or a notice filing for an exempt security or transaction for Krisell Oil.

21. The facts set out in paragraphs six through eleven indicate that Krisell and Krisell Oil have violated Ark. Code Ann. § 23-42-501 by offering securities for sale in Arkansas at a time when the securities were not registered or exempt.

22. As set out in paragraphs twelve and thirteen above, in connection with the offer and sale of the securities described herein, Krisell and Krisell Oil employed a device, scheme, and artifice to defraud potential investors and engaged in transactions, practices, and a course of business which operated as a fraud and deceit upon the purchasers of the securities described

herein, by making untrue statements of material facts and by omitting to state material facts necessary in order to make the statements made, in light of the circumstances in which they were made, not misleading.

23. Entry of this order does not affect any potential civil liability to Arkansas investors under Ark. Code Ann. § 23-42-106 or any other provision of the Act or Rules.

ORDER

The facts set out in paragraphs one through thirteen support the conclusions of law set out in paragraphs fourteen through twenty-three. The Commissioner finds this Order necessary and appropriate in the public interest for the protection of investors, and consistent with the purposes fairly intended by the policy and provisions of the Act. The Staff and Respondents are desirous of settling this matter as hereafter set forth and agree to the entry of this Order.

Based upon the foregoing, it is therefore ORDERED:

24. Respondents shall cease and desist from offering and selling securities in violation of Ark. Code Ann. § 23-42-501.

25. Krisell shall cease and desist from violating Ark. Code Ann. § 23-42-507, the anti-fraud section of the Act.

26. Krisell shall not become licensed as a broker-dealer agent, investment advisor representative, or agent of an issuer in Arkansas.

27. Krisell shall not act as an officer or director of an issuer engaged in selling securities in Arkansas.

28. Krisell shall not participate in the offer or sale of securities in Arkansas in any capacity.

29. Respondents shall pay a fine to the Department in the amount of \$20,000.00.

30. It is agreed that Respondents enter into this Consent Order freely and voluntarily and with a full understanding of its terms and significance.

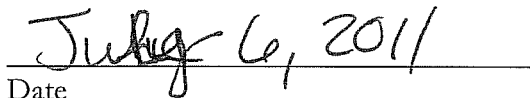
31. It is further agreed that the Commissioner has jurisdiction to enter this Order.

32. In consideration of the foregoing, Respondents waive their rights to a hearing in this matter and to judicial review of this Order.

IT IS SO ORDERED.



A. Heath Abshure
Arkansas Securities Commissioner



Date

Leonard Krisell, individually and on behalf of Krisell Oil Company, Inc. as its President, hereby agrees to the entry of this Consent Order, and consent to all terms, conditions, and orders contained therein, and waives any right to an appeal of this Order.

Leonard Krisell
Leonard Krisell

5-17-2011
Date

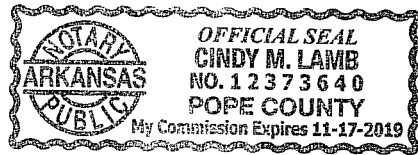
STATE OF ARK)
COUNTY OF POPE)

SUBSCRIBED AND SWORN TO before me, a Notary Public, on this 17th day of May, 2011.

Cindy M. Lamb
NOTARY PUBLIC

[SEAL]

My commission expires: 11-17-2019



Approved by:

Steve Smith
Steve Smith
Attorney for Respondent

5/20/11
Date

Kaycee Wolf
Kaycee Wolf
Staff Attorney
Arkansas Securities Department

6/29/11
Date