

UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF OKLAHOMA

SECURITIES AND EXCHANGE)	
COMMISSION)	
)	
Plaintiff,)	
)	
v.)	Civil Action No. 5:22-cv-00673-F
)	
GRENECO, LLC;)	
GENE D. LARSON;)	
GREGORY K. WOMACK;)	
AND WOMACK INVESTMENT)	
ADVISERS, INC.,)	
)	
Defendants.)	

**PLAINTIFF’S MOTION AND MEMORANDUM IN SUPPORT OF AN ORDER
TO DISBURSE THE FAIR FUND**

Plaintiff Securities and Exchange Commission (“SEC”) respectfully moves this Court for an Order directing the Commission to disburse funds on deposit in an SEC-designated account with the U.S. Treasury Bureau of Fiscal Service (“BFS”) to Eligible Claimants in accordance with the terms of the Court-approved Distribution Plan (“Plan”). A Proposed Order has been contemporaneously filed herewith.

MEMORANDUM

Factual and Procedural Background

On August 8, 2022, the SEC filed a Complaint against GreneCo, LLC (“GreneCo”); Gene D. Larson (“Larson”); Gregory K. Womack (“Womack”); and Womack Investment Advisers, Inc. (“WIA”) (collectively, “Defendants”). The SEC alleged that GreneCo and its owners Larson and Womack raised funds from investors in 2017 and 2018, through four unregistered securities offerings involving conservation easements. The offerings provided investors with multiple investment options, including an election to take charitable tax deductions if the real estate acquired with their investment funds was donated to a land trust for purposes of a conservation easement. [Dkt. 1].

The Complaint further alleged that Womack and his investment adviser WIA failed to disclose compensation received from WIA clients who invested in GreneCo's offerings. According to the Complaint, Womack received approximately \$6 million in management fees from the GreneCo offerings, a fact not disclosed to the eight WIA clients who invested in the offerings. The Complaint also alleged that WIA's annual disclosures falsely stated that it did not receive any compensation from GreneCo when, in fact, it had received \$160,000 in such compensation, partly attributable to investments by WIA clients. As alleged, these fees and compensation created conflicts of interest that Womack and WIA, as fiduciaries, were required to disclose to their clients. The SEC's complaint charged GreneCo, Larson, and Womack with violations of Sections 5(a) and 5(c) [15 U.S.C. § 77e(a), 15 U.S.C. §77(e)(c)] of the Securities Act of 1933, and

Womack and WIA with violations of Section 206(2) of the Investment Advisers Act of 1940 [15 U.S.C. § 80b-6(2)]. [Dkt. 1].

Defendants consented to the entry of a Final Judgment against them, enjoining them from violating the provisions of the federal securities laws that are the subject of the allegations in the Complaint. The Court entered the Final Judgment on August 15, 2022. [Dkt. No. 4]. In the Final Judgment, GreneCo was ordered to pay a civil penalty of \$414,364; Larson was ordered to pay a civil penalty of \$41,440; Womack was ordered to pay disgorgement of \$236,739, prejudgment interest of \$48,170, and a civil penalty of \$145,031; and WIA was ordered to pay disgorgement of \$160,000, prejudgment interest of \$32,609, and a civil penalty of \$517,955. [Dkt. 4]. The total amount ordered to be paid by all Defendants was \$1,596,308.

Defendants satisfied this obligation by making payment to the Commission. In addition, Defendants paid \$4,590.37 in post-judgment interest, for a total of \$1,600,898.37. The funds are being held in an SEC-designated account with the United States Department of the Treasury.

On January 23, 2023, the Court established a Fair Fund and appointed Heffler, Radetich & Saitta, LLP (“HRS”) as the Tax Administrator to execute all the tax and reporting and filing requirements for the Fair Fund. [Dkt. 7].

On July 31, 2023, the court granted the Commission’s motion to approve the Plan and appoint Amy Sumner, a Commission Trial Counsel as the Distribution Agent in this matter. [Dkt. 9].

Disbursement of the Fair Fund

Following the Court's approval of the Plan, the Distribution Agent emailed or mailed a Plan Notice¹ to those investors identified as Preliminary Claimants, as discussed in Paragraph 18 of the Plan. All eight Preliminary Claimants have responded to the Plan Notice and have provided the information necessary to be deemed an Eligible Claimant. The Distribution Agent has identified 8 Eligible Claimants with total Recognized Loss amount of \$477,128.33.² The amount of Estimated Funds Available in the Fair Fund, after establishing a reserve for tax obligations, fees and expenses of the Tax Administrator, is \$1,658,792.51. The Net Available Fair Fund exceeds the total Recognized Losses for all Eligible Claimants. Therefore, in accordance with the Plan of Allocation in the Plan, each Eligible Claimant will receive 100% of his, her or its Recognized Loss and Reasonable Interest, calculated using the Short-term Applicable Federal Rate plus three percent compounded quarterly from the end of the Relevant Period through the approximate date of the disbursement of funds. The total Recognized Loss plus Reasonable Interest for all Eligible Claimants equal \$603,053.46. The Distribution Agent seeks authority from the Court to disburse this amount to the eight Eligible Claimants.

Distribution payments will range from \$9,473.98 to \$220,838.45. Pursuant to the Plan, the Distribution Agent has prepared a Payee List and submits a redacted version to the Court, filed contemporaneously herewith as Exhibit A.

¹ Capitalized terms not otherwise defined shall have the same meaning as defined in the Plan.

² The Recognized Loss amount includes prejudgment interest.

In accordance with the Plan, after distribution to Eligible Claimants is complete and all administrative costs have been paid, the staff will return to the Court with a Final Accounting and a recommendation for disposition of funds remaining in the Fair Fund.

WHEREFORE, for all the foregoing reasons, the SEC respectfully requests that this Court enter the attached proposed Order and grants such other relief as the Court deems just and proper.

Dated: November 6, 2023

Respectfully submitted,

/s/ Amy A. Sumner

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Exhibit A

<u>Eligible Claimant #</u>	<u>Recognized Loss</u>	<u>Reasonable Interest</u>	<u>Distribution Payment</u>
1	\$154,482.04	\$40,771.36	\$195,253.41
2	\$61,606.13	\$16,259.27	\$77,865.40
3	\$7,495.70	\$1,978.29	\$9,473.98
4	\$13,595.31	\$3,588.11	\$17,183.42
5	\$22,337.18	\$5,895.29	\$28,232.47
6	\$24,897.69	\$6,571.07	\$31,468.77
7	\$174,724.61	\$46,113.84	\$220,838.45
8	\$17,989.67	\$4,747.89	\$22,737.56