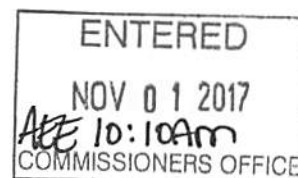


COMMONWEALTH OF KENTUCKY  
PUBLIC PROTECTION CABINET  
DEPARTMENT OF FINANCIAL INSTITUTIONS  
ADMINISTRATIVE AGENCY ACTION NO. 2017-AH-00058



DEPARTMENT OF FINANCIAL INSTITUTIONS

COMPLAINANT

vs.

**FINAL ORDER**

MAJESTIC MANAGEMENT CORPORATION  
and  
JOSEPH J. ROY

RESPONDENTS

\*\*\*\*\*

This matter is before the Commissioner of the Kentucky Department of Financial Institutions (“DFI”) pursuant to KRS 292.470 and 808 KAR 10:225. The Commissioner hereby enters this Final Order against Majestic Management Corporation, and Joseph Jacques “Mud” Roy, (collectively “Respondents”) pursuant to KRS Chapter 292, the Securities Act of Kentucky (“the Act”).

**PARTIES**

1. DFI is responsible for administering the provisions of KRS Chapter 292, the Securities Act of Kentucky (“the Act”), as well as any applicable rules, regulations and orders entered pursuant to the Act.

2. Majestic Management Corporation (“Majestic”) was a Kentucky corporation that was administratively dissolved by the Kentucky Secretary of State’s Office on October 1, 2016. Prior to its dissolution, Majestic maintained a registered office at 1202 South Green Street, Glasgow, KY 42141.

3. Joseph Jacques “Mud” Roy (“Roy”) was the President, sole officer, and registered agent of Majestic. Roy’s last known address is 1202 South Green Street, Glasgow, KY 42141.

## FINDINGS OF FACTS

### i. Hickory Grove Farms Wells 5 & 6 Project

4. Majestic issued fractional undivided interests in several proposed oil and gas projects.

5. On or about October 4, 2013, Scott Whitt invested \$9,000 for one unit in Majestic’s Hickory Grove Farms Wells 5 & 6 Project (“Hickory Grove”), located in Allen County, Kentucky. Respondents represented to Mr. Whitt that Majestic would drill two wells at Hickory Grove during the Spring of 2014.

6. On March 11, 2014, Richard Fruchey, who was over sixty years-old, invested \$9,000 for one unit in Hickory Grove. Respondents represented to Mr. Fruchey that Majestic would drill two wells at Hickory Grove during the Spring of 2014.

7. On March 11, 2014, John Morgan, who was over sixty years-old, invested \$9,000 for one unit in Hickory Grove. Respondents represented to Mr. Morgan that Majestic would drill two wells at Hickory Grove during the Spring of 2014.

8. Respondents never obtained the necessary permits to drill wells, and no wells were ever drilled in Allen County for the Hickory Grove project.

9. On or about March 13, 2015, Roy contacted the Hickory Grove investors to tell them the project was cancelled because he could not get old wells plugged and new drilling started. Roy told the investors he would refund their investment funds.

10. However, Respondents failed to refund the investments and in the Summer of 2015 the Hickory Grove investors asserted complaints against Respondents with the Kentucky Attorney General's Consumer Protection Division. These complaints were referred to DFI.

11. On or about October 19, 2015, Roy informed Lori Farris of the Attorney General's Consumer Protection Division that he had cancelled the Hickory Grove project, and no wells had ever been drilled on the Hickory Grove site. During this conversation, Roy told Ms. Farris that he would immediately refund the investments made by each of the Hickory Grove project investors.

12. As of July 21, 2017, Roy had failed to return any investment funds to the Hickory Grove project investors.

**ii. Lil' Muddy Field Platinum Project**

13. On October 20, 2014, Bradly Kovin ("Kovin") invested \$18,000 for one unit in Majestic's Lil' Muddy Field Platinum Project ("Platinum"), located in Cumberland County, Kentucky. Respondents represented to Mr. Kovin that Majestic would drill four wells for the Platinum project during 2015.

14. On November 13, 2014, Roy directly solicited Mr. Kovin to invest an additional \$18,000 and obtain another unit in the Platinum project.

15. Respondents failed to obtain the necessary permits to drill wells, and no wells were ever drilled for the Platinum project.

16. During 2015, Roy told Mr. Kovin that he had cancelled the Platinum project and had never drilled any wells at the Platinum site. Roy further stated that he would refund Mr. Kovin's investment funds.

17. As of July 21, 2017, Roy had failed to return any investment funds to Mr. Kavin.

18. Moreover, Roy failed to inform investors that Majestic had been unable to obtain drilling permits until Majestic's past wells were plugged. The Kentucky Department of Oil and Gas banned Majestic from obtaining any new permits due to a pattern of regulatory non-compliance. Majestic's bond was forfeited to the state on October 27, 2015 due to its repeated failure to address numerous documented violations.

19. Roy also failed to inform investors that he served as the President and sole officer of Impact Oil, the designated drilling company for both projects, and that Roy would thus benefit financially from this relationship.

20. Roy maintained exclusive control over Majestic's business bank accounts with South Central Bank.

21. DFI's analysis of Respondents' bank records determined that Roy depleted all of Majestic's business bank accounts with South Central Bank.

22. Roy utilized investor funds for a variety of personal expenses including, but not limited to: restaurant charges, veterinary services, hotel accommodations, mortgage payments, medical and pharmacy expenses, groceries, YMCA expenses, cable and internet services, and florist purchases.

### **iii. Administrative Proceedings Initiated**

23. On July 21, 2017, DFI filed an Administrative Complaint against Respondents seeking the imposition of a fine, restitution for the investors and a cease and desist order for Respondents' multiple violations of the Act. The Administrative Complaint contained a notice that a written answer with a request for a hearing must be

filed with DFI within twenty (20) days of service of the Administrative Complaint. The original Administrative Complaint was filed with the Office of the Commissioner.

24. A copy of the Administrative Complaint was sent to Respondents' last known addresses by certified mail, return receipt requested.

25. Records show that the United States Postal Service delivered the Administrative Complaint to Respondents on July 28, 2017.

26. More than twenty (20) days have passed since the Administrative Complaint was served upon Respondents. To date, Respondents have not filed written answers to the Administrative Complaint or requested a hearing.

#### **STATUTORY AUTHORITY**

27. Pursuant to KRS 292.310(19), the definition of a security includes a "fractional undivided interest in oil, gas, or other mineral rights."

28. The investments sold by Respondents in the Hickory Grove and Platinum projects meet this statutory definition of security in KRS 292.310(19).

29. Roy is jointly and severally liable as a "control person" as that term is defined in KRS 292.480(4).

30. Pursuant to KRS 292.320(1), "[i]t is unlawful for any person, in connection with the offer, sale, or purchase of any security, directly or indirectly:

(a) To employ any device, scheme, or artifice to defraud;

(b) To make any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they are made, not misleading; or

(c) To engage in any act, practice, or course of business which operates or would operate as a fraud or deceit upon any person.”

31. Respondents violated KRS 292.320(1) by making misrepresentations and/or omissions of fact including, but not limited to, the following:

(a) Respondents misrepresented that two wells would be drilled on the Hickory Grove project during the Spring of 2014;

(b) Respondents misrepresented that four wells would be drilled on the Platinum project during 2015;

(c) Respondents failed to inform investors that Majestic was unable to obtain the necessary drilling permits until Majestic’s past wells were plugged. Respondents also failed to inform investors that during the time period when the Hickory Grove and Platinum wells were supposed to be drilled, Majestic was banned from obtaining any new permits due to a pattern of regulatory non-compliance. Majestic’s bond was forfeited to the state on October 27, 2015 due to its repeated failure to address numerous documented violations;

(d) Respondents omitted informing investors that Roy was the President and sole officer of Impact Oil, the designated drilling company for both projects, and that Roy would thus benefit financially from this relationship; and

(e) Respondents misrepresented material information regarding the actual use of the investors’ money.

32. KRS 292.470(3)(a) authorizes DFI's Commissioner to issue a final order, after notice and opportunity for a hearing, containing findings of fact and conclusions of law, directing any person that engaged in activity constituting a violation of the Act to cease and desist from the activity and pay a civil fine.

33. Pursuant to KRS 292.470(3)(b), the Commissioner may order an appropriate remedy reasonably calculated to carry out the provisions of this chapter.

34. Pursuant to KRS 292.500(14):

The commissioner may impose civil fines against any person who violates any provision of this chapter or any rule or order or voluntary agreement entered into under this chapter. The fine shall not exceed twenty thousand dollars (\$20,000) per violation, except when the violation is directed at or results in monetary damage to one (1) or more individuals who are sixty (60) years of age or older, the commissioner may impose an additional fine not to exceed twenty thousand dollars (\$20,000) per violation. Each act or transaction which violates this chapter or administrative regulation, or orders or agreements entered into under this chapter, shall constitute a separate violation. Any employer or principal shall be jointly and severally liable for fines imposed in connection with the conduct of employees or agents.

35. Pursuant to KRS 292.470(3)(b), the Commissioner may order restitution to investors who are victims of securities fraud.

36. 808 KAR 10:225 Section 2(3) states that if a written answer to the Administrative Complaint is not filed with DFI, the Commissioner shall enter a final order granting the relief requested in the Administrative Complaint.

37. Based upon all the facts detailed above, the Commissioner finds that this Final Order is in the public interest.

### CONCLUSIONS OF LAW

38. As a result of the conduct described above, Respondents committed multiple violations of KRS 292.320 by, in connection with the offer or sale of a security, directly or indirectly, making untrue statements of material fact and omitting to state material facts necessary in order to make the statements made, in light of the circumstances under which they are made, not misleading.

39. Investors Fruchey and Moore were over sixty (60) years of age at the time of their investments.

40. Service of the Administrative Complaints on Respondents was effectuated on July 28, 2017, pursuant to KRS 13B.050(2). Respondents have not filed a written answer or otherwise requested a hearing. Therefore, it is appropriate to enter this Final Order granting the relief requested in the Administrative Complaint.

### ORDER

**THEREFORE**, based upon the foregoing Findings of Fact, Statutory Authority, and Conclusions of Law, the Commissioner **HEREBY ORDERS**:

1. Majestic Management Corporation, and Joseph Jacques “Mud” Roy, shall **CEASE AND DESIST** from violating KRS 292.320 by making untrue statements of material fact in connection with the offer and sale of securities into, within, or from the Commonwealth of Kentucky

2. Majestic Management Corporation, and Joseph Jacques “Mud” Roy, shall **CEASE AND DESIST** from committing or causing any other violations of and any future violations of the Act.



3. Majestic Management Corporation, and Joseph Jacques “Mud” Roy, jointly and severally, shall pay a fine of: \$10,000 for defrauding Mr. Whitt; \$20,000 for defrauding Mr. Fruchey; \$20,000 for defrauding Mr. Morgan; and \$10,000 for defrauding Mr. Kovin, for a total fine of **\$60,000**. Payment shall be made within thirty (30) days and be in the form of a certified check or money order made payable to the “Kentucky State Treasurer.” Payment should be mailed to the Department of Financial Institutions, Securities Division – Order, 1025 Capital Center Drive, Suite 200, Frankfort, KY 40601.

4. Majestic Management Corporation, and Joseph Jacques “Mud” Roy, jointly and severally, are hereby **ORDERED TO PAY RESTITUTION** to the investors in the following amounts:

<b>Investor</b>	<b>Amount of Loss</b>
Scott Whitt	\$ 9,000.00
John Morgan	\$ 9,000.00
Richard Fruchey	\$ 9,000.00
Bradly Kovin	\$36,000.00
<b>Total Amount</b>	<b>\$63,000.00</b>

This restitution payment, which is due within thirty (30) days, shall be in the form of a certified check or money order made payable to the “Kentucky State Treasurer,” and mailed to the Department of Financial Institutions, Securities Division – Restitution, 1025 Capital Center Drive, Suite 200, Frankfort, KY 40601.

5. Nothing in this Order shall prevent DFI, or any other authority, from taking further administrative or enforcement action under the Act or any other applicable law or regulation.

6. This is a **FINAL AND APPEALABLE ORDER**. The **EFFECTIVE DATE** of this order shall be the date reflected on the certificate of service attached to this Order.

**IT IS SO ORDERED** on this the 1st day of November, 2017.



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CHARLES A. VICE  
COMMISSIONER

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### NOTICE OF APPEAL RIGHTS

This is a FINAL AND APPEALABLE ORDER. In accordance with KRS 292.490 and KRS 13B.140, any person aggrieved by a Final Order of the Commissioner may seek judicial review after all administrative appeals have been exhausted. A party shall institute an appeal by filing a petition in the Franklin Circuit Court within thirty (30) days after the Final Order is mailed or delivered by personal service. The EFFECTIVE DATE of this Final Order shall be the date reflected on the attached certificate of service. A copy of the petition must be served upon the Commissioner of the Department of Financial Institutions, 1025 Capital Center Drive, Suite 200, Frankfort, KY 40601.

**CERTIFICATE OF SERVICE**

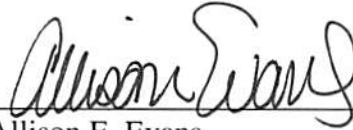
I hereby certify that a copy of the foregoing **Final Order** was sent by certified mail, return receipt requested, on this the 1st day of November, 2017, to:

Joseph Roy  
1202 South Green Street  
Glasgow, KY 42141

Majestic Management Corporation  
Registered Agent: Joseph Roy  
1202 South Green Street  
Glasgow, KY 42141

And hand delivered to:

Hon. Gary W. Adkins  
Department of Financial Institutions  
1025 Capital Center Drive, Suite 200  
Frankfort, KY 40601



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Allison E. Evans  
Department of Financial Institutions