

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

**SECURITIES EXCHANGE ACT OF 1934**  
**Release No. 86886 / September 5, 2019**

**INVESTMENT COMPANY ACT OF 1940**  
**Release No. 33617 / September 5, 2019**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-18098**

**In the Matter of**

**ALFRED C. TERAN,**

**Respondent.**

**ORDER MAKING FINDINGS AND  
IMPOSING DISGORGEMENT AND  
PREJUDGMENT INTEREST  
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**

**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 and Section 9(b) of the Investment Company Act of 1940 and Notice of Hearing against Respondent Alfred C. Teran (the “OIP”). On December 11, 2018, the Commission issued an 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.

**II.**

In connection with these proceedings, Respondent Alfred C. Teran (“Respondent” or “Teran”) 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 VI, the Respondent consents to the entry of this Order Making Findings and Imposing Disgorgement and Prejudgment Interest 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 (the “Order”) as set forth below:<sup>1</sup>

### **III.**

On the basis of this Order and Respondent’s Offer, the Commission finds<sup>2</sup> that:

#### **Summary**

1. These proceedings arise out of allegations in the OIP that, between 2011 and 2015, Teran violated Exchange Act Section 15(a) by effecting transactions in oil-and-gas securities as a broker while not registered as a broker or associated with a registered broker-dealer.

2. On December 11, 2018, the Commission entered an order by consent (the “Consent Order”) in this proceeding as to Teran. The Consent Order imposed certain sanctions against Teran, but ordered additional proceedings to determine what, if any, disgorgement, and prejudgment interest, he should be ordered to pay. The instant Order resolves disgorgement and prejudgment interest as to Teran.

#### **Respondent**

3. Teran, age 66, is a resident of Frisco, Texas. He 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 has never been registered with the Commission in any capacity.

#### **Other Relevant Person and Entities**

4. Christopher A. Faulkner, age 42, 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.<sup>3</sup> Faulkner was 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

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<sup>1</sup> The Securities Exchange Act of 1934 is herein referred to as the “Exchange Act.”

<sup>2</sup> The findings herein are made pursuant to the Respondent’s Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.

<sup>3</sup> 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.

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. CR 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.

7. 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.

### **Previous Findings in These Proceedings**

8. On December 11, 2018, the Commission entered an order as to Teran by consent (the "Consent Order") in this proceeding. In the Consent Order, the Commission accepted an offer of settlement by Teran. The Consent Order contained findings in Section III at paragraphs 8-13 as follows:

- a. 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.
- b. 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.
- c. 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.
- d. 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.

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

9. The Consent Order contained findings that the Respondent willfully violated Section 15(a) of the Exchange Act. The Consent Order imposed industry and associational bars against the Respondent, imposed certain prohibitions on him concerning investment companies, and ordered him to pay a civil monetary penalty of \$50,000 to Thomas L. Taylor, the court-appointed receiver for the estates of defendants Christopher A. Faulkner, BOG, and BECC in *SEC v. Christopher A. Faulkner, et al.*, Civ. Act. No. 3:16-1735- D (N.D. Tex.) (the "Receiver"). The Consent Order created a Fair Fund Pursuant to Section 308(a) of the Sarbanes-Oxley Act of 2002, as amended, for the penalty referenced above to 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.). The Consent Order also ordered additional proceedings 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.

#### **Teran's Transaction-Based Compensation**

Between August 3, 2012, and October 21, 2015, Teran received transaction-based compensation, referred to in the findings of the Consent Order, totaling \$920,103.16.

#### **IV.**

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose an order requiring disgorgement and prejudgment interest pursuant to Sections 21B(e) and 21C(e) of the Exchange Act as agreed to in Teran's Offer:

A. Respondent shall pay disgorgement of \$920,103.16 and prejudgment interest of \$153,246.59 as directed below. Payment shall be made in the following installments: (1) \$268,337.44 within 90 days of the entry of this Order; (2) \$268,337.44 within 180 days of the entry of this Order; (3) \$268,337.44 within 270 days of the entry of this Order; and (4) \$268,337.43 within 360 days of the entry of this Order. Payments shall be applied first to post-order interest, which accrues pursuant to SEC Rule of Practice 600. Prior to making the final payment set forth herein, Respondent shall contact the staff of the Commission for the amount due. If Respondent fails to make any payment by the date agreed and/or in the amount agreed according to the schedule set forth above, all outstanding payments under this Order, including post-order interest,

minus any payments made, shall become due and payable immediately at the discretion of the staff of the Commission without further application to the Commission.

B. Each Payment shall be made to 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 Eric R. Werner, Division of Enforcement, Securities and Exchange Commission, 801 Cherry Street, Suite 1900, Fort Worth, TX 76102.

C. In the event the Court discharges the Receiver before Respondent fully pays the amounts identified in this Order, then Respondent shall pay the outstanding balance, plus any accrued interest under law, to the Commission. 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 Alfred C. Teran 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 Eric R. Werner, Division of Enforcement, Securities and Exchange Commission, 801 Cherry Street, Suite 1900, Fort Worth, TX 76102.

**V.**

All payments identified in Section IV, above, shall become part of, and distributed under, the Fair Fund created in the previously entered Consent Order pursuant to Section 308(a) of the Sarbanes-Oxley Act of 2002.

**VI.**

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