

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

SECURITIES AND EXCHANGE	§	
COMMISSION,	§	
	§	
Plaintiff,	§	
	§	Civil Action No. 3:16-CV-1735-D
VS.	§	
	§	
CHRISTOPHER A. FAULKNER, et al.,	§	
	§	
Defendants.	§	

**ORDER GRANTING RECEIVER’S MOTION TO
APPROVE PROPOSED PLAN OF DISTRIBUTION AND ESTABLISH
PROCEDURES TO DETERMINE AND DISALLOW FINAL CLAIMS**

This Court has considered temporary receiver Thomas L. Taylor III’s (“Receiver”) February 25, 2019 Motion to (1) approve the Receiver’s proposed plan for the ultimate distribution of Receivership Assets¹; and (2) establish procedures to determine and disallow final claims against the Receivership (the “Motion”), and all opposition, responses or objections thereto, if any. Having determined that full notice and opportunity to respond to the Motion has been given by the Receiver to all potentially affected parties, and that the Motion is fully supported by the written submissions and record before the Court, the Motion is hereby GRANTED in all respects. It is therefore:

¹ Receivership Assets means all assets—in any form or of any kind whatsoever—owned, controlled, managed, or possessed, directly or indirectly, by defendants Christopher A. Faulkner (“Faulkner”), Breitling Oil & Gas Corporation (“BOG”), Breitling Energy Corporation (“BECC”) and Patriot Energy, Inc. (“Patriot”), and non-parties Breitling Royalties Corporation (“BRC”), Breitling Ventures Corporation (“BVC”), Breitling Holdings Corporation (“BHC”), Breitling Operating Corporation (“Breitling Ops”), Inwood Investments, Inc. (“Inwood”) and Grand Mesa Investments, Inc. (“Grand Mesa”), and any person or entity placed into receivership by this Court subsequent to the Court’s September 12, 2018 First Amended Order Appointing Receiver (Dkt. 320) (collectively, excluding Faulkner, the “Receivership Entities”).

ORDERED that the Receiver shall separately move the Court with respect to the invalidation of certain conveyances of assets from Receivership Entities to investors in or through Receivership entities through summary proceedings before this Court. Notice of all such motions shall be served pursuant to FED. R. CIV. P. 5(b) on all affected parties, who shall be afforded the opportunity to respond to the relief sought by the Receiver. It is further

ORDERED that Receivership Assets shall ultimately be distributed to those parties that have suffered a “net out-of-pocket loss” (the “Investor Claimants”) as a result of an investment in BOG, BRC, BECC, Crude Energy, LLC, Crude Royalties, LLC or Patriot (the “Offering Entities”). An Investor Claimant’s “net out-of-pocket loss” is equal to the gross amount of an Investor Claimant’s investment in an Offering Entity, less any amount, or the value of any asset, received by the Investor Claimant with respect to the investment. Receivership Assets shall ultimately be distributed to the Investor Claimants on a *pro rata* basis based upon the net out-of-pocket loss of each Investor Claimant as a percentage of the total net out-of-pocket losses of all Investor Claimants (the “Plan of Distribution”). It is further

ORDERED that unsecured claims against the Receivership Entities which do not arise from investments in the Offering Entities are subordinated to the claims of the Investor Claimants. It is further

ORDERED that all parties who assert a claim against a Receivership Entity or Offering Entity shall have one hundred and eighty (180) days following the date of this Order (the “Claim Bar Date”) to contact the Receiver² and identify themselves to him (all parties who identify themselves to the Receiver on or before the Claim Bar Date are hereinafter referred to as the

² Contact with the Receiver shall be made in writing by electronic mail to claims@breitlingreceivership.com or by U.S. Certified Mail, Return Receipt Requested, to Thomas L. Taylor III, Receiver; The Taylor Law Offices, P.C.; 245 West 18th Street; Houston, Texas 77008.

“Potential Claimants”). In identifying themselves to the Receiver, all Potential Claimants shall provide the Receiver with an electronic mail address or physical address at which they consent to receive future claims-related communications. It is further

ORDERED that the estates of the Receivership Entities shall be forever discharged from any indebtedness or liability to all parties that do not identify themselves to the Receiver as a Potential Claimant on or before the Claim Bar Date. It is further

ORDERED that following the Claim Bar Date the Receiver shall establish a “Final Claim Amount” for all Potential Claimants (equal to the greater of zero (0) or the net out-of-pocket loss of each). The Receiver shall first give all Potential Claimants notice of a notional claim amount, in writing, as calculated by the Receiver. Each notional claim amount shall become a “Final Claim Amount” unless, within (30) days of the date of the Receiver’s notice, the Potential Claimant properly disputes it: (i) in writing, (ii) asserting an alternative claim amount and the calculation for same, and (iii) with documentation supporting the calculation. The Receiver shall respond in writing to a properly disputed notional claim amount with a final notional claim amount. This final notional claim amount shall become a “Final Claim Amount” unless, within (30) days of the date of the Receiver’s notice of the final notional claim amount, the Potential Claimant moves the Court to determine a “Final Claim Amount.” It is further

ORDERED that the Receivership Entities shall be forever discharged from any indebtedness or liability to the Potential Claimants, and the Potential Claimants shall not be permitted to receive any distribution, except with respect to their Final Claim Amounts as expressly provided for under the Plan of Distribution.

Signed at Dallas, Texas March 26, 2019.



SIDNEY A. FITZWATER
SENIOR JUDGE