IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION

SECURITIES AND EXCHANGE COMMISSION,	§	
Plaintiff,	§	
v.	§	Civil Action No.:
OSCAR HAYNES MORRIS, JR., and LAKESIDE CAPITAL PARTNERS, L.P.,	§	
	§	JURY TRIAL DEMANDED
Defendants.	§	

COMPLAINT

Plaintiff Securities and Exchange Commission (the "SEC") files this Complaint against Defendants Oscar Haynes Morris, Jr., ("Morris") and Lakeside Capital Partners, L.P. ("Lakeside") (collectively "Defendants"), and alleges as follows:

I. SUMMARY

1. From May 2017 through March 2019, Morris and Lakeside misappropriated $120,184.38 from two investment funds that were clients managed by Lakeside, an investment-adviser firm owned and controlled by Morris. As investment advisers, Morris and Lakeside owed fiduciary duties to their clients, including the obligations to exercise the utmost good faith in dealing with their clients, to disclose to their clients all material facts, to employ reasonable care to avoid misleading their clients, and to disclose conflicts of interest between the adviser and the client. When Morris and Lakeside misappropriated client assets, they breached their fiduciary duties and violated the law.

2. In the first investment fund, the 974 Oil & Gas Exploration Partnership

("Exploration Fund"), and as described more fully below, Morris misappropriated $55,184.38, which was used to pay the expenses of ACH Management LLC ("ACH"), a separate company that Morris owned.

3. In the second investment fund, the ACH/2012 Buckingham, L.P. ("Buckingham Fund"), and as described in more detail below, Morris misappropriated $65,000, which he used to pay for various personal expenses, including car payments, club memberships, and credit-card debt.

4. In failing to segregate and protect client assets, and in spending those assets on unauthorized personal and business expenses, Defendants Lakeside and Morris breached the fiduciary duties owed to their clients. With these breaches, they violated, and unless enjoined will continue to violate, the antifraud provisions of the Investment Advisers Act of 1940 ("Advisers Act"), specifically Sections 206(1), 206(2), and 206(4) [15 U.S.C. §§ 80b-6(1), 80b-6(2), and 80b-6(4)] and Rule 206(4)-8 [17 C.F.R. § 275.206(4)-8] thereunder.

5. To protect the public from further fraudulent activity, the SEC brings this action against the Defendants and seeks (i) permanent injunctive relief; (ii) disgorgement of ill-gotten gains, plus prejudgment interest; and (iii) civil penalties.

II.
JURISDICTION AND VENUE

6. Because this enforcement action seeks injunctive relief and remedies for Morris's and Lakeside's breaches of their fiduciary duties, which are violations of the Advisers Act's antifraud provisions, this Court has jurisdiction over this action under Section 214(a) of the Advisers Act [15 U.S.C. § 80b-14(a)].

7. Venue is proper in this Court pursuant to Section 214(a) of the Advisers Act [15 U.S.C. § 80b-14(a)]. Lakeside and Morris reside and transact business in Dallas, Texas, which is

within the Northern District of Texas.

8. In connection with the transactions, acts, practices, and courses of business described in this Complaint, the Defendants, directly and indirectly, made use of the mails and/or means or instrumentality of interstate commerce.

III.
PARTIES

9. **Plaintiff SEC** is the federal agency authorized by statute to enforce the federal securities laws by bringing civil actions against individuals or entities who violate those laws and the regulations thereunder. The mission of the SEC is to: protect investors; maintain fair, orderly, and efficient markets; and facilitate capital formation.

10. **Defendant Lakeside** is a Texas limited partnership, operating as an investment adviser in Dallas, Texas, and is wholly owned by Morris. From at least March 30, 2016 through May 15, 2020, Lakeside filed Forms ADV with the SEC as an investment adviser.

11. **Defendant Morris**, 66, of Dallas, Texas, is the owner and president of Lakeside and the only person performing advisory functions on its behalf. Morris selects each client fund's investments, which consist mostly of interests in various privately held enterprises, including medical and communications ventures and oil-and-gas properties. Based on his sole ownership and control of Lakeside as its decision-maker concerning investment advice, Morris himself is an investment adviser. Morris is also an attorney and CPA licensed in Texas.

III.
FACTS

A. Background

12. From March 30, 2016 through May 15, 2020, Lakeside's Forms ADV, filed with the SEC, listed 22 private investment funds ("the Funds") as advisory clients, including the Exploration Fund and the Buckingham Fund. Lakeside's latest Form ADV, filed May 15, 2020,

reflects individual gross asset values for the 22 Funds that collectively total more than $47.5 million.

13. The Funds advised by Lakeside are organized as general or limited partnerships and have fewer than 100 investors. Morris is Lakeside's sole adviser representative.

14. As investment advisers, Morris and Lakeside each owe a fiduciary duty to their clients—the Funds they advise. That fiduciary duty encompasses the obligations to exercise the utmost good faith in dealing with their clients, to disclose to their clients all material facts, to employ reasonable care to avoid misleading their clients, and to disclose conflicts of interest between the adviser and the client.

B. The Exploration Fund Misappropriation

15. The Exploration Fund is a Texas general partnership based in Dallas, Texas. Morris formed the Exploration Fund in 2016 and raised $38,000 from three investors to invest in a small percentage of the working interest of an East Texas oil-and-gas well. Morris is the general partner of the Exploration Fund, and Lakeside is the fund's investment adviser.

16. Lakeside's practice was to have a separate bank account for each Fund it advised. However, Morris failed to open a separate bank account for the Exploration Fund after he formed it in June 2016. From the time the fund was formed, Lakeside's bookkeeper (the "Bookkeeper") repeatedly asked Morris to complete the paperwork required to open a separate bank account for the fund, but Morris did not do so for nearly three years.

17. In May 2017, the Exploration Fund began receiving regular monthly returns from the working interest investment. But because the fund did not have its own bank account, the Bookkeeper, with Morris's knowledge, deposited all of the Exploration Fund's returns into the bank account of ACH Management, LLC ("ACH"), a separate company Morris owns and

controls as its managing member.

18. ACH is a Texas limited liability company that Morris formed in 2008 to serve as the general partner of a number of the Funds advised by Lakeside. However, ACH was not the general partner of the Exploration Fund, and ACH had no legal or contractual relationship with the Exploration Fund and no right to take or use its assets.

19. From May 2017 until March 31, 2019, Exploration Fund returns totaling $55,184.38 were deposited into ACH's account.

20. As Exploration Fund returns accumulated in the ACH account, the Bookkeeper continued to ask Morris to complete the necessary paperwork to open a separate bank account for the Exploration Fund. The Bookkeeper also flagged for Morris that the returns the Exploration Fund received were being deposited in the ACH account and used to pay ACH's expenses. With knowledge of the improper deposits and expenditures, and in violation of fiduciary duties to the fund, Morris and, through him, Lakeside, took no action to correct the situation.

21. Based on the repeated communications between Morris and the Bookkeeper, and on the records readily available to him, Morris knew, or was severely reckless in not knowing, that: (1) the Exploration Fund was receiving investment returns that were not being segregated; (2) these returns were deposited in the ACH account and commingled with non-Exploration Fund related funds; and (3) Exploration Fund assets were being used improperly to pay for non-fund expenses, specifically ACH's expenses.

22. In addition to the fact that ACH had no legal or contractual relationship with the Exploration Fund and no right to take or use its assets, the fund's organizational documents did not authorize Lakeside or Morris to unilaterally use the fund's assets for Morris's company's

expenses. Before spending the Exploration Fund's returns, neither Morris nor Lakeside sought authorization from, or otherwise disclosed the transactions to, the Exploration Fund or its investors.

23. In April 2019, examiners from the SEC's Office of Compliance Inspections and Examinations ("OCIE") in the Fort Worth Regional Office conducted an exam of Lakeside. The Commission staff identified the misappropriation, after which the Defendants finally opened a bank account for the Exploration Fund and deposited $57,000 into the account to restore the investment returns from the previous two years.

C. The Buckingham Fund Misappropriation

24. Morris formed the Buckingham Fund as a limited partnership in February 2013, after raising $1.64 million from 16 investors. Based in Dallas, Texas, the Buckingham Fund invested in a drilling program offered by an unaffiliated third-party (hereinafter referred to as the "Oil Company") that pooled the working interests of multiple oil-and-gas wells. Lakeside, acting through Morris, advised the Buckingham Fund, and ACH served as the fund's general partner. The Buckingham Fund is a pooled investment vehicle exempt from the Investment Company Act of 1940 ("Investment Company Act") under Section 3(c)(1) of that Act. [15 U.S.C. §80a-3(c)(1)].

25. In March 2016, the Oil Company became the subject of a bankruptcy re-organization. As part of the reorganization, Morris arranged for one of the investors in the Buckingham Fund to loan the fund $354,543.19. With these loan proceeds, the Buckingham Fund purchased a membership interest in a limited liability company formed to recapitalize the original Oil Company drilling program. The loan to the Buckingham Fund was memorialized by a January 28, 2016 promissory note, which called for the Buckingham Fund to repay the investor

in full by June 10, 2016 (hereinafter the "2016 Note").

26. The 2016 Note was not repaid in full by June 10, 2016, and it remains due and owing, although the investor has never called the note. In 2018, the Buckingham Fund reduced the balance owed on the 2016 Note by about $30,000, from capital sourced with returns received from the recapitalized Oil Company.

27. By late December 2018, the Buckingham Fund had accumulated $65,000 in additional returns, which had been deposited into its segregated bank account.

28. On December 26, 2018, while the Bookkeeper was out of the office for the Christmas holidays, Morris transferred the $65,000 from the Buckingham Fund's bank account into ACH's account and, from there, immediately into his personal account. Morris then spent the $65,000 on personal obligations, including car payments, club dues, and credit-card payments. Before taking this money, neither Morris nor Lakeside sought authorization from, or otherwise disclosed the transaction to, the Buckingham Fund or its investors.

29. Upon returning to the office, the Bookkeeper discovered the $65,000 transfers and questioned Morris about them. Morris claimed that the Buckingham Fund investor who had loaned money to the fund—the payee under the 2016 Note—had agreed to loan $65,000 to Morris personally. While the investor had no authority to unilaterally decide how the Buckingham Fund could spend its assets, Morris represented to the Bookkeeper that the investor had a "claim" to the Buckingham Fund's accumulated cash because: (a) the 2016 Note had not been paid in full, and (b) the $65,000 in returns were unofficially earmarked for the next payment on the 2016 Note, so essentially the funds "belonged" to the investor.

30. The Bookkeeper attempted to confirm Morris's story with the investor. However, the investor refuted the story. Instead, the investor represented to the Bookkeeper that he was

unaware that Morris had taken the $65,000. And he denied that Morris had sought a $65,000 "loan" from him.

31. During the SEC's April 2019 examination of Lakeside, Morris told the examiners the same false story he told the Bookkeeper—that the investor had authorized a "loan" to him. At the time of the examination, Morris had no documents or communications that memorialized the investor's alleged agreement to make such a loan.

32. Furthermore, the Buckingham Fund's organizational documents did not authorize Lakeside, ACH, or Morris to take money from it for the purpose of loaning money to Morris or paying Morris's personal expenses. Morris's knowledge and consent to this transfer cannot be imputed to the Buckingham Fund because Morris was acting adversely to the fund's interests and in violation of his fiduciary duty to the fund. As Lakeside's sole owner and representative, Morris's knowledge and actions are imputed to Lakeside, which also violated its fiduciary duty to the fund.

33. Later, Morris's story changed. Instead of reiterating that he and the investor had discussed Morris borrowing the $65,000 from the investor in December 2016, Morris admitted that he had not asked the investor for a loan. In his new story, Morris merely claimed to be "certain" that, based on his past relationship with the investor, the investor would have wanted him to take the money as a loan.

34. In approximately June 2020, Morris falsely told the investor that the SEC had completed its investigation of him and closed its file. Shortly thereafter, Morris presented the investor with an agreement, which stated that Morris had repaid the investor's "loan" of $65,000, with interest, through the transfer to the investor of a stock warrant in an overseas building materials company, whose stock was traded publicly on an overseas exchange. The agreement

for this non-cash payment mischaracterized the misappropriated $65,000 as a "loan" from the investor to Morris and described the warrant as repayment of that "loan."

35. The investor does not agree that he "loaned" Morris the $65,000. In spite of that mischaracterization, the investor signed the agreement to accept the warrant, believing he had no choice, and that, if the SEC's investigation had indeed concluded (which was not true), the warrant agreement was his only hope to collect any portion of the balance due on his 2016 Note.

36. As of this date, Morris has not repaid the $65,000 to the Buckingham Fund. In fact, the Buckingham Fund's accounting records still reflect an account receivable of $65,000 due from Morris. And, as of August 31, 2020, the investor had not actually received the warrant or any further payments on the 2016 Note.

V.
CLAIMS FOR RELIEF

FIRST CLAIM
Violations of Sections 206(1) and 206(2) of the Advisers Act
(Against Both Defendants)

37. Plaintiff repeats and incorporates by reference Paragraphs 1 through 36 of this Complaint as if set forth *verbatim* herein.

38. At all relevant times, Defendants Lakeside and Morris were "investment advisers" within the meaning of Section 202(a)(11) of the Advisers Act [15 U.S.C. § 80b-2(a)(11)].

39. By engaging in the conduct described above, Defendants Lakeside and Morris, directly or indirectly, singly or in concert with others, through the use of the mails or any means or instrumentality of interstate commerce, have: (a) with scienter, employed a device, scheme, or artifice to defraud a client or prospective client; and/or (b) at least negligently engaged in a transaction, practice, or course of business which operated as a fraud or deceit upon any client or prospective client.

40. By engaging in the conduct described above, Defendants Lakeside and Morris violated, and unless enjoined will continue to violate, Sections 206(1) and 206(2) of the Advisers Act [15 U.S.C. §§ 80b-6(1) and 80b-6 (2)].

SECOND CLAIM
Aiding and Abetting Violations of
Sections 206(1) and 206(2) of the Advisers Act
(Against Defendant Morris)

41. Plaintiff repeats and incorporates by reference Paragraphs 1 through 36 of this Complaint as if set forth *verbatim* herein.

42. At all relevant times, Defendant Lakeside was an "investment adviser" within the meaning of Section 202(a)(11) of the Advisers Act [15 U.S.C. § 80b-2(a)(11)] to a "pooled investment vehicle."

43. By engaging in the conduct described above, Defendant Morris, knowingly or recklessly, provided substantial assistance in connection with the Lakeside's violations of Sections 206(1) and 206(2) of the Advisers Act [15 U.S.C. §§ 80b-6(1) and 80b-6(2)].

44. For these reasons, Defendant Morris aided and abetted, and unless enjoined will continue to aid and abet, Lakeside's violations of Sections 206(1) and 206(2) of the Advisers Act [15 U.S.C. §§ 80b-6(1) and 80b-6(2)].

THIRD CLAIM
Fraud on Pooled Investment Vehicle Investors in Violation of
Section 206(4) of the Advisers Act and Rule 206(4)-8 Thereunder
(Against Both Defendants)

45. Plaintiff repeats and incorporates by reference Paragraphs 1 through 36 of this Complaint as if set forth *verbatim* herein.

46. At all relevant times, Defendants Lakeside and Morris were "investment advisers" within the meaning of Section 202(a)(11) of the Advisers Act [15 U.S.C. § 80b-2(a)(11)].

47. By engaging in the conduct described above, Defendants Lakeside and Morris, directly or indirectly, singly or in concert with others, through the use of the mails or any means or instrumentality of interstate commerce, with scienter, extreme recklessness, or at least negligence, have engaged in an act, practice, or course of business which was fraudulent, deceptive, or manipulative, by: (a) making an untrue statement of a material fact or omitting to state a material fact necessary in order to make the statement made, in the light of the circumstances under which it was made, not misleading to an investor or prospective investor in a pooled investment vehicle; or (b) otherwise engaged in an act, practice, or course of business that was fraudulent, deceptive, or manipulative with respect to any investor or prospective investor in a pooled investment vehicle.

48. By engaging in the conduct described above, Defendants Lakeside and Morris violated, and unless enjoined will continue to violate, Section 206(4) of the Advisers Act [15 U.S.C. § 80b-6(4)] and Rule 206(4)-8 thereunder [17 C.F.R. §275.206(4)-8].

FOURTH CLAIM
Aiding and Abetting Violations of
Section 206(4) of the Advisers Act and Rule 206(4)-8 Thereunder
(Against Defendant Morris)

49. Plaintiff repeats and incorporates by reference Paragraphs 1 through 36 of this Complaint as if set forth *verbatim* herein.

50. At all relevant times, Defendant Lakeside was an "investment adviser," within the meaning of Section 202(a)(11) of the Advisers Act [15 U.S.C. § 80b-2(a)(11)], to a "pooled investment vehicle."

51. By engaging in the conduct described above, Defendant Morris, knowingly or recklessly, provided substantial assistance in connection with the Lakeside's violations of Section 206(4) of the Advisers Act [15 U.S.C. § 80b-6(4)] and Rule 206(4)-8 thereunder. [17

C.F.R. §275.206(4)-8].

52. For these reasons, Defendant Morris aided and abetted, and unless enjoined will continue to aid and abet, Lakeside's violations of Section 206(4) of the Advisers Act [15 U.S.C. § 80b-6(4)] and Rule 206(4)-8 thereunder. [17 C.F.R. §275.206(4)-8].

JURY DEMAND

53. The SEC hereby demands a trial by jury.

PRAYER FOR RELIEF

WHEREFORE, the SEC respectfully requests that the Court:

(1) Find that Defendants committed the violations alleged in the Complaint;

(2) Permanently enjoin Defendants from future violations of Sections 206(1), 206(2), and 206(4) of the Advisers Act [15 U.S.C. §§ 80b-6(1), 80b-6(2), and 80b-6(4)]:

(3) Order Defendants to disgorge all ill-gotten gains obtained as a result of their illegal conduct alleged herein, with prejudgment interest;

(4) Order Defendants to pay, jointly and severally, a civil penalty under Section 209(e) of the Advisers Act [15 U.S.C. § 80b-9(e)]; and

(5) Grant such other and further relief as the Court may deem just, equitable, and proper.

Dated: September 24, 2020.

Respectfully submitted,

/s/ Janie L. Frank

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