

**BEFORE THE DIRECTOR OF THE DEPARTMENT OF FINANCE
OF THE STATE OF IDAHO**

STATE OF IDAHO, Department of)	
Finance, Securities Bureau,)	Docket No. 2006-7-24
)	
Complainant,)	CONSENT ORDER TO
)	CEASE AND DESIST
vs.)	
)	
Michael RW Shaw aka Michael R. Shaw;)	
dba Michael Shaw Ministries and dba)	
MSM Ministries,)	
)	
Respondent)	
_____)	

The Director of the Department of Finance, pursuant to the authority of the Idaho Securities Act, Idaho Code §30-1401, *et seq.*, and the Idaho Uniform Securities Act (2004), Idaho Code §30-14-101, *et seq.*, has reasonable grounds to believe that violations of the Idaho Securities Act and Idaho Uniform Securities Act (2004) have occurred, and may continue to occur, as follows:

RESPONDENT

1. Michael R. Shaw (Shaw) represents himself as an evangelical minister. Shaw resides at 5410 E. Shoreline Drive, Post Falls, Idaho.
2. Shaw has previously formed and operated Heritage Christian Church, Inc., a now dissolved Indiana non-profit corporation.
3. Shaw has previously formed and operated Ministries of the Heartland, Inc., a now dissolved Iowa non-profit corporation.

4. Since at least 2001, Shaw has continued to engage in a traveling ministry business, operating under the assumed business names of MSM ministries and Michael Shaw Ministries. Shaw represents himself as the CEO and President of MSM Ministries.

5. Shaw represents himself as Dr. Shaw or Doctor Shaw. However, Shaw's title is an assumed title purportedly given to him by Dr. Lindsay Thompson of Bible Way Ministries. Shaw has no doctoral degree from an educational institution or other credentialing agency.

BACKGROUND

6. For perhaps three decades, Shaw has operated as a free-lance evangelical minister. During this time, Shaw claimed addresses in Iowa, Ohio, Tennessee, Colorado and most recently Idaho.

7. It was in the furtherance of this business that Shaw first formed Heritage Christian Church, Inc., an Indiana non-profit corporation, in 1982. This corporation was administratively dissolved during 1989.

8. Shaw filed a personal Chapter 7 Bankruptcy Petition in 1993, with the debtor being discharged during September 1993.

9. From at least 1995, through 1996, Shaw was the subject of multiple small claims collection actions brought by various individuals and entities such as travel agents, flower shops, printing businesses and radio stations.

10. Shaw allegedly wrote a book entitled "Shattered Dreams and Broken Hearts". One thousand copies of such a book were purportedly published through a now defunct publisher in Tulsa, Oklahoma during 1997.

11. In 1998, Shaw formed Ministries of the Heartland, Inc., an Iowa non-profit corporation. This corporation was administratively dissolved during 1999.

12. Since a date unknown, but at least since 1999, Shaw resided in northern Idaho. Since that date, Shaw has traveled about the United States, speaking before Christian congregations. His sole source of income has been from donations to his ministry and other “gifts” to him personally. He apparently also receives income from the sale of music compact disks and perhaps books. Shaw also was the beneficiary of significant funds obtained through the investment scheme described herein.

13. On multiple occasions since 1999, Shaw convinced individuals associated with other ministries’ congregations to provide him with cash in exchange for a check written by MSM Ministries, a common occurrence for traveling ministers such as Shaw. However, some of the checks given by Shaw in exchange for cash were not honored when later presented to his bank for payment.

14. Between February 1999 and the present, Shaw has been the subject of multiple small claims and other debt collection actions.

15. Between September 2004 and June 2006, Shaw’s MSM Ministries checking account had more than 400 instances of checks being presented for payment when insufficient funds were available in the account to pay these items.

16. Beginning on a date uncertain, but at least since 2003, Shaw solicited other ministries’ congregation members, pastors and others to provide funding to Shaw’s personal business project. Since 2003, Shaw has raised more than \$100,000 through more than 20 investors by representing to them that a re-publishing of his book was imminent and that the book would produce significant profits, such that investors were

generally promised a return of their investment plus royalty profits of up to 400% in the twelve months following their investments. Shaw led multiple investors to believe that a previously committed investor had backed-out of a fully-subscribed group of ten investors and that Shaw had selected them (the new investor) to have a chance at this “rare opportunity.” To participate in the investment and realize the promised profits, investors needed to do nothing more than give Shaw their money.

17. Shaw led at least one investor to believe that he also had a Christian music recording contract and that the books and the recordings would provide significant profits for anyone fortunate enough to invest with him.

18. In furtherance of his investment scheme, Shaw created various documents to memorialize the investments being made and the profits promised in return. Many of these investment documents were entitled “loan agreement” on letterhead under the MSM Ministries name.

19. Shaw used his status as a minister to identify and solicit prospective investors, invoking prayers and blessings upon prospective investors and small business owners in furtherance of his investment scheme.

20. Shaw represented the investment as having little or no risk due to the imminent release and distribution of his book and/or musical creations.

21. The investments solicited and received by Shaw are securities within the meaning of Idaho Code §30-1402(12) of the Idaho Securities Act and Idaho Code §30-14-102(28) of the Idaho Uniform Securities Act (2004). More specifically, the interests are both investment contract securities and profit sharing agreement securities.

22. In connection with the offer, purchase or sale of these securities, Shaw, directly or indirectly, 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 in violation of the Idaho Securities Act and the Idaho Uniform Securities Act (2004).

COUNT ONE

23. Paragraphs 1 through 22 set forth above are fully incorporated herein by this reference.

24. In connection with the offer and sale of the investment securities, Shaw omitted 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 in violation of the antifraud provisions of the Idaho Securities Act and the Idaho Uniform Securities Act (2004). The omissions of Respondent include, but are not limited to, the following:

- a) Shaw failed to inform offerees and purchasers that MSM Ministries was solely a dba and not a legal entity, such that Shaw was the sole issuer of the identified securities.
- b) Shaw failed to inform offerees and purchasers of his personal financial condition and that the investment proceeds would be used for his own personal benefit or for his “ministry” and not for the printing and distribution of his book.
- c) Shaw failed to inform offerees and purchasers that he had been the subject of multiple collection actions since 2003.

d) Shaw failed to inform offerees and purchasers that a prior investor had sued him to recover their investment as the investment had not imminently returned profits as promised and that no book had been published as promised.

e) Shaw failed to inform offerees and purchasers that no book printing or distribution was imminent and that he lacked the financial resources to begin and maintain the repayments promised in the investment documents.

f) Shaw failed to inform offerees and purchasers of the amounts and types of obligations owed by him, including the amounts owed to benevolent individuals that had cashed checks for Shaw, only to find that the checks were not good.

g) Shaw failed to inform at least one investor that he did not have any contract to produce or provide musical content for publication or distribution.

25. Respondent has violated Idaho Code §§ 30-1403(2) & 30-14-501(2).

COUNT TWO

26. Paragraphs 1 through 25 set forth above are fully incorporated herein by this reference.

27. In connection with the offer or sale of securities, Respondent misrepresented material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading in violation of the antifraud provisions of the Idaho Securities Act and the Idaho Uniform Securities Act (2004). The misrepresentations of Shaw include, but are not limited to, the following:

a) Shaw misrepresented the investment as having a high degree of safety due to the imminent nature of the book publication and distribution, when in fact, Shaw had no reasonable basis to believe that the book was to be imminently available or easily sold.

b) Shaw misrepresented the investment as having a high degree of safety due to the almost immediate investment repayments and profit distributions promised by Shaw, when in fact, Shaw lacked the funds to make few if any immediate repayments as required and he had no reasonable expectation that the book would be imminently printed or distributed.

c) Shaw misrepresented to most investors that invested funds would be applied to the publication or printing of the book, when in fact, Shaw used the investors' monies to pay other personal debts and obligations.

28. Respondent has violated Idaho Code §§ 30-1403(2) and 30-14-502(2).

COUNT THREE

29. Paragraphs 1 through 28 set forth above are fully incorporated herein by this reference.

30. In connection with the offer or sale of securities, Respondent engaged in an act, practice or course of business that operated or would operate as a fraud or deceit. The acts, practices and courses of business that operated as a fraud or deceit include, but are not limited to, the following:

a) The conduct alleged in paragraphs 1 through 28 of this Order.

b) In furtherance of his deceit, Shaw continued to raise investment funds while an earlier investor was undertaking collection efforts based on his false promises.

c) Shaw furthered his scheme to defraud when he purposefully misrepresented to a Department of Finance investigator that he had only two investors in his investment program.

d) Shaw furthered his scheme to defraud by attempting to mitigate the concerns of defrauded investors by promising them imminent repayments during the pendency of the State's investigation. Shaw has failed to make any of these promised payments.

31. Respondent has violated Idaho Code §§ 30-1403(3) and 30-14-502(3).

CEASE AND DESIST ORDER

NOW, THEREFORE, PURSUANT TO IDAHO CODE § § 30-1442(2) AND 30-14-604(a)(1), IT IS HEREBY ORDERED THAT MICHAEL RW SHAW AKA MICHAEL R. SHAW, DBA MSM MINISTRIES, AND DBA MICHAEL SHAW MINISTRIES, IMMEDIATELY CEASE AND DESIST FROM:

A. While engaged in or in connection with the offer, or sale, of any security in the state of Idaho:

(1) Employing any device, scheme or artifice to defraud any purchasers of securities in Idaho;

(2) making any untrue statement of material fact or omitting to state a material fact necessary in order to make the statements made, in light of the circumstances under which they are made, not misleading;

(3) Engaging in any act, practice or course of business which operates or would operate as a fraud or deceit upon any person.

ACKNOWLEDGMENT, AGREEMENT AND CONSENT BY RESPONDENT

1. The Respondent consents to the entry of this Order.
2. The Respondent neither admits nor denies the violations alleged by the Complainant in this Order.
3. The Respondent represents that he is unable to provide completely accurate information to the Department regarding all potential and actual investors associated with the investment scheme described in this Order.
4. While Respondent has made some nominal repayments to investors, Respondent represents that he is indigent and currently unable to repay investors that have been defrauded by his actions. In this regard, Respondent agrees to provide Complainant with a true and accurate personal financial statement of he and his family's assets and liabilities. Said financial statement shall be provided to Complainant not later than fifteen (15) days from the date of this Order.
5. Respondent agrees to pay the Complainant a civil penalty in the amount of twenty-five thousand dollars (\$25,000). Collection of the civil penalty may be waived by the Director upon a showing that the Respondent is making a reasonable attempt to repay investors affected by Respondent's conduct as described herein and that Respondent has provided the personal financial statement identified in Item 4, above. The Complainant agrees to evaluate the Respondent's remedial efforts over the course of the twenty-four (24) months following the date of this Order prior to considering whether to collect or waive the civil penalty. Respondent acknowledges that failure to timely provide the financial statement

or periodic repayment reports as required in the Order shall constitute a violation of this Order and that civil penalty collection proceedings by the Complainant can proceed immediately.

6. Respondent agrees to cease raising funds through the means of any investment that has a nexus with Idaho.

7. Respondent agrees to make best-efforts undertaking to repay investors that have been offered and sold the securities described herein. Respondent shall submit a quarterly letter to the Department detailing the progress he has made in repaying investors. The first such report will be due January 1, 2007. As all investors cannot be identified or otherwise located, Respondent agrees to waive, for a period of five years from the date of this Order, any securities-related statute of limitations defenses in the event that any individual investor shall seek to collect or otherwise take action against Respondent for the same activities or activities similar to those giving rise to this Order.

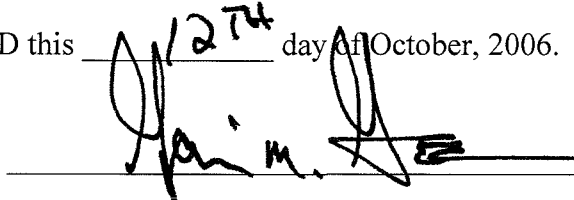
8. Respondents agree not to claim the availability of, use, or offer or sell securities under, any exemptions under the Idaho Uniform Securities Act (2004) without first obtaining the written permission of the Director of the Idaho Department of Finance.

9. Respondent agrees to abide by the Idaho Uniform Securities Act (2004). In the event that Respondent commits violations of the Idaho Uniform Securities Act within three (3) years of the date of this Order, Respondent acknowledges that Complainant can incorporate the allegations giving rise to this Order in any future proceeding.

10. The foregoing Cease and Desist Order is necessary and appropriate, in the public interest, and for the protection of the public.

IT IS SO ORDERED.

DATED this 12th day of October, 2006.



GAVIN M. GEE, Director
Idaho Department of Finance



ACKNOWLEDGMENT, AGREEMENT AND CONSENT

_____ Date _____
MICHAEL RW SHAW AKA MICHAEL R. SHAW, DBA
MSM MINISTRIES, DBA MICHAEL SHAW MINISTRIES

DATED this _____ day of October, 2006.

GAVIN M. GEE, Director
Idaho Department of Finance

ACKNOWLEDGMENT, AGREEMENT AND CONSENT

Michael R. Shaw Date *10-10-06*

MICHAEL RW SHAW AKA MICHAEL R. SHAW, DBA
MSM MINISTRIES, DBA MICHAEL SHAW MINISTRIES
Michael R. Shaw *10-11-06*

