

**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF OHIO**

UNITED STATES SECURITIES)	
AND EXCHANGE COMMISSION,)	
)	
Plaintiff,)	
)	
v.)	No. 2:19-CV-1022
)	
TIMOTHY W. CRAWFORD and)	JURY DEMANDED
CARDINAL ENERGY GROUP, INC.,)	
)	
Defendants.)	
_____)	

COMPLAINT

Plaintiff United States Securities and Exchange Commission (“SEC”) alleges:

1. In 2017 defendant Cardinal Energy Group, Inc., a penny-stock oil and gas company, got some bad news: It had lost control of the asset that accounted for over 87% of its revenues. The asset in question was Cardinal’s interest in two oil and gas leases. The leases were the subject of litigation, which ended adversely for Cardinal. As a result, the company lost the leases and the revenue that had flowed from them. Cardinal and its CEO, defendant Timothy W. Crawford, learned about the lawsuit no later than March 2017. They learned of the default judgment entered in the litigation no later than June 2017. But in

periodic reports filed with the SEC in July 2017, they failed to disclose the litigation or its adverse outcome for the company. Instead, in those filings they misrepresented to the investing public that Cardinal anticipated that the leases would “become important producing properties” to the company. Crawford signed those public filings.

2. At the time he signed off on these misrepresentations, he knew better. The same could not be said for the investing public, whom defendants kept in the dark. Capitalizing on their deception, defendants raised over \$1 million in fresh proceeds from unwitting investors in a private offering of Cardinal stock.

3. To make matters worse, Cardinal and Crawford provided the investing public with false information about Crawford’s stock holdings and failed to file required reports with the SEC, including annual and quarterly reports and reports that otherwise would have disclosed Crawford’s stock sales. The SEC brings this civil law enforcement action to hold defendants accountable for their wrongdoing.

JURISDICTION AND VENUE

4. The Commission brings this action pursuant to Section 20(b) of the Securities Act [15 U.S.C. § 77t(b)] and Sections 21(d) and 21(e) of the Exchange Act [15 U.S.C. §§ 78u(d) and 78u(e)].

5. This Court has jurisdiction over this action pursuant to Section 22

of the Securities Act [15 U.S.C. § 77v] and Section 27 of the Exchange Act [15 U.S.C. § 78aa] and 28 U.S.C. § 1331 [28 U.S.C. § 1331].

6. Venue is proper in this Court pursuant to Section 27 of the Exchange Act [15 U.S.C. § 78aa]. Acts, practices and courses of business constituting violations alleged herein have occurred within the jurisdiction of the United States District Court for the Southern District of Ohio and elsewhere.

7. Defendants directly and indirectly made use of the means and instrumentalities of interstate commerce and of the mails in connection with the acts, practices, and courses of business alleged herein, and will continue to do so unless enjoined.

DEFENDANTS

8. **Defendant Timothy W. Crawford**, age 62, is a resident of Upper Arlington, Ohio. Crawford served as CEO of defendant Cardinal Energy Group, Inc. from 2012 until he resigned on July 31, 2017. He remained a “consultant” with the company until January 2018.

9. **Defendant Cardinal Energy Group, Inc.** is a Nevada corporation headquartered in Dallas, Texas. Cardinal’s common stock has been registered under the Exchange Act since 2010 and was quoted as a penny stock on OTC Markets Group, Inc. under the symbol “CEGX.”

OTHER RELEVANT PARTIES

10. **CEGX of Texas, LLC** (“CEGX”) is a Texas corporation headquartered in Ohio and incorporated in 2013. CEGX is a wholly-owned subsidiary of Cardinal. Crawford served as the President and CEO of CEGX.

FACTS

11. Cardinal purports to be engaged in the business of purchasing, developing and operating oil and gas leases. On June 16, 2014, Cardinal purchased an interest in two oil and gas leases, the Bradford “A” and the Bradford “B” leases, located in Shackelford County, Texas. CEGX acted as the operator of the leases, providing drilling and production services.

12. On September 2, 2014, Cardinal sold its interests in the Bradford Leases to the Bradford JV, a partnership managed by CEGX and Crawford. On December 31, 2014, Cardinal received a 20% equity investment in the Bradford JV. In the third quarter of 2016, Cardinal acquired an additional 27 units of the Bradford JV, bringing their total to 47 of the 100 working interests in the partnership.

13. Cardinal’s interest in the venture was its only asset of significant value and the funds it received as operator of the wells were its main source of revenue. From 2014 through late 2016, the revenues flowing from those leases comprised over 87% of Cardinal’s total revenues.

14. In the fall of 2016 the venture ceased drilling on the leased

property. In February 2017 it sold its drilling equipment.

15. In response, the owner of the leased land sued the joint venture in February 2017 to terminate the leases. In the lawsuit, the landowner alleged that the leases had expired pursuant to their terms when the joint venture ceased drilling operations.

16. Defendants became aware of the lawsuit no later than March 13, 2017, when the complaint was emailed to Crawford by Cardinal's registered agent after proper service was effected on the agent. Thereafter, the court entered a default judgment against the joint venture. On June 26, 2017, a copy of that judgment was emailed to Crawford by the registered agent. Cardinal's loss of that revenue stream was a significant, adverse event for the company.

17. That notwithstanding, the company has yet to alert its shareholders to this material, negative development.

18. On July 26, 2017 and July 31, 2017, Cardinal made late, public filings of its quarterly reports (also called "Forms 10-Q") for its fiscal quarters ended June 30, 2016 and September 30, 2016, respectively. These reports made several misleading statements concerning the leases, including that Cardinal "anticipate[s] that the [leases] will become important producing properties as we complete the full implementation of the water flood enhanced oil recovery project." Elsewhere in the public filings Cardinal stated: "The Company will now move forward to secure financing necessary to complete the

implementation of the water flood program required to fully complete the development of the [leases].” Cardinal’s filings also misleadingly stated that through CEGX, it had “entered into Contract Operating Agreements to operate the Bradford JV’s oil and gas operations on the Bradford Leases,” and that it had “acquired interests in the Bradford Leases through the Bradford JV and is the operator of the leases.”

19. Cardinal never mentioned the litigation or the termination of the leases in the “Subsequent Events,” “Litigation Proceedings,” or “Recent Developments” sections of its Forms 10-Q. And the filings contained various statements that presupposed Cardinal’s continued operation of the leases, with the continued revenues flowing from them.

20. Crawford signed the two quarterly reports filed in July 2017 in his capacity as Cardinal’s CEO and Principal Financial and Accounting Officer. He also signed certifications pursuant to the Sarbanes-Oxley Act of 2002 that accompanied the quarterly reports, in which he represented, among other things, that based on his personal knowledge the required reports did not contain an untrue statement of a material fact or omit to state a material fact necessary to make the statements made not misleading.

21. Beginning in August 2017 – just weeks after they filed the inaccurate public filings – defendants capitalized on their lies and omissions by raising more than \$1,000,000 from investors in a private offering of Cardinal’s

common stock. Defendants' offering documents contained similar misrepresentations and omissions concerning the oil leases.

22. Of the funds raised from the offering, Crawford received at least \$48,897.05 from accounts controlled by Crawford. These transfers occurred between August and November 2017, shortly after defendants disseminated false and misleading information in Cardinal's public filings. Crawford also obtained \$5,478.02 through his personal sales of Cardinal stock just five months after filing the misleading Forms 10-Q. Crawford participated in this private offering by attempting to sell shares for the company, by helping to prepare offering materials, and by obtaining some of the proceeds for his own benefit.

23. After Cardinal filed the misleading quarterly reports in July 2017, it ceased filing required periodic reports altogether.

24. Cardinal was not alone in failing to make required public SEC filings. Its CEO, Crawford, acquired over 9 million shares of Cardinal stock in late 2012. This made him the beneficial owner of 27% of the company. As such, Crawford was required to disclose his beneficial ownership in a "Schedule 13D" publicly filed with the SEC. He never did so. Nor did he file required Forms 4 and 5 to report his subsequent sale of nearly 5 million shares of Cardinal stock in 2016 and 2017 and his annual holdings.

25. In the midst of his selling spree, Cardinal filed a Schedule 14C, signed by Crawford, in which it reported that Crawford held 9,382,606 shares

of its stock. That disclosure was inaccurate, since by then Crawford had sold more than 2 million shares. Crawford knew the Schedule 14C was inaccurate when he signed it.

COUNT I

Violations of Section 17(a)(2) of the Securities Act (Against Both Defendants)

26. Paragraphs 1 through 25 are realleged and incorporated by reference as though fully set forth herein.

27. By engaging in the conduct described above, defendants, in the offer and sale of securities, by the use of the means and instruments of transportation or communication in interstate commerce or by use of the mails, directly or indirectly, have obtained money or property by means of untrue statements of material fact or by omitting to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.

28. Cardinal and Crawford made materially misleading statements and omissions in its Forms 10-Q filed on July 26, 2017 and July 31, 2017 and in Cardinal's Schedule 14C, filed on December 12, 2016. The quarterly reports made several false and misleading representations about Cardinal's ownership interest in the leases and the future revenue Cardinal expected to receive from the leases. In reality, Cardinal had lost its interest in the leases at least a month

prior to the filings at issue. Cardinal and Crawford failed to inform investors of this crucial fact. The misleading statements regarding the leases were material because, at the time of the filings, Cardinal's interest in such leases was its only remaining asset of value. Such leases were also the source of nearly all of Cardinal's revenue. The false statements in Cardinal's Schedule 14C were material since Crawford's stock sales reflected his lack of faith in Cardinal's future.

29. Cardinal and Crawford acted knowingly, recklessly, and/or negligently in making the misleading statements. Crawford knew about the lawsuit as early as March 13, 2017. He knew of the resulting judgment terminating the leases as of June 26, 2017. With respect to the false statements in the Schedule 14C concerning Crawford's stock holdings, Crawford knew that he had sold Cardinal stock and therefore that his reported holdings were incorrect.

30. The false filings were made in the offer of securities, and Cardinal and Crawford obtained money or property through their false statements. In the fall of 2017, Cardinal raised at least \$1,000,000 through a private offering of its preferred stock. Of the funds raised from the offering, at least \$48,897.05 was transferred to accounts controlled by Crawford. Crawford also obtained \$5,478.02 through his personal sales of Cardinal stock just five months after filing the misleading Forms 10-Q.

31. By reason of the foregoing, defendants violated Sections 17(a)(2) of the Securities Act [15 U.S.C. § 77q(a)(2)].

COUNT II

Violations of Section 10(b) and Rule 10b-5(b) of the Exchange Act, (Against Both Defendants)

32. Paragraphs 1 through 25 are realleged and incorporated by reference.

33. As more fully described in paragraphs 1 through 23 above, defendants, in connection with the purchase and sale of securities, by the use of the means and instrumentalities of interstate commerce and by the use of the mails, directly and indirectly, made untrue statements of material fact and omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.

34. Defendants acted knowingly and/or with a reckless disregard for the truth.

35. Cardinal was the maker of the misstatements because the filings were attributed to the company. Crawford also made these misstatements because, as the CEO of Cardinal and the person signing and certifying both the quarterly filings and signing the Schedule 14C, he had ultimate authority over such statements.

36. By reason of the foregoing, defendants violated Section 10(b) of

the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5(b) thereunder [17 C.F.R. 240.10b-5].

COUNT III

Violations of Section 13(a) and Rules 12b-20, 13a-1 and 13a-13 of the Exchange Act (Against Defendant Cardinal)

37. Paragraphs 1 through 36 are realleged and incorporated by reference.

38. As an issuer of a security registered pursuant to Section 12 of the Exchange Act, Cardinal was required to publicly disclose certain specified information in filings to the SEC. The SEC requires that the information contained in such publicly-available documents be accurate and current. In addition to such information that the SEC expressly requires, the SEC further requires an issuer to include such further material information as may be necessary to make the required statements, in light of the circumstances in which they are made, not misleading.

39. Cardinal failed to file the following quarterly and annual reports required by the SEC, in violation of the reporting requirements set forth in the Exchange Act:

Periodic Reports That Cardinal Failed to File	Deadline for Filing
Form 10-K for its fiscal year ended December 31, 2016	March 30, 2017
Form 10-Q for its fiscal quarter ended March 31, 2017	May 15, 2017
Form 10-Q for its fiscal quarter ended June 30, 2017	August 14, 2017
Form 10-Q for its fiscal quarter ended September 30, 2017	November 14, 2017
Form 10-K for its fiscal year ended December 31, 2017	March 30, 2018
Form 10-Q for its fiscal quarter ended March 31, 2018	May 15, 2018
Form 10-Q for its fiscal quarter ended June 30, 2018	August 14, 2018
Form 10-Q for its fiscal quarter ended September 30, 2018	November 14, 2018

40. Those filings it did make contained misstatements and omissions regarding its interest in the leases – including in its quarterly reports on Form 10-Q for the quarters ended June 30, 2016 and September 30, 2016.

41. By reason of the foregoing, defendant Cardinal violated Section 13(a) [15 U.S.C. § 78m] of the Exchange Act and Rules 12b-20, 13a-1, and 13a-13 [17 C.F.R. 240.12b-20, 13a-1, 13a-13] thereunder.

COUNT IV

Aiding and Abetting Violations of Section 13(a) and Rules 12b-20 and 13a-13 of the Exchange Act (Against Defendant Crawford)

42. Paragraphs 1 through 41 are realleged and incorporated by reference.

43. As noted above, Cardinal violated Section 13(a) of the Exchange

Act and Rules 12b-20 and 13a-13 thereunder.

44. Crawford knowingly or recklessly provided substantial assistance in furtherance of Cardinal's violations by signing the false and misleading Forms 10-Q with knowledge that Cardinal had lost its interest in the leases.

45. By reason of the foregoing, pursuant to Section 20(e) of the Exchange Act, defendant Crawford aided and abetted violations of Section 13(a) [15 U.S.C. § 78m] of the Exchange Act and Rules 12b-20 and 13a-13 [17 C.F.R. 240.12b-20, 13a-13] thereunder.

COUNT V

Violations of Section 13(d)(1) and Rule 13d-1 of the Exchange Act (Against Defendant Crawford)

46. Paragraphs 1 through 45 are realleged and incorporated by reference.

47. Section 13(d)(1) and Rule 13d-1 of the Exchange Act require a person who is directly or indirectly the beneficial owner of more than 5% of the outstanding shares of a class of voting equity securities registered under the Exchange Act to file a "Schedule 13D" with the SEC within ten days of the date on which their ownership exceeded five percent.

48. Crawford became beneficial owner of more than five percent of Cardinal common stock in November 2012 and was thus subject to the

reporting requirements of Section 13(d). However, Crawford failed to file a Schedule 13D. As a result, Crawford violated Section 13(d)(1) of the Exchange Act and Rule 13d-1 thereunder.

49. By reason of the foregoing, defendant Crawford violated Section 13(d)(1) [15 U.S.C. § 78m(d)(1)] of the Exchange Act and Rule 13d-1 [17 C.F.R. 240.13d-1] thereunder.

COUNT VI

Violations of Rule 13a-14 of the Exchange Act (Against Defendant Crawford)

50. Paragraphs 1 through 49 are realleged and incorporated by reference.

51. Exchange Act Rule 13a-14 requires that an issuer's principal executive officer and principal financial officer certify in periodic reports filed with the SEC that, based on his or her knowledge, the report does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by the report.

52. Crawford's certifications in Cardinal's reports for its fiscal quarters ended June 30, 2016 and September 30, 2016 constituted violations of Exchange Act Rule 13a-14. Those filings failed to disclose the termination of

the leases – even though Crawford knew about the termination of the leases when he signed the certifications, and when Cardinal filed the reports with the SEC.

53. By reason of the foregoing, defendant Crawford violated Exchange Act Rule 13a-14 [17 C.F.R. 240.13a-14].

COUNT VII

Violations of Section 14(c) and Rule 14c-6 of the Exchange Act (Against Defendant Cardinal)

54. Paragraphs 1 through 53 are realleged and incorporated by reference.

55. Cardinal was an issuer of a security registered pursuant to Section 12 of the Exchange Act. For this reason, and because Cardinal sought to act based upon the written consent of a majority of shareholders in lieu of a shareholder meeting, it was required to file a “Schedule 14C Definitive Information Statement” with the SEC, which discloses information to shareholders about certain corporate actions that have been approved by a majority of the issuer’s shareholders.

56. Under Section 14, in its Schedule 14C Definitive Information Statement, an issuer may not make any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements made,

in the light of the circumstances under which they are made, not misleading.

57. In Cardinal's Schedule 14C Definitive Information Statement that it filed on December 12, 2016, Cardinal reported that Crawford held 9,382,606 shares of Cardinal stock. In fact, as of the date of that filing, he held 7,531,117 shares.

58. Crawford and Cardinal, through Crawford, knew that Crawford had sold Cardinal shares and thus that the reported holdings for him as set forth in the Schedule 14C were false.

59. These false statements were material. Among other reasons, the fact that Cardinal's CEO was selling a substantial amount of stock could reasonably be construed by the investing public as a demonstration of his lack of faith in Cardinal's future.

60. By reason of the foregoing, defendant Cardinal violated Section 14(c) [15 U.S.C. § 78n(c)] of the Exchange Act and Rule 14c-6 [17 C.F.R. 240.14c-6] thereunder.

COUNT VIII

Aiding and Abetting Violations of Section 14(c) and Rule 14c-6 of the Exchange Act (Against Defendant Crawford)

61. Paragraphs 1 through 60 are realleged and incorporated by reference.

62. As noted above, Cardinal violated Section 14(c) of the Exchange Act and Rule 14c-6 thereunder.

63. Crawford knowingly or recklessly provided substantial assistance in furtherance of Cardinal's violations by signing the Schedule 14C while knowing that the stock ownership disclosures were false in light of his recent stock sales.

64. By reason of the foregoing, pursuant to Section 20(e) of the Exchange Act, defendant Crawford aided and abetted Cardinal's violations of Section 14(c) [15 U.S.C. § 78n(c)] of the Exchange Act and Rule 14c-6 [17 C.F.R. 240.14c-6] thereunder.

COUNT IX

Violations of Section 16(a) and Rule 16a-3 of the Exchange Act (Against Defendant Crawford)

65. Paragraphs 1 through 64 are realleged and incorporated by reference.

66. Under Section 16(a) of the Exchange Act, directors and officers of an issuer of securities registered under Section 12 of the Exchange Act are required to file with the SEC certain forms – including “Forms 4” and “Forms 5” – that disclose certain information about their holdings, ownership, and trading in the issuer's stock.

67. Crawford repeatedly violated Section 16(a) and Rule 16a-3 by failing to report on Forms 4 or Forms 5 thirteen sales of Cardinal stock totaling 4,973,333 shares.

68. By reason of the foregoing, defendant Crawford violated Section 16(a) [15 U.S.C. § 78p] of the Exchange Act and Rule 16a-3 [17 C.F.R. 240.16a-3].

RELIEF REQUESTED

WHEREFORE, the Commission respectfully requests that this Court:

I.

Enter an Order of Permanent Injunction restraining and enjoining defendants Timothy W. Crawford and Cardinal Energy Group, Inc., their officers, agents, servants, employees, attorneys and those persons in active concert or participation with defendant who receive actual notice of the Order, by personal service or otherwise, and each of them from, directly or indirectly, engaging in the violations of the securities law set forth herein, or with respect to Crawford, aiding and abetting certain violations.

II.

Issue an Order requiring defendant Timothy W. Crawford to disgorge the ill-gotten gains received as a result of the violations alleged in this Complaint, including prejudgment interest.

III.

Issue an Order imposing upon defendants Timothy W. Crawford and Cardinal Energy Group, Inc. appropriate civil penalties 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)].

IV.

Issue an Order barring defendant Timothy W. Crawford from participating in any offering of penny stock pursuant to Section 20(g) of the Securities Act [15 U.S.C. § 77t(g)] and Section 21 of the Exchange Act [15 U.S.C. § 78u(d)(6)].

V.

Issue an Order imposing an officer and director bar against defendant Timothy W. Crawford pursuant to Section 20(e) of the Securities Act [15 U.S.C. § 77t(e)] and Section 21(d)(2) of the Exchange Act [15 U.S.C. § 78u(d)(2)].

VI.

Retain jurisdiction of this action in accordance with the principals of equity and the Federal Rules of Civil Procedure in order to implement and carry out the terms of all orders and decrees that may be entered or to entertain any suitable application or motion for additional relief within the jurisdiction of this Court.

VII.

Grant such other relief as this Court deems appropriate.

JURY DEMAND

The Commission hereby requests a trial by jury.

**UNITED STATES SECURITIES
AND EXCHANGE COMMISSION**

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