

**BEFORE THE SECURITIES COMMISSIONER
OF THE STATE OF KANSAS**

In the matter of:

KINGDOM OIL INC. and,
ERNEST W. CADICK,

Docket No. 09 E 009
KSC No. 2008-5441

Respondents.

A proceeding pursuant to K.S.A. 17-12a604(a).

NOTICE OF INTENT TO INVOKE ADMINISTRATIVE SANCTIONS

Staff for the Office of the Securities Commissioner alleges there is sufficient evidence exists to provide cause under 17-12a604 to invoke administrative sanctions against Respondents under the Kansas Uniform Securities Act. If the allegations set forth below are found to be true, through either administrative adjudication, failure of the Respondents to make a timely request for hearing, or default of the Respondents, it is the intention of staff to seek an order from the Commissioner to impose sanctions upon the Respondents. Such sanctions may include, *inter alia*, fines, disgorgement, and/or a permanent cease and desist order.

If the Respondents wish to contest the facts alleged below, or offer evidence and argument to mitigate those facts, then they must file a request for hearing within thirty-three (33) days after the date of mailing on the Certificate of Service attached to this Notice. The request for hearing must be in the manner and form prescribed by K.A.R. 81-11-3 and K.A.R. 81-11-5, and it must be filed with the Office of the Securities Commissioner, 618 S. Kansas Avenue, Topeka, Kansas, 66603. The request for hearing must be verified under oath by the Respondents, and if the Respondents dispute any of the allegations set forth below, they shall specifically deny those allegations or the allegations will be deemed admitted by the

Respondents. If a request for hearing is not timely filed, the Commissioner may issue a final order without further proceedings.

In support of such action, staff for the Securities Commissioner alleges and states:

Allegations of Fact

1. Respondent Kingdom Oil Inc. (Kingdom) is a Kentucky corporation currently listed as inactive and in bad standing with the Kentucky Office of Financial Institutions.

Respondent Kingdom's last known address was 307 S. 5th St., Bardstown, KY 40004.

The registered agent for Respondent Kingdom is Respondent Ernest Cadick, at the same address.
2. Respondent Ernest W. Cadick (Cadick) is the President, Director and Registered Agent for Respondent Kingdom. Respondent Cadick's last known address was [REDACTED]

[REDACTED].
3. In November 2005, two Kansas residents, husband and wife, had a survey done of their land that indicated the possible presence of oil reserves. The surveyor recommended they have an expert in oil well drilling examine the prospect and render an opinion as to the feasibility of drilling wells. The surveyor recommended the Kansas residents contact Respondent Cadick who was personally known to the surveyor. The Kansas residents also contacted a pastor in Texas who knew Respondent Cadick and gave him a positive reference.
4. The Kansas residents contacted Respondent Cadick to ask that he examine their property for drilling. Respondent Cadick stated he would not be able to accommodate the Kansas residents request as he was involved in taking his company, Respondent Kingdom,

public. Additionally, Respondent Cadick explained he was working on acquiring an inheritance that had an estimated worth of 10 million dollars.

5. The Kansas residents stated they had several phone conversations with Respondent Cadick during which he explained an investment opportunity he was offering.

Respondent Cadick claimed that Respondent Kingdom owned shares of Clear Creek Oil and Gas Pipeline (Clear Creek) which operated a natural gas field with reserves estimated at \$400 million. Respondent Cadick indicated that since Respondent Kingdom owned shares of Clear Creek and Respondent Kingdom would be going public soon, the Kansas residents should invest in Respondent Kingdom quickly. Respondent Cadick also told the Kansas investors that their shares would double in value when the company went public in the next couple of months.

6. The Kansas residents agreed to invest. On or about January 16, 2006, the Kansas residents received an e-mail from Ann Cadick, identified as Respondent Cadick's wife. The e-mail contained an attachment that was noted as "Private Loan Agreement". The Kansas residents printed the agreement on their printer to sign. The agreement was between Respondent Cadick and the Kansas residents. The agreement was blank and had to be filled in by the Kansas residents. The terms of the agreement provided that the lender (the Kansas residents) would be paid two times the amount of the funds loaned. This would be repaid on or before 45 days from the lending date. The agreement also contained information that final testing had been completed on the Clear Creek pipeline and production was scheduled to start the 3rd week of January 2006. The project consisted of 7000 acres valued at \$359,000,000.00. There were geological reports to support this claim.

7. The agreement also stated that Respondent Kingdom owned 50,000 shares of the project that would be used to support the loan. The agreement was signed by the Kansas residents who agreed to loan funds to Cadick. On or about January 19, 2006, the Kansas residents issued a check to Respondent Cadick in the amount of \$26,250.00. They received a copy of the agreement signed and dated by Respondent Cadick January 26, 2006.
8. The Kansas residents were told by Respondent Cadick that the amount of funds they invested would entitle the Kansas residents to 7500 shares of the stock owned by Respondent Kingdom in the Clear Creek project. The Kansas residents' only written documents regarding this transaction is their copy of the agreement and their cancelled check. They never received any documents from Respondent Cadick outlining the investment or any share certificates indicating they owned 7500 shares from Clear Creek held by Respondent Kingdom.
9. The Kansas residents informed staff of the Kansas Securities Commissioner that when the repayment was not made as noted in the agreement, they contacted Respondent Cadick. The Kansas residents stated they contacted Respondent Cadick numerous times over the next several months inquiring about the repayment of their loan. Respondent Cadick would only offer vague excuses about why the pipeline was not in production but never gave any specific details.
10. When no money was forthcoming, the Kansas residents stated that Respondent Cadick told them he would guarantee their investment from the proceeds of an inheritance he was receiving and in the processes of claiming. The Kansas residents were told the

inheritance was located in Mexico and therefore he was having trouble getting the money transferred from Mexico, to a US bank.

11. The Kansas residents received a letter dated December 7, 2006, from the US Department of Justice regarding a case being investigated against Respondents Cadick and Kingdom by the FBI. The letter asked them to contact the FBI's Victim Assistance Program. The Kansas residents confirmed they were contacted and questioned by an FBI agent regarding Respondent Cadick. The Kansas residents then contacted Respondent Cadick and inquired about the FBI investigation and Respondent Cadick told them that it was just one disgruntled investor complaining. The FBI investigation was not revealed to the Kansas residents by Respondent Cadick until they received the letter from the FBI. The FBI investigation was ongoing prior to the Kansas residents' investment.
12. Staff of the Kansas Securities Commissioner contacted the FBI special agent in charge of the investigation against Respondent Cadick. The agent confirmed to staff from the Office of the Kansas Securities Commissioner that Respondent Cadick had been charged in a 16 count indictment for wire fraud against a number of investors. The case relates to oil and gas investments.
13. After Respondent Cadick failed to meet the repayment of the loan agreement, the Kansas residents researched Respondent Cadick's history and found that he was the subject of action by the Kentucky Offices of Financial Services. Staff from the Office of the Kansas Securities Commissioner confirmed that an Administrative Complaint was filed against Respondents Cadick and Kingdom by the Kentucky Office of Financial Institutions on November 28, 2005. The complaint alleged that Respondent Cadick was involved in the sale and offer to sale "Assignments of Overriding Royalty" and "Private Loan

Agreements” in oil and gas well ventures in violation of Kentucky security statutes. This information was never provided to the Kansas investors during their conversations with Respondent Cadick regarding their investment.

14. Staff for the Office of the Kansas Securities Commissioner contacted the Kentucky Office of Financial Institutions and spoke with the case investigator handling a case against Respondent Cadick. He confirmed that Kentucky had investigated Respondent Cadick and found him in violation of the Kentucky securities statutes. An agreement was worked out with Respondent Cadick to provide restitution to all the Kentucky investors. The Kentucky investigator stated that Respondent Cadick was trying to use the estimated value of this inheritance from Mexico to back his ability to make the repayment to investors. The Kentucky investigator advised that Respondent Cadick never provided any documentation that such an inheritance existed and no information was developed by the Kentucky authorities to indicate the existence of the inheritance.
15. On or about April 28, 2008, an inquiry letter was sent to Respondent Cadick at his last known address. The letters were returned as unforwardable. A copy of the letter was also sent to Respondent Cadick’s legal counsel for service upon Respondent Cadick. This letter was accepted by counsel for Respondent Cadick on April 30, 2008. Staff for the Office of the Kansas Securities Commissioner has not received a response to the inquiry letter from Cadick or his counsel.
16. During the solicitation and contained in the private loan agreement signed by the Kansas residents, Respondent Cadick stated that he owned shares in Clear Creek Oil and Gas Pipeline (Clear Creek). Staff for the Office of the Kansas Securities Commissioner contacted Clear Creek and spoke with the President of the company, W.A. Silvey

(Silvey). Silvey stated that the company was not publically traded and Respondent Cadick would have had to purchase his shares directly from the company. Silvey also stated that the last time Clear Creek offered shares for sale was in 2005 and those sold for \$.05 a share. The private loan agreement also indicated that Respondent Kingdom was actively involved with the development of the oil and gas fields in Tennessee. Silvey denied that Respondent Kingdom was involved with his company. He stated that only Clear Creek was involved with the project.

17. Silvey also checked the files of Clear Creek and was unable to find any record that either Respondents Cadick or Kingdom had purchased shares in Clear Creek. He also indicated that there are only 100 shareholders in the project and Respondents Kingdom and Cadick are not listed as share holders.
18. Respondents, at the time of the offer and sale of these investments, omitted to disclose material facts to the Kansas residents regarding an FBI investigation and administrative action by the Kentucky Office of Financial Institutions against the Respondents. Respondents also provided false information regarding shares supposedly owned by the Respondents in the Clear Creek Pipeline project and used that information to induce the Kansas residents to invest funds through the private loan agreement.
19. On December 1, 2008, the Respondent was federally indicted in the Western District of Kentucky on sixteen counts of devising a scheme to obtain money by false pretenses. The indictment stems from the Respondents sale of securities in Kingdom Oil and allegedly using investor funds for personal benefit.

Allegations of Law

1. The investment contract offered by Respondents to the Kansas residents is a security as defined in K.S.A. 17-12a102(28).
2. Respondents made untrue statements of material fact or omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading, in violation of K.S.A. 17-12a501(2).
3. Respondents engaged in an act, practice or course of business which operates or would operate as a fraud or deceit upon another person, in violation of K.S.A. 17-12a501(3).

Entered at Topeka, Kansas, this 25TH day of June, 2009.

/s/ Erin Hoestje _____
Erin M. Hoestje # 22042
Associate General Counsel

Certificate of Service

I hereby certify that on this 25rd day of June, 2009, copies of the Notice of Intent to Invoke Administrative Sanctions, Docket No 09E009 in the matter of Kingdom Oil Inc., and Ernest W. Cadick, Respondents, was mailed by first class mail, addressed to the following:

Kingdom Oil Inc
9005 Crowne Springs Crc.
Louisville, KY 40241

Ernest W. Cadick


/s/ Michelle Lancaster

Michelle Lancaster
Legal Assistant