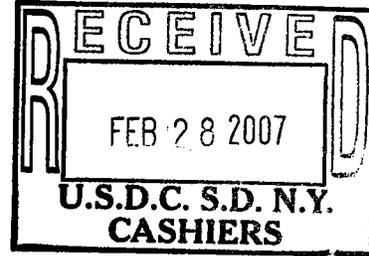


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UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

-----X
SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

-against-

LOUIS W. ZEHIL,
STRONG BRANCH VENTURES IV LP, and
CHESTNUT CAPITAL PARTNERS II, LLC,

Defendants.
-----X

07 Civ. ()

COMPLAINT

Plaintiff Securities and Exchange Commission, for its Complaint against defendants Louis W. Zehil ("Zehil"), Strong Branch Ventures IV LP ("Strong") and Chestnut Capital Partners II, LLC ("Chestnut") (collectively the "Defendants") alleges:

SUMMARY

1. Zehil, a corporate attorney, and two entities he controlled, Strong and Chestnut, engaged in a fraudulent scheme to obtain and sell to the investing public millions of shares of securities in violation of the antifraud and registration provisions of the federal securities laws.

2. Between January 2006 and February 2007, Zehil represented seven public companies in issuing their stock in PIPE transactions (private investments in public equity). The seven public companies were Gran Tierra Energy, Inc. ("Gran Tierra"), Foothills Resources, Inc. ("Foothills"), MMC Energy, Inc. ("MMC"), Alternative Energy Sources, Inc. ("Alternative Energy"), Ethanex Energy, Inc. ("Ethanex"), GoFish Corp. ("GoFish"), and Kreido BioFuels, Inc. ("Kreido"). At all relevant times, their common stock was registered with the Commission and quoted on the OTC-BB. In these PIPE transactions (as in PIPEs generally), the investors purchase restricted stock at a discount to market price.

3. Zehil personally invested in the issuers' PIPE transactions through Strong and Chestnut. In the subscription agreements for each PIPE transaction, the Defendants agreed (as all the PIPE subscribers did) that the shares they received would be issued with restrictive legends until such time as the issuers filed registration statements with the Commission and the Commission declared them effective. As counsel for the issuers, Zehil then sent letters to the issuers' transfer agents directing the issuance of shares to the PIPE subscribers. Zehil's letters instructed that all the shares should bear restrictive legends except the shares issued to his entities, Strong and Chestnut. Zehil's letters stated, falsely, that the shares issued to Strong and Chestnut satisfied legal criteria to be issued without restrictive legend.

4. As a result of their fraudulent conduct, the Defendants were able to receive shares without restrictive legends, which they quickly sold into the public market, and generated illicit profits of at least \$17 million.

VIOLATIONS

5. By virtue of the conduct alleged in this Complaint, Defendants, directly or indirectly, singly or in concert, have engaged and are engaging in acts, practices and course of business that constitute violations of Sections 5(a), 5(c) and 17(a) of the Securities Acts of 1933 ("Securities Act") [15 U.S.C. §§ 77e(a), 77e(c), and 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 [17 C.F.R. § 240.10b-5].

6. Unless Defendants are preliminarily and permanently enjoined, they will continue to engage in the acts, practices, and course of business alleged herein, and in acts, practices, and courses of business of a similar type and object.

NATURE OF THE PROCEEDINGS AND RELIEF SOUGHT

7. The Commission brings this action pursuant to the authority conferred by Section 20(b) of the Securities Act [15 U.S.C. § 77t(a)] and Section 21(d) of the Exchange Act [15 U.S.C. § 78u(d)] seeking to restrain and enjoin permanently the Defendants from engaging in the acts, practices and courses of business alleged herein.

8. The Commission also seeks, as immediate relief, a preliminary injunction against the Defendants, the appointment of a temporary receiver over Strong and Chestnut, asset freezes against the Defendants, verified accountings from the Defendants, expedited discovery, and an order prohibiting the Defendants from destroying or altering documents.

9. Finally, the Commission seeks a final judgment ordering the Defendants to disgorge any ill-gotten gains with prejudgment interest thereon, and ordering the

Defendants to pay civil money penalties pursuant to Section 20(d) of the Securities Act [15 U.S.C. § 77t(d)] and Section 21(d) of the Exchange Act [15 U.S.C. § 78u(d)] .

JURISDICTION AND VENUE

10. This Court has jurisdiction over this action pursuant to Sections 22(a) of the Securities Act [15 U.S.C. § 77v(a)] and Section 27 of the Exchange Act [15 U.S.C. § 78aa].

11. Venue lies in this District pursuant to Sections 22(a) of the Securities Act [15 U.S.C. § 77v(a)] and Section 21(e) and 27 of the Exchange Act [15 U.S.C. § 78u(e), and 78aa]. The Defendants, directly or indirectly, singly or in concert, made use of the means or instruments of transportation or communication in, or the means or instrumentalities of, interstate commerce, or of the mails, or of any facility of any national securities exchange, in connection with the transactions, acts, practices, and courses of business alleged herein. A substantial part of the events and omissions giving rise to the Commission's claims occurred in the Southern District of New York, such as: some of Zehil's communications to or from some the issuers' transfer agents took place from his McGuireWoods office in New York, New York; and MMC, one of the issuers whose stock the Defendants obtained, had its principal place of business in New York, New York.

THE DEFENDANTS

12. **Louis W. Zehil**, age 41, is a resident of Ponte Vedra Beach, Florida. Zehil received his law degree in 1995, and has previously worked at several large law firms in New York, New York. He is admitted to practice law in New York. Between April 2004, and his resignation in February 2007, he was a partner of the law firm

McGuireWoods LLP, and worked at its offices in Jacksonville, Florida and New York, New York. Zehil worked in McGuireWoods' corporate department and his practice focused on representing public and private companies in securities transactions, including reverse mergers and PIPE transactions.

13. **Strong Branch Ventures IV LP** is a Delaware limited partnership located at Zehil's Ponte Vedra Beach, Florida house. On January 15, 2005, Zehil, Strong's only general partner, and Zehil's wife, a limited partner, formed Strong. Since approximately January 2006, Zehil caused Strong to purchase in PIPE transactions and then sell to the investing public securities of Gran Tierra, Foothills, MMC Energy, Ethanex and Kreido.

14. **Chestnut Capital Partners II, LLC** is a Delaware limited liability company located at Zehil's Ponte Vedra Beach, Florida house. Zehil and his wife, Chestnut's only two shareholders, formed Chestnut on August 4, 2005. Since approximately January 2006, Zehil caused Chestnut to purchase in PIPE transactions and then sell to the investing public securities of Gran Tierra, Alternative Energy, Ethanex, GoFish, and Kreido.

FACTS

15. In PIPE offerings, accredited investors commit to purchase a certain number of restricted shares from an issuer at a specified price at discount to the market price (or expected market price after the reverse merger) and the issuer agrees, in turn, to file a resale registration statement at a later date so that the investors could sell their shares in the public market.

16. Until the resale registration statement is declared effective by the Commission, the PIPE investors could not sell their shares of stock in the public market.

17. Between January 2006 and February 2007, Zehil represented seven companies that issued stock pursuant to a PIPE transaction: Gran Tierra, Foothills, MMC, Alternative Energy, Ethanex, GoFish, and Kreido.

18. In each of these transactions, Zehil, through Strong and Chestnut, invested in the issuer's PIPE transaction. In the subscription agreements for each transaction, Zehil, Strong and Chestnut agreed (as all the PIPE subscribers) that the shares they received would be issued with restrictive legends until such time as the issuers filed registration statements with the Commission and the Commission declared them effective.

19. As counsel for the issuers, Zehil then sent opinion letters and other correspondence to the issuers' transfer agents directing the issuance of shares to the PIPE subscribers. Zehil's letters instructed that all the shares should bear restrictive legends except the shares issued to his entities, Strong and Chestnut. Zehil's letters stated, falsely, that the shares issues to Strong and Chestnut satisfied legal criteria to be issued without restrictive legend. As a result, Zehil was able to receive shares without restrictive legends.

20. Upon discovering some of Zehil's conduct, McGuireWoods management confronted Zehil. Zehil then admitted that he intentionally issued false opinions to the transfer agents exempting Strong and Chestnut from the restrictive legend requirement.

21. Almost immediately after Zehil obtained these purportedly free trading shares of the issuers' stock, he deposited them in securities trading accounts and sold them to the investing public. In all cases, he did this before the issuers had filed registration statements on Forms SB-2 with the Commission. By obtaining stock free of

the restrictive legend, Zehil was able to sell these shares immediately to the investing public at a profit in advance of the other PIPE investors.

22. In approximately January 2006, Strong and Chestnut purchased 450,000 and 300,000 shares of Gran Tierra stock, respectively, in a PIPE transaction for a total of \$570,000. Between January 12 and April 27, 2006, the Defendants sold a total of 750,000 shares of Gran Tierra stock to the investing public for approximately \$3.4 million.

23. In approximately April 2006, Strong purchased 1,750,000 shares of Foothills stock in a PIPE transaction for a total of \$1,449,999. Between April 26 and August 17, 2006, Zehil and Strong sold all 1,750,000 shares of Foothills stock to the investing public for approximately \$5.6 million.

24. In May 2006, Strong purchased 1,000,000 shares of MMC stock in a PIPE transaction for a total of \$1,000,000. Between June 1 and October 5, 2006, Zehil and Strong sold all 1,000,000 shares of MMC stock to the investing public for approximately \$2.4 million.

25. On approximately June 19, 2006, Chestnut purchased 1,001,000 shares of Alternative Energy stock in a PIPE transaction for a total of \$1,000,000. Between June 27 and September 22, 2006, Zehil and Chestnut sold all 1,001,000 shares of Alternative Energy stock to the investing public for approximately \$2.3 million.

26. On approximately September 1, 2006, Strong and Chestnut each purchased 1,500,000 shares of Ethanex stock in a PIPE transaction for a total of \$3,750,000. Between September 11 and November 10, 2006, the Defendants sold all

3,000,000 shares of Ethanex stock to the investing public for approximately \$12.3 million.

27. On approximately October 27, 2006, Strong and Chestnut each purchased 1,500,000 shares of GoFish stock in a PIPE transaction for a total of \$4,750,000. Between November 3, 2006, and February 14, 2007, the Defendants sold a total of 1,552,500 shares of GoFish stock to the investing public for approximately \$6 million.

28. On approximately January 12, 2007, Strong and Chestnut each purchased 740,740 shares of Kreido stock in a PIPE transaction for a total of \$1,999,998. Between January 23 and February 13, 2007, the Defendants sold a total of 56,980 shares of Kreido stock to the investing public for approximately \$120,000.

29. In total, the Proposed Defendants received approximately \$17.8 in illicit profits, plus 1,447,500 shares of GoFish and 1,424,500 shares of Kreido, which remain unsold.

30. As counsel for the issuers, Zehil was one of the attorneys responsible for reviewing some of the issuers' Forms SB-2 which were filed with the Commission. Zehil knew these filings were materially misleading because they purported to register for resale the stock that Strong and Chestnut had already sold to the investing public. On February 6, 2007, Foothills filed a Form SB-2 with the Commission, which identified Strong as a selling shareholder even though Zehil had sold all of Strong's 1,750,000 shares by August 17, 2006. On December 27, 2006, MMC filed a Form SB-2 with the Commission, which identified Strong as a selling shareholder even though Zehil had sold all of Strong's 1,000,000 shares by October 5, 2006. On October 11, 2006, Alternative Energy filed a Form SB-2 with the Commission, which identified Chestnut as a selling

shareholder even though Zehil had sold all of Chestnut's 1,001,000 shares by September 22, 2006. On January 3, 2007, Ethanex filed a Form SB-2 with the Commission, which identified Strong as a selling shareholder even though Zehil had sold all of Strong's 1,500,000 shares by November 10, 2006. None of these registration statements disclosed that Strong or Chestnut had received stock without a restrictive legend and that the Defendants had sold that stock to the investing public.

FIRST CLAIM FOR RELIEF

Violations of Section 17(a) of the Securities Act [All Defendants]

31. The Commission realleges and incorporates by reference the allegations contained in paragraphs 1 through 30, above.

32. The Defendants, directly and indirectly, singly and in concert, knowingly or recklessly, by the use of the means or instruments of transportation or communication in, and the means or instrumentalities of, interstate commerce, or by the use of the mails, in the offer or sale of securities: (a) have employed, are employing, or are about to employ devices, schemes or artifices to defraud; (b) have obtained, are obtaining, or are about to obtain money or property by means of untrue statements of material fact, or 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 (c) have engaged, are engaging, or are about to engage in transactions, acts, practices and courses of business which operated or would operate as a fraud or deceit upon purchasers of securities or other persons.

33. By reason of the foregoing, the Defendants, directly or indirectly, singly or in concert, have violated, are violating, and unless enjoined will again violate, Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)].

SECOND CLAIM FOR RELIEF

**Violations of Section 10(b) of the Exchange Act and Rule 10b-5
[All Defendants]**

34. The Commission realleges and incorporates by reference the allegations contained in paragraphs 1 through 33, above.

35. The Defendants, directly or indirectly, singly or in concert, knowingly or recklessly, by use of the means or instrumentalities of interstate commerce, or of the mails, or of the facilities of a national securities exchange, in connection with the purchase and sale of securities: (a) have employed, are employing, or are about to employ, devices, schemes and artifices to defraud; (b) have made, are making, or are about to make untrue statements of material fact, and have omitted, are omitting, or are about to omit to state material facts necessary in order to make statements made, in light of the circumstances under which they were made, not misleading; or (c) have engaged, are engaging, or are about to engage in transactions, acts, practices and courses of business which operated or would operate as a fraud or deceit upon purchasers of securities.

36. By reason of foregoing, the Defendants, directly or indirectly, singly or in concert, have violated, are violating, and unless enjoined will again violate, Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 [17 C.F.R. §240.10b-5].

THIRD CLAIM FOR RELIEF

**Violations of Sections 5(a) and 5(c) of the Securities Act
[All Defendants]**

37. The Commission realleges and incorporates by reference the allegations contained in paragraphs 1 through 36, above.

38. Sections 5(a) and 5(c) of the Securities Act [15 U.S.C. §§ 77e(a) and 77e(c)] prohibit any person from offering or selling a security through interstate commerce unless a registration statement is in effect as to such offer or sale.

39. During the time the Defendants sold the issuers stock to the investing public, no registration statement was in effect for the offer or sale and no exemption from registration existed.

40. By reason of the foregoing, the Defendants violated Sections 5(a) and 5(c) of the Securities Act [15 U.S.C. §§ 77e(a) and 77e(c)].

PRAYER FOR RELIEF

WHEREFORE, Plaintiff respectfully requests that the Court grant the following relief:

I.

An Order temporarily and preliminarily, and Final Judgments permanently, restraining and enjoining the Defendants, their agents, servants, employees and attorneys and all persons in active concert or participation with them who receive actual notice of the injunction by personal service or otherwise, and each of them, from future violations of Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)]; and Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 [17 C.F.R. § 240.10b-5].

II.

An Order preliminarily, and Final Judgments permanently restraining and enjoining each of the Defendants, their agents, servants, employees and attorneys and all persons in active concert or participation with them who receive actual notice of the injunction by personal service or otherwise, and each of them, from future violations of Sections 5(a) and 5(c) of the Securities Act [15 U.S.C. §§ 77e(a) and 77e(c)].

III.

An Order directing the Defendants, and each of their financial and brokerage institutions, agents, servants, employees, attorneys-in-fact, and those persons in active concert or participation with them who receive actual notice of such Order by personal service, facsimile service, or otherwise, to hold and retain within their control, and otherwise prevent, any withdrawal, transfer, pledge, encumbrance, assignment, dissipation, concealment or other disposal of any assets, funds, or other property (including money, real or personal property, securities, commodities, choses in action or other property of any kind whatsoever) of, held by, or under the control of Zehil, Strong or Chestnut, whether held in their names or for their direct or indirect beneficial interest wherever situated.

IV.

An Order appointing a receiver over Strong and Chestnut to, among other things:

- (1) preserve the status quo; (2) ascertain the financial condition of Strong and Chestnut;
- (3) prevent further dissipation of Strong's and Chestnut's assets; and (4) preserve Strong's and Chestnut's books, records and documents.

V.

An Order directing Zehil, Strong and Chestnut to file with this Court and serve upon the Commission, within ten (10) business days, or within such extension of time as the Commission agrees in writing or as otherwise ordered by the Court, a verified written accounting, signed by each such Defendant, and under penalty of perjury, setting forth:

- (1) All assets, liabilities and property currently held, directly or indirectly, by or for the benefit of each such Defendant, including, without limitation, bank accounts, brokerage accounts, investments, business interests, loans, lines of credit, and real and personal property wherever situated, describing each asset and liability, its current location and amount;
- (2) All money, property, assets and income received by each such Defendant for his direct or indirect benefit, at any time from January 1, 2006 through the date of such accounting, describing the source, amount, disposition and current location of each of the items listed;
- (3) The names and last known addresses of all bailees, debtors, and other persons and entities that currently are holding the assets, funds or property of each such Defendant; and
- (4) All assets, funds, securities and real or personal property received by each such Defendant, or any other person controlled by them, from persons who provided money to the Defendants in connection with the offer, purchase or sale of any securities from January 1, 2006 to the date of the accounting, and the disposition of such assets, funds, securities, real or personal property.

VI.

An Order permitting expedited discovery.

VII.

An Order enjoining and restraining each of the Defendants, and any person or entity acting at their direction or on their behalf, from destroying, altering, concealing, or otherwise interfering with the access of the Commission to relevant documents, books and records.

VIII.

A Final Judgment ordering Defendants to disgorge their ill-gotten gains and to pay prejudgment interest thereon.

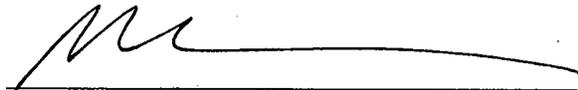
IX.

A Final Judgment ordering the Defendants to pay civil money penalties pursuant to Section 20(d) of the Securities Act and Section 21(d)(3) of the Exchange Act.

X.

Such other and further relief as the Court deems appropriate.

Dated: New York, New York
February 28, 2007



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