



Beth C. Handkins (“Handkins”) [Dkt. Nos. 507 and 508] ( the “Motion”), and respectfully shows the Court as follows:

**I.**

**Liu Preserves the Court’s Power to Award Disgorgement**

In *Liu v. SEC*, the U.S. Supreme Court recently reaffirmed the SEC’s authority to seek and the Court’s authority to order disgorgement “that does not exceed a wrongdoer’s net profits and is awarded for victims.” 140 S. Ct. 1936, 1940 (2020). *Liu* did not disturb the well-established principle that “disgorgement need only be a reasonable approximation of profits causally connected to the violation.” *SEC v. Offill*, No. 3:07-cv-1643-D, 2012 WL 1138622, at \*1 (N.D. Tex. Apr. 5, 2012) (Fitzwater, C.J.) (quoting *SEC v. First City Fin. Corp.*, 890 F.2d 1215, 1231 (D.C. Cir. 1989)). The requested disgorgement against Hallam, Miller, and Handkins in the Motion is consistent with *Liu*.

First, the amount of disgorgement that the Commission seeks against each defendant equals his or her net profits; in this instance, the compensation each defendant received for his or her integral role in this fraudulent enterprise. *See* Mot. at 14-17. As fully set forth in the Motion, Hallam, Miller, and Handkins were essential and active participants in the Faulkner scheme. *Id.* at 3. Hallam and Miller spearheaded the sales efforts of Defendants Breitling Oil & Gas Corporation (“BOG”) and Crude Energy, LLC (“Crude”) and, in these roles, served as the primary conduits to disseminate knowingly false and misleading statements to investors. *Id.* at 3-4, and 15-16. Then, at Crude (Hallam and Miller) and Patriot Energy, Inc. (“Patriot”) (Miller alone), they enabled Faulkner to clandestinely control the entities behind the scenes and to misappropriate investor funds. *Id.* at 3-4. Meanwhile, Handkins controlled all relevant bank accounts of BOG, Crude, Patriot, and Defendant Breitling Energy Corporation (“BECC”), where tens of millions of investor dollars from separate offerings were commingled, and facilitated and assisted Faulkner in

misusing, diverting, and misappropriating approximately \$30 million in investor funds. *Id.* Not surprisingly, Hallam, Miller, and Handkins were each well-compensated for their vital roles in the Faulkner Scheme. *Id.* The payments that each received had no “value independent of fueling [the] fraudulent scheme” but instead were the mechanism by which the wrongdoers siphoned money from the fraud and were therefore merely “dividends of profit under another name.” *Liu*, 140 S. Ct. at 1950, 1946 (quoting *Rubber Co. v. Goodyear*, 9 Wall. 788, 803, 19 L.Ed. 566 (1870)).

Second, the Commission seeks disgorgement of ill-gotten gains from Hallam, Miller, and Handkins so that it may return those funds to defrauded investors who lost significant sums of money when they invested in the Faulkner Scheme. In order to facilitate the distribution of the disgorged funds, as well as civil penalties ordered in this matter, to the aggrieved investors, the Court-appointed receiver filed its Motion for Plan of Distribution on February 25, 2020. *See* Dkt No. 406. The Court subsequently approved the Motion for Distribution Plan on April 28, 2020. *See* Dkt. No. 541. And on May 11, 2020, the Court issued its Order Implementing Plan of Distribution. *See* Dkt. No. 542. In accordance with *Liu*’s requirement that a disgorgement order be “for the benefit of investors as required by § 78u(d)(5),” 140 S. Ct. at 1949, the Commission attaches an amended proposed Final Judgment, which directs any disgorgement, prejudgment interest, and civil penalties that the Court orders Hallam, Miller, and Handkins to pay to the Receiver for distribution in accordance with the Court-approved distribution plan.

## **II.** **REQUEST FOR RELIEF**

WHEREFORE, the Commission respectfully requests that this Court to enter the new proposed Final Judgment attached hereto.

Dated: July 28, 2020

Respectfully submitted,

/s/ Jason P. Reinsch

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ATTORNEYS FOR PLAINTIFF  
SECURITIES AND EXCHANGE COMMISSION

**CERTIFICATE OF SERVICE**

I affirm that on July 28, 2020, I electronically filed the foregoing Supplement with the Clerk of the Court for the Northern District of Texas, Dallas Division, by using the CM/ECF system which will send a notice of electronic filing to all CM/ECF participants, constituting service as provided in LR 5.1 (d). I further certify that on July 28, 2020, I served a true and correct copy of the foregoing document on the following parties and persons entitled to notice that are non-CM/ECF participants:

<p>Michael P. Gibson (via UPS and E-mail) Burluson, Pate &amp; Gibson, LLP Founders Square 900 Jackson St., Suite 330 Dallas, TX 75202 <a href="mailto:migibson@bp-g.com">migibson@bp-g.com</a> <i>Counsel for Defendant Beth C. Handkins</i></p>	<p>Alex More (Requested e-mail service only) Carrington Coleman 901 Main St., Suite 5500 Dallas, TX 75202 <a href="mailto:amore@CCSB.com">amore@CCSB.com</a> <i>Counsel for Defendant Gilbert R. Steedley</i></p>
<p>Christopher A. Faulkner (via Certified mail, return receipt requested) Limestone County Detention Center FCI Seagoville, Previous Register No. 76501-112 910 North Tyus Street Groesbeck, TX 76642 <i>Pro Se Defendant</i></p>	

/s/ Jason P. Reinsch  
JASON P. REINSCH

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

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

v.

Case No.: 3:16-cv-01735-D

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.

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**ORDER GRANTING PLAINTIFF’S MOTION FOR REMEDIES AND MOTION FOR  
FINAL JUDGMENTS AS TO DEFENDANTS PARKER R. HALLAM, DUSTIN  
MICHAEL MILLER RODRIGUEZ, AND BETH C. HANDKINS**

**BEFORE THE COURT** is Plaintiff Securities and Exchange Commission’s (“SEC” or  
“Commission”) Motion for Remedies and Motion for Final Judgments as to Defendants Parker R.  
Hallam, Dustin Michael Miller Rodriguez and Beth C. Handkins (the “Motion”) [Dkt. No. 507]

and the Commission’s Supplement to the Motion [Dkt. No. 553] (“the “Supplement”).

**UPON CONSIDERATION** of the Motion, the Supplement, any responses thereto, and all briefing on these issues, and being otherwise fully advised in the premises, it is **ORDERED AND ADJUDGED** that the Motion is **GRANTED**.

The Court will enter Final Judgment against Defendants Parker R. Hallam, Dustin Michael Miller Rodriguez and Beth C. Handkins by separate order in accordance with Federal Rule of Civil Procedure 58(a).

DATED: \_\_\_\_\_, \_\_\_\_\_

\_\_\_\_\_  
SIDNEY A. FITZWATER  
SENIOR UNITED STATES DISTRICT JUDGE





and having previously entered Judgments by consent, which remain in full force and effect, imposing, *inter alia*, injunctive relief as to Defendants Parker R. Hallam (“Hallam”), Dustin Michael Miller Rodriguez (“Miller”), and Beth C. Handkins (“Handkins”) [Dkt. Nos. 7, 8, and 94]:

**I.**

**IT IS HEREBY ORDERED AND ADJUDGED** that Defendant Parker R. Hallam shall pay disgorgement in the amount of \$1,901,480, plus prejudgment interest thereon in the amount of \$424,375.38.

**IT IS FURTHER ORDERED AND ADJUDGED** that Defendant Dustin Michael Miller Rodriguez shall pay disgorgement in the amount of \$1,454,533, plus prejudgment interest thereon in the amount of \$266,524.97.

**IT IS FURTHER ORDERED AND ADJUDGED** that Defendant Beth C. Handkins shall pay disgorgement in the amount of \$838,950, plus prejudgment interest thereon in the amount of \$156,960.22.

**II.**

**IT IS FURTHER ORDERED AND ADJUDGED** that, pursuant to Section 20(d) of the Securities Act of 1933 (“Securities Act”) [15 U.S.C. § 77t(d)] and Section 21(d)(3) of the Securities Exchange Act of 1934 (“Exchange Act”) [15 U.S.C. § 78u(d)(3)], Defendant Parker R. Hallam shall pay a penalty in the amount of \_\_\_\_\_.

**IT IS FURTHER ORDERED AND ADJUDGED** that, pursuant to Section 20(d) of the Securities Act [15 U.S.C. § 77t(d)] and Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)], Defendant Dustin Michael Miller Rodriguez shall pay a penalty in the amount of \_\_\_\_\_.

\_\_\_\_\_.

**IT IS FURTHER ORDERED AND ADJUDGED** that, pursuant to Section 20(d) of the Securities Act [15 U.S.C. § 77t(d)] and Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)], Defendant Beth C. Handkins shall pay a penalty in the amount of \_\_\_\_\_.

**III.**

**IT IS HEREBY FURTHER ORDERED, ADJUDGED, AND DECREED** that Defendants Parker R. Hallam, Dustin Michael Miller Rodriguez, and Beth C. Handkins shall satisfy their obligations by paying the amounts ordered in Sections I and II, above, to the court-appointed receiver—Thomas L. Taylor (the “Receiver”)—for the estates of Defendants Christopher A. Faulkner, Breitling Oil & Gas Corporation, Breitling Energy Corporation, Crude Energy LLC, and Patriot Energy, Inc. and non-parties Breitling Royalties Corporation, Breitling Ventures Corporation, Breitling Operating Corporation, Breitling Energy Companies, Inc., Breitling Royalty Funds, LLC, Crude Royalties, LLC, Inwood Investments, Inc. and Grand Mesa Investments, Inc. within 14 days after entry of this Final Judgment. Upon receipt by the Receiver, such funds shall become Receivership Assets within the meaning of the term in this Court’s January 6, 2020 Third Amended Order Appointing Receiver [Dkt. No. 496].

Defendants shall make payment in accordance with the following instructions. Payment must be: (a) made by United States postal money order, certified check, bank cashier’s check, or bank money order; (b) made payable to “Receiver’s Account, Estate of C. Faulkner, et al.”; (c) hand-delivered or mailed to Thomas L. Taylor, The Taylor Law Offices, P.C., 245 West 18th Street, Houston, Texas 77008; and (d) submitted under cover letter that identifies the Defendant submitting the payment and the case number of this civil action (*SEC v. Christopher A. Faulkner*,

*et al.*, Civ. Act. No. 3:16-1735-D (N.D. Tex.)). Further, Defendants shall simultaneously send a copy of the cover letter and money order or check to B. David Fraser, Division of Enforcement, Securities and Exchange Commission, Burnett Plaza, Suite 1900, 801 Cherry Street, Unit 18, Fort Worth, Texas 76102. By making this payment, Defendants relinquish all legal and equitable right, title, and interest in such funds and no part of the funds shall be returned to Defendants.

The Commission may enforce the Court's judgment for disgorgement and prejudgment interest by moving for civil contempt (and/or through other collection procedures authorized by law) 14 days after Defendants fail to make any payment ordered herein.

#### IV.

IT IS HEREBY FURTHER ORDERED, ADJUDGED, AND DECREED that, in the event the Court discharges the Receiver before Defendants fully pay the amounts ordered in Sections I and II, above, then Defendants shall pay their respective outstanding balance, plus any post-judgment interest, to the Commission. For any such payment, Defendants may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request. Payment may also be made directly from a bank account via Pay.gov through the SEC website at <http://www.sec.gov/about/offices/ofm.htm>. Defendants may also pay by certified check, bank cashier's check, or United States postal money order payable to the Securities and Exchange Commission, which shall be delivered or mailed to

Enterprise Services Center  
Accounts Receivable Branch  
6500 South MacArthur Boulevard  
Oklahoma City, OK 73169

and shall be accompanied by a letter identifying the case title, civil action number, and name of this Court; name of the paying Defendant in this action; and specifying that payment is made pursuant to this Final Judgment.

Defendants shall simultaneously transmit photocopies of evidence of payment and case identifying information to the Commission's counsel in this action. By making this payment, Defendants relinquish all legal and equitable right, title, and interest in such funds and no part of the funds shall be returned to Defendants.

The Commission shall hold the funds (collectively, the "Fund") and shall propose a plan concerning the Fund's disposition subject to the Court's approval. The Court shall retain jurisdiction over the administration of any distribution of the Fund.

Regardless of whether any such Fund distribution is made, amounts ordered to be paid as civil penalties pursuant to this Judgment shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Defendants shall not, after offset or reduction of any award of compensatory damages in any Related Investor Action based on each Defendant's respective payment of disgorgement in this action, argue that he or she is entitled to, nor shall he or she further benefit by, offset or reduction of such compensatory damages award by the amount of any part of each Defendant's respective payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, that Defendant shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the Fund. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this Final Judgment.

For purposes of this paragraph, a “Related Investor Action” means a private damages action brought against that Defendant by or on behalf of one or more investors based on substantially the same facts as alleged in the Complaint in this action.

**V.**

**IT IS FURTHER ORDERED AND ADJUDGED** that Defendant Parker R. Hallam is permanently enjoined from participating, directly or indirectly, including, but not limited to, through any entity owned or controlled by him, in the issuance, purchase, offer, or sale of any unregistered securities, provided however that such injunction shall not prevent him from purchasing or selling securities for his own personal account.

**VI.**

**IT IS FURTHER ORDERED AND ADJUDGED** that that this Court shall retain jurisdiction of this matter for the purposes of enforcing the terms of this Final Judgment.

**VII.**

**IT IS FURTHER ORDERED AND ADJUDGED** that, there being no just reason for delay, pursuant to Rule 54(b) of the Federal Rules of Civil Procedure, the Clerk shall enter this Final Judgment forthwith and without further notice.

DATED: \_\_\_\_\_, \_\_\_\_\_

\_\_\_\_\_  
SIDNEY A. FITZWATER  
SENIOR UNITED STATES DISTRICT JUDGE