

COMMONWEALTH OF KENTUCKY
FRANKLIN CIRCUIT COURT
DIVISION II
04-CI-0957

ENTERED
APR 17 2007
FRANKLIN CIRCUIT COURT
SALLY JUMP, CLERK

COMMONWEALTH OF KENTUCKY, ex rel Executive Director
of the Office of Financial Institutions

PLAINTIFF

vs.

MAMMOTH RESOURCE PARTNERS, INC.,
MAMMOTH RESOURCE PARTNERS, LLC, and
ROGER CORY, PRINCIPAL

RECEIVED

APR 18 2007

OFI
OGC 9432

DEFENDANTS

AGREED ORDER

Plaintiff, the Commonwealth of Kentucky, ex rel Executive Director of the Office of Financial Institutions ("OFI"), through the Executive Director, the person charged under the Securities Act of Kentucky ("Act"), KRS Chapter 292, with administration and enforcement of the Act, filed a Motion for sanctions for violations of the existing agreed order in this matter. Defendants Mammoth Resource Partners, Inc., Mammoth Resource Partners, LLC, and Roger Cory (collectively, "Defendants") denied that they violated the existing agreed order. The parties have reached a new agreement pursuant to CR 65 in the above-styled matter.

Upon Motion of Plaintiff and agreement by Defendants, and this Court being otherwise sufficiently advised, **IT IS HEREBY ORDERED** as follows:

- 1) Defendant Roger Cory and the other Defendants shall file a notice, along with the Private Placement Memorandum ("PPM"), prospectus, offering circular, or equivalent offering document, and copies of all other offering materials intended to be used for the offering, either on Form D, or by letter with enclosures if Form D is not applicable, for *every securities offering* made by the issuer or by others on behalf of the

issuer, apprising the Plaintiff of the offering. The filing may be the preliminary offering materials to be used, and any amendments of the documents as final shall also be filed. Nevertheless, under no circumstances shall an offer or sale be made with materials that are not already filed with and received by the Plaintiff.

2) The notice shall be filed a sufficient period of time *before* the offering commences to enable Plaintiff to review and comment on disclosure. Such filing shall be done pursuant to this agreed order notwithstanding exempt status or federal law that would otherwise dispense with the requirement for a filing or allow the filing to be made at a later date.

3) In order to define a reasonable lead time for the required notice herein, the notice and the enclosures shall be in the hands of the Plaintiff no less than ten (10) business days before the first contact with a potential investor. This requirement does not otherwise relieve the Defendants of complying with the state and federal securities laws, including securities offering disclosure requirements, nor does the failure of the Plaintiff to respond or comment on the filing or materials, or to respond or comment on some aspect of same, excuse or exonerate the Defendants should they fail to make required disclosures or make misleading statements in connection with the offerings.

4) Any failure to timely file the notice herein and any failure to timely file the required offering materials shall be deemed a violation of this agreed order.

5) The requirement that Defendants file a notice and offering materials in advance shall commence with the entry date of this order and shall be in force for twelve (12) months thereafter. When this notice filing requirement expires, Defendants shall not be relieved of any other filings that they would otherwise be required to make with the

Plaintiff pursuant to the laws and regulations of the Commonwealth of Kentucky or the United States, nor shall they be relieved of compliance with the Act and the regulations and orders issued pursuant thereto.

6) This Order includes all securities as defined in KRS 292.310(18), including but not limited to any interests in oil and/or gas drilling programs.

7) Defendants are on notice that, if they offer or sell any securities, they must still register the securities, file a claim of exemption from registration, or provide proof of a covered security, as applicable, and/or as provided in KRS 292.340.

8) Defendants are on notice that all persons employed, associated, or affiliated with the Defendants who deal with potential investors, whether soliciting general indications of interest in investing or promoting a specific product, are required to be registered pursuant to KRS 292.330 *before* the contact is made. Defendants shall not have any exception or grace period for this requirement pursuant to this order or KRS 292.330.

9) Defendants shall seek a written opinion from a qualified attorney, that is, an attorney with specialized knowledge in the area of state *and* federal securities law, *prior* to the offering or sale of any investment or instrument to determine whether the investment or instrument sought to be offered or sold is a security and to determine whether the offering or sale is covered by this agreement or is subject to this agreement or the Act, or both.

10) Defendants shall not violate the Act, any regulations promulgated thereunder, or any Orders of the Executive Director or his successors or predecessors in office. In the instance of a conflict between the regulations, statutes, or Orders of the

Commonwealth, and the rules and/or Orders of the NASD, Defendants shall comply with the stricter application or interpretation.

11) Defendants shall provide all investors, whether accredited or not, a PPM, prospectus, offering circular, or equivalent offering document disclosing all material facts in connection with the investment, including, but not limited to salient risk factors, the background of the principals, and a full and complete statement of intended use of proceeds. Furthermore, said document shall be provided *in advance* of the sale of the investment.

12) Defendants shall provide a geological report prepared by a licensed geologist as a part of any offering material.

13) In discharging the obligation herein that Defendants disclose all material facts in connection with the investment, including, but not limited to salient risk factors, the background of the principals, and a full and complete statement of intended use of proceeds, the Defendants shall include information about this matter herein, namely Commonwealth of Kentucky, ex rel. Commissioner of the Department of Financial Institutions of the Commonwealth of Kentucky v. Mammoth Resource Partners, Inc., Mammoth Resource Partners, LLC, and Dr. Roger Cory, Principal, Franklin Circuit Court Case Number 04-CI-957.

14) In order to facilitate the disclosure pertaining the matter herein (Case 04-CI-957), the following language or its substantial equivalent may be used in mentioning and disclosing the California judgment referenced herein.

In 2004, the Office of Financial Institutions of the Commonwealth of Kentucky filed an action in the Franklin Circuit (Commonwealth of Kentucky, ex rel. Commissioner of the Department of Financial Institutions of the Commonwealth of Kentucky v. Mammoth Resource Partners, Inc., Mammoth Resource Partners,

LLC, and Dr. Roger Cory, Principal, Franklin Circuit Court Case Number 04-CI-957), seeking an injunction related to the actions of the Managing Partner and Roger Cory, alleging that no registration was filed concerning its initial offering, that there was a failure to register agents, and that there was a failure to make full and proper disclosure. A settlement was entered regarding these matters. Mr. Cory voluntarily made a rescission offering to all persons who had invested and returned the funds to those who responded in a timely manner. The settlement required certain undertakings, including filings for each new offering for twelve (12) months.

In 2006, a motion was filed by the Office of Financial Institutions alleging that the settlement agreement (from 2004) from Case 04-CI-957 above had not been fully performed, which was denied by the managing partner and Mr. Cory. However, a new settlement was reached wherein the Managing Partner and Mr. Cory agreed to file any new offerings for a period of twelve (12) months, to begin anew, and to include in all future memoranda, references to any previous court cases, and additional changes regarding other matters, which details can be found in Franklin Circuit Court Case 04-CI-957. The managing general partner was also assessed a fine of \$20,000, of which \$15,000 was suspended for one year. The court orders provide more details, and complete copies of these orders will be provided upon request at no additional cost.

If such a request above is made, the Defendants shall comply with the request.

15) Defendants shall include in every PPM, information about the case of Donald Ferguson et al. v. Roger L. Cory et al., Superior Court at California, filed as a default judgment in 1992 against Defendant Roger Cory. At a minimum, Defendants shall disclose the complete name and style of the case of Donald Ferguson et al. v. Roger L. Cory et al., Superior Court at California, the fact that allegations of securities law violations were made in the initiating complaint in California, and a statement that a complete copy of the complaint, answer, and default judgment related to the matter will be provided upon request at no additional cost. If such a request is made, the Defendants shall honor it. The Defendants may also state in connection with the Complaint that it was initiated in 1988, using the following language, or its substantial equivalent:

The company and Roger Cory and his wife answered the complaint. However, due to the economic costs of pursuing a defense and without any proof being

taken, Mr. Cory did not pursue the defense (15 years ago) and his answer was stricken and a judgment entered in 1992, which set forth violations of securities acts and RICO violations.

The disclosure on the action herein and the California matter above will appear under "Litigation" and under "Risk Factors." In order to further assist the Defendants in compliance, the language below or its substantial equivalent shall be deemed to comply with the disclosure mandated by this section of this order.

Donald Ferguson et al. v. Roger L. Cory et al., Superior Court at California, was filed as a default judgment in 1992 against Defendant Roger Cory. Allegations of securities law violations were made in the initiating complaint in California. A complete copy of the court records related to the matter will be provided upon request at no additional cost.

If both items are together, it may be disclosed in the combined "Litigation/Risk Factors" section.

16) This provision only covers disclosure for the action herein (Case 04-CI-0957) and the California action referenced herein. It does not relieve Defendants of the obligation to disclose any and all other relevant litigation or legal proceedings or risk factors that exist now or in the future.

17) In discharging their obligation to disclose all material facts in connection with the investment, including, but not limited to salient risk factors, the background of the principals, and a full and complete statement of intended use of proceeds, the Defendants and any individuals or entities subject to their control, directly or indirectly, shall be specific as to disclosing the use of proceeds, financial expenditures, and costs. Such disclosure shall contain a *detailed* breakdown of all expenses to be paid from the offering proceeds. Such expenses include, but are not limited to, drilling, salaries,

marketing and sales, overhead, legal, accounting, and printing costs. An Authority for Expenditures (“AFE”) shall be provided in the PPM for all costs.

18) Any material facts in connection with the offerings and any additional facts necessary to make other facts disclosed not misleading, shall be disclosed in any offering made by any one or several of the Defendants.

19) Defendants shall not engage in any general solicitation of investors.

20) Defendants shall maintain detailed documents of all investor contacts and make these available, with or without prior notice, for inspection at any time by the Executive Director or his designees.

21) Defendants shall maintain and make available for review at their offices at any time and without prior notice, the following information to be reviewed by the Plaintiff:

- a) The records of all funds raised and expended by Defendants in relation to the solicitation and sale of securities;
- b) The name, address, and telephone number of each investor;
- c) Copies of all completed investor subscriptions agreements;
- d) Copies of all contracts with any driller or operator of each well;
- e) Copies of all invoices, receipts, or other documents representing payment for oil or gas produced by each well;
- f) Copies of receipts for all expenses relative to the drilling and operation of each well;

- g) Copies of all bank account statements, deposit slips, cancelled checks (front and back), and other items drawn on the account, that are relative to the offering;
- h) Copies of documents representing payments to investors; and
- i) Copies of any turnkey agreements.

22) Plaintiff and Defendants may agree in writing to an exception or waiver of any provision herein. A past exception or waiver granted by the Plaintiff shall not bind the Plaintiff to grant an exception or waiver in the future, nor shall it be construed to apply to any incident other than the specific incident covered by its writing.

23) Defendants shall pay a civil penalty in the amount of *Twenty thousand dollars (\$20,000.00)*. However, of that amount, *Fifteen thousand dollars (\$15,000.00)* shall be suspended and shall not be due provided that Defendants do not violate this Order in any manner during the next Twelve Months, commencing with the entry date of this Order and ending on the first anniversary of said entry date. The remaining *Five thousand dollars (\$5,000.00)* of that amount shall be paid to the Commonwealth of Kentucky within *sixty (60) days* of the date of entry of this Order.

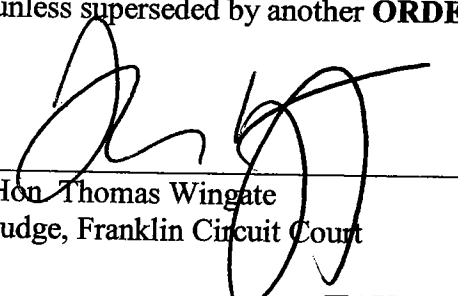
24) In the event that the Defendants violate this Order in any manner during the Twelve-Month period referenced above, the remaining amount, that is, the *Fifteen thousand dollars (\$15,000.00)*, shall be immediately due and payable to the Commonwealth of Kentucky. Furthermore, should a violation occur, this Court is not precluding itself from determining and imposing a sanction against the Defendants greater than, or in addition to, the aforementioned *Fifteen thousand dollars (\$15,000.00)*, should such sanctions be warranted under the facts and circumstances. However, if the

Defendants do not violate this Order during that Twelve-Month period referenced above, the remaining amount, that is, the *Fifteen thousand dollars (\$15,000.00)*, shall be vacated and shall not become due at any time.

25) This Court is not precluding itself from imposing the suspended portion of this fine for violations that occurred during the Twelve-Month period above but were not discovered or finally determined until after the expiration of the Twelve-Month period.

26) So long as this Order remains in force, this Court is not precluding itself from imposing sanctions for violations of the Order as it stands after the Twelve-Month period above should other violations occur after said Twelve-Month period.

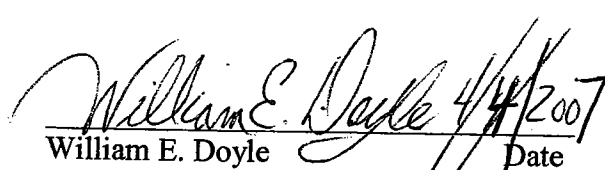
IT IS HEREBY FURTHER ORDERED that this **ORDER** shall remain in force unless superseded by another **ORDER** of this Court in this matter.


Hon. Thomas Wingate
Judge, Franklin Circuit Court

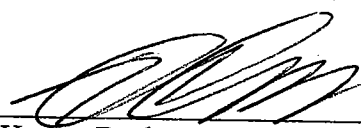
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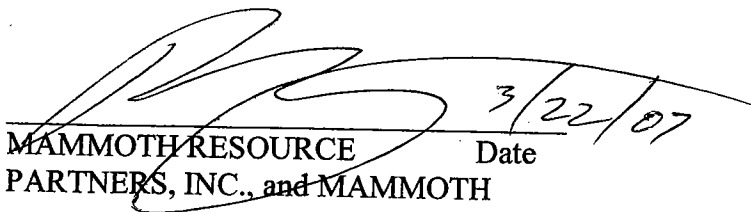
HAVE SEEN AND AGREED TO:


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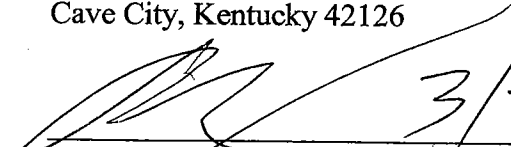
Date


MAMMOTH RESOURCE
PARTNERS, INC., and MAMMOTH

Date

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Frankfort, Kentucky 40601
Telephone (502) 573-3390

RESOURCE PARTNERS, LLC
by Roger Cory
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 3/22/07
Defendant, Roger Cory, Date
Individually
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