UNITED STATES DISTRICT COURT
FOR THE MIDDLE DISTRICT OF GEORGIA
MACON DIVISION

U.S. SECURITIES AND EXCHANGE COMMISSION, **Plaintiff,** **v.**	**Civil Action No. _____**
EDWARD L. WOOTEN, LEE S. ROSE, JOHN L. KRCIL, and BLACK LION INVESTMENT PARTNERS, INC., **Defendants.**	**JURY TRIAL DEMANDED**

COMPLAINT FOR INJUNCTIVE AND OTHER RELIEF

Plaintiff, U.S. Securities and Exchange Commission (the "Commission"), files its complaint and alleges that:

SUMMARY

1. In 2019, Defendants Lee S. Rose ("Rose"), Edward L. Wooten ("Wooten"), John L. Krcil ("Krcil") and Black Lion Investment Partners, Inc. ("Black Lion") (collectively, the "Defendants") defrauded at least three investors out of at least $3,340,000, using a prime bank scheme.

2. The Defendants told two investors that trading "one year and/or medium-term investment grade fixed income securities of top-rated banks or

financial institutions" would produce returns of up to $5 million per week with "[t]otal safety of" principal.

3. A third investor was promised monthly returns of 7% and equity in an energy company, among other things, if it escrowed funds as part of a supposed corporate financing transaction.

4. In fact, the vast majority of investor funds were, shortly after being deposited, disbursed to accounts controlled by the Defendants and used for personal expenses or used to pay returns to earlier investors.

VIOLATIONS

5. The Defendants engaged in, and, unless restrained and enjoined by this Court, will continue to engage in, acts, practices, schemes, and courses of business that constituted and will constitute violations of Sections 17(a)(1), (2) and (3) of the Securities Act of 1933 ("Securities Act") [15 U.S.C. § 77q(a)(1), (2) and (3)], as well as Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act") [15 U.S.C. § 78j(b)] and Rule 10b-5(a), (b) and (c) thereunder [17 C.F.R. § 240.10b-5(a), (b) and (c)].

JURISDICTION AND VENUE

6. The Commission brings this action pursuant to Sections 20 and 22 of the Securities Act [15 U.S.C. §§ 77t and 77v] and Sections 21(d) and 21(e) of the

Exchange Act [15 U.S.C. §§ 78u(d) and 78u(e)] to enjoin the Defendants 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, and for civil penalties and other equitable relief.

7. The Court has jurisdiction over this action pursuant to Section 22 of the Securities Act [15 U.S.C. § 77v] and Sections 21(d), 21(e) and 27(a) of the Exchange Act [15 U.S.C. §§ 78u(d), 78u(e) and 78aa(a)].

8. The Defendants, directly and indirectly, made use of the mails, the means and instruments of transportation or communication in interstate commerce, and the means and instrumentalities of interstate commerce in connection with the transactions, acts, practices, and courses of business alleged in this Complaint, and made use of the mails and means of instrumentality of interstate commerce to effect transactions, or to induce or to attempt to induce the purchase or sale of securities alleged in this Complaint.

9. Certain of the transactions, acts, practices, and courses of business constituting violations of the Securities Act occurred in the Middle District of Georgia. Defendant Wooten resides in the Middle District of Georgia, and Defendant Black Lion's principal place of business is located there.

10. As such, venue is proper under Section 22 of the Securities Act [15 U.S.C. § 77v] and Section 27 of the Exchange Act [15 U.S.C. § 78aa].

11. The Defendants, unless restrained and enjoined by this Court, will continue to engage in the transactions, acts, practices, and courses of business alleged in this Complaint, and in transactions, acts, practices and courses of business of similar purport and object.

THE DEFENDANTS

12. **Lee S. Rose**, age 79, resides in Deerfield, Illinois. He identified himself as President of Defendant Black Lion in 2019.

13. **Edward L. Wooten**, age 48, resides in Macon, Georgia. He identified himself as President and Chief Executive Officer of Defendant Black Lion in 2019.

14. **John L. Krcil**, age 52, resides in Hanover, Minnesota. He identified himself as Chief Financial Officer of Defendant Black Lion in 2019.

15. **Black Lion Investment Partners, Inc.**, was organized in Wyoming in 2019. Its principal place of business is located in Macon, Georgia.

DEFENDANTS' PRIME BANK SCHEME

A. Investor 1

16. Investor 1 is an entity created for the purposes of investing in an energy company focused on the development of bio-refineries.

17. In connection with this investment, Investor 1 executed an agreement with the energy company titled *Good Faith Account Agreement* ("GFAA").

18. The GFAA obligated the energy company to transfer to Investor 1 fees, monthly returns, and equity in the energy company, in exchange for Investor 1 escrowing $3 million to facilitate the energy company's acquisition of $12 million in corporate financing, purportedly to be used in the construction of a bio-refinery.

19. The GFAA included a promise by the energy company to repay Investor 1 the principal amount, plus accrued interest, within a specified time period, or on demand after 90 days, and further stated that "[t]he GFA funds are not collateralized or used as security or otherwise to the detriment of the GFA Owner in any way" and, therefore, the "GFA insulates the GFA Owner from any perceived or real risk of loss or forfeiture."

20. In connection with this investment, Investor 1 also executed an escrow agreement, which was incorporated into the GFAA and attached as an exhibit thereto.

21. Rose and Krcil, acting on behalf of Black Lion, negotiated the escrow agreement with Investor 1 and received copies of the GFAA and finalized escrow agreement before Investor 1 escrowed funds. Rose and Krcil thus knew of the nature

of the transaction and the terms of the agreements, including the fact that the escrow agreement was part of Investor 1's investment agreement with the energy company.

22. The escrow agreement provided that Investor 1's $3 million would be escrowed in the Client Trust Account ("CTA") for the law firm of a 91-year old attorney who was Rose's long-time friend ("the Attorney"). The escrow agreement required the escrow agent to ensure the security of the escrowed funds.

23. The initial version of the escrow agreement given to Investor 1 listed Rose as "Escrow Agent" and "Partner" at the Attorney's law firm. However, Investor 1 insisted that Rose get the Attorney to sign as escrow agent rather than Rose.

24. Rose then persuaded the Attorney to sign the escrow agreement with Investor 1 as "Escrow Agent." Thereafter, Investor 1 deposited $3 million in the CTA.

25. Rose, the Attorney and the Attorney's son were initially all co-signers on the CTA. In or around February 2019, however, Rose removed the attorney's son as a co-signer, without the son's knowledge. Around the same time, Rose made the CTA paperless, instructing the bank to email electronic statements to the Attorney. Rose knew that the attorney did not use email given his age.

26. Rose had full control of the CTA and he effected all of the subsequent transfers of funds out of those accounts.

27. Contrary to the representations in the escrow agreement about the funds not being removed from the CTA, in the two weeks after Investor 1 escrowed its funds in the CTA, Rose, at Wooten's direction, transferred $825,000 from the CTA to Wooten, $175,000 to himself, and $200,000 to a company owned by Krcil. Additionally, $1,125,000 was transferred to Sinowide Energy, LLC ("Sinowide"), and $200,000 to Westlea Holdings, LLC ("Westlea").

28. Wooten used a large portion of the investors' funds transferred to him to purchase and renovate a home, among other things. Rose and Krcil used funds they received for personal expenses.

29. Investor 1 has not yet recovered any of its $3 million investment or received any returns thereon.

B. Investor 2

30. Investor 2 is the owner of a construction company in Idaho. He was first told about an investment opportunity with Wooten in early 2019 by a casual acquaintance.

31. Soon thereafter, Krcil, acting on behalf of Black Lion, called Investor 1 and told him that he would receive $20,000,000 thirty days after he escrowed $285,000.

32. Krcil then emailed Investor 2 two investment agreements and an escrow agreement. One investment agreement was titled *Funds Trade Agreement # 1 for the Establishment of a Secured Credit Facility for Principal Protected Trading in Investment Grade Fixed Income Securities* and the other was titled "*Trading Transaction Block Funds Agreement #2*".

33. The first investment agreement summarized the purported trading strategy being used to generate the promised returns as follows:

> Trading of one year and/or medium-term investment grade fixed income securities of top-rated banks or financial institutions; High-Yield returns achieved on the original invested capital and all reinvested profits; Total safety of the accumulated principal invested; Periodic Weekly distribution of trading profits as agreed herein.

34. The investment agreement further represented that Black Lion, as party to the agreement and investment manager, "shall use its best efforts to produce … a minimum net return … of $5 million per week."

35. The second investment agreement stated that returns would be generated by trading "slightly seasoned investment grade Ten-Year Unsubordinated

Global Bank Medium-Term Notes" issued by "Top-25 money center banks" (which the agreement then defines as "Security").

36. Both of these investment agreements were signed by someone purporting to be the Chief Executive Officer of Black Lion.

37. The escrow agreement provided that funds would be escrowed in the Attorney's CTA and would be used "for the establishment of a secured credit facility for principal protected trading in investment grade fixed income securities."

38. The escrow agreement had several provision to ensure the safekeeping of the escrowed funds. For example, the agreement provided that "[t]he Parties expressly agree that the Escrow Agent is acting solely on the executed instructions from [Investor 1]" and that the "Escrow Agent attests that it shall comply with the Client {sic} mutually signed written instructions and shall safeguard the Escrow Funds while on deposit …".

39. The Escrow Agreement further provided that "[t]he Escrow Agent agrees to use its best efforts to ensure the security of the escrowed funds and the Escrow Agent agrees to perform its duties hereunder with the same degree of care. The Escrow Agent does not have an interest in the escrow funds and has possession thereof only as Escrow Agent in accordance with the terms of this Agreement."

40. On or about February 28, 2019, Investor 2 signed the Escrow Agreement for himself and deposited $285,000 into the CTA.

41. Rose signed as escrow agent on behalf of Black Lion.

42. Rose falsely identified himself in the Escrow Agreement as a partner at the Attorney's law firm.

43. On March 1, 2019, unbeknownst to Investor 2 at the time, Rose transferred the $285,000 from Investor 2 to another account.

44. Over the next two weeks, the Defendants distributed Investor 2's funds to themselves and others.

45. On or about July 1, 2019, Investor 2 requested proof that his $285,000 deposit was still being held in the CTA.

46. In response, Rose and Wooten transferred approximately $175,000 from Wooten's personal account to the CTA to artificially inflate the balance in it, so that it would appear that Investor 2's money was still held in that account.

47. On or about July 3, 2019, Rose sent an e-mail to Investor 2, along with a redacted pdf bank statement for the CTA, dated July 2, 2019, as an attachment.

48. The redacted bank statement reflected an amount of $296,837.00 in in the CTA and contained a handwritten note from Rose stating "here is your bank statement with other client funds removed. Your funds are covered[.]"

49. Approximately one month later, Rose returned the $175,000 to a bank account controlled by Defendant Black Lion.

50. Investor 2 has never received $20,000,000 in funding, or a return of his $285,000 investment.

C. **Investor 3**

51. Investor 3 is a company specializing in purchasing and renovating real estate. In April 2019, the two principals of Investor 3 met Krcil through an acquaintance.

52. Krcil then sent the principals an email in which he stated that escrowing $55,000 would produce $20,000,000 in 45 days, and Investor 3's principals agreed to make the investment.

53. In connection with the potential investment, Krcil sent Investor 3 an investment agreement and an escrow agreement.

54. The investment agreement sent to Investor 3 was titled *Funds Trade Agreement #1 for the Establishment of a Secured Credit Facility for Principal Protected Trading In Investment Grade Fixed Income Securities,* and summarized the purported trading strategy being used to generate the promised returns as follows:

> Trading of one year and/or medium-term investment grade fixed income securities of top-rated banks or financial institutions; High-Yield returns achieved on the original invested capital and all

reinvested profits; Total safety of the accumulated principal invested; Periodic Weekly distribution of trading profits as agreed herein.

55. The escrow agreement sent to Investor 3 provided that the funds would be escrowed in the Attorney's CTA and contained substantially similar language as that in Investor 2's escrow agreement regarding the safekeeping of the escrowed funds.

56. On or about April 29, 2019, a representative of Investor 2 signed both the escrow agreement and the investment agreement.

57. Defendant Rose signed the escrow agreement with Investor 3 on behalf of Black Lion as "escrow agent."

58. Wooten signed the investment agreement with Investor 3 on behalf of Black Lion.

59. On May 3, 2019, Investor 3 escrowed $55,000 in the CTA.

60. Three hours after these funds were escrowed, Rose transferred $55,000 to a previous Black Lion investor.

61. Investor 3 has not received its $20,000,000, and its principal was never returned.

COUNT I – FRAUD

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

62. Paragraphs 1 through 61 are hereby re-alleged and incorporated herein by reference.

63. In 2019, the Defendants, 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.

64. The Defendants knowingly, intentionally, and/or recklessly engaged in the aforementioned devices, schemes and artifices to defraud.

65. While engaging in the course of conduct described above, the Defendants acted with scienter, that is, with an intent to deceive, manipulate, or defraud, or with a severely reckless disregard for the truth.

66. By reason of the foregoing, the Defendants, directly and indirectly, have 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)]

67. Paragraphs 1 through 61 are hereby re-alleged and incorporated herein by reference.

68. In 2019, the Defendants, 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:

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.

69. By reason of the foregoing, the Defendants, directly and indirectly, have 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 and Rule 10b-5 Thereunder
[15 U.S.C. § 78j(b); 17 C.F.R. § 240.10b-5(a), (b) and (c)]

70. Paragraphs 1 through 61 are hereby re-alleged and incorporated herein by reference.

71. In 2019, the Defendants, in connection with the purchase or sale of securities described herein, by the use of the means and instrumentalities of interstate commerce and by the 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.

72. The Defendants 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 severely reckless disregard for the truth.

73. By reason of the foregoing, the Defendants, directly and indirectly, 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 thereunder [17 C.F.R. § 240.10b-5].

WHEREFORE, the Commission seeks the following relief:

I.

Findings of fact and conclusions of law pursuant to Rule 52 of the Federal Rules of Civil Procedure, finding that the Defendants committed the violations alleged herein.

II.

Permanent injunctions enjoining the Defendants, their officers, directors, agents, servants, employees, and attorneys from violating, directly or indirectly, Section 17(a)(1), (2) and (3) of the Securities Act [15 U.S.C. § 77q(a)(1), (2) and (3)] and Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5(a), (b) and (c) thereunder [17 C.F.R. § 240.10b-5(a), (b) and (c)].

III.

An order requiring the disgorgement by the Defendants of all ill-gotten gains or unjust enrichment with prejudgment interest, to effect the remedial purposes of the federal securities laws.

IV.

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 the Defendants.

V.

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.

DEMAND FOR JURY TRIAL

Pursuant to Rule 38 of the Federal Rules of Civil Procedure, the Commission demands trial by jury in this action of all issues so triable.

Dated this 30th day of July 2021.

Respectfully submitted,

/s/ *Robert F. Schroeder*
Robert F. Schroeder
Senior Trial Counsel
Georgia Bar No. 001390
Tel: (404) 942-0688
Email: schroederr@sec.gov

M. Graham Loomis
Regional Trial Counsel
Georgia Bar No. 457868
Tel: (404) 842-7622
Email: loomism@sec.gov

COUNSEL FOR PLAINTIFF
U.S. Securities and Exchange Commission
Atlanta Regional Office
950 East Paces Ferry Road, N.E., Suite 900
Atlanta, GA 30326-1382