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**BEFORE THE DIRECTOR OF THE DEPARTMENT OF FINANCE  
OF THE STATE OF IDAHO**

STATE OF IDAHO, DEPARTMENT OF  
FINANCE, SECURITIES BUREAU,

Complainant,

vs.

LELAND ENERGY, INC.,

Respondent.

Docket No. 2012-7-04 -B

**AGREEMENT AND ORDER**

The Director of the Department of Finance, State of Idaho (Director), has conducted a review of the securities activities of LELAND ENERGY, INC. (Respondent). Pursuant to that review, it appears to the Director that violations of Idaho's Uniform Securities Act (2004), Idaho Code § 30-14-101 *et seq.* (the Act), have occurred. The Director and Respondent have agreed to resolve this matter without the necessity of a public hearing or other adjudication of this matter. Therefore, the Director deems it appropriate and in the public interest to enter into this

Agreement and Order (“Order”). Without admitting or denying the allegations herein, Respondent voluntarily consents to the entry of this Order.

### **RESPONDENT**

1. Leland Energy, Inc. (“Respondent” or “Leland”) was formed as a Nevada corporation on June 7, 2001 and conducts a business that offers and sells oil and gas related investment interests from 261 S. Robertson Boulevard, Beverly Hills, California, and 3041 W Horizon Ridge #135, Henderson, Nevada. According to the Nevada Secretary of State website, Stephen M. Thompson is Leland’s, director, president, secretary, and treasurer. Respondent maintains a website, [www.lelandenergy.com](http://www.lelandenergy.com).

2. Other related parties, though not Respondents, were Respondent’s sales agents, known as Leland’s Senior Fund Executives, Michael Grossman, Kirtan Khalsa, Mario Pina, Eric Levenberg, David Kane, and Steven Baker. Respondent’s “affiliates” as used herein are Block Production Fund, LLP, Green County Energy Fund, LLP, Asset Management Drilling Fund, LLP, and Wattenburg Drilling Fund, LLP.

3. Respondent has been named in three (3) separate state securities orders since 2002, as follows:

a. On September 5, 2002, the State of Wisconsin, Division of Securities, Department of Financial Institutions, issued an order with Respondent’s consent while neither admitting nor denying the allegations in the order, prohibiting Respondent from offering and selling unregistered, non-exempt securities in that state.

b. On or about May 13, 2003, Respondent was named in a Summary Order to Cease and Desist by the Pennsylvania Securities Commission and prohibited from offering and selling unregistered securities in that state.

c. On February 9, 2011, Respondent was named in a Desist and Refrain Order by the California Corporations Commission for offering and selling unregistered, non-exempt securities and for making material misstatements and omissions of material fact in the course of selling those securities.

### ALLEGATIONS

Complainant alleges as follows:

4. Since 2007, Respondent, through its affiliates and sales agents, has sold investment interests to at least seven (7) Idaho residents for a total amount of two hundred nineteen thousand, two hundred fifty dollars (\$219,250). Those interests were sold to the following Idaho investors:

- a. S.S. invested \$18,000 on June 9, 2007;
- b. N.R. invested a total of \$70,000 on July 5, 2007;
- c. V.M. invested \$25,000 on May 5, 2008;
- d. H.B. invested \$25,000 on August 11, 2008;
- e. A.O. invested \$50,000 on August 12, 2008;
- f. D.F. invested \$6,250 on December 23, 2009;
- g. D. and S.D. invested \$25,000 on November 10, 2010.

5. Investors received cold-call solicitations from Respondent's Senior Fund Executives and sales agents regarding the oil and gas industry and the investment interests.

6. Investors were not informed that Respondent had been named in at least two (2) state securities orders by the states of Wisconsin and Pennsylvania during 2002 and 2003 respectively.

7. The material omissions, and the pattern of conduct, constitute securities fraud under the Act. Respondent also failed to register the securities, thereby violating the law requiring such registration.

**COMPLAINANT'S ALLEGED VIOLATIONS AND CONCLUSIONS ON LAW**

*COUNT ONE: FALSE AND MISLEADING STATEMENTS*

8. Complainant alleges the following violations and conclusions of law:

9. Idaho Code § 30-14-501(2) provides that it is unlawful for any person, directly or indirectly, in connection with the offer, sale or purchase of a security, to make an untrue statement of material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.

10. Respondent's affiliates and sales agents made omissions of material facts and failures to disclose material information to prospective investors that were made in connection with the offer, sale or purchase of securities. Respondent's affiliates' and sales agents' omissions of material facts and failures to disclose material information, as specifically set forth in paragraph 3 a. and b. above, constitute violations of Idaho Code § 30-14-501(2) as to each omission and failure to disclose to each investor.

*COUNT TWO: FRAUDULENT CONDUCT*

11. Idaho Code § 30-14-501(3) provides that it is unlawful for any person, directly or indirectly, in connection with the offer, sale or purchase of a security, to engage in an act, practice, or course of business which operates or would operate as a fraud or deceit upon any person.

12. Respondent's affiliates and sales agents engaged in acts that were made in connection with the offer, sale or purchase of securities, as set forth above. Its conduct as

described above constitutes engaging in transactions, acts, practices, or courses of business which operate or would operate as a fraud or deceit upon investors or prospective investors, in violation of Idaho Code § 30-14-501(3) as to each investor.

13. Specifically, Respondent's affiliates and sales agents made omissions about Respondent's status as a named party in prior state administrative actions. The omissions misled investors about the status of the securities that Respondent was selling in Idaho. The omission of material information caused investors to give investment money that, had investors known the truth, they might not have invested.

### *COUNT THREE: UNREGISTERED SECURITIES*

14. Idaho Code § 30-14-301 provides that it is unlawful for a person to offer to sell a security in this state unless:

- a. The security is a federal covered security;
- b. The security, transaction, or offer is exempted from registration under sections 30-14-201 through 30-14-203, Idaho Code; or
- c. The security is registered under this chapter.

15. Respondent's affiliates and/or sales agents issued, sold or offered for sale in Idaho securities in the form of investment contracts. These securities were not registered with the Idaho Department of Finance (the "Department") as required. A search of the United States Securities and Exchange database revealed no filings at that level either.

16. Respondent's failure to register such securities or perfect an exemption with the Department constitutes a violation of Idaho Code § 30-14-301.

### **REMEDIES**

17. Respondent consents to the entry of this Agreement and Order, without admitting

or denying the Complainant's allegations and conclusions of law set forth above.

18. Respondent agrees to the following:

a. That Respondent voluntarily agrees not to sell or offer these securities to Idaho residents.

b. That Respondent voluntarily agrees to pay to the Department the sum of one hundred seventy five thousand dollars (\$175,000), constituting restitution ("Restitution") to be paid by the Department to Idaho resident investors, in equal monthly installments within eighteen (18) months of issuance of this Agreement and Order, beginning the first of the month next after issuance of this Order.

c. That the above payment will be returned by the Department to the Idaho resident investors as Restitution. Allocation of this Restitution among investors shall be at the Department's sole discretion.

d. Respondent agrees to pay to the Department the amount of five thousand dollars (\$5,000.00) as penalties.

19. Respondent agrees to comply with all provisions of Idaho's Uniform Securities Act, all rules promulgated under the Act, and all federal laws and regulations applicable to its business activities in Idaho at all times in the future.

20. Respondent acknowledges and understands that this Agreement and Order is an administrative action that must be disclosed to the Department on future licensing and renewal forms. The disclosure requirements of other states may also require disclosure of the same.

DATED this 13 day of June, 2013.

LELAND ENERGY, INC.

By:   
STEPHEN M. THOMPSON, PRESIDENT

DATED this 21<sup>st</sup> day of June, 2013.

STATE OF IDAHO  
DEPARTMENT OF FINANCE

  
MARILYN T. CHASTAIN  
Securities Bureau Chief

IT IS SO ORDERED.

DATED this 21<sup>st</sup> day of June, 2013.

STATE OF IDAHO  
DEPARTMENT OF FINANCE

  
GAVIN M. GEE, Director 

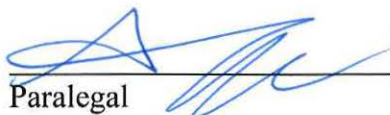


**CERTIFICATE OF SERVICE**

I HEREBY CERTIFY that on this 21<sup>st</sup> day of June, 2013, I caused a true and correct fully-executed copy of the foregoing AGREEMENT AND ORDER to be served on the following by the designated means:

Joe Tagliaferro  
TAGLIAFERRO & LOPRESTI, LLP  
12100 Wilshire Blvd, Suite 480  
Los Angeles, CA 90025

- U.S. mail, postage prepaid
- Certified mail
- Facsimile: (310) 477-3481
- Email:

  
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Paralegal