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15 **UNITED STATES DISTRICT COURT**
16 **DISTRICT OF NEVADA**

17 JOHN SOLAK, derivatively on behalf of RING
18 ENERGY, INC.,

No: 3:19-cv-00410-MMD-WGC

19 Plaintiff,

20 LLOYD T. ROCHFORD, KELLY HOFFMAN,
21 DAVID A. FOWLER, STANLEY M.
22 MCCABE, ANTHONY B. PETRELLI,
23 REGINA ROESENER and CLAYTON E.
24 WOODRUM,

25 Defendants,

26 -and-

27 RING ENERGY, INC., a Nevada Corporation,

28 Nominal Defendant.

29 **AMENDED VERIFIED SHAREHOLDER DERIVATIVE COMPLAINT FOR**
30 **BREACH OF FIDUCIARY DUTY, UNJUST ENRICHMENT,**
31 **AND WASTE OF CORPORATE ASSETS**

1 Plaintiff, John Solak, by his attorneys, submits this Amended Verified Shareholder
2 Derivative Complaint in the name of, and on behalf of, Nominal Defendant Ring Energy, Inc.
3 (“Ring” or the “Company”) against certain directors and officers of Ring for Breach of Fiduciary
4 Duty, Unjust Enrichment, Waste of Corporate Assets, and violations of Section 14(a) of the
5 Securities Exchange Act of 1934, as amended (the “Exchange Act”). Plaintiff alleges the
6 following based upon personal knowledge as to himself and his own acts, and information and
7 belief as to all other matters, based upon, *inter alia*, the investigation conducted by and through
8 Plaintiff’s attorneys, which included, among other things, a review of the Defendants’ public
9 documents, conference calls, and announcements made by Defendants, United States Securities
10 and Exchange Commission (“SEC”) filings, wire and press releases published by and regarding
11 the Company, legal filings, news reports, securities analysts’ reports and advisories about the
12 Company, and information readily obtainable on the Internet. Plaintiff believes that substantial
13 additional evidentiary support will exist for the allegations set forth herein after a reasonable
14 opportunity for discovery.

15 **NATURE AND SUMMARY OF THE ACTION**

16 1. Ring’s Board of Directors (the “Board”) has a practice and policy of knowingly
17 and grossly overcompensating its members at a level many multiples higher than even the largest
18 publicly-traded companies, and approximately *six times* higher than the average of similarly-
19 sized, publicly-traded energy companies (*i.e.*, peers).

20 2. Moreover, while it is standard industry practice to exclude executive board
21 members from non-employee director compensation programs, the executive members of Ring’s
22 Board (*i.e.*, Kelly Hoffman, Ring’s Chief Executive Officer, and David A. Fowler, Ring’s
23 President), are compensated both as executives *and* as directors, thereby further increasing their
24 already excessive annual compensation.

25 3. To make matters worse, Ring’s disclosures concerning director and executive
26 compensation with regard to Hoffman and Fowler are intentionally misleading, incomplete,
27 and/or erroneous, leaving shareholders unable to discern precisely what components of
28 compensation are attributable to their respective roles.

1 4. Plaintiff brings this action to recoup the excessive compensation being paid to the
2 Director Defendants (defined below), impose meaningful corporate governance reforms that will
3 restrict the Director Defendants’ ability to award themselves egregious levels of compensation,
4 align the elements of compensation, including grants of stock and options to purchase the
5 Company’s stock, with the Company’s long-term interests, bring the Board’s director
6 compensation policies and practices in line with industry norms, and correct the Company’s
7 misleading disclosures concerning director and executive compensation.

8 **THE PARTIES**

9 5. Plaintiff John Solak is a resident of the State of New York. Mr. Solak purchased
10 Ring stock on January 22, 2019, has continuously been a stockholder since that time, and is
11 currently a Ring stockholder.

12 6. Nominal Defendant Ring is a Nevada corporation with its corporate headquarters
13 located at 901 West Wall Street, 3rd Floor, Midland, TX 79702. Ring is an oil and gas exploration
14 and production company. The Company was incorporated on July 30, 2004, and it went public
15 on or around March 29, 2007. It presently trades on NYSE American, the small cap equity market,
16 under the symbol “REI.”

17 7. Defendant Lloyd T. Rochford (“Rochford”) is the Chairman of the Board.

18 8. Defendant Kelly Hoffman (“Hoffman”) is the Company’s Chief Executive Officer
19 and is a director of the Company.

20 9. Defendant David A. Fowler (“Fowler”) is the Company’s President and a member
21 of the Board.

22 10. Defendant Stanley M. McCabe (“McCabe”) is a member of the Board and
23 Chairman of the Board’s Compensation Committee.

24 11. Defendant Anthony B. Petrelli (“Petrelli”) is a member of the Board and a member
25 of the Board’s Audit Committee.

26 12. Defendant Regina Roesener (“Roesener”) is a member of the Board and a member
27 of the Board’s Audit Committee.
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1 13. Defendant Clayton E. Woodrum (“Woodrum”) is a member of the Board, a
2 member of the Compensation Committee and Chairman of the Board’s Audit Committee.

3 14. The defendants identified in paragraphs 7-13 are referred to collectively as the
4 “Director Defendants.”

5 **JURISDICTION AND VENUE**

6 15. Pursuant to 28 U.S.C. § 1331 and section 27 of the Exchange Act, this Court has
7 jurisdiction over the claims asserted herein for violations of Section 14(a) of the Exchange Act
8 and SEC Rule 14a-9 promulgated thereunder.

9 16. This Court has supplemental jurisdiction over the remaining claims under 28
10 U.S.C. § 1367.

11 17. Venue is proper in this Court pursuant to 28 U.S.C. § 1391 because Ring is
12 incorporated in this District.

13 **THE DIRECTOR DEFENDANTS ENRICH THEMSELVES, AT THE EXPENSE**
14 **OF THE COMPANY, WITH GROSSLY EXCESSIVE COMPENSATION**

15 18. In 2017, the Company’s non-employee Director Defendants were paid an
16 astonishing \$725,421 per director on average – an amount significantly exceeding the average total
17 director compensation for 2017 for a non-employee director sitting on the board of a Top 200
18 Company or a large-cap company with a market capitalization of more than \$5 billion.¹

19 19. Ring, however, is neither Top 200 company nor a large-cap energy company.
20 Rather, with a current market capitalization of approximately \$40 million, Ring is considered a
21 microcap energy company and is, in fact, a current constituent of the Russell Microcap Index.

22 20. By contrast, in 2017, the average annual total compensation for directors of Exxon
23 Mobil Corporation, an energy company with a market capitalization of over \$300 billion (*i.e.*,
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27 ¹ See NACD 2017-2018 Director Compensation Report showing average total annual compensation of
28 \$280,455 for directors at Top 200 companies (with market caps exceeding \$10 billion), and average total
compensation of \$232,091 for directors at large-cap companies (with market caps between \$2.5 billion and
\$10 billion).

1 more than 8000 times larger than Ring), was only \$320,000 per director (*i.e.*, less than half that
2 paid to the Director Defendants in 2017).

3 21. In relation to its peers, particularly other microcap energy companies, Ring’s
4 average total individual director compensation for 2017 stands at a level almost *six times* the
5 median and Ring’s total cost of compensation of the Board stands at a level *more than seven times*
6 the median within the energy sector.²

7 22. In 2018, largely as a function of its plummeting stock price, Ring’s average director
8 compensation fell to \$393,752. Yet, even at this level, Ring’s average director compensation
9 remains more than three times greater than that of its microcap energy company peers.

10 23. Ring’s director compensation is not only excessive when viewed compared to that
11 of its industry peers in terms of magnitude, it is also unwarranted and excessive when compared
12 to directors who do comparable work in the same industry. In fact, compared with other directors
13 in the energy industry, the Director Defendants cannot demonstrate any special ability or value
14 over and above that required of a microcap energy company director.

15 24. According to Ring’s Annual Proxy Statement (filed November 13, 2019, p. 33), the
16 Compensation Committee of Ring’s Board “reviews, evaluates, and benchmarks our director
17 compensation practices against our peer companies in the oil and natural gas exploration and
18 production industry...” However, Ring does not identify its self-selected peers and points out that
19 “[t]his [comparative compensation] information is used only as a reference and not to establish
20 compensation benchmarks, as Ring does not benchmark executive compensation [sic] to a specific
21 percentile within its peer group.”

22 25. Further, despite being paid even more than twice than the directors of the largest
23 energy companies in the country that make up the S&P 500³, Director Defendants actually do
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25 ² See NACD 2017-2018 Director Compensation Report showing median total individual compensation of
26 \$123,200 per annum and \$600,000 median total board cost per annum for a sample of energy companies
27 with a market capitalization of between \$50 million and \$500 million. In 2017, the Board cost Ring
\$4,352,528, more than seven times the microcap energy company median Board cost of \$600,000.

28 ³ See 2019 U.S. Spencer Stuart Board Index showing a median of average compensation per non-
employee director of S&P 500 energy companies of \$323,356 per annum.

1 considerably less work and less demanding work than most other directors in the energy industry
2 do.

3 26. For example, in 2018, Ring's revenue was merely \$120 million while S&P 500
4 energy companies, such as Phillips 66 and Chevron Corporation each turn over many billions of
5 dollars in revenue every year. Similarly, S&P 500 energy companies, particularly oil and gas
6 exploration and production companies such as ConocoPhillips and Devon Energy Corporation,
7 have operations in numerous locations across the United States and worldwide whereas Ring has
8 operations in a single location – the Permian Basin of West Texas. Moreover, whereas S&P 500
9 energy companies employ thousands or tens of thousands of employees worldwide, as of
10 December 31, 2018, Ring had only forty-two (42) full-time employees.

11 27. Further, every S&P 500 energy company's board meets, on average, eight times a
12 year and, specifically, all oil and gas exploration and production S&P 500 constituents' boards
13 meet, on average, nine times a year and as many as 16 times a year.⁴ By contrast, Ring's Board
14 meets only six times a year.

15 28. Similarly, whereas board audit committees for companies like Exxon and Phillips
16 66 meet as many as eleven times a year, Ring's Audit Committee met only four times during the
17 fiscal year ending December 31, 2018.

18 29. Thus, the Director Defendants oversee a company that, in all material respects, is
19 significantly smaller and less complex than other companies in the same segment of the energy
20 industry, without demonstrating any unique or extraordinary ability or value over and above that
21 of the boards of the largest and most complex publicly-traded energy companies. In fact, the
22 grossly excessive compensation the Defendant Directors grant themselves for work comparable to
23 that of directors for similar microcap companies in the energy industry is drastically
24 disproportionate, unreasonable, unjust and amounts to waste of Ring's valuable and limited
25 corporate assets.

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28 ⁴ See 2019 U.S. Spencer Stuart Board Index.

1 30. The level of compensation the Board has awarded and will continue to award itself
2 is harmful to both the Company and its shareholders. Indeed, in 2018, the latest year for which
3 Ring reported director compensation, the Compensation Committee recommended, and the Board
4 approved, an additional committee fee for non-employee directors for each committee on which
5 they serve.

6 31. The Director Defendants' compensation has never been approved by Ring
7 stockholders and, in fact, there are no limitations or checks on Board compensation whatsoever.
8 To the contrary, the Board operates under a policy that has no checks, meaningful limitations, or
9 non-discretionary elements, and allows the Director Defendants to freely decide their own
10 compensation and enrich themselves without any regard to the Company's interests, size,
11 performance, or even their duties and responsibilities in comparison to the boards of other
12 comparable energy companies.

13 32. For example, on December 9, 2015, Ring issued option awards to all Director
14 Defendants. Merely a month later, on January 13, 2016, the option awards granted were rescinded,
15 except for those granted to Rochford and McCabe, reportedly as the result of a significant decline
16 in the Company's stock price, and the option awards were re-issued as of that date resulting in a
17 higher fair value of the new options than of the original grant. In a transaction in which they stood
18 on both sides and were financially interested, the Director Defendants chose to protect their lavish
19 compensation at the expense of the Company and its stockholders.

20 33. Moreover, during the past five years, Ring's cumulative losses have surpassed its
21 profits, including a negative net income applicable to common stockholders of more than \$37
22 million in 2016. Regardless of financial performance, the Company's Board has awarded, and
23 continues to award, itself excessive compensation.

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1 34. The Company's shares presently trade below the level of the start of fiscal 2014.



10 35. Notwithstanding, in formulating its director compensation policy and practices, the
 11 Board did not (and does not currently) take into account the Company's financial performance,
 12 market capitalization, share price, or peer group governance practices. In fact, during the same
 13 period, the average total compensation of the Director Defendants was consistently excessive and
 14 out of line with the Company's energy industry microcap peers, averaging \$461,975 a year (*i.e.*,
 15 \$286,304 per director in 2014, \$186,976 per director in 2015, \$717,421 per director in 2016,
 16 \$725,421 per director in 2017, and \$393,752 in 2018). In each of 2016 and 2017, one of the
 17 directors received \$1.5 million in annual compensation.

18 36. Remarkably, in 2017, when the Company recorded \$1,753,869 of net income
 19 available to common stockholders, the Board awarded itself – and *all* its members – a total
 20 compensation in the amount of \$4,352,528 (*two and a half times Ring's net income that year*).

21 37. Similarly, in 2016, when the Company recorded a net loss, the Director Defendants
 22 still awarded themselves a total of \$4,304,528 in compensation.

23 38. The amounts each director, and the Board as a whole, receive in annual
 24 compensation are shocking and completely out of line for a microcap energy corporation –
 25 especially for an energy company performing as poorly as Ring.

26 39. Ring stands out from its peers (and typical corporate practices) in another troubling
 27 way: *all* members of the Board are paid for their service as directors, regardless of whether they
 28 are non-employees or executives/employees. Whereas it is customary for non-employee directors,
 or “outside directors,” to be paid for their board service, it is not generally accepted that executives,

1 or “inside directors,” are remunerated for such service in *addition* to the salaries, bonuses, and
2 benefits they receive as employees of a company.

3 40. Notwithstanding, at Ring, Director Defendants Hoffman (CEO) and Fowler
4 (President), are being paid twice – both as employees of the Company and as members of the
5 Board. This unusual and unjustified practice of double-dipping harms the Company and its
6 stockholders.

7 41. Furthermore, the Company’s disclosures relating to director and executive
8 compensation are, at best, materially misleading. In each of the Company’s Proxy Statements filed
9 with the SEC since 2013, the Company includes tables summarizing the compensation Ring paid
10 its named executive officers and directors during the respective reporting periods.

11 42. In the “Summary Compensation Table” for each reporting period, executive
12 compensation is broken down under the columns “Salary,” “Bonus,” “Option Awards,” “All Other
13 Compensation,” and “Total.” For Hoffman and Fowler, the “All Other Compensation” column
14 shows director fees (between \$22,500 and \$24,000 each per annum) for every reporting period
15 since for the year 2013.

16 43. In the “Director Compensation Table” for each reporting period, director
17 compensation is broken down under the columns “Fees Earned or Paid in Cash,” “Stock Awards”
18 [or “Option Awards”], “All Other Compensation,” and “Total.” However, in each of those tables,
19 the column “All Other Compensation” for the reporting periods of the years 2013, 2014, 2015,
20 2016 and 2017 are left blank and do not include the executive compensation paid to Hoffman and
21 Fowler.

22 44. As a result, the Summary Compensation Tables and Director Compensation Tables
23 tables for those reporting periods spanning five years are not only materially misleading and
24 confusing, they do not appear to accurately reflect the total annual compensation paid to Hoffman
25 and Fowler.

26 45. Moreover, the “Total” compensation of four of the Director Defendants reported
27 for 2017 in the 2018 Proxy Statement is incorrect. In 2016, the six Defendant Directors who were
28 at the Board at the time, all Director Defendants but Roesener (who was appointed to the Board

on September 13, 2019), received a monthly stipend of \$2,000 (or “Fees Earned or Paid in Cash” in the amount of \$24,000 for the year).

46. In 2017, “inside directors” Hoffman and Fowler received a monthly stipend of \$2,000 and “outside directors” Rochford, McCabe, Petrelli, and Woodrum received a monthly stipend of \$3,000 (or “Fees Earned or Paid in Cash” in the amount of \$24,000 and \$36,000, respectively, for the year).

47. In 2016, each of the six Defendant Directors who were at the Board at the time received a stock award. In 2017, each Director Defendant received an option award of the exact same value as the stock award received in 2016. The 2017 totals of director compensation for the “outside directors” Rochford, McCabe, Petrelli, and Woodrum, however, are identical to 2016 totals since they erroneously do not reflect the higher amount of stipend paid to each of these four Director Defendants – an error resulting in the underreporting of compensation of \$12,000 for each of them and a total director compensation underreporting of \$48,000 for the Board for fiscal 2017.

Director Compensation Table [fiscal 2016]				
	Fees Earned or Paid in Cash (\$)	Option Awards (\$)(1)	All Other Compensation (\$)	Total (\$)
Lloyd T. Rochford	\$ 24,000	\$ 1,461,797	\$ -	\$ 1,485,797
Stanley M. McCabe	24,000	487,266	-	511,266
David A. Fowler	24,000	496,650(8)	-	520,650
Kelly Hoffman	24,000	740,283(8)	-	764,283
Clayton E. Woodrum	24,000	487,266(8)	-	511,266
Anthony B. Petrelli	24,000	487,266(8)	-	511,266

Director Compensation Table [fiscal 2017]				
	Fees Earned or Paid in Cash (\$)	Stock Awards (\$)(1)	All Other Compensation (\$)	Total (\$)
Lloyd T. Rochford	\$ 36,000	\$ 1,461,797	\$ -	\$ 1,485,797
Stanley M. McCabe	36,000	487,266	-	511,266
David A. Fowler	24,000	496,650	-	520,650
Kelly Hoffman	24,000	740,283	-	764,283
Clayton E. Woodrum	36,000	487,266	-	511,266
Anthony B. Petrelli	36,000	487,266	-	511,266

48. As a result of the reporting errors, Ring shareholders are being deprived of accurate disclosures regarding the Director Defendants’ compensation.

49. In addition to lacking any meaningful limitations, non-discretionary components, or alignment to the long-term interests of Ring and its shareholders – the Company’s unchecked, self-dealing, director compensation practices are untenable, waste valuable and limited corporate

5 The totals of compensation referred to herein are corrected totals.

1 assets, are subject to misleading and confusing disclosures, and continue to harm the Company
2 and its stockholders.

3 50. At bottom, Ring's director compensation practices and policies are the antithesis of
4 prudent corporate governance and stewardship and so beyond reason that they could not be carried
5 out in the absence of bad faith.

6 **DERIVATIVE AND DEMAND FUTILITY ALLEGATIONS**

7 51. Plaintiff brings this action derivatively in the right and for the benefit of Ring to
8 redress injuries suffered, and to be suffered, by the Company as a direct result of breaches of
9 fiduciary duty and unjust enrichment, as well as the aiding and abetting thereof, by the Director
10 Defendants.

11 52. Ring is named as Nominal Defendant solely in a derivative capacity. This is not a
12 collusive action to confer jurisdiction on this Court that it would not otherwise have.

13 53. Plaintiff will adequately and fairly represent the interests of Ring in enforcing and
14 prosecuting its rights.

15 54. Plaintiff was a shareholder of Ring during the time of the wrongdoing complained
16 of herein, has continuously been a shareholder since that time, and is currently a Ring shareholder.

17 55. The current Board of Ring consists of the following seven individuals: defendants
18 Rochford, Hoffman, Fowler, McCabe, Petrelli, Roesener, and Woodrum.

19 56. Because Director Defendants McCabe, Rochford, and Woodrum⁶ approved the
20 compensation at issue here and all the Director Defendants receive the challenged compensation,
21 the Director Defendants stand on both sides of the compensation awards. All seven Director
22 Defendants received or stand to receive the challenged compensation, and thus derived or stand to
23 derive a personal financial benefit from and had a direct interest in the transactions at issue in this
24 case. Thus, because the inherently self-interested transaction that is director compensation raises

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26 ⁶ For every reporting period since for the year 2013, the Compensation Committee was comprised of
27 Director Defendants Rochford and McCabe, with Rochford acting as Chair, until, in connection with
28 Director Defendant Roesener's appointment to the Board, the Board approved a change to the membership
of the Compensation Committee (and changes of each of the Board's committees). As of this change and
presently, the Board's Compensation Committee comprises of McCabe and Woodrum, with McCabe
serving as Chair.

1 a reasonable doubt as to whether the Director Defendants are disinterested and independent in the
2 determination of the level of and awarding of their own compensation, and in fact each of the
3 Director Defendants are financially interested in the transactions challenged herein, demand would
4 be futile.

5 57. Further, each of the Director Defendants faces a substantial likelihood of liability,
6 because they have wasted the Company's assets by agreeing to and awarding (or accepting to be
7 awarded) the improper and excessive compensation detailed herein to both themselves, and their
8 fellow Director Defendants.

9 58. In fact, on its face, the sheer magnitude of the excessive compensation awards
10 detailed herein (standing at a level approximately six-times that of the Company's microcap energy
11 industry peers), overcomes the presumption of good faith codified at NRS 78.138(3). In other
12 words, awarding themselves director compensation so far beyond that of similarly-situated
13 companies, could not have been an exercise of good faith.

14 59. Similarly, the compensation the Director Defendants awarded themselves could not
15 have been the result of an informed exercise of business judgment. Accordingly, the NRS
16 78.138(3) presumption that directors act on an informed basis is rebutted.

17 60. Alternatively, if the NRS 78.138(3) presumption is not rebutted, then the Director
18 Defendants were aware their compensation was grossly disproportionate to the Company's peers
19 and acted in willful disregard of that knowledge.

20 61. Moreover, it could not be, and is not, in the best interests of Ring for the Director
21 Defendants to award themselves egregious compensation. In fact, as alleged herein, the Director
22 Defendants actually recalibrated their stock option awards to protect themselves from poor
23 financial results and declining stock price which resulted from their own mismanagement. Thus,
24 the presumption contained in NRS 78.138(3), which provides that the directors are assumed to
25 have acted in Ring's best interest, is rebutted here, where the Director Defendants have provided
26 themselves grossly excessive compensation to the detriment of the Company.

27 62. Additionally, the Director Defendants face a substantial likelihood of liability under
28 the Exchange Act, because they have failed to prevent the filing of multiple Proxy Statements

1 containing materially misleading, confusing, incorrect and incomplete disclosures, as detailed
2 herein, and, despite notice of such repeated failings, subsequently failed to amend, correct and
3 revise the relevant disclosures relating to all relevant reporting periods in Ring's most recent Proxy
4 Statement.

5 63. In fact, despite the fact that Plaintiff's Verified Shareholder Derivative Complaint,
6 filed on July 19, 2019, detailed the facts giving rise to his securities law claim, among other
7 allegations, Ring filed its Proxy Statement for the year 2018 on November 13, 2019, without
8 amending or correcting its prior misstatements.

9 64. Moreover, for years, since no later than for the reporting year 2013, the Board's
10 Audit Committee was comprised of Director Defendants Woodrum and Petrelli and, additionally
11 since 2016, McCabe, with Woodrum acting as Chair. Contemporaneously with the appointment
12 of Roesener to the Board in September 2019 (and thus before the filing of the Company's most
13 recent Proxy Statement in November 2019), the membership of the Audit Committee included
14 Woodrum, Petrelli, and Roesener, with Woodrum acting as Chair. Among the principal functions
15 of the Audit Committee are assisting the Board in monitoring the integrity of Ring's financial
16 statements and the Company's compliance with legal and regulatory requirements. The erroneous
17 and misleading Proxy Statements filed with the SEC in violation of the Exchange Act are therefore
18 the responsibility of the entire Board, including the Audit Committee, for its failure to monitor
19 false and/or materially misleading SEC filings year after year.

20 65. In particular, the four past and present Audit Committee members Woodrum,
21 McCabe, Petrelli, and Roesener, collectively representing a majority of the seven-member Board,
22 face substantial personal liability for the aforementioned misconduct.

23 66. Plaintiff declined to serve a litigation demand on the Board because it is readily
24 apparent that there is, at a minimum, a reasonable doubt as to whether the Defendant Directors are
25 disinterested and independent and that such an effort would have been futile based upon, *inter alia*,
26 the fact that:

- 27 (a) Director Defendants are financially interested in and stand on both sides of the
28 challenged compensation awards having approved the compensation and being

- 1 past and future beneficiaries of the challenged compensation;
- 2 (b) each of the Director Defendants has wasted the Company’s assets by accepting
- 3 (or agreeing to accept) the improper compensation detailed herein as no
- 4 disinterested director would take advantage of the opportunity to award
- 5 compensation far beyond the Company’s peers; and
- 6 (c) each of the Director Defendants, and particularly past and present Audit
- 7 Committee members Woodrum, McCabe, Petrelli and Roesener, faces a
- 8 substantial likelihood of liability for violations of the Exchange Act.

9 67. Based on the allegations herein, specifically the fact that the Board has approved

10 grossly-excessive compensation for its members without regard to meaningful limits or its peers

11 in the energy industry and without stockholder approval, and has failed to prevent and

12 subsequently failed to remedy violations of the Exchange Act, it is apparent that the Director

13 Defendants are self-interested and could not independently consider a pre-suit demand for

14 litigation because doing so would require them to scrutinize their own conduct. In other words,

15 “[i]t strains reason to [believe] that a defendant–director could act independently to evaluate the

16 merits of bringing a legal action against any of the other defendants if the director participated in

17 the identical challenged misconduct.” *In re Inv’rs Bancorp, Inc. Stockholder Litig.*, 177 A.3d 1208,

18 1226 (Del 2017), *as rev.* (Dec. 19, 2017).

19 68. Accordingly, demand is futile, and thus, excused.

20 **FIRST CAUSE OF ACTION**

21 ***Against the Director Defendants for Breach of Fiduciary Duty***

22 69. Plaintiff incorporates by reference and realleges each and every allegation

23 contained in ¶¶ 1 to 68, as though fully set forth herein.

24 70. The Director Defendants and each of them, violated their fiduciary duty of loyalty

25 by awarding or receiving excessive and improper compensation at the expense of the Company.

26 71. As a direct and proximate result of the Director Defendants’ breaches of their

27 fiduciary obligations, Ring has sustained significant damages, as alleged herein.

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1 72. As a result of the misconduct alleged herein, the Director Defendants are liable to
2 the Company.

3 73. Plaintiff, on behalf of Ring, has no adequate remedy at law.

4 **SECOND CAUSE OF ACTION**

5 ***Against the Director Defendants for Unjust Enrichment***

6 74. Plaintiff incorporates by reference and realleges each and every allegation
7 contained in ¶¶ 1 to 68, as though fully set forth herein.

8 75. By their wrongful acts and omissions, the Director Defendants were unjustly
9 enriched at the expense of and to the detriment of Ring.

10 76. The Director Defendants were unjustly enriched as a result of the compensation
11 they received while breaching fiduciary duties owed to Ring.

12 77. Plaintiff, as a shareholder and representative of Ring, seeks restitution from the
13 Director Defendants, and each of them, and seeks an order of this Court disgorging all profits,
14 benefits, and other compensation obtained by these defendants, and each of them, from their
15 wrongful conduct and fiduciary breaches.

16 78. Plaintiff, on behalf of Ring, has no adequate remedy at law.

17 **THIRD CAUSE OF ACTION**

18 ***Against the Director Defendants for Waste of Corporate Assets***

19 79. Plaintiff incorporates by reference and realleges each and every allegation
20 contained in ¶¶ 1 to 68, as though fully set forth herein.

21 80. As a result of the Director Defendants' self-dealing, the Company has wasted its
22 valuable assets by paying the Director Defendants excessive compensation.

23 81. As a result of the waste of corporate assets, the Director Defendants are liable to
24 the Company.

25 82. Plaintiff, on behalf of Ring, has no adequate remedy at law.

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FOURTH CAUSE OF ACTION

Derivatively Against the Director Defendants for Violations of Section 14(a) of the Exchange Act and SEC Rule 14a-9 Promulgated Thereunder

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3 83. Plaintiff incorporates by reference and realleges each and every allegation
4 contained in ¶¶ 1 to 68, as though fully set forth herein.

5 84. Rule 14a-9, promulgated pursuant to Section 14(a) of the Exchange Act, provides
6 that no proxy statement shall contain “any statement which, at the time and in the light of the
7 circumstances under which it is made, is false or misleading with respect to any material fact, or
8 which omits to state any material fact necessary in order to make the statements therein not false
9 or misleading.” 17 C.F.R. §240.14a-9.

10 85. In each of Ring’s Annual Proxy Statements filed with the SEC from 2014 through
11 2018, for the reporting periods of the years 2013 through 2017, the Company’s Summary
12 Compensation Tables and Director Compensation Tables are materially misleading, do not appear
13 to accurately reflect the annual compensation paid to Hoffman and Fowler, and do not appear to
14 correctly attribute what components of compensation are earned in their respective capacities as
15 executives and/or directors.

16 86. Moreover, the “Total” compensation contained in each Proxy Statement filed with
17 the SEC from 2014 through 2018 is incorrect, inaccurately disclosing in each of those five Proxy
18 Statements the “Fees Earned or Paid in Cash” to both Hoffman and Fowler, respectively, and, in
19 the 2018 Proxy Statement, inaccurately (under)reporting of compensation of \$12,000 for each of
20 Rochford, McCabe, Petrelli, and Woodrum.

21 87. Thus, Ring’s Proxy Statements violated Section 14(a) of the Exchange Act and
22 Rule 14a-9 by omitting material facts regarding the compensation paid to Hoffman and Fowler.

23 88. The omissions of this material information rendered the Proxy Statements filed
24 2014, 2015, 2016, 2017, and 2018 materially false and misleading.

25 89. In the exercise of reasonable care, all Director Defendants and particularly the past
26 and present members of the Audit Committee, should have known that the statements made in the
27 Proxy Statements filed in 2014, 2015, 2016, 2017, and 2018 were materially false and misleading
28 and/or that they omitted material information.

1 90. The Company was damaged as a result of the Director Defendants' material
2 misrepresentations and omissions in the Proxy Statements filed in 2014, 2015, 2016, 2017, and
3 2018.

4 91. The Director Defendants must correct the Proxy Statements filed in years 2014,
5 2015, 2016, 2017, and 2018, so as to adequately and correctly disclose the amount of the
6 compensation received.

7 **PRAYER FOR RELIEF**

8 WHEREFORE, Plaintiff, on behalf of Ring, demands judgment as follows:

9 A. Against all of the Director Defendants and in favor of the Company for the amount
10 of damages sustained by the Company as a result of the Director Defendants' breaches of fiduciary
11 duties, unjust enrichment, waste of corporate assets, and violations of Section 14(a) of the
12 Exchange Act;

13 B. Directing the Board to take all necessary actions to reform and improve its
14 corporate governance, internal procedures, and public disclosures to comply with applicable laws
15 and to protect Ring and its shareholders from a repeat of the damaging events described herein. In
16 particular, the Board must incorporate a compensation program appropriate for an energy microcap
17 corporation including meaningful limitations on the compensation it may award itself and present
18 such program and changes to the shareholders for a vote;

19 C. Directing the Board to correct Proxy Statements filed in years 2014, 2015, 2016,
20 2017, and 2018, so as to adequately and correctly disclose the amount of the compensation
21 received by Hoffman and Fowler.

22 D. Extraordinary equitable and injunctive relief as permitted by law, equity, and state
23 statutory provisions sued hereunder, including attaching, impounding, imposing a constructive
24 trust on, or otherwise restricting the proceeds of defendants' trading activities or their other assets
25 so as to assure that Plaintiff on behalf of Ring has an effective remedy;

26 E. Awarding to Ring restitution from Director Defendants, and each of them, and
27 ordering disgorgement of all profits, benefits, and other compensation obtained by the Director
28 Defendants;

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F. Awarding to Plaintiff the costs and disbursements of the action, including reasonable attorneys' fees, accountants' and experts' fees, costs, and expenses; and

G. Granting such other and further relief as the Court deems just and proper.

Dated: April 24, 2020

THE O'MARA LAW FIRM

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**UNITED STATES DISTRICT COURT
DISTRICT OF NEVADA**

JOHN SOLAK, derivatively on behalf of RING ENERGY, INC.,

Plaintiff,

LLOYD T. ROCHFORD, KELLY HOFFMAN, DAVID A. FOWLER, STANLEY M. MCCABE, ANTHONY B. PETRELLI, REGINA ROESENER and CLAYTON E. WOODRUM,

Defendants,

-and-

RING ENERGY, INC., a Nevada Corporation,

Nominal Defendant.

No.: 3:19-cv-00410-MMD-WGC

**SHAREHOLDER
VERIFICATION**

I, JOHN SOLAK, do hereby verify, under penalty of perjury, as follows:

1. My name is John Solak and I make this Verification in connection with the filing of an Amended Verified Stockholder Derivative Complaint for Breach of Fiduciary Duty, Waste of Corporate Assets, Unjust Enrichment, and violations of Section 14(a) of the Securities Exchange Act of 1934, as amended (the “Amended Complaint”) in the above-captioned action.

2. I currently hold shares of Ring Energy, Inc., and have held such shares continuously during the time of the wrongs alleged in the Amended Complaint.

3. I reviewed and authorize the filing of the Amended Complaint against the defendants in this action and I am familiar with the allegations therein.

4. In addition, the allegations in the Amended Complaint as to me and my own actions are true and correct, and, upon information and belief, all other allegations therein are true and correct.

5. Neither I nor anyone else affiliated with me has received, been promised or offered, and will not accept any form of compensation, directly or indirectly, for prosecuting or serving as a representative party in this action except for: (i) such damages or other relief as the Court may

1 award me as a member of the Class; (ii) such fees, costs or other payments as the Court expressly
2 approves to be paid to me or on my behalf; or (iii) reimbursement, paid by my attorneys, of actual
3 and reasonable out-of-pocket expenses incurred by me directly in connection with prosecution of
4 this action.

5 I make this Verification under penalty of perjury that the foregoing is true and correct.

6
7 Executed this 24 day of April, 2020.

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11 JOHN SOLAK

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CERTIFICATE OF SERVICE

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I hereby certify that I am an employee of The O’Mara Law Firm, P.C., 311 E. Liberty Street, Reno, Nevada 89501, and on this date I served a true and correct copy of the foregoing document on all parties to this action electronically through the Court’s ECF system.

DATED: April 29, 2020.

/s/ Valerie Weis
VALERIE WEIS