

**UNITED STATES OF AMERICA**  
**Before the**  
**SECURITIES AND EXCHANGE COMMISSION**

**SECURITIES ACT OF 1933**  
**Release No. 10397 / August 2, 2017**

**SECURITIES EXCHANGE ACT OF 1934**  
**Release No. 81285 / August 2, 2017**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-18093**

**In the Matter of**

**Joe Yiu Cheung (a/k/a Dylan  
de lu Zhang),**

**Respondent.**

**ORDER INSTITUTING  
ADMINISTRATIVE AND CEASE-AND-  
DESIST PROCEEDINGS, PURSUANT TO  
SECTION 8A OF THE SECURITIES ACT  
OF 1933 AND SECTIONS 15(b) AND 21C  
OF THE SECURITIES EXCHANGE ACT  
OF 1934, MAKING FINDINGS, AND  
IMPOSING REMEDIAL SANCTIONS AND  
A CEASE-AND-DESIST ORDER**

**I.**

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative and cease-and-desist proceedings be, and hereby are, instituted pursuant to Section 8A of the Securities Act of 1933 (“Securities Act”) and Sections 15(b) and 21C of the Securities Exchange Act of 1934 (“Exchange Act”) against Joe Yiu Cheung (also known as Dylan de lu Zhang) (“Respondent” or “Cheung”).

**II.**

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the “Offer”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over him and the subject matter of these proceedings, which are admitted, Respondent consents to the Entry of this Order Instituting Administrative and Cease-and-Desist Proceedings pursuant to Section 8A of the Securities Act of 1933 and Sections 15(b) and 21C of the Securities Exchange Act of 1934, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order (“Order”) as set forth below.

### III.

On the basis of this Order and Respondent's Offer, the Commission finds<sup>1</sup> that:

#### Summary

1. These proceedings concern a fraudulent scheme by a microcap financier to hide his substantial beneficial ownership in a microcap issuer in order to surreptitiously fund a false and misleading promotional campaign about the company and profit from dumping its shares. As early as May 2007, Cheung had acquired greater than 10% beneficial ownership of United American Petroleum Corp. ("UAPC"). Although Cheung's holdings remained above 10% as late as February 2012 and often above 5% through mid-June 2012, Cheung never publicly reported his beneficial ownership of UAPC stock. At various times during this period, Cheung was also an undisclosed control person of UAPC. Between January and July 2012, Cheung financed a promotional campaign to promote UAPC and simultaneously dumped his shares. Replete with falsehoods, the campaign's blast emails and direct mailings urged investors to purchase UAPC shares at the very same time that Cheung was dumping them. For example, the promotional materials falsely stated that UAPC had "eleven key plays in Eagle Ford, Texas, America's largest petroleum find in over 40 years." The UAPC promotion increased investor demand for UAPC stock and artificially raised its price and trading volume. Cheung reaped large profits in the dump, some of which he funneled back into the promotion, all the while concealing from investors his diminishing holdings. The proceeds from Cheung's sale of his UAPC securities were approximately \$542,498.33.

2. Accordingly, Cheung willfully violated Section 17(a)(1) and (3) of the Securities Act and Sections 10(b), 13(d), and 16(a) of the Exchange Act and Rules 10b-5(a) and (c), 13d-1, 13d-2, 16a-2, and 16a-3 thereunder.

#### Respondent

3. **Cheung**, 45, of Vancouver, British Columbia, Canada, and Hong Kong, was an undisclosed beneficial owner of UAPC from April 2007 through July 2012,<sup>2</sup> as well as an undisclosed control person, financier, and stock promoter of UAPC at various times during this period.

#### Related Entity

4. **UAPC** is a public company headquartered in Austin, Texas, nominally engaged in the oil and gas business since 2010. During the relevant period, UAPC securities, and those of its predecessor entities, Milk Bottle Cards, Inc. ("MBTL") and Forgehouse, Inc. ("FOHE") were

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<sup>1</sup> The findings herein are made pursuant to Respondent's Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.

<sup>2</sup> References to Cheung's beneficial ownership of UAPC include his ownership of the common stock of its predecessor entities.

penny stocks within the meaning of Section 3(a)(51) of the Exchange Act and Rule 3a51-1 thereunder.

### **The Scheme to Defraud**

5. UAPC was originally incorporated in 2004 under the name, Milk Bottle Cards, Inc., (a purported greeting card company located in Vancouver, Canada). On July 25, 2005, MBTL filed a Form 8-A12G, registering its common stock pursuant to Section 12(g) of the Exchange Act. On February 4, 2008, with operating costs far exceeding revenues, MBTL ceased operations and participated in a reverse merger with a securities software company called Forgehouse, Inc., headquartered in Alpharetta, Georgia. Cheung was an undisclosed control person of MBTL and FOHE. Among other things, Cheung established the terms of MBTL's reverse merger into FOHE. Cheung was also an undisclosed financier of FOHE, secretly loaning the company \$50,000 in 2008. When FOHE also experienced significant financial difficulties, Cheung set the terms for FOHE's reverse acquisition of an oil and gas firm that became UAPC. Between October 14, 2011 and June 4, 2012, Cheung secretly financed UAPC, providing \$1,595,000 from accounts in the name of two Swiss companies that he controlled, Yaksha Industries, Inc. ("Yaksha") and Axe Group AG.

6. On April 13, 2007, Cheung directed the purchase of 6.25% of UAPC's issued and outstanding shares in three Swiss brokerage accounts. Although Cheung beneficially owned these shares, he intentionally failed to file the required Schedule 13D in order to hide the fact that he now possessed greater than 5% of UAPC's common stock.

7. On May 29, 2007, Cheung acquired UAPC shares that increased his beneficial ownership of UAPC shares to 11.66%. Cheung intentionally failed to file the required Form 3 in order to hide the fact that he now possessed greater than 10% of UAPC's common stock. Cheung subsequently failed to report this holding on a Form 5 that should have been filed 45 days after UAPC's 2007 fiscal year end.

8. On October 12, 2007, Cheung acquired additional UAPC shares, increasing his beneficial ownership from 11.66% to 13.33%. Although Cheung had a pecuniary interest in the October 12, 2007 transaction, he intentionally failed to file the required Form 4 in order to hide the extent of his burgeoning ownership of the company.

9. Over a five-year period, from April 2007 through July 2012, Cheung intentionally utilized an elaborate network of overseas bank and brokerage accounts, mostly in bank secrecy jurisdictions, to conceal his beneficial ownership of UAPC stock. During this time period, Cheung's undisclosed beneficial ownership of UAPC shares reached as high as 33.48%.

10. On 22 dates from April 2007 to May 2012, Cheung failed to file the required Schedule 13D, and amendments that would have been required, to report his greater than 5% beneficial ownership of UAPC.

11. From October 2007 to February 2012, Cheung failed to file Forms 4 relating to 33 dates on which he was required to report that had engaged in a transaction in UAPC shares in which he had a pecuniary interest while he possessed greater than 10% beneficial ownership of UAPC .

12. From October 2007 to February 2012, Cheung also failed to file five Forms 5 that were due 45 days following the end of each of fiscal years 2007-2011 to report the transactions that he had failed to report on Form 4.

13. From January to July 2012, Cheung financed a promotional campaign whose promotional materials – including two 16-page brochures mailed to 2.2 million U.S. residents – were filled with material misstatements about UAPC operations and unrealistic projections about its stock price in order to induce investors to purchase UAPC stock. Among the false statements and projections were that UAPC was using “one of EXXON’S greatest oil-finding secrets EVER;” that the company “already has a potential oil strike worth \$440 million dollars;” that “UAPC’s market cap is a tiny \$56.3 million which could easily hit \$1 billion;” and that UAPC was “A PRIME ACQUISITION CANDIDATE for such neighbors as ConocoPhillips, EOG Resources, and others.”

14. Cheung hid his financing of the promotional campaign through a chain of wires from Switzerland through Hong Kong and Canada to a marketing firm in the United States, with none of the wire transfers bearing his name. At the same time as Cheung was financing the UAPC promotional campaign, he was dumping UAPC shares.

15. Some of the funds Cheung used to promote UAPC were the proceeds of his own dumping of UAPC shares. For example, in February and March 2012, Cheung placed orders with a Swiss wealth administration firm to dump \$1.4 million worth of UAPC shares he held in the name of Koryak Investments, Ltd. On March 28, 2012, Cheung then transferred \$850,000 of these proceeds to another of his accounts held in the name of Yaksha. On March 30, 2012, Cheung transferred \$510,000 from Yaksha to a purported marketing entity in Hong Kong that Cheung and a relative financed. On March 30, 2012, the Hong Kong marketing firm forwarded \$500,000 to a firm in Vancouver, Canada, a firm that supervised the copywriters and graphic designers who created the UAPC email blasts and mailers. On April 3, 2012, the Vancouver firm then wired \$400,000 to a second marketing firm based in California that spent \$385,696 purchasing lists of the marketing targets for the campaign and arranging for the actual distribution of the promotional materials during the last three weeks of April.

16. The promotional campaign artificially inflated UAPC’s stock price from \$.35 per share on January 4, 2012, to a high of \$1.49 on April 10, 2012. The inflated price sat above \$1.20 through May 14, 2012 and at or above \$1.00 from May 17 to June 25, 2012 with one exception in each period. During the six-month promotional campaign, the volume jumped to a daily average of 232,464 shares from an average daily volume of 5,178 for the preceding six months.

17. On January 1, 2012, the eve of the promotional campaign, Cheung’s unreported beneficial ownership of UAPC shares was 12.72%. During the promotion, Cheung sold

1,756,113 UAPC shares. His last required but unreported holdings were his 6.05% beneficial ownership of UAPC shares on May 8, 2017.

18. Cheung's ill-gotten gains from the conduct described above totaled approximately \$542,498.33.

19. As a result of the conduct described above, Cheung willfully violated Section 17(a)(1) and (3) of the Securities Act and Sections 10(b), 13(d), and 16(a) of the Exchange Act and Rules 10b-5(a) and (c) and 13d-1, 13d-2, 16a-2, and 16a-3 thereunder.

#### IV.

In view of the foregoing, the Commission deems it appropriate, in the public interest, and for the protection of investors to impose the sanctions agreed to in Respondent's Offer.

Accordingly, pursuant to Section 8A of the Securities Act and Sections 15(b)(6) and 21C of the Exchange Act, it is hereby ORDERED that:

A. Respondent cease and desist from committing or causing any violations and any future violations of Sections 17(a)(1) and (3) of the Securities Act and Sections 10(b), 13(d), and 16(a) of the Exchange Act and Rules 10b-5(a) and (c), 13d-1, 13d-2, 16a-2, and 16a-3 thereunder.

B. Respondent is, and hereby is:

- (1) prohibited from acting as an officer or director of any issuer that has a class of securities registered pursuant to section 12 of the Exchange Act, or that is required to file reports pursuant to section 15(d) of that Act for ten years; and
- (2) barred from participating in any offering of a penny stock, including: acting as a promoter, finder, consultant, agent or other person who engages in activities with a broker, dealer or issuer for purposes of the issuance or trading in any penny stock, or inducing or attempting to induce the purchase or sale of any penny stock.

C. Any reapplication for association by the Respondent will be subject to the applicable laws and regulations governing the reentry process, and reentry may be conditioned upon a number of factors, including, but not limited to, the satisfaction of any or all of the following: (a) any disgorgement ordered against the Respondent, whether or not the Commission has fully or partially waived payment of such disgorgement; (b) any arbitration award related to the conduct that served as the basis for the Commission order; (c) any self-regulatory organization arbitration award to a customer, whether or not related to the conduct that served as the basis for the Commission order; and (d) any restitution order by a self-regulatory organization, whether or not related to the conduct that served as the basis for the Commission order.

D. Respondent shall within five days of the entry of this Order, pay disgorgement of \$542,498.33, prejudgment interest thereon of \$94,131.66, and a civil money penalty in the amount of \$150,000, for a total of \$786,630.89 to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury, subject to Exchange Act Section 21F(g)(3). If timely payment of disgorgement and prejudgment interest is not made, additional interest shall accrue pursuant to SEC Rule of Practice 600 and if timely payment of a civil money penalty is not made, additional interest shall accrue pursuant to 31 U.S.C. § 3717.

Payment must be made in one of the following ways:

- (1) Respondent may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;
- (2) Respondent may make direct payment from a bank account via Pay.gov through the SEC website at <http://www.sec.gov/about/offices/ofm.htm>; or
- (3) Respondent may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center  
Accounts Receivable Branch  
HQ Bldg., Room 181, AMZ-341  
6500 South MacArthur Boulevard  
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying Joe Yiu Cheung (also known as Dylan de lu Zhang) as a Respondent in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to Lara Shalov Mehraban, Associate Director, Division of Enforcement, Securities and Exchange Commission, New York Regional Office, Brookfield Place, 200 Vesey Street, Suite 400, New York, NY 10281.

D. Amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Respondent agrees that in any Related Investor Action, he shall not argue that he is entitled to, nor shall he benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Respondent's payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondent agrees that he shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the Securities and Exchange Commission. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this proceeding. For purposes of this paragraph, a "Related Investor Action" means a private damages action brought against Respondent by or on behalf of one or more investors based

on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding.

V.

It is further Ordered that, solely for purposes of exceptions to discharge set forth in Section 523 of the Bankruptcy Code, 11 U.S.C. §523, the findings in this Order are true and admitted by Respondent, and further, any debt for disgorgement, prejudgment interest, civil penalty or other amounts due by Respondent under this Order or any other judgment, order, consent order, decree or settlement agreement entered in connection with this proceeding, is a debt for the violation by Respondent of the federal securities laws or any regulation or order issued under such laws, as set forth in Section 523(a)(19) of the Bankruptcy Code, 11 U.S.C. §523(a)(19).

By the Commission.

Brent J. Fields  
Secretary