

**UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF TEXAS
MIDLAND-ODESSA DIVISION**

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

v.

JEFFERY A. MCCOLLUM AND
JNL OILFIELD INSTRUMENTS, LLC,

Defendants.

C.A. No. 7:16-cv-282

COMPLAINT

Plaintiff Securities and Exchange Commission (“Commission”) files this Complaint against Defendants Jeffery A. McCollum (“McCollum”) and JNL Oilfield Instruments, LLC (“JNL”), and alleges as follows:

SUMMARY OF THE ACTION

1. Defendants raised more than \$12 million from approximately 30 investors by offering investment contracts for the purchase and resale of oilfield services equipment. Defendants told investors that their money would be used to invest in used equipment that Defendants would purchase and resell for large profits. These statements, however, were false. In reality, Defendants were not purchasing the equipment and were instead using investor funds to pay off earlier investors and to pay McCollum’s personal expenses.

JURISDICTION AND VENUE

2. This Court has jurisdiction over this action pursuant to Sections 20(b), 20(d)(1), and 22(a) of the Securities Act of 1933 (“Securities Act”) [15 U.S.C. §§ 77t(b), 77t(d)(1), &

77v(a)], and Sections 21(d)(1), 21(d)(3)(A), 21(e), and 27 of the Securities Exchange Act of 1934 (“Exchange Act”) [15 U.S.C. §§ 78u(d)(1), 78u(d)(3)(A), 78u(e), & 78aa].

3. Defendants have, directly or indirectly, made use of the means or instrumentalities of interstate commerce and/or the mails in connection with the transactions, acts, practices, and courses of business alleged in this Complaint.

4. Venue is proper in this district pursuant to Section 22(a) of the Securities Act [15 U.S.C. § 77v(a)] and Section 27 of the Exchange Act [15 U.S.C. § 78aa] because certain of the transactions, acts, practices, and courses of conduct constituting violations of the federal securities laws occurred within this district. Among other things, Defendants offered and sold the securities at issue in this district. McCollum also resides in this district and JNL’s principal place of business is in this district.

DEFENDANTS

5. Defendant Jeffery A. McCollum is an individual residing in Odessa, Texas.

6. Defendant JNL Oilfield Instruments, LLC is a Texas limited liability company with its principal place of business in Odessa, Texas. McCollum is the founder and owner of JNL.

FACTUAL ALLEGATIONS

7. McCollum lives and works in Odessa, Texas. McCollum started JNL to provide services to oilfield companies in West Texas. The business struggled, and McCollum found himself short of funds to pay his business and personal expenses.

8. McCollum decided to buy used oilfield services equipment that he believed he could quickly resell for a profit. But McCollum did not have the money to purchase the equipment. So McCollum began soliciting outside investors.

9. McCollum told investors that he had specialized knowledge of, and contacts in, the thriving used equipment market, and that he was starting a business venture to capitalize on resale opportunities. McCollum would then tell investors that he had identified a specific piece of equipment for sale. McCollum represented that if the investor provided funds to JNL to purchase the equipment, the investor would be guaranteed a high rate of return on their investment. Typically, McCollum would promise a specific rate of return of approximately 13%.

10. The initial investors were people that McCollum or his family knew in the Midland-Odessa area. Later, McCollum took a job at a local dealership for a major construction equipment company. This put McCollum in contact with a stable of well-heeled individuals in the oil and gas industry from whom he solicited additional funds.

11. McCollum first operated his business under the fictitious name “Oilfield Instruments” and then formed JNL in 2012. Beginning in 2009, and continuing through at least June 2, 2015, McCollum raised more than \$12 million from approximately 30 investors. The investors contributed amounts ranging from several thousand to over a million dollars.

12. McCollum, and JNL, by and through McCollum, affirmatively made multiple misstatements and omissions directly to investors. More specifically, McCollum told investors that their funds would be and were used, to purchase specific, identified pieces of used equipment. But this was false and Defendants, with a few exceptions, did not actually purchase any equipment. Instead, McCollum typically pooled investor funds in his company or personal accounts and used the money to payback earlier investors and to pay unrelated expenses, including personal expenses.

13. In some instances, McCollum directed investors to make their investment checks payable to the party purportedly selling the equipment. In truth, the payees were earlier investors

in the scheme. When investors requested details about an equipment transaction, McCollum made up stories about fictitious pieces of equipment and phantom buyers. When asked to provide stronger support, McCollum simply obtained photographs of unrelated equipment and claimed that this was the equipment that had been purchased in connection with their investment. On some occasions, McCollum also sent investors fake equipment invoices that he had created.

14. These misrepresentations and omissions were undoubtedly material to a reasonable investor, including because a reasonable investor would consider false statements about the equipment purchases and how Defendants planned to use investor funds important in making their investment decision. Investors turned over money to Defendants as a direct result of Defendants' misrepresentations and omissions.

15. Defendants knew, or were reckless in not knowing, that their misrepresentations and omissions were false and misleading. By making these misrepresentations and omissions to fraudulently solicit investor funds, Defendants have acted with scienter. McCollum's scienter is imputed to JNL, because JNL acts through McCollum.

16. The investments Defendants offered and sold are investment contracts and securities within the meaning of the Securities Act and the Exchange Act. The investors expected that their returns would come solely from the efforts and expertise of Defendants in identifying, purchasing, and reselling equipment. The investors had no role in the management of JNL and no control over their investment. Defendants also pooled investor funds in one or more bank accounts.

FIRST CLAIM FOR RELIEF

**Fraud in the Offer and Sale of Securities
Violations of Section 17(a) of the Securities Act
(Against Defendants McCollum and JNL)**

17. Paragraphs 1 through 16 are re-alleged and incorporated by reference.

18. By engaging in the conduct described herein, Defendants, directly or indirectly, singly or in concert with others, in the offer or sale of securities, by use of the means and instrumentalities of interstate commerce and/or by use of the mails have: (a) employed devices, schemes, and artifices to defraud; (b) obtained money or property by means of untrue statements of a material fact and omitted to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and (c) engaged in transactions, practices, and courses of business which operate or would operate as a fraud and deceit upon the purchasers.

19. With regard to their violations of Section 17(a)(1) of the Securities Act, Defendants acted intentionally, knowingly or with severe recklessness with respect to the truth.

20. With regard to their violations of Sections 17(a)(2) and 17(a)(3) of the Securities Act, Defendants acted at least negligently.

21. By reason of the foregoing, Defendants have violated and, unless enjoined, will continue to violate Section 17(a) of the Securities Act [15 U.S.C. § 77q].

SECOND CLAIM FOR RELIEF

**Fraud in Connection with the Purchase or Sale of Securities
Violations of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder
(Against Defendants McCollum and JNL)**

22. Paragraphs 1 through 21 are re-alleged and incorporated by reference.

23. By engaging in the conduct described herein, Defendants directly or indirectly, singly or in concert, by the use of the means or instrumentalities of interstate commerce and/or or by use of the mails, in connection with the purchase or sale of securities, knowingly or recklessly: (a) employed devices, schemes, and artifices to defraud; (b) made untrue statements of a material fact and omitted to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and (c) engaged in acts, practices, and courses of business which operate or would operate as a fraud and deceit upon purchasers, prospective purchasers, and any other persons.

24. Defendants made the above-referenced misrepresentations and omissions intentionally or with severe recklessness regarding the truth.

25. By reason of the foregoing, Defendants violated and, unless enjoined, will continue to violate Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5].

RELIEF REQUESTED

Therefore, the Commission respectfully requests that this Court:

- (a) Permanently enjoin Defendants and their agents, servants, employees, attorneys and all persons in active concert or participation with them who receive actual notice of the injunction by personal service or otherwise, from violating, directly or indirectly, Section 17(a) of the Securities Act [15 U.S.C. §§ 5 U.S.C. § 77q(a)] and Section 10(b) of the Exchange Act [15 U.S.C. §§ 78j(b), 78t(a) and 78t(b)], and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5];

- (b) Order Defendants to disgorge, jointly and severally, all ill-gotten gains and/or unjust enrichment realized by each of them, plus prejudgment interest;
- (c) Order each Defendant to pay an appropriate civil monetary penalty pursuant to Section 20(d) of the Securities Act [15 U.S.C. § 77t(d)] and Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)]; and
- (d) Grant such further relief as this Court may deem just and proper.

Dated: July 27, 2016

Respectfully submitted,

/s/ Keefe M. Bernstein
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