

# LARGEST SETTLEMENTS

## # 18

### Investors claim oil-gas stock program not legit

Plaintiffs say deal promised tax benefits that were unfulfilled

**\$2.4 million**

**Type of action:** Breach of contract, RICO, fraud

**Type of injuries:** Failure to pay investors or provide stock, as contractually required

**Name of case:** *AA-J Breeding, LLC, et al. v. Gastar Exploration, Ltd., et al.*

**Court/Case no./Date:** U.S. District Court, Eastern District of Michigan; 07-CV-12849; Nov. 24, 2010

**Tried before:** Jury

**Name of judge:** Thomas L. Ludington

**Settlement amount:** \$2.4 million

**Attorneys for plaintiff:** E. Powell Miller, Jayson E. Blake, Marc L. Newman, Adam T. Schnatz

**Attorney for defendant:** Jason M. Powers

Plaintiffs and others invested millions of dollars in the Mare Lease Program, offered by ClassicStar, LLC, which allowed investors to lease mares, mate those mares with stallions, and sell the resulting foals. Investors also were told that the program offered numerous tax benefits that the investors could claim.

Plaintiffs asserted ClassicStar and its principal, GeoStar Corp., leased far more mares than they owned. To disguise this shortcoming, the complaint asserted that GeoStar persuaded investors to convert their Mare Lease Program investment to an oil and gas program, wherein the investors would own a portion of oil and gas properties owned by GeoStar and Gastar Exploration, Ltd., a publicly traded company.

For converting their investment, investors were promised interest and shares in Gastar with a guaranteed put option. However, plaintiffs contended that the investors did not receive the promised money or Gastar shares, and eventually discovered the programs were not only underfunded, but also did not qualify for the promised tax benefits.

Plaintiffs asserted claims against the entities and individuals who offered the Mare Lease Program and oil and gas program. Also, claims were asserted against Gastar, with the contention that the programs were designed to raise money to develop the oil and gas properties owned by Gastar, which could not have raised that amount of money on its own.

Defendant Gastar denied liability, contending it was not a party to any of the contracts. In addition, Gastar denied benefiting from the scheme, contending that the Gastar stock used to promote the oil and gas program was owned and offered by GeoStar.

The plaintiffs settled with Gastar for \$2.4 million. The claims against other defendants to the case are still pending.