

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES ACT OF 1933
Release No. 10847 / September 23, 2020

SECURITIES EXCHANGE ACT OF 1934
Release No. 89976 / September 23, 2020

ADMINISTRATIVE PROCEEDING
File No. 3-20051

In the Matter of

DANIEL C. MASTERS,

Respondent.

**ORDER INSTITUTING PUBLIC
ADMINISTRATIVE AND CEASE-AND-
DESIST PROCEEDINGS, PURSUANT TO
SECTION 8A OF THE SECURITIES ACT
OF 1933, SECTIONS 15(b), 4C AND 21C OF
THE SECURITIES EXCHANGE ACT OF
1934, AND RULE 102(e) OF THE
COMMISSION'S RULES OF PRACTICE,
MAKING FINDINGS, AND IMPOSING
REMEDIAL SANCTIONS AND A CEASE-
AND-DESIST ORDER**

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public 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), 4C¹ and 21C of the Securities Exchange Act of 1934 (“Exchange Act”), and Rule 102(e)(1)(iii)² of the Commission’s Rules of Practice against Daniel C. Masters (“Masters” or “Respondent”).

¹ Section 4C provides, in pertinent part, that:

The Commission may censure any person, or deny, temporarily or permanently, to any person the privilege of appearing or practicing before the Commission in any way, if that person is found . . . (3) to have willfully violated, or willfully aided and abetted the violation of, any provision of the securities laws or the rules and regulations thereunder.

² Rule 102(e)(1)(iii) provides, in pertinent part, that:

The Commission may . . . deny, temporarily or permanently, the privilege of appearing or practicing before it . . . to any person who is found...to have willfully violated, or willfully aided and abetted the violation of any provision of the Federal securities laws or

II.

In anticipation of the institution of these proceedings, Masters 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, Masters consents to the entry of this Order Instituting Public Administrative and Cease-and-Desist Proceedings, Pursuant to Section 8A of the Securities Act of 1933 and Sections 15(b), 4C and 21C of the Securities Exchange Act of 1934, and Rule 102(e) of the Commission’s Rules of Practice, 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 Masters’ Offer, the Commission finds³ that

Summary

1. In 2018, Masters, as bankruptcy counsel to Worthington Energy, Inc., (“Worthington Energy” or “the Company”) a Nevada shell corporation, drafted, signed and filed with the United States Bankruptcy Court for the Southern District of California (“the Bankruptcy Court”) a false and materially misleading *Disclosure Statement Describing Debtor’s Joint Plan of Reorganization* and *Debtor’s Joint Plan of Reorganization* as a Chapter 11 prepackaged Plan of Reorganization (the “Plan of Reorganization”). As detailed in the Plan of Reorganization, Worthington Energy would acquire a certain private company (the “Private Company”) and issue to Worthington Energy’s creditors new shares, exempt from registration, in the successor company (the “Successor Company”) as well as in nine additional shell companies that would be spun off from Worthington Energy’s dormant oil well assets. In reality, Worthington Energy didn’t have an agreement with the Private Company for its acquisition.

2. The Plan of Reorganization, drafted, signed and filed with the Bankruptcy Court by Masters, also included false and misleading representations as to the Private Company’s assets and the Successor Company’s sales projections.

3. These false and misleading representations were included in the Plan of Reorganization to entice Worthington Energy’s creditors to approve, and the Bankruptcy Court to confirm, the Plan of Reorganization. Confirmation by the Bankruptcy Court of the Plan of Reorganization would have resulted in the issuance of thousands of shares available for sale in the

the rules and regulations thereunder.

³ 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.

public marketplace, exempt from registration, in a publicly-traded shell corporation and in nine new shell companies primed to be sold and/or listed for trading. Masters stood to receive a fee of \$100,000, as well as additional compensation in the form of cash or stock.

Respondent

4. Masters, age 74, resides in San Diego, California. At all relevant times, he was an attorney licensed to practice in the State of California. Masters participated in an offering of Worthington Energy stock, which was a penny stock.

Relevant Entity

5. Worthington Energy was a Nevada shell corporation headquartered in Corte Madera, California. Worthington Energy's common stock was registered with the Commission pursuant to Section 12(g) of the Exchange Act and was quoted on OTC Link operated by OTC Markets Group ("OTC Link") prior to June 21, 2018 at which time the Commission suspended trading in the securities of the Company. Worthington Energy's common stock traded at a high of .0001 per share in 2018 and at all relevant times its common stock met the definition of a penny stock. On March 26, 2019, the Commission revoked the registration of Worthington Energy pursuant to Section 12(j) of the Exchange Act.

Facts

6. Masters conceived of, and structured, Worthington Energy's Plan of Reorganization.

7. Masters drafted a Form 8-K, issued by the Company and filed with the Commission on March 19, 2018, announcing that Worthington Energy would file for bankruptcy under Chapter 11 of the U.S. Bankruptcy Code and solicit approval of the issuer's creditors of a "prepackaged Plan of Reorganization".

8. Masters also drafted and signed, as counsel for Worthington Energy, the Plan of Reorganization, circulated the Plan of Reorganization to Worthington Energy's creditors, tabulated their votes and filed the Plan of Reorganization with the Bankruptcy Court.

9. The Plan of Reorganization stated that a reorganized Worthington Energy was to acquire the Private Company. Obligations to creditors were to be satisfied by a combination of cash and the issuance of stock in the Successor Company and in nine subsidiaries spun off from Worthington Energy's dormant oil well assets in exchange for the creditors' respective claims.

10. The Plan of Reorganization was materially false and misleading. First, contrary to representations in those documents, Worthington Energy did not have an agreement with the Private Company to acquire it.

11. Second, Masters falsified the assets of the Private Company and Successor Company in the Plan of Reorganization, falsely representing that the Private Company held almost

\$500,000 in assets that would be assets of the Successor Company. In reality, the Private Company had no more than \$10,000 in assets.

12. Third, Masters knew that the sales projections in the Plan of Reorganization were materially misleading because they were dependent on the Successor Company having at least \$500,000 in assets, which Masters knew the Successor Company would not actually have.

13. Masters made these false and materially misleading statements in the Plan of Reorganization to entice Worthington Energy's creditors to vote in favor of, and the Bankruptcy Court to confirm, the Plan of Reorganization.

14. The Plan of Reorganization was an unregistered offer of securities pursuant to the exemption from registration for securities issued to creditors in exchange for their claims contained in Section 1145 of the Bankruptcy Code. It was also in connection with the purchase or sale of securities because at the time the Plan of Reorganization was sent to Worthington Energy's creditors for approval, and subsequently filed with the Bankruptcy Court for confirmation, Worthington Energy was publicly traded.

Violations

15. As a result of the conduct described above, Masters willfully violated Sections 17(a)(1) and 17(a)(3) of the Securities Act and Section 10(b) of the Exchange Act and Rule 10b-5 thereunder which prohibit fraudulent conduct in the offer or sale of securities and in connection with the purchase or sale of securities.

Findings

16. Based on the foregoing, the Commission finds that Masters willfully violated Sections 17(a)(1) and 17(a)(3) of the Securities Act and Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

IV.

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

Accordingly, it is hereby ORDERED, effective immediately, that:

- A. Respondent Masters shall cease and desist from committing or causing any violations and any future violations of Section 17(a) of the Securities Act and Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.
- B. Respondent Masters shall be, and hereby is:
 - (1) prohibited from acting as an officer or director of any issuer that has a

class of securities registered pursuant to Section 12 of the Exchange Act, or that is required to file reports pursuant to Section 15(d) of that Act; and

- (2) barred from participating in any offering of a penny stock, including: acting as a promoter, finder, consultant, agent, or other person who engages in activities with a broker, dealer, or issuer for purposes of the issuance or trading of any penny stock, or inducing or attempting to induce the purchase or sale of any penny stock.

C. Respondent Masters is denied the privilege of appearing or practicing before the Commission as an attorney.

D Respondent Masters shall, within 14 days of the entry of this Order, pay a civil money penalty in the amount of \$50,000 to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury, subject to Exchange Act Section 21F(g)(3). If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. §3717.

Payment must be made in one of the following ways:

- (1) Masters may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;
- (2) Masters 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) Masters 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 Daniel C. Masters 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 Lara Shalov Mehraban, Associate Director, Division of Enforcement, Securities and Exchange Commission, Brookfield Place, 200 Vesey Street, Suite 400, New York, NY 10281-1100.

- E. 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, Masters 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 Masters' payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Masters 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 Masters 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 Masters, and further, any debt for disgorgement, prejudgment interest, civil penalty or other amounts due by Masters 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 Masters 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