

**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF GEORGIA
SAVANNAH DIVISION**

**SECURITIES AND EXCHANGE
COMMISSION,**

Plaintiff,

v.

ROBERT WILLIAM DORRANCE,

Defendant.

Civil Action File No.

4:18-CV-00209-WTM-GRS

AMENDED 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 2015 and February 2016, Defendant Robert William Dorrance (“Dorrance”) aided and abetted a scheme by David R. Greenlee (“Greenlee”) and David A. Stewart, Jr. (“Stewart”) that resulted in the fraudulent offering and sale of at least \$15 million of securities to more than 150 investors.

2. During this time, Greenlee, Stewart, their principal salesman, Richard P. Underwood (“Underwood”), and other salesmen whom Greenlee and Stewart recruited and controlled, fraudulently sold 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.

3. 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.”

4. 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., which later changed its name to Tennstar Energy, Inc. (“BGR/Tennstar”).

5. Greenlee, Stewart, and Underwood represented to investors that SEG would manage the limited partnerships and BGR/Tennstar would manage the joint ventures, and that each of these companies would be headed by an individual with meaningful experience in the oil industry.

6. Greenlee and Stewart installed figurehead executives for SEG and BGR/Tennstar who pretended to run the companies so that Greenlee and Stewart—both convicted felons—could conceal their own involvement in the scheme.

7. Dorrance was the figurehead installed over SEG, and he knew that he was falsely portrayed to investors as both running the company and experienced in the oil industry.

8. Dorrance also substantially assisted the fraud by transferring investor funds at the direction of Greenlee and Stewart from SEG accounts to accounts that he knew were under Greenlee and Stewart’s control.

9. Dorrance received significant compensation while serving as the figurehead executive for SEG.

VIOLATIONS

10. Dorrance, by virtue of his conduct, aided and abetted Greenlee's and Stewart's direct 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

11. 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 Dorrance 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.

12. 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].

13. The Defendant, directly and indirectly, has made use of the mails and the means and instrumentalities of interstate commerce, in connection with the transactions, acts, practices, and courses of business alleged in this Complaint.

14. 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.

DEFENDANT

15. **Dorrance**, age 61 and a resident of Bowling Green, Kentucky was the purported President of SEG between January 2015 and February 2016, when the fraudulent offering was halted. He was selected by Greenlee and Stewart as SEG's figurehead because he was the uncle of Greenlee's spouse and willing to take the job. For most of his working life, Dorrance was a stereo system salesman, who also periodically helped with administrative tasks at his spouse's private place of business. He has never been registered with the Commission in any capacity.

OTHER RELEVANT PEOPLE AND ENTITY

16. **David R. Greenlee**, age 42, 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.

17. **David A. Stewart, Jr.**, age 47, and a resident of Gallatin, Tennessee, is a former registered representative of two Commission-registered broker-dealers in 2001 and 2002. 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.

18. **Southern Energy Group, Inc.** was a Tennessee corporation and the purported manager of at least four limited partnerships offered to investors. SEG was administratively dissolved by Tennessee in August 2016 for failure to meet registration renewal requirements.

19. On August 11, 2017, the Commission filed a complaint in SEC v. Tennstar Energy, Inc., et al., Case No. 4:17-cv-00151 (S.D. Ga.), alleging violation of the antifraud statutes of the federal securities laws by BGR/Tennstar, Greenlee, Stewart and Underwood.

FACTS

A. Background

20. Between at least January 2013 and February 2016, Greenlee and 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, called “units,” in various limited partnerships and joint ventures that were purportedly created to extract and sell oil from existing wells in Kansas, Oklahoma, and Texas.

21. Greenlee and Stewart operated their scheme through two Tennessee corporations—SEG for the limited partnerships and BGR/Tennstar for the joint ventures—each of which they promoted as being run by an individual experienced in the oil industry.

22. In soliciting investors, Greenlee, Stewart and Underwood represented that the limited partnerships and joint ventures would use investor funds to acquire “working interests” in various oil wells, employ techniques, such as fracking, to develop and recover oil from the wells, and sell the oil to earn investors returns ranging from 15 to 55 percent or more per year, claiming returns would last for decades.

23. In fact, while Greenlee and Stewart used some investor money at several wells to create an appearance of activity to dupe investors who wanted to see the wells in production, they used nearly two-thirds of the \$15 million raised for their own benefit or to pay the costs of conducting the fraud, such as advertising and sales commissions.

24. Greenlee, Stewart and Underwood also represented that SEG was led by an individual experienced in the oil industry. In fact, SEG, was not managed by someone with experience in the oil industry. Instead, Greenlee and Stewart installed a figurehead that had little

or no experience in the oil industry and created and distributed a false biography that misrepresented that the figurehead had significant relevant experience.

25. Given their criminal backgrounds, Greenlee and Stewart used fake names when soliciting investors to conceal their involvement in the scheme.

B. Dorrance Substantially Assisted the Fraudulent Offering

26. Dorrance was the figurehead installed by Greenlee and Stewart in January 2015 to run SEG.

27. Dorrance was portrayed to investors as running SEG when, in reality, that entity was controlled by Greenlee and Stewart.

28. Dorrance knowingly allowed himself to be falsely portrayed to investors as running SEG and as being experienced in the oil and gas industry.

29. Specifically, Dorrance knew he was being presented to investors as SEG's President even though he had no actual control over SEG. Dorrance also knew that he had been given this title in order to allow Greenlee and Stewart, both of whom he knew were convicted felons, to conceal their own involvement in the scheme.

30. Dorrance acted in his role as SEG's President solely at the direction of Greenlee and Stewart, who determined his compensation and instructed him in his day-to-day assignments.

31. Dorrance's work tasks were typically clerical or administrative in nature and included moving investor funds, as instructed by Greenlee and Stewart, from SEG's bank account to bank accounts of entities that he knew to be under the control of Greenlee and Stewart.

32. Dorrance also knowingly allowed Greenlee and Stewart to draft a fake biography of Dorrance and place that fake biography in SEG’s private placement memorandum (“PPM”). Dorrance knew or was severely reckless in not knowing that the PPM was distributed to investors.

33. This fake biography claimed that Dorrance had “over 30 years of experience in finance, sales, oil & gas, and almost every capacity of corporate America.” Dorrance knew this statement was false, at a minimum, because he had no work experience in the oil and gas industry.

34. Additionally, Dorrance knowingly allowed Greenlee and Stewart to feature him prominently on SEG’s website and in SEG brochures with false claims, among others, that he had “40 years of business experience” (10 more years than the claim in the PPM) and “association[s] with some of the most capable and experienced professionals in the oil industry.” This too was false because Dorrance had no such associations.

35. For the approximately thirteen months that Dorrance purportedly served as SEG’s President, he received \$3,000 a week plus an occasional bonus, for a total of approximately \$166,250—all paid from investor funds.

COUNT I

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

36. Paragraphs 1 through 35 are hereby realleged and are incorporated herein by reference.

37. From at least January 2015 through February 2016, Defendant Dorrance knowingly or recklessly provided substantial assistance to the violations of Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)] by Greenlee and Stewart and is therefore liable as an aider and abettor.

39. Unless restrained and enjoined, Defendant Dorrance will continue to aid and abet violations of Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)].

COUNT II

Aiding and Abetting 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]

40. Paragraphs 1 through 35 are hereby realleged and are incorporated herein by reference.

41. From at least January 2015 through February 2016, Defendant Dorrance knowingly or recklessly provided substantial assistance to the 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] by Greenlee and Stewart and is therefore liable as an aider and abettor.

42. Unless restrained and enjoined, Defendant Dorrance will continue to aid and abet 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].

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 Defendant named herein committed the violations alleged herein.

II.

A permanent injunction enjoining Defendant from violating, directly or indirectly, the laws and rules alleged in this complaint.

III.

A permanent injunction enjoining Defendant Dorrance, 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 he owns or controls, excluding purchases and sales of securities for his own personal accounts.

IV.

An order directing Defendant Dorrance 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 Defendant Dorrance.

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,

/s/Edward G. Sullivan
Edward G. Sullivan
Senior Trial Counsel
Georgia Bar No. 691140

/s/Brian M. Basinger
Brian M. Basinger
Senior Counsel
Georgia Bar No. 595901

COUNSEL FOR PLAINTIFF
U. S. SECURITIES AND EXCHANGE COMMISSION
950 East Paces Ferry Road, N.E., Suite 900
Atlanta, Georgia 30326
(404) 842-7612 (Sullivan)
(404) 842-5748 (Basinger)
sullivan@sec.gov
basingerb@sec.gov

/s/J. Thomas Clarkson
J. Thomas Clarkson
Assistant United States Attorney
Georgia Bar No. 656069

LOCAL COUNSEL FOR PLAINTIFF
Deputy Chief, Civil Division
United States Attorney's Office
Southern District of Georgia
22 Barnard Street, 3rd Floor
Savannah, Georgia 31401
(912) 201-2601
Thomas.Clarkson@usdoj.gov