

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES ACT OF 1933
Release No. 11008 / November 22, 2021

SECURITIES EXCHANGE ACT OF 1934
Release No. 93645 / November 22, 2021

ACCOUNTING AND AUDITING ENFORCEMENT
Release No. 4268 / November 22, 2021

ADMINISTRATIVE PROCEEDING
File No. 3-20661

In the Matter of

**ProPetro Holding Corp.
and Dale Redman,**

Respondents.

**ORDER INSTITUTING CEASE-AND-
DESIST PROCEEDINGS PURSUANT TO
SECTION 8A OF THE SECURITIES ACT
OF 1933 AND SECTION 21C OF THE
SECURITIES EXCHANGE ACT OF 1934,
MAKING FINDINGS AND IMPOSING A
CEASE-AND-DESIST ORDER**

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public cease-and-desist proceedings be, and hereby are, instituted pursuant to Section 8A of the Securities Act of 1933 (“Securities Act”) and Section 21C of the Securities Exchange Act of 1934 (“Exchange Act”) against ProPetro Holding Corp. (“ProPetro”) and Dale Redman (“Redman”) (collectively, “Respondents”).

II.

In anticipation of the institution of these proceedings, Respondents have submitted Offers of Settlement (the “Offers”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over them and the subject matter of these proceedings, which are admitted, and except as provided herein in Section V, Respondents consent to the entry of this Order Instituting Cease-and-Desist Proceedings pursuant to Section 8A of the Securities Act of 1933 and Section 21C of the Securities Exchange Act of 1934, Making Findings and Imposing a Cease-and-Desist Order (“Order”), as set forth below.

III.

On the basis of this Order and Respondents' Offers, the Commission finds¹ that

Summary

1. These proceedings arise from: (a) ProPetro's failure to disclose certain perquisites and stock pledges concerning its co-founder and former CEO Dale Redman in its definitive proxy statements and annual reports for the fiscal years ended December 31, 2017 and 2018; and (b) Redman's role in ProPetro's failure to disclose the perquisites paid to him and his pledges of ProPetro stock while he was CEO and a member of ProPetro's Board of Directors.

2. From January 2017 to December 2018, Redman: (a) caused ProPetro to incur approximately \$252,896 in charges relating to travel on his personal aircraft for trips that were not directly related to the performance of his duties as CEO; (b) used ProPetro credit cards to charge \$127,698 of personal expenses; and (c) pledged all of his personal stock in ProPetro in two real estate transactions in violation of the company's shareholder agreement and insider trading policy. During the same period, ProPetro failed to properly disclose \$47,591 in additional perquisites for Redman that were authorized and paid for directly by the company.

3. From January 2017 to January 2019, Redman failed to provide information required by ProPetro policies to enable ProPetro to adequately disclose these perquisites and stock pledges. As a result, ProPetro made material misstatements regarding executive perquisites and stock ownership in its annual reports, definitive proxy statements, and a registration statement. Additionally, ProPetro's deficient internal accounting controls resulted in the company's failure to accurately record Redman's perquisites in its books and records.

4. As a result of the conduct described herein, ProPetro violated Sections 13(a), 13(b)(2)(A), 13(b)(2)(B), and 14(a) of the Exchange Act and Rules 12b-20, 13a-1, 14a-3, and 14a-9 thereunder. Redman violated Section 17(a)(3) of the Securities Act and Section 14(a) of the Exchange Act and Rules 13b2-1, 14a-3, and 14a-9 thereunder and caused ProPetro's violations of Sections 13(a), 13(b)(2)(A), and 13(b)(2)(B) of the Exchange Act and Rules 12b-20 and 13a-1 thereunder.

Respondents

5. ProPetro Holding Corp., a Delaware corporation headquartered in Midland, Texas, is an oilfield services company. ProPetro was founded as a private entity in September 2005 by former CEO Redman and another individual. Beginning in March 2017, ProPetro's common stock became registered with the Commission pursuant to Section 12(b) of the Exchange Act and began trading on the New York Stock Exchange under the ticker PUMP.

6. Dale Redman, age 60, is a resident of Midland, Texas. Redman co-founded ProPetro in September 2005 and became CEO in August 2006, a position he held until he resigned on March

¹ The findings herein are made pursuant to Respondents' Offers of Settlement and are not binding on any other person or entity in this or any other proceeding.

13, 2020. Redman was a member of ProPetro’s Board of Directors from September 2005 until his resignation in March 2020.

Background on Perquisite Disclosures

7. Section 14(a) of the Exchange Act makes it unlawful to solicit any proxy in respect of any security (other than an exempted security) registered pursuant to Section 12 of the Exchange Act in contravention of such rules and regulations as the Commission may prescribe. Rule 14a-3 prohibits the solicitation of a proxy without furnishing information specified by Schedule 14A, including executive compensation pursuant to Item 402 of Regulation S-K. Rule 14a-9 prohibits the use of proxy statements containing any statement that is false or misleading with respect to any material fact, or omitting to state any material fact necessary in order to make the statements therein not false or misleading. Misstatements and omissions are material under Rule 14a-9 if they would alter the “total mix of information” considered by a shareholder in making a voting decision. *TSC Indus., Inc. v. Northway, Inc.*, 426 U.S. 438, 449 (1976).

8. Item 402 of Regulation S-K requires disclosure of the total value of all perquisites and other personal benefits provided to named executive officers who receive at least \$10,000 worth of such items in a given year. Item 402 of Regulation S-K also requires identification of all perquisites and personal benefits by type, and quantification of any perquisite or personal benefit that exceeds the greater of \$25,000 or 10% of total perquisites.

9. Item 403 of Regulation S-K requires disclosure of the security ownership of certain beneficial owners and management. Item 403(b) details the categories of information required for each class of equities offered by the registrant that must be furnished in substantially tabular form to reflect the equity ownership of all directors and nominees and each named executive officer. Item 403(b) directs issuers to disclose, by footnote or otherwise, the number of shares beneficially owned that are pledged as security. A negative pledge is subject to this disclosure.

ProPetro’s Undisclosed Perquisites Related to Redman’s Use of Private Aircraft

10. From at least 2014 through 2019, Redman owned a 50% interest in a private aviation company (“Aviation Co.”), which owned a 2008 Learjet 45XR. Redman principally used the Learjet for business-related travel, and Aviation Co. invoiced ProPetro for its expenses associated with Redman’s use of the aircraft. Additionally, because Redman frequently used his personal plane for business travel, ProPetro employed two pilots to fly the Learjet in 2017 and 2018.

11. ProPetro did not have a formal policy regarding approval and use of non-commercial aircraft or a process for reimbursement of private aviation expenses. Even without a formal policy or process, Aviation Co. had a practice of sending monthly invoices to ProPetro for Redman’s flights. Redman initialed the invoices to signify his approval and then passed them on to the accounts payable supervisor who processed them in the same manner as all other vendor invoices.

12. From January 2017 through December 2018, approximately 10% of Redman's Aviation Co.-invoiced travel was for personal trips (\$42,519 in 2017 and \$117,279 in 2018). Additionally, the pilots on ProPetro's payroll flew Aviation Co.'s plane for both Redman's personal and business flights. Redman's personal trips cost the company \$52,665 in 2017 and \$40,433 in 2018 for pilot-related expenses. In total, ProPetro paid approximately \$252,896 in Aviation Co. invoices and pilot flight time for Redman's travel that was not integrally and directly related to the performance of his duties as CEO.

ProPetro's Undisclosed Perquisites Related to Redman's Use of the Corporate Credit Card

13. ProPetro authorized Redman to use company credit cards for work-related expenses. From January 2017 to December 2018, ProPetro's Employee Handbook included written policies regarding the use of company credit cards. According to ProPetro's Employee Handbook Policy No. 518, "Credit Card Policy," credit card holders were "required to turn in a Credit Card Expense Form" and "detailed receipts." The policy included a list of examples of authorized and unauthorized purchases, and added that "the card is not to be used for any product, service or with any merchant considered to be inappropriate for company funds."

14. Despite this policy, Redman and his family members used his company credit cards for personal purchases that were not integrally and directly related to the performance of his duties as CEO of ProPetro.

15. In total, from January 2017 through December 2018, Redman and his family members used his ProPetro corporate cards for approximately \$127,698 in undocumented and/or personal expenses (\$27,247 in 2017 and \$100,451 in 2018). The company paid for all these charges by paying the bills for Redman's corporate cards. ProPetro failed to timely disclose the 2017 and 2018 charges as additional executive compensation in the form of perquisites.

ProPetro's Additional Undisclosed Perquisites Related to Redman

16. Between January 2017 and December 2018, ProPetro spent \$47,591 on additional perquisites for Redman, which the company failed to disclose as additional executive compensation. These expenses were appropriately incurred as perquisites and were paid for directly by the company. However, failures in the company's internal accounting controls caused them to not be recorded and disclosed properly.

17. These expenses consisted of charitable donations and event tickets (\$20,139 in 2017 and \$27,452 in 2018).

18. In total, ProPetro failed to disclose the following perquisites for Redman:

	2017	2018
Aviation Expenses	\$95,184	\$157,712
Personal Credit Card Charges	\$27,247	\$100,451
Authorized, Undisclosed Perquisites	\$20,139	\$27,452
Total	\$142,570	\$285,615

Redman’s Undisclosed Stock Pledges

19. In January 2017, Redman borrowed money from a bank to purchase real estate. As a condition of the loan, Redman pledged all of his ProPetro stock as collateral to secure the debt. However, the Shareholders Agreement in place at the time, which Redman signed, stated that stockholders may not “pledge or otherwise dispose of or encumber [their shares] without prior written consent of the Company.” Redman did not obtain prior written consent or inform company counsel or the Board of Directors. The company never disclosed the pledge to investors as required by Item 403(b) of Regulation S-K under the Exchange Act.

20. In March 2017, in preparation to go public, ProPetro adopted an Insider Trading Compliance Policy, which provided in relevant part that “[p]ledging the Company’s securities as collateral to secure loans is also prohibited.”

21. In January 2018, Redman purchased additional real estate, borrowing funds from a second bank. Redman again agreed to pledge his ProPetro shares as collateral. The second bank took steps to perfect its security interest and reached out to ProPetro’s General Counsel, who informed the Board about the pledge. While the Board considered its options to deal with the pledge, Redman and the second bank agreed to execute a “negative pledge” whereby Redman agreed not to sell his shares in ProPetro for as long as he owes the bank for the loan. The Board agreed to allow the negative pledge, and Redman executed his Amended Loan Agreements and a Negative Pledge Agreement on September 14, 2018. During this time, Redman did not inform the Board of the original stock pledge in place with the first bank and the company did not disclose either the 2017 pledge or the 2018 negative pledge in its SEC filings until 2020.

D&O Questionnaires

22. ProPetro did not have a formal written policy for the completion of its annual Directors & Officers Questionnaire (“D&O Questionnaire”). Rather, the company’s General Counsel was responsible for ensuring that directors and officers completed their annual D&O Questionnaire and then used the information provided to complete the company’s disclosures on, among other things, perquisites and beneficial ownership disclosures.

23. Redman was responsible for completing three D&O Questionnaires in connection with the company’s preparation of the following SEC filings, all of which contained material misstatements or omissions:

Filing Date	SEC Filing
Feb. 8, 2017	Form S-1
Mar. 27, 2018	Form 10-K
Apr. 26, 2018	Definitive Proxy Statement
Mar. 1, 2019	Form 10-K
Apr. 23, 2019	Definitive Proxy Statement

24. On January 27, 2017, approximately one week after the close on the loan for his first ranch with its associated stock pledge, Redman completed his “D&O Questionnaire” for the disclosures in the company’s Form S-1 Registration Statement. Redman completed and signed the 2017 D&O Questionnaire, but left the line item for pledged shares blank. In 2018, Redman did not complete a D&O Questionnaire at all. On January 21, 2019, Redman completed the D&O Questionnaire but did not submit Schedule B, “Security Ownership and Recent Transactions in Company Securities,” which should have described his ProPetro equity ownership including his stock pledges.

25. Redman also did not identify in his D&O Questionnaires any of his personal trips on the Aviation Co. Learjet, the personal charges he made on the corporate credit card, or the additional perquisites authorized by the company. In his 2017 D&O Questionnaire, Redman included some perquisites for his company car, but failed to include any of the additional perquisites detailed above. In 2018, Redman failed to complete a D&O Questionnaire. On January 21, 2019, although Redman included some perquisites in his D&O Questionnaire, he did not disclose the personal air travel, any of the personal credit card charges reimbursed by the company that year or the various previously authorized perquisites detailed above.

**ProPetro’s Proxy Statements Contained Material Misstatements
Regarding Redman’s Perquisites and Stock Ownership**

26. ProPetro did not properly disclose perquisites related to Redman’s use of his private aircraft, company credit cards and other previously authorized benefits in the Summary Compensation Table of its Definitive Proxy Statements filed in 2018 and 2019 (the “Proxy Statements”). As a result, Redman’s perquisites were understated in the Proxy Statements by \$142,570 (identifying \$10,800 instead of \$153,370) for the 2017 fiscal year and \$285,615 (identifying \$19,248 instead of \$304,863) for the 2018 fiscal year.² In the same filings, ProPetro also did not accurately disclose Redman’s stock ownership in its Principal Stockholders table in its Form S-1 filed on February 8, 2017 or the Proxy Statements due to the undisclosed stock pledges.

² Redman repaid the 2019 expenses during the year he incurred them. As such, the company properly did not disclose these charges as perquisites in the Summary Compensation Table.

27. ProPetro and Redman used the Proxy Statements to solicit annual shareholder votes to elect directors, including Redman. The 2019 Proxy Statement also solicited non-binding advisory votes from shareholders on executive compensation, including Redman's compensation.

28. ProPetro's Annual Reports filed on Form 10-K incorporated the Proxy Statements by reference, which included executive compensation and management's stock ownership. Consequently, those annual reports also materially understated Redman's compensation and perquisites, and failed to accurately disclose his ownership of ProPetro stock.

29. Between February 2017 and August 2019, ProPetro offered and sold securities, including in March 2017 as part of its initial public offering, and through grants of restricted stock units and exercises by employees of stock options.

ProPetro's Internal Investigation, Self Reporting and Remediation

30. In May 2019, the Audit Committee of the Board of Directors hired independent outside counsel and accounting advisors to conduct an internal investigation focused on a different matter than the issues detailed above. Although the review did not reveal anything of substance with respect to that matter, counsel uncovered other issues, including the improper expense reimbursements and undisclosed stock pledges for Redman described herein

31. On August 8, 2019, ProPetro filed a Form 8-K announcing certain preliminary findings of the investigation. The company disclosed that due to inadequate documentation associated with the company's expense reimbursement practices, approximately \$370,000 of expenses had been incorrectly reimbursed to members of senior management for non-business purchases, including approximately \$345,636 to Redman. Redman reimbursed the company for the \$345,636 preliminary total in August 2019.

32. Around this same time, the company filed multiple Forms 8-K announcing the resignation of several senior executives and Board members and the appointment of a new Executive Chairman and principal executive officer, interim CFO, General Counsel, Chief Accounting Officer, and new Board members. Finally, on March 13, 2020, the company self-reported its discovery that Redman had entered into the two stock pledge agreements described above. The same Form 8-K announced Redman's resignation as CEO and a member of the Board.

33. On June 22, 2020, ProPetro filed its Form 10-K for the fiscal year ended December 31, 2019 with an introductory note summarizing all the findings of the expanded Audit Committee Internal Review, including details on the improper expense reimbursements to Redman and Redman's undisclosed stock pledges. The company updated the compensation, disclosed as provided to Redman for the fiscal years ended December 31, 2019, 2018, and 2017 in its 2019 Form 10-K, with an explanatory footnote to describe the increases in each category.

Violations

34. Section 17(a)(3) of the Securities Act makes it unlawful, in the offer or sale of securities, to engage in any transaction, practice, or course of business which operates or would operate as a fraud or deceit upon the purchaser. Negligence is sufficient to establish violations of

Section 17(a)(3); no finding of scienter is required. *Aaron v. SEC*, 446 U.S. 680, 696-97 (1980). As a result of the conduct described above, Redman violated Section 17(a)(3) of the Securities Act.

35. In addition, as a result of the conduct described above, including the solicitations for Redman's election as a director and advisory approval of his compensation by means of proxy statements that materially misrepresented and misstated his compensation by failing to report certain perquisites, ProPetro and Redman violated Section 14(a) of the Exchange Act and Rules 14a-3 and 14a-9 thereunder. No showing of scienter is required to establish a violation of Section 14(a) of the Exchange Act and Rules 14a-3 and 14a-9 thereunder. *See, e.g., Gerstle v. Gamble-Skogmo, Inc.*, 478 F.2d 1281, 1299-1300 (2d Cir. 1973). A showing of negligence is sufficient. *See Dekalb County Pension Fund v. Transocean Ltd.*, 817 F.3d 393, 408 (2d Cir. 2016).

36. In addition, as a result of the conduct described above, ProPetro violated, and Redman caused ProPetro's violations of, Section 13(a) of the Exchange Act and Rule 13a-1 thereunder, which require reporting companies to file with the Commission complete and accurate annual reports. ProPetro also violated, and Redman caused ProPetro's violations of, Exchange Act Rule 12b-20, which requires an issuer to include in a statement or report filed with the Commission any information necessary to make the required statements in the filing not materially misleading.

37. In addition, as a result of the conduct described above, ProPetro violated, and Redman caused ProPetro's violations of, Section 13(b)(2)(A) of the Exchange Act, which requires issuers such as ProPetro to make and keep books, records, and accounts which, in reasonable detail, accurately and fairly reflect their transactions and dispositions of their assets, including perquisites and executive compensation.

38. In addition, as a result of the conduct described above, ProPetro violated, and Redman caused ProPetro's violations of, Section 13(b)(2)(B) of the Exchange Act which requires reporting companies to devise and maintain a system of internal accounting controls sufficient to, among other things, provide reasonable assurances that transactions are executed in accordance with management's general or specific authorization and are recorded as necessary to maintain accountability for assets, and that access to assets is permitted only in accordance with management's general or specific authorization.

39. In addition, as a result of the conduct described above, Redman violated Exchange Act Rule 13b2-1 which prohibits any person from, directly or indirectly, falsifying or causing to be falsified, any book, record, or account subject to Section 13(b)(2)(A) of the Exchange Act.

ProPetro's Remedial Efforts

In determining to accept ProPetro's Offer, the Commission considered the remedial acts promptly undertaken by ProPetro and cooperation afforded the Commission staff. Specifically, ProPetro (i) hired a new management team and additional finance department personnel, all with significant public company experience; (ii) installed several new directors, including new Audit Committee members, and created a new Disclosure Committee with its own disclosure counsel; (iii) developed several new internal controls regarding internal auditing matters, credit card and

expense reimbursement, and travel; (iv) created and implemented new training requirements for employees; (v) enhanced the D&O Questionnaire process; and (vi) retained an investigative firm to do background checks on all senior executives and executive disclosures.

IV.

In view of the foregoing, the Commission deems it appropriate to impose the sanctions agreed to in Respondents' Offers.

Accordingly, pursuant to Section 8A of the Securities Act and Section 21C of the Exchange Act, it is hereby ORDERED that:

A. Respondent ProPetro cease and desist from committing or causing any violations and any future violations of Sections 13(a), 13(b)(2)(A), 13(b)(2)(B), and 14(a) of the Exchange Act and Rules 12b-20, 13a-1, 14a-3, and 14a-9 thereunder.

B. Respondent Redman cease and desist from committing or causing any violations and any future violations of Section 17(a)(3) of the Securities Act and Sections 13(a), 13(b)(2)(A), 13(b)(2)(B), and 14(a) of the Exchange Act and Rules 12b-20, 13a-1, 13b2-1, 14a-3, and 14a-9 thereunder.

C. Respondent Redman shall, within 30 days of the entry of this Order, pay a civil money penalty in the amount of \$195,046 to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury, subject to Exchange Act Section 21F(g)(3). If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. § 3717.

Payment must be made in one of the following ways:

- (1) Respondents may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;
- (2) Respondents may make direct payment from a bank account via Pay.gov through the SEC website at <http://www.sec.gov/about/offices/ofm.htm>; or
- (3) Respondents may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center
Accounts Receivable Branch
HQ Bldg., Room 181, AMZ-341
6500 South MacArthur Boulevard
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying Dale Redman as a Respondent in these proceedings, and the file number of these proceedings; a copy of

the cover letter and check or money order must be sent to Eric Werner, Division of Enforcement, Securities and Exchange Commission, 801 Cherry Street, Suite 1900, Fort Worth, Texas 76102.

D. Amounts ordered to be paid as civil money penalties pursuant to this Order 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, Respondent Redman agrees that in any Related Investor Action, he shall not argue that he is entitled to, nor shall he benefit by, offset or reduction of any award of compensatory damages by the amount of any part of his payment of a civil penalty in this action (“Penalty Offset”). If the court in any Related Investor Action grants such a Penalty Offset, Respondent Redman agrees that he 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 Securities and Exchange Commission. 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 proceeding. For purposes of this paragraph, a “Related Investor Action” means a private damages action brought against Respondent Redman by or on behalf of one or more investors based on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding

E. Respondent ProPetro acknowledges that the Commission is not imposing a civil penalty based upon its cooperation in a Commission investigation. If at any time following the entry of the Order, the Division of Enforcement (“Division”) obtains information indicating that Respondent ProPetro knowingly provided materially false or misleading information or materials to the Commission, or in a related proceeding, the Division may, at its sole discretion and with prior notice to Respondent ProPetro, petition the Commission to reopen this matter and seek an order directing that Respondent ProPetro pay a civil money penalty. Respondent ProPetro may contest by way of defense in any resulting administrative proceeding whether it knowingly provided materially false or misleading information, but may not: (1) contest the findings in the Order; or (2) assert any defense to liability or remedy, including, but not limited to, any statute of limitations defense.

V.

It is further Ordered that, solely for purposes of exceptions to discharge set forth in Section 523 of the Bankruptcy Code, 11 U.S.C. §523, the findings in this Order are true and admitted by Respondent Redman, and further, any debt for disgorgement, prejudgment interest, civil penalty or other amounts due by Respondent Redman under this Order or any other judgment, order, consent order, decree or settlement agreement entered in connection with this proceeding, is a debt for the violation by Respondent Redman of the federal securities laws or any regulation or order issued under such laws, as set forth in Section 523(a)(19) of the Bankruptcy Code, 11 U.S.C. §523(a)(19).

By the Commission.

Vanessa A. Countryman
Secretary