

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

IN THE MATTER OF	:	
	:	<u>EMERGENCY ORDER TO CEASE</u>
	:	<u>AND DESIST; NOTICE OF</u>
LELAND ENERGY, INC.	:	<u>OPPORTUNITY FOR HEARING;</u>
LELAND KENTUCKY HOLDINGS, INC.	:	<u>AND NOTICE OF INTENT TO</u>
STEPHEN THOMPSON, PRESIDENT	:	<u>IMPOSE CIVIL PENALTY UNDER</u>
AND KIRTAN KHALSA, REPRESENTATIVE	:	<u>SECTION 602 AND 712</u>
INDIVIDUALLY	:	
	:	
Respondents	:	
	:	

I.

Pursuant to Sections 602 and 712 of the Rhode Island Uniform Securities Act of 1990 (“RIUSA”), §7-11-101 *et seq.* of the Rhode Island General Laws, 1989, as amended (the “RIUSA”), the Director of the Rhode Island Department of Business Regulation (“Director”) issues this Emergency Order to Cease and Desist; Notice of Opportunity for a Hearing (“Notice”) and Notice of Intent to Impose Civil Penalty under Sections 602 and 712 with regard to the above referenced Respondents. This Order is effective upon issuance.

II.

The Director makes the following findings of fact and conclusions of law with respect to this order:

1. Upon information and belief 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. Upon information and belief, Stephen Thompson (“Respondent Thompson”) is the President of Leland Energy, Inc.
3. Upon information and belief, Kirtan Khalsa (“Respondent Khalsa”) is an employee 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 an Oil and Gas Partnership identified as the Asset Management Drilling Fund LLP, sponsored by Respondent Leland Energy, Inc.
6. 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 the U. S. Mails 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 First Regional Bank in San Diego, California.

7. On November 4, 2009, the Complainant wired \$12,500.00 from Merrill Lynch & Co to First Regional Bank payable to the Asset Management Drilling Fund LLP.
8. In October 2010 the Complainant received correspondence advising that as of January 2010 that First Regional Bank/Trust Administrative Services was closed by the California Department of Financial Institutions and the Federal Deposit Insurance Corporation (“FDIC”) was appointed as the receiver. In March 2010 Equity Trust acquired the accounts previously administered by Trust Administration services and the accounts were now held within Sterling Trust, an affiliated company.
9. In November 2011 the Complainant received written notification from Sterling Trust confirming custodian status and attempts to reach the Respondent and Asset Management Drilling Fund, LLP were unsuccessful and written requests to them were returned by the post office as undeliverable.
10. 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.
11. At all times relevant to this matter, Respondent Thompson, 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.
12. 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.

13. 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.
14. 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 at the time of the solicitation and sale of the unregistered securities to the Complainant by Leland Energy, Inc..
15. The effecting of transactions in securities by persons not licensed to do so, through the offer to sell, or sell, unregistered securities, and not disclosing relevant information thereto 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 and/or material misstatements or omissions if unregistered securities are permitted to be sold outside of the regulatory scheme.

COUNT I

VIOLATION OF § 7-11-201 BY OFFERING TO SELL OR SELL A SECURITY IN THIS STATE BY A PERSON WITHOUT BENEFIT OF REGISTRATION OR AN EXEMPTION FROM REGISTRATION

1. The Division herein restates the allegations and facts set forth in paragraphs one through fourteen.
2. R.I. Gen. Laws § 7-11-201 provides that no person may transact business in this state as a broker-dealer or sales representative unless licensed or exempt from licensing under this chapter.
3. Respondents unlawfully transacted securities business in the State of Rhode without the benefit of licensing in violation of the RIUSA.

COUNT II

VIOLATION OF § 7-11-301 BY OFFERING TO SELL OR SELL A SECURITY IN THIS STATE THAT IS NOT REGISTERED OR EXEMPT FROM REGISTRATION

4. The Division herein restates the allegations and facts set forth in paragraphs one through fourteen.
5. R.I. Gen. Laws § 7-11-301 provides that no person may offer to sell or sell a security in this state unless the security is registered or exempt from registration under this chapter.
6. Respondents unlawfully transacted business in the State of Rhode Island through the sale of an unregistered security, in violation of the RIUSA.

COUNT III

VIOLATION OF § 7-11-501 OMITTING TO STATE A MATERIAL FACT

7. The Division herein restates the allegations and facts set forth in paragraphs one through fourteen.

8. R.I. Gen. Laws § 7-11-501 (2) provides that in connection with the offer or sale of a security a person may not make an untrue statement or omit to state a material fact necessary in order to make the statement made, in light of the circumstances under which it was made, not misleading.
9. Respondents omitted material facts in the offer and sale of securities.

III.

Based upon the foregoing, the Director determines that the following action is necessary to prevent or avoid an immediate danger to the public welfare, that it is in the public interest, appropriate for the protection of investors and consistent with the purposes fairly intended by the policy and provisions of the RIUSA.

Accordingly, IT IS HEREBY ORDERED THAT:

- (1) Respondents and any person associated therewith shall immediately cease and desist from any further violation of Sections 201, 301, and 501 of the RIUSA.
- (2) Respondents and any person associated therewith shall retain and maintain all written and computer records regarding its business activities and the subject offers and sales until further order of the Director.

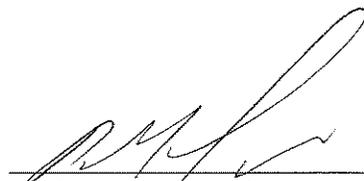
Therefore, unless the Director receives a written request for a hearing and answer to this Notice within thirty (30) days of the date of this Notice, the Director will regard Respondents as having been provided notice and an opportunity for hearing, and as having waived the right to a hearing, and the Order will become final. If the Director receives a request for a hearing within thirty (30) days of the date of this Notice, the Director shall set the matter for hearing no more than sixty (60) nor less than twenty (20) days from the receipt of the request for hearing and shall

promptly notify the parties of the time and place for hearing. If no hearing is requested and none is ordered by the Director, the Order becomes permanent on the thirtieth (30th) day after its entry and remains in effect unless or until modified or vacated by the Director.

Pursuant to § 7-11-602, if the Director reasonably believes that a violation of RIUSA has occurred, he may (after such further notice and hearing in an administrative proceeding unless the right to notice and hearing is waived by a person against whom the sanction is imposed), impose a civil penalty up to a maximum of ten thousand (\$10,000) for a single violation, in addition to any specific powers granted under R.I. Gen. Laws § 7-11-101 *et seq.*

Dated this 5th day of April, 2012

Order No. 12-017



Paul McGreevy, Director
Rhode Island Department of Business Regulation

THE DIRECTOR RESERVES THE RIGHT TO PUBLISH A NOTICE OF THIS ORDER IN A NEWSPAPER OF GENERAL CIRCULATION IN THE STATE OF RHODE ISLAND.

CERTIFICATION

I hereby certify on this 5th day of April, 2012 that a copy of the within Emergency Cease and Desist Order was mailed by certified mail and first class mail to Stephen Thompson, President, Leland Energy, Inc., 261 S. Robertson Blvd. Suite 200, Beverly Hill, CA 90211