

Northern

IN THE UNITED STATES DISTRICT COURT  
FOR THE ~~WESTERN~~ DISTRICT OF TEXAS  
AUSTIN DIVISION

Dallas

THOMAS L. TAYLOR III, solely in his §  
capacity as Court-appointed temporary §  
receiver for Breitling Energy Corporation, *et* §  
*al.*, §

Plaintiff, §

Civil Action No. \_\_\_\_\_

v. §

REYMOND TREVINO, EAGLE RIO §  
ENERGY COMPANIES, INC., DEREK §  
TAYLOR, ALDEN ADAMS, LLC, §  
NATHAN MADU, and OKOTO OKPO, §

Defendants. §

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PLAINTIFF'S ORIGINAL COMPLAINT

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Defendants. §

Civil Action No. \_\_\_\_\_

**PLAINTIFF’S ORIGINAL COMPLAINT**

Plaintiff Thomas L. Taylor III (“Plaintiff” or “Receiver”), solely in his capacity as temporary receiver appointed by orders entered in the civil action styled *Securities and Exchange Commission v. Christopher A. Faulkner, Breitling Energy Corporation, Jeremy S. Wagers, Judson F. (“Rick”) Hoover, Parker R. Hallam, Joseph Simo, Dustin Michael Miller Rodriguez, Beth C. Handkins, Gilbert Steedley, Breitling Oil & Gas Corporation, Crude Energy, LLC, Patriot Energy, Inc., Defendants, and Tamra M. Freedman and Jetmir Ahmedi, Relief Defendants*; No. 3:16-cv-01735-D; in the United States District Court for the Northern District of Texas, Dallas Division (“Enforcement Action”), files this Original Complaint (“Complaint”) against Reymond Trevino (“Trevino”), Eagle Rio Energy Companies Inc. (“Eagle Rio”), Derek Taylor (“Taylor”), Alden Adams, LLC (“Alden Adams”), Nathan Madu (“Madu”), and Okoto Okpo (“Okpo”) (collectively, “Defendants”), and alleges the following:

## I. PARTIES

1. Plaintiff Thomas L. Taylor III was appointed as temporary receiver pursuant to Orders entered in the Enforcement Action. *See* Enforcement Action, Case No. 3:16-cv-01735-D (N.D. Tex. 2016), ECF No. 108, as amended by ECF No. 142, as amended by ECF No. 320, as amended by ECF No. 418, as amended by ECF No. 496 (collectively referred to as the “Receivership Order”).<sup>1</sup> Plaintiff currently serves as temporary receiver for the estates of Enforcement Action defendants Christopher A. Faulkner (“Faulkner”), Breitling Oil & Gas Corporation (“BOG”), Breitling Energy Corporation (“BECC”), Crude Energy, LLC (“Crude Energy”) and Patriot Energy, Inc. (“Patriot”), and Enforcement Action non-parties Breitling Royalties Corporation (“BRC”), Breitling Ventures Corporation (“BVC”), Breitling Holdings

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<sup>1</sup> Unless otherwise specified, citations to the Receivership Order refer to pages and paragraphs in Dkt. 496.

Corporation (“BHC”), Breitling Operating Corporation (“Breitling Ops”), Breitling Energy Companies, Inc. (“BECOS”), Breitling Royalty Funds, LLC (“BRF”), Crude Royalties, LLC (“Crude Royalties”), Inwood Investments, Inc. (“Inwood”) and Grand Mesa Investments, Inc. (“Grand Mesa”) (collectively, excluding Faulkner, the “Receivership Entities”) (the “Receivership Estate”). Receivership Order at p. 1, at ¶2. Plaintiff has been appointed over the “Receivership Assets”, *id.* at ¶2, which includes “all assets—in any form or of any kind whatsoever—owned, controlled, managed, or possessed by..., directly or indirectly,” Faulkner and the Receivership Entities. *Id.* at p. 1. The Receiver asserts the causes of action herein on behalf of BOG, BRC, Crude Energy, and Patriot.

2. Defendant **Reymond Trevino** is an individual residing in or around Denton, Texas, who will be served pursuant to the Federal Rules of Civil Procedure.

3. Defendant **Eagle Rio Energy Companies, Inc.** is a Texas corporation with its principal place of business in Dallas, Texas. Defendant Reymond Trevino is its sole manager. It will be served through its registered agent Defendant Reymond Trevino, located in Denton, Texas.

4. Defendant **Derek Taylor** is an individual residing in or around Fort Worth, Texas, who will be served pursuant to the Federal Rules of Civil Procedure.

5. Defendant **Alden Adams, LLC** is a Texas limited liability company with its principal place of business in Rockwall, Texas. Defendant Derek Taylor is its sole manager. It will be served through its registered agent, Melba A. Spence, located in Rockwall, Texas.

6. Defendant **Nathan Madu** is an individual residing in or around Cedar Hill, Texas, who will be served pursuant to the Federal Rules of Civil Procedure.

7. Defendant **Okoto Okpo** is an individual residing in or around Denton, Texas, who will be served pursuant to the Federal Rules of Civil Procedure.

## II. JURISDICTION AND VENUE

8. This Court has jurisdiction over this action, and venue is proper, under Section 22(a) of the Securities Act of 1933 (the “Securities Act”) (15 U.S.C. § 77v(a)) and Section 27 of the Securities Exchange Act of 1934 (the “Exchange Act”) (15 U.S.C. § 78aa). Further, Defendants Eagle Rio Energy Companies, Inc., Derek Taylor, and Nathan Madu are domiciled in the Northern District of Texas, where the Enforcement Action was filed. Accordingly, this Court has jurisdiction over Defendants pursuant to FED. R. CIV. P. 4(k)(1)(C) and 28 U.S.C. §§ 754 and 1692. Further, as the Court that appointed the Receiver, this Court has jurisdiction over any claim brought by the Receiver to execute Receivership duties.

## III. STATEMENT OF FACTS

9. The Commission initiated the Enforcement Action on June 24, 2016, alleging, *inter alia*, that Faulkner violated the anti-fraud provisions of the federal securities laws through the offer and sale of securities through BOG, Crude Energy and Patriot. Upon motion by the Commission on August 10, 2017, this Court, acting *ex parte*, entered the Receivership Order, appointing Thomas L. Taylor III as temporary receiver for the oil and gas-related assets of Faulkner, BOG and BECC. That Receivership Order subsequently was expanded to include all assets of Faulkner and the Receivership Entities.

10. On December 18, 2019, the Receiver moved the Court for leave to initiate litigation against the Defendants, which the Court granted by order entered on the same day. Enforcement Action, Case No. 3:16-cv-01735-D (N.D. Tex. 2016), ECF No. 495.

### A. The Breitling Fraudulent Scheme

11. The fraudulent scheme perpetrated by Faulkner and his confederates was undertaken primarily through the fraudulent offer and sale of oil and gas-related securities by BOG, BRC, BECC, Crude Energy, Crude Royalties, and Patriot (collectively, “Breitling”) from 2010 to 2016. Enforcement Action defendants Faulkner, Parker Hallam (“Hallam”) and Dustin Michael Miller Rodriguez (“Miller”) founded BOG and BRC in 2009 and 2010, respectively. Through these entities -- and later BECC, Crude Energy, Crude Royalties (together “Crude”), and Patriot -- Faulkner orchestrated and implemented a multi-million-dollar fraudulent scheme through the offer and sale of oil and gas-related securities to investors. Breitling solicited and received funds from investors regularly from approximately January 2011 through at least February 2016, totaling almost \$150 million in gross proceeds.

12. From the inception of BOG and BRC, Faulkner served as said entities’ President and Chief Executive Officer, controlled their overall direction, and managed their day-to-day operations.

13. The main business activity of BOG and BRC was the management and syndication of oil and gas-related investments. BOG offered and sold securities (typically denominated as “Units”) related to oil and gas working interests. BRC offered and sold securities (typically denominated as “Interests”) related to oil and gas royalty and overriding royalty interests. The terms of BOG and BRC securities offerings were provided to public investors through offering materials in the form of private placement memoranda, confidential placement memoranda and other marketing brochures (“Offering Memoranda”). The Breitling Offering Memoranda were replete with material misrepresentations and omissions of material facts.

14. At the core of Faulkner’s scheme were the working interest-related offerings, which contained estimates of how much it would likely cost to drill and complete the wells contemplated

in the offerings, and consequently how much the investments would likely earn. Faulkner received estimates for drilling and completion costs -- known as Authority for Expenditures (“AFE”) -- from the operators that actually drilled and completed oil and gas wells. Instead of including these estimates in the Offering Memoranda, however, Faulkner, without basis, grossly inflated these estimates and then included his bloated figures in the Offering Memoranda provided to investors. BOG (and later Crude Energy and Patriot) then tied the price of units in the investments to these inflated cost estimates and sold the investments on a lump sum or “turnkey” basis to investors.

15. Because BOG (and later Crude Energy and Patriot) was entitled to retain the investor proceeds it raised in excess of the actual costs of drilling and completing any wells, Faulkner’s gross inflation of the AFEs ensured that Breitling would pocket millions of dollars in inflated “profits” from unwitting investors, from which Faulkner could fund his lavish lifestyle.

16. Faulkner also regularly “over-sold” Units. In this regard, BOG regularly sold to investors a larger percentage of working interests in a prospect than BOG actually owned. Rather than disclosing this fact to investors, however, BOG and Faulkner covertly skirted their overselling by moving investors out of the oversold prospect and into different prospects, advising investors that BOG was exercising its contractual right to reassign investors to “comparable” prospects. Contrary to the terms of the Offering Memoranda, however, BOG often placed investors in materially different substitute prospects in different states with different operators, providing materially different ownership interests than those bargained for by the investors.

17. Faulkner’s fraudulent scheme also involved the sale of securities backed by royalty and overriding royalty interests. In this regard, BRC and Crude Royalties were “pooling” entities, which raised investor funds, pooled them together, and purchased royalty interests on behalf of all investors. Investments in royalty interests generally were “managed” (collection and distribution

of revenue) by the offering entity (BRC, Crude Royalties). Like other offerings from entities in receivership, BRC and Crude Royalties made material misrepresentations and omissions to investors. For example, although investors were led to believe that transaction-based compensation (*i.e.*, commissions) would not be paid in connection with the sale of the royalty interests, salespersons like Defendants typically received a fixed salary of \$800 payable every two weeks, equivalent to \$20,800 per year, and a specific percentage of every dollar ultimately invested (typically 10%). The pay structure was designed to evade regulatory detection.

18. In furtherance of Faulkner's scheme, and without disclosure to investors, BOG and BRC (and later BECC, Crude and Patriot) extensively comingled the assets they received from investors. Although investor funds were generally received by Breitling in offering-specific accounts, they were almost always transferred thereafter into general "operating accounts" prior to the completion of drilling and other completion costs associated with the offering's respective well(s), and comingled with the proceeds of investors in other, distinct offerings. Funds transferred to these "operating accounts" included the excess of funds illicitly received by Breitling as a result of the grossly inflated AFEs, which defrauded investors believed would be used to fund the working interest prospects underlying the BOG (and later Crude Energy and Patriot) offerings.

19. Faulkner directed Breitling personnel to pay business expenses from these comingled "operating accounts", sometimes with respect to oil and gas offerings, meaning that one investor's money was necessarily being spent on expenses for a different offering. Moreover, it was from these "operating accounts" that Faulkner directed the payment of credit card bills representing millions of dollars in charges for personal expenses, and from which Faulkner was reimbursed for personal expenses which he claimed, without support, were made on behalf of Breitling.



20. From 2011 through 2013, BOG and BRC raised approximately \$81.5 million in gross proceeds from investors. During this period, Faulkner misappropriated over \$15 million from company coffers.

21. In or about 2013, Faulkner conceived to take BOG and BRC public through a “reverse merger” transaction. A reverse merger occurs when a private company merges into a shell company that is already publicly traded; the private company thereby becomes a public company. The transaction results in a single, publicly traded entity, the name of which is changed to that of the formerly private company, and which is controlled by the owners of the formerly private company.

22. On or about December 9, 2013, BOG and BRC closed the reverse merger transaction through which they acquired the publicly traded shell company Bering Exploration, Inc. (“Bering Exploration”) and renamed it Breitling Energy Corporation (and changed its ticker symbol to BECC). Faulkner, Hallam, and Miller owned over 90 percent of BECC’s common stock through their ownership of BOG and BRC. Faulkner became the President and CEO of the public entity BECC.

23. From December 9, 2013 through February 2016, Breitling raised approximately \$68.5 million in additional gross proceeds from investors. During this period, Faulkner misappropriated at least \$18.5 million from Breitling.

24. Contemporaneously with the reverse merger, Faulkner created Crude Energy and Crude Royalties and installed BOG and BRC co-founders Hallam and Miller as the officers for said entities. Faulkner “outsourced” BECC’s sales and marketing activities (previously undertaken by BOG and BRC directly) to Crude, including transferring the BECC sales team and other BECC

employees to Crude. Crude thereafter undertook to market and offer securities to BECC's list of public investors.

25. The true nature of the relationship between BECC and Crude (and later Patriot) was not disclosed to investors or in public filings with the Commission. BECC's public filings disclosed only that BECC and Crude executed an Administrative Services Agreement ("ASA") contemporaneous to the closing of the reverse merger. The ASA gave the relationship between BECC and Crude an aura of legitimacy and helped make transactions between BECC and Crude appear arm's-length in nature. In truth, however, Crude (and later Patriot) were mere alter-egos of BECC, and their financials were actually consolidated with those of BECC.

26. In or about March 2015, following a falling out with Hallam, Faulkner transferred these sales and marketing responsibilities from Crude to a new entity called Patriot, with Miller installed as the primary officer for Patriot. The Patriot entity was created just by changing the name of another shell entity owned by Faulkner, Simple Solutions, Inc., to Patriot and Patriot simply continued Crude's operations under a new name. Faulkner opened new bank accounts styled "Simple Solutions d/b/a Crude Energy" in order to intercept incoming checks intended for investments in Crude's offerings and directed Miller (also an officer of Crude) to assign all of Crude's oil-and-gas working interests to Patriot. In or about April 2015, BECC executed an ASA with Patriot containing materially equivalent terms to the ASA between BECC and Crude and disclosed it in a public filing.

27. Pursuant to the ASAs, BECC would give Crude/Patriot access to its client list and oil and gas-prospect list so that Crude/Patriot could market and offer oil and gas prospects to BECC clients. Per the ASAs Crude/Patriot would also provide various "administrative" services to BECC. In exchange, Crude/Patriot would be entitled to certain "management fees" related to the

oil and gas-prospects. The Crude ASA included terms for the payment by Crude to BECC of \$100,000 per month, \$150,000 per oil and gas-prospect delivered to Crude, and a carried interest of 20% in any prospect acquired by Crude for sale to clients. The April 2015 ASA with Patriot increased these payments to BECC to \$200,000 per month, \$250,000 per oil and gas-prospect delivered to Patriot, and a carried interest of 25% in any prospect acquired by Patriot for sale to clients.

28. In reality, however, Breitling records contain no evidence that either Crude or Patriot made any payments to BECC in connection with the ASAs, and there are no records identifying any recurring monthly payments from Crude or Patriot to BECC for the ASA fees. Rather, Breitling records reflect a repeated and consistent flow of investor funds from Crude and Patriot to BECC. In this regard, Faulkner caused Crude and Patriot to collectively transfer over \$39 million to BECC, a majority of all funds received into BECC accounts.

29. The offering activities of Crude and Patriot mirrored the offering activities of BOG and BRC. Crude and Patriot continued to deliver materially misleading offering documents, including the Offering Memoranda, to potential investors, which omitted Faulkner's and BECC's true relationship with Crude and Patriot. The AFEs contained in the Offering Memoranda continued to be grossly inflated without any reasonable basis. Investor funds were not only comingled in "operating accounts" but outright transferred to a purportedly independent, arms-length company (BECC) and used to pay hundreds of thousands of dollars for Faulkner's BECC American Express bills, including his personal expenses.

30. Additionally, BECC actually consolidated Crude's (and later Patriot's) results of operations in its general ledger, a fact never disclosed to the public in BECC's filings or to

investors in Crude's offerings. In this regard, Crude cash balances often represented the majority of the funds reported by BECC as its cash balances in filings with the Commission.

### **B. Breitling Sales of Securities**

31. While Faulkner coordinated Breitling's operations and managed much of the business, Hallam and Miller led the sales efforts and managed Breitling's sales staff. Hallam, Miller, and the salespeople (including Defendants) disseminated Breitling's materially misleading Offering Memoranda for the BOG, BRC, Crude and Patriot offerings and reiterated these misrepresentations as part of their sales efforts to investors. According to BOG's Offering Memoranda, only company officers (specifically Hallam and Miller) would offer and sell working interests to investors, and no one would receive transaction-based compensation. This was a lie. Crude and Patriot disclosed the potential payment of transaction-based compensation to certain "placement agents," who would be securities broker-dealers which were members of the National Association of Securities Dealers, Inc. However, Breitling paid transaction-based compensation to non-"placement agents," including Defendants.

32. Although Hallam and Miller offered and sold these investments to investors and obtained investor funds as a result of material misrepresentations in the offering documents, the sales staff (including Defendants) also received millions of dollars in transaction-based compensation. The salespeople (including Defendants) generally cold-called investors from lead lists or followed up on investor contact in response to Breitling's public advertising of their offerings. Contrary to representations in the Offering Memoranda however, the salespeople (including Defendants) typically received up to 10-percent commissions on every dollar they helped bring in the door for their integral role in the sales process, including advising prospective

investors on the merits of particular investments using the false and misleading offering materials detailed above.

33. Moreover, in connection with their sales pitches as part of the unregistered offerings, BOG's (and later Crude's and Patriot's) salespeople (including Defendants) failed to sufficiently determine the accreditation status of investors. The salespeople (including Defendants) relied on investors to effectively self-accredit themselves by posing general questions about their accreditation status and by having investors complete a questionnaire. At no point did the salespeople (including Defendants), or anyone else at BOG (and later Crude and Patriot), attempt to independently verify a potential investor's accreditation status.

34. Similar to BOG, Crude Energy offered and sold working interests in oil-and-gas prospects -- via unregistered offerings -- to investors on a turnkey basis. And Faulkner drafted, edited, and/or approved, Crude's offering materials -- which included Offering Memoranda, marketing brochures, and subscription agreements -- despite the fact that the Offering Memoranda omitted any mention of Faulkner or his affiliation with Crude. Hallam and Miller, who led Crude's sales efforts and managed Crude's salespeople, reviewed the offering materials and were aware that the statements therein were attributable to them and omitted any mention of Faulkner's involvement in the company. Hallam signed marketing brochures for each offering as Crude's CEO, and Hallam, Miller, and Handkins were identified in the brochures as Crude's executives. While the Crude offering materials listed BECC as the operator for the wells/prospects, it did not disclose Crude's actual relationship with BECC.

35. Moreover, Crude's Offering Memoranda contained misrepresentations and omissions similar to those in BOG's Offering Memoranda, including the use of AFEs that purported to reflect "likely" costs that Crude expected to incur in drilling, testing, and completing

each prospect. Crude claimed in its offering materials that it drafted the AFEs; however as with BOG, Faulkner actually drafted them. BECC, listed as the operator of record for the prospects offered to investors, hired a contract operator for Crude's projects. Given that BECC and Crude were not actually drilling the wells, which they had no experience or expertise to do, they had no reasonable or informed basis to estimate the likely costs that would be incurred to drill and complete the wells. None of these facts were disclosed to investors in Crude's Offering Memoranda.

36. Hallam, Miller, and the salespeople (including Defendants) disseminated the materially misleading offering materials for the Crude Offerings and reiterated these misrepresentations as part of their sales efforts. Similar to the misrepresentations in BOG's Offering Memoranda, the Crude Offering Memoranda misstated that working interests would be offered and sold by company officers (specifically Hallam and Miller) who would not receive transaction-based compensation. This was false. As with BOG, Crude (including Defendants) generally solicited investors via cold calling and through internet advertisements, and received transaction-based compensation whenever they brought investors in the door. Moreover, in connection with their sales pitches as part of the unregistered offerings, Crude's salespeople (including Defendants) failed to sufficiently determine the accreditation status of investors. The salespeople (including Defendants) relied on investors to effectively self-accredit themselves by posing general questions about their accreditation status and by having investors complete a questionnaire. At no point did the salespeople (including Defendants), or anyone else at Crude, attempt to independently verify a potential investor's accreditation status.

37. Patriot utilized offering materials drafted, edited, or approved by Faulkner – but signed by and attributed to Miller – which included similar misrepresentations as those in Crude's

offering documents. Miller, who led Patriot's sales efforts and managed Patriot's sales staff, never reviewed or edited Patriot's Offering Memoranda even though he knew that the statements contained therein were attributed solely to him.

38. Miller and the salespeople (including Defendants) disseminated these materially misleading, Faulkner-drafted offering materials to investors and used them in selling the Patriot prospects. According to Patriot's Offering Memoranda, company officers (specifically Miller) would offer and sell working interests to investors and would not receive transaction-based compensation. Although Miller offered and sold these investments to investors, the sales staff received millions of dollars in transaction-based compensation for their roles in the sales process.

39. As with BOG, BRC and Crude, Patriot (including Defendants) generally solicited investors via cold calling and through internet advertisements, and received transaction-based compensation whenever they brought investors in the door. Additionally, Patriot salespersons (including Defendants) continued the pattern and practice implemented at BOG and BRC and continued at Crude to not independently verify the accreditation status of investors.

### **C. Transfers to Defendants**

40. Defendants worked on the Breitling sales team recruiting victims into Faulkner's fraudulent scheme. For their efforts, Defendants received transfers totaling over \$833,500 from Breitling entities BOG, BRC, Crude Energy, and Patriot between February 24, 2011 and February 8, 2016, as follows:

| <b>Transferor</b>                                  | <b>Amount</b> |
|--|---------------|
| Madu, Nathan                                       | \$ 219,921.00 |
| Okpo, Okoto  | \$ 204,158.25 |
| Taylor, Derek; Alden Adams, LLC                    | \$ 171,557.72 |
| Trevino, Reymond; Eagle Rio Energy Companies, Inc. | \$ 237,868.50 |

41. As Defendants knew or should have known, they were being compensated for raising proceeds for securities offerings contrary to disclosures made to potential investors with regard to transaction-based compensation. In this regard, the Offering Memoranda and other offering documents did not disclose that salespersons like Defendants would receive, or were entitled to, transaction-based compensation.

42. As Defendants knew or should have known, they were not registered with the Commission as brokers or associated with registered broker-dealers with respect to their offer and sale of securities in the Breitling offerings. Moreover, the sales practices undertaken by Defendants constituted “general solicitation”, nullifying the Breitling entities’ reliance on the Regulation D exemption to securities registration.

43. Under these circumstances, and with this knowledge, Defendants cannot establish that they received the transfers at issue with objective good faith, or in exchange for reasonably equivalent value. Accordingly, because these transfers were made with actual intent to hinder, delay or defraud creditors of the Breitling entities, they are avoidable by the Receiver.



#### IV. CAUSES OF ACTION

44. For each of the following causes of action, Plaintiff incorporates by reference and reasserts the allegations above as if fully set forth below.

**COUNT I: Avoidance of Fraudulent Transfers Made to, or for the benefit of, Defendants pursuant to TUFTA §24.005(a)(1)**

45. Faulkner and his confederates operated a fraudulent scheme through the Breitling entities, including BOG, BRC, Crude Energy, and Patriot. The Breitling entities were inextricably intertwined by Faulkner and his confederates, who operated these entities as a single fraudulent enterprise.

46. BOG, BRC, Crude Energy, and Patriot transferred at least \$833,500 to, or for the benefit of, Defendants between February 24, 2011 and February 8, 2016.

47. Faulkner caused these transfers to be made from the fraudulent scheme alleged herein with actual intent to hinder, delay or defraud creditors of the Breitling entities. In this regard, Faulkner caused the Breitling salespersons to be paid transaction-based compensation notwithstanding that the Offering Memoranda and other offering documents did not disclose that salespersons like Defendants would receive, or were entitled to, transaction-based compensation. Faulkner's improper and illegal use of transaction-based compensation was undertaken to incentivize sales of Breitling securities and grow the fraudulent scheme, from which Faulkner misappropriated millions of dollars of investor proceeds.

48. Defendants cannot demonstrate objective good faith in receiving the transfers from BOG, BRC, Crude Energy, and Patriot. Defendants were aware, or but for gross negligence would have been aware, of the contents of the Offering Memoranda underlying the securities sold by Defendants. These the Offering Memoranda and other offering documents did not disclose that

salespersons like Defendants would receive, or were entitled to, transaction-based compensation. Accordingly, Defendants knew, or but for gross negligence would have known, that payment of their transaction-based compensation violated the terms of the Offering Memoranda given to potential investors. Defendants failed to conduct independent due diligence or investigation into the Breitling entities notwithstanding their knowledge that they were being compensated contrary to disclosures made to potential investors.

49. The Receiver was only able to discover the fraudulent nature of the transfers from BOG, BRC, Crude Energy, and Patriot to, and for the benefit of, Defendants after Faulkner was removed from control of the Breitling entities and after a time-consuming and extensive review of thousands of pages of paper and electronic records and documents relating to the Breitling entities.

50. The Receiver is entitled to the avoidance of the fraudulent transfers from BOG, BRC, Crude Energy, and Patriot to Defendants in the amounts alleged herein.

51. The Receiver also is entitled to costs and reasonable attorney's fees related to the commencement and prosecution of this litigation pursuant to TUFTA §24.013.

## **COUNT II: Unjust Enrichment**

52. The Receiver is entitled to disgorgement of the transfers made from the Breitling entities -- in particular, from accounts of BOG, BRC, Crude Energy, and Patriot -- to or for the benefit of Defendants pursuant to the doctrine of unjust enrichment under applicable law. Defendants received funds that in equity and good conscience belong to the Receivership Estate for ultimate distribution to defrauded investors and creditors with claims against the Receivership Estate, and that Defendants received through the taking of undue advantage vis-à-vis the investors in the Breitling fraudulent scheme.

53. Defendants have been unjustly enriched by such funds, at the expense of defrauded investors in and creditors of the Breitling fraudulent scheme, and it would be unconscionable for them to retain these funds.

54. In order to carry out his duties as ordered by this Court, the Receiver seeks complete and exclusive control, possession, and custody of the transfers received by Defendants.

55. Defendants have been unjustly enriched by their receipt of transfers from BOG, BRC, Crude Energy, and Patriot. The Receiver, therefore, is entitled to disgorgement of all transferred funds they received. Pursuant to the equity powers of this Court, the Receiver seeks a judgment that: (a) funds transferred to Defendants from BOG, BRC, Crude Energy, and Patriot unjustly enriched them; (b) funds transferred to Defendants from BOG, BRC, Crude Energy, and Patriot are property of the Receivership Estate held pursuant to a constructive trust for the benefit of the Receivership Estate; and (c) Defendants are liable to the Receiver for amounts equaling the amount of funds transferred to them, or on their behalf, or for their benefit, from BOG, BRC, Crude Energy, and Patriot.

56. The Receiver is also entitled to costs and reasonable attorney's fees related to the commencement and prosecution of this litigation.

## V. ACTUAL DAMAGES

57. Breitling entities, and therefore the Receiver, have suffered the loss of at least \$833,500 in funds fraudulently transferred from the Breitling entities to the Defendants as alleged herein. Additionally, the Receiver is entitled to recover his just and reasonable attorneys' fees and costs, subject to Court approval, for it would be inequitable not to award such fees to him.

## **VI. CONDITIONS PRECEDENT**

58. All conditions precedent to filing this Complaint have been met.

## **VII. PRAYER**

WHEREFORE, the Receiver requests that the Defendants be summoned to answer this Complaint, that the case be set for trial, and that upon final judgment the Receiver recovers the damages as alleged herein, including without limitation at least \$833,500 fraudulently transferred to and for the benefit of Defendants and other actual damages, costs and expenses of suit, including reasonable attorneys' fees. The Receiver prays for such other relief to which he may be justly entitled.

Dated: February 18, 2020

Respectfully submitted,

THE TAYLOR LAW OFFICES, PC

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COUNSEL FOR RECEIVER

CIVIL COVER SHEET

The JS 44 civil cover sheet and the information contained herein neither replace nor supplement the filing and service of pleadings or other papers as required by law, except as provided by local rules of court. This form, approved by the Judicial Conference of the United States in September 1974, is required for the use of the Clerk of Court for the purpose of initiating the civil docket sheet. (SEE INSTRUCTIONS ON NEXT PAGE OF THIS FORM.)

I. (a) PLAINTIFFS

Thomas L. Taylor, III, solely in his capacity as Court-appointed temporary receiver for Breitling Energy Coporation, et al.

(b) County of Residence of First Listed Plaintiff (EXCEPT IN U.S. PLAINTIFF CASES)

(c) Attorneys (Firm Name, Address, and Telephone Number)

Andrew Goforth; Goforth Law PLLC; 7614 Fairdale Ln, Houston, TX 77063; (713) 464-2263

DEFENDANTS

Reymond Trevino, Eagle Rio Energy Companies Inc., Derek Taylor, Alden Adams, LLC, Nathan Madu, and Okoto Okpo

County of Residence of First Listed Defendant (IN U.S. PLAINTIFF CASES ONLY)

NOTE: IN LAND CONDEMNATION CASES, USE THE LOCATION OF THE TRACT OF LAND INVOLVED.

Attorneys (If Known)

II. BASIS OF JURISDICTION (Place an "X" in One Box Only)

- 1 U.S. Government Plaintiff, 2 U.S. Government Defendant, 3 Federal Question (U.S. Government Not a Party), 4 Diversity (Indicate Citizenship of Parties in Item III)

III. CITIZENSHIP OF PRINCIPAL PARTIES (Place an "X" in One Box for Plaintiff and One Box for Defendant)

Table with columns for Plaintiff (PTF) and Defendant (DEF) citizenship: Citizen of This State, Citizen of Another State, Citizen or Subject of a Foreign Country, Incorporated or Principal Place of Business In This State, Incorporated and Principal Place of Business In Another State, Foreign Nation.

IV. NATURE OF SUIT (Place an "X" in One Box Only)

Click here for: Nature of Suit Code Descriptions.

Large table with categories: CONTRACT, REAL PROPERTY, CIVIL RIGHTS, TORTS, PRISONER PETITIONS, FORFEITURE/PENALTY, LABOR, IMMIGRATION, BANKRUPTCY, SOCIAL SECURITY, FEDERAL TAX SUITS, OTHER STATUTES.

V. ORIGIN (Place an "X" in One Box Only)

- 1 Original Proceeding, 2 Removed from State Court, 3 Remanded from Appellate Court, 4 Reinstated or Reopened, 5 Transferred from Another District (specify), 6 Multidistrict Litigation - Transfer, 8 Multidistrict Litigation - Direct File

VI. CAUSE OF ACTION

Cite the U.S. Civil Statute under which you are filing (Do not cite jurisdictional statutes unless diversity):

28 USC 754 & 1692; 15 USC 78aa; 15 USC 77v(a)

Brief description of cause:

Receiver action to avoid fraudulent transfer

VII. REQUESTED IN COMPLAINT:

CHECK IF THIS IS A CLASS ACTION UNDER RULE 23, F.R.Cv.P. DEMAND \$ 833,500.00

CHECK YES only if demanded in complaint: JURY DEMAND: Yes No

VIII. RELATED CASE(S) IF ANY

(See instructions):

JUDGE Fitzwater

DOCKET NUMBER 3:16-cv-01735-D

DATE SIGNATURE OF ATTORNEY OF RECORD

02/18/2020 /s/ Andrew Goforth

FOR OFFICE USE ONLY

RECEIPT # AMOUNT APPLYING IFP JUDGE MAG. JUDGE