

**ADMINISTRATIVE PROCEEDING  
BEFORE THE  
SECURITIES COMMISSIONER OF SOUTH CAROLINA**

<b>IN THE MATTER OF:</b>  <b>George Marshall Heffernan,</b>  <hr style="width: 80%; margin-left: 0;"/> <b>Respondent.</b>	) ) ) ) ) ) ) )	<b>ORDER TO CEASE AND DESIST</b> <b>File No. 11056</b>
---------------------------------------------------------------------------------------------------------------------------------------	--------------------------------------	-----------------------------------------------------------

WHEREAS, the Securities Division of the Office of the Attorney General of the State of South Carolina (the “Division”), pursuant to authority granted in the South Carolina Uniform Securities Act of 2005 (the “Act”), S.C. Code Ann. §§ 35-1-101 to 35-1-703 (Supp. 2012), received information regarding alleged activities of George Marshall Heffernan (“Heffernan” or “Respondent”) which, if true, could constitute violations of the Act; and

WHEREAS, the information led the Division to open and conduct an investigation of the Respondent pursuant to S.C. Code Ann. § 35-1-602; and

WHEREAS, in connection with the investigation, the Division has determined that evidence exists to support the following findings and conclusions:

1. Respondent George Marshall Heffernan is a South Carolina resident with the last known address of 5335 North Kings Highway #111, Myrtle Beach, South Carolina 29577.
2. Heffernan is subject to a 2007 Order issued by the South Carolina Securities Commissioner (the “2007 Order”) permanently barring him from engaging in the securities business in South Carolina and revoking all exemptions, if any, available to him.
3. Upon information and belief, Heffernan began working with Compass Energy Holdings, Inc. (“Compass Energy”) in or around 2009. Heffernan and Compass Energy entered into a formal employment agreement on March 22, 2010.

4. On January 21, 2010, Compass Energy filed a Form D with the Securities and Exchange Commission (“SEC”) stating that they were conducting an offering of securities pursuant to the exemption from registration found in Regulation D, Rule 506 (the “January 2010 Form D”).
5. According to the January 2010 Form D, the total amount of the offering was \$500,000 and the total amount sold as of the filing date was \$417,100.
6. Further, the January 2010 Form D claimed that the offering had been sold to 33 non-accredited investors and 111 total investors.
7. According to the January 2010 Form D, the date of the first sale of Compass Energy securities was July 12, 2009.
8. Compass Energy notice filed the offering with the Division on January 25, 2010.
9. On March 16, 2012, Compass Energy filed an Amendment to the January 2010 Form D with the SEC (the “March 2012 Amendment”).
10. The March 2012 Amendment changed the exemption claimed from a Rule 506 to a Rule 504(b)(1).
11. Further, the March 2012 Amendment indicated that the total offering amount was now \$1,000,000 and reported the amount sold as of the filing date as \$311,543.
12. The March 2012 Amendment claimed that Compass Energy securities had been sold to 120 non-accredited investors and 356 total investors.
13. On October 19, 2012, Compass Energy filed another amendment to the January 2010 Form D with the SEC (the “October 2012 Amendment”) which claimed the offering was again exempt pursuant to Rule 506 rather than Rule 504(b)(1).
14. The October 2012 Amendment increased the total offering amount to \$5,000,000 and the amount sold as of the filing date to \$2,000,000. The October 2012 Amendment claimed that the offering had been sold to 35 non-accredited investors and 356 total investors.
15. Both the March 2012 Amendment and the October 2012 Amendment state that the date of the first sale of stock pursuant to the offering was on July 12, 2009.

16. The January 25, 2010, notice filing was not renewed and the Division has not received any other filing to register the securities.
17. The Division issued a subpoena dated December 16, 2011, (the "Iodice Subpoena") seeking information on Compass Energy, its founder and principal, Peter Iodice, and other companies owned by Peter Iodice (the "Iodice Subpoena Parties").
18. In a supplemental response to the Iodice Subpoena, the Iodice Subpoena Parties produced a statement of Heffernan's job responsibilities and a description of Heffernan's work during his employment with Compass Energy. The statement was provided to the Division on February 24, 2012.
19. That statement reads in part, "Mr. Heffernan was responsible, either directly or indirectly, for securing most of the subscribers that have invested in Compass through its federally covered Regulation D offering and his efforts raised critical working capital that Compass needed for the day-to-day expenses."
20. In explaining that statement to the Division in sworn testimony given on October 30, 2012, Heffernan stated, "I told my friends and family about Pete, about his company and his offering, the subscription agreement. I actually sent them copies of the subscription agreement and the term sheet and told them to contact Pete and gave them Pete's number."
21. In the Iodice Subpoena, the Iodice Subpoena Parties were also asked for a complete list of all individuals who have been compensated or received any form of remuneration for soliciting and/or obtaining investors in any Iodice Company. Heffernan was listed in response to the request.
22. In further response to the Iodice Subpoena, the Iodice Subpoena Parties provided a list of payments made to Heffernan. The list shows that Compass Energy paid Heffernan \$141,550 in 2009 and another \$75,900 during the period of September 22, 2011, to January 10, 2012. This response is dated January 19, 2012.

23. Further, on October 3, 2011, Heffernan was awarded two million shares of Compass Energy stock at no cost. Upon information and belief, this was commission for the sale of stock.
24. As of December 31, 2009, Compass Energy securities had been sold to several South Carolina investors.
25. Upon information and belief, Compass Energy did not sell securities again until in or around July of 2011.
26. Compass Energy securities were then sold to South Carolina investors continuously until in or around August of 2012.
27. Pursuant to S.C. Code of Regulations R. 13-308(A) with respect to a security that is a federal covered security under Section 18(b)(4)(D) of the Securities Act of 1933, a notice filing must be filed with the Securities Commissioner not later than fifteen days after the first sale of the security in this State.
28. Pursuant to S.C. Code of Regulations R. 13-308(B), the notice filing under Section A of this Rule is effective for one year from the date of its filing with the Securities Commissioner after which time, if the offering is to continue, a renewal notice must be filed.
29. Pursuant to S.C. Code of Regulations R. 13-204(D), offers and sales of securities made in compliance with Rule 504 must satisfy additional conditions and limitations, including the requirement to file with the Securities Commissioner a notice of intent to sell using the SEC Form D at least five business days prior to the first offering to an investor in the State of South Carolina in reliance upon this exemption. A failure to comply with the additional conditions and limitations will revoke the availability of the exemption to the issuer.
30. Pursuant to S.C. Code Ann. Section 35-1-301, it is unlawful for a person to offer or sell a security in this State unless the security is registered, a federal covered security, or exempt from registration under S.C. Code Ann. Sections 35-1-201 through 35-1-203.
31. Pursuant to S.C. Code Ann. Section 35-1-102(2), an agent is an individual, other than a broker-dealer, who represents a broker-dealer in effecting or attempting to effect purchases or sales of

securities, or represents an issuer in effecting or attempting to effect purchases or sales of the issuer's securities.

32. Pursuant to S.C. Code Ann. Section 35-1-402(a), it is unlawful for an individual to transact business as an agent in this State unless registered or exempt from registration.
33. During the period between 2009 and August of 2012, Heffernan offered and sold unregistered securities in the State of South Carolina, in violation of S.C. Code Ann. Section 35-1-301.
34. During the period between 2009 and August of 2012, Heffernan acted as an agent by representing the issuer, Compass Energy Holdings, Inc., in effecting or attempting to effect the sales of securities in the State of South Carolina while not being properly registered with the Division, in violation of S.C. Code Ann. Section 35-1-402(a).
35. During the period between 2009 and August of 2012, Heffernan has engaged in the securities business in South Carolina on multiple occasions in violation of the permanent bar imposed in the 2007 Order.

#### **CEASE AND DESIST ORDER**

WHEREAS, pursuant to S.C. Code Ann. § 35-1-604(a)(1), if the Securities Commissioner determines that a person has engaged, is engaging, or is about to engage in an act, practice, or course of business constituting a violation of the Act or a rule adopted or order issued under the Act or that a person has materially aided, is materially aiding, or is about to materially aid an act, practice, or course of business constituting a violation of the Act or a rule adopted or order issued under the Act, the Securities Commissioner may issue an order directing the person to cease and desist from engaging in the act, practice, or course of business or to take other action necessary or appropriate to comply with the Act; and

WHEREAS, pursuant to S.C. Code Ann. § 35-1-604(b), an order issued under Section 35-1-604(a) is effective on the date of issuance and must include a statement of any civil penalty or costs of

investigation the Division will seek, a statement of the reasons for the order, and notice that a hearing will be scheduled if one is requested;

NOW THEREFORE, pursuant to S.C. Code Ann. § 35-1-604(a), IT IS HEREBY ORDERED that George Marshall Heffernan:

- a. Immediately cease and desist from transacting business in this State in violation of the Act and, in particular, Sections 35-1-301 and 35-1-402(a) thereof;
- b. Immediately cease and desist from engaging in the securities business in South Carolina in violation of the 2007 Order; and
- c. Pay a civil penalty in an amount of \$50,000 if this Order becomes effective by operation of law for violating the Act and the 2007 Order, as detailed in this Order. If the Respondent seeks a hearing and any legal authority resolves this matter, pay a civil penalty in an amount not to exceed \$10,000 for each violation of the Act and the 2007 Order committed by the Respondent, and the actual cost of the investigation and proceeding.

**REQUIREMENT OF ANSWER AND**  
**NOTICE OF OPPORTUNITY FOR HEARING**

The Respondent is hereby notified that he has the right to a hearing on the matters contained herein. To schedule such a hearing, the Respondent must file with the Securities Division, Post Office Box 11549, Rembert C. Dennis Building, Columbia, South Carolina, 29211-1549, attention: Thresechia Navarro, within thirty (30) days after the date of service of this Order to Cease and Desist a written Answer specifically requesting a hearing. If the Respondent requests a hearing, the Division, within fifteen (15) days after receipt of a request in a record from a Respondent, will schedule the hearing.

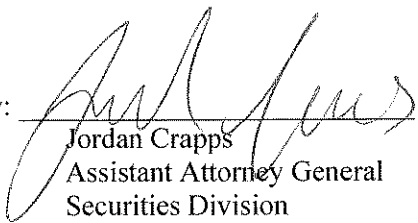
In the written Answer, the Respondent, in addition to requesting a hearing, shall admit or deny each factual allegation in this Order, shall set forth specific facts on which the Respondent relies, and shall set forth concisely the matters of law and affirmative defenses upon which the Respondent relies. A

Respondent without knowledge or information sufficient to form a belief as to the truth of an allegation shall so state.

Failure by the Respondent to file a written request for a hearing in this matter within the thirty-day (30) period stated above shall be deemed a waiver by the Respondent of the right to such a hearing. Failure of the Respondent to file an Answer, including a request for a hearing, shall result in this Order, including the stated civil penalty and any assessed fees, becoming final as to that Respondent by operation of law.

CONTINUING TO ENGAGE IN ACTS DETAILED BY THIS ORDER AND/OR SIMILAR ACTS MAY RESULT IN THE DIVISION'S FILING ADDITIONAL ADMINISTRATIVE ACTIONS AND/OR SEEKING FURTHER ADMINISTRATIVE FINES. WILLFUL VIOLATION OF THIS ORDER COULD RESULT IN CRIMINAL PENALTIES UNDER S.C. CODE ANN. § 35-1-508 OF THE ACT.

**IT IS SO ORDERED**, This the 25 day of February, 2013.

By:   
Jordan Crapps  
Assistant Attorney General  
Securities Division  
Rembert C. Dennis Building  
1000 Assembly Street  
Columbia, S. C. 29201  
  
(803) 734-9916