

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 84794 / December 11, 2018

INVESTMENT COMPANY ACT OF 1940
Release No. 33322 / December 11, 2018

ADMINISTRATIVE PROCEEDING
File No. 3-18098

In the Matter of

ALFRED C. TERAN,

Respondent.

**ORDER MAKING FINDINGS AND
IMPOSING REMEDIAL SANCTIONS AND
A CEASE-AND-DESIST ORDER
PURSUANT TO SECTIONS 15(b) AND 21C
OF THE SECURITIES EXCHANGE ACT
OF 1934 AND SECTION 9(b) OF THE
INVESTMENT COMPANY ACT OF 1940
AS TO ALFRED C. TERAN AND
ORDERING ADDITIONAL
PROCEEDINGS**

I.

On August 3, 2017, the Securities and Exchange Commission (“Commission”) issued an Order Instituting Administrative and Cease-and-Desist Proceedings pursuant to Sections 15(b) and 21C of the Securities Exchange Act of 1934 (“Exchange Act”) and Section 9(b) of the Investment Company Act of 1940 (“Investment Company Act”) and Notice of Hearing against Alfred C. Teran (“Respondent”) (Dkt #1).

II.

In connection with these proceedings, Respondent 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 VII, the Respondent consents to the entry of this Order Making Findings and Imposing Remedial Sanctions and a Cease-and-Desist Order Pursuant to Sections 15(b) and 21C of the Securities Exchange Act of 1934 and Section 9(b) of the Investment Company Act of 1940 as to Alfred C. Teran and Ordering Additional Proceedings (“Order”) as set forth below:

III.

On the basis of this Order and the Respondent's Offer, the Commission finds¹ that:

SUMMARY

1. Between 2011 and 2015, the Respondent willfully violated Section 15(a) of the Exchange Act by selling or participating in the offer and sale of securities to hundreds of investors across the country in connection with unregistered offerings organized by Christopher A. Faulkner.²

2. The Respondent provided substantive details about the offerings to prospective investors, including details on prospective returns. In exchange for his sales activities, the Respondent received a fixed salary in addition to undisclosed transaction-based compensation. The Respondent was not registered with the Commission as a broker or associated with a registered broker-dealer during this time.

RESPONDENT

3. Alfred C. Teran, age 63, is a resident of Frisco, Texas. Teran worked as a salesperson in an investor relations role for Breitling Royalties Corporation ("BRC"), Crude Royalties ("CR"), and Patriot Royalties ("PR") selling undivided oil-and-gas interests as part of unregistered offerings. Teran is not registered with the Commission in any capacity and does not have any disciplinary history.

OTHER RELEVANT PERSON AND ENTITIES

4. Christopher A. Faulkner, age 40, is a resident of Los Angeles, California. Faulkner is the co-founder of Breitling Oil and Gas ("BOG") and BRC and served as President of those entities until December 2013. Faulkner is currently the President, CEO, and Chairman of the Board of Breitling Energy Corporation ("BECC"). He also directed the operations of Crude Energy, LLC ("Crude"), CR, Patriot Energy, Inc. ("Patriot") and PR.

5. BRC is a corporation organized in Texas. Faulkner started the company with Parker Hallam ("Hallam") and Dustin Michael Miller Rodriguez ("Miller") in 2010, and controlled its operations thereafter. BRC's principal place of business was in Dallas, Texas, until December 9, 2013, when it became part of the transaction that created BECC. BRC is not registered with the Commission in any capacity.

6. CR is a limited liability company organized in Texas with its principal place of business in Dallas, Texas. Crude served as BECC's royalty-interest sales arm from late 2013 through April 2015. CR has since ceased operations. CR is not registered with the Commission in any capacity.

¹ 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.

² The Commission filed an action in United States District Court for the Northern District of Texas against Faulkner, seven additional individuals, and four entities for their roles in an \$80 million offering fraud ("Faulkner Scheme Litigation"). In the Faulkner Scheme Litigation, the Commission alleged violations of, among other things, the antifraud provisions of the federal securities laws. *SEC v. Faulkner, et. al*, Civil Action No. 3:16-cv-01735-D)(N.D. Tex. June 24, 2016). The Respondent is not a named defendant in the Faulkner Scheme Litigation.

7. Patriot Energy, Inc. (“Patriot”) is a corporation organized in North Dakota with its principal place of business in Dallas, Texas. Patriot served as BECC’s working-interest sales arm until June 2016. Patriot also sold royalties under the name of PR. Patriot has since ceased operations. Patriot is not registered with the Commission in any capacity.

RESPONDENT’S UNREGISTERED OFFER AND SALE OF SECURITIES

8. Between 2011 and 2015, the Respondent sold royalty-interest securities in unregistered oil-and-gas offerings for BRC, CR, and PR (collectively the “Royalty Interest Entities”). The Respondent was regularly and intimately involved at key points in the chain of distribution for the Royalty Interest Entities.

9. The Respondent was the first line of the sales process for the Royalty Interest Entities. Respondent cold-called prospective investors across the country using lead-list information purchased from a third party and handled customer calls in response to advertisements made on websites for Royalty Interest Entities.

10. After making contact, the Respondent initiated the sales process by providing substantive details on the relevant offerings, including the size of the offering, the location of the proposed wells, and projected performance of the wells and the investment. The Respondent also offered details on how prospective investors could obtain tax advantages under Section 1031 of the Internal Revenue Code by investing in royalty interests associated with the various offerings by Royalty Interest Entities. The Respondent regularly answered questions about the offerings, either on the telephone or by email, and was instrumental in convincing prospective investors to invest in the offerings.

11. In exchange for performing these sales-related duties, the Respondent received a fixed salary of \$800 payable every two weeks, equivalent to \$20,800 per year. In addition to this fixed salary, the Respondent received transaction-based compensation (i.e., commissions). The Respondent’s primary source of income from the Royalty Interest Entities was from these commissions.

12. After selling a royalty interest, the Respondent received a specific percentage of every dollar ultimately invested (typically 10%). Instead of receiving these payments personally, however, the Respondent received his commission payments through a company he owned and controlled.

13. Respondent was not registered with the Commission as a broker or associated with a registered broker-dealer during this time.

VIOLATIONS

14. As a result of the conduct described above, the Respondent willfully violated Section 15(a) of the Exchange Act, which makes it unlawful for any broker or dealer 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 or associated with a registered broker-dealer.

UNDERTAKINGS

The Respondent undertakes the following: In connection with this proceeding and any related judicial or administrative proceeding or investigation commenced by the Commission or to which the Commission is a party, the Respondent: (i) will appear and be interviewed by Commission staff at such times and places as the staff requests upon reasonable notice; (ii) will accept service (either personally or through counsel) by mail or facsimile transmission of notices or subpoenas issued by the Commission for documents or testimony at depositions, hearings, or trials, or in connection with any related investigation by Commission staff; and (iii) consents to personal jurisdiction in any United States District Court for purposes of enforcing any such subpoena. In determining whether to accept the Offer, the Commission has considered these undertakings.

IV.

Pursuant to the Order, the Respondent agrees to additional proceedings in this proceeding to determine, pursuant to Sections 21B(e) and 21C(e) of the Exchange Act, what, if any, disgorgement and prejudgment interest the Respondent should be ordered to pay.

In connection with such additional proceedings: (a) the Respondent agrees that he will be precluded from arguing that he did not violate the federal securities laws described in this Order; (b) the Respondent agrees that he may not challenge the validity of this Order; (c) solely for the purposes of such additional proceedings, the findings of the Order shall be accepted as and deemed true by the hearing officer; and (d) the hearing officer may determine the issues raised in the additional proceedings on the basis of affidavits, declarations, excerpts of sworn deposition or investigative testimony, documentary evidence, and, if the hearing officer determines it necessary, hearing testimony.

V.

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanctions agreed to in Respondent Teran's Offer.

Accordingly, pursuant to Sections 15(b) and 21C of the Exchange Act and Section 9(b) of the Investment Company Act, it is hereby ORDERED that:

A. The Respondent shall cease and desist from committing or causing any violations and any future violations of Section 15(a) of the Exchange Act.

B. The Respondent 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; and

prohibited from serving or acting as an employee, officer, director, member of an advisory board, investment adviser or depositor of, or principal underwriter for, a registered investment company or affiliated person of such investment adviser, depositor, or principal underwriter.

C. Any reapplication for association by the Respondent will be subject to the applicable laws and regulations governing the reentry process, and reentry may be conditioned upon a number of factors, including, but not limited to, the satisfaction of any or all of the following: (a) any disgorgement ordered against the Respondent, whether or not the Commission has fully or partially waived payment of such disgorgement; (b) any arbitration award related to the conduct that served as the basis for the Commission order; (c) any self-regulatory organization arbitration award to a customer, whether or not related to the conduct that served as the basis for the Commission order; and (d) any restitution order by a self-regulatory organization, whether or not related to the conduct that served as the basis for the Commission order.

D. The Respondent shall pay a civil monetary penalty in the amount of \$50,000 as directed below. Payment shall be made in the following installments: (1) \$12,500.00 within 90 days of the entry of this Order; (2) \$12,500.00 within 180 days of the entry of this Order; (3) \$12,500.00 within 270 days of the entry of this Order; and (4) \$12,500.00 within 360 days of the entry of this Order. If any payment is not made by the date the payment is required, the entire outstanding balance of the civil penalty, plus any additional interest pursuant to 31 U.S.C. § 3717, shall be due and payable immediately, without further application.

E. Each Payment shall be made to Thomas L. Taylor, the court-appointed receiver for the estates of defendants Christopher A. Faulkner, Breitling Oil & Gas Corporation and Breitling Energy Corporation in *SEC v. Christopher A. Faulkner, et al.*, Civ. Act. No. 3:16-1735-D (N.D. Tex.) (the “Receiver”) in accordance with the following instructions:

Payment must be: (A) made by United States postal money order, certified check, bank cashier’s check or bank money order; (B) made payable to “Receiver’s Account, Estate of C. Faulkner, et al.”; (C) hand-delivered or mailed to Thomas L. Taylor, The Taylor Law Offices, P.C., 245 West 18th Street, Houston, TX 77008; and (D) submitted under cover letter that identifies the Respondent submitting the payment, the file number of these proceedings, and *SEC v. Christopher A. Faulkner, et al.*, Civ. Act. No. 3:16-1735-D (N.D. Tex.), a copy of which cover letter and money order or check must be sent to Jessica B. Magee, Division of Enforcement, Securities and Exchange Commission, 801 Cherry Street, Suite 1900, Fort Worth, TX 76102.

F. 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 D above. The Fair Fund will be distributed by the Receiver in accordance with a plan to be approved by the court in *SEC v. Christopher A. Faulkner, et al.*, Civ. Act. No. 3:16-1735-D (N.D. Tex.). In connection with the continuing administrative proceeding described in Section IV above, the hearing officer shall order payment or transfer of any funds ordered and collected to the Fair Fund, or as otherwise appropriate based on the facts and circumstances at that time. 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, the 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 his payment of a civil penalty in this action (“Penalty Offset”). If the court in any Related Investor Action grants the Respondent such a Penalty Offset, the 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 the 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.

VI.

IT IS FURTHER ORDERED that the Administrative Law Judge shall designate the manner and method of taking evidence on the questions set forth in Section IV above as provided by Rule 111 of the Commission’s Rules of Practice, 17 C.F.R. § 201.111.

IT IS FURTHER ORDERED that, pursuant to Rule 360(a)(2) of the Commission’s Rules of Practice, 17 C.F.R. § 201.360(a)(2), the Administrative Law Judge shall issue an initial decision no later than 120 days from the occurrence of one of the following events: (A) The completion of post-hearing briefing in a proceeding where the hearing has been completed; (B) Where the hearing officer has determined that no hearing is necessary, upon completion of briefing on a motion pursuant to Rule 250 of the Commission’s Rules of Practice, 17 C.F.R. § 201.250; or (C) The determination by the hearing officer that a party is deemed to be in default under Rule 155 of the Commission’s Rules of Practice, 17 C.F.R. § 201.155 and no hearing is necessary.

If Respondent fails to respond to any motion by the Division concerning the issues set forth in Section IV above or, if ordered by the Administrative Law Judge, otherwise fails to appear at a hearing, Respondent may be deemed in default and the allegations against him in this Order may be deemed as true as provided by Rules 155(a), 221(f) and 310 of the Commission’s Rules of Practice, 17 C.F.R. §§ 201.155(a), 201.221(f) and 201.310.

In the absence of an appropriate waiver, no officer or employee of the Commission engaged in the performance of investigative or prosecuting functions in this or any factually related proceeding will be permitted to participate or advise in the decision of this matter, except as witness or counsel in proceedings held pursuant to notice. Since this proceeding is not “rule making” within the meaning of Section 551 of the Administrative Procedure Act, it is not deemed subject to the provisions of Section 553 delaying the effective date of any final Commission action.

VII.

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.

Brent J. Fields
Secretary