

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
DEPARTMENT OF BUSINESS REGULATION
DIVISION OF SECURITIES
1511 PONTIAC AVENUE, BUILDING 69-1
CRANSTON, RHODE ISLAND 02920

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|-----------------------------------|---|-----------------|
| <u>IN THE MATTER OF:</u> | : | |
| | : | |
| LELAND ENERGY INC., | : | |
| LELAND KENTUCKY HOLDINGS, INC., | : | DBR No. 12SC045 |
| STEPHEN THOMPSON, PRESIDENT, | : | |
| AND KIRTAN KHALSA, REPRESENTATIVE | : | |
| INDIVIDUALLY, | : | |
| | : | |
| <u>RESPONDENTS</u> | : | |

CONSENT ORDER

The Director ("Director") of the Rhode Island Department of Business Regulation ("Department") enters into this Consent Order ("Order") pursuant to Section 602 of the Rhode Island Uniform Securities Act of 1990 ("RIUSA") specifically, and 7-11-101 *et seq.* of the Rhode Island General Laws, 1989, as amended, generally, with regard to the above-referenced Respondents. Respondents, in order to settle with the Department and to avoid protracted and costly proceedings, without admitting or denying the Findings or Violations set forth below and solely for the purposes of this Order, admits to the jurisdiction of the Department, and voluntarily consents to the entry of this Order. The Director has determined to resolve this matter, after instituting administrative proceedings, by entering this Order, making the findings set forth below, which Respondents neither admit nor deny, imposing sanctions and permanently barring Respondents from engaging in any activity in violation of the RIUSA as set forth below.

On the basis of this Order, the Director finds that:

A. FINDINGS

1. Leland Energy, Inc. (“Respondent Leland Energy”) is a business entity headquartered in the State of California and doing business in the State of Rhode Island.
2. Stephen Thompson (“Respondent Thompson”) is the President of Leland Energy, Inc.
3. Kirtan Khalsa (“Respondent Khalsa”) is an independent contractor of Leland Energy, Inc.
4. On March 16, 2012, the Rhode Island Department of Business Regulation, Securities Division, (the” Division”) received a complaint from one S.W. (the “Complainant”) an elderly citizen, age 75 years, who resides in Wakefield, Rhode Island.
5. The Complainant reported that in October 2009 a previously unknown person identifying himself as Kirtan “Kurt” Khalsa, representing Respondent Leland Energy, Inc., telephonically solicited the Complainant to invest in a Oil and Gas Partnership identified as the Asset Management Drilling Fund LLP, sponsored by Respondent Leland Energy, Inc.
6. Pursuant to the Complainant’s request, Respondent Thompson subsequently sent a package of material to the Complainant describing the Oil and Gas Partnership – Asset Management Fund LLP. This material was sent by Respondent Thompson via Federal Express to the Complainant’s residence in Wakefield, Rhode Island. Included with this material was a copy of the Certificate of Partnership Interest representing a 0.25 Partnership Unit, and the original Partnership Agreement.

Respondent Thompson notified the Complainant, in writing, that the original certificate has been sent to the Complainant's IRA custodian, First Regional Bank in San Diego, California, in accordance with Complainant's instructions.

7. On November 4, 2009, the Complainant wired \$12,500.00 from Merrill Lynch & Co to the custodian of the Complainant's IRA account, First Regional Bank, payable to the Asset Management Drilling Fund LLP.
8. At the time of the solicitation and sale to the Complainant the investment opportunity offered by Respondent Leland Energy Inc., in the form of a fractional undivided interest in an oil, gas or other mineral lease, were defined as a "*security*" under 7-11-101 (22) of the RIUSA.
9. At all times relevant to this matter, Respondent Khalsa, representing Leland Energy, Inc. was not licensed to transact securities business as a registered representative in this State in violation of § 7-11-201 of the RIUSA.
10. At all times relevant to this matter the securities offered by Leland Energy, Inc. were not, nor had they ever been, registered with the State of Rhode Island in accordance with § 7-11-301 of the RIUSA.
11. Registration records maintained by the Securities and Exchange Commission (the "Commission") on its EDGAR ("Electronic Data Gathering, Analysis and Retrieval") database failed to disclose any Regulation D Exempt Offerings on record the time of the solicitation and sale of the unregistered securities to the Complainant by Leland Energy, Inc.
12. The effecting of transactions in securities by persons not licensed to do so, through the offer to sell, or sell, unregistered securities, creates an immediate danger to the

public welfare in that it invites the public to place funds with an unregistered entity without the benefit of full disclosure directed by Section 501 of the RIUSA. Further, the person or persons involved appear not to have complied with the license and registration requirements of Sections 201 and 301 of the RIUSA, increasing the likelihood that non-accredited, non-sophisticated, investors will become victims of securities fraud schemes. Specifically, investors will not be adequately protected from illegal sales practices if unregistered securities are permitted to be sold outside of the regulatory scheme.

13. On April 5, 2012, without prior notice to Respondents, the Director of the Department issued an Emergency Order to Cease and Desist, Notice of Opportunity for Hearing; and Notice of Intent to Impose Civil Penalties under Sections 602 and 712. (“Emergency Order”).
14. Upon receipt of the Emergency Order, Respondents retained counsel and Respondents’ counsel requested a hearing on the Emergency Order on May 7, 2012.

B. VIOLATIONS

1. The Division restates the Findings set forth in Section A. paragraphs 1 through to and including 14, above.
2. Based on the Findings herein, the Respondents violated R.I. Gen. Laws § 7-11-201 by offering to sell or selling a security in the State of Rhode Island without benefit of registration or an exemption from registration.

3. Based on the Findings herein, the Respondents violated R.I. Gen. Laws § 7-11-201 by transacting securities business in the State of Rhode Island without the benefit of licensure or an exemption from licensure.
4. Based on the Findings herein, the Respondents violated R.I. Gen. Laws § 7-11-301 by offering to sell or selling an unregistered security in the State of Rhode Island.

C. SANCTIONS

1. Respondents shall immediately cease and desist from any further violations Sections 201, 301 and 501 of RIUSA.
2. Respondents' request for a Hearing is hereby withdrawn.
3. Respondents will, within thirty (30) business days of the date of this Consent Order, reimburse the affected consumer, S.W., the sum of Twelve Thousand Five Hundred Dollars (\$12,500.00), less the amounts actually returned by the Asset Management Drilling Fund, LLP and received by Complainant in the amount of One Thousand Six Hundred Sixty-Six Hundred Dollars and Fifty Cents (\$1,666.50), and provide evidence of that reimbursement to the Division.
4. Respondents shall pay the sum of Five Hundred Dollars (\$500.00) for administrative costs in this matter.
5. Respondents are permanently barred from engaging in any activity in the State of Rhode Island requiring licensing or registration unless it is in compliance with the RIUSA and the regulations promulgated thereunder.
6. This Order is entered solely for the purposes of resolving the matter referenced herein, and is not intended to be used for any other purpose. For any person or entity not a party to this Order, this Order does not create any private rights or

remedies against Respondents, create liability of Respondents, or limit or preclude any legal or factual positions or defenses of Respondents in response to any claims or actions. The Department agrees to take no action adverse to Respondents or its agents solely based on the same conduct addressed in this Order.

7. This Order is not intended by the Director to subject any person or entity to any disqualifications under the laws of the United States, any territories of the United States, any state, or the District of Columbia, including without limitation, any disqualification from relying upon the state or federal registration exemptions or safe harbor provisions.
8. This Order is not intended to disqualify Respondents or any of its affiliates or current or former employees from any business that they otherwise are qualified, licensed or permitted to perform under applicable federal laws and the applicable laws of any state.
9. Except in an action by the State of Rhode Island to enforce the obligations of Respondents in this Order, this Order may neither be deemed nor used as an admission of or evidence of any alleged fault, omission or liability of Respondents in any civil, criminal, arbitration, or administrative proceeding in any court, administrative agency or tribunal.
10. This Order is limited to the facts related to the Asset Management Drilling Fund LLP offering.
11. If Respondents fail to abide by any of the requirements of this Consent Order the Director may initiate further administrative proceedings and impose penalties against Respondents including such additional administrative penalties as deemed

appropriate by the Director, provided however, that this Order shall not be deemed to constrain, estop, or preclude Respondents in asserting any legal or factual position, response or defense at any time following the date of this Order. Respondents shall be provided with notice and opportunity of hearing should the Director deem to take such further action.

III. RECOMMENDATION AND ORDER

CONSENTED TO AS TO FORM AND SUBSTANCE BY:

For Respondents by:


Stephen Thompson, as President of
Leland Energy, Inc.

Date: December 7, 2012


Kirtan Khalsa, an individual

Date: December 7, 2012

RECOMMENDED BY:

For the Department by:

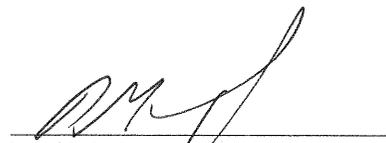

Neena Sinha Savage, Esq.
Chief of Legal Services
Date: ~~December~~ 10, 2012 MT
Jan.


Maria D'Alessandro, Esq.
Deputy Director, Securities
Date: December 17, 2012

ORDER

I hereby approve _____ reject the Consent Order as agreed to by and between the parties in the above entitled matter.

Order Number: 13-002


Paul McGreevy, Director

Date: 11 Jan 2013

THIS CONSENT ORDER CONSTITUTES A FINAL ORDER OF THE DEPARTMENT OF BUSINESS REGULATION PURSUANT TO RHODE ISLAND GENERAL LAWS TITLE 42, CHAPTER 35. AS SUCH, THIS ORDER MAY BE APPEALED TO THE SUPERIOR COURT SITTING IN THE COUNTY OF PROVIDENCE WITHIN THIRTY (30) DAYS OF THE DATE OF THIS DECISION. SUCH APPEAL, IF TAKEN, MAY BE COMPLETED BY FILING A PETITION FOR REVIEW OF SAID COURT. HOWEVER, RESPONDENT UNDERSTANDS THAT BY WAIVING ITS RIGHT TO A COMPLETE HEARING AND AGREEING TO THIS CONSENT ORDER, THE ABOVE RIGHTS ARE WAIVED AND IF ANY TERMS OF THIS CONSENT ORDER ARE VIOLATED, RESPONDENT'S LICENSE SHALL BE SUBJECT TO SUSPENSION OR REVOCATION.

CERTIFICATION

I hereby certify on this 11th day of January, 2013 that a copy of the within Order was sent by first class mail, postage prepaid to:

Joseph Tagliaferro, III
Tagliaferro & LoPresti, LLP
12100 Wilshire Boulevard, Suite 480
Los Angeles, CA 90025

And by electronic delivery to Maria L. D'Alessandro, Esq., Neena Sinha Savage, Esq., Dennis Murray, and William Hawkins



Carlene A. Jones