

1 PRESTON DuFAUCHARD  
California Corporations Commissioner  
2 WAYNE STRUMPFER  
Deputy Commissioner  
3 SHARON LUERAS (139801)  
Lead Corporations Counsel  
4 ERIK R. BRUNKAL (166086)  
Senior Corporations Counsel  
5 1515 K Street, Suite 200  
Sacramento, California 95814  
6 Telephone: (916) 322-8782

7 Attorneys for Complainant  
California Corporations Commissioner  
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10 BEFORE THE DEPARTMENT OF CORPORATIONS  
11 OF THE STATE OF CALIFORNIA

11 In the Matter of the ) OAH No. N2006120566  
12 DESIST AND REFRAIN ORDER )  
13 Issued To: )  
14 John Owen, Don Hancock, Alex Dowlatshahi, ) RESPONDENTS', JOHN OWEN AND USAR,  
International Energy and Resources, Inc., ) INC., STIPULATION re: ORDER TO DESIST  
15 USAR, Inc., Chastain Joint Venture I, and Cathy ) AND REFRAIN FROM THE UNQUALIFIED  
O'Conner Burroughs, ) OFFER OR SALE OF SECURITIES AND THE  
16 ) MAKING OF MATERIAL OMISSIONS IN  
Respondents. ) THE OFFER OR SALE OF SECURITIES  
17 )  
18 )  
19 )  
20 )

21 IT IS HEREBY STIPULATED BY AND BETWEEN RESPONDENTS JOHN OWEN AND  
22 USAR, INC. ONLY ("THESE RESPONDENTS"), AND PRESTON DuFAUCHARD, CALIFORNIA  
CORPORATIONS COMMISSIONER ("COMMISSIONER"), AS FOLLOWS:  
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24 WHEREAS, THESE RESPONDENTS waive the right of hearing, including that provided by  
California Corporations Code sections 25532 subdivision (d) and 25609. Further, THESE  
25 RESPONDENTS waive any and all review by a court of law, including that provided by California  
26 Government Code section 11523.

27 WHEREAS, all terms used, but not defined herein, shall have the meaning assigned to them  
28 by the California Corporations Code.

1           WHEREAS, THESE RESPONDENTS represent that no promises of any kind or nature  
2 whatsoever were made to induce them to entering into this Stipulation, and that this Stipulation is a  
3 voluntary act on the part of RESPONDENTS.

4           WHEREAS, on OR ABOUT June 26, 2006, the COMMISSIONER issued a Desist and  
5 Refrain Order (“the Order”) against JOHN OWEN, DON HANCOCK, ALEX DOWLATSHAHI,  
6 INTERNATIONAL ENERGY AND RESOURCES, INC., USAR, INC, CHASTAIN JOINT  
7 VENTURE I, AND CATHY O’CONNER BURROUGHS for offering and/or selling unqualified  
8 non-exempt securities, in the form of investment contracts or in payments out of production under a  
9 mining title or lease in the Chastain Joint Venture I, and for making misrepresentations and omissions  
10 of material fact in the offer and/or sale of said securities.

11           WHEREAS, THESE RESPONDENTS timely requested a hearing on the Order, as permitted  
12 by law, and hereby acknowledge and agree that the COMMISSIONER is ready, willing and able to  
13 grant a hearing in relation to the Order, that THESE RESPONDENTS have a right to such a hearing  
14 to challenge the Order, and that THESE RESPONDENTS hereby voluntarily waive their right to  
15 such a hearing in the interest of avoiding the expense, time and uncertainty of such a hearing.

16           WHEREAS, THESE RESPONDENTS admit, for the purposes of the Department of  
17 Corporations only, the following findings contained in this Stipulation, including the opinions and  
18 findings made by the COMMISSIONER that:

19           1.       At all relevant times, International Energy and Resources, Inc., was a Texas  
20 Corporation (“IER”) with its principal place of business at 3839 Briargrove Lane, Suite 6307, Dallas,  
21 Texas 75287.

22           2.       Chastain Joint Venture I is a Texas joint venture with a principal place of business  
23 located at 3839 Briargrove Lane, Suite 6307, Dallas, Texas 75287. IER, Inc., with John Owen as its  
24 president and CEO, is the Managing Venturer of the Chastain Joint Venture I.

25           3.       Chastain Joint Venture is a Texas joint venture with a principal place of business  
26 located at 3839 Briargrove Lane, Suite 6307, Dallas, Texas 75287.

27           4.       Chastain Joint Venture A is a Texas joint venture with a principal place of business  
28 located at 3839 Briargrove Lane, Suite 6307, Dallas, Texas 75287.

          5.       At all relevant times, John Owen was the CEO of IER, Inc.

1           6.       At all relevant times, USAR, Inc., was a Texas Corporation (“USAR”) with its  
2 principal place of business at 3839 Briargrove Lane, Suite 6307, Dallas, Texas 75287, and the parent  
3 corporation of IER, Inc.

4           7.       During relevant times, employees and officers of IER, Inc. offered and/or sold  
5 unqualified, non-exempt securities in California, in violation of Corporations Code section 25110 of  
6 some or all of the following issuers: Chastain Joint Venture, Chastain Joint Venture A, and/or  
7 Chastain Joint Venture I. John Owen acknowledges that, as CEO of IER, Inc., he bears ultimate  
8 responsibility for these sales, even though he made no sales personally himself.

9           8.       It is the position of the COMMISSIONER that John Owen bears responsibility for the  
10 actions of subordinates working for IER and for their sales activities, which violated California  
11 Corporations Code section 25401. John Owen acknowledges that, as CEO of IER, he bears ultimate  
12 responsibility for the actions of IER officers and employees if they violated California Corporations  
13 Code section 25401. It is John Owen’s position that any violations of Corporations Code section  
14 25401 were without his authorization or knowledge.

15           WHEREAS, THESE RESPONDENTS acknowledge, without either admitting or denying,  
16 that the COMMISSIONER makes the following findings and opinions:

17           In connection with these offers and sales, IER, Inc., and certain of its employees made the  
18 following material omissions:

- 19           a.       They failed to tell investors and potential investors that since the late 1800s, in the  
20 history of the entire state of Arizona, the total, cumulative amount of gold recovered  
21 from all mining activities from gold lode mining, placer gold mines, as well as  
22 recovery as a byproduct from silver, copper and/or other base metal mining is only  
23 16,000,000 ounces. It is the position of the Commissioner that this omission is  
24 material because of representations by IER and USAR in informational materials that  
25 there were the potential reserves in excess of 19 million ounces of gold on properties  
26 being explored by IER, USAR and affiliates.
- 27           b.       They failed to tell investors that, at the present time, no primarily gold producing  
28 mines are currently, actively, economically mining in Arizona. It is the position of the

1 Commissioner that this omission is material because IER was seeking to operate  
2 primarily gold producing mines in Arizona.

3 c. They failed to tell potential investors that before the BLM will permit occupancy and  
4 mining operations at the Chastain Mine site, IER, Inc. must submit a mining plan of  
5 operation which must be assessed by the BLM and eventually authorized by BLM: a  
6 process that could take close to a year once a satisfactory mining plan is developed by  
7 IER, Inc. and delivered to BLM. It is the position of the Commissioner that this  
8 omission is material because IER, Inc. represented that they were mining 1,000 tons of  
9 ore a day when (1) they only were permitted to conduct "notice level" activities and  
10 (2) no mine plan of operation had been approved by the BLM. IER, Inc.'s request for  
11 occupancy was denied because IER, Inc. failed to support its claims that occupancy  
12 was required to protect valuable assets from loss.

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14 WHEREAS, THESE RESPONDENTS agree and acknowledge that nothing in this  
15 Stipulation shall preclude the COMMISSIONER, his agents, officers, or employees, to the extent  
16 authorized by law, from referring any evidence or information regarding this matter to any other state  
17 or federal law enforcement official, or from assisting cooperating, or co-prosecuting with regards to  
18 any investigation and/or action. THESE RESPONDENTS further understand and agree this  
19 stipulation does not prevent the Commissioner from taking future action in regard to this matter.

20 WHEREFORE, THESE RESPONDENTS understand and agree not to represent that this  
21 Stipulation is a settlement or a withdrawal of the COMMISSIONER'S Order. RESPONDENTS  
22 further understand and agree that they have admitted Corporations Codes section 25110 violations  
23 and cannot deny the omissions alleged as violations of Corporations Code section of 25401 in this  
24 Stipulation or make any statement or representation that is inconsistent with this Stipulation.

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1            ADDITIONALLY, THESE RESPONDENTS UNDERSTAND AND AGREE THAT THE  
2 FOLLOWING TERMS ARE HEREBY ORDERED:

- 3            1. That John Owen abide by the California Corporations Code and related regulations and  
4            that he desist and refrain from offering or selling or buying or offering to buy any security  
5            in the State of California by means of any written or oral communication which includes  
6            an untrue statement of a material fact or omits to state a material fact necessary in order to  
7            make the statements made, in light of the circumstances under which they were made, not  
8            misleading.
- 9            2. That USAR, Inc. abide by the California Corporations Code and related regulations and  
10           that it desist and refrain from offering or selling or buying or offering to buy any security  
11           in the State of California by means of any written or oral communication which includes  
12           an untrue statement of a material fact or omits to state a material fact necessary in order to  
13           make the statements made, in light of the circumstances under which they were made, not  
14           misleading.
- 15           3. That John Owen will not offer or sell securities in the State of California, including but  
16           not limited to any and all investment contracts or any securities offering payments out of  
17           production under a mining title or lease unless and until qualification has been made under  
18           the law or unless exempt.
- 19           4. That USAR, Inc. will not the offer or sell securities in the State of California, including  
20           but not limited to any and all investment contracts or any securities offering payments out  
21           of production under a mining title or lease unless and until qualification has been made  
22           under the law or unless exempt.

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1 IT IS AGREED BETWEEN THE PARTIES TO THIS STIPULATION THAT THE DESIST  
2 AND REFRAIN ORDER, ISSUED JUNE 27, 2006, REMAINS IN EFFECT AS TO THESE  
3 RESPONDENTS AS SET FOURTH IN THIS STIPULATION.

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5 **AGREED AND CONSENTED** to on date indicated:

6  
7 USAR, Inc.

8 BY: /s/ John Owen

9 TITLE: Pres & CEO

10 DATE: 6/27/07

11  
12 John Owen

13 /s/ John Owen

14 DATE: 6/27/07

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16 Dated: 7/17/07\_

17 PRESTON DuFAUCHARD  
18 California Corporations Commissioner

19 By: /s/  
20 ERIK BRUNKAL  
21 Senior Corporations Counsel