

# **SEC Charges Two Individuals and Their Companies for a Fraudulent Oil-And-Gas Equipment Scheme**

**Litigation Release No. 24803 / April 23, 2020**

***Securities and Exchange Commission v. Phillip Hudnall, Todd Esh, BirdDog Business Group, LLC and BirdDog Oil Equipment, LLC, Defendants and Duc "Doug" Nguyen, Brian Hudnall, DonDon, LLC, Kansas Oil Reserves, LLC, Kansas Oil Reserves 2, LLC and Phayrn Resources, LLC, Relief Defendants, No. 20-cv-327 (W.D. Missouri filed April 23, 2020)***

The Securities and Exchange Commission today charged two individuals and their companies with defrauding investors of over \$3.6 million in connection with an oil-and-gas equipment scheme.

The SEC's complaint alleges that from January through at least June 2019, Phil Hudnall, with Todd Esh's help, defrauded at least 12 investors in a securities offering they conducted through BirdDog Business Group, LLC and BirdDog Oil Equipment, LLC. According to the complaint, Hudnall and Esh sold promissory notes by telling investors that BirdDog entities would buy and refurbish used oil and gas equipment for later resale at a profit. The complaint states that Hudnall and Esh falsely represented that they had successfully completed prior profitable equipment transactions, and promised investors that they would receive a 30% return and that their principal would be secured by the equipment. The complaint alleges that in reality, the BirdDog entities had never completed any oil-and-gas equipment transactions, let alone any profitable transactions. Hudnall allegedly misappropriated the majority of the investors' funds to purchase of land and mineral rights in Colorado, make Ponzi-type payments to investors in other offerings, and support his lavish lifestyle.

The SEC's complaint, filed in federal district court in the Western District of Missouri, charges Hudnall, Esh, and the BirdDog entities with violating the antifraud provisions of Section 17(a) of the Securities Act of 1933 and Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder. The complaint, which also names Duc "Doug" Nguyen, Brian Hudnall, DonDon, LLC, Kansas Oil Reserves, LLC, Kansas Oil Reserves 2, LLC and Phayrn Resources, LLC as relief defendants, seeks permanent injunctions, return of ill-gotten gains with prejudgment interest, and civil penalties. Esh has agreed to a bifurcated settlement where he will be permanently enjoined from violations of the antifraud provisions. The settlement, which is subject to Court approval, reserves the issues of disgorgement, prejudgment interest, and a civil penalty for further determination by the court upon motion of the SEC.

The SEC's investigation, which is continuing, is being conducted by Richard Stoltz, Craig McShane, and Brian Fagel of the Chicago Regional Office. The litigation will be led by Timothy Leiman, Mr. Stoltz, and Mr. Fagel. The SEC appreciates the assistance of FBI's Kansas City Field Office and the U.S. Attorney's Office for the Western District of Missouri.