UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF TEXAS
FORT WORTH DIVISION

SECURITIES AND EXCHANGE COMMISSION, **Plaintiff,** **v.** **SOUTHLAKE RESOURCES GROUP, LLC, CODY M. WINTERS, and NICHOLAS R. HAMILTON,** **Defendants.**	**Civil Action No.: 4:16-cv-992**

COMPLAINT

For its Complaint against Defendants Southlake Resources Group, LLC ("Southlake"), Cody M. Winters, and Nicholas R. Hamilton, Plaintiff Securities and Exchange Commission ("SEC" or the "Commission") alleges as follows:

SUMMARY

1. From approximately June 2010 through approximately September 2014, Winters, directly and through Southlake, a company he owned and controlled, sold interests in 12 oil-and-gas joint ventures, raising more than $5.2 million from more than 70 investors in 26 states. None of the offerings were registered with the Commission, and none of the individuals that Winters and Southlake employed to cold call potential investors, including Hamilton, were registered with the SEC as a broker or associated with a registered broker.

2. In written offering material provided to investors, Winters and Southlake made untrue and misleading statements and omissions of material facts regarding, among other things, the use of offering proceeds, the allocation of and title to working interests, projections for oil-

and-gas production and revenue, commingling and loaning investor funds, and volume discounts on the purchase of interests. In each offering, Winters overstated the projected well costs by almost 100% and omitted to disclose to investors Southlake's actual cost and profit information.

3. At Winters' direction, Southlake also engaged in conduct that was contrary to written representations to investors about the use of offering proceeds. For example, Southlake took undisclosed profit and overhead payments from the offering proceeds and used offering proceeds to acquire working interests for itself in undisclosed transactions. Southlake stated that certain well revenue was being directed to well operators, when, in fact, Southlake retained the revenue. Southlake commingled proceeds from multiple offerings. And it selectively sold interests to certain investors at a 50% discount in undisclosed transactions.

4. By committing the acts alleged in this Complaint, Defendants Winters and Southlake directly and indirectly engaged in, and unless restrained and enjoined will continue to engage in, acts, transactions, practices, and courses of business that violate securities-registration and anti-fraud provisions of the federal securities laws, specifically Sections 5(a), 5(c), and 17(a) of the Securities Act of 1933 ("Securities Act") [15 U.S.C. § 77e(a), 77e(c), and 77q(a)] and Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act") [15 U.S.C. § 78j(b)] and Exchange Act Rule 10b-5 [17 C.F.R. § 240.10b-5]. Defendants Winters and Hamilton also directly and indirectly engaged in, and unless restrained and enjoined will continue to engage in, acts, transactions, practices, and courses of business that violate the broker-registration provision of the federal securities laws, specifically Section 15(a) of the Exchange Act [15 U.S.C. § 78o(a)].

5. The SEC brings this action seeking permanent injunctions, disgorgement plus prejudgment interest, and civil penalties as to each Defendant and all other equitable and

ancillary relief to which the Court determines the SEC is entitled.

JURISDICTION AND VENUE

6. The SEC brings this action under Securities Act Section 20(b) [15 U.S.C. §77t(b)] and Exchange Act Section 21(d) [15 U.S.C. §78u(d)], seeking to restrain and enjoin the Defendants permanently from engaging in such acts and practices as alleged herein.

7. The Court has jurisdiction over this action under Section 20(d) and 22(a) of the Securities Act [15 U.S.C. §§ 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].

8. Each of the joint-venture interests offered and sold as described in this complaint is a "security" as that term is defined under Securities Act Section 2(a)(1) [15 U.S. C. § 77b(a)(1)] and Exchange Act Section 3(a)(10) [5 U.S. C. § 78c(a)(10)].

9. The Defendants, directly and indirectly, made use of the mails or of the means and instrumentalities of interstate commerce in connection with the transactions, acts, practices, and courses of business described in this complaint.

10. Venue is proper because Defendants reside in, and a substantial part of the events, acts, and omissions giving rise to the claims occurred in, the Northern District of Texas.

PARTIES

11. Plaintiff SEC is an agency of the U.S. government charged with regulating the country's securities industry and prosecuting civil and administrative cases to enforce the country's securities laws.

12. Defendant Southlake is a limited liability company organized under Missouri law, with its headquarters in Fort Worth, Texas.

13. Defendant Winters is a natural person residing in Fort Worth, Texas.

14. Defendant Hamilton is a natural person residing in Fort Worth, Texas.

STATEMENT OF FACTS

The Joint Ventures

15. In or about 2010, Winters founded Southlake to raise capital to acquire working interests in oil-and gas-wells drilled and operated by third parties. Between 2010 and 2014 Southlake formed 12 joint ventures. During that period, it offered and sold units of interest in the joint ventures ("Units"), raising $5,235,650 from 70 investors in 26 states. Some investors invested more than once. For each offering of Units, the table below sets out the joint venture's name, the number of wells the venture planned to drill, the date the offering began, the amount Southlake sought to raise, the number of sales, and the total amount actually raised.

Joint Venture Name	Number of Wells	Offering Date	Offering Amount	Number of Sales	Total Raised
Skywalker Prospect Infield Drilling Program	1	06/27/10	$700,000	4	$83,750
Ransom Drilling Prospect	1	12/01/10	$500,000	3	$125,000
Patriot 3 Well Drilling Fund	1	03/01/11	$1,100,000	5	$150,000
Laforce #1 Joint Venture	1	08/01/11	$600,000	8	$110,000
SRG 2011 4-Well Drilling Program	4	10/20/11	$1,400,000	9	$238,000
SRG Parkerson Bazine Joint Venture	3	03/20/12	$800,000	4	$60,000
SRG K-4 Joint Venture	4	04/27/12	$800,000	18	$467,500
SRG Rein Aldrich Joint Venture	4	01/04/13	$1,200,000	19	$747,000
SRG Betty Betz Field Development	4	05/20/13	$800,000	12	$552,500
SRG Sheriff Joint Venture	3	10/07/13	$2,250,000	9	$512,500
SRG Aldrich Joint Venture	4	11/29/13	$3,200,000	21	$774,400
SRG Raymond Doxon Joint Venture	2	04/28/14	$4,340,000	18	$1,415,000
TOTAL	**32**		**$17,690,000**	**130**	**$5,235,650**

16. Southlake controlled each joint venture. Winters in turn owned and controlled Southlake. Through Southlake, Winters exercised ultimate control and authority over each

venture, including its direction, the content of its public statements, the decision to disseminate such statements, its disclosures to investors, and all decisions regarding its functions, operations, and activities.

17. For each joint venture, Winters drafted a Confidential Information Memorandum ("CIM") to provide investors information about the venture. Each CIM contained the number and price of the Units on offer, the amount sought to be raised, and a table setting out the anticipated use of investment proceeds. The CIMs were substantially similar for each joint venture, except for the Unit cost and quantity and the respective descriptions of the well prospects. After initial contact, Winters typically sent the prospective investor a CIM by FedEx or email.

The Units Were Securities

18. The CIMs portrayed the investors and Southlake as general partners of one another, having all the rights of general partners under Texas law. In reality, however, the joint ventures did not function as general partnerships. Each joint venture was governed by a non-negotiable joint-venture agreement, which delegated to Southlake the exclusive right and authority to control and obligate the venture. The joint-venture agreements thereby rendered illusory the CIM's claims that investors were general partners.

19. Investors had no input concerning which wells to drill or complete or regarding when or whether to do so. They had no input on how the venture spent investment proceeds or allocated assets. They had no input on the decision to hire drillers or operators. They had no direct access to venture bank accounts or financial records. They received no information from Southlake that would allow them to even identify, much less contact, the joint venture's other investors—their so-called "partners." And although the joint-venture agreement provided that

investors could vote on certain limited actions, Southlake controlled the balloting process and never sought such a vote on any action.

20. Given the joint-venture agreement's assignment of control to Southlake, the investors' role in each venture was passive, limited to making an investment of money. Investors therefore reasonably expected the venture's success to come from the managerial efforts of Winters and Southlake. Consequently, each joint-venture Unit offered and sold by Winters and Southlake constituted an investment contract and was, therefore, a security.

21. No registration statement was ever filed with the SEC related to Southlake's offer and sale of securities.

Winters and Hamilton Acted as Brokers in the Securities Transactions

22. Winters and Hamilton acted as brokers in Southlake's securities transactions. Winters identified prospective investors throughout the United States from referrals and from lead lists he purchased. He supervised a staff of commissioned telephone solicitors to cold-call these investors to offer and sell the Units. He also closed sales initiated by the cold-callers. He engaged in cold-calling himself. He negotiated securities transactions, advised prospective investors regarding the investment, and provided them sales materials, including CIMs. And he completely controlled the Unit-sale proceeds, from which he paid himself $1,150,473.87.

23. From April 2012 through September 2014, Hamilton served as a Vice President at Southlake. In this role, he cold-called prospective investors to offer Units, distributed sales materials, including CIMs, advised investors about the investment, and negotiated and closed sales. He earned a 15% commission on each sale and received commission compensation totaling $357,570.

24. Despite acting as brokers, neither Hamilton nor Winters has ever been registered

as a broker with the SEC, and Hamilton has never been associated with a registered broker. Although Winters was associated with a registered broker from July 2007 through October 2010, he continued to broker Southlake securities transactions for more than three years after this association ended.

Winters and Southlake's Misrepresentations and Misconduct

25. The CIMs contained untrue statements and statements that were rendered misleading because they omitted information that Winters and Southlake had a duty to disclose. In the joint-venture offerings, Winters and Southlake also engaged in misleading conduct.

Use of Proceeds

26. Each CIM included a table entitled "Use of Proceeds," which purported to disclose Southlake's "anticipated" use of investor money. In each CIM, the table provided that Southlake anticipated using not more than 15% of the proceeds for fees relating to sales, marketing, and due-diligence. The CIMs generally noted that a fraction of a percentage of the proceeds would be used for organizational and offering expenses and that the balance—approximately 85%—would be used for actual well costs such as lease acquisition, drilling, testing, completion, and geological and geophysical costs. Although the percentages varied slightly from CIM to CIM, the example below from the SRG Aldrich Venture CIM illustrates how Southlake disclosed its anticipated use of proceeds:

USE OF PROCEEDS		
	AMOUNT	%
Organizational & Offering Expenses	$20,160.00	.63%
Lease Acquisition, Geological & Geophysical Costs	$184,000.00	5.75%
Drilling & Testing Costs	$2,027,200.00	63.35%
Completion Costs (Plugging)	$488,640.00	15.27%
Sales & Marketing, Due Diligence & Other Fees	$480,000.00	15.00%
TOTALS	$3,200,000.00	100.00%

27. In reality, in each joint venture, Southlake spent approximately 50% on well costs, spent approximately 20% on sales commissions and overhead, and retained approximately 30% as profit. The tables were untrue because they misstated Southlake's actual anticipated use of proceeds. And they were misleading because they omitted to disclose Southlake's profit and overhead, disclosures necessary to give a complete and accurate accounting of Southlake's anticipated use of proceeds. When Winters drafted and disseminated the CIMs, he knew or was severely reckless in not knowing that the tables were untrue and misleading.

28. These untrue and misleading statements were material. A reasonable investor would consider such overstated anticipated expenses and undisclosed anticipated profit and overhead important in making an investment decision about the joint venture.

29. By taking undisclosed profit and overhead payments from the offering proceeds, Winters and Southlake acted knowingly or severely recklessly..

Interest Allocations

30. Each CIM contained a statement that the joint venture intended to acquire a specified maximum percentage of the working interest in each well prospect if the joint venture became fully capitalized. Among the 12 CIMs, this specified maximum ranged from 20% to 100% of the working interest. The table below sets out the maximum working interest to be acquired by each joint venture if fully capitalized, as specified in the CIMs.

Joint Venture Name	Maximum Working Interest
Skywalker Prospect Infield Drilling Program	75%
Ransom Drilling Prospect	75%
Patriot 3 Well Drilling Fund	20%
Laforce #1 Joint Venture	100%
SRG 2011 4-Well Drilling Program	50%
SRG Parkerson Bazine Joint Venture	50%
SRG K-4 Joint Venture	25%
SRG Rein Aldrich Joint Venture	40%
SRG Betty Betz Field Development	25%

Joint Venture Name	Maximum Working Interest
SRG Sheriff Joint Venture	100%
SRG Aldrich Joint Venture	100%
SRG Raymond Doxon Joint Venture	100%

31. Each CIM contained a table entitled "Interest Allocations," showing who would own or otherwise share in each prospect well's royalty interest ("RI"), working interest ("WI"), and net revenue interest ("NRI"). The table below from the SRG Raymond Doxon Joint Venture is an example showing generally how the CIMs disclosed well-prospect interest allocations:

INTEREST ALLOCATIONS			
	RI	WI	NRI
OVERRIDING ROYALTY INTEREST	20.00%	-	20.00%
SRG RAYMOND DOXON JOINT VENTURE	-	100.00%	80.00%
TOTALS	20.00%	100.00%	100.00%

32. The CIMs' interest-allocation statements were inaccurate. In reality, Southlake intended to use, and did use, offering proceeds in undisclosed transactions to acquire for itself approximately three percentage points of the working interest earmarked for each joint venture. Therefore, even if the joint venture was fully capitalized, it could not have acquired the maximum working interest percentage specified in the CIM. The interest allocation tables were misleading because they did not include Southlake's working interest allocation or its corresponding net revenue interest allocation.

33. When Winters drafted and disseminated each CIM, he knew or was severely reckless in not knowing that the statements regarding working-interest acquisition and interest allocation were untrue and misleading. These untrue and misleading statements were material. A reasonable investor would consider Southlake's undisclosed use of proceeds to acquire a share of the working interest earmarked for the joint venture important in making an investment decision about the joint venture. A reasonable investor would likewise consider interest

allocations in the wells important in making an investment decision about the venture.

34. By using offering proceeds to acquire working interests for themselves in undisclosed transactions, Winters and Southlake acted knowingly or severely recklessly.

35. In addition, 10 of the CIMs contained a statement that a third party well operator would receive approximately 20% of the net revenue interest in exchange for its services. This statement was misleading because it omitted to disclose that the operator maintained only a "back-in interest." The back-in interest—described in contracts that Winters negotiated between Southlake and the operator—entitled the operator to 20% of the net revenues only after the well reached "payout." Payout is the point at which the well generates revenues greater than the cost charged by the operator to drill, test, complete, and operate the well. Unbeknownst to investors, until payout, Southlake kept the 20% net revenue interest for itself.

36. Winters knew or was severely reckless in not knowing that the statements regarding the operator's 20% net revenue interest were misleading. These misleading statements were material. A reasonable investor would consider Southlake's receipt of the operator's 20% net revenue interest important in making an investment decision about the joint venture.

37. By receiving the operator's 20% net revenue interest in undisclosed transactions, Winters and Southlake acted knowingly or severely recklessly.

38. The foregoing undisclosed interest allocations had a material impact on the distribution of well revenues. Southlake received approximately $1.3 million in oil-and-gas revenues, but it only distributed approximately $800,000 to investors.

Projections

39. The CIMs contained unsubstantiated performance projections that were not consistent with Southlake's prior experience. For example, by the time Southlake started the

SRG Aldrich Joint Venture in 2013, it had drilled more than 30 wells since 2010 in the same geographical area as the SRG Aldrich well prospects. The SRG Aldrich CIM projected that producing wells could return investors initial principal in 7 to 42 months, assuming total oil production between 100,000 barrels and 400,000 barrels. In reality, no wells in any Southlake joint venture had ever produced oil in sufficient quantities to return investor principal. None of the wells in Southlake's previous joint ventures had ever even reached the minimum 100,000-barrel assumption. Moreover, the SRG Aldrich projections assumed oil production ranging from 50 to 300 barrels of oil per day. But only two of Southlake's wells had ever produced more than 100 barrels per day, and even those wells failed to sustain that level of production for more than a few months.

40. Moreover, each CIM contained a misleading analysis of existing oil-and-gas activity in proximity to the prospect wells. In particular, the CIMs included projected production rates for Southlake's prospect wells based on the most successful wells in the surrounding area, but ignored dry holes and lesser producing wells. As a result, the CIMs conveyed the misleading impression that the well prospects were far more favorable than they actually were.

41. Winters knew or was severely reckless in not knowing that the foregoing projections were misleading because they had no reasonable basis. These misleading statements were material. A reasonable investor would consider Southlake's accurate production and revenue estimates important in making an investment decision about the joint venture.

Working-Interest Title

42. Each CIM stated that title to the joint venture's property would be held in the name of the joint venture. This statement was untrue. In reality, Southlake held the title to the joint venture's working interests. Southlake never took steps to transfer joint-venture property

from Southlake's name to the joint venture's name.

43. Winters knew or was severely reckless in not knowing that the CIM statements regarding title to the joint venture's property were untrue. These untrue statements were material. A reasonable investor would consider the title holder of joint-venture property to be important in making an investment decision about the joint venture.

Commingled Funds and Loans

44. The CIMs asserted that there would be no commingling of funds between the venture and Southlake or any of its affiliates. For at least the first three ventures, however, all investor money was deposited into a single Southlake bank account and no efforts were made to ensure that the funds were not commingled. Subsequently, Winters set up separate bank accounts for each joint venture, but he used Southlake's tax identification number to set up all the accounts. Therefore, despite the name on the account, Southlake, not the joint venture, was the account holder.

45. The CIMs also include a "dealings among related parties" clause, which stated that there will be no loans between the venture and any other entities controlled by Southlake or its affiliates. However, Winters on occasion used funds from one joint venture to loan money for expenses of another joint venture that was not fully funded yet. A reasonable investor would consider it important to know that investor funds were used to pay for drilling expenses unrelated to the joint venture.

46. Winters knew or was severely reckless in not knowing that the CIM statements regarding commingling and loans were untrue. These untrue statements were material. A reasonable investor would consider it important in making an investment decision about a joint venture that the joint venture's funds were held in a non-joint-venture account, commingled with

other funds, or used for loans to other entities.

47. By commingling and loaning investor funds among the joint ventures, contrary to their written representations, Winters and Southlake acted knowingly or severely recklessly.

Discounts for Certain Investors

48. Each CIM provided that Units would be offered to investors at a fixed price and that Southlake "may provide a Volume Discount of 5% to 10% for purchases of 3 or more Units." This statement regarding a discount was untrue. In reality, Winters offered discounts to certain investors, regardless of the volume of Units purchased. Several investors accepted the offer and received a 50% discount, paying for half a Unit but receiving a full Unit. These discounted sales were never disclosed to the other investors.

49. Winters knew or was severely reckless in not knowing that the CIM statements regarding discounts were untrue. These untrue statements were material. A reasonable investor would consider such discounts for certain investors to be important in making an investment decision about the joint venture.

50. By selling Units at a 50% discount in undisclosed transactions, Winters and Southlake acted knowingly or severely recklessly.

FIRST CLAIM FOR RELIEF
Violations of Exchange Act Section 10(b) and Exchange Act Rule 10b-5 Against Winters and Southlake

51. Plaintiff SEC re-alleges and incorporates paragraphs 1 through 50 of this Complaint by reference as if set forth verbatim in this Claim.

52. Defendants Winters and Southlake directly or indirectly, singly or in concert with others, in connection with the purchase and sale of securities, by use of the means and instrumentalities of interstate commerce or by use of the mails, have (a) employed devices,

schemes, and artifices to defraud; (b) made untrue statements of material facts and have 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 operated as a fraud and deceit upon purchasers, prospective purchasers, and other persons.

53. Defendants Winters and Southlake engaged in the above-referenced conduct and made the above-referenced untrue and misleading statements knowingly or with severe recklessness.

54. By reason of the foregoing, Defendants Winters and Southlake 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 [17 C.F.R. § 240.10b-5] thereunder.

SECOND CLAIM FOR RELIEF
Violations of Securities Act Section 17(a)
Against Winters and Southlake

55. Plaintiff SEC re-alleges and incorporates paragraphs 1 through 50 of this Complaint by reference as if set forth verbatim in this Claim.

56. By engaging in the engaging in the acts and conduct alleged herein, Defendants Winters and Southlake directly or indirectly, singly or in concert with others, in the offer and sale of securities, by use of the means and instruments of transportation and communication in interstate commerce or by use of the mails, have (a) employed devices, schemes, or artifices to defraud; (b) obtained money or property by means of untrue statements of material fact or 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 (c) engaged in transactions, practices, or courses of business which operated or would operate as a fraud or deceit.

57. With respect to violations of Securities Act Sections 17(a)(2) and (3), Defendants Winters and Southlake were negligent in their conduct and in the untrue and misleading statements alleged herein. With respect to violations of Securities Act Section 17(a)(1), Defendants Winters and Southlake engaged in the referenced conduct and made the referenced untrue and misleading statements knowingly or with severe recklessness.

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

THIRD CLAIM
Violations of Securities Act Sections 5(a) and 5(c)
Against Winters and Southlake

59. Plaintiff SEC re-alleges and incorporates paragraphs 1 through 50 of this Complaint by reference as if set forth verbatim in this Claim.

60. Defendants Winters and Southlake, directly or indirectly, singly or in concert with others, have offered to sell, sold, and delivered after sale, certain securities and have (a) made use of the means and instruments of transportation and communication in interstate commerce and of the mails to sell securities, through the use of email, interstate carrier, brokerage transactions, or otherwise; (b) carried and caused to be carried through the mails and in interstate commerce by the means and instruments of transportation such securities for the purpose of sale and for delivery after sale; and (c) made use of the means or instruments of transportation and communication in interstate commerce or of the mails to offer to sell such securities.

61. By reason of the foregoing, Defendants Winters and Southlake have violated, and unless enjoined will continue to violate, Sections 5(a) and 5(c) of the Securities Act [15 U.S.C. §§ 77e(a) and 77e (c)].

FOURTH CLAIM
Violations of Securities Exchange Act Section 15(a)

Against Winters and Hamilton

62. Plaintiff SEC re-alleges and incorporates paragraphs 1 through 50 of this Complaint by reference as if set forth verbatim in this Claim.

63. Defendants Winters and Hamilton, while engaged in the business of effecting transactions in securities for the account of others, made use of the mails or the means or instrumentalities of interstate commerce to effect transactions in, or to induce or attempt to induce the purchase or sale of, a security without being registered in accordance with Section 15(a) of the Exchange Act.

64. By reason of the foregoing, Defendants Winters and Hamilton have violated, and unless restrained and enjoined will continue to violate, Section 15(a) of the Exchange Act [15 U.S.C. § 78o(a)].

PRAYER FOR RELIEF

WHEREFORE, the SEC respectfully requests that the Court enter a judgment:

I.

Permanently enjoining Defendants Winters and Southlake from future violations of Sections 5(a), 5(c), and 17(a) of the Securities Act [15 U.S.C. §§ 77e(a), 77e(c), and 77q(a)], and 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].

II.

Permanently enjoining Defendants Winters and Hamilton from future violations of Section 15(a) of the Exchange Act [15 U.S.C. §78o(a)].

III.

Ordering Defendant Winters to disgorge ill-gotten gains from the conduct alleged herein

in the amount of $1,150,473.87 plus prejudgment interest of $62,792.83.

IV.

Ordering Defendant Hamilton to disgorge ill-gotten gains from the conduct alleged herein in the amount of $357,570.00 plus prejudgment interest of $19,516.18.

V.

Ordering Defendant Southlake to disgorge ill-gotten gains from the conduct alleged herein in the amount of $3,727,606.13 plus prejudgment interest of $203,452.69.

VI.

Imposing a civil penalty of $160,000.00 against Defendant Winters 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)] for violations of the federal securities laws as alleged herein;

VII.

Imposing a civil penalty of $50,000.00 against Defendant Hamilton pursuant to Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)] for violations of the federal securities laws as alleged herein;

VIII.

Imposing a civil penalty of $160,000.00 against Defendant Southlake 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)] for violations of the federal securities laws as alleged herein; and

IX.

Imposing such other and further relief as the SEC may show itself entitled.

Dated: October 24, 2016

Respectfully submitted,

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CIVIL COVER SHEET

The JS-44 civil cover sheet and the information contained herein neither replace nor supplement the filing and service of pleadings or other papers as required by law, except as provided by local rules of court. This form, approved by the Judicial Conference of the United States in September 1974, is required for the use of the Clerk of Court for the purpose of initiating the civil docket sheet. (SEE INSTRUCTIONS ON THE REVERSE OF THE FORM.)

I.(a) PLAINTIFFS

U.S. SECURITIES AND EXCHANGE COMMISSION

(b) COUNTY OF RESIDENCE OF FIRST LISTED PLAINTIFF _____
(EXCEPT IN U.S. PLAINTIFF CASES)

Defendants-
Southlake Resources Group, LLC,
Cody M. Winters, and
Nicholas R. Hamilton

County of Residence of First Listed Defendant:
(IN U.S. PLAINTIFF CASES ONLY) Tarrant
NOTE: IN LAND CONDEMNATION CASES, USE THE LOCATION OF THE TRACT OF LAND INVOLVED.

(c) ATTORNEY (FIRM NAME, ADDRESS, AND TELEPHONE NUMBER)
Timothy S. McCole
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II. BASIS OF JURISDICTION (PLACE AN "X" IN ONE BOX ONLY)

- ☒ 1 U.S. Government Plaintiff
- ☐ 3 Federal Question (U.S. Government Not a Party)
- ☐ 2 U.S. Government Defendant
- ☐ 4 Diversity (Indicate Citizenship of Parties in Item III)

III. CITIZENSHIP OF PRINCIPAL PARTIES (For Diversity Cases Only)
(PLACE AN "X" IN ONE BOX FOR PLAINTIFF AND ONE BOX FOR DEFENDANT)

	PTF	PTF		PTF	PTF
Citizen of This State	☐ 1	☐ 1	Incorporated or Principal Place of Business In This State	☐ 4	☐ 4
Citizen of Another State	☐ 2	☐ 2	Incorporated and Principal Place of Business in Another State	☐ 5	☐ 5
Citizen or Subject of a Foreign Country	☐ 3	☐ 3	Foreign Nation	☐ 6	☐ 6

IV. NATURE OF SUIT *(PLACE AN "X" IN ONE BOX ONLY)*

CONTRACT	TORTS		FORFEITURE/PENALTY	BANKRUPTCY	OTHER STATUTES
☐ 110 Insurance	PERSONAL INJURY	PERSONAL INJURY	☐ 610 Agriculture		☐ 400 State Reapportionment
☐ 120 Marine	☐ 310 Airplane	☐ 362 Personal Injury - Med. Malpractice	☐ 620 Other Food & Drug	☐ 422 Appeal 28 USC 156	☐ 410 Antitrust
☐ 130 Miller Act	☐ 315 Airplane Product Liability	☐ 365 Personal Injury - Product Liability	☐ 625 Drug Related Seizure of Property 21 USC 881		☐ 430 Banks and Banking
☐ 140 Negotiable Instrument	☐ 320 Assault, Libel & Slander		☐ 630 Liquor Laws	☐ 423 Withdrawal 28 USC 157	☐ 450 Commerce/ICC Rates/etc.
☐ 150 Recovery of Overpayment & Enforcement of Judgment	☐ 330 Federal Employers' Liability	☐ 368 Asbestos Personal Injury Product Liability	☐ 640 R.R. & Truck	PROPERTY RIGHTS	☐ 460 Deportation
☐ 151 Medicare Act	☐ 340 Marine	PERSONAL PROPERTY	☐ 650 Airline Regs.	☐ 820 Copy rights	☐ 470 Racketeer Influenced and Corrupt Organizations
☐ 152 Recovery of Defaulted Student Loans (Excl. Veterans)	☐ 345 Marine Product Liability	☐ 370 Other Fraud	☐ 660 Occupational Safety/Health	☐ 830 Patent	☐ 810 Selective Service
☐ 153 Recovery OF Overpayment of Veteran's Benefits	☐ 350 Motor Vehicle	☐ 371 Truth in Lending	☐ 690 Other	☐ 840 Trademark	☒ 850 Securities Commodities/ Exchange
☐ 160 Stockholders' Suits	☐ 355 Motor Vehicle Product Liability	☐ 380 Other Personal Property Damage	LABOR	SOCIAL SECURITY	☐ 875 Customer Challenge 12 USC 3410
☐ 190 Other Contract	☐ 360 Other Personal Injury	☐ 385 Property Damage Product Liability	☐ 710 Fair Labor Standards Act	☐ 861 HIA (1395FF)	☐ 891 Agricultural Acts
☐ 195 Contract Product Liability			☐ 720 Labor/Mgmt. Relations	☐ 862 Black Lung (923)	☐ 892 Economic Stabilization Act
REAL PROPERTY	CIVIL RIGHTS	PRISONER PETITIONS	☐ 730 Labor/Mgmt. Reporting & Disclosure Act	☐ 863 DIWC/DIWW (405(g))	☐ 893 Environmental Matters
☐ 210 Land Condemnation	☐ 441 Voting	☐ 510 Motions to Vacate Sentence	☐ 740 Railway Labor Act	☐ 864 SSID Title XVI	☐ 894 Energy Allocation Act
☐ 220 Foreclosure	☐ 442 Employment	Habeas Corpus:	☐ 790 Other Labor Litigation	☐ 865 RSI (405(g))	☐ 895 Freedom of Information Act
☐ 230 Rent Lease & Ejectment	☐ 443 Housing/ Accommodations	☐ 530 General	☐ 791 Empl. Ret. Inc. Security Act	FEDERAL TAX SUITS	☐ 900 Appeal of Fee Determination Under Equal Access to Justice
☐ 240 Torts to Land	☐ 444 Welfare	☐ 535 Death Penalty		☐ 870 Taxes (U.S. Plaintiff or Defendant)	☐ 950 Constitutionality of State Statutes
☐ 245 Tort Product Liability	☐ 440 Other Civil Rights	☐ 540 Mandamus & Other		☐ 871 IRS - Third Party 26 USC 7609	☐ 890 Other Statutory Actions
☐ 290 All Other Real Property		☐ 550 Civil Rights			

V. ORIGIN *(PLACE AN "X" IN ONE BOX ONLY)*

- ☒ 1 Original Proceeding
- ☐ 2 Removed from State Court
- ☐ 3 Remanded from Appellate Court
- ☐ 4 Reinstated or Reopened
- ☐ 5 Transferred from another district (Specify)
- ☐ 6 Multidistrict Litigation
- ☐ 7 Appeal to District Judge from Magistrate Judge

VI. CAUSE OF ACTION (CITE THE U.S. CIVIL STATUTE UNDER WHICH YOU ARE FILING AND WRITE BRIEF STATEMENT OF CAUSE. DO NOT CITE JURISDICTIONAL STATUTES UNLESS DIVERSITY.) Securities Fraud

Violations of Section: Sections 5(a), 5(c), and 17(a) of the Securities Act of 1933 ("Securities Act") [15 U.S.C. § 77e(a), 77e(c), and 77q(a)] and Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act") [15 U.S.C. § 78j(b)] and Exchange Act Rule 10b-5 [17 C.F.R. § 240.10b-5].

VII. REQUESTED IN COMPLAINT: CHECK IF THIS IS A CLASS ACTION ☐ UNDER F.R.C.P. 23 **DEMAND $** CHECK YES only if demanded in complaint: **JURY DEMAND** ☐ YES ☒ NO

VIII. RELATED CASE(S) (See Instructions):
IF ANY JUDGE _DOCKET NUMBER

DATE
October 24, 2016

SIGNATURE OF ATTORNEY OF RECORD
Timothy S McCole

FOR OFFICE USE ONLY
Receipt #_____ AMOUNT _____ APPLYING IFP _____ JUDGE _____ MAG. JUDGE _____