

COMMONWEALTH OF KENTUCKY  
FRANKLIN CIRCUIT COURT  
DIVISION NO. II  
CIVIL ACTION NO. 07-CI-1930

**RECEIVED**  
JAN 16 2009  
FRANKLIN CIRCUIT COURT  
SALLY JUMP, CLERK

Commonwealth of Kentucky, Ex. Rel., the Executive Director  
of the Office of Financial Institutions

v.

Young Oil Corporation  
Anthony Young  
Ryan Stiles  
Thomas Smith III

PLAINTIFF  
**ENTERED**  
JAN 16 2009  
FRANKLIN CIRCUIT COURT  
SALLY JUMP, CLERK

DEFENDANTS

**ORDER ADDING RELIEF DEFENDANT**

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This matter came on for hearing on January 16, 2009, before the undersigned Judge of the Franklin Circuit Court upon the Motion of the Kentucky Department of Financial Institutions (Department) (formerly, Office of Financial Institutions) seeking an Order adding Young Operating Company as a relief defendant in this matter, freezing the assets of Young Operating and including the assets of Young Operating as part of the Receivership Estate. The Department submitted a brief in support of its motion.

It appears to the Court from the facts set forth in the Department's brief that the Department is entitled to the relief prayed for. It further appears that if this order is not issued immediately, because of the timing of the provision of funds to Young Operating on January 20, then there is a strong likelihood that Defendants will misappropriate funds and assets to the detriment of investors. Accordingly, **IT IS ORDERED AS FOLLOWS:**

I.

**IT IS ORDERED** that it is both necessary and appropriate that Young Operating

Company be included as a Relief Defendant in this matter and the company be placed under the control of the previously appointed Receiver, Paul Harnice.

**II.**

**IT IS FURTHER ORDERED** that this Court takes exclusive jurisdiction and possession of the assets, monies, securities, properties, real and personal, tangible and intangible, of whatever kind and description, wherever situated, of Young Operating Company.

**IT IS FURTHER ORDERED** that the Receiver Estate in this matter shall now include Defendant Young Oil and its assets and Relief Defendant Young Operating Company and its assets. No person holding or claiming any position of any sort with the Receiver Estate shall possess any authority to act by or on behalf of any of the Receiver Estate, except as authorized by the Receiver. All persons who receive actual notice of this *Order* by personal service or otherwise, are enjoined from in any way interfering with the operation of the Receivership or in any way disturbing the assets of the Receivership Estate and from filing or prosecuting any actions or proceedings which involve the Receiver or which affect the Receivership Estate, specifically including any proceeding initiated pursuant to the United States Bankruptcy Code, except with the prior permission of this Court. The Receiver shall have the authority to hire or appoint a Deputy Receiver to assist him in this action including, but not limited, handling any conflict of interests that may arise.

**III.**

**IT IS FURTHER ORDERED** that the Receiver shall have and possess all powers and rights to administer and manage the Receiver Estate as set forth in the Court's Order of December 29, 2008, and in addition shall have to the power and authority to:

(a) to take custody, control and possession of all records, assets, funds, property premises and

other materials of any kind in the possession of or under the direct or indirect control of the Receiver Estate and, until further order of this Court;

(b) to manage, control, operate and maintain the Receiver Estate, to use income, earnings, rents and profits of the Receiver Estate, with full power to sue for, collect, recover, receive and take into possession all goods, chattels, rights, credits, monies, effects, lands, books and records of accounts and other documents, data and materials;

(c) to conduct the business operations of Young Operating, including the collection of revenue from the production of oil and gas, or continuation and termination or any employment arrangement and all other aspects of any active business operation;

(d) to make such ordinary and necessary payments, distributions, and disbursements as he deems advisable or proper for the marshaling, maintenance or preservation of the Receivership Estate;

(e) to sell, rent, lease or otherwise hypothecate or dispose of the assets of the Receiver Estate;

(f) to contact and negotiate with any creditors of Young Operating for the purpose of compromising or settling any claim, including the surrender of assets to secured creditors;

(g) to receive and collect any and all sums of money due or owing to Young Operating whether the same are now due or shall hereafter become due and payable, and is authorized to incur such expenses and make such disbursements as are necessary and proper for the collection, preservation, maintenance, administration and operation of the Receiver Estate;

(h) to renew, cancel, terminate, or otherwise adjust any pending lease agreements to which Young Operating may be a party;

(i) to open bank accounts or other depository accounts, in the name of the Receiver on behalf of the Receiver Estate;

(j) to prepare any and all tax returns and related documents regarding the assets and operation of

the Receiver Estate;

(k) to take any action which could be taken by the officers, directors, managers, members, partners, trustees or other principals of the Receiver Estate

(l) to abandon any asset that, in the exercise of his reasonable business judgment, will not provide benefit or value to the Receiver Estate;

(m) to conduct and perform an accounting of the assets and operations of Defendant Young Oil in accordance with the Order of December 29, 2008, and to report his findings to the Court; and,

(n) to take such other action as may be approved by this Court.

#### IV.

**IT IS FURTHER ORDERED** that, pending entry of the Final Judgment in this matter, all assets of, or under the control of Relief Defendant Young Operating Company are frozen. Pending entry of the Final Judgment, or further Order of the Court, Young Operating Company, its officers, agents, servants, employees, attorneys, and all persons in active concert or participation with it, except any trustee, receiver or special fiscal agent appointed by this Court are, restrained from, directly and indirectly, transferring, setting off, receiving, changing, selling, pledging, assigning, liquidating or otherwise disposing of or withdrawing any assets and property owned by, controlled by, or in the possession of Young Operating Company. The freeze shall include but not be limited to those funds located in any bank accounts, brokerage accounts, and any other accounts or property of Young Operating Company.

**IT IS FURTHER ORDERED** that with respect to the asset freeze, the Receiver shall be authorized, but not required, to administer, manage, and direct the marshaling, disbursement and/or transfer of monies or other assets held by third parties that are subject to the freeze. The Receiver may, in the reasonable exercise of his discretion, authorize the release, use or

segregation of proceeds held by third parties.

**V.**

**IT IS FURTHER ORDERED** that, to the broadest extent allowed under applicable law, the Receiver, in his sole discretion, is authorized to file and prosecute any civil action or other proceeding that could be filed by a receiver, generally, or by any defendant subject to this Receivership. This authority includes, but is in no way limited to, prosecuting actions or proceedings to impose a constructive trust, obtain possession and/or recover judgment with respect to persons or entities who received assets or funds traceable to investor monies. All such actions shall be filed in this Court. Moreover, the Receiver, in his discretion, is authorized to prosecute, defend, settle, compromise or adjust any pending or future action or proceeding as may be advisable or proper for the protection and administration of the Receiver Estate.

**VI.**

**IT IS FURTHER ORDERED** that the Defendants, including Relief Defendant, and their officers, agents, servants, employees, attorneys, accountants and all persons who have had any type of business or personal relationship with any of them, who receive actual notice of this *Order*, shall cooperate with the Receiver and the other professionals working with him in the administration of the Receiver Estate, including, but not limited to, the immediate delivery and turn-over to the Receiver of the following:

- (a) all assets and other materials of the Receiver Estate in their possession or under their control, as well as the name and contact information of any person who has knowledge of the nature or location of assets or other materials belonging to the Receiver Estate;
- (b) business records of any kind, whether in hard copy or electronic format, including e-mail files and accounts, customer files, accounting and financial records, bank records and brokerage

or other depository records;

(c) insurance policies regarding any assets or persons that are in any way affiliated with the Receiver Estate, along with other information regarding insurance coverage or the absence thereof;

(d) computers and computer files, including e-mail files, along with all passwords for such files, that belong to or are under the control of Young Operating Company, or that in any way relate to the assets or the operation of the Receiver Estate;

(e) passwords and other identifying information regarding all computer or on-line files, banking or brokerage accounts and/or any other assets of Young Operating Company or under its direct or indirect control, specifically including but not limited to, passwords for internet or electronic access banking, brokerage and other on-line accounts;

(f) keys, security cards, parking cards and other access codes for premises, vehicles, aircraft, safety deposit boxes or accounts or assets under the direct or indirect control of Young Operating Company; and,

(g) such other information related to the Receiver Estate as the Receiver and those working with him reasonably request.

## VII.

**IT IS FURTHER ORDERED** that any bank, brokerage firm, mutual fund or other financial institution or any other person, partnership, corporation or other entity maintaining or having custody or control of: (a) any brokerage or depository accounts or other assets of the Receiver Estate; or, (b) accounts into which proceeds of the subject investment offering(s) have been deposited; (c) accounts or assets under the direct or indirect control of Young Operating Company, or (d) other tangible or intangible assets under the direct or indirect control of Young

Operating, who receives actual notice of this *Order*, shall:

- (i) freeze such accounts, funds or assets;
- (ii) within five (5) business days of receipt of such notice, file with the Court and serve on the Receiver and counsel for the Department and for the Defendants a certified statement setting forth, with respect to each such account or other assets, the balance in the account or the description of the assets as of the close of business on the date of the receipt of the notice;
- (iii) promptly cooperate with the Receiver to determine whether and to what extent any accounts, funds or other assets are actually assets or proceeds of assets of the Receiver Estate;
- (iv) provide to the Receiver records of such funds, accounts and assets and tender said funds and/or the assets to the Receiver.

To the extent that there are funds or other assets about which a determination of ownership cannot be made, they shall be turned over to the Receiver to be held in escrow pending a determination of the ownership of such assets.

#### VIII.

The Receiver is authorized to provide notice of the entry of this *Order* to any governmental agency, person or other entity he deems appropriate. Actual notice may be accomplished by delivery of a copy of this *Order* by hand, U.S. mail, courier service, facsimile, by e-mail or by any other reasonable means of delivery.

#### IX.

**IT IS FURTHER ORDERED** that the Receiver is authorized to make appropriate notification to the United States Postal Service to forward delivery of any mail addressed to Young Operating Company to any Post Office box or other mail depository, to himself.

Further, the Receiver is authorized to open and inspect all such mail, to determine the

location or identity of assets or the existence and amount of claims.

**X.**

**IT IS FURTHER ORDERED** that the Receiver shall promptly notify the Court and counsel for all parties of any failure or apparent failure of any Defendant or Relief Defendant to comply in any way with the terms of this Order.

**XI.**

**IT IS FURTHER ORDERED** that except for an act of gross negligence or intentional misconduct, the Receiver and all persons engaged or employed by him shall not be liable for any loss or damage incurred by any person or entity by reason of any act performed or omitted to be performed by the Receiver or those engaged or employed by him in connection with the discharge of their duties and responsibilities in connection with the receivership.

**XII.**

**IT IS FURTHER ORDERED** that this Court shall retain jurisdiction of this action for all purposes. The Receiver is hereby authorized, empowered and directed to apply to this Court, with notice to the Department and Defendants for issuance of such other orders as may be necessary and appropriate in order to carry out the mandate of this Court.

**XIII.**

**IT IS FURTHER ORDERED** that this *Order* will remain in effect until modified by further order of this Court.

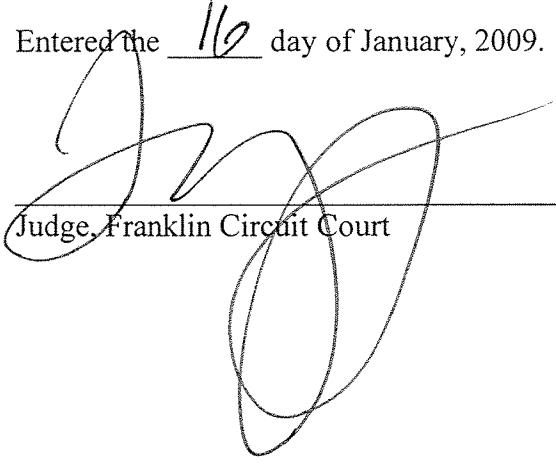
**XIV.**

**IT IS FURTHER ORDERED** that this Court shall retain jurisdiction of this matter for



all purposes.

Entered the 16 day of January, 2009.



Judge, Franklin Circuit Court