UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION

SECURITIES AND EXCHANGE COMMISSION,	§	
	§	
Plaintiff,	§	
v.	§	**Case No.**
	§	**3:13-cv-4403**
SCOTT ASHTON RIGGS, DARRELL PARLEE, STEVEN MANDERFELD, ASHTON OILFIELD SERVICES, LLC, ASHTON EQUIPMENT, LLC, AOS 1-A, L.P., and AOS 1-B, L.P.,	§ § § §	
	§	
Defendants.	§	
	§	

COMPLAINT

Plaintiff Securities and Exchange Commission files this Complaint against Defendants Scott Ashton Riggs, Darrell Parlee, Steven Manderfeld, Ashton Oilfield Services, LLC, Ashton Equipment, LLC, AOS 1-A, L.P., and AOS 1-B, L.P., (collectively, "the Defendants"), and would respectfully show the Court as follows:

SUMMARY

1. Between December 2007 and May 2011, Defendants Scott Ashton Riggs, Darrell Parlee, and Steven Manderfeld (collectively "the Ashton Principals"), raised more than $12 million from approximately 300 investors nationwide in two fraudulent and unregistered securities offerings: AOS 1-A, L.P. ("AOS 1-A") and AOS 1-B, L.P. ("AOS 1-B"). The Defendants told investors that their funds would be used to acquire certain oil-and-gas drilling equipment, which would then be leased to companies operating in Pennsylvania, New York, and Ohio in the AOS 1-A offering, and to companies in the Permian Basin in West Texas in the AOS 1-B offering. The investors' returns would be 70% of the lease proceeds. As described below,

these offerings were based on a variety of material misrepresentations and omissions of material fact.

2. For example, while promising investors their money would be used to buy the oil and gas equipment central to their business plan (and the investors' returns), the Ashton Principals instead spent substantial amounts of investor funds on not-disclosed personal and routine business expenses. Indeed, while claiming they needed to raise $8 million in the AOS 1-A offering to buy the equipment, they knew from at least December 2007, early in their AOS 1-A fund-raising efforts, that the equipment they had contracted to buy cost only $2.4 million. They also made a number of other material misrepresentations and omissions, including misrepresentations concerning escrowing investors' funds, the status of their leasing efforts, the tax deductibility of the investment, the defendants' track record in the oil and gas industry, and how operating profits would be divided.

3. In fact, the Defendants spent relatively little of the money raised to purchase equipment. They diverted the majority of investor funds to personal and non-equipment business expenses. The squandering of AOS 1-A investor funds by the Ashton Principals was so extravagant and continuous that more than two and one half years passed before they purchased a single drilling rig, despite the fact that they raised several times the cost of that rig from investors during that time. Even after putting that first rig into operation, the Ashton Principals failed to pay investors the promised 70% of the operating profits. Instead, they spent those revenues on their own expenses, including compensating completely separate investors from one of Riggs's earlier failed oil and gas offerings.

4. In addition, the Ashton Principals never fulfilled the promises on AOS 1-B. Instead, they used $1.5 million of the proceeds from the AOS 1-B offering to make a down

payment on equipment purchased by a separate company owned exclusively by Riggs – Ashton Energy Group, LLC ("AEG"). The investors in AOS 1-B had no ownership interest in AEG. AEG later defaulted on the purchase of this equipment, resulting in the seller taking back the equipment. AEG's default left nothing of value for the AOS 1-B investors.

5. As a result of these activities and conduct, described further below, the Defendants have violated, and, unless enjoined, will continue to violate the antifraud, registration, and other provisions of the federal securities laws, specifically Sections 5(a), 5(c), and 17(a) of the Securities Act of 1933 ("Securities Act") [15 U.S.C. §§ 77e(a), 77e(c), and 77q(a)] and Sections 10(b) and 15(a) of the Securities Exchange Act of 1934 ("Exchange Act") [15 U.S.C. § 78j(b) and 78o-5] and Rule 10b-5 [17 C.F.R. § 240.l0b-5] thereunder.

JURISDICTION AND VENUE

6. The Defendants offered and sold limited partnership interests in two entities to investors. These limited partnership interests, including the interests in AOS 1-A that were originally denominated "joint venture" interests before being converted to limited partnerships, are investment contracts, which are "securities" under Section 2(1) of the Securities Act [15 U.S.C. § 77b(1)] and Section 3(a)(10) of the Exchange Act [15 U.S.C. § 78c(a)(10)]. As such, this Court has jurisdiction over this action pursuant to Sections 20(b) and 22(a) of the Securities Act [15 U.S.C. §§ 77t(b) and 77v(a)] and Sections 21(d) and 27 of the Exchange Act [15 U.S.C. §§ 78u(d) and 78aa].

7. Venue is proper because a substantial part of the events or omissions giving rise to the claims alleged in this action occurred within the Northern District of Texas, Dallas Division. Moreover, a number of the Defendants reside in Dallas County.

PARTIES

8. **Scott Ashton Riggs**, 40, currently resides in Irving, Texas. He is the CEO and/or otherwise controls all the Ashton entities, including Defendants Ashton Oilfield Services, LLC (the general partner of AOS 1-A and AOS 1-B) and Ashton Equipment, LLC. From 2005 to 2006, Riggs was associated with a Commission-registered broker-dealer, holding Series 22 and 63 licenses. Those licenses have lapsed.

9. **Darrell Parlee**, age 48, of McKinney, Texas, functioned as the CFO for many of the Ashton entities, including Ashton Oilfield. Before his employment with Ashton, Parlee worked as an accountant for approximately 14 years, with experience in the oil-and-gas industry. Parlee is not a CPA.

10. **Steven J. Manderfeld**, age 42, of Flower Mound, Texas, is an attorney licensed to practice in Texas since 2007. Manderfeld functioned as the general counsel for many of the Ashton entities. He is listed with the Texas Secretary of State as the "governing person" for Ashton Oilfield. Before being employed with Ashton, Manderfeld had no securities law experience whatsoever. In fact, before his employment with Ashton, Manderfeld's *only* legal experience was a six-month stint at the Small Business Administration processing loan applications for Hurricane Katrina victims.

11. **Ashton Oilfield Services, LLC ("Ashton Oilfield")** is a Texas limited liability corporation formed in February 2008 and was headquartered in Addison, Dallas County, Texas, at the time of the conduct described below. It was the manager of the two investment entities for the bulk of the time period that they operated. Ashton Oilfield became the Managing Venturer of AOS 1-A in September 2008, when the Ashton Principals unilaterally substituted it for Ashton Equipment as the manager of AOS 1-A. In July 2010, when AOS 1-A was converted from a joint

venture to a limited partnership, Ashton Oilfield became the general partner or managing partner of AOS 1-A. Ashton Oilfield was the managing or general partner of AOS 1-B from the beginning of its existence, starting in March 2009.

12. **Ashton Equipment, LLC ("Ashton Equipment")** is a Texas limited liability corporation Riggs formed in August 2007 and was headquartered in Addison, Dallas County, Texas, at the time of the conduct described below. Throughout the relevant time period, Ashton Equipment was the employer of the commissioned sales agents who sold the interests in both AOS 1-A and AOS 1-B. Initially, Ashton Equipment was the managing venturer of AOS 1-A, when AOS 1-A was first formed. However, in September 2008, the Ashton Principals replaced it as the Managing Venturer of AOS 1-A with Ashton Oilfield.

13. **AOS 1-A, L.P. ("AOS 1-A")** was formed to raise $8 million to purchase two drilling rigs and associated equipment for use in Pennsylvania, New York, and Ohio.[1] Neither AOS 1-A nor its securities are registered with the Commission. The Ashton Principals originally organized AOS 1-A as a joint venture in October 2007, with its principal place of business in Addison, Dallas County, Texas. While AOS 1-A was originally formed as a joint venture, it never operated like one. Instead, it functioned like a limited partnership in which the limited partners are merely passive investors. The joint venturers/investors in AOS 1-A had no substantive or meaningful role or input into the management or operation of AOS 1-A. They were so dependent on Riggs and the Managing Venturer/General Partner that they were unable to exercise meaningful partnership powers without Riggs and the Managing Venturer/General Partner. The only time the Managing Venturer consulted the investors on any issue was in July 2010, when the Managing Venturer proposed converting AOS 1-A into a Texas limited

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[1] In some documents, the Defendants state that AOS 1-A would lease equipment to drilling companies operating in West Virginia, as well as Pennsylvania, New York, and Ohio.

partnership. The joint venturers voted to approve that change. After AOS 1-A became a limited partnership, Ashton Oilfield became its general partner, as opposed to its Managing Venturer. The investors were never consulted about how the funds should be spent, what type of equipment should be purchased, or when, to whom the equipment should be leased, or any other decision.

14. **AOS 1-B, L.P. ("AOS 1-B")** was formed to raise $4.5 million to purchase two completion rigs intended to operate in the Permian Basin in West Texas and Eastern New Mexico. Neither AOS 1-B nor its securities are registered with the Commission. The Ashton Principals organized AOS 1-B in March 2009 as a Texas limited partnership, with its principal place of business in Addison, Dallas County, Texas. Ashton Oilfield is the general partner of AOS 1-B.

FACTUAL ALLEGATIONS

A. The Offerings: AOS 1-A and AOS 1-B.

15. In 2007, Riggs and Parlee agreed to work together to raise money, to acquire and lease equipment to companies drilling for oil and gas. Riggs enlisted Manderfeld, a friend who had only recently become licensed to practice law in Texas, to help in their endeavor.

16. In July 2007, Riggs created Ashton Energy Group, LLC ("AEG"). Riggs was AEG's sole owner and CEO. In the fall of 2007, the Ashton Principals created Ashton Equipment as a Texas limited liability corporation. They made AEG the managing member of Ashton Equipment.

17. In October 2007, the Ashton Principals formed AOS 1-A as a joint venture to be the issuer of unregistered securities, with Ashton Equipment as AOS 1-A's Managing Venturer. The purpose of AOS 1-A was to raise $8 million, ostensibly to "fund, build, and operate mobile drilling rigs in the tri state areas of Pennsylvania, New York, and Ohio." According to

representations included in the AOS 1-A marketing brochure, "this unique opportunity for the savvy investor" would provide "several key advantages for investors". The AOS 1-A brochure touted the fact that, "As a fee-for-service business drilling contractors are paid regardless of the economic outcome of the well" and that "Your investment is backed by tangible assets that tend to hold value and often appreciate when oil and gas prices are high." These statements were included to give the appearance that investing with Ashton was a low-risk proposition.

18. In February 2008, the Ashton Principals created another limited liability company, Ashton Oilfield. Initially, Ashton Oilfield had no relationship to AOS 1-A. But in September 2008, the Ashton Principals unilaterally (and without notice) substituted Ashton Oilfield for Ashton Equipment as the Managing Venturer of AOS 1-A. When Ashton Oilfield was formed in February 2008, Manderfeld was named "Governing Person" in the Secretary of State records and Ashton Energy Group, Inc., Riggs's exclusive company, was named as the "Managing Member". For this entity, Riggs was the president and CEO of Ashton Oilfield, Parlee was the chief financial officer, and Manderfeld was general counsel.

19. In March 2009, the Ashton Principals launched a second unregistered securities offering by creating a limited partnership known as AOS 1-B. They made Ashton Oilfield the general partner of AOS 1-B. The stated goal of this limited partnership was the same as the AOS 1-A offering, except it was to raise $4.5 million to purchase two completion rigs to be leased for drilling in the Permian Basin in West Texas and in Eastern New Mexico. As with AOS 1-A, the investors would receive a return on their investment through revenues generated from leasing the drilling equipment to producers. The investors were promised 70% of the lease revenues.

20. In the spring of 2010, Riggs decided it he wanted to change AOS 1-A into a limited partnership, rather than a joint venture. He caused Ashton Oilfield to submit the decision

to convert to a limited to partnership to the investors, who approved the change in form. It was the only decision the joint venturers/investors ever made in connection with the management or operation of AOS 1-A.

B. Marketing the Joint Venture and Limited Partnership Interests.

21. To sell interests in both AOS 1-A and AOS 1-B offerings, the Ashton Principals prepared a Confidential Information Memorandum ("CIM") as a prospectus for each offering. Manderfeld, as the general counsel, was tasked with drafting the CIMs. But Manderfeld had only been licensed to practice law for six months when he began drafting the first CIM. He knew he lacked securities law experience and knowledge. Nevertheless, he undertook the preparation of the prospectuses. Manderfeld obtained the information from Riggs and Parlee (who provided the financial and tax advantage information). Riggs had ultimate authority over, and approved, the CIMs that Manderfeld drafted.

22. The CIM for the AOS 1-A joint venture, as drafted by Manderfeld and approved by Riggs, stated that "up to 85%" of the proceeds raised would be spent on the equipment purchases. The CIM illustrated that, if the offering was fully subscribed, $6.8 million, or 85%, of the $8 million raised would be available for equipment purchases. As another example, the CIM stated that if only $200,000 in units were subscribed, approximately $170,000 (85%) would be available for the purchase of equipment. Based on this paragraph, a reasonable investor reviewing these disclosures would have concluded that the vast majority of money raised would be spent to acquire drilling rigs and associated equipment.

23. In the CIM for AOS 1-B, the Defendants stated that the principals in the Ashton enterprises had a "proven track record of successful results". Given the Ashton Principals' poor performance with AOS 1-A, and the fact that one of the expenses for which Riggs was using

AOS investor funds was to appease investors from prior failed oil and gas ventures, such a statement was clearly false.

24. The CIMs for both offerings represented that investors would receive 70% of the lease proceeds, once the equipment was bought and leased.

25. In addition to the formal offering memoranda, the Ashton Principals also prepared color, glossy brochures for each offering. As with the CIMs, Riggs had the ultimate authority over the contents of the brochures. These color, glossy marketing pieces, as drafted by Manderfeld and approved by Riggs, also contained material misrepresentations. For example, the AOS 1-A brochure stated that "the management team has obtained five letter of intent from some of the largest and most active oil and gas E&P (Exploration & Production) companies in the target market." This statement was false. In fact, as each of the Defendants knew or were severely reckless in not knowing, at the time the brochure was circulated, the management team had not entered any letters of intent.

26. The brochures for both AOS 1-A and AOS 1-B also stated that these investments had certain tax advantages. The promotional brochures included a chart showing that 100% of the investment was deductible as depreciation over five years. At best, as the defendants knew or were severely reckless in not knowing, this representation was misleading. First, depreciation cannot be deducted until *after* equipment is acquired and put into service, a fact not disclosed. The Defendants failed to purchase any equipment until May 2010, more than two years after they began raising money, when the first rig was purchased on behalf of AOS 1-A. Second, since the Ashton Principals never intended to use 100% of the funds raised to purchase equipment, the investors were never going to be able to deduct 100% of their investment.

27. The Ashton Principals marketed the ASO 1-A and AOS 1-B interests by using unregistered, commissioned salesmen. They provided the salesmen with the CIMs and marketing brochures, which were mailed to the prospective investors. Ashton Equipment employed these salesmen and paid them 10% of the investment proceeds as commissions. Riggs took for himself a 5% "override" on every investor who purchased an interest. On occasion, Riggs spoke directly with investors and sold the investment, taking the 10% sales commission himself.

C. Operations of AOS 1-A.

28. In December 2007, the unregistered, commissioned sales agents at Ashton Equipment began selling joint venture interests in AOS 1-A.

29. The AOS 1-A brochure claimed that AOS 1-A and Ashton Equipment had five letters of intent from major exploration and production companies. In fact, there were no letters of intent. Parlee, on behalf of a non-Ashton company, had four emails or letters with drilling companies that mentioned that they were drilling in Pennsylvania-New York-Ohio area. None of these letters expressed any commitment to contract with any Ashton entity. In fact, none of these letters even mentioned an Ashton entity by name.

30. About the same time, in December 2007, Riggs, acting on behalf of Ashton Equipment, entered into a contract with a third party to buy (on behalf of AOS 1-A) two drilling rigs for $2.4 million. Thus, before the Defendants sold the vast majority of the AOS 1-A interests, they knew they needed to raise only $2.4 million to buy equipment, not $8 million. Thus, they knew from the beginning that the statements that they would spend 85% of the funds raised on equipment were false and misleading. However, they continued distributing the CIMs without any corrections.

31. The Ashton Principals knew they never intended to spend $6.8 million of the $8 million they intended to raise on purchasing equipment. Instead, by signing the contract to purchase the two drilling rigs for a total of $2.4 million, they intended to retain the leftover funds for themselves. Towards that end, they included a provision into the CIM, which stated:

> The excess, if any, of $6.8 million in capital contributions remaining *after* the purchase of the [e]quipment and the beginning of initial operations, will be paid to Ashton Equipment as a one-time management fee. Ashton will be responsible for any amounts in excess of $8 million necessary to purchase the Equipment and begin initial operations.

(Emphasis added.) Thus, as they began selling the AOS 1-A interests, the Defendants omitted the material fact that they already *knew* the equipment would only cost $2.4 million, and that they intended to keep the excess millions for themselves.

32. Moreover, assuming that their taking of investor funds could be characterized as "the one-time management fee" under the CIM provision quoted above, the Ashton Principals misrepresented *when* they would pay such fee to themselves. According to the CIM, such a fee would be paid "after the purchase of equipment and the beginning of initial operations." Instead, the Ashton Principals helped themselves to investor funds for more than two and one-half years *before* any equipment was purchased.

33. In addition, Defendants failed to escrow the investor funds, as represented. In the CIMs, the Defendants stated that the joint venture or limited partnership would not be formed if less than $200,000 was raised. If they did not raise $200,000 by a certain date, all investor funds would be returned. However, the Defendants did not escrow any funds. Instead, they began spending the money as soon as it came in. Of the first $80,000 raised, more than three-fourths of that was diverted immediately to AEG, Riggs's company.

34. By November 2008, AOS 1-A had raised $1.2 million, enough to buy one drilling rig under the December 2007 purchase contract. If they had bought one rig at that time, they could have then attempted to lease that equipment and obtain some return for the AOS 1-A investors a full 18 months prior to when they did. But because the Ashton Principals had been spending the money on themselves and other business expenses, they did not have the money to buy the first drilling rig at that time. By February 2009, they had raised enough money to have paid in full for all the equipment under the December 2007 purchase agreement, the $2.4 million. By May 2010, when they actually did finish their installment payments on the first drilling rig, they had raised $5.5 million: that was enough to have paid for the original two contracted-for drilling rigs—*twice*.

35. From the beginning, the Defendants used investor funds for purposes other than what they were intended. While they did make payments from time to time to the equipment seller, as if they had entered into an installment contract, they also spent the investors' money on personal and non-equipment business expenses. As an example, Riggs transferred more than $900,000 of AOS 1-A investor funds into AEG, the company that he owned exclusively. Riggs used nearly $800,000 of those investor funds in AEG to finance his personal life—including trips to the Masters Golf Tournament for three years, golfing expenses, frequent meals at expensive steak restaurants (including Del Frisco's and Mignon in Plano), flowers, clothes, cars, limousines, child support payments, and trips to New York and Las Vegas, including Broadway and Vegas shows. Riggs also used $12,500 of investor funds to settle a lawsuit brought against him personally.

36. By May 2010, Ashton Oilfield, as the Managing Venturer of AOS 1-A, had finally paid enough "installment payments" to the equipment seller to take delivery on its first

drilling rig under the December 2007 contract—two and one-half years after the contract was signed. However, because it took Ashton Equipment, and later Ashton Oilfield, as the Managing Venturer, so long to make the payments, the seller imposed a "service charge" of $95,000 on the purchase.

37. In June 2010, after purchasing the first drilling rig, Ashton Oilfield, as AOS 1-A's Managing Venturer, leased the rig to Devon Energy Corporation. The lease generated some revenues. But the Ashton Principals did not distribute those revenues to the investors as they had represented.

38. Initially, Riggs, aided by Parlee, paid the AOS 1-A investors 60% of the proceeds, not the 70% they were promised. The reason investors did not receive their full share was because Riggs diverted some of the profits to compensate a separate group of people—individuals who had made no investment in AOS 1-A but who had invested in an earlier, and completely separate, project sold to them by Riggs—which had failed.[2]

39. After February 2011, however, the AOS 1-A investors stopped receiving any lease proceeds altogether. In January 2011, the Commission notified the Defendants that it was investigating their activities in connection with the AOS 1-A and AOS 1-B offerings. Riggs decided to retain 100% of the Devon lease profits on the grounds that the Defendants needed those funds to pay for their defense expenses associated with the Commission's investigation. At the end of the one-year term, Devon declined to renew the lease. Over the entire time period

[2] In March 2008, Riggs, as CEO of Ashton Equipment, entered into an agreement with approximately 25 of these individuals to form Ashton RPI, LP. The majority of these individuals ("RPI Limited Partners") had sustained losses after investing with Riggs in previous oil and gas ventures. As "compensation" for their losses, Riggs gave these former investors interests in the AOS 1-A for no consideration. When making distributions to the AOS 1-A investors of the proceeds from the Devon lease, Ashton Oilfield paid the RPI Limited Partners out of the AOS 1-A investors' revenue share of the Devon lease proceeds, not out of management's 30% share.

the Devon lease was in existence, the AOS 1-A investors received approximately 13% of the total Devon revenues, not the 70% they were promised.

40. After the Defendants learned of the Commission's investigation, Riggs and AOS 1-A had a supplement to the CIM prepared, which was designed to give the appearance that AOS 1-A was fulfilling its original commitment in the CIM to purchase two drilling rigs, not just one. The supplement stated that AOS 1-A had acquired a "second rig" from AEG, for $145,000. However, no money ever changed hands between AEG and AOS 1-A, and the rig, which was really only a "partial" rig, was never completed. As a result, it was never leased and never produced any revenues or profits for the investors.

D. Operations of AOS 1-B.

41. Acting on instructions from Riggs, the unregistered, commissioned sales agents employed by Ashton Equipment began selling interests in the AOS 1-B limited partnership in January 2009. As with the AOS 1-A joint venture and partnership, they marketed these securities by making cold calls from purchased lead lists. The sales agents mailed a CIM and a glossy sales brochure to the proposed investors. And again, as with AOS 1-A, the Ashton Principals spent the majority of the AOS 1-B proceeds on personal and non-equipment business expenses.

42. In September 2010, Riggs used $1.5 million of AOS 1-B investor funds to fund AEG's purchase of three partial drilling rigs from a company named Platinum Drilling, Inc. ("Platinum"). Riggs used the AOS 1-B funds as a down payment on the Platinum purchase. He also gave Platinum $1.6 million in promissory notes he executed on behalf of AEG, to purchase three partial drilling rigs, associated equipment, and a rig repair yard from Platinum for $3.1

million. (One of the partial rigs was the one AOS 1-A allegedly purchased from AEG for $145,000.)

43. After the Defendants knew they were being investigated by the Commission, Riggs attempted to "correct" his misappropriation of investor funds from AOS 1-B. On April 29, 2011, Riggs and AOS 1-B had a supplement prepared to the AOS 1-B CIM. This supplement stated that AEG had assigned all rights, title, and interest in the Platinum transaction to AOS 1-B, as of September 2010.

44. Ultimately, Riggs's company AEG defaulted on its promissory notes to Platinum. Platinum repossessed all the equipment and real property. The AOS 1-B investors lost all of their investment. To the extent that AOS 1-A investors had any ownership interest in any Platinum equipment, they also lost their investment.

E. Misrepresentations and Omissions in Connection with the Offerings.

45. By May 2011, the Defendants stopped raising funds for AOS 1-A and AOS 1-B. From December 2007 through May 2011, the Defendants raised $7,764,162.98 from approximately 200 investors in AOS 1-A. Of that amount, the Defendants used, at most, approximately $2,223,869.17 for the equipment purchases, although not all of that equipment was put to the use promised to investors. From January 2009 through May 2011, the Defendants raised $4,953,103.94 from approximately 105 investors in AOS 1-B. Of that amount, the Defendants used, at most, $1,651,269.56 for the purposes promised to investors.

46. The Ashton Principals and their entities misled investors through the CIMs, the glossy brochures, and direct statements to prospective investors that the investors' money would be used to purchase drilling equipment that would then be leased to other companies already drilling for oil and gas to earn returns for the investors. Yet, as detailed above, from the

beginning, the Ashton Principals made multiple misrepresentations and omissions to their investors.

47. Throughout the offerings, the Ashton Principals spent investor funds on personal and miscellaneous non-equipment business expenses. All three took investor funds directly for themselves for personal uses, as well as indirectly by having the various companies pay for their personal expenses. As a result, they did not buy the equipment as promised. Each Defendant knew, as they were soliciting the investments, that their representations about the use of proceeds were incomplete, misleading, and fraudulent. Moreover, these misrepresentations were material. Their failure to disclose their misuse of funds was a serious, material omission and in fact made their representations about how they claimed they would spend investors' funds false.

48. Each Defendant knew that they were spending investor funds on expenses not disclosed to investors. They knew about and failed to disclose the contract Ashton Equipment had in hand by December 2007 for AOS 1-A, which provided that they would only need $2.4 million to purchase two drilling rigs, not the $8 million they were raising. They did not escrow the funds raised. They did not have five letters of intent to lease any equipment on behalf of AOS 1-A. They did not have rigs already under contract for AOS 1-B. They were not currently negotiating with "some of the largest" E&P companies. They did not pay the AOS 1-A investors 70% of the lease profits. The depreciation on the equipment purchased was not 100% deductible. And they knew that their experience and background could not possibly be characterized as "a proven track record of successful results".

CLAIMS FOR RELIEF

FIRST CLAIM
Violations of Exchange Act Section 10(b) and Rule 10b-5 thereunder
(Riggs, Ashton Oilfield, Ashton Equipment, AOS 1-A, and AOS 1-B)

49. The Commission repeats and re-alleges Paragraphs 1 through 48 of the Complaint as if fully set forth herein.

50. Riggs, Ashton Oilfield, Ashton Equipment, AOS 1-A, and AOS 1-B, directly or indirectly, singly or in concert, by the use of the means or instrumentalities of interstate commerce or by use of the mails, in connection with the purchase or sale of securities, knowingly or with reckless disregard for the truth: (a) employed devices, schemes, and artifices to defraud; (b) made untrue statements of material fact or omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; or (c) engaged in acts, practices, or courses of business which operated or would operate as a fraud or deceit upon purchasers of securities, prospective purchasers, and other persons.

51. As part of and in furtherance of their fraudulent schemes, Defendants Riggs, Ashton Oilfield, Ashton Equipment, AOS 1-A, and AOS 1-B, directly and indirectly, prepared, disseminated, or used contracts, written offering documents, promotional materials, investor and other correspondence, and oral representations, which contained untrue statements of material facts and misrepresentations of material facts, and which 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, including, but not limited to, those set forth above. In addition, they engaged in a scheme to defraud or course of business which operated as a fraud by misrepresenting and omitting material facts and by misappropriating investor funds for their own use.

52. Defendants Riggs, Ashton Oilfield, Ashton Equipment, AOS 1-A, and AOS 1-B acted knowingly or with severe recklessness regarding the truth. Riggs acted knowingly or with reckless disregard for the truth, and his knowledge can be attributed to Ashton Oilfield and Ashton Equipment because he was an officer of both corporations. The knowledge of Ashton Oilfield and Ashton Equipment can in turn be attributed to AOS 1-A and AOS 1-B because those corporations were the Managing Venturer or general partner of those entities.

53. By engaging in the foregoing conduct, Defendants violated, and unless enjoined will continue to violate, Exchange Act Section 10(b) [15 U.S.C. § 78j(b)] and Exchange Act Rule 10b-5 [17 C.F.R. § 240.10b-5].

54. In addition, Riggs controlled Ashton Oilfield, Ashton, Equipment, AOS 1-A, and AOS 1-B, because he was the president or CEO of Ashton Oilfield and Ashton Equipment, and because those two entities, which he controlled, were either the General Partner or Managing Venturer of the AOS entities. Because he controlled all four entities, he is jointly and severally liable for their violations of Exchange Act Section 10(b) and Rule 10b-5 promulgated thereunder as the "control person" under Exchange Action Section 20(a).

SECOND CLAIM
Aiding and Abetting Violations of Exchange Act Section 10(b) and Rule 10b-5
(Parlee)

55. The Commission repeats and re-alleges Paragraphs 1 through 48 of the Complaint as if fully set forth herein.

56. As asserted above, the Commission alleges that Riggs, AOS 1-A, and AOS 1-B were primary violators of Exchange Act Section 10(b) [15 U.S.C. § 78j(b)] and Rule 10b-5 [17 C.F.R. § 240.10b-5] thereunder.

57. Parlee aided and abetted the primary violations of Riggs, AOS 1-A, and AOS 1-B. Parlee knowingly or recklessly provided substantial assistance to Riggs, AOS 1-A, and AOS 1-B as they violated Section 10(b) and Rule 10b-5 thereunder, and, unless enjoined and restrained, will continue to aid and abet violations of these provisions. Parlee knew that investor funds were being used to fund Riggs's personal and non-equipment business expenses. He was in charge of the bank accounts, wrote the checks, and transferred the money. As a result, Parlee is liable for the violations of Riggs, AOS 1-A, and AOS 1-B, as an aider and abettor.

THIRD CLAIM
Alternative Claim: Aiding and Abetting Violations of Exchange Act Section 10(b) and Rule 10b-5
(Ashton Oilfield and Ashton Equipment)

58. The Commission repeats and re-alleges Paragraphs 1 through 48 of the Complaint as if fully set forth herein.

59. As asserted above, the Commission alleges that AOS 1-A and AOS 1-B were primary violators of Exchange Act Section 10(b) [15 U.S.C. § 78j(b)] and Rule 10b-5 [17 C.F.R. § 240.10b-5] thereunder.

60. Ashton Oilfield and Ashton Equipment aided and abetted the primary violations of AOS 1-A and AOS 1-B. They were the Managing Venturer and/or general partner of those entities. They knowingly or recklessly provided substantial assistance to AOS 1-A and AOS 1-B as they violated Section 10(b) and Rule 10b-5 thereunder, and, unless enjoined and restrained, will continue to aid and abet violations of these provisions.

FOURTH CLAIM
Violations of Section 17(a)(2) of the Securities Act
(Riggs, Ashton Oilfield, Ashton Equipment, AOS 1-A, AOS 1-B, Parlee, and Manderfeld)

61. The Commission repeats and re-alleges Paragraphs 1 through 48 of the Complaint as if fully set forth herein.

62. Defendants, directly or indirectly, singly or in concert, in the offer or sale of securities, by the use of the means or instruments of transportation or communication in interstate commerce or by use of the mails, obtained money or property by means of untrue statements of material fact or omissions to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.

63. Defendants Riggs, Parlee, and Manderfeld, directly and indirectly, prepared, disseminated, or used contracts, written offering documents, promotional materials, investor and other correspondence, and oral representations, which contained untrue statements of material facts and misrepresentations of material facts, and which 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. They obtained money from investors based on these statements, which they used for their personal benefit.

64. With respect to violations of Section 17(a)(2) of the Securities Act, Defendants were negligent.

65. By engaging in the foregoing conduct, each Defendant violated, and unless enjoined will continue to violate, Securities Act Section 17(a)(2) [15 U.S.C. §§ 77q(a)(2)].

FIFTH CLAIM
(Violations of Section 5(a) and (c) of the Securities Act against Riggs, Ashton Oilfield, Ashton Equipment, AOS 1-A, AOS 1-B, Parlee, Manderfeld)

66. The Commission repeats and re-alleges Paragraphs 1-48 of the Complaint as if fully set forth herein.

67. The Defendants, directly or indirectly, singly and in concert with others, have been offering to sell, selling, and delivering after sale certain securities, and have been, directly and indirectly: (a) making use of the means and instruments of transportation and communication in interstate commerce and of the mails to sell securities, through the use of written contracts, offering documents, and otherwise; (b) carrying and causing to be carried through the mails and in interstate commerce by the means and instruments of transportation, such securities for the purpose of sale and for delivery after sale; and (c) making use of the means or instruments of transportation and communication in interstate commerce and of the mails to offer to sell such securities.

68. As described in this Complaint, each of the Defendants offered and sold the proposed joint venture and limited partnership interests to the public through a general solicitation of investors. No registration statement has been filed with the Commission or is otherwise in effect with respect to these securities.

69. By reason of the foregoing, Defendants violated and, unless enjoined, will continue to violate Sections 5(a) and 5(c) of the Securities Act [15 U.S.C. §§ 77e(a) and §77e(c)].

SIXTH CLAIM
(Violation of Section 15(a) of the Exchange Act by Riggs)

70. The Commission repeats and re-alleges Paragraphs 1 through 48 of the complaint as if fully set forth herein.

71. By reason of the foregoing, Riggs, directly or indirectly, singly and in concert with others, made use of the mails or means or instrumentalities of interstate commerce to effect transactions in, or to induce or attempt to induce, the purchase or sale of securities, without being registered as a broker or dealer, or being associated with a registered broker or dealer.

72. By reason of the foregoing, Riggs, directly and indirectly, has violated and, unless enjoined, will continue to violate Sections 15(a) of the Exchange Act [15 U.S.C. § 78o-5].

RELIEF REQUESTED

For these reasons, the Commission respectfully requests that the Court:

(a) Permanently enjoin each Defendant and their agents, servants, employees, attorneys, and all persons in active concert or participation with them who receive actual notice of the injunction by personal service or otherwise, from violating, directly or indirectly, Securities Act Section 17(a)(2) [15 U.S.C. §§ 77q(a)] and Section 5(a) and 5(c) [15 U.S.C. §§ 77e(a) and 77e(c)];

(b) Permanently enjoin Defendants Riggs, Ashton Oilfield, Ashton Equipment, AOS 1-A, AOS 1-B, and Parlee, their agents, servants, employees, attorneys, and all persons in active concert or participation with them who receive actual notice of the injunction by personal service or otherwise, from violating, directly or indirectly, Exchange Act Section 10(b) [15 U.S.C. § 78j(b)] and Exchange Act Rule 10b-5 [17 C.F.R. § 240.10b-5] thereunder;

(c) Permanently enjoin Defendants Riggs, his agents, servants, employees, attorneys, and all persons in active concert or participation with him who receive actual notice of the injunction by personal service or otherwise, from violating, directly or indirectly, Exchange Act Section 15(a) [15 U.S.C. § 78o-5].

(d) Order each Defendant to disgorge, jointly and severally, any ill-gotten gains and/or unjust enrichment realized by each of them, plus prejudgment interest;

(e) Order Defendants Riggs, Ashton Oilfield, Ashton Equipment, Parlee, and Manderfeld to pay an appropriate civil monetary penalty 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)];

(e) Grant all other relief to which the Commission may be entitled.

November 1, 2013.

Respectfully submitted,

/s/ Janie Frank
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