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Texas State Securities Board

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IN THE MATTER OF §
KELCAS CORPORATION; KELCAS OHIO RIVER OIL, §
LLC; HOK GLOBAL CONSULTING PTE LTD. AKA HOK § **Order No. ENF-20-CDO-1787**
GLOBAL CONSULTING PTD LTD.; WILHELM B. §
LILLIEHÖÖK; AND HOK-LAM CHAN AKA HOK LAM CHAN §

TO: Kelcas Corporation

Service by certified mail, return receipt requested, to P.O. Box 21345, Owensboro, Kentucky 42303; 3520 New Hartford Road, Suite 100, Owensboro, Kentucky 42303; Birdie D. Simms, its registered agent for service of process in Kentucky, at 3520 New Hartford Road, Suite 100, P.O. Box 21345, Owensboro, Kentucky 42303; and Delaware Corporate Services Inc., its registered agent for service of process in Delaware, at 901 N. Market Street, Suite 705, Wilmington, Delaware 19801.

Kelcas Ohio River Oil, LLC

Service by certified mail, return receipt requested, to 3520 New Hartford Road, Suite 100, Owensboro, Kentucky 42303; Birdie D. Simms, its registered agent for service of process in Kentucky, at 3520 New Hartford Road, Suite 100, P.O. Box 21345, Owensboro, Kentucky 42303; and Capitol Services Inc., its registered agent for service of process in Delaware, at 1675 S. State Street, Suite B, Dover, Delaware 19901.

HOK Global Consulting Pte Ltd. aka HOK Global Consulting Ptd Ltd.

Service by certified mail, return receipt requested, to P.O. Box 21345, Owensboro, Kentucky 42303; 3520 New Hartford Road, Suite 100, Owensboro, Kentucky 42303; 3520 New Hartford Road, Suite 100, P.O. Box 21345, Owensboro, Kentucky 42303; Birdie D. Simms, the registered agent for service of process in Kentucky for Kelcas Corporation, at 3520 New Hartford Road, Suite 100, P.O. Box 21345, Owensboro, Kentucky 42303; Birdie D. Simms, the registered agent for service of process in Kentucky for Kelcas Ohio River Oil, LLC; Delaware Corporate Services, Inc., the registered agent for service of process in Delaware for Kelcas Corporation; and Capitol Services Inc., the registered agent for service of process in Delaware for Kelcas Ohio River Oil, LLC, at 1675 S. State Street, Suite B, Dover, Delaware 19901.

Wilhelm B. Lilliehök

Service by certified mail, return receipt requested, to P.O. Box 21345, Owensboro, Kentucky 42303; 3520 New Hartford Road, Suite 100, Owensboro, Kentucky 42303; 3520 New Hartford Road, Suite 100, P.O. Box 21345, Owensboro, Kentucky 42303; Birdie D. Simms, the registered agent for service of process in Kentucky for Kelcas Corporation, at 3520 New Hartford Road, Suite 100, P.O. Box 21345, Owensboro,

Kentucky 42303; Birdie D. Simms, the registered agent for service of process in Kentucky for Kelcas Ohio River Oil, LLC; Delaware Corporate Services, Inc., the registered agent for service of process in Delaware for Kelcas Corporation; and Capitol Services Inc., the registered agent for service of process in Delaware for Kelcas Ohio River Oil, LLC, at 1675 S. State Street, Suite B, Dover, Delaware 19901.

Hok-Lam Chan aka Hok Lam Chan

Service by certified mail, return receipt requested, to P.O. Box 21345, Owensboro, Kentucky 42303; 3520 New Hartford Road, Suite 100, Owensboro, Kentucky 42303; 3520 New Hartford Road, Suite 100, P.O. Box 21345, Owensboro, Kentucky 42303; Birdie D. Simms, the registered agent for service of process in Kentucky for Kelcas Corporation, at 3520 New Hartford Road, Suite 100, P.O. Box 21345, Owensboro, Kentucky 42303; Birdie D. Simms, the registered agent for service of process in Kentucky for Kelcas Ohio River Oil, LLC; Delaware Corporate Services, Inc., the registered agent for service of process in Delaware for Kelcas Corporation; and Capitol Services Inc., the registered agent for service of process in Delaware for Kelcas Ohio River Oil, LLC, at 1675 S. State Street, Suite B, Dover, Delaware 19901.

EMERGENCY CEASE AND DESIST ORDER

This is your OFFICIAL NOTICE of the issuance by the Securities Commissioner of the State of Texas (the "**Securities Commissioner**") of an EMERGENCY CEASE AND DESIST ORDER pursuant to Section 23-2 of The Securities Act, TEX. REV. CIV. STAT. ANN. arts. 581-1 to 581-45 (West 2010 & Supp. 2018) (the "**Securities Act**").

The Enforcement Division of the Texas State Securities Board (the "**Enforcement Division**") has presented evidence sufficient for the Securities Commissioner to find that:

FINDINGS OF FACT

1. Kelcas Corporation ("**Respondent Kelcas Corporation**") can be served with process as follows:
 - A. Respondent Kelcas Corporation can be served with process at its principal office at P.O. Box 21345, Owensboro, Kentucky 42303;
 - B. Respondent Kelcas Corporation can be served with process at its main office at 3520 New Hartford Road, Suite 100, Owensboro, Kentucky 42303;
 - C. Respondent Kelcas Corporation can be served with process through Birdie D. Simms, its registered agent for service of process in Kentucky, at 3520 New Hartford Road, Suite 100, P.O. Box 21345, Owensboro, Kentucky 42303; and
 - D. Respondent Kelcas Corporation can be served with process through Delaware Corporate Services Inc., its registered agent for service of process in Delaware, at 901 N. Market Street, Suite 705, Wilmington, Delaware 19801.

2. Kelcas Ohio River Oil, LLC ("**Respondent Kelcas Ohio**"), can be served with process as follows:
 - A. Respondent Kelcas Ohio can be served with process at its principal office at 3520 New Hartford Road, Suite 100, Owensboro, Kentucky 42303;
 - B. Respondent Kelcas Ohio can be served with process through Birdie D. Simms, its registered agent for service of process in Kentucky, at 3520 New Hartford Road, Suite 100, Owensboro, Kentucky 42303; and
 - C. Respondent Kelcas Ohio can be served with process through Capitol Services Inc., its registered agent for service of process in Delaware, at 1675 S. State Street, Suite B, Dover, Delaware 19901.
3. HOK Global Consulting Pte Ltd. aka HOK Global Consulting Ptd Ltd. ("**Respondent HOK Global**") is a sales agent for Respondents Kelcas Corporation and Kelcas Ohio. It can be served with process at the addresses for Respondents Kelcas Corporation and Kelcas Ohio and through the registered agents for Respondents Kelcas Corporation and Kelcas Ohio.
4. Wilhelm B. Lilliehöök ("**Respondent Lilliehook**") is the President, Vice President and Chief Executive Officer of Respondent Kelcas Corporation and the Manager, Managing Member, President and Chief Executive Officer of Respondent Kelcas Ohio. He can be served with process at the addresses for Respondents Kelcas Corporation and Kelcas Ohio and through the registered agents for Respondents Kelcas Corporation and Kelcas Ohio.
5. Hok-Lam Chan aka Hok Lam Chan ("**Respondent Hok Lam Chan**") is the Director of Respondent HOK Global and a sales agent for Respondents Kelcas Corporation and Kelcas Ohio. He can be served with process at the addresses for Respondents Kelcas Corporation and Kelcas Ohio and through the registered agents for Respondents Kelcas Corporation and Kelcas Ohio.

**THE ENFORCEMENT DIVISION PREVIOUSLY WARNED
RESPONDENTS KELCAS CORPORATION, KELCAS OHIO AND LILLIEHOOK**

6. Respondents Kelcas Corporation and Lilliehook previously used general solicitation to offer Texans the opportunity to purchase unregistered securities tied to the drilling of an oil well in the Illinois Basin.
7. The Enforcement Division investigated the solicitation and determined Respondents Kelcas Corporation and Lilliehook offered the unregistered securities to Texas residents but did not sell the unregistered securities to Texas residents.
8. The Enforcement Division warned Respondents Kelcas Corporation and Lilliehook about the applicability of the registration and disclosure requirements set forth in the Securities Act.

RESPONDENTS KELCAS CORPORATION, KELCAS OHIO AND LILLIEHOOK
ARE NOW USING SALES AGENTS TO OFFER OIL INVESTMENTS TO TEXANS

9. Respondents Kelcas Corporation, Kelcas Ohio and Lilliehook are now using sales agents to offer investments in an oil drilling program to Texas residents.
10. Respondents HOK Global and Hok Lam Chan are acting as sales agents for Respondent Kelcas Corporation, Kelcas Ohio and Lilliehook, and they are offering investments in the oil drilling program to Texas residents.
11. Respondents HOK Global and Hok Lam Chan are using general solicitation to offer the investments in the oil drilling program to Texas residents. They are, for example, soliciting Texas residents through LinkedIn, a social media platform that claims to have 645 million members and claims to be the world's largest online professional network.
12. Respondents HOK Global and Hok Lam Chan are being paid compensation for selling the investments in the oil drilling program to Texas residents.

THE INVESTMENTS ARE WORKING INTERESTS IN AN
OIL DRILLING PROJECT IN THE NEW HARMONY FIELD IN THE ILLINOIS BASIN

13. Respondent Kelcas Ohio is issuing the investments, and they constitute working interests in an oil drilling project in the New Harmony Field in the Illinois Basin.
14. The minimum principal investment of \$25,000.00 purchases approximately 2.56 percent working interest.
15. Respondents are representing that principal will be used to complete a well, and the estimated completion cost of the well is approximately \$975,000.00.
16. Investors are required to appoint Respondent Lilliehook, in his capacity as Managing Member of Respondent Kelcas Ohio, to act on their behalf.

RESPONDENTS ARE TOUTING
THE PROFITABILITY OF THE WORKING INTERESTS

17. Respondents are touting the profitability of the working interests and claiming the working interests will generate lucrative returns.
18. Respondents HOK Global and Hok Lam Chan are representing the working interests should provide a minimum return of 100 percent within the first two years and that each well produces monthly income for around 20 years.
19. Respondents are representing that a principal investment of \$100,000.00 should generate an accumulated return of \$72,720.00 after the first year, \$113,266.00

after the second year, \$138,510.00 after the third year, \$155,217.00 after the fourth year and \$166,841.00 after the fifth year.

20. Respondents are representing that investors can elect to reinvest their revenue to receive greater returns. They are claiming a principal investment of \$100,000.00 with an election to reinvest revenue should generate an accumulated cash flow of \$72,220.00 after the first year, \$95,425.00 after the second year, \$142,663.00 after the third year, \$185,219.00 after the fourth year and \$264,717.00 after the fifth year.
21. Respondents are further representing that investors can exit the investment after three years by selling their working interests. They claim that investors can invest \$100,000.00 and sell their working interests for \$40,000.00 after three years, thereby accumulating a total return of \$178,510.00.

**RESPONDENTS ARE
GUARANTEEING THE PROFITABILITY OF THE WORKING INTERESTS**

22. Respondents HOK Global and Hok Lam Chan are guaranteeing the profitability of the working interests and describing the guarantee as follows:
 - A. Respondents HOK Global and Hok Lam Chan are claiming the investment provides a minimum revenue guarantee of 10 percent per annum during the first 36 months; and
 - B. Respondents HOK Global and Hok Lam Chan are also claiming the guarantee “has never been used [i]n the company[’s] history” and that “[i]t is not there for if [sic] the well does not produce oil, that can never happen.”
23. Respondents are further describing the guarantee of the profitability of the working interests as follows:
 - A. Respondents are representing that investors are guaranteed a minimum return of 10 percent per year, starting six months from the date of the investment and continuing for a period of 36 months thereafter; and
 - B. Respondents are also representing that “[c]ompensation of the minimum guarantee to the investor is on a six (6) month basis as increased WI.”

**RESPONDENTS ARE MISREPRESENTING
THE IDENTITY AND QUALIFICATIONS OF THE OPERATOR**

24. Respondents are telling potential investors that a specified operator (**the “Operator”**), serves as the operator for the drilling program. They are touting the business repute and qualifications of the Operator and representing as follows:
 - A. They are representing that the Operator is the most active driller in the Illinois Basin over the last couple of years;

- B. They are representing that the Operator is the top oil producer in the Illinois Basin, that it produces 4600 barrels of oil per day and that it continues to increase reserves and production on a scale not seen before in the Illinois Basin; and
 - C. They are representing that the co-founder of the Operator currently serves on the Illinois Oil and Gas Association Board of Directors and has been conferred various awards, such as being recognized for Outstanding Exploration and Development by the Illinois Oil and Gas Association in 2013 and being named Petroleum Professional of the Year for 2014, Wildcatter of the Year for 2014, the Indiana Oil and Gas Association Operator of the Year for 2016 and the Wildcatter of the Year for 2017.
25. Although Respondents are telling potential investors that the Operator serves as the operator for the drilling program and are touting the business repute and qualifications of the firm, the Operator does not actually serve as the operator for the drilling program.
26. Instead, Kelcas Well Services, Ltd. ("**Kelcas Well Services**"), serves as the operator for the drilling program.
27. Kelcas Well Services is not an independent operator. Kelcas Well Services is controlled by Respondent Lilliehook.
28. Respondents are not disclosing that Kelcas Well Services is controlled by Respondent Lilliehook, and they are not providing investors with any material information about Kelcas Well Services, including the following material information:
- A. They are not disclosing the identity of other managers of Kelcas Well Services or their business repute and qualifications;
 - B. They are not disclosing the address of Kelcas Well Services or its principal place of business; and
 - C. They are not disclosing the operating history or experience of Kelcas Well Services or providing any information that permits investors to evaluate its success in the exploration, development or production of oil or gas wells or leases.

REGISTRATION VIOLATIONS

29. Respondents have not been registered as dealers or agents in Texas at any time material hereto.
30. The working interests have not been registered by notification, coordination or qualification and no permit has been issued for their sale in Texas.

31. Respondents claim to be limiting sales of working interests to accredited investors, but they are not taking reasonable steps to verify that all investors are, in fact, accredited investors. The working interests therefore do not qualify for safe harbor from state securities registration laws pursuant to Regulation D, Rule 506(c).
32. Respondent Lilliehook and another entity controlled by Respondent Lilliehook have previously filed a Notice of Exempt Offering of Securities claiming safe harbor from state securities registration pursuant to Regulation D, Rule 506, including in October 2012.

FRAUD AND THE OPERATIONAL HISTORY, EXPERIENCE AND BUSINESS OF RESPONDENTS KELCAS CORPORATION, KELCAS OHIO AND LILLIEHOOK

33. In connection with the offer of working interests, Respondents Kelcas Corporation, Kelcas Ohio and Lilliehook are intentionally failing to disclose the operational history of Respondent Kelcas Ohio, including its experience in developing oil wells and oil leases, and this information constitutes a material fact.
34. In connection with the offer of working interests, Respondents Kelcas Corporation, Kelcas Ohio and Lilliehook are intentionally failing to disclose the profitability of prior oil wells, and this information constitutes a material fact.
35. In connection with the offer of working interests, Respondents Kelcas Corporation, Kelcas Ohio and Lilliehook are intentionally failing to disclose the profitability of securities previously sold to the public, and this information constitutes a material fact.

FRAUD AND DECEPTIVE PRACTICES AND THE PROFITABILITY OF THE WORKING INTERESTS

36. In connection with the offer of working interests, Respondents Kelcas Corporation, Kelcas Ohio and Lilliehook are intentionally failing to disclose risks associated with exploration, development and production that may negatively impact the profitability of the working interests, and this information constitutes a material fact.
37. Respondents HOK Global and Hok Lam Chan are describing the working interests as low risk investments and claiming the oil well will definitely produce oil, and these statements are materially misleading or otherwise likely to deceive the public because Respondents HOK Global and Hok Lam Chan are not disclosing risks that may negatively impact the profitability of the working interests.
38. In connection with the offer of working interests, Respondents Kelcas Corporation, Kelcas Ohio and Lilliehook are claiming that investors are guaranteed a minimum return of 10 percent per year, starting six months from the date of the investment and continuing for a period of 36 months thereafter. They are, however, intentionally failing to disclose the assets or liabilities of Respondents Kelcas Corporation or Kelcas Ohio, or any other financial information that indicates they

will be able to satisfy the guarantee, and this information constitutes a material fact.

39. Respondents HOK Global and Hok Lam Chan are claiming the working interests provide a minimum revenue guarantee of 10 percent per annum during the first 36 months and that investors are guaranteed a minimum return of 10 percent per year, starting six months from the date of the investment and continuing for a period of 36 months thereafter. These statements are materially misleading or otherwise likely to deceive the public because Respondents HOK Global and Hok Lam Chan are not disclosing the assets or liabilities of Respondents Kelcas Corporation or Kelcas Ohio, or any other financial information that indicates they will be able to satisfy the guarantee.
40. Respondents are telling investors that “[c]ompensation of the minimum guarantee to the investor is on a six (6) month basis as increased WI,” and this statement is materially misleading or otherwise likely to deceive the public because Respondents are not providing any information that defines the meaning of the terms “six (6) month basis” or “increased WI.”

FRAUD AND DECEPTIVE PRACTICES AND THE RESALE OF INVESTMENTS

41. In connection with the offer of working interests, Respondents Kelcas Corporation, Kelcas Ohio, and Lilliehook are representing that investors can sell their working interests after three years to generate additional returns, but they are intentionally failing to disclose the identity of the purchaser, its assets or liabilities, or any other financial information that reflects its ability to purchase the working interests after three years, and this information constitutes a material fact.
42. Respondents HOK Global and Hok Lam Chan are representing that investors can sell their working interests after three years to generate additional returns, and this statement is materially misleading or otherwise likely to deceive the public because they are failing to disclose the identity of the purchaser, its assets or liabilities, or any other financial information that reflects its ability to purchase the working interests after three years, and this information constitutes a material fact.

FRAUD AND DECEPTIVE PRACTICES AND THE MISREPRESENTATION OF THE IDENTITY OF THE OPERATOR

43. In connection with the offer of working interests, Respondents are representing that the specified Operator serves as the operator and touting that firm’s business repute and qualifications. These representations constitute knowing misrepresentations of a relevant fact because Kelcas Well Services actually serves as the operator.
44. In connection with the offer of working interests, Respondents Kelcas Corporation, Kelcas Ohio and Lilliehook are intentionally failing to disclose the following information about Kelcas Well Services:

- A. The identity of the managers of Kelcas Well Services, and their business repute and qualifications, and this information constitutes a material fact;
 - B. The address of Kelcas Well Services or its principal place of business, and this information constitutes a material fact;
 - C. The operating history or experience of Kelcas Well Services or its success in the exploration, development or production of oil or gas wells or leases, and this information constitutes a material fact; and
 - D. The operating history or experience of other entities controlled or otherwise associated with Respondent Lilliehook or their success in the exploration, development or production of oil or gas wells or leases, and this information constitutes a material fact.
45. Respondents HOK Global and Hok Lam Chan are providing information about the operation of the oil well, but these statements are materially misleading or otherwise likely to deceive the public because Respondents HOK Global and Hok Lam Chan are not providing the following information about Kelcas Well Services:
- A. The identity of the managers of Kelcas Well Services, and they are not disclosing their business repute and qualifications;
 - B. The address of Kelcas Well Services or its principal place of business; and
 - C. The operating history or experience of Kelcas Well Services or its success in the exploration, development or production of oil or gas wells or leases.
46. In connection with the offer of working interests, Respondents Kelcas Corporation, Kelcas Ohio and Lilliehook are intentionally failing to disclose the compensation that will be paid to Kelcas Well Services as the operator of the oil project, and this information constitutes a material fact.
47. In connection with the offer of working interests, Respondents Kelcas Corporation, Kelcas Ohio and Lilliehook are intentionally failing to disclose any conflicts of interests, including any conflicts of interest by or between Kelcas Well Services, as the operator controlled by Respondent Lilliehook, and Respondents Kelcas Corporation and Kelcas Ohio, and this information constitutes a material fact.

CONCLUSIONS OF LAW

- 1. The working interests are securities as the term is defined by Section 4.A of the Securities Act.
- 2. Respondents are violating Section 7 of the Securities Act by offering securities for sale in Texas at a time when the securities are not registered with the Securities Commissioner.

3. Respondents are violating Section 12 of the Securities Act by offering securities for sale in Texas without being registered pursuant to the provisions of Section 12 of the Securities Act.
4. Respondents are engaging in fraud in connection with the offer for sale of securities.
5. Respondents have made an offer containing statements that are materially misleading or otherwise likely to deceive the public.
6. Respondents' conduct, acts, and practices threaten immediate and irreparable public harm.
7. The foregoing Conclusions of Law constitute bases for the issuance of an Emergency Cease and Desist Order pursuant to Section 23-2 of the Securities Act.

ORDER

1. It is therefore ORDERED Respondents immediately CEASE AND DESIST from offering for sale any security in Texas until the security is registered with the Securities Commissioner or is offered for sale pursuant to an exemption from registration under the Securities Act.
2. It is further ORDERED Respondents immediately CEASE AND DESIST from acting as securities dealers or agents in Texas until Respondents are registered with the Securities Commissioner or are acting pursuant to an exemption from registration under the Securities Act.
3. It is further ORDERED Respondents immediately CEASE AND DESIST from engaging in any fraud in connection with the offer for sale of any security in Texas.
4. It is further ORDERED Respondents immediately CEASE AND DESIST from offering securities in Texas through an offer containing a statement that is materially misleading or otherwise likely to deceive the public.

NOTICE

Pursuant to Section 23-2 of the Securities Act, you may request a hearing before the 31st day after the date you were served with this Order. The request for a hearing must be in writing, directed to the Securities Commissioner, and state the grounds for the request to set aside or modify the Order. Failure to request a hearing will result in the Order becoming final and non-appealable.

You are advised under Section 29.D of the Securities Act that any knowing violation of an order issued by the Securities Commissioner under the authority of Section 23-2 of the Securities Act is a criminal offense punishable by a fine of not more than \$10,000, or imprisonment in the penitentiary for two to ten years, or by both such fine and imprisonment.

SIGNED AND ENTERED by the Securities Commissioner this 16th day of September, 2019.



TRAVIS J. ILES
Securities Commissioner