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NEWS RELEASE

For Immediate Release

July 28, 1995

SUPREME COURT AFFIRMS JUDGMENT IN OIL AND GAS INVESTMENT SCHEME

Boise, Idaho . . . Gavin M. Gee, Acting Director of the Idaho Department of Finance, today announced that the Idaho Supreme Court affirmed a judgment and permanent injunction against Lawrence W. McGary, formerly of Sun Valley, Idaho.

In January, 1994, the district court in Hailey found that McGary had violated the Idaho Securities Act and engaged in fraudulent activities. McGary was enjoined from further violations. McGary appealed the court judgment and its findings of violations.

The Idaho Supreme Court rejected McGary's claims of error and his assertions that his conduct was not subject to the law. The Court opinion written by Chief Justice McDevitt:

1. Ruled that since McGary did not submit evidence to the trial court supporting his claim of exemption, the trial court properly gave judgment to the Department.
2. The law requires full disclosure to investors without requiring the state to prove that McGary intended to defraud investors.
3. Sales of securities qualify as a non-public offering (and are therefore exempt) only if full information is given to purchasers and the investors are sophisticated enough to fend for themselves. Otherwise, the offering must be registered and a prospectus prepared.
4. McGary's failure to disclose risks of the offering and the fact that the securities were not registered was "securities fraud in violation of [Idaho Securities Act]."

The case centered around efforts by McGary, Shama Resources L.P., and Maranatha Management Corporation to sell limited partnership interests to investors in Idaho, Texas and Florida. McGary was the General Partner of Shama and President of Maranatha Management Corporation.

A lawsuit filed by the State in 1989 charged that the three defendants solicited investors to purchase mining investments and promissory notes which later proved to be worthless.

Judgments were obtained against Shama and Maranatha in 1991. Only Mr. McGary appealed to the Supreme Court.

The Department of Finance advises all individuals when making investments in securities to deal with licensed brokerage firms and to exercise caution in making investment decisions.

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