

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF GEORGIA
SAVANNAH DIVISION

SECURITIES AND EXCHANGE
COMMISSION,

Plaintiff,

v.

TENNSTAR ENERGY, INC. f/k/a BLACK
GOLD RESOURCES, INC., DAVID R.
GREENLEE, DAVID A. STEWART, JR., AND
RICHARD "RIC" P. UNDERWOOD,

Defendants.

CV 417 151

Civil Action File No.

30-11-2017 3:37 PM

COMPLAINT FOR INJUNCTIVE AND OTHER RELIEF

The plaintiff, the Securities and Exchange Commission ("Commission"), files this Complaint and alleges the following:

SUMMARY

1. Between at least January 2013 and February 2016, David R. Greenlee ("Greenlee") and David A. Stewart, Jr. ("Stewart"), acting individually and through a network of salesmen whom they recruited and controlled, fraudulently sold to more than 150 investors at least \$15 million of interests in various limited partnerships and joint ventures that were purportedly created to extract and sell oil from existing wells in Kansas, Oklahoma and Texas.

2. Greenlee and Stewart operated their scheme through two Tennessee corporations, Southern Energy Group, Inc. ("SEG"), which is now administratively dissolved, and Black Gold Resources, Inc. ("BGR"), which later changed its name to Tennstar Energy, Inc. ("Tennstar").

3. Richard P. Underwood (“Underwood”) substantially assisted in the scheme. He acted as a principal salesman of the offerings, helped draft the false offering materials given to investors and oversaw the operations of one of the boiler room sales teams that solicited and sold these investments.

4. In soliciting investors, Greenlee, Stewart and Underwood represented that the limited partnerships and joint ventures would use investor funds to (a) acquire “working interests” in various oil wells and (b) employ enhanced oil recovery techniques, such as fracking, to develop and recover oil from the wells. Greenlee, Stewart and Underwood also told investors that the entities would sell the oil in order to earn for investors returns ranging from 15 to 55 percent, or more, per year “for decades.”

5. These representations were false. Although Greenlee and Stewart used a portion of investor money to produce oil from several wells that they controlled, they used nearly two-thirds of the \$15 million of investor funds raised for their own benefit, to pay salesmen, such as Underwood, or to advertise for new investors for their scheme.

6. Of the funds they actually used for oil production, most was spent at only a few of the wells in order to create an appearance of activity to dupe investors who wanted to see the wells in production. The small amount of oil produced was sold to generate nominal profits which, in turn, were distributed to various investors to lull or induce further investments.

7. Greenlee, Stewart, and Underwood also represented that SEG would manage the limited partnerships and Tennstar would manage the joint ventures, and that each of these companies was headed by an individual experienced in the oil industry.

8. In fact, neither SEG, nor Tennstar was managed by someone with experience in the oil industry. Instead, Greenlee and Stewart installed figureheads that had little or no

experience in the oil industry and created and distributed false biographies for these figureheads that misrepresented that they had significant relevant experience.

9. When soliciting investors themselves, Greenlee and Stewart used fake names to hide their identities and criminal records.

10. Underwood knew of these falsehoods, helped facilitate the sales, and was aware that investor funds were being dissipated.

VIOLATIONS

11. Tennstar, Greenlee, Stewart and Underwood (collectively, the “Defendants”), by virtue of their conduct, directly or indirectly, have engaged and unless enjoined, will engage in violations of Section 17(a) of the Securities Act of 1933 (“Securities Act”) [15 U.S.C. § 77q(a)] and Section 10(b) of the Securities Exchange Act of 1934 (“Exchange Act”) [15 U.S.C. § 78j(b)], and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5].

JURISDICTION AND VENUE

12. The Commission brings this action pursuant to Sections 20(b), (c) and (d) of the Securities Act [15 U.S.C. §§ 77t(b)-(d)] and Sections 21(d) and 21(e) of the Exchange Act [15 U.S.C. §§ 78u(d)-(e)] to enjoin the Defendants from engaging in the transactions, acts, practices and courses of business alleged in this Complaint, and transactions, acts, practices and courses of business of similar purport and object, for disgorgement of illegally obtained funds, prejudgment interest and other equitable relief, and for civil money penalties.

13. This Court has jurisdiction over this action pursuant to Sections 20(b), 20(d) and 22(a) of the Securities Act [15 U.S.C. §§ 77t(b), 77t(d) and 77v(a)] and Sections 21(d), 21(e) and 27 of the Exchange Act [15 U.S.C. §§ 78u(d), 78u(e) and 78aa].

14. The Defendants, directly and indirectly, have made use of the mails, the means and instrumentalities of transportation and communication in interstate commerce, and the means and instrumentalities of interstate commerce, in connection with the transactions, acts, practices, and courses of business alleged in this Complaint.

15. Venue lies in this Court 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 business constituting violations of the Securities Act and Exchange Act have occurred within the Southern District of Georgia. Moreover, the Defendants have solicited and obtained investors in this fraudulent offering who reside within the State of Georgia, including within the Southern District of Georgia.

DEFENDANTS

16. Tennstar Energy Inc. is a Tennessee corporation formerly known as Black Gold Resources, Inc. It was formed in December 2013 to serve as the purported manager of the joint ventures that Greenlee, Stewart and Underwood offered and sold to investors. In January 2016, BGR changed its name to Tennstar following a trademark dispute with another, unrelated entity.

17. David R. Greenlee, age 41, and a resident of Gallatin, Tennessee, was convicted in state court and served time in a Kentucky prison during 1999 to 2000 for forgery and burglary, and again in 2004 for vehicular manslaughter. Following his most recent incarceration from 2007 to 2009 for probation violations, Greenlee became involved in various unregistered securities offerings. Through one such offering, he became friends with Stewart, who was a fellow salesman. When communicating with investors regarding the offer and sale of the investments at issue here, Greenlee frequently used the aliases “David Johnson” or “David Morrill” to conceal his criminal record.

18. David A. Stewart, Jr., age 46, and a resident of Gallatin, Tennessee, is a former registered representative of two Commission-registered broker-dealers in 2001 and 2002. He previously held FINRA series 22 and 63 licenses. Stewart became friends with Greenlee while working with him in selling unregistered securities offerings. In 1998, the Wisconsin Division of Securities issued a prohibition and revocation of exemptions order against Stewart, among others, for fraud in the offer of securities by an unlicensed broker-dealer which had falsely claimed in a filing with state regulators that the entity did not pay commissions for the sale to investors of its natural gas well investment "units." In April 2007, Stewart was convicted of federal income tax evasion and sentenced to federal prison. Later, in 2008, the Alabama Securities Commission issued a cease-and-desist order against Stewart, among others, for previously participating in a separate oil and gas offering scheme. As part of the SEG and Tennstar schemes, Stewart used the alias "David Johnson," to conceal his criminal and disciplinary history from investors.

19. Richard "Ric" P. Underwood, age 65, and a resident of Fort Lauderdale, Florida, held the title of Tennstar's Vice President of Sales. In addition to his selling duties, Underwood assisted in drafting many of the limited partnerships' and joint ventures' offering materials. From 1994 to 1997, Underwood was a registered representative of a broker-dealer unrelated to this case and held FINRA series 22, 24, 39, 62 and 63 licenses. In 1996, a former customer won a \$25,000 arbitration award against him for investment misrepresentations. Underwood worked with Stewart for a period of time at another broker-dealer. The State of Wisconsin also issued a cease-and-desist order against Underwood in 1998 for his role in the fraudulent offer and sale of securities. The State of Alabama also issued a cease-and-desist order

against Underwood in 2006 for his role in offering and selling securities while unregistered with the state. In 2007, Underwood pled guilty to federal income tax evasion.

RELATED COMPANY AND INDIVIDUALS

20. Southern Energy Group, Inc. was a Tennessee corporation that Greenlee and Stewart formed, through an intermediary whom they controlled, in January 2013. SEG served as the purported manager of oil and gas limited partnerships in which Stewart, Greenlee and Underwood sold interests to investors. In August 2016, the State of Tennessee administratively dissolved SEG.

21. Robert Dorrance (“Dorrance”), age 60, and a resident of Gallatin, Tennessee is a relative of Greenlee’s wife and was recruited by Greenlee to serve as the President of SEG. Despite his title of President, Dorrance had no control over SEG. Instead, Greenlee and Stewart controlled SEG, providing Dorrance with assignments and tasks and determining his salary.

22. Dorrance was featured prominently on the SEG website, which described him as having “nearly 40 years of business experience” and “association with some of the most capable and experienced professionals in the oil industry.” In truth, Dorrance never worked in oil development. His prior work was selling stereos and helping to manage his spouse’s dental practice.

23. Jared G. Forrester (“Forrester”), age 33, and a resident of Glasgow, Kentucky, was a friend of Stewart. Stewart and Greenlee directed Forrester to incorporate BGR (later known as Tennstar) with the State of Tennessee and installed him as the company’s CEO and president to conceal their involvement with their company given their criminal backgrounds.

24. Despite his title, Forrester had no control over BGR or Tennstar. Instead, he worked under the direction of Greenlee and Stewart, as they set Forrester’s salary and gave him

assignments to complete. At the direction of Greenlee and Stewart, Forrester sold interests in the BGR/Tennstar oil joint ventures to investors in numerous states and signed ownership unit certificates that were sent to investors on behalf of BGR/Tennstar.

25. Contrary to statements in the websites and offering literature for BGR/Tennstar, Forrester had no meaningful experience in the oil industry. He previously worked as a stockbroker trainee, a hotel worker, and a furniture store salesman.

FACTS

A. **Stewart and Greenlee Create SEG and Tennstar and Install Figureheads to Conceal Their Involvement**

26. After becoming friends while selling investments at an unrelated broker-dealer, Greenlee and Stewart began working together again selling oil investments through TexStar Energy Corp. ("TexStar"), an entity that they did not own or control.

27. Not long thereafter, Greenlee and Stewart decided to create their own entity to offer and sell investments in oil development ventures. Specifically, in January 2013, Greenlee and Stewart, through an intermediary, incorporated SEG in Tennessee in order to receive investor funds and otherwise help orchestrate the fraud.

28. To run SEG over the longer term while hiding their involvement due to their criminal histories, they installed Dorrance, a relative of Greenlee's wife, to become SEG's nominal president. Although Dorrance had no experience in the oil industry, Greenlee and Stewart drafted fake biographical information for SEG's website and brochures, falsely describing Dorrance as having, among other attributes, "years of experience in finance, sales, oil & gas, and almost every capacity of corporate America."

29. In truth, Dorrance's prior work involved selling stereos and helping manage his spouse's dental practice.

30. Later, in 2013, Greenlee and Stewart created a second entity, using an intermediary as they did with SEG, to help them perpetrate the fraud. Specifically, in December 2013, Greenlee and Stewart recruited Forrester to file incorporation documents for BGR (later known as Tennstar) with the State of Tennessee.

31. Stewart and Greenlee then installed Forrester as the company's CEO and president to conceal their involvement with their company given their criminal backgrounds.

32. Installing Forrester as the CEO-in-name-only of BGR/Tennstar was necessary, Greenlee explained to Forrester in a message on August 20, 2014, because “[t]he rest of us are the Manson family,” alluding to the criminal and disciplinary records of others involved in the scam, such as Greenlee and Stewart.

33. As they did with Dorrance, Greenlee and Stewart drafted fake biographical information about Forrester for BGR's website and offering brochures, touting Forrester as an experienced oil and gas executive. For example, Tennstar's website and offering brochures described Forrester as having “used his personal and business relationships to locate prime oil and gas properties in Texas and Oklahoma.” This was false. Forrester was a former stockbroker trainee, former hotel worker, and former furniture salesman with little or no experience in the oil and gas industry.

34. Both Forrester and Dorrance acted in their roles largely—if not solely—at the direction of Greenlee and Stewart.

35. In fact, in an email exchange on January 5, 2015, Greenlee and Stewart discussed whether to get rid of Dorrance and “merge SEG and BGR,” and, as a result, send Forrester to run SEG. Stewart, concerned by the mistakes and failure of Dorrance to follow directions on certain tasks, urged Greenlee in a text: “Get ya boy under control quick please.”

B. The Selling Effort

36. Along with creating SEG and Tennstar, Greenlee and Stewart drafted offering documents largely modeled after TexStar documents to which they had access, often using the same maps and stock photos from the TexStar materials.

37. Greenlee and Stewart decided that SEG would offer Tennessee “limited partnerships” and Tennstar would offer Tennessee “joint ventures.”

38. The joint ventures were described in offering documents by Tennstar as operating with the same status as general partnerships under Tennessee law.

39. Greenlee and Stewart also decided that SEG would primarily seek to solicit “accredited” investors, while Tennstar would purportedly focus on selling investments to non-accredited investors.

40. From 2013 to 2015, SEG and its affiliated partnerships filed various Forms D with the Commission for the offer of interests in limited partnerships. For BGR/Tennstar, Forms D were filed for the first two joint venture offerings that BGR/Tennstar sold to investors in 2014. Thereafter, BGR/Tennstar filed no additional Forms D with the Commission for additional offers of joint venture interests from later in 2014 through 2016.

41. In fact, these investments were securities.

42. Greenlee and Stewart also recruited a former colleague, Underwood, to handle editing the various private placement memoranda and brochures that they created as the fraud unfolded.

43. In actuality, Underwood did little more than change the names of the offering entities on the materials, vary the terms relating to specific land leases and offering unit amounts, and swap in the appropriate fake leadership biographies for either Dorrance or Forrester.

44. The offering materials contained numerous typographical errors from the constant copying and pasting of certain language, as well as from the attempts to convert documents from limited partnership offerings by SEG into offering documents for Tennstar's joint venture interests.

45. In offering materials that Greenlee, Stewart and Underwood drafted and gave to investors, the offerings were described as intending to generate a profit for investors by using investor funds to acquire "working interests" in specifically identifiable oil well leases in various counties in Texas, Oklahoma and Kansas.

46. Each "working interest" was defined to represent a certain "net revenue interest" in the oil wells.

47. SEG or Tennstar represented in their offering materials that they would use investor funds to develop and implement enhanced oil recovery techniques, such as fracking, at the oil wells.

48. Investors were told that this sale of oil, in turn, would supposedly generate a return for each limited partnership's or joint venture's investors of as much as 55 percent per year "for decades" into the future.

49. Greenlee, Stewart and Underwood also recruited salesmen for the offerings and set up two locations that would operate as "boiler rooms," with salesmen telephoning investors from a central location (using a sales leads list) and persuading certain individuals to invest by using sales scripts provided by Greenlee, Stewart and Underwood.

50. SEG and Tennstar also advertised their offerings on television, radio and the internet. Prospective investors were encouraged to call certain numbers or send e-mails with particular information about themselves. Greenlee, Stewart and Underwood and the sales teams

would then sort through which investors to contact and which offering to present to each investor for consideration.

51. SEG's limited partnership interests were sold from an office in the suburbs of Nashville, Tennessee, while interests in Tennstar's joint ventures were sold from an office near Fort Lauderdale, Florida. Underwood coached new salesmen, often in response to directions from Greenlee and Stewart, and helped close certain sales over the phone.

52. Greenlee and Stewart participated in some of the calls by their sales staff, using fake names, to help complete the sales.

53. Tennstar offerings were also marketed on the internet through video advertisements on YouTube in which a paid spokesman, reading a script provided by Underwood, described the offerings as an "investment" that was "tailored for the savvy, conservative investor" and was "specifically designed to deliver safe and consistent 20 to 30 percent annual returns that can last for decades."

C. **The Partnerships and Joint Ventures**

54. Between approximately 2013 and February 2016, the Defendants offered and sold to at least 150 investors at least \$15 million of interests, or "units," in more than ten limited partnerships or joint ventures.

55. Not all offerings were concurrently sold to investors. Instead, typically, one or two limited partnerships or joint ventures were sold at the same time. When "units" in those offerings were completely subscribed, new limited partnerships or joint ventures were created and offered for sale to investors.

56. As alleged in more detail below, on at least one occasion, the working interests that Defendants sold in an oil well exceeded 100 percent.

SEG-Tenney Creek Development, LP

57. Greenlee, Stewart and Underwood sold limited partnership interests in SEG-Tenney Creek Development, LP (“Tenney Creek”) between approximately August 2015 and February 2016.

58. The Tenney Creek offering materials given to investors described the investment as an opportunity to buy units in a Tennessee limited partnership for which SEG served as the Managing General Partner. The private placement memorandum (the “Tenney Creek PPM”) explained that Tenney Creek was seeking to raise \$3.5 million through the sale of 50 limited partnership units, which were being offered to accredited investors pursuant to Rule 506(c) of Regulation D under the Securities Act.

59. The Tenney Creek PPM further stated that Tenney Creek was to use the investor funds to acquire a 75 percent working interest in twenty-one wells located in Caldwell County, Texas, on what was known as the “Garner-Williams” leases. SEG, as Managing General Partner, had supposedly already entered into a “Turnkey Completion Contract” with Tenney Creek pursuant to which the limited partners (*i.e.* the investors) would provide the funds to “furnish the equipment, labor, and services” for the wells. In return, the investors in Tenney Creek, on a *pro rata* basis tied to their units owned, would share in any profits of the oil wells.

GW 21 Joint Venture

60. Between approximately August 2015 and the end of December 2015, Greenlee, Stewart, and Underwood offered and sold interests (or units) in GW 21 Joint Venture (“GW 21 JV”) to investors. The confidential information memorandum for GW 21 JV (containing numerous typographical errors from having been edited and re-used from prior offerings) stated

that the joint venture was a chance to buy joint venture units in a Tennessee joint venture for which Tennstar (still called BGR at that time) served as the Managing Venturer.

61. The offering memorandum for GW 21 JV noted that forty (40) joint venture units were being sold by Tennstar for \$93,400 per unit. Investors were told that Tennstar would use funds raised to acquire working interests in twenty-one wells on the "Garner-Williams" leases in Caldwell County, Texas—the same twenty-one wells identified in the Tenney Creek offering involving SEG.

62. Specifically, investors were told that Tennstar "currently own[ed] or will own" eighty percent of the working interest in the twenty-one wells. This meant, in effect, that, while Greenlee, Stewart, and Underwood were selling investments in Tenney Creek to acquire seventy-five percent of the working interest in the twenty-one wells on the Garner-Williams leases, they also were concurrently selling GW 21 JV investments, seeking to acquire eighty percent of the working interest in the same twenty-one wells on the same land in Texas.

63. Maps in the offering materials for each respective offering are essentially the same—showing the same land leases to be acquired in both offerings. Moreover, the maps used in each offering are identical to maps used within older offering materials distributed by TexStar.

64. The GW 21 JV offering memorandum further explained that the venture would have the same status of a general partnership under the laws of Tennessee, and that "the management of the Operations and other business of the Venture shall be the responsibility of all the Venturers," (*i.e.* the investors buying interests in GW 21 JV).

65. However, GW 21 JV, as well as four additional Tennstar joint venture offerings that did not file Forms D with the Commission, were not *bona fide* joint ventures. The individuals who bought interests in GW 21 JV did not have any meaningful control over the

ventures and did not have any means of contacting each other or knowing the identities of the other participants.

66. The participants were merely passive investors who provided money and waited for their oil production checks and paperwork from Tennstar that would allow for tax deductions to be claimed. The participants had no knowledge or ability to play any role in the recovery or development of oil from the purported oil well projects. Many investors in GW 21 JV were retirees.

67. Further, the GW 21 JV memorandum explained that Tennstar had been appointed as the initial Managing Venturer and that Tennstar's "decisions concerning the day-to-day affairs and the Operations for the venture by [Tennstar] shall be binding upon each of the Venturers and the Venture."

D. Defendants Misrepresent that Investor Funds Would Be Used to Extract Oil

68. Upon information and belief, Greenlee and Stewart had actually acquired legal interests in various oil wells in Texas. They purportedly held these interests through Enhanced Recovery Solutions, Inc. ("ERS"), a Nevada company that they controlled.

69. Contrary to their representation that investor funds would be used for oil development and recovery, however, Greenlee and Stewart diverted significant funds for other purposes.

70. Specifically, Dorrance and Forrester, acting at the direction of Greenlee and Stewart, caused both SEG and Tennstar to send investor funds to ERS. Greenlee and Stewart controlled ERS and used it to funnel investor funds to various shell companies for their personal spending, to pay their "boiler room" sales teams, and to pay the expenses such as the *de minimis* oil well operations that were put on for show to lull investors.

71. Greenlee and Stewart divided investor funds, using what they called the “Rule of Thirds.” Under this practice, only roughly one third of the investor funds raised in the offerings was placed into oil drilling and production (though, some of this was merely used to paint old oil equipment to look new). This was done to create an appearance of activity around the wells to show to curious investors and prospective investors, and to produce some oil – albeit a small quantity – to sell to third-party buyers. The profits from these sales were periodically paid in small amounts to investors to show them at least some return on their investments – though investors usually received no more than \$100 or so from “distribution checks.”

72. Another third of investor funds was used to fund compensation for the salesmen, such as Underwood, and to pay for advertising. Finally, the remaining third was misappropriated by Greenlee and Stewart.

73. The majority of this misappropriation did not occur directly from the bank account of ERS. While some personal expenses were paid directly from ERS, much of the money received by ERS was paid back out in response to fake invoices for supposed oil development consulting and production costs from additional entities controlled by Greenlee and Stewart.

74. In the case of Greenlee, his portion of misappropriated funds was paid to Strategic Energy Consultants, Inc., an entity he controlled, while Stewart had his portion of misappropriated funds paid to PetroDrill, Inc., Petro Professional, Inc., or Petroleum Consulting, LLC, all of which he controlled.

75. Moreover, certain wells that were portrayed to investors as producing oil were not in operation.

76. For instance, of the twenty-one wells included in the Garner-Williams leases and “double-sold” by Greenlee and Stewart in both the Tenney Creek and GW 21 JV offerings, only several wells were ever operational and producing oil.

77. Because so few wells were made operational through the promised fracking operations, Greenlee and Stewart occasionally used funds raised from new investors to pay returns to investors from prior projects.

78. Investors were also told on occasion that they needed to pay “assessments” to SEG and Tennstar for broken equipment or additional oil well work – when, in reality, the funds were needed to pay the SEG and Tennstar salesmen or fund Greenlee’s and Stewart’s extravagant spending, including a boat, luxury housing, gold coins, travel, and personal shopping.

79. Additionally, Greenlee and Stewart made no effort to segregate the *de minimis* profits that were made when the small quantities of extracted oil from the working wells were sold. This meant that, when investors were paid returns from oil sales profits, those profits were frequently from wells that were not included in their offerings and, therefore, those profits belonged to other investors.

80. Various SEG and BGR/Tennstar investors were falsely told by the Defendants before investing that their money would go toward oil development and production. For instance, an investor from Monroe, Georgia who invested \$40,000 in SEG’s Lone Star Enhanced Recovery, LP in June 2015, first heard of SEG while listening to advertisements during *The Rush Limbaugh Show*.

81. The Monroe, Georgia investor called the number advertised for SEG and spoke with a salesman who told the Monroe, Georgia investor that investors’ money was going to

purchase oil development equipment. The Monroe investor invested \$40,000 and received a certificate from SEG showing that he had acquired a ½ unit in SEG's Lonestar limited partnership. However, as explained above, the investor's funds were largely used to pay for Tennstar salesmen's commissions, as well as advertising to lure future investors and to bankroll the lavish lifestyles of Greenlee and Stewart.

E. Defendants Solicited Investors in the Southern District of Georgia

82. Upon information and belief, a potential investor in the Southern District of Georgia responded to a Tennstar (then BGR) radio advertisement in 2015 touting high returns from an oil-drilling investment opportunity.

83. The Southern District of Georgia investor called the telephone number from the radio advertisement and left a message indicating that he was interested in making an investment. Three days later, a Tennstar salesman returned the call and told the investor that a 25 percent annual return on investment was "very obtainable" for Tennstar investors. The salesman further told the Southern District of Georgia investor that Tennstar was seeking to raise \$2 million from 20 investors at \$50,000 each in order to re-pressurize previously capped wells in Caldwell County, Texas.

84. The salesman said that the investment would be nearly 100 percent tax deductible and that the Southern District of Georgia investor would start receiving monthly paychecks from Tennstar within 60 to 90 days. The investor asked the salesman to provide offering materials, which the salesman sent to the investor at a mailbox in Savannah, Georgia. That packet included an investor agreement, oil well survey plats and instructions on wiring funds to Tennstar at a specific bank account.

85. The Southern District of Georgia investor had several more phone calls with Tennstar salesmen in October 2015, including with Underwood and Stewart. During one of the final calls, the investor was told by a Tennstar salesman that he should speak with a man named "Dave," who was Tennstar's "project coordinator" for the offering. During a conversation, the Tennstar salesman placed a conference call to a man who identified himself as "David Johnson."

86. Upon information and belief, this person was Stewart using a fake name. During the conversation and while posing as "Dave Johnson," Stewart told the Southern District of Georgia investor that the project "can do 15 to 25 percent return," and said the oil recovery techniques being used by Tennstar would lead to "big reserves" of energy that "will be here a long time after you and I are gone," providing "20, 30, 40 years of production at least." Stewart stressed that the money raised would be used to acquire land leases and to pay for the oil productions – making no mention of any investor funds being used to pay for advertisements, for the Tennstar boiler room salesmen or to pay Greenlee and Stewart.

87. The Southern District of Georgia investor then invested \$28,000 in a Tennstar offering by sending a check to a Tennstar address in Tennessee. The check was endorsed and deposited by Forrester into a Tennstar account at Bank of America. Forrester subsequently sent the Southern District of Georgia investor a Tennstar joint venture "unit" ownership certificate that Forrester had signed. The certificate indicated that the Southern District of Georgia investor had bought half a unit in a Tennstar (then BGR) offering called the GW 21 Joint Venture. However, the Southern District of Georgia investor never received any profits or distributions checks from Tennstar.

88. Separately, responding to a radio advertisement for SEG, another potential investor from the Southern District of Georgia called the phone number in the advertisement.

The second would-be investor spoke with a SEG salesman who identified himself as SEG's Vice President of Corporate Development.

89. The SEG salesman told the Southern District of Georgia potential investor that SEG was offering investments with a 75 percent return on investment in the first year and promised monthly revenue checks. The SEG salesman also described roughly 1.6 million barrels of recoverable oil in place – however, Texas Railroad Commission records show that SEG never recovered more than a few thousand barrels total from the property.

90. Ultimately, the second potential Southern District of Georgia investor did not invest in the offering.

91. Upon information and belief, the fraudulent sales of the securities offerings described in this Complaint effectively ended approximately February 2016.

COUNT I—FRAUD

Violations of Section 17(a)(1) of the Securities Act [15 U.S.C. § 77q(a)(1)]

92. Paragraphs 1 through 91 are hereby realleged and are incorporated herein by reference.

93. From at least January 2013 through February 2016, Defendants Tennstar, Greenlee, Stewart and Underwood have, in the offer and sale of the securities described herein, by the use of means and instruments of transportation and communication in interstate commerce and by use of the mails, directly and indirectly, employed devices, schemes and artifices to defraud purchasers of such securities, all as more particularly described above.

94. Defendants Tennstar, Greenlee, Stewart and Underwood knowingly, intentionally, and/or recklessly engaged in the aforementioned devices, schemes and artifices to defraud.

95. In engaging in such conduct, Defendants Tennstar, Greenlee, Stewart and Underwood acted with scienter, that is, with an intent to deceive, manipulate or defraud or with a severe reckless disregard for the truth.

96. By reason of the foregoing, Defendants Tennstar, Greenlee, Stewart and Underwood, directly and indirectly, have violated and, unless enjoined, will continue to violate Section 17(a)(1) of the Securities Act [15 U.S.C. § 77q(a)(1)].

COUNT II—FRAUD

Violations of Sections 17(a)(2) and 17(a)(3) of the Securities Act
[15 U.S.C. §§ 77q(a)(2) and 77q(a)(3)]

97. Paragraphs 1 through 91 are hereby realleged and are incorporated herein by reference.

98. From at least January 2013 through February 2016, Defendants Tennstar, Greenlee, Stewart and Underwood, in the offer and sale of the securities described herein, by use of means and instruments of transportation and communication in interstate commerce and by use of the mails, directly and indirectly:

- a) obtained money and property by means of untrue statements of material fact and omissions to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and
- b) engaged in transactions, practices and courses of business which would and did operate as a fraud and deceit upon the purchasers of such securities,
all as more particularly described above.

99. By reason of the foregoing, Defendants Tennstar, Greenlee, Stewart and Underwood, directly and indirectly, have violated and, unless enjoined, will continue to violate Sections 17(a)(2) and 17(a)(3) of the Securities Act [15 U.S.C. §§ 77q(a)(2) and 77q(a)(3)].

COUNT III--FRAUD

Violations of 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]

100. Paragraphs 1 through 91 are hereby realleged and are incorporated herein by reference.

101. From at least January 2013 through February 2016, Defendants Tennstar, Greenlee, Stewart and Underwood, in connection with the purchase and sale of securities described herein, by the use of the means and instrumentalities of interstate commerce and by use of the mails, directly and indirectly:

- a) employed devices, schemes, and artifices to defraud;
- b) made untrue statements of material facts and 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; and
- c) engaged in acts, practices, and courses of business which would and did operate as a fraud and deceit upon the purchasers of such securities,

all as more particularly described above.

102. Defendants Tennstar, Greenlee, Stewart and Underwood knowingly, intentionally, and/or recklessly engaged in the aforementioned devices, schemes and artifices to defraud, made untrue statements of material facts and omitted to state material facts, and engaged in fraudulent acts, practices and courses of business. In engaging in such conduct, the Defendants acted with

scienter, that is, with an intent to deceive, manipulate or defraud or with a severe reckless disregard for the truth.

103. By reason of the foregoing, Defendants Tennstar, Greenlee, Stewart and Underwood, directly and indirectly, have 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].

PRAYER FOR RELIEF

WHEREFORE, Plaintiff Commission respectfully prays for:

I.

Findings of Fact and Conclusions of Law pursuant to Rule 52 of the Federal Rules of Civil Procedure, finding that the Defendants named herein committed the violations alleged herein.

II.

Permanent injunctions enjoining Defendants Tennstar, Greenlee, Stewart and Underwood, their officers, agents, servants, employees, and attorneys, and those persons in active concert or participation with them who receive actual notice of the order of injunction, by personal service or otherwise, and each of them, whether as principals or as aiders and abettors, from violating, directly or indirectly, Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)], and Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 [17 C.F.R. § 240.10b-5] promulgated thereunder.

III.

Permanent injunctions enjoining Defendants Greenlee, Stewart and Underwood, directly or indirectly, from participating in the issuance, purchase, offer or sale of any security, including, but

not limited to, the issuance, purchase, offer or sale of securities through any entity they own or control, excluding purchases and sales of securities for their own personal accounts.

IV.

An order directing Defendants Tennstar, Greenlee, Stewart and Underwood to pay disgorgement of all ill-gotten gains or unjust enrichment and to pay prejudgment interest on the amount ordered to be disgorged, to effect the remedial purposes of the federal securities laws.

V.

An order 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)] imposing civil penalties against Defendants Tennstar, Greenlee, Stewart and Underwood.

VI.

Issue an Order that retains jurisdiction over this action in order to implement and carry out the terms of all orders and decrees that may have been entered or to entertain any suitable application or motion by the Commission for additional relief within the jurisdiction of this Court.

VII.

Grant such other and further relief as this Court may deem just, equitable, and appropriate in connection with the enforcement of the federal securities laws and for the protection of investors.

RESPECTFULLY SUBMITTED,

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