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NEW APPLICATION

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BEFORE THE ARIZONA CORPORATION COMMISSION

2010 DEC 30 P 2:14

COMMISSIONERS

AZ CORP COMMISSION
DOCKET CONTROL

KRISTIN K. MAYES, Chairman
GARY PIERCE
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BOB STUMP

In the matter of:)
)
Scott Ryan Tischler (CRD# 3248953),)
individually and doing business as Jericho)
Capital Group, and Jane Doe Tischler,)
husband and wife,)
)
Jericho Oil & Gas LLC, a Delaware limited)
liability company,)
)
Lake Valley Petroleum LLC, a Delaware)
limited liability company,)
)
Respondents.)
)

DOCKET NO. S-20780A-10-0518
**TEMPORARY ORDER TO CEASE AND
DESIST AND NOTICE OF
OPPORTUNITY FOR HEARING**

Arizona Corporation Commission

DOCKETED

DEC 30 2010

DOCKETED BY

NOTICE: THIS ORDER IS EFFECTIVE IMMEDIATELY
EACH RESPONDENT HAS 20 DAYS TO REQUEST A HEARING
EACH RESPONDENT HAS 30 DAYS TO FILE AN ANSWER

The Securities Division ("Division") of the Arizona Corporation Commission ("Commission") alleges that respondents Scott Ryan Tischler (CRD# 3248953), individually and doing business as Jericho Capital Group, Jericho Oil & Gas LLC, a Delaware limited liability company, and Lake Valley Petroleum LLC, a Delaware limited liability company, are engaging in or are about to engage in acts and practices that constitute violations of A.R.S. § 44-1801, *et seq.*, the Arizona Securities Act ("Securities Act"), and that the public welfare requires immediate action.

...

I.

JURISDICTION

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2
3 1. The Commission has jurisdiction over this matter pursuant to Article XV of the
4 Arizona Constitution and the Securities Act.

5 II.

6 **RESPONDENTS**

7 2. Scott Ryan Tischler (CRD# 3248953) ("Tischler") is an individual who, since at
8 least December 17 2010, has been conducting business within or from Arizona in his individual
9 capacity, under the unregistered trade name "Jericho Capital Group" ("Jericho Capital"), and on
10 behalf of Jericho Oil & Gas LLC, a Delaware limited liability company, and Lake Valley Petroleum
11 LLC, a Delaware limited liability company.

12 3. Tischler was registered by the Commission as a securities salesman from August 2,
13 2005, through December 20, 2005, with UBS Financial Services, Inc. and from December 16, 2005,
14 through December 20, 2006, with Royal Alliance Associates, Inc. From December 21, 2006,
15 through the present, Tischler has not been registered by the Commission as a securities salesman or
16 dealer.

17 4. Jericho Oil & Gas LLC ("Jericho Oil") is a limited liability company which was
18 organized under the laws of the state of Delaware on July 16, 2010. Since at least December 17,
19 2010, Jericho Oil has been conducting business within or from Arizona. Jericho Oil has not been
20 registered by the Commission as a securities salesman or dealer.

21 5. Lake Valley Petroleum LLC ("LVP") is a limited liability company which was
22 organized under the laws of the state of Delaware on July 29, 2010. Since at least December 17,
23 2010, LVP has been conducting business within or from Arizona. LVP has not been registered by
24 the Commission as a securities salesman or dealer.

25 6. Jane Doe Tischler has been at all relevant times the spouse of Respondent Tischler.
26 Jane Doe Tischler may be referred to as "Respondent Spouse." Respondent Spouse is joined in this

1 action under A.R.S. § 44-2031(C) solely for purposes of determining the liability of the marital
2 community.

3 7. At all relevant times, Respondent Tischler has been acting for his own benefit and
4 for the benefit or in furtherance of the marital community

5 8. Tischler, Jericho Oil, and LVP may be referred to individually or, collectively, as
6 "Respondents" as the context so requires.

7 **III.**

8 **FACTS**

9 9. At all times relevant, Tischler has been representing to offerees and investors that
10 Jericho Capital has investment opportunities in oil and gas, real estate, diamonds, and fuel
11 transactions, and that Jericho Capital is:

12 one of the world's premier, alternative asset management firms who currently hold
13 over \$3.5 Billion in assets. We primarily focus on select market segments which
14 have the potential to provide higher than typical returns but demonstrate
characteristics which result in lower than average risk.

15 10. As explained on the "home" page of the Jericho Capital website at
16 www.jerichocapitalgroup.com ("Website"):

17 We have acquired experts in each of these fields to manage our individual offerings.
18 They have knowledge, experience and the industry relationships necessary to help
achieve your personal and financial goals.

19 Our philosophy at The Jericho Group is that **Superior Management Produces**
20 **Superior Results**. That is why we only hire the top experts in their respective
21 fields. We believe our management experience leads to higher than typical returns.
Our investment in management has proven to be the superior strategy for servicing
our clients.

22 Current investment opportunities highlighted in this investment include:

- 23
24 1. Jericho Real Estate Investments
25 2. Fuel Investments
26 3. Jericho Diamond Venture
4. Jericho Oil Company
5. Lake Valley Oil

1 Each of these investment opportunities include a world class management team an
2 approach to investment that greatly mitigates risk and yield higher profit potential.
3 For example, the Jericho Oil Company 1 offers investors the possibility of
4 experiencing the potentially extraordinary returns associated with oil exploration,
5 while hedging the investment with solid oil producing properties which provide
6 consistent returns on investment while limiting the risk.

7 We are convinced that when you see the incredible private equity offerings we have
8 designed to meet you investment goals, you will choose Jericho Capital Group as
9 your preferred investment firm.

10 (Emphasis in original.)

11 11. According to the Website, Tischler is the president of Jericho Capital and further
12 states:

13 Scott is the founder of Jericho Funding Group, prior to that Scott had extensive
14 background at three of the premier firms in the industry; UBS, MetLife, and
15 American Express. At his most recent firm, UBS, Scott worked with high net-worth
16 clients to create customized financial plans and portfolios to help grow and preserve
17 their assets. Accomplishments in this position included being ranked as the number
18 13 manager in the nation, managing advisors from Fredericksburg, Virginia, to Boca
19 Raton, Florida, and was named the top recruiter and retention manager for the
20 Atlantic Zone. Scott was one of the top producers and managers for American
21 Express Financial Advisors. Scott was awarded the company's Mercury Award in
22 his first year (which is given to the top 10% of producers) and the prestigious
23 President's Award. Scott has taught financial planning in CFP courses at MetLife
24 and has served as an adjunct professor of financial planning at Virginia Tech.

25 12. According to the Website, the business address for Jericho Capital is located in
26 Scottsdale, Arizona. The business address, however, belongs to a privately owned mail store in
which a box is leased in the name of Jericho Capital by an Arizona resident.

13 13. The Website encourages potential investors to contact Jericho Capital regarding
14 "its" investment opportunities.

15 14. On December 15, 2010, a potential Arizona investor ("PAI") viewed the Website
16 from Arizona, and requested additional information regarding the investment opportunities by
17 sending an email to Jericho Capital at its email address posted on the Website,
18 info@jerichocapitalgroup.com.

19 15. In response, on December 16, 2010, Tischler sent a series of emails to the PAI
20 stating, in part, that "we" have eight investment opportunities and in which Tischler requested that

1 a telephonic conference be held on December 17, 2010. In the emails, Tischler represents himself
2 to be the president of Jericho Capital.

3 16. On December 17, 2010, during the telephonic conference between Tischler and the
4 PAI, Tischler sent an email to the PAI regarding an investment opportunity in Jericho Oil ("Jericho
5 Oil Investment") which included an attached "Jericho Oil & Gas Business Plan and Private
6 Placement Memorandum" dated March 2010 ("Jericho Oil PPM").

7 17. The Jericho Oil PPM states that: (a) Tischler and Jericho Oil are offering and/or
8 selling 360,000 separate ownership units ("Units") in Jericho Oil at the cost of \$100 per unit, for a
9 total investment offering of \$36 million; (b) at the conclusion of the sale of the Units, 92% of the
10 entity will be owned and controlled by its directors and executive officers; (c) the directors and
11 executive officers of Jericho Oil are Tischler, as its president and chief executive officer, and
12 Robert Kirk, as its secretary and treasurer ("Managers"); (d) the proceeds from the sale of Units
13 will be used to fund the entity's business "operations, acquisition costs, working capital, and
14 business development" at the sole discretion of the Managers; and (e) the Unit holders will be paid
15 dividends at the sole discretion of the Managers.

16 18. The Jericho Oil PPM states that:

17 Jericho Capital, along with its partner, is offering equity in an oil exploration project
18 of over 1900 mineral acres on lease Nvn086810, in Lincoln County, Nevada for oil
19 and gas exploration. Nevada (Nye County) has had the two largest consistent (not
20 declining except when held back on one well) producing oil wells in the entire
21 United States in forty years, larger than any sustained flow rates in Texas,
22 California, and Louisiana, Oklahoma or other states. This is due to very rich source
23 rock similar to the field in Saudi Arabia or Iran. It is estimated that the return on
24 investment net over five years will be 2000% or more not including substantial tax
25 deductions within a six year period. The flow rates averaged 4000 to 6000 barrels
26 per day from a depth of less than 4400 feet.

19. On December 21, 2010, Tischler sent an email to the PAI regarding an investment
24 opportunity in LVP ("LVP Investment") which included an attached: (a) "Lake Valley Petroleum,
25 LLC Business Plan and Private Placement Memorandum" dated August 1, 2010 ("LVP PPM"); (b)
26 "Lake Valley Petroleum, LLC Subscription Agreement;" (c) "Lake Valley Petroleum, LLC

1 Investor Suitability Questionnaire;” and (d) “Lake Valley Petroleum PPM Wiring Instructions”
2 (“LVP Wiring Instructions”).

3 20. The LVP Wiring Instructions direct investors to wire their investment funds to a
4 bank located in Glendale, Arizona for the benefit of LVP.

5 21. The substantive content of the LVP PPM is identical in almost all respects as the
6 Jericho Oil PPM, the key difference being that the LVP Investment involves lease Nvn086809.

7 22. The Jericho Oil PPM and LVP PPM state that the Jericho Oil Investment and LVP
8 Investment are suitable for “accredited investors.” The PAI is not accredited.

9 23. Tischler did not inquire whether the PAI was an accredited investor prior to
10 discussing the Jericho Capital investment opportunities with the PAI or providing the Jericho Oil
11 and LVP offering documents to the PAI.

12 24. On May 8, 2009, the Financial Industry Regulatory Authority (“FINRA”) entered an
13 order fining Tischler in the amount of \$5,000 and suspending him from association with any
14 FINRA member in any capacity effective from November 16, 2009, through November 16, 2010,
15 for violating FINRA Conduct Rules 2370 and 2110 by improperly borrowing \$67,000 from a
16 customer and failing to disclose the loan to his employer, Royal Alliance Associates, Inc., while he
17 was registered by FINRA as a securities salesman.¹ On February 17, 2010, Tischler’s securities
18 salesman registration was revoked by FINRA for failure to pay the fine. The Website does not
19 disclose the FINRA disciplinary action against Tischler to offerees and investors, and Tischler did
20 not disclose it to the PAI.

21 25. On September 4, 2009, the Office of the Secretary of State of Nevada, Securities
22 Division issued a summary order to cease and desist from further violations of the registration and
23 antifraud provisions of the Nevada Uniform Securities Act against Heritage Oil & Gas, LLC, a
24 Nevada limited liability company, (“Heritage Oil”), Heritage Capital Partners Fund, LLC, a
25 Nevada limited liability company, James P. McKeon, and Tischler arising from their offer and sale
26

¹ *Department of Enforcement v. Scott R. Tischler*, Disciplinary Proceeding No. 2007008370701.

1 of unregistered securities in the form of ownership units (i.e., investment contracts) in Heritage Oil,
2 a manager managed limited liability company ("Heritage Oil Investment").² In addition to
3 promoting the Heritage Oil Investment to offerees and investors, Tischler was a managing of the
4 entity.

5 26. In February, 2010, the respondents, including Tischler, consented to the entry of
6 order permanently enjoining them from further violations of the registration and antifraud
7 provisions of the Nevada Uniform Securities Act and requiring them to pay restitution to investors
8 in the amount of \$88,000 and the costs of the investigation which consent order was entered on
9 February 26, 2010 ("Nevada Consent Order").

10 27. The substantive content of the offering document used by Heritage Oil in
11 conjunction with the Heritage Oil Investment entitled "Heritage Oil & Gas Business Plan & Private
12 Offering Memorandum" dated July 2009 ("Heritage Oil PPM") is identical in almost all respects to
13 the Jericho Oil PPM and the LVP PPM, the key differences being that the Heritage Oil PPM states
14 that: (a) the amount of capital to be raised is \$1,200,000); (b) does not refer to a specific lease; and
15 (c) identifies James McKeon as the entity's director, secretary and treasurer.

16 28. Tischler did not disclose the existence of the Nevada Consent Order to the PAI.

17 29. The Jericho Oil PPM and LVP PPM do not disclose the existence of the Nevada
18 Consent Order against Tischler to offerees and investors

19 30. Neither the Jericho Oil Investment nor the LVP Investment has been registered by
20 the Commission.

21 **IV.**

22 **VIOLATION OF A.R.S. § 44-1841**

23 **(Offer and Sale of Unregistered Securities)**

24 31. From on or about December 17, 2010, Respondents have been offering or selling
25 securities in the form of investment contracts, within or from Arizona.

26 ² *In re the matter of: Heritage Oil and Gas, LLC, a Nevada limited liability company; Heritage Capital Partners Fun, LLC, a Nevada limited liability company; Scott R. Tischler, CRD# 3248953; and James P. McKeon aka Jim McKeon, file no. i09-280.*

VII.

TEMPORARY ORDER

Cease and Desist from Violating the Securities Act [or IM Act]

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2
3
4 THEREFORE, based on the above allegations, and because the Commission has determined
5 that the public welfare requires immediate action,

6 IT IS ORDERED, pursuant to A.R.S. § 44-1972(C) and A.A.C. R14-4-307, that
7 Respondents, their agents, servants, employees, successors, assigns, and those persons in active
8 concert or participation with Respondents CEASE AND DESIST from any violations of the
9 Securities Act.

10 IT IS FURTHER ORDERED that this Temporary Order to Cease and Desist shall remain in
11 effect for 180 days unless sooner vacated, modified, or made permanent by the Commission.

12 IT IS FURTHER ORDERED that this Order shall be effective immediately.

VIII.

REQUESTED RELIEF

13
14
15 The Division requests that the Commission grant the following relief:

16 1. Order Respondents to permanently cease and desist from violating the Securities
17 Act, pursuant to A.R.S. § 44-2032;

18 2. Order Respondents to take affirmative action to correct the conditions resulting from
19 Respondents' acts, practices, or transactions, including a requirement to make restitution pursuant to
20 A.R.S. § 44-2032;

21 3. Order Respondents to pay the state of Arizona administrative penalties of up to five
22 thousand dollars (\$5,000) for each violation of the Securities Act, pursuant to A.R.S. § 44-2036;

23 4. Order Respondents to pay the state of Arizona administrative penalties, pursuant to
24 A.R.S. §§ 44-1961;

25 5. Order that the marital community of Respondent Tischler and Respondent Spouse is
26 subject to any order of restitution, rescission, administrative penalties, or other appropriate

1 affirmative action pursuant to A.R.S. § 25-215; and

2 6. Order any other relief that the Commission deems appropriate.

3 **IX.**

4 **HEARING OPPORTUNITY**

5 Each respondent including Respondent Spouse may request a hearing pursuant to A.R.S.
6 § 44-1972 and A.A.C. Rule 14-4-307. **If a Respondent or Respondent Spouse requests a**
7 **hearing, the requesting respondent must also answer this Temporary Order and Notice.** A
8 request for hearing must be in writing and received by the Commission within 20 days after service
9 of this Temporary Order and Notice. The requesting respondent must deliver or mail the request for
10 hearing to Docket Control, Arizona Corporation Commission, 1200 West Washington, Phoenix,
11 Arizona 85007. Filing instructions may be obtained from Docket Control by calling (602) 542-3477
12 or on the Commission's Internet web site at www.azcc.gov/divisions/hearings/docket.asp.

13 If a request for hearing is timely made, the Commission shall schedule a hearing to begin 10
14 to 30 days from the receipt of the request unless otherwise provided by law, stipulated by the parties,
15 or ordered by the Commission. **Unless otherwise ordered by the Commission, this Temporary**
16 **Order shall remain effective from the date a hearing is requested until a decision is entered.**
17 After a hearing, the Commission may vacate, modify, or make permanent this Temporary Order,
18 with written findings of fact and conclusions of law. A permanent Order may include ordering
19 restitution, assessing administrative penalties, or other action.

20 If a request for hearing is not timely made, the Division will request that the Commission
21 make permanent this Temporary Order, with written findings of fact and conclusions of law, which
22 may include ordering restitution, assessing administrative penalties, or other relief.

23 Persons with a disability may request a reasonable accommodation such as a sign language
24 interpreter, as well as request this document in an alternative format, by contacting Shaylin A.
25 Bernal, ADA Coordinator, voice phone number 602/542-3931, e-mail sabernal@azcc.gov.
26 Requests should be made as early as possible to allow time to arrange the accommodation.

X.

ANSWER REQUIREMENT

Pursuant to A.A.C. R14-4-305, if a Respondent or Respondent Spouse requests a hearing, the requesting respondent must deliver or mail an Answer to this Temporary Order and Notice to Docket Control, Arizona Corporation Commission, 1200 W. Washington, Phoenix, Arizona 85007, within 30 calendar days after the date of service of this Temporary Order and Notice. Filing instructions may be obtained from Docket Control by calling (602) 542-3477 or on the Commission's Internet web site at www.azcc.gov/divisions/hearings/docket.asp.

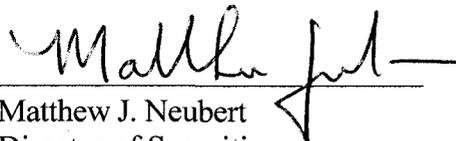
Additionally, the answering respondent must serve the Answer upon the Division. Pursuant to A.A.C. R14-4-303, service upon the Division may be made by mailing or by hand-delivering a copy of the Answer to the Division at 1300 West Washington, 3rd Floor, Phoenix, Arizona, 85007, addressed to Julie Coleman, Chief Counsel of Enforcement.

The Answer shall contain an admission or denial of each allegation in this Temporary Order and Notice and the original signature of the answering respondent or the respondent's attorney. A statement of a lack of sufficient knowledge or information shall be considered a denial of an allegation. An allegation not denied shall be considered admitted.

When the answering respondent intends in good faith to deny only a part or a qualification of an allegation, the respondent shall specify that part or qualification of the allegation and shall admit the remainder. Respondent waives any affirmative defense not raised in the Answer.

The officer presiding over the hearing may grant relief from the requirement to file an Answer for good cause shown.

BY ORDER OF THE ARIZONA CORPORATION COMMISSION, this 30th day of December, 2010.


Matthew J. Neubert
Director of Securities

(JC)