DISTRICT COURT, CITY AND COUNTY OF DENVER, COLORADO 1437 Bannock Street Denver, CO 80202	
GERALD ROME, Acting Securities Commissioner for the State of Colorado, Plaintiff, v. STEPHEN M. THOMPSON, JOSEPH E. FINATERI, and LELAND ENERGY, INC. Defendants.	▲ **COURT USE ONLY** ▲
JOHN W. SUTHERS, Attorney General RUSSELL B. KLEIN, First Assistant Attorney General* Ralph L. Carr Colorado Judicial Center 1300 Broadway, 8thFloor Denver, CO 80203 Telephone: 720-508-6413 FAX: 720-508-6037 E-Mail: russell.klein@state.co.us Registration Number: 31965 *Counsel of Record	Case No.
COMPLAINT FOR INJUNCTIVE AND OTHER RELIEF	

Plaintiff Gerald Rome, Acting Securities Commissioner for the State of Colorado, by and through his counsel the Colorado Attorney General, and for his Complaint against the Defendants Stephen M. Thompson, Joseph E. Finateri, and Leland Energy, Inc., alleges as follows:

JURISDICTION AND VENUE

1. Plaintiff Gerald Rome is the Acting Securities Commissioner for the State of Colorado (the "Commissioner") and is authorized, pursuant to § 11-51-703, C.R.S. to administer all provisions of the Colorado Securities Act (the "Act"). Pursuant to § 11-51-602, C.R.S., the Commissioner is authorized to bring this action against the defendants and to seek temporary, preliminary, and permanent injunctive relief and other equitable relief against the defendants upon sufficient evidence that the defendants have engage in, or are about to engage in, any act or practice constituting a violation of any provision of the Act.

2. Venue is proper pursuant to § 11-51-602(1), C.R.S. in the district court for the city and county of Denver, Colorado.

SUMMARY OF ALLEGATIONS

3. Attracting investors through cold-calls, defendants have defrauded investors out of hundreds of thousands of dollars through the promise of high returns and minimal risk of failure through investing in oil and gas well projects in Colorado and elsewhere in the United States. The securities offered were investments in oil and gas projects that were generally structured as limited liability partnerships, a form of general partnership recognized as a security under Colorado law due the limited liability component of the investment.

4. The defendants structured the investments to give the appearance of investor control, and then proceeded to market the investments as conservative and low risk to investors, some of whom who had virtually no experience with oil and gas operations. The defendants routinely made statements that misled investors. In the process, the defendants sometimes failed to disclose the legal history of the company and the individuals who operated and marketed on behalf of the company, including the fact that one defendant was convicted for felony charges of defrauding the United States and is subject to a

permanent injunction issued by the Commodities Futures Trading Commission, and that Leland Energy, Inc. was the subject of numerous cease and desist orders related to its offers and sales of securities throughout the county. The Commissioner seeks a permanent injunction enjoining the Defendants from future violations of the Act, disgorgement, and restitution for violations of the registration, licensing and antifraud provisions of the Act.

THE DEFENDANTS

5. Defendant Stephen M. Thompson ("Thompson") is an adult male individual, whose last known address is 261 South Robertson Boulevard, Suite 200, Beverly Hills, California 90211. At all times relevant to this matter, Thompson was the Director, CEO, President and control person of Leland Energy, Inc. and related entities.

6. Defendant Joseph E. Finateri ("Finateri") is an adult male individual, whose last known address is 3041 West Horizon Ridge Parkway, #135, Henderson, Nevada 89052. At all times relevant to this matter, Finateri was a senior fund executive for Leland Energy, Inc.

7. Defendant Leland Energy, Inc. ("Leland")is a Nevada corporation. Leland's principal place of business is 261 South Robertson Boulevard, Suite 200, Beverly Hills, California 90211.

GENERAL ALLEGATIONS

8. Sales agents for the Defendants have utilized cold-call techniques to solicit investors throughout the United States, offering and selling interests in oil and gas wells. The investments are typically referred to as a "fund," "investment instruments," "conservative financial instrument" and "investment vehicles" that provides investors with the opportunity to invest in oil and gas drilling, exploration and development projects on leases made available to Leland.

9. To facilitate the offer and sale of securities, the Defendants employed unlicensed sales representatives who utilized lead or marketing lists to cold call prospective investors whom Leland had no previous relationship with. During a two year time period starting in May, 2010, Leland raised at least $876,525.00 from more than twenty Colorado investors.

The Sales Operations

10. One Colorado investor, DS, was solicited on or about March 8, 2012 at his office in Denver, Colorado. Investor DS had no previous relationship with Leland or any of its sales agents. During that initial call, DS was offered the opportunity to invest in a unit of an oil and gas investment costing $115,000.00 that would generate approximately $7,100.00 per month. Although DS did not invest at that time, Leland contacted DS again in late May, 2012.

11. During the May, 2012 phone call, it was revealed that Leland obtained DS' name from a list, that the investment would be a private placement in a limited liability partnership, was structured as a turnkey operation, and that the investment would be passive. It was also stated that material would be sent from Leland to DS, and that Finateri would call DS to follow up after receiving the materials.

12. The purpose of these initial contacts in an offering such as this is to generate or arouse interest in the product being sold. The typical practice includes an attempt to get the investor to accept an offering packet that may include offering documents and application materials specific to the investment being offered.

13. On or about May 29, 2012, the Defendants sent DS a FedEx overnight package to his address in Colorado. The package, among other things, included offering materials for the Samson Wattenberg Drilling Fund, LLP, a Subscription Agreement and Partnership Agreement for The Presidents Fund, LLP, printouts of articles

pertaining to oil development in Weld County, Colorado, and a book written by Defendant Thompson called Your American Birthright: Investing in Oil and Gas. Attached to the offering materials was a business card for Finateri identifying him as senior fund executive.

14. On June 8, 2012, Finateri, acting on behalf of Leland, contacted DS again. At the outset of the phone call, Finateri began soliciting DS for an investment in a different project at an investment price of $100,000.00 with projected returns of over $11,000 per month. Finateri offered for DS to invest in this new opportunity, continuing to promise high levels of returns.

15. Although DS ultimately did not invest with Leland, the solicitations continued. In January of 2013, Leland reached out to DS again, this time with a solicitation to invest in the Leland Energy Drilling Program – Direct Participation Purchase at a rate of $100,000 per unit of investment. The investment concept was similar as the first offerings. This time, the investment included a total of 12 wells combining pre-existing "old" wells and new development opportunities on a set range of acreage in Tennessee. As a part of the agreement between the investor and Leland, all power to run, operate and manage the investment is ceded to Leland Tennessee Holdings, Inc., a wholly owned subsidiary of defendant Leland and is also controlled by defendant Thompson. The investment referenced a 90+% success rate, in excess of 26% annual rate of return, and other factors designed to emphasize the profitability while minimizing the risk associated with the investment.

16. Finally, in May of 2013, Leland solicited DS one more time. This time, Leland was selling the Opportunity Drilling & Acquisition Fund, LLP, a fund made up of a combination of rights to a number of oil and gas wells in Weld and Adams County, Colorado, together with the rights to drill and complete new wells in Pickett County, Tennessee. The investment offering is similar to the previous solicitations in May and June of 2012, and in January of 2013.

17. The promotion of the investment to DS was similar in each offering. The phone calls and offering materials touted the tax benefits associated with investing, the high likelihood of success due to new technology and fracking, the upside of investing in pre-drilled wells, and the opportunity to drill offset wells to maximize production and profits.

18. An investigation by the Division of Securities (the "Division") has revealed that Leland, Finateri, and other sales agents of Leland have utilized a similar strategy of cold-calling and marketing to sell these and other investments to at least 20 Colorado investors. The investment programs that were offered in Colorado included Samson Wattenberg Drilling Fund, LLP, Wattenberg Drilling Fund, LLP, Leland Energy Drilling Program, Leland Energy Fund, LLP, Leland Energy Fund II, LLP, Greeley-Wattenberg Drilling Fund II, LLP, Weld County Drilling Fund, LLP, Wattenberg Drilling Fund II, LLP, Greeley-Wattenberg Drilling Fund, LLP, and Cumberland Revenue Drilling Fund, LLP.

The Leland Investments as Securities

19. Despite some representations to the contrary, the investments offered by Leland and its sales agents are "securities" under the Act in that they are at least "investment contracts" or "certificate[s] of interest or participation in an oil, gas, or mining title or lease or in payments out of production under such title or lease," as defined in § 11-51-201(17), C.R.S.

20. An "investment contract" under Colorado law is: (1) a contract, transaction, or scheme in which a person invests money; (2) in a common enterprise; (3) and is led to expect profits derived from the managerial or entrepreneurial efforts of others.

21. Investors were expected to play a passive role in the investment. Documents provided to investor DS in the Leland Energy

Drilling Program reveal that virtually all power and control over the day to day and operational management of the investment was assigned to Leland Tennessee Holdings, Inc., a wholly owned subsidiary of Leland. Other investment documents do not allocate any meaningful powers to the investors.

22. Moreover, prior to the investment, numerous significant and substantial decisions were already undertaken by Leland which directly impacted the profitability of the investment, including negotiating the leasehold interests, working interests and other interests or rights to drill, test and complete the oil and gas wells, determination of the well locations, determination of the sales price for the units and the number of units to be sold, negotiation of all prices to acquire leasehold interests, allocation of net revenue and working interests allocated to each unit, and other significant steps which directly impact the profitability of the investments.

23. Further, the investment documents do not allocate any meaningful powers to the investors nor do they provide for any mechanism to allow the investors, alleged partners in a general partnership, to communicate or organize among themselves to effect any change upon the investment.

24. In addition, Leland took significant steps which have been recognized under Colorado law as converting general partnerships to securities. The investments have been organized as limited liability partnerships, which eliminates any incentive to play an active role in the investment. In a general partnership, investors typically have unlimited liability, whereas in an LLP and as recognized in the investor materials, this component is removed. Moreover, Leland claimed that they obtained a policy designed to make investors whole if there is a deficiency between the amount invested and the amount recovered/earned over a 15 year period (sometimes referred to as "production deficiency protection plan"). This further de-incentivizes

investors to exercise any control they may retain as "general partners" in the Leland investors.

The Defendants' Legal Troubles

25. In soliciting investors for the various investments, the Defendants and their sales representatives failed to disclose certain legal actions against them, including:

a. On February 25, 2004, an indictment was filed in United States of America v. Joseph Ernest Finateri, 04CR36-01 before the US District Court, Western District of North Carolina. The indictment brought charges of wire fraud, money laundering and fraud. Based upon this indictment, Finateri was convicted of Conspiracy to Defraud the United States in violation of 18 U.S.C. §§ 371, 1341 and 1344, sentenced to 23 months imprisonment and ordered to pay restitution of over $14 million.

b. On or about March 13, 2013, Finateri was named as a defendant in a case brought by the Commodity Futures Trading Commission ("CFTC") alleging that the defendants, including Finateri fraudulently tele-marketed illegal futures contracts for precious metals and other commodities from North Carolina. The case, Commodities Futures Trading Commission v. IBS, Inc. et al., 00CV103 was brought in the US District Court, Western District of North Carolina. As a result of the proceedings, a permanent injunction was entered against Finateri (and other defendants) on September 4, 2003.

c. On January 11, 2013, Leland, Thompson, and other related parties entered into a consent order with the Rhode Island Division of Securities to cease and desist from future violations of the state's securities act based upon unregistered offers or sales of securities by unlicensed sales agents.

d. On or about January 30, 2012, Leland, Thompson, and related parties were ordered to cease and desist from engaging in acts in violation of securities laws in California.

e. On or about October 7, 2002, Leland entered into an Order of Prohibition and Revocation with the Wisconsin Division of Securities directing Leland to cease offering or selling securities in or from Wisconsin in violation the registration and licensing provisions of the state's act.

f. On or about May 13, 2003, the Pennsylvania Securities Commissioner issued an order to cease and desist against Leland Energy from violating the Pennsylvania Securities Act and from engaging in acts in the state unless they retain knowledgeable counsel to make applicable filings in the state.

26. Finateri's legal situation (injunction, felony conviction) has not been disclosed to investor DS, or on information and belief, any other investor.

27. The orders issued against Thompson and/or Leland have only selectively been disclosed. Some offerings do not include the information at all, some offerings reference that they will not sell into those states without stating why, and some offerings provide disclosures.

FIRST CLAIM FOR RELIEF

(Offer or Sale of Unregistered Securities)
(All Defendants)

28. Paragraphs 1 through 27 are incorporated herein by reference.

29. The investment opportunities in the Defendants' investments offered and sold to investors in and from Colorado by the

Defendants are "securities" as contemplated by § 11-51-201(17), C.R.S. in that they are at least "investment contracts" and "certificates of interest or participation in an oil, gas, or mining title or lease or in payments out of production under such a title or lease."

30. By engaging in the conduct described above, the Defendants have made and are currently making "offers" or "sales" of securities in the State of Colorado pursuant to § 11-51-102, C.R.S. and § 11-51-201(13), C.R.S.

31. By engaging in the conduct described herein, the Defendants offered and sold securities in and from Colorado in violation of § 11-51-301, C.R.S.

32. The Commissioner is entitled to an award of damages, interest, costs, attorneys fees, restitution, disgorgement and other equitable relief on behalf of persons injured by the conduct of the Defendants pursuant to §§ 11-51-602(2) and 604(1), C.R.S. (based on violations of § 11-51-301, C.R.S.). The Commissioner is also entitled to a temporary, preliminary and permanent injunction pursuant to § 11-51-602, C.R.S. (based on violations of § 11-51-301, C.R.S.) against the Defendants, their agents, servants, employees, successors and attorneys-in-fact, as may be; any person who, directly or indirectly, through one or more intermediaries, controlled, or is controlled by or is under common control with the Defendants; and all those in active concert or participation with the Defendants.

SECOND CLAIM FOR RELIEF
(Unlicensed Sales Representative Activity)
(All Defendants)

33. Paragraphs 1 through 32 are incorporated herein by reference.

34. By engaging in the conduct described above, Leland and Thompson acted as an "issuer" as defined in § 11-51-201(10), C.R.S. in that they are persons who issue or propose to issue any security.

35. At no time relevant to this Complaint was Finateri licensed, or exempt from licensure, as "sales representatives" or registered in any capacity with the Commissioner as required by §§ 11-51-401 and 402, C.R.S.

36. By engaging in the conduct described above, Leland acted at times as a "broker-dealer" as defined in § 11-51-201(2), C.R.S. in that they were persons engaged in the business of effecting purchases or sales of securities for the accounts of others.

37. At no time relevant to this Complaint was Leland licensed, or exempt from licensure, as a broker-dealer or registered in any capacity with the Commissioner as required by §§ 11-51-401 and 402, C.R.S.

38. Defendants Leland and Thompson employed or otherwise engaged unlicensed sales agents to act as sales representatives in Colorado in violation of § 11-51-401(2), C.R.S.

39. The Commissioner is entitled to an award of damages, interest, costs, and attorneys fees pursuant to §§ 11-51-604(2)(a) and (5)(a), C.R.S. and restitution, rescission, disgorgement, or other equitable relief on behalf of persons injured by the conduct of the Defendants pursuant to § 11-51-602(2), C.R.S., and is also entitled to a permanent injunction against the Defendants, their officers, directors, agents, servants, employees, successors and attorneys-in-fact, as may be; any person, directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with the Defendants; and all those in active concert or participation with the Defendants, enjoining violations by it of §§ 11-51-401 and 402, C.R.S. by virtue of § 11-51-602, C.R.S.

THIRD CLAIM FOR RELIEF
(Securities Fraud)
(All Defendants)

40. Paragraphs 1 through 39 are incorporated herein by reference.

41. In connection with offer, sale, or purchase of securities in Colorado, Thompson, Finateri and Leland, directly or indirectly:

a. employed a device, scheme or artifice to defraud;
b. made written and oral untrue statements of material fact or omitted to state material facts necessary to make the statements made, in light of the circumstances under which they were made, not misleading; or
c. engaged in acts, practices or courses of business which operated and would operate as a fraud and deceit on investors;

all in violation of § 11-51-501(1), C.R.S.

42. Thompson, Finateri and Leland offered or sold securities by means of untrue statements of material fact or omissions to state material facts necessary in order to make the statements, in light of the circumstances under which they were made, not misleading (the buyers not knowing of the untruths or omissions), and therefore these defendants are liable to the Commissioner for damages under § 11-51-604(4), C.R.S., by operation of § 11-51-602(2), C.R.S. (based on violations of § 11-51-501(1)(b), C.R.S.).

43. The Commissioner is entitled to an award of damages, interest, costs, attorneys fees, restitution, disgorgement and other equitable relief on behalf of persons injured by the conduct of Thompson, Finateri and Leland pursuant to §§ 11-51-602(2) and 604(4), C.R.S. (based on violations of § 11-51-501, C.R.S.), and restitution,

rescission, disgorgement, or other equitable relief on behalf of all persons injured by the acts and practices described in this claim for relief pursuant to § 11-51-602(2), and the Commissioner is further entitled to a temporary and permanent injunction against these defendants, their officers, directors, agents, servants, employees, and successors; any person who directly or indirectly, through one or more intermediaries, controlled or is controlled by or is under the common control with any of these defendants, and all those in active concert or participation with any of these defendants pursuant to § 11-51-602, C.R.S., based on violations of § 11-51-501, C.R.S., enjoining the conduct alleged above.

WHEREFORE, the Commissioner requests relief as follows:

1. For temporary and permanent injunctive relief against all Defendants, their agents, servants, employees, and successors; any person who, directly or indirectly, through one or more intermediaries, controls or is controlled by, or is under common control with; and all those in active concert or participation with Defendants, enjoining the violations of all Defendants of the Colorado Securities Act or successor statute.

2. For judgment in an amount to be determined at trial against all Defendants for restitution, disgorgement and other equitable relief pursuant to § 11-51-602(2), C.R.S. For damages, rescission, interest, costs, reasonable attorneys fees, and such other legal and equitable relief, pursuant to §§ 11-51-604(1), (2)(a) (4), C.R.S. as the Court deems appropriate. All of the preceding relief is sought on behalf of the persons injured by the acts and practices of all Defendants that constitute violations of the Act.

3. For an Order imposing a constructive trust on the fraudulently obtained funds held by each Defendant, or any entity controlled by them, and to order these Defendants to account for and

disgorge all funds fraudulently obtained by them from the investors and transferred to them.

4. For such other and further relief as the court deems proper.

Respectfully submitted this 16th day of April, 2014.

JOHN W. SUTHERS
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/s/Russell B. Klein

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