

**UNITED STATES OF AMERICA**  
**Before the**  
**SECURITIES AND EXCHANGE COMMISSION**

**SECURITIES ACT OF 1933**  
**Release No. 10857 / September 28, 2020**

**SECURITIES EXCHANGE ACT OF 1934**  
**Release No. 90028 / September 28, 2020**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-20089**

**In the Matter of**

**Scott Eugene Bachman,**

**Respondent.**

**ORDER INSTITUTING ADMINISTRATIVE  
AND CEASE-AND-DESIST PROCEEDINGS  
PURSUANT TO SECTION 8A OF THE  
SECURITIES ACT OF 1933 AND SECTIONS  
15(b) AND 21C OF THE SECURITIES  
EXCHANGE ACT OF 1934, MAKING  
FINDINGS, AND IMPOSING REMEDIAL  
SANCTIONS AND A CEASE-AND-DESIST  
ORDER**

**I.**

The Securities and Exchange Commission (“Commission”) deems it appropriate that administrative and cease-and-desist proceedings be, and hereby are, instituted pursuant to Section 8A of the Securities Act of 1933 (“Securities Act”), and Sections 15(b) and 21C of the Securities Exchange Act of 1934 (“Exchange Act”), against Scott Eugene Bachman (“Bachman” or “Respondent”).

**II.**

In anticipation of the institution of these proceedings, Bachman has submitted an Offer of Settlement (the “Offer”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over him and the subject matter of these proceedings, which are admitted, and except as provided herein in Section V, Bachman consents to the entry of this Order Instituting Administrative and Cease-and-Desist Proceedings Pursuant to Section 8A of the Securities Act of 1933, and Sections 15(b) and 21C of the Securities Exchange Act of 1934, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order (“Order”), as set forth below.

### III.

On the basis of this Order and Bachman's Offer, the Commission finds<sup>1</sup> that:

#### Summary

1. This matter concerns Bachman's violations of the broker-dealer and securities registration provisions of the federal securities laws in connection with the sale of securities related to an oil and gas drilling project known as "Woodland-OP1 Oddfellows A-1" (the "Oddfellows Project").

2. Since July 17, 2017, Bachman has been a principal and served as the co-manager of Crudefunders, LLC, which previously operated an online equity crowdfunding portal. Crudefunders has never been registered in any capacity with the Commission. Between August 2017 and December 2017, Bachman directed Crudefunders' Director of Client Relations to distribute promotional materials to potential investors concerning the Oddfellows Project, and to offer and sell securities, in the form of "membership units" of an LLC, through phone calls and e-mails.

3. Bachman directed the use of investor funds in connection with the Oddfellows Project, and, at Bachman's direction, Crudefunders received transaction-based compensation for its sales of securities. However, Bachman was not registered with the Commission as a broker-dealer or associated with a registered broker-dealer. In addition, these securities were not registered and did not qualify for any exemption from registration. Therefore, Bachman violated Section 15(a)(1) of the Exchange Act and Sections 5(a) and 5(c) of the Securities Act.

#### Respondent

4. **Scott Eugene Bachman**, age 67, resides in Dallas, Texas. Bachman has been a principal owner and co-manager of Crudefunders, LLC since July 17, 2017. Bachman has never held any securities licenses, has never been registered with the Commission in any capacity, and has never been associated with a registered broker-dealer.

#### Other Relevant Entities

5. **Crudefunders, LLC** is a privately owned Texas-based limited liability company that was incorporated in Texas on July 17, 2014. From early 2015 until early 2019, Crudefunders operated a website ([www.crudefunders.com](http://www.crudefunders.com)) through which it collected information about potential investors and sold securities related to oil-drilling projects. Since July 17, 2017, it has been primarily owned and co-managed by Bachman. Crudefunders has never been registered with

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<sup>1</sup> The findings herein are made pursuant to Respondent's Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.

the Commission in any capacity. Crudefunders ceased its operations and terminated Crudefunders.com in or around early 2019.

6. **CF0007, LLC** is a Texas limited liability company that was established on September 7, 2017, as an investment vehicle for the Oddfellows Project. CF0007 was formed at Bachman's direction and made payments at Bachman's request, but Bachman was never officially named as one of its managing partners. CF0007 held a working interest in the oil well that was the subject of the Oddfellows Project. Individuals who invested in the project through Crudefunders received "membership units" in CF0007, and were thereby entitled to receive a receive a pro rata share of the project's revenues.

### **Facts**

7. On July 27, 2017, under Bachman's direction, Crudefunders formed an agreement with an oil and gas exploration company to raise approximately \$645,000 from investors to drill, test, and complete an oil well on a lease located in Seminole County, Oklahoma, which came to be referred to as "Woodland OP1 Oddfellows A-1" (the "Oddfellows Project").

8. On August 27, 2017, Bachman directed Crudefunders' Director of Client Relations to distribute an electronic offering materials promoting the Oddfellows Project as an investment opportunity to a list of numerous potential investors whose information Crudefunders had obtained through marketing events and its web site. The offering materials stated that the project would consist of drilling, testing, and completing an oil well on a newly opened oil lease "surrounded by producing wells." The materials contained an economic forecast predicting that the project would result in a 562% return for investors over the lifetime of the project.

9. On September 5, 2017, Bachman directed a Crudefunders associate to form CF0007, which acted as the issuer for a portion of the Oddfellows Project. Investors in the Oddfellows Project received securities in the form of membership units in CF0007 proportional to the amount of their investment.

10. Between August and September 2017, Bachman actively communicated with representatives of a registered broker-dealer about the Oddfellows Project. During this time, the CEO of the registered broker-dealer expressed concerns about using the offering materials that had been distributed by Crudefunders to solicit investors. The registered broker-dealer subsequently informed Bachman that it would not approve of or become involved with the Oddfellows Project. Bachman, however, continued to oversee Crudefunders' efforts to carry out the offering.

11. From August 27 through December 4, 2017, Crudefunders' Director of Client Relations, at Bachman's direction, made cold calls and e-mails soliciting potential investors for the Oddfellows Project. Crudefunders ultimately raised \$637,000 from twenty-four investors.

12. On October 24, 2017, in order to make up for a fundraising shortfall, Bachman directed a Crudefunders associate to transfer \$70,000 that had been submitted by investors for a separate Crudefunders securities offering to the Oddfellows Project. These funds had been

submitted by sixty-two investors, most of whom were unaccredited. These investors were not informed until after the transfer that their funds had been redirected to the Oddfellows Project.

13. Bachman exercised control over the funds submitted by investors for the Oddfellows Project and directed a Crudefunders associate, who was named as the managing partner of CF0007, to make payments from these funds for commissions, and for drilling, testing, and well-completion expenses related to the project. In addition, Bachman directed Crudefunders' Director of Client Relations to distribute a document containing estimated returns and other investment advice regarding the project to potential investors.

14. During this period of time, neither Bachman nor Crudefunders' Director of Client Relations were registered as a broker-dealer or associated with a registered broker-dealer.

15. Neither Bachman nor anyone else at Crudefunders requested documentation from investors to verify their income or took other reasonable steps to verify that individuals who invested in the Oddfellows Project qualified as accredited investors. The cold calls and e-mails sent to investors constituted an offer of securities by general solicitation. The securities sold in connection with the Oddfellows Project were not registered with the SEC and did not qualify for any exemption from registration. Moreover, because of his role in directing the solicitation of investors as well as his management of investor funds, including directing the payment of commissions, Bachman was a substantial and necessary participant in the sales of securities in connection with the Oddfellows Project.

### **Violations**

16. As a result of the conduct described above, Bachman willfully violated:

a. Section 15(a)(1) of the Exchange Act, which provides that, absent an exception or exemption, it is unlawful for any broker or dealer "to make use of the mails or any means or instrumentality of interstate commerce to effect any transactions in, or to induce or attempt to induce the purchase or sale, of any security . . . unless such broker or dealer is registered in accordance" with Section 15(b) of the Exchange Act.

b. Section 5(a) of the Securities Act, which prohibits the sale of securities through interstate commerce or the mails unless a registration statement is in effect, and Section 5(c) of the Securities Act, which prohibits any offer to sell any security through interstate commerce or the mails unless a registration statement has been filed as to such security with the Commission.

### **IV.**

In view of the foregoing, the Commission deems it appropriate to impose the sanctions agreed to in Bachman's Offer.

Accordingly, it is hereby ORDERED that:

A. Pursuant to Section 8A of the Exchange Act and Section 21C of the Exchange Act, Bachman cease and desist from committing or causing any violations and any future violations of Section 15(a)(1) of the Exchange Act or Sections 5(a) or 5(c) of the Securities Act.

B. Pursuant to Section 15(b)(6), Bachman be, and hereby is, barred from association with any broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization, or from participating in an offering of penny stock.

C. Bachman shall, within 14 days of the entry of this Order, pay a civil money penalty in the amount of \$8,824 to the Securities and Exchange Commission. If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. § 3717.

D. Payment must be made in one of the following ways:

- (1) Respondent may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;
- (2) Respondent may make direct payment from a bank account via Pay.gov through the SEC website at <http://www.sec.gov/about/offices/ofm.htm>; or
- (3) Respondent may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:  
Enterprise Services Center  
Accounts Receivable Branch  
HQ Bldg., Room 181, AMZ-341  
6500 South MacArthur Boulevard  
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying Scott Eugene Bachman as a respondent in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to Anita Bandy, Associate Director, Division of Enforcement, Securities and Exchange Commission, 100 F St., NE, Washington, DC 20549.

E. Pursuant to Section 308(a) of the Sarbanes-Oxley Act of 2002, as amended, a Fair Fund is created for the penalty referenced in Paragraph C above to be distributed to the investors harmed by the conduct described herein. Amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Respondent agrees that in any Related Investor Action, he shall not argue that he is entitled to, nor shall he benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Respondent's payment of a civil penalty in this action ("Penalty Offset"). If the court in any

Related Investor Action grants such a Penalty Offset, Respondent agrees that he shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the Securities and Exchange Commission. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this proceeding. For purposes of this paragraph, a "Related Investor Action" means a private damages action brought against Respondent by or on behalf of one or more investors based on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding.

V.

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

By the Commission.

Vanessa A. Countryman  
Secretary