IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLORADO

Civil Action No.

UNITED STATES SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

v.

ST. ANSELM EXPLORATION CO.,
MICHAEL A. ZAKROFF,
MARK S. PALMER,
ANNA M.R. WELLS, and
STEVEN S. ETKIND,

Defendants.

COMPLAINT

Plaintiff, United States Securities and Exchange Commission ("SEC"), for its complaint against defendants St. Anselm Exploration Co. ("St. Anselm"), Michael A. Zakroff ("Zakroff"), Mark S. Palmer ("Palmer"), Anna M. R. Wells ("Wells"), and Steven S. Etkind ("Etkind"), alleges as follows:

OVERVIEW OF ALLEGATIONS

1. This civil enforcement action arises from defendants' sale of high-interest promissory notes between 2007 and 2010 in order to raise capital for St. Anselm. Defendants sold the notes to approximately 200 investors, receiving cash proceeds of more than $49 million. In connection with their offers and sales of the promissory notes to investors, the defendants misrepresented St. Anselm's business prospects and results of operations as well as the sources

of funds used to repay the notes. The defendants further failed to disclose to investors the very substantial risks of the investment.

2. In particular, defendants failed to disclose the crippling magnitude of St. Anselm's debt burden, and the fact that, in Ponzi-like fashion, it could only pay the interest and principal on the promissory notes by selling more promissory notes.

3. From 2007 to 2010, St. Anselm's average annual gross revenue, before expenses, was approximately $6 million per year. Yet, in 2007, it paid over $5.5 million in interest and principal to note holders, and it owed over $30 million on outstanding promissory notes, all due within three years. St. Anselm's debt burden increased by more than $10 million each year until 2010, when its debt had reached over $62 million and St. Anselm predictably began to default on the notes.

4. Instead of disclosing to prospective investors that St. Anselm's debt had grown to an unsustainable level, defendants represented to investors that St. Anselm enjoyed "robust economics" and that its oil and gas investments would generate "sufficient cash to service debt and provide a return on investment for [its shareholders]."

5. Defendants continued to make these representations and sell promissory notes even when their own internal communications showed that the company had no other means to service its debt and was falling further and further behind on its expenses, and even after St. Anselm had begun to default on maturing notes.

6. Further, defendants misled some of the investors concerning the nature of St. Anselm's business activities. Defendants told investors that St. Anselm's primary business was the exploration and development of gas wells in Kansas and Nebraska, an area in which St. Anselm had a long history, and that St. Anselm sought new capital to expand this established

business. Defendants did not fully disclose that it was also investing heavily in a new venture, the development of geothermal power.

7. Investors understood that their promissory notes were subject to the risks inherent in the oil and gas business. But defendants failed to disclose to investors that their investments were also subject to the risk that future note sales might be insufficient to pay their interest and principal. The defendants also failed to disclose the risks associated with a geothermal start-up company.

JURISDICTION AND VENUE

8. This is a civil enforcement action under Section 17(a) of the Securities Act of 1933 ("Securities Act") [15 U.S.C. § 77q(a)], Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act") [15 U.S.C. § 78j(b)], and Rule 10b-5 [17 C.F.R. § 240.10b-5].

9. The Court has jurisdiction pursuant to Securities Act Sections 20(b) and 22(a) [15 U.S.C. §§ 77t(b) and 77v(a)], and Exchange Act Sections 21(d) and (e), and 27 [15 U.S.C. §§ 78(u(d) and (e) and 78aa].

10. In connection with the acts described in this Complaint, defendants have used the mails, other instruments of communication in interstate commerce, and means or instrumentalities of interstate commerce.

11. Venue lies in this Court pursuant to Securities Act Section 22(a) [15 U.S.C. § 77v(a)], Exchange Act Section 27 [15 U.S.C. § 78aa], and 28 U.S.C. § 1391(b)(1) and (2). During the period of conduct alleged herein, defendants engaged in the offer and sale of securities in the District of Colorado, numerous investors purchased St. Anselm's securities from defendants in the District of Colorado, and many of the acts and practices otherwise described in this Complaint occurred in the District of Colorado.

DEFENDANTS

12. St. Anselm is a privately held Colorado corporation with its principal place of business in Denver, Colorado.

13. Zakroff, age 64, is an individual residing in the State of Colorado. He is married to Wells. He founded St. Anselm over twenty years ago and at all relevant times was its secretary/treasurer and business manager. He participated in soliciting investors for St. Anselm's promissory notes.

14. Palmer, age 61, is an individual residing in the State of Colorado. He is a professional geologist. The SEC is informed and believes and on that basis alleges that, at all relevant times, Palmer was St. Anselm's vice-president and owned at least 31.67% of St. Anselm's shares. He participated in soliciting investors for St. Anselm's promissory notes.

15. Wells, age 54, is an individual residing in the State of Colorado. She is a professional geologist and is married to Zakroff. The SEC is informed and believes and on that basis alleges that, at all relevant times, Wells was St. Anselm's president and owned at least 58.82% of St. Anselm's shares. She participated in soliciting investors for St. Anselm's promissory notes.

16. Etkind, age 64, is an individual residing in the State of New Mexico. At all relevant times, Etkind was an employee of St. Anselm with the responsibility to sell promissory notes.

FACTUAL ALLEGATIONS

St. Anselm's Business Operations

17. Prior to 2007, St. Anselm's business activities focused on the exploration, development, and sale of oil and gas wells. Specifically, St. Anselm conducted 3D seismic

exploration, obtained leaseholds, drilled wells, produced oil and gas wells, and sold producing wells. It generally conducted business through subsidiaries and through its ownership of working interests in other entities. Most recently, it has operated through St. Anselm KXP Exploration LLC ("KXP"), in which it owns a 65% interest, and KXP's predecessor in interest, St. Anselm CKU Exploration LLC. St. Anselm derived revenue both from selling oil and gas produced from wells in which it owned an interest, and from packaging and selling the wells themselves (or its interest in the wells).

18. In or around 2007, St. Anselm's business model substantially changed. At that time, St. Anselm decided to expand its business to include the exploration and development of geothermal wells and the generation of geothermal power, primarily through Terra Caliente, LLC, in which it owns a 75% interest. In turn, Terra Caliente owns interests in two related entities, Standard Steam and Trust, LLC and Agua Caliente, LLC.

19. Zakroff, Palmer, and Wells were all personally involved in both the technical and financial aspects of St. Anselm's business.

20. The SEC is informed and believes and on that basis alleges that, from and after 2007, Zakroff, Palmer, and Wells diverted much of their time and attention, and much of St. Anselm's capital, from its historical oil and gas exploration efforts to its new geothermal endeavors.

21. The SEC is informed and believes and on that basis alleges that beginning in or around 2007, St. Anselm's capital needs increased substantially because of its new investments in geothermal projects. St. Anselm, Zakroff, Palmer, and Wells hoped to raise capital for St. Anselm's geothermal endeavors through an initial public offering ("IPO") planned for Standard

Steam, which they hoped would occur in 2009. However, the IPO planned for 2009 failed, and did not occur.

22. The SEC is informed and believes and on that basis alleges that St. Anselm's geothermal investments were subject to different risks than its oil and gas investments.

Financing Through Promissory Notes

23. For a number of years, St. Anselm financed its oil and gas projects primarily by selling promissory notes to private investors.

24. From 2007 through at least August 2010, St. Anselm continued to use this same financing method for both its oil and gas activities and its geothermal activities.

25. St. Anselm used proceeds of the same note sales to finance all of its activities. It did not sell any notes that were designated only for oil and gas, or only for geothermal investments.

26. Zakroff, Palmer, and Wells all knew and were directly responsible for St. Anselm financing its activities in this manner.

27. Between 2007 and September 30, 2010, St. Anselm sold promissory notes, and/or rolled over maturing promissory notes, to approximately 200 investors, receiving cash proceeds of approximately $49,032,080, as shown in the following table:

Time Period	Proceeds from Note Sales
2007	$14,106,743
2008	14,637,690
First quarter 2009	2,198,907
Second quarter 2009	3,056,303
Third quarter 2009	3,784,988
Fourth quarter 2009	3,610,316
First quarter 2010	3,743,324
Second quarter 2010	3,139,393
Third quarter 2010	754,416
Total	**49,032,080**

28. All or almost all of the promissory notes had maturities of 90 days, one year, or three years, and the interest rates on the notes ranged from 18 to 36 percent per annum.

29. Wells and Palmer personally guaranteed the notes. The notes were otherwise unsecured.

30. St. Anselm required that investors seeking to purchase its promissory notes be "accredited" within the meaning of Section 4(2) of the Securities Act and Rule 506 of Regulation D. Specifically, these provisions require that individual investors solicited to participate in an offering of securities must have a net worth over $1 million or annual income over $200,000 (individually) or $300,000 (joint with spouse) in order for the offering to qualify for an exemption from securities registration.

31. St. Anselm supplied each interested investor with a purchaser questionnaire and subscription agreement. The purchaser questionnaire served as the accreditation document.

32. When an investor had completed the questionnaire, signed the subscription agreement, and forwarded these documents together with the necessary funds to St. Anselm, Zakroff would sign the subscription agreement, Wells would sign the promissory note, Wells and Palmer would sign the personal guaranty, and St. Anselm would return the promissory note and guaranty to the investor.

33. Investors sent investment money to St. Anselm either by wiring funds to designated bank accounts or by writing checks to St. Anselm.

34. When St. Anselm made a payment to an investor by check, whether for interest or principal, Wells generally signed the check.

St. Anselm's Deteriorating Financial Condition

35. In every year from 2007 through 2010, St. Anselm's revenues were insufficient to meet its obligations to pay interest and principal to the noteholders.

36. From 2007 through 2010, St. Anselm sold new high-interest promissory notes to raise the funds necessary to pay the interest and principal due on existing notes. As a result, its debt balance grew by millions of dollars each year.

37. The following table sets forth, for each year, the amount of St. Anselm's revenues from all sources, its cash proceeds from note sales, note interest paid, note principal repaid, and the principal balance of outstanding notes.

Year	Revenues from operations	Proceeds from sale of notes	Interest paid on notes	Principal paid on notes	Principal balance of outstanding notes
2007	$844,461	$14,106,743	$3,130,912	$2,397,244	$30,952,411
2008	$11,284,742	$14,637,690	$6,127,368	$5,127,030	$ 43,602,906
2009	$7,990,887	$12,650,517	$11,133,931	$4,736,514	$54,871,978
2010 (as of 9/30/10)	$4,117,439	$7,637,135	$7,607,719	$1,906,438	$62,270,390

38. From 2007 through 2010, St. Anselm also sought to defer payment of its debt obligations by offering existing investors the opportunity to reinvest by rolling their notes over for an additional term.

39. In March 2009, in order to induce investors to renew their notes, St. Anselm began to offer 5% and 10% interest bonuses for note renewals, retroactive to January 1, 2009.

40. More than a year later, St. Anselm discontinued the interest bonus program and lowered interest rates for a short six week period in May and June 2010. However, it reinstated the interest bonuses and returned to higher interest rates on June 14, 2010.

41. Every year between 2007 and 2010, St. Anselm made substantial shareholder distributions to Palmer and Wells as shown in the following table:

Year	Shareholder/Officer	Distributions
2007	Wells	$3,066,306
	Palmer	$1,722,423
2008	Wells	$5,703,566
	Palmer	$3,208,559
2009	Wells	$2,663,890
	Palmer	$1,417,828
2010	Wells	$1,020,922
	Palmer	$621,319

42. By continuing to sell new high-interest promissory notes to new investors and persuading note holders to roll over their maturing notes, St. Anselm was able to avoid defaulting on any interest or principal payments until July 2010.

43. By then, St. Anselm's need for new cash to pay interest and principal due to existing noteholders had finally outstripped its ability to sell new promissory notes.

44. On or about August 2, 2010, in a letter signed by Zakroff, defendants falsely represented to investors that their July 2010 interest payment had been delayed because of a delay in a small asset sale.

45. On or about August 16, 2010, in a letter to note holders from Zakroff, Palmer, and Wells, defendants informed note holders that the company needed to "restructure all the existing debt." In the letter, defendants for the first time admitted to investors that they had taken in new debt to service the existing debt, and acknowledged that even if an asset sale occurred, St. Anselm could not continue to service its debt to note holders at existing interest levels.

46. On or about August 31, 2010, again by letter from Zakroff, Palmer, and Wells, defendants informed note holders that "[i]f the restructuring with the New Promissory Notes is not successful, as to 100% of all the current notes held by all Notes Holders, St. Anselm will be required to seek the protection of the United States Bankruptcy Court to restructure the Company and its debt."

Defendants' Knowledge of St. Anselm's Financial Condition

47. Zakroff, Palmer, and Wells were officers of St. Anselm, and all were actively involved in St. Anselm's business activities.

48. All or almost all of St. Anselm's promissory notes were sold by Etkind, signed by Wells, and guaranteed by Palmer and Wells, while Zakroff signed the subscription agreements. Wells was a signatory on St. Anselm's bank account and signed the checks by which investors were paid interest and principal.

49. Internal communications during 2009 and 2010 show that St. Anselm's financial condition had become increasingly perilous, and Zakroff, Etkind, and Palmer knew, given the facts they were aware of, that they needed to increase note sales to keep up with St. Anselm's accelerating deficits. For example:

a. On June 22, 2009, St. Anselm's bookkeeper, Tania Stephens, advised Etkind, Palmer, and Zakroff by email that St. Anselm would need to raise $951,200 in less than one month, by July 15, 2009, in order to cover interest and principal payments as well as other expenses.

b. On July 24, 2009, Etkind emailed Zakroff that "if we use the $ in hand for anything except monthly interest, I think we'll regret it." Zakroff responded that "I am really quite aware of our responsibilities…. There is no decision

when it comes to the interest payments. They get paid. If people have to wait a bit on principal, it is unfortunate but second to the interest payments."

c. On October 1, 2009, Etkind emailed Zakroff that Stephens had advised him that "it looked like we needed to keep raising about $2MM a month going forward to pay interest, pay the non-renewals, and pay for G&A. I did close to that in September and hope to do that in October. That is close to double the rate that I have averaged for the past 3 years."

d. On December 14, 2009, Etkind emailed Zakroff and Stephens that "I'm not able to raise enough $ at the rates we're offering including the bonuses. I don't think we can lower the rates now unless you know something I don't know."

e. On December 21, 2009, Stephens emailed Etkind, Zakroff, and Palmer that just to pay the interest and principal, St. Anselm would need to raise $895,000 by January 8, 2010, less than three weeks later. Stephens also stated in the email that Etkind had already told a particular investor that her $160,000 payoff, due on December 25, 2009, might be about 30 days late.

f. On January 20, 2010, Stephens emailed Etkind, Zakroff, and Palmer to advise them that, even though Etkind had raised $1,217,736 in investor funds that month and was expecting an additional $415,000 in the next few weeks, St. Anselm would still be $935,000 short by February 1, 2010. Etkind responded that "I'll be sending out 100 emails today to get referrals."

g. On February 1, 2010, Stephens emailed Etkind, Zakroff, and Palmer that St. Anselm was already late on $784,703.51 in note payoffs, and an additional $742,750 in note payoffs were scheduled so far for February. She stated that

"we need about $2MM to get 'even'… and another ≈$2MM per month to make interest and payoffs."

h. On February 23, 2010, Stephens emailed Etkind, Zakroff, and Palmer to advise them that St. Anselm had $1,104,703.51 in past due note payoffs and that its bank account balance was negative $155,000. If St. Anselm made payoffs to four investors who were expecting payment by the following day, its deficit would reach $912,000. And if, in addition, St. Anselm continued to pay interest and meet payroll for one more week, its deficit would be $1,912,000 by March 1, 2010.

50. Despite knowing that St. Anselm's financial condition was steadily worsening, defendants continued to actively solicit investors and sell promissory notes without disclosing the company's financial condition.

51. In the third quarter of 2009, defendants sold approximately $3,784,988 in new notes to approximately 46 investors.

52. In the fourth quarter of 2009, defendants sold approximately $3,610,316 in new notes to approximately 56 investors.

53. In the first quarter of 2010, defendants sold approximately $3,743,324 in new notes to approximately 48 investors.

54. In the second quarter of 2010, defendants sold approximately $3,139,393 in new notes to approximately 48 investors.

55. Even in July and August 2010, as St. Anselm began to default on maturing notes, defendants sold an additional $754,416 in new notes to approximately 20 investors.

56. Etkind sold most or all of these new notes. Zakroff, by virtue of signing the subscription agreements, Wells and Palmer, by virtue of guaranteeing the promissory notes, and Wells, by virtue of signing the notes, all participated in each of these transactions.

57. Each defendant knew, or was reckless in not knowing, the rate at which St. Anselm was selling notes, the rate at which St. Anselm's debt servicing expense was growing, that the debt servicing expense substantially exceeded St. Anselm's revenue from operations, and that, in Ponzi-like fashion, St. Anselm depended on selling new notes to pay interest and principal on the existing notes. Further, they knew, or were reckless in not knowing, that St. Anselm continued to sell promissory notes until August 13, 2010, after St. Anselm had begun to default on its note obligations.

Defendants' Solicitation of Investors

58. All of the defendants made oral and written representations to prospective investors and current investors to induce them to buy new promissory notes and/or roll-over maturing promissory notes. In particular:

59. Etkind was St. Anselm's primary salesman with respect to the promissory notes. He had almost daily communications with investors and prospective investors, including communications in person, by telephone, and by email.

60. Zakroff conducted and spoke at in-person meetings for groups of investors and potential investors; he met with investors who visited St. Anselm's offices in Denver; he met individually with investors for lunch; he communicated with individual investors by telephone and email; he responded by phone and email to specific questions raised by investors; he provided information to assist Etkind in answering questions from investors; he prepared letters

and other documents for investors; and he caused numerous letters and other documents to be sent to investors under his name.

61. Palmer spoke at in-person meetings for groups of investors and potential investors; he met with investors who visited St. Anselm's offices in Denver; and he caused or allowed numerous letters and other documents to be sent to investors under his name (along with the names of Zakroff and Wells).

62. Wells spoke at in-person meetings for groups of investors and potential investors; she met with investors who visited St. Anselm's offices in Denver; and she caused or allowed numerous letters and other documents to be sent to investors under her name (along with the names of Zakroff and Palmer).

63. In their solicitations to investors, defendants repeatedly emphasized that St. Anselm's revenues allowed it to service all of its debt, and that it was otherwise on firm financial footing.

Group meeting for potential investors

64. St. Anselm conducted a group meeting for about 70 investors and prospective investors in Albuquerque, New Mexico, on December 2, 2008.

65. At the meeting, Zakroff, Palmer, and Wells all gave presentations about St. Anselm, its business activities, and the promissory note program. Etkind attended the meeting and spoke informally with many of the investors and prospective investors who were present.

66. At the meeting, all of the defendants represented to investors and prospective investors that St. Anselm's business was successful and that its financial condition was sound.

67. At the meeting, defendants provided investors and prospective investors with a handout entitled "St. Anselm Exploration Company, Kansas Oil & Gas Project Economics." The handout described St. Anselm's oil and gas business in detail, but did not mention its geothermal business.

Activity Update Letters

68. St. Anselm periodically sent letters captioned "Re: St. Anselm Exploration Company Activity Update" to prospective investors, including letters dated December 2007, October 2008, and February 2010.

69. Zakroff, Wells, and Palmer's names, titles, and professional credentials make up the signature block of each update letter, and each letter invites investors to call any of them with any questions.

70. Etkind distributed copies of the update letters to prospective investors.

71. All of the update letters focus on the oil and gas portion of St. Anselm's business to the total or almost total exclusion of the geothermal business, assert that St. Anselm is substantially expanding its oil and gas activities, and assert that St. Anselm's revenues, profits, and cash are and would be sufficient both to service all of its debt and provide returns to its shareholders. None of the letters disclose the true financial condition of St. Anselm:

a. All of the letters begin: "Thank you for your interest in our oil and gas exploration and production activities. It is our hope that this letter will provide some useful details of our most important current area of activity, namely, central Kansas, northwestern Kansas, and Nebraska. We currently have no oil and gas projects other than the Kansas/Nebraska program."

b. The December 2007 letter states that the Kansas/Nebraska program currently has 60 producing wells, St. Anselm is "rapidly" moving toward a goal of drilling eight wells per month, and it expects to reach a drilling pace of 90 to 100 wells per year in 2008 and beyond.

c. The October 2008 letter states that "Our project economics remain very robust and should continue to be so….Over the past 36 months, our Kansas project has grown ten-fold in scope and scale of activity and has tripled its rate of drilling to a current rate of six to eight wells per month."

d. The February 2010 letter states that "Our project economics remain very robust and should continue to be so … Over the past 36 months, our Kansas project has grown ten fold in scope and scale of activity and has tripled its rate of drilling to a current rate of six wells per month."

e. The December 2007 letter does not mention St. Anselm's geothermal investments.

f. The October 2008 and February 2010 letters each limit their disclosures relating to the geothermal investments to one short paragraph that provides no specific information about this part of St. Anselm's business.

g. All three updates end with the following summary paragraph: "We expect that St. Anselm, over the next year or two, will continue to fund activities in the Kansas/Nebraska program from private debt financing. We believe the program has shown, and will continue to show, more than enough equity to support St. Anselm's debt. While we are confident that the overall economics of the Kansas/Nebraska program will prove to be sound and profitable (generate sufficient cash to service debt and provide a Return on Investment for the St. Anselm shareholders), any extended period of slow drilling, whether due to bad weather or other factors,

could adversely impact future cash flow. And, of course, a series of unsuccessful or less-successful-than-expected wells, could increase the negative impact on cash flow, even though subsequent wells could continue to show an overall 50% or greater success rate in drilling wells with the anticipated reserves. Our strategy of funding activities from private debt financing is not without risk, which is reflected in the interest rate offered to investors and the personal guaranty of repayment." (Emphasis added.)

Note Holder Letters

72. St. Anselm periodically sent letters captioned "Dear Note Holder:" to its current note holders, including letters dated October 8, 2008; March 2009; and June 22, 2009.

73. Zakroff, Palmer, and Wells all signed the October 8, 2008 letter. Their names all appear in the signature block area of the March 2009 and June 22, 2009 letters.

74. The October 8, 2008 letter reports "ten-fold" growth in the "scale and scope" of St. Anselm's Kansas/Nebraska project and "robust" project economics; provides minimal information about its geothermal activities; and asserts that "we are confident that St. Anselm's equity to debt ratio remains greater than two to one." The letter did not disclose the true financial condition of St. Anselm.

75. The March 2009 note holder letter provides a positive report of St. Anselm's progress in both the oil and gas and geothermal areas, and then goes on to announce its new interest bonus program for existing note holders, retroactive to January 1, 2009. The letter stated that the purpose of the interest bonuses was to help St. Anselm to "maximize the value" of newly discovered geothermal assets by "spend[ing] the next couple of years drilling and developing our identified resource areas." The letter did not disclose the true financial condition of St. Anselm.

76. The June 22, 2009 note holder letter reports "great opportunity" and "very encouraging" progress with respect to both ongoing oil and gas development and new geothermal projects. The letter explains that St. Anselm will continue to offer an interest bonus because it needs capital to expand its activities. The letter states, "All of these activities are capital intensive, however projected rates of return are robust enough for us to continue raising capital at the current rates through 12/31/09." The letter also states that "our total debt has remained constant over the last year." The letter did not disclose the true financial condition of St. Anselm including its debt position.

Email Communications with Individual Investors

77. On October 8, 2009, Etkind sent an email to an investor that stated, "I wanted you to know that investing in our notes looks more secure to me now than ever before."

78. On February 14, 2010, Zakroff sent an email to two investors, and told them in the email that "St. Anselm's program is very low risk." He also told them that "[o]ur economics are quite robust, cash on cash." Later that same day, he emailed the same investors again and stated that "St. Anselm can afford the [interest] rates."

79. Zakroff told Etkind to "feel free" to send copies of the February 14, 2010 emails to other investors.

Wells' and Palmer's Personal Guaranties

80. Defendants offered personal guaranties from Palmer and Wells to induce investors to purchase and renew St. Anselm's promissory notes.

81. Defendants offered these personal guaranties at a time when they knew or were reckless in not knowing that St. Anselm would probably default on its promissory notes, and that investors would be entitled to make claims on the personal guaranties in the event of a default.

82. Defendants knew that Palmer's and Wells' liability under the guaranties would be the amount of the outstanding principal and interest on all of the defaulted promissory notes.

83. The SEC is informed and believes and on that basis alleges that Palmer, Wells, and Zakroff (who was Wells' husband) knew that in the event of a default, Palmer and Wells would be financially unable to fully honor the guaranties they were making.

84. When the defendants offered and made the guaranties to investors to induce them to purchase or renew promissory notes, they knew or were reckless in not knowing that the value of the guaranties was questionable at best.

Defendants' Material Misrepresentations and Omissions

85. In these various forms of solicitations, and by offering and making personal guaranties, Defendants made material misrepresentations and omissions to induce investors to purchase St. Anselm's promissory notes and to reinvest by rolling over maturing promissory notes.

86. Among other things, Defendants falsely represented and implied:

a. That St. Anselm's business was profitable, when in fact it was not profitable.

b. That St. Anselm's business revenues were sufficient to pay its expenses and timely service its debts, when in fact its revenues were grossly insufficient for these purposes.

c. That St. Anselm's oil and gas activities produced sufficient revenue to pay all of St. Anselm's expenses and timely service all of its debts, when in fact they did not.

d. In some investor communications, that St. Anselm's business consisted entirely or primarily of oil and gas exploration and production, when in fact St. Anselm was investing heavily in geothermal activities as well.

e. That St. Anselm planned to use the proceeds of promissory note sales primarily to expand its operations, when in fact it planned to use the proceeds to pay interest and principal on existing promissory notes.

f. That the investment risks associated with purchasing St. Anselm's promissory notes were the disclosed risks associated with oil and gas development by an established oil and gas company, when in fact investors were subject also to substantial undisclosed risks including the risk that defendants would not be able to find future investors to pay interest and principal on investors' notes, and the risks associated with investing in a geothermal startup company.

g. That St. Anselm offered an interest bonus to renewing note holders to obtain new capital to invest in geothermal projects, when in fact it needed the money to pay interest and principal on existing promissory notes.

h. That, at least as of June 2009, St. Anselm's total debt had remained constant over the preceding year, when in fact St. Anselm's total debt had grown by millions of dollars.

i. That St. Anselm could afford to pay the interest rates it was offering, when in fact it could not afford to do so.

j. That Wells' and Palmer's personal guaranties made their investments less risky, when in fact the guaranties were of little or no value.

k. That St. Anselm's promissory notes were a safe investment, when in fact they were extremely risky.

87. In addition, Defendants failed to disclose the following:

a. St. Anselm's true financial condition,

b. That St. Anselm depended on the proceeds of new promissory note sales to service its debt,

c. The manner in which St. Anselm actually planned to use the proceeds of sale of promissory notes,

d. The true risks associated with investing in St. Anselm's promissory notes,

e. The magnitude of St. Anselm's distributions to shareholders, and

f. The true value of Palmer's and Wells' personal guaranties.

88. All of the above false and misleading statements were material to investors' decisions whether to purchase or roll over St. Anselm's promissory notes, and all of the above omissions were material facts necessary to make the statements that defendants made, in light of the circumstances under which they were made, not misleading.

89. Through these misleading statements and omissions, defendants fraudulently induced investors to invest money in St. Anselm's promissory note program.

90. Each of the defendants knew or was reckless in not knowing that the above representations and omissions were materially false and misleading.

FIRST CLAIM FOR RELIEF
Fraud – Violations of Securities Act Section 17(a)
[15 U.S.C. § 77q(a)]

91. The SEC realleges and incorporates by reference the allegations of paragraphs 1 through 90 above.

92. Defendants, and each of them, directly or indirectly, with scienter, in the offer or sale of securities, by use of the means or instruments of transportation or communication in interstate commerce or by use of the mails, employed a device, scheme, or artifice to defraud, in violation of Section 17(a)(1) of the Securities Act.

93. Defendants, and each of them, directly or indirectly, in the offer or sale of securities, by use of the means or instruments of transportation or communication in interstate

commerce or by use of the mails, obtained money or property by means of untrue statements of material fact or by omissions to state material facts necessary to make the statements made, in light of the circumstances under which they were made, not misleading, in violation of Section 17(a)(2) of the Securities Act.

94. Defendants, and each of them, directly or indirectly, in the offer or sale of securities, by use of the means or instruments of transportation or communication in interstate commerce or by use of the mails, engaged in transactions, practices, or courses of business which have been or are operating as a fraud or deceit upon the purchasers of securities, in violation of Section 17(a)(3) of the Securities Act.

95. Defendants, and each of them, violated, and unless restrained and enjoined will in the future violate, Securities Act Section 17(a) [15 U.S.C. § 77q(a)].

SECOND CLAIM FOR RELIEF
Fraud -- Violations of Exchange Act § 10(b) and Rule 10b-5 Thereunder
[15 U.S.C. § 78j(b) and 17 C.F.R. § 240.10b-5]

96. The SEC realleges and incorporates by reference the allegations of paragraphs 1 through 90 above.

97. Defendants, and each of them, acting with scienter, by use of means or instrumentalities of interstate commerce or of the mails, used or employed, in connection with the purchase or sale of a security, a manipulative or deceptive device or contrivance in contravention of the rules and regulations of the SEC; employed devices, schemes or artifices to defraud; made untrue statements of material fact or omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; or engaged in acts, practices or courses of business which operated or would

operate as a fraud or deceit upon any person, in violation of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

98. Defendants, and each of them, violated, and unless restrained and enjoined will in the future violate, Exchange Act Section 10(b) and Rule 10b-5 [15 U.S.C. §§ 78j(b) and 17 C.F.R. § 240.10b-5].

PRAYER FOR RELIEF

WHEREFORE, the SEC respectfully requests that the Court:

1. Enter an Order finding that each of the Defendants committed the violations alleged in this Complaint, and unless restrained will continue to do so;

2. Enter Injunctions, in a form consistent with Rule 65(d) of the Federal Rules of Civil Procedure, permanently restraining and enjoining Defendants, and their officers, agents, servants, employees, attorneys, fictitious trade name entities, and those persons in active concert or participation with them who receive actual notice by personal service or otherwise, from violating the provisions alleged;

3. Order that Defendants disgorge all illegal gains, together with prejudgment and post-judgment interest;

4. Order that Defendants pay civil money penalties pursuant to Section 20(d) of the Securities Act [15 U.S.C. § 77t(d)] and Section 21(d) of the Exchange Act [15 U.S.C. § 78u(d)], together with post-judgment interest;

5. Order such other relief as this Court may deem just or appropriate.

Dated: March 17, 2011

s/ *Nancy J. Gegenheimer*
Nancy J. Gegenheimer
Attorney for Plaintiff
U.S. Securities and Exchange Commission
1801 California Street, Suite 1500
Denver, CO 80202
(303) 844-1000