

CJ-18-3766  
Ogden

IN THE DISTRICT COURT OF OKLAHOMA COUNTY  
STATE OF OKLAHOMA

Oklahoma Department of Securities  
*ex rel.* Irving L. Faught,  
Administrator,

Plaintiff,

v.

Stacy Wayne Travis, an individual;  
HydroEnergy Revolution, LLC, an  
Oklahoma limited liability company; and  
Zydro Energy, LLC, an  
Oklahoma limited liability company;

Defendants.

FILED IN DISTRICT COURT  
OKLAHOMA COUNTY

JUL 13 2018

RICK WARREN  
COURT CLERK

Case No.

41

CJ-2018-3766

PETITION FOR PERMANENT INJUNCTION  
AND OTHER RELIEF

COMES NOW the Plaintiff, Oklahoma Department of Securities ("Department"), *ex rel.* Irving L. Faught, Administrator, and for its claims against the above-named Defendants, alleges and states as follows:

OVERVIEW

1. This case involves violations of the Oklahoma Uniform Securities Act of 2004 ("Act"), Okla. Stat. tit. 71, §§ 1-101 through 1-701 (2011 and Supp. 2016), by Defendants. Specifically, the Department alleges that Defendants: offered and sold unregistered securities in violation of § 1-301 of the Act; employed or associated with unregistered agents in violation of § 1-402 of the Act; and perpetrated a fraud in connection with the offer and sale of securities in violation of § 1-501 of the Act.

## JURISDICTION

2. The Administrator of the Department brings this action pursuant to § 1-603 of the Act and is the proper party to bring this action against the Defendants.

3. Pursuant to §§ 1-102 and 1-610 of the Act, Defendants, in connection with their activities in the offer and/or sale of securities in and/or from this state, are subject to the provisions of the Act. By virtue of their activities in and/or from this state, as described herein, Defendants are subject to the jurisdiction of this Court and to service of summons within and outside of this state.

4. Pursuant to § 1-603(A) of the Act, venue is proper in this county.

## DEFENDANTS

5. Defendant Stacy Wayne Travis ("Travis") is a resident of Chickasha, Oklahoma.

6. Defendant HydroEnergy Revolution, LLC ("Hydro") was formed in May 2010 as an Oklahoma limited liability company with its principal place of business in Chickasha, Oklahoma. Travis was Hydro's sole control person.

7. Defendant Zydro Energy, LLC ("Zydro") is an Oklahoma limited liability company with its principal place of business in Chickasha, Oklahoma. Zydro was formed in October 2013 as the successor to Hydro. Travis is Zydro's sole control person.

## NATURE OF THE CASE

8. During the years 2010 through at least 2015, Defendants offered and sold approximately \$2,200,000 in unregistered securities to investors in Oklahoma and in at least 18 other states. Investors were enticed to invest by untrue statements and omissions of material fact.

9. Defendants offered and sold limited liability company membership interests in Hydro and Zydro by which investors were entitled to receive interests in the potential profit stream from a Travis invention (the "Interests"). Interests were evidenced by "Membership Certificates" certifying that each investor held a percentage interest in Hydro and/or Zydro. Investors were to receive a percentage of profits derived from the Travis invention as reflected on their Membership Certificate(s). Generally, no contracts or operating agreements, disclosure documents, memorandums or any other offering documents were executed by, or given to, Interest investors. The Interests were offered and sold based on representations made by the Defendants, or on their behalf, regarding the Travis invention.

10. Travis claims his invention uses gravity, and no other input, to produce work in enough quantity to perpetually generate useful electrical power (the "Invention"). In 2009, Travis testified that he owned just 10% of the Invention.

11. Travis represented to potential investors that: (a) Kevan Riley, an Oklahoma licensed professional mechanical engineer ("Riley"), had "confirmed" the Invention and "certified in writing it to be what I was trying to achieve"; (b) Travis

achieved complete success with his efforts “to produce a free energy machine”; (c) the Invention was making “excess energy” and functioning just as it was designed; (d) the Invention’s intellectual property “has been verified”; (e) the Invention is “not at risk of not working”; (f) the Invention was repeatedly certified as not defying a single bit of psychics; and (g) Travis was the sole owner of the Invention.

12. Riley has not: (a) “confirmed” the Invention; (b) certified it was what Travis was trying to achieve; (c) witnessed the successful operation of the Invention; or (d) certified or verified any variation of the Invention as successfully operating as designed and intended.

13. Investors believed their funds would be used to, *inter alia*, build prototypes; conduct research; pay salaries, attorneys and experts; secure patents and pay for other activities related to the development of the Invention.

14. Prior to their investment, Travis did not disclose to all, if any, investors that their funds would be used on his personal expenses or that he would not track or audit their expenditure.

15. Using categorization *most* favorable to Travis – and excluding *all* cash withdrawals – an analysis of investor fund expenditures shows that from 2010 through 2015 more than \$1,049,000, or 42%, of investor funds were directly used for Travis’ personal expenses. These funds were spent, in part, on vacations and gifts.

16. From 2010 through 2015, approximately \$314,000 of investor funds were withdrawn as cash making the use of such funds impossible to trace.

17. The investor funds directly attributable for Travis' personal expenses combined with cash withdrawals, *supra*, equals approximately \$1,364,000, or 54%, of investor funds.

18. Travis had full, and exclusive, authority for decision making regarding Hydro, Zydro and the Invention. No investor had a right to manage or control Hydro, Zydro or the Invention. Any profit derived from an investment in an Interest was wholly dependent on Travis' successful efforts. No such profit was ever achieved.

19. Beginning in at least 2013 and 2015, respectively, Jay Fribourg, a resident of Texas ("Fribourg"), and Michael Wenzel, a resident of Montana ("Wenzel"), offered and sold the Interests on Defendants' behalf (collectively, the "Agents"). Investors brought in through Fribourg and Wenzel's efforts sent their funds to bank accounts held in Oklahoma.

### **FIRST CAUSE OF ACTION**

#### **(Violation of §1-301 of the Act: Offer and Sale of Unregistered Securities)**

20. Plaintiff realleges and incorporates by reference each and every allegation contained in paragraphs 1 through 19 above.

21. The Interests are "securities" as defined by § 1-102 of the Act.

22. Defendants Hydro and Zydro offered and sold the securities in and/or from Oklahoma.

23. The Interests offered and sold by Defendants Hydro and Zydro have not been registered under the Act.

24. By reason of the foregoing, Defendants Hydro and Zydro have violated, and unless enjoined may continue to violate, § 1-301 of the Act.

25. Defendant Travis, due to his status and actions as Hydro and Zydro's sole control person, has engaged in acts, practices or a course of business that materially aided Hydro and Zydro's violation of § 1-301 of the Act and, unless enjoined, may continue to materially aid a violation of the same.

### **SECOND CAUSE OF ACTION**

#### **(Violation of § 1-402 of the Act: Employment or Association of Unregistered Agents)**

26. Plaintiff realleges and incorporates by reference each and every allegation contained in the preceding cause of action.

27. Defendants Hydro and Zydro are "issuers" as defined in § 1-102 of the Act.

28. Defendant Travis and the Agents, by effecting or attempting to effect purchases or sales of one or more of such issuer's securities, are "agents" as defined in § 1-102 of the Act.

29. Defendant Travis and the Agents, at all times material hereto, were not registered in any capacity under the Act.

30. Defendant Travis and the Agents transacted business in this state as unregistered agents.

31. Defendants Hydro and Zydro employed or associated with unregistered agents who transacted business in this state on their behalf.

32. By reason of the foregoing, Defendants have violated, and unless

enjoined may continue to violate, § 1-402 of the Act.

33. Defendant Travis, due to his status and actions as Hydro and Zydro's control person, has engaged in acts, practices or a course of business that materially aided Hydro and Zydro's violation of § 1-402 of the Act and, unless enjoined, may continue to materially aid a violation of the same.

### **THIRD CAUSE OF ACTION**

#### **(Violation of § 1-501(2) of the Act: Untrue Statements and Omissions of Material Facts in Connection With the Offer and Sale of Securities)**

34. Plaintiff realleges and incorporates by reference each and every allegation contained in the preceding causes of action.

35. Defendants, in connection with the offer and sale of securities, have made untrue statements of material fact including, but not limited to, that:

- (a) Riley had "confirmed" the Invention and "certified in writing it to be what [Travis] was trying to achieve";
- (b) The Invention was repeatedly certified as not defying a single bit of psychics;
- (c) Travis achieved complete success producing "a free energy machine";
- (d) The Invention was making "excess energy" and functioning just as it was designed;
- (e) The Invention's intellectual property "has been verified"; and
- (f) The Invention is "not at risk of not working".



36. Defendants, in connection with the offer and sale of securities, have 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, that:

- (a) Riley had not "confirmed" the Invention;
- (b) Riley had not certified that the Invention did not defy a single bit of physics or that it was what Travis was trying to achieve;
- (c) Riley had not witnessed, certified or verified any variation of the Invention successfully operating as designed and intended;
- (d) Throughout Riley's involvement with Travis and the Invention, Riley attempted to correct Travis' use of engineering terms and the accuracy of his claims;
- (e) Travis, in a sworn deposition in 2009, testified he owned just 10% of the Invention thereby casting a cloud over its ownership;
- (f) Due to the Invention's ownership cloud, investors were at risk of owning a smaller Interest than they were offered and sold;
- (g) Travis would use at least \$1,049,000, or 42%, of investor funds on Travis' personal expenses including vacations and gifts;
- (h) Investor funds, including approximately \$314,000 withdrawn as cash, would not be tracked or audited.

37. By reason of the foregoing, Defendants have violated, and unless enjoined may continue to violate, § 1-501(2) of the Act.



#### **FOURTH CAUSE OF ACTION**

##### **(Violation of § 1-501(3) of the Act: Act, Practice, or Course of Business Which Operates as a Fraud or Deceit Upon Any Person)**

38. Plaintiff realleges and incorporates by reference each and every allegation contained in the preceding causes of action.

39. Defendants, through the use of the untrue statements described in paragraph 35, have breached their legal duty – to the detriment of the purchasers of the Interests and the investing market as a whole – to not omit material facts, described in paragraph 36, necessary in order to make the statements made not misleading. The Defendants have, therefore, engaged in an act, practice, or course of business that has operated as a fraud or deceit upon other persons.

40. By reason of the foregoing, Defendants have violated, and unless enjoined may continue to violate, § 1-501(3) of the Act.

#### **PRAYER FOR RELIEF**

WHEREFORE, based upon the foregoing, and pursuant to the authority specifically granted by § 1-603 of the Act, the Department prays for the Court to grant the following relief:

##### **I.**

A permanent injunction, restraining and enjoining Defendants – and any entity the Defendants own and/or control – from transacting business in or from Oklahoma as an issuer, issuer agent, broker-dealer, or broker-dealer agent or otherwise offering or selling securities in and/or from Oklahoma;

II.

An order requiring Defendants to make restitution to any and all investors who purchased securities from Defendants;

III.

An order requiring Defendants to disgorge any and all ill-gotten gains;

IV.

An order imposing a civil penalty against Defendants, jointly and severally, in the amount of \$250,000.00; and,

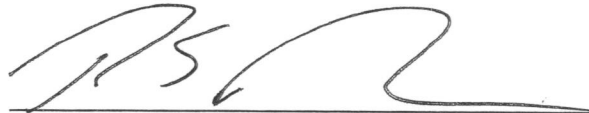
V.

Such other relief as the Court considers appropriate.

Respectfully submitted,

OKLAHOMA DEPARTMENT OF SECURITIES  
Irving L. Faught, Administrator

By:



Robert Fagnant, OBA #30548  
Terra Bonnell, OBA #20838  
Oklahoma Department of Securities  
204 North Robinson Avenue, Suite 400  
Oklahoma City, Oklahoma 73102  
Telephone: (405) 280-7700  
Facsimile: (405) 280-7742  
Email: rfagnant@securities.ok.gov  
Email: tbonnell@securities.ok.gov