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

**SECURITIES ACT OF 1933**
**Release No. 10848 / September 23, 2020**

**SECURITIES EXCHANGE ACT OF 1934**
**Release No. 89977 / September 23, 2020**

**ADMINISTRATIVE PROCEEDING**
**File No. 3-20052**

**In the Matter of**

**ALAN J. KAU,**

**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 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 Alan J. Kau ("Kau" or "Respondent").

## II.

In anticipation of the institution of these proceedings, Kau 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, and except as provided herein in Section V, Kau 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 Kau's Offer, the Commission finds[1] that

### Summary

1. In 2018, Kau, as President and CEO of Worthington Energy, Inc. ("Worthington Energy" or "the Company"), a Nevada shell corporation, executed a false and materially misleading *Disclosure Statement Describing Debtor's Joint Plan of Reorganization* and *Debtor's Joint Plan of Reorganization* as a Chapter 11 prepackaged Plan of Reorganization (the "Plan of Reorganization"). As detailed in the Plan of Reorganization, Worthington Energy would acquire a certain private company (the "Private Company") and issue to Worthington Energy's creditors new shares, exempt from registration, in the successor company (the "Successor Company") as well as in nine additional shell companies that would be spun off from Worthington Energy's dormant oil well assets. In reality, Worthington Energy didn't have an agreement with the Private Company for its acquisition.

2. The Plan of Reorganization, filed with the United States Bankruptcy Court for the Southern District of California ("the Bankruptcy Court"), included false and misleading representations as to the Private Company's assets and the Successor Company's sales projections.

3. The false and misleading representations were included in the Plan of Reorganization to entice Worthington Energy's creditors to approve, and the Bankruptcy Court to confirm, the Plan of Reorganization. Confirmation by the Bankruptcy Court of the Plan of Reorganization would have resulted in the issuance of thousands of shares available for sale in the public marketplace, exempt from registration, in a publicly-traded shell corporation and in nine new shell companies primed to be sold and/or listed for trading.

### Respondent

4. Kau, age 80, resides in Dana Point, California. From mid-March 2018 through mid-May 2018 he was CEO of Worthington Energy. According to a Form 8-K filed by the Company, prior to his association with Worthington Energy, Kau had substantial experience as an independent consultant advising public and private companies on financing opportunities. Kau participated in an offering of Worthington Energy stock, which is a penny stock.

### Relevant Entity

5. Worthington Energy was a Nevada shell corporation headquartered in Corte Madera, California. Worthington Energy's common stock was registered with the Commission pursuant to Section 12(g) of the Exchange Act and was quoted on OTC Link operated by OTC

[1] 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.

Markets Group ("OTC Link") prior to June 21, 2018 at which time the Commission suspended trading in the securities of the Company. Worthington Energy's common stock traded at a high of .0001 per share in 2018 and at all relevant times its common stock met the definition of a penny stock. On March 26, 2019, the Commission revoked the registration of Worthington Energy pursuant to Section 12(j) of the Exchange Act.

## Facts

6. In March 2018, Kau was appointed President and CEO of Worthington Energy. Kau assumed the position as the titular CEO as a favor to Worthington Energy's prior CEO, who resigned simultaneous to Kau's appointment. Kau understood that his appointment was solely to facilitate the Bankruptcy Court's confirmation of the Plan of Reorganization.

7. Kau, in his capacity as a corporate officer of Worthington Energy, signed a Form 8-K, issued by the Company and filed with the Commission on March 19, 2018, announcing that Worthington Energy would file for bankruptcy under Chapter 11 of the U.S. Bankruptcy Code and solicit approval of the Company's creditors of a "prepackaged Plan of Reorganization."

8. Kau was listed as a creditor of Worthington Energy in the Plan of Reorganization and stood to receive pro-rated shares in the Successor Company and in Worthington Energy's subsidiaries if the Plan of Reorganization was confirmed by the Bankruptcy Court.

9. According to the Plan of Reorganization, Kau also stood to be compensated as a manager of the nine shell companies to be spun off of Worthington Energy if the Plan of Reorganization was confirmed by the Bankruptcy Court.

10. Kau signed the Plan of Reorganization on two occasions: first, in March 2018 so that the Plan of Reorganization could be issued to creditors to solicit their approval and second, in May 2018 so that the Plan of Reorganization could be filed with the Bankruptcy Court.

11. Kau knew, or was reckless in not knowing, that the Plan of Reorganization was materially false because he signed it without reading it or conducting due diligence.

12. Kau signed the Plan of Reorganization as a corporate officer of Worthington Energy attesting to its truthfulness, and so was pivotal to Worthington Energy's efforts to seek approval and confirmation of the Plan of Reorganization.

13. Kau executed a Declaration "under the penalty of perjury" that he had personal knowledge of the facts in the Plan of Reorganization, that he believed all information therein to be true and correct and that if called to testify as to the facts, would and could competently do so.

14. The Plan of Reorganization was materially false and misleading. First, contrary to representations in those documents, Worthington Energy did not have an agreement with the Private Company to acquire it.

15. Second, the Plan of Reorganization falsely represented that the Private Company held almost $500,000 in assets that would be assets of the Successor Company. In reality, the Private Company had no more than $10,000 in assets.

16. Third, the Successor Company's sales projections in the Plan of Reorganization were materially misleading because they were dependent on the Successor Company having at least $500,000 in assets, which the Successor Company would not actually have.

17. The Plan of Reorganization was an unregistered offer of securities pursuant to the exemption from registration for securities issued to creditors in exchange for their claims contained in Section 1145 of the Bankruptcy Code. It was also in connection with the purchase or sale of securities because at the time the Plan of Reorganization was sent to Worthington Energy's creditors for approval, and subsequently filed with the Bankruptcy Court for confirmation, Worthington Energy was publicly traded.

## Violations

18. As a result of the conduct described above, Kau willfully violated Sections 17(a)(1) and 17(a)(3) of the Securities Act and Section 10(b) of the Exchange Act and Rule 10b-5 thereunder which prohibit fraudulent conduct in the offer or sale of securities and in connection with the purchase or sale of securities.

## IV.

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

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

A. Respondent Kau cease and desist from committing or causing any violations and any future violations of Section 17(a) of the Securities Act and Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

B. Respondent Kau be, 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; 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 of any penny stock, or inducing or attempting to

induce the purchase or sale of any pennystock with the right to apply for reentry after two (2) years to the appropriate self-regulatory organization, or if there is none, to the Commission.

C. Respondent Kau shall, within 14 days of the entry of this Order, pay a civil money penalty in the amount of $15,000 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 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) Kau may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;

(2) Kau 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) Kau 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 Alan J. Kau 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, Brookfield Place, 200 Vesey Street, Suite 400, New York, NY 10281-1100.

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, Kau 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 Kau's payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Kau 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 Kau 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 Kau, and further, any debt for disgorgement, prejudgment interest, civil penalty or other amounts due by Kau 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 Kau 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.

Vanessa A. Countryman
Secretary