

COMMONWEALTH OF KENTUCKY
PUBLIC PROTECTION CABINET
DEPARTMENT OF FINANCIAL INSTITUTIONS
ADMINISTRATIVE ACTION NO. 2018-AH-00037

ENTERED
APR 30 2020
AKK 12:09pm
COMMISSIONERS OFFICE

DEPARTMENT OF FINANCIAL INSTITUTIONS

PETITIONER

v.

AGREED ORDER

BENJAMIN M. MENCER, and
RUSSELL L. CARTER, and
TREADSTONE, LLC,
d/b/a MORGAN COUNTY DUAL OFFSET

RESPONDENTS

FACTUAL BACKGROUND

The Department of Financial Institutions (“DFI”) is responsible for administering the provisions of Kentucky Revised Statute (“KRS”) Chapter 292 as well as any applicable rules and regulations promulgated thereunder, and orders entered pursuant to the Securities Act of Kentucky (the “Act”).

1. Treadstone, LLC (“Treadstone”) is a limited liability company formed on April 29, 2015, with a principal office location of 256 Bailey Road, Smiths Grove, KY 42171.

2. Morgan County Dual Offset (“Morgan”) is an assumed name for Treadstone, with a last known principal office location of 1005 East 15th Avenue, Suite A, Bowling Green, KY 42104.

3. Respondent Benjamin M. Mencer (“Mencer”) is the organizer, president, executive officer, promoter, director, and registered agent for Treadstone. Mencer’s last known address is 256 Bailey Road, Smiths Grove, KY 42171.

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4. Respondent Russell L. Carter (“Carter”) is the executive officer and promoter of Treadstone. Carter’s last known address is 3663 Glasgow Road, Oakland, KY 42159.

5. On or about September 1, 2015, Mencer filed, on behalf of Treadstone, a Form D Notice of Exempt Offering of Securities under Rule 506(b) (“Treadstone Form D Notice”) with the Securities and Exchange Commission (“SEC”) and DFI, identifying its principal place of business as 1005 East 15th Street, Suite A, Bowling Green, KY 42104.

6. On or about December 31, 2015, Mencer filed, on behalf of Morgan, a Form D Notice of Exempt Offering of Securities under Rule 506(c) (“Morgan Form D Notice”) with the SEC and DFI. This Notice failed to identify any state, territory, or jurisdiction where Morgan would engage in solicitation of funds.

7. On or about December 8, 2016, DFI opened an investigation into the securities activities of Treadstone after receiving information that Treadstone’s business accounts had received deposits that were allegedly used for personal expenses or cash withdrawals by Mencer and Carter.

8. During the course of the investigation, DFI discovered Respondents offered and sold to investors fractional undivided interests in oil and gas well drilling projects. Respondents, through written and electronically distributed materials, solicited investors and indicated an investor would receive a certain percentage of working interest in Treadstone’s oil and gas projects for a designed purchase price.

9. Mencer and Carter were not registered with DFI as issuer agents of Treadstone.

10. In addition, Respondents Mencer and Carter are alleged to have solicited and sold investments, on behalf of Treadstone, to investors located in Nebraska, Indiana, Iowa, and Nevada.

ACTIONS FOR COMPLIANCE AND SETTLEMENT

The DFI and Respondents, collectively, in the interest of economically and efficiently resolving this matter, agree as follows:

11. DFI and Respondents conducted a partial hearing on the matter on September 19, 2019. DFI and Respondents resolved the matter without concluding the administrative proceedings. Respondents waive their right to demand a continuation and conclusion of the hearing at which they would be entitled to legal representation, to confront and cross-examine witnesses, and to present evidence on their behalf, or to otherwise appeal or set aside this Agreed Order.

12. Treadstone consents to and acknowledges the jurisdiction of the DFI over this matter. This Order is a matter of public record and may be disseminated as such.

13. Respondents Mercer and Carter neither admit nor deny the allegations as set forth in the Administrative Complaint. Treadstone neither admits nor denies violations of KRS 292.320(1) and KRS 292.440 as alleged, but admits to employing unregistered agents in violation of KRS 292.330(7).

14. In consideration of the execution of this Agreed Order, Treadstone for itself, and for its successors and assigns, hereby releases and forever discharges the Commonwealth of Kentucky, the DFI, Office of Legal Services, and each of their members, agents, and employees in their individual capacities, from any and all manner of actions, causes of action, suits, debts, judgments, executions, claims and demands whatsoever, known and unknown, in law or equity, that Treadstone ever had, now has, may have or claim to have against any or all of the persons or entities named in this paragraph arising out of or by reason of this settlement.

15. Treadstone agrees to pay a fine in the amount of One Thousand dollars (\$1,000.00) as full settlement of this matter.

16. Treadstone agrees to pay the fine 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, 500 Mero Street, 2SW19, Frankfort, KY 40601 re: Treadstone Agreed Order".

17. By signing below, the parties acknowledge they have read the foregoing Agreed Order, know and fully understand its contents, and that they are authorized to enter into and execute this Agreed Order and legally bind their respective parties. This Agreed Order shall constitute the final resolution of this matter.

AGREED on this the 30th day of April, 2020



CHARLES A. VICE
COMMISSIONER

Consented to:

This ____ day of _____, 20__.

Chad Harlan, Director
Division of Securities
Department of Financial Institutions

AND

This 23RD day of JANUARY, 2020

Benjamin Mauer *Russell Carter*
Representative
Treadstone, LLC

ACKNOWLEDGEMENT

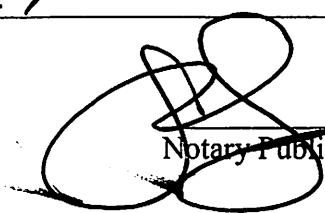
STATE OF Kentucky)
)
COUNTY OF _____)

On this the 23rd day of January, 2020, before me James D. Zornes
the undersigned, Benjamin Mauer + Russell Carter, did personally appear and acknowledge
himself/herself to be the authorized representative of the Treadstone, LLC and that being
authorized to do so did enter into and execute the foregoing instrument for the purposes therein
contained.

In witness whereof I hereunto set my hand.

My Commission Expires: 6/5/23

Notary No: 614410



Notary Public

Consented to:

This 20th day of March, 2020

Marni R. Gibson

~~Chad Harlan, Director~~ Marni Gibson, Director
Division of Securities
Department of Financial Institutions

AND

This 23RD day of JANUARY, 2020

Bryan Mauer Russell Carter

Representative
Treadstone, LLC

ACKNOWLEDGEMENT

STATE OF Kentucky)
)
COUNTY OF _____)

On this the 2nd day of January, 2020, before me, James D. Zornes
the undersigned, Bryan Mauer + Russell Carter did personally appear and acknowledged
himself/herself to be the authorized representative of the Treadstone, LLC and that being
authorized to do so did enter into and execute the foregoing instrument for the purposes therein
contained.

In witness whereof I hereunto set my hand.

My Commission Expires: 6/5/23

Notary No: 614410

[Signature]
Notary Public

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing **Agreed Order** was sent on this the 30 of April, 2020, by certified mail, return receipt requested, or hand-delivery, to the following:

BENJAMIN M. MENCER
Registered Agent for Treadstone, L.L.C.
256 Bailey Road
Smith's Grove, KY 42171

BENJAMIN M. MENCER
256 Bailey Road
Smith's Grove, KY 42171

RUSSELL L. CARTER
3663 Glasgow Road
Oakland, KY 42159

DURHAM & ZORNES
130 Public Square
P.O. Box 100
Columbia, KY 42728
Counsel for Respondents

VIA HAND DELIVERY OF ORIGINAL FILED WITH:

Office of the Commissioner
Department of Financial Institutions
Attn: Allison E. Reed
500 Mero Street 2SW19
Frankfort, KY 40601

Amy Haley per Allison Reed

Name: Amy Haley per Allison Reed
Department of Financial Institutions