



**STATE OF TENNESSEE  
BEFORE THE COMMISSIONER OF COMMERCE AND INSURANCE**

<b>TENNESSEE SECURITIES DIVISION</b>	)	
	)	
<b>Petitioner,</b>	)	
	)	
<b>vs.</b>	)	<b>Order No. 17-0008</b>
	)	
<b>SOUTHERN ENERGY GROUP, INC.</b>	)	
	)	
<b>Respondent.</b>	)	

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***EX PARTE ORDER TO CEASE AND DESIST***

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This Order issues as the result of a Petition, and its Exhibits attached thereto, filed by the Tennessee Securities Division (“TSD”) of the Department of Commerce and Insurance (“Department”). This Order is based upon the following Findings of Fact and Conclusions of Law:

**FINDINGS OF FACT**

1. The Tennessee Securities Act of 1980, TENN. CODE ANN. §§ 48-1-101 to 48-1-201 (2012) (“Act”), places the responsibility for the administration of the Act on the Commissioner of the Tennessee Department of Commerce and Insurance (“Commissioner”). The TSD is the lawful agent through which the Commissioner discharges this responsibility. TENN. CODE ANN. § 48-1-115 (2012).

2. The TSD is authorized to bring this action based on a finding by the Commissioner that the action is in the public interest, necessary for the protection of investors

and consistent with the purposes fairly intended by the policy and provisions of the Act. TENN. CODE ANN. § 48-1-116 (2012).

3. Respondent Southern Energy Group, Inc. (“Southern Energy”) is a Tennessee corporation with its current principal place of business at 1531 Hunt Club Boulevard, Suite 210, Gallatin, Tennessee 37066.

4. The Registered Agent and President for Southern Energy is Respondent Robert Dorrance (“Dorrance”). His current business address is 1531 Hunt Club Boulevard, Suite 210, Gallatin, Tennessee 37066.

5. Southern Energy currently has an active website displaying investment opportunities at <http://www.southernenergygroup.com>.

6. At all relevant times, Southern Energy was not registered as an issuer-dealer with the TSD.

7. Upon information and belief, Southern Energy has made an estimated seventy-seven sales to numerous investors throughout the United States by way of private offerings while its principal place of business was located in Tennessee.

8. In May, 2015, Southern Energy sold limited partnership interests for Lonestar Enhanced Recovery, LP (“Lonestar Offering”) to a Maine investor. The address for the company listed on the subscription agreement was 1531 Hunt Club Blvd., Suite 210, Gallatin, Tennessee 37066.

9. A check paid by a Maine investor was deposited in the Gallatin, Tennessee branch of Bank of America for an investment into Lonestar Offering on May 29, 2015, for \$40,000.

10. Although a Form D is on file with the United States Securities and Exchange Commission (“SEC”) indicating a sale of a covered security pursuant to Rule 506 of Regulation D, there was no notice filing made with the TSD as required by TENN. CODE ANN. § 48-1-125.

11. Respondents have, upon information and belief, continued to offer securities for sale through the Southern Energy website without the sellers being registered as an issuer-dealer or the securities being notice-filed with the TSD for the Lonestar Offering.

### **CONCLUSIONS OF LAW**

#### ***Respondent's Ongoing Unlawful Conduct Warrants the Issuance of an Order to Cease and Desist***

12. The Commissioner finds that the TSD is authorized to bring this action based on her finding that the action is in the public interest, necessary for the protection of investors and consistent with the purposes fairly intended by the policy and provisions of the Act pursuant to TENN. CODE ANN. § 48-1-116(a) and (b) (2012). In addition, the Commissioner has determined that prior notice of this Cease and Desist Order is not in the public interest and would be detrimental to the protection of investors. TENN. CODE ANN. § 48-1-116(e)(2)(A) (2012). Respondent's ongoing unlawful conduct necessitates an order to cease and desist all such unlawful activity to prevent the Respondent from continuing to act as an unregistered issuer-dealer in Tennessee.

13. The facts as stated demonstrate that Respondent, who is not registered with the TSD as an issuer-dealer to sell securities from or in Tennessee, are continuing to offer to sell securities in Tennessee through its website.

14. Respondent's continuing illegal conduct provides grounds under the TENN. CODE ANN. §§ 48-1-116(a) and 48-1-116(e)(2)(A) (2012) for the entry of an Order to Cease and Desist all securities activities.

#### ***Pertaining to Respondent's Sale of Securities that Were Not Properly Notice-Filed in Tennessee***

15. TENN. CODE ANN. § 48-1-102(17)(A) (2012) states, in pertinent part, that "[s]ecurity" means any note, stock, treasury stock, bond, debenture, evidence of indebtedness ...

investment contract ... certificate 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; or, in general, any interest or instrument commonly known as a 'security,' ...”

16. TENN. CODE ANN. § 48-1-104(a) (2012) provides that it is unlawful for any person to sell any security in this state unless it is registered under the Act, the security or transaction is exempted under the Act, or the security is a covered security.

17. TENN. CODE ANN. § 48-1-125(b)(1) (2012) requires that when an issuer is selling a covered security pursuant to Rule 506 of Regulation D, the issuer shall file with the Commissioner a notice of sale no later than fifteen (15) days after the first sale of such covered security in Tennessee.

18. TENN. CODE ANN. § 48-1-124(b) (2012) states that when an offer to purchase or sell a security is accepted in the state, the purchase or sell is made in this state, whether or not either party is then present in this state.

19. TENN. CODE ANN. § 48-1-124(c) (2012) states that an offer to buy or sell is accepted in this state when that acceptance is communicated to the offeror in this state, it has not previously been communicated outside of the state, and the offeree directs the acceptance to the offeror in this state “reasonably believing the offeror to be in this state and it is received at the place to which it is directed.”

20. The facts as stated demonstrate that Respondent failed to file a notice of sale with the Commissioner within fifteen (15) days of the first sale of a covered security in Tennessee in violation of TENN. CODE ANN. § 48-1-125(b)(1) (2012).

***Respondent's Failure to Register to Sell Securities  
from or in Tennessee as an Issuer-Dealer***

21. The facts as stated demonstrate that Respondent sold securities in Tennessee without being registered with the TSD as an issuer-dealer. “Any person who is included in the

definition of “issuer” by virtue of § 48-1-102(13)(A)(iii) shall register as an issuer-dealer...”  
TENN. CODE ANN. § 48-1-110(f)(1) (2012). TENN. CODE ANN. § 48-1-102(13)(A)(iii) (2012)  
states that an “[i]ssuer” means every person who issues any security, except that:... (iii) [w]ith  
respect to a fractional undivided interest in oil, gas, or other mineral rights, ‘issuer’ means the  
owner of such right or of an interest in such right (whether whole or fractional) who creates  
fractional interests therein for the purpose of sale.”

22. Respondent’s sales without being registered as an issuer-dealer provide grounds  
under TENN. CODE ANN. § 48-1-116(a) (2012) for the entry of an Order to Cease and Desist.

### **ORDER**

**NOW, THEREFORE**, in consideration of the foregoing, it is **ORDERED** that:

1. Respondent **SHALL COMPLY** with the Act and all rules promulgated  
thereunder.

2. The Respondent **SHALL CEASE AND DESIST** any further conduct as an  
issuer-dealer from or in Tennessee until such time as it is effectively registered with the TSD to  
engage in such activity.

3. The Respondent, and any successor entities, **SHALL IMMEDIATELY CEASE  
AND DESIST** from the issuance or sale of any security until such time as any such security is:  
1) registered with the TSD for sale in Tennessee; 2) exempted from the registration provisions of  
the Act; or 3) a covered security, as that term is defined in the Act.

4. The Respondent shall immediately **CEASE AND DESIST** the further sale or  
issuance of securities from and in Tennessee unless registered or proper notice for a covered  
security is filed pursuant to TENN. CODE ANN. § 48-1-125.

5. All entities or persons in any way assisting, aiding, or helping the aforementioned  
Respondent in any of the aforementioned violations of the Act, **SHALL CEASE AND DESIST**

all such activities in violation of the Act.

6. This Order to Cease and Desist is not intended to prohibit any lawful conduct in which Respondent might be engaged.

7. Entry of this Order to Cease and Desist shall not in any way restrict the TSD or the Commissioner of the Department from taking further action with respect to these or other possible violations of the Act, or any of the rules promulgated thereunder, by Respondent.

8. You are advised that you have the right to a hearing as to all matters raised in this Order to Cease and Desist. If you wish to exercise your right to a hearing, please notify:

**FRANK BORGER-GILLIGAN**  
**ASSISTANT COMMISSIONER FOR SECURITIES**  
**STATE OF TENNESSEE DEPARTMENT OF COMMERCE AND INSURANCE**  
**DAVY CROCKETT TOWER, 8<sup>TH</sup> FLOOR**  
**500 JAMES ROBERTSON PARKWAY**  
**NASHVILLE, TENNESSEE 37243**

9. Such request must be received **within thirty (30) days** from the date of entry of this Order to Cease and Desist. This Order to Cease and Desist shall become a Final Order thirty (30) days from the date of its entry, unless **written notification** requesting a hearing is made within that thirty (30) day period.

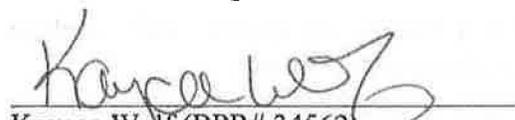
ENTERED this 20 day of April, 2017.

  
\_\_\_\_\_  
Julie Mix McPeak, Commissioner

**APPROVED FOR ENTRY:**

  
\_\_\_\_\_  
Frank Borger-Gilligan  
Assistant Commissioner for Securities  
Department of Commerce and Insurance

**ISSUANCE REQUESTED BY:**

  
\_\_\_\_\_  
Kaycee Wolf (BPR# 34562)  
Chief Counsel  
Department of Commerce and Insurance  
Davy Crockett Tower  
500 James Robertson Parkway  
Nashville, Tennessee 37243  
615-253-1821

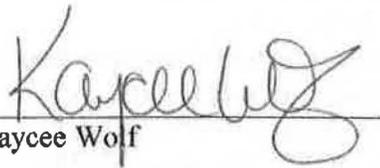
**CERTIFICATE OF SERVICE**

I hereby certify that I have served a copy of this Order to Cease and Desist upon the Respondent Southern Energy Group, Inc. by forwarding a copy of same to:

(1) Southern Energy Group, Inc., c/o Robert Dorrance, Registered Agent, 1531 Hunt Club Boulevard, Suite 210, Gallatin, TN 37066 by certified mail, return receipt and restricted delivery; and

(2) Robert Dorrance, Registered Agent for Southern Energy Group, Inc., 107 Bingham St., Gallatin, TN 37066 by certified mail, return receipt, and restricted delivery;

On this 28<sup>th</sup> day of April, 2017.

  
Kaycee Wolf