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9 **UNITED STATES DISTRICT COURT**
10 **FOR THE CENTRAL DISTRICT OF CALIFORNIA**
11 **SOUTHERN DIVISION**

12 SECURITIES AND EXCHANGE
13 COMMISSION,

14 Plaintiff,

15 vs.

16 JOSEPH R. PORCHE, LARRY R.
17 CROWDER, KONRAD C. KAFARSKI,
18 CARLTON L. WILLIAMS, GARY K.
19 JUNCKER, and DALE J. ENGELHARDT,

20 Defendants.

Case No.

**COMPLAINT FOR VIOLATIONS OF
THE FEDERAL SECURITIES LAWS**

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1 Plaintiff Securities and Exchange Commission (“Commission”) alleges as
2 follows:

3 **JURISDICTION AND VENUE**

4 1. This Court has jurisdiction over this action pursuant to Sections 20(b),
5 20(d)(1) and 22(a) of the Securities Act of 1933 (“Securities Act”), 15 U.S.C. §§
6 77t(b), 77t(d)(1) & 77v(a), and Sections 21(d)(1), 21(d)(3)(A), 21(e) and 27 of the
7 Securities Exchange Act of 1934 (“Exchange Act”), 15 U.S.C. §§ 78u(d)(1),
8 78u(d)(3)(A), 78u(e) & 78aa. Defendants have, directly or indirectly, made use of
9 the means or instrumentalities of interstate commerce, of the mails, or of the
10 facilities of a national securities exchange, in connection with the transactions,
11 acts, practices, and courses of business alleged in this complaint.

12 2. Venue is proper in this district pursuant to Section 22(a) of the
13 Securities Act, 15 U.S.C. § 77v(a), and Section 27 of the Exchange Act, 15 U.S.C.
14 § 78aa, because certain of the transactions, acts, practices, and courses of conduct
15 constituting violations of the federal securities laws occurred within this district,
16 and the defendants reside in this district.

17 **SUMMARY**

18 3. This matter involves an offering fraud orchestrated by defendants
19 Joseph R. Porche, Larry R. Crowder, Konrad C. Kafarski, Carlton L. Williams,
20 Gary K. Juncker, and Dale J. Engelhardt that raised over \$11 million from
21 approximately 200 investors nationwide from 2008 to 2009.

22 4. From early 2008 to February 2009, Kensington Resources, Inc.
23 (“Kensington”) and its principals, Joseph R. Porche and Larry R. Crowder and
24 sales agents, Konrad C. Kafarski, Carlton L. Williams, Gary K. Juncker and Dale
25 J. Engelhardt, conducted a fraudulent offering of unregistered shares of American
26 Environmental Energy, Inc. (“AEEI”) stock. AEEI is purportedly engaged in the
27 green energy business. Porche and Crowder formed AEEI by purchasing an
28 existing shell in early 2008. Porche and Crowder then relinquished control of

1 AEEI to its current CEO. Kensington touted the AEEI investment opportunity
2 through its now defunct website www.kensingtonresources.com and through cold
3 calls to potential investors.

4 5. When selling shares of AEEI, Kensington's sales staff repeatedly
5 made misrepresentations concerning the payment of sales commissions and the use
6 of proceeds. The written Private Placement Memorandum ("PPM") specifies that
7 of the funds raised, a maximum of 10% would be used to pay commissions, 80%
8 would be used by AEEI for acquisition, configuration and operation of fuel and
9 energy production facilities, and 10% would be used for AEEI's working capital
10 and offering expenses, such as legal and accounting fees, printing costs, and
11 transfer agent fees.

12 6. Despite its promises and representations that 80% of the funds raised
13 would be used by AEEI to acquire and run fuel and energy facilities, Kensington
14 used nearly all of the money to fund the lavish lifestyles of Porche and Crowder, to
15 pay 25% in commissions to Kensington's sales agents, and to pay for Kensington's
16 overhead.

17 7. Porche and Crowder misappropriated investor funds by paying their
18 expenses with investor money and transferring investor money to their personal
19 accounts and accounts they controlled. Specifically, Porche took over \$1.34
20 million and Crowder took over \$644,000 from investor funds. Additionally, they
21 misappropriated over \$3.48 million of investor funds to pay for personal expenses
22 (including entertainment, restaurant, home and personal furnishings, and travel),
23 luxury vehicles, Crowder's wedding in Italy, Kensington's overhead, attorney
24 expenses, and to pay a company that apparently used investor funds to promote
25 AEEI stock.

26 8. Through their scheme, Porche, Crowder and Kafarski violated the
27 antifraud provisions of the federal securities laws; and all of the named defendants
28 violated the securities registration and broker-dealer registration provisions of the

1 federal securities laws. By this action, the Commission seeks permanent
2 injunctions, disgorgement of the defendants' ill-gotten gains, civil penalties, and
3 penny stock bars to prohibit similar violations in the future.

4 DEFENDANTS

5 9. **Joseph Rudolph Porche ("Porche")** resides in Aliso Viejo,
6 California and is the former chief executive officer of Kensington. In February
7 2001, Porche pled guilty to four counts of mail fraud and was sentenced to 37
8 months in jail, followed by three years of supervised release, and ordered to pay
9 \$200,000 in restitution. See U.S. v. Joseph R. Porche, Case No. 99-CR-01177
10 WMB (C.D. Cal.). He has never been registered with the Commission in any
11 capacity.

12 10. **Larry Ray Crowder ("Crowder")** resided in Newport Coast,
13 California and is the former president of Kensington. In 1998, the Commission
14 filed a complaint in federal court against Crowder and others alleging that from
15 1993 through 1997, Crowder raised at least \$15.7 million from more than 600
16 investors nationwide by selling securities in four limited partnerships. In doing so,
17 Crowder made material misrepresentations regarding the purchase of oil and gas
18 rights by the four limited partnerships and failed to disclose material information
19 about the profits the general partners made. See SEC v. Environmental Energy,
20 Inc. et al., Case No. 2:98-cv-006060 (C.D. Cal.). In 2002, without admitting or
21 denying the allegations in the complaint, Crowder consented to the entry of a
22 judgment that permanently enjoined him from future violations of Sections 5(a),
23 5(c), and 17(a) of the Securities Act and Section 10(b) of the Exchange Act and
24 Rule 10b-5 thereunder. In 2003, Crowder was permanently barred from
25 association with any broker or dealer pursuant to Section 15(b) of the Exchange
26 Act. See In the Matter of Larry R. Crowder and John R. Powell, Exchange Act
27 Rel. No. 48747 (November 4, 2003). In 2004, Crowder was ordered to pay
28 \$410,000 in civil penalties and full disgorgement. He has never been registered

1 with the Commission in any capacity.

2 11. **Konrad Christian Kafarski (“Kafarski”)** resides in Trabuco
3 Canyon, California and is the former senior vice president of business development
4 at Kensington and was a member of its sales staff. During his tenure at
5 Kensington, Kafarski was paid nearly \$260,000 in commissions. He has never
6 been registered with the Commission in any capacity.

7 12. **Carlton Ladell Williams (“Williams”)** resides in Coto de Caza,
8 California, is a former senior vice president at Kensington, and was a member of
9 its sales staff. During his tenure at Kensington, Williams was paid nearly
10 \$300,000 in commissions. He was previously registered with the Commission as a
11 registered representative, but was not registered with the Commission at the time
12 of his sales of AEEI stock.

13 13. **Gary Kennan Juncker (“Juncker”)** resides in Rancho Santa
14 Margarita, California and is a former senior vice president at Kensington and was a
15 member of its sales staff. During his tenure at Kensington, Juncker was paid over
16 \$419,000 in commissions. In 1998, Juncker was convicted on four counts of mail
17 fraud related to telemarketing fraud and was sentenced to 30 months in prison. See
18 USA v. Juncker, CR-97-01208-JGD (C.D. Cal.). He has never been registered
19 with the Commission in any capacity.

20 14. **Dale Jay Engelhardt (“Engelhardt”)** resides in San Clemente,
21 California and is a former member of Kensington’s sales staff. During his tenure
22 at Kensington, Engelhardt was paid nearly \$20,000 in commissions. On July 29,
23 1998, Engelhardt was named as a defendant in SEC v. Environmental Energy, Inc.,
24 Case No. 2:98-cv-006060 (C.D. Cal.). Engelhardt was charged with violations of
25 Section 17(a) of the Securities Act and Section 10(b) of the Exchange Act and
26 Rule 10b-5 thereunder. On August 12, 1999, without admitting or denying the
27 allegations in the Commission’s Complaint, Engelhardt was permanently enjoined
28 from future violations of Section 17(a) of the Securities Act and Section 10(b) of

1 the Exchange Act and Rule 10b-5 thereunder. On August 18, 1999, the
2 Commission instituted a public administrative proceeding pursuant to Sections
3 15(b) and 19(h) of the Exchange Act against Engelhardt. To settle this proceeding,
4 Engelhardt agreed, without admitting or denying the findings therein, to consent to
5 an order suspending him from association with any broker or dealer for a period of
6 12 months. He was not registered with the Commission at the time of his sales of
7 AEEI stock.

8 **THE FRAUDULENT CONDUCT**

9 **A. THE OFFERING**

10 15. From early 2008 to February 2009, Kensington and its principals,
11 Porche and Crowder, raised over \$11 million from approximately 200 investors
12 nationwide selling shares of AEEI common stock in an unregistered offering.
13 Kensington sold these shares by marketing them through its website
14 www.kensingtonresources.com and by operating a boiler room in which a sales
15 staff hired by Porche and Crowder made cold calls to potential investors using lead
16 lists.

17 16. During the relevant period, AEEI's stock was quoted on the Pink
18 Sheets operated by Pink OTC Markets Inc. under the ticker symbol "AEEI.PK"
19 and traded between \$0.09 and \$2.20.

20 17. Kensington's sales operations included a sales manager, and
21 "openers" and "closers". Openers were more inexperienced salespeople who made
22 initial contacts with potential investors to pitch sales of AEEI stock. If the
23 potential investor was interested, a closer was brought in to finish up the sale. The
24 opener and closer would split a 20% commission on each sale they were involved
25 with and the sales manager would receive an additional 5% commission on all
26 sales made. Kafarski, Williams, Juncker and Engelhardt were "closers" and
27 received up to 20% commissions on each of their sales.

28 18. As a part of its sales efforts, Kensington distributed a PPM that was

1 created at the direction of Crowder, reviewed by Porche and, at the direction of
2 Crowder and Porche, sent by Kensington's sales staff to investors who expressed
3 an interest in purchasing shares of AEEI. Defendants told potential investors,
4 through oral representations, that AEEI was engaged in the green energy business,
5 and the PPM represented that AEEI was "a developer of alternative and renewable
6 energy sources with Wind, Solar and Biofuels." This PPM also said that 80% of
7 the funds raised would be used by AEEI "for the acquisition, configuration, and
8 operation of environmentally-friendly fuel and energy production facilities
9 throughout the United States, including the Terminal and Wind Turbines and other
10 potential acquisitions in the energy markets," and that sales commissions would be
11 limited to 10% of the funds raised. The PPM also represented that AEEI would
12 use the remaining 10% of funds raised as working capital "in order to keep [it]
13 operating" or "to acquire or invest in complementary businesses, products and
14 technologies."

15 19. Investors who wanted to purchase shares of AEEI were given
16 subscription agreements that instructed them either to wire transfer funds to
17 Kensington's bank account or to send a cashier's check made payable to
18 Kensington via Federal Express. Although the offering was supposed to be limited
19 to accredited investors only, Kensington sold AEEI shares to non-accredited
20 investors.

21 20. The Kensington offering of AEEI stock was not registered with the
22 Commission, as required by federal securities laws and regulations.

23 **B. MATERIAL MISREPRESENTATIONS AND OMISSIONS**

24 21. Porche, Crowder, and Kafarski told investors that payment of sales
25 commissions was limited to 10% of the funds raised. The PPM that was
26 distributed by Kensington's sales staff, including Kafarski, Williams, Juncker and
27 Engelhardt, represented that commissions would be limited to a maximum of 10%
28 of the funds raised. Specifically, the PPM states that payment of a fee or

1 commission for the sale of AEEI shares would not exceed 10% of the aggregate
2 purchase price paid for the shares.” These representations were false, as
3 Kensington paid sales commissions of 25%.

4 22. After each sale, Kensington’s sales staff, including Kafarski,
5 Williams, Juncker and Engelhardt, filled out a form seeking payment of
6 commissions for their sales. These forms showed that the opener and closer were
7 paid a total of 20% commission for each sale. In addition, Kensington’s sales
8 manager was paid a 5% commission on each sale. Kensington and its sales agents
9 never disclosed to potential investors that they took commissions that were more
10 than double what was represented to prospective investors. As a result,
11 Kensington paid sales commissions of approximately \$2.75 million, including
12 (1) nearly \$260,000 to Kafarski, (2) nearly \$300,000 to Williams, (3) over
13 \$419,000 to Juncker, and (4) nearly \$20,000 to Engelhardt.

14 23. Despite oral representations by Kafarski and Williams that the money
15 Kensington raised would be given to AEEI to conduct its green energy business
16 and written representations that 80% of the proceeds would be used by AEEI for
17 “acquisition, configuration and operation of environmentally-friendly fuel and
18 energy production facilities . . .,” Kensington only sent approximately \$315,000 of
19 the \$11 million raised to AEEI.

20 24. To further induce investors to buy AEEI stock, Kafarski also falsely
21 told an investor that AEEI had a contract to supply all of the solar power energy
22 for Catalina Island.

23 25. In reality, the bulk of the funds raised were used to pay for Porche’s
24 and Crowder’s luxurious lifestyles, and Kensington’s overhead. Porche and
25 Crowder misappropriated over \$1.34 million and over \$644,000 of investor funds,
26 respectively, by diverting these funds to their personal accounts or to accounts they
27 controlled. They also misappropriated additional investor funds to pay for (1) over
28 \$343,000 in luxury vehicles for themselves and their families; (2) over \$1.4 million

1 for other personal expenses, including entertainment, meals at high-end
2 restaurants, home and personal furnishings, and travel; (3) at least \$46,000 for
3 Crowder's lavish August 2008 wedding in Italy; (4) over \$899,000 for
4 Kensington's overhead; (5) \$165,000 for attorney expenses; and (6) over \$630,000
5 to pay South Bay Capital, a company that Kensington apparently used to attempt to
6 promote AEEI stock. Porche and Crowder were able to divert these funds to their
7 own accounts or to pay for their expenses because they had access to and
8 controlled Kensington's bank accounts.

9 **C. PORCHE, CROWDER, AND KAFARSKI ACTED WITH SCIENTER**

10 26. Porche, Crowder and Kafarski acted with scienter. They knowingly
11 participated in the distribution of Kensington's offering materials, including the
12 written PPM. They knew or were reckless in not knowing that the PPM stated that
13 sales commissions were limited to a maximum of 10% of the sales price; and that
14 80% of investor funds would be used by AEEI to acquire, configure, and operate
15 environmentally-friendly fuel and energy production facilities. Crowder and
16 Porche also knew that, contrary to the representations to investors, they personally
17 were misappropriating substantial amounts of investor funds. They also knew that
18 the sales staff was paid over 20% in sales commission on each sale and that only a
19 small fraction of investor funds were ever forwarded to AEEI. Kafarski also
20 falsely told investors that Kensington's commissions were limited to 10%, that the
21 majority of the money raised would be used by AEEI to acquire and expand its
22 green energy business, and that AEEI had a contract to supply all of the solar
23 power energy for Catalina Island. Kafarski knew or was reckless in not knowing
24 that Kensington's sales staff was paid over 20% commission on each sale, that
25 most of the funds raised were spent by Kensington or its principals, and that AEEI
26 did not have a contract to supply Catalina Island with all of its solar power energy.

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1 defraud;

- 2 b. obtained money or property by means of untrue statements of a
3 material fact or by omitting to state a material fact necessary in
4 order to make the statements made, in the light of the
5 circumstances under which they were made, not misleading; or
6 c. engaged in transactions, practices, or courses of business which
7 operated or would operate as a fraud or deceit upon the
8 purchaser.

9 33. By engaging in the conduct described above, Porche, Crowder and
10 Kafarski violated, and unless restrained and enjoined will continue to violate,
11 Section 17(a) of the Securities Act, 15 U.S.C. § 77q(a).

12 **THIRD CLAIM FOR RELIEF**

13 **FRAUD IN CONNECTION WITH THE PURCHASE OR SALE OF SECURITIES**

14 **Violations of Section 10(b) of the Exchange Act and Rule 10b-5 Thereunder**
15 **(Against Defendants Porche, Crowder and Kafarski)**

16 34. The Commission realleges and incorporates by reference paragraphs 1
17 through 26 above.

18 35. Porche, Crowder and Kafarski, and each of them, by engaging in the
19 conduct described above, directly or indirectly, in connection with the purchase or
20 sale of a security, by the use of means or instrumentalities of interstate commerce,
21 of the mails, or of the facilities of a national securities exchange, with scienter:

- 22 a. employed devices, schemes, or artifices to defraud;
- 23 b. made untrue statements of a material fact or omitted to state a
24 material fact necessary in order to make the statements made,
25 in the light of the circumstances under which they were made,
26 not misleading; or
- 27 c. engaged in acts, practices, or courses of business which
28 operated or would operate as a fraud or deceit upon other

1 persons.

2 36. By engaging in the conduct described above, Porche, Crowder and
3 Kafarski violated, and unless restrained and enjoined will continue to violate,
4 Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5 thereunder,
5 17 C.F.R. § 240.10b-5.

6 **FOURTH CLAIM FOR RELIEF**

7 **FAILURE TO REGISTER AS A BROKER OR DEALER**

8 **Violations of Section 15(a) of the Exchange Act**

9 **(Against All Defendants)**

10 37. The Commission realleges and incorporates by reference paragraphs 1
11 through 26 above.

12 38. The defendants, and each of them, by engaging in the conduct
13 described above, directly or indirectly, made use of the mails and other means or
14 instrumentalities of interstate commerce to effect transactions in, or to induce or
15 attempt to induce the purchase or sale of securities, without being registered as a
16 broker or dealer pursuant to Section 15(b) of the Exchange Act, 15 U.S.C. §
17 78o(b), in violation of Section 15(a) of the Exchange Act, 15 U.S.C. § 78o(a).

18 39. By engaging in the conduct described above, each of the defendants
19 violated, and unless restrained and enjoined will continue to violate, Section 15(a)
20 of the Exchange Act, 15 U.S.C. § 78o(a).

21 **FIFTH CLAIM FOR RELIEF**

22 **ASSOCIATION WITH A BROKER OR DEALER IN**

23 **VIOLATION OF COMMISSION BAR**

24 **Violations of Section 15(b)(6)(B)(i) of the Exchange Act**

25 **(Against Defendant Crowder)**

26 40. The Commission realleges and incorporates by reference paragraphs 1
27 through 26 above.

1 41. As described above, Crowder, having been barred from association
2 with a broker or dealer by Commission Order on November 4, 2003, without the
3 consent of the Commission, willfully became associated with a broker or dealer in
4 contravention of such Order.

5 42. By reason of the foregoing, Crowder has failed to comply with the
6 Commission's Order barring him from associating with a broker or dealer in
7 violation of Section 15(b)(6)(B)(i) of the Exchange Act, 15 U.S.C.
8 § 78o(b)(6)(B)(i).

9 **PRAYER FOR RELIEF**

10 WHEREFORE, the Commission respectfully requests that the Court:

11 **I.**

12 Issue findings of fact and conclusions of law that the defendants committed
13 the alleged violations.

14 **II.**

15 Issue judgments, in a form consistent with Fed. R. Civ. P. 65(d),
16 permanently enjoining Porche and Kafarski, and their officers, agents, servants,
17 employees, and attorneys, and those persons in active concert or participation with
18 any of them, who receive actual notice of the judgment by personal service or
19 otherwise, and each of them, from violating Sections 5(a), 5(c), and 17(a) of the
20 Securities Act, 15 U.S.C. §§ 77e(a), 77e(c), and 77q(a); and Sections 10(b) and
21 15(a) of the Exchange Act, 15 U.S.C. §§ 78j(b) & 78o(a), and Rule 10b-5
22 thereunder, 17 C.F.R. § 240.10b-5.

23 **III.**

24 Issue a judgment, in a form consistent with Fed. R. Civ. P. 65(d),
25 permanently enjoining Crowder, and his officers, agents, servants, employees, and
26 attorneys, and those persons in active concert or participation with any of them,
27 who receive actual notice of the judgment by personal service or otherwise, and
28 each of them, from violating Sections 5(a), 5(c), and 17(a) of the Securities Act, 15

1 U.S.C. §§ 77e(a), 77e(c), and 77q(a); and Sections 10(b), 15(a) and 15(b)(6)(B)(i)
2 of the Exchange Act, 15 U.S.C. §§ 78j(b), 78o(a) & 78o(b)(6)(B)(i), and Rule 10b-
3 5 thereunder, 17 C.F.R. § 240.10b-5.

4 **IV.**

5 Issue judgments, in a form consistent with Fed. R. Civ. P. 65(d),
6 permanently enjoining Williams, Juncker and Engelhardt, and their officers,
7 agents, servants, employees, and attorneys, and those persons in active concert or
8 participation with any of them, who receive actual notice of the judgment by
9 personal service or otherwise, and each of them, from violating Sections 5(a) and
10 5(c) of the Securities Act, 15 U.S.C. §§ 77e(a) and 77e(c); and Section 15(a) of the
11 Exchange Act, 15 U.S.C. § 78o(a).

12 **V.**

13 Issue judgments, in a form consistent with Fed. R. Civ. P. 65(d),
14 permanently barring all defendants from participation in any offering of penny
15 stock, including engaging in activities with a broker, dealer, or issuer for purposes
16 of issuing, trading, or inducing or attempting to induce the purchase or sale of any
17 penny stock pursuant to Section 20(g) of the Securities Act, 15 U.S.C. § 77t(g),
18 and Section 21(d)(6) of the Exchange Act, 15 U.S.C. § 78u(d)(6).

19 **VI.**

20 Order the defendants to disgorge all ill-gotten gains from the illegal conduct
21 alleged herein, together with prejudgment interest thereon.

22 **VII.**

23 Order the defendants to pay civil penalties pursuant to Section 20(d) of the
24 Securities Act, 15 U.S.C. § 77t(d), and Section 21(d)(3) of the Exchange Act, 15
25 U.S.C. § 78u(d)(3).

26 **VIII.**

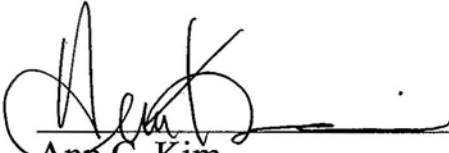
27 Retain jurisdiction of this action in accordance with the principles of equity
28 and the Federal Rules of Civil Procedure in order to implement and carry out the

1 terms of all orders and decrees that may be entered, or to entertain any suitable
2 application or motion for additional relief within the jurisdiction of this Court.

3 **IX.**

4 Grant such other and further relief as this Court may determine to be just and
5 necessary.

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7 DATED: August 4, 2010

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9 Ann C. Kim
10 Attorney for Plaintiff
11 Securities and Exchange Commission
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