

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

**SECURITIES AND EXCHANGE
COMMISSION,**

Plaintiff,

v.

JARED GABRIEL FORRESTER,

Defendant.

Civil Action File No.

4:18CV-283

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 December 2013 and February 2016, Defendant Jared Gabriel Forrester (“Forrester”) was directly involved in 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. From 2013 through February 2016, 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. (“BGR”), which later changed its name to Tennstar Energy, Inc. (“Tennstar”).

5. Greenlee, Stewart, and Underwood represented to investors that SEG would manage the limited partnerships and 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 Tennstar who pretended to run the companies so that Greenlee and Stewart—both convicted felons—could conceal their own involvement in the scheme.

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

VIOLATIONS

8. Forrester, by virtue of his conduct, engaged in 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

9. 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 Forrester 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.

10. 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].

11. 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.

12. 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

13. **Forrester**, 35 and a resident of Summer Shade, Kentucky, was the purported President and CEO of Tennstar between December 2013 and February 2016, when the fraud was halted by the US Secret Service. He was selected by Greenlee and Stewart to be Tennstar's figurehead because he was known to both of them from their mutual involvement in an earlier, unrelated investment scheme. Forrester previously worked as a hotel clerk, furniture store

salesman, and stock broker trainee at a registered broker-dealer and investment adviser that is unrelated to Tennstar or SEG. Forrester currently works as a roofer. In August 2016, the Tennessee Securities Division issued a cease-and-desist order against Tennstar and Forrester, finding that both made material misrepresentations to investors regarding the profitability of Tennstar investments.

OTHER RELEVANT PEOPLE AND ENTITY

13. **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.

14. **David A. Stewart, Jr.**, age 46, and a resident of Gallatin, Tennessee, was a registered representative with 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.

15. **Tennstar** was a Tennessee corporation and the purported managing general partner of at least seven well-drilling joint ventures sold to investors. Tennstar was dissolved by the State of Tennessee in August 2017 for failure to meet registration renewal requirements. It never registered any stock or offerings with the Commission.

16. 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 Tennstar, Greenlee, Stewart and Underwood.

FACTS

A. Background

17. 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.

18. Specifically, as described in the SEG and Tennstar offering materials and the corresponding certificates of ownership given to investors, individuals investing funds in the projects were buying fractional undivided working interests, which in turn provided net revenue interests for any profits derived from the purported plans to sell oil recovered from the wells at issue.

19. For example, the offering materials for Tennstar’s joint ventures explained: “The fraction thus obtained will represent the fractional interest of each such Venturer in the costs and revenues, if any, of the [Tennstar project].” SEG offering materials used similar language regarding the interests sold through SEG’s partnerships.

20. Greenlee and Stewart operated their scheme through SEG for the limited partnerships and Tennstar for the joint ventures.

21. Each company was purportedly run by an individual experienced in the oil industry.

22. In soliciting investors, Greenlee, Stewart and their sales teams 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—in the form of revenue interests—ranging from 15 to 55 percent or more per year, which they said 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 radio and internet advertising.

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

B. Forrester Directly Violated the Antifraud Provisions of the Securities Laws

25. Forrester was the figurehead installed by Greenlee and Stewart to run Tennstar.

26. Forrester was portrayed to investors as running Tennstar when, in reality, that entity was controlled by Greenlee and Stewart.

27. Forrester incorporated the company at their request using \$18,000 they provided, listed himself as Tennstar's registered agent, and opened the entity's offices in Tennessee and South Florida to house its boiler-room sales staff.

28. When investors ultimately provided their money to Tennstar, Forrester followed instructions from Greenlee and Stewart regarding how much to pay to the sales team, how much to spend on advertising, and how much to funnel to bank accounts controlled by Greenlee and Stewart for personal misappropriation—none of which was disclosed to investors as anticipated use of their funds.

29. In addition to allowing himself to be portrayed falsely as running the company, Forrester was also active in the offer and sale of investments in Tennstar's offerings. In fact, he was the Tennstar employee who typically was listed on shipping labels as the sender of offering

materials via mail or common carrier to investors, knowing that those materials included a fake biography of himself. For example, in July 2015, Forrester sent by common carrier a package of Tennstar offering materials to a Southern District of Georgia resident in Savannah, Georgia. The materials included the false biography of Forrester. The Southern District of Georgia resident ultimately invested \$28,000 in a Tennstar offering, but never received any profits or distributions from the investment.

30. That fake biography claimed that Forrester, who was 29 years old when his role in the Tennstar fraud began, “had a multitude of roles within the petroleum industry over the years” and had been “part of the 30+ years of [oil] field projects that his family ha[d] developed.” The biography, written chiefly by Stewart and approved by Forrester, then asserted that Forrester’s experience had given him “ground-level field development expertise in the oil patch” and “an immense knowledgebase in oil and gas development and how to effectively maximize profits.”

31. None of this was true since, prior to his figurehead role at Tennstar, Forrester had never worked in any legitimate oil drilling or production effort, nor had Forrester’s family members ever been involved in “30+ years of [oil] field projects.”

32. Forrester knew Greenlee and Stewart were using fake names when soliciting investors, and he touted his own fake industry experience in verbal solicitations of investors.

33. For instance, in an audio file created by Tennstar in what appears to have been an effort to coach and train its salesmen, Forrester was recorded on a telephone call soliciting a prospective investor to purchase an interest in a Tennstar joint venture. During the call, Forrester told the prospective investor that Forrester had been in the oil business almost all of his life, claiming at one point during the call that he had worked in the industry since he was “in diapers.”

34. Additionally, when soliciting investors, Forrester used call scripts provided by Greenlee and Stewart for the boiler-room sales teams, claiming falsely that investments in Tennstar's joint ventures were low risk and profitable. Forrester knew such claims were false because, among other things, as head of Tennstar he signed and distributed investor distribution checks and knew most investors were receiving little, if any, return on their invested funds.

35. For instance, in July 2014, Forrester solicited and sold a Tennstar joint interest investment to a male investor, then a 50 year-old Florida resident.

36. The Florida investor initially had contacted SEG—the other fraudulent entity controlled by Greenlee and Stewart—after hearing an SEG radio advertisement about oil investment opportunities. In response to the Florida investor's inquiry, Forrester called the Florida investor and, after asking about the Florida investor's income, told him that his earnings were insufficient to invest in an SEG opportunity, but noted that the Florida investor could invest in a Tennstar joint venture instead.

37. In soliciting the Florida investor, Forrester falsely told the man that SEG and BGR were unrelated and that Forrester had “worked his way up through the oil fields” and had been in the oil industry “his whole adult life.”

38. When the Florida investor asked Forrester if the Tennstar offering was—in his words—“on the up and up,” Forrester responded by telling him, as the Florida investor recalled: “I'm a man of God. I love my family and my faith is most important to me. And I'm not lying to you.”

39. After hearing this, the Florida investor told Forrester to send him further information on the offering, which Forrester did by sending him offering materials by common carrier that contained Forrester's fake biography.

40. After receiving these materials, the Florida investor had another call with Forrester. During this call, the Florida investor asked Forrester about the risks of a Tennstar investment. Forrester responded by telling the Florida investor not to worry about risk because Forrester's prior experience in the oil industry was alleviating that risk.

41. Forrester further told the Florida investor that he could receive a 30 percent return on his investment, adding, as the Florida investor recalled, that the "oil flow is expected to last for decades, if not longer."

42. Based on Forrester's representations about the investment and his supposed industry experience, the Florida investor invested a total of \$80,000 into two separate Tennstar joint venture offerings—an amount that the Florida investor described to Forrester as being almost all of his life savings. The Florida investor, in making his investment decision, believed that Forrester's purported experience would make the joint ventures successful.

43. Subsequently, in February 2015, Forrester told the Florida investor in letters that he signed as Tennstar's President and CEO that the oil wells in which the Florida investor had invested had turned out to be dry.

44. Forrester assured the Florida investor that his investment would be moved to a different Tennstar joint venture but that no new paperwork was necessary. Forrester further assured the Florida investor that the new joint venture was a "sure thing."

45. The Florida investor eventually received a few small distribution checks from Tennstar, totaling no more than \$550. He never received his promised return on his investment or any refund of his invested amount.

46. During the fraud while under the purported direction of Forrester, Tennstar offered and sold to more than 90 investors at least \$2.7 million of units in at least seven joint ventures.

47. Of these funds, Forrester paid himself at least \$233,711.60.

COUNT I—FRAUD

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

48. Paragraphs 1 through 47 are hereby realleged and are incorporated herein by reference.

49. From at least December 2013 through February 2016, Defendant Forrester has, 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.

50. Defendant Forrester knowingly, intentionally, and/or recklessly engaged in the aforementioned devices, schemes and artifices to defraud.

51. In engaging in such conduct, Defendant Forrester acted with scienter, that is, with an intent to deceive, manipulate or defraud or with a severe reckless disregard for the truth.

52. By reason of the foregoing, Defendant Forrester, directly and indirectly, has 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)]

53. Paragraphs 1 through 47 are hereby realleged and are incorporated herein by reference.

54. From at least December 2013 through February 2016, Defendant Forrester, 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.

55. By reason of the foregoing, Defendant Forrester, directly and indirectly, has 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]

56. Paragraphs 1 through 47 are hereby realleged and are incorporated herein by reference.

57. From at least December 2013 through February 2016, Defendant Forrester, 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.

58. Defendant Forrester 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.

59. By reason of the foregoing, Defendant Forrester, directly and indirectly, has 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 Defendant named herein committed the violations alleged herein.

II.

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

III.

A permanent injunction enjoining Defendant Forrester 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 Forrester 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 Forrester.

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