

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

**ENTERED**  
DEC 29 2008  
FRANKLIN CIRCUIT COURT  
SALLY JUMP, CLERK

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

PLAINTIFF

v.

Young Oil Corporation  
Anthony Young  
Ryan Stiles  
Thomas Smith III

DEFENDANTS

**ORDER APPOINTING RECEIVER, TEMPORARY RESTRAINING ORDER,  
ORDER FREEZING ASSETS AND ORDER FOR AN ACCOUNTING**

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This matter came on for hearing on December 10, 2008, 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 the appointment of a receiver for Young Oil Corporation (Young Oil), a temporary restraining order against Young Oil and Anthony Young (collectively "Defendants"), an order freezing the assets of Young Oil, and an order for an accounting of Young Oil. The Department's Motion was supported by the Verified Complaint for Injunctive Relief filed in this matter and the Department's Memorandum of Points and Authorities along with affidavits, exhibits and testimony put forth by the Department during the hearing.

It appears to this Court from the facts set forth in the Department's Verified Complaint, Memorandum of Points and Authorities, affidavits, exhibits and testimony, that the Department is entitled to the relief prayed for; it further appears that the public will suffer irreparable damage

and injury unless the Defendants, their officers, agents, and other individuals acting on their behalf and under their direction and control, are restrained without delay and without notice.

If further appears to this Court that if the issuance of this order appointing a receiver, temporary restraining order, order freezing assets, and order for accounting is delayed until notice is given to the opposing party, there is strong likelihood that Defendants will misappropriate funds and assets to the detriment of investors. If the Defendants are not temporarily restrained, the Department will suffer irreparable injury because continued violations of the Securities Act of Kentucky (Act) will seriously diminish its authority and ability to enforce the Act and protect the public interest. Accordingly, **IT IS ORDERED AS FOLLOWS:**

**I.**

**IT IS ORDERED** that Defendants, their officers, agents, servants, employees, attorneys, assigns, and all persons in active concert or participation with them, who receive actual notice of this Order by personal service, facsimile or otherwise, are, until further notice of this Court, restrained from offering or selling any security in or from this state including, but not limited to partnership interests and investment contracts which may include joint venture interests.

**IT IS FURTHER ORDERED** that Defendants, their officers, agents, employees, assigns and all those persons, directly or indirectly, acting on their behalf, under their direction and control, or in active concert or participation with them who receive actual notice of this order, by personal service, facsimile or otherwise, are until further notice of this Court, restrained from tampering with, altering, erasing, concealing, removing, destroying, or otherwise disposing of any records, computer disks, tapes or other data recordings of any type, pertaining to or referring to Defendants Young Oil and Anthony Young or any transactions by Young Oil or

Anthony Young or to which Young Oil or Anthony Young was a party.

## II.

**IT IS FURTHER ORDERED** that it appears that a Receiver is both necessary and appropriate in order to prevent waste and dissipation of the assets of Defendant Young Oil to the detriment of investors. 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 Defendants Young Oil and Anthony Young, or that are attributable to funds or assets provided by an investor of Young Oil.

**IT IS FURTHER ORDERED** that PAUL HARNICE is appointed Receiver for Defendant Young Oil, without bond. Defendant Young Oil and its assets, is collectively referred to as "the Receiver Estate." 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, including but not limited to the Defendant Young Oil and its officers, agents, servants, employees, attorneys, and all persons in active concert or participation with them, 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, including, but not limited 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 Defendant Young Oil, 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 Oil 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 Oil 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 Defendant 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 this Order 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 Defendants Young Oil and Anthony Young are frozen. Pending entry of the Final Judgment, or further Order of the Court, Anthony Young, Young Oil, 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 Oil or Anthony Young. 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 Oil or Anthony Young.

**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 Receiver shall perform an accounting of the offering and sale of securities that is outlined in the Department's Complaint including, but not limited to, the solicitation, receipt, disposition and use of the proceeds from such offerings of securities, including investment contracts, issued by Young Oil, and shall report, in writing, his findings to the Court in accordance with this Order.

## VII.

**IT IS FURTHER ORDERED** that the Defendants 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 Defendants Young Oil or Anthony Young 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 Defendants Young Oil or Anthony Young 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 Defendants Young Oil or Anthony Young; and,

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

#### VIII.

**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 Defendants Young Oil or Anthony Young, or (d) other tangible or intangible assets under the direct or indirect control of Defendants Young Oil or Anthony Young, 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.

**IX.**

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.

**X.**

**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 Defendant Young Oil, above, or any company or entity under the direction or control of Young Oil, 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.

**XI.**

**IT IS FURTHER ORDERED** that the Receiver may investigate any matters he deems appropriate in connection with discovering additional information as it relates to the activities of the Receiver Estate. In connection with any such investigation, the Receiver is authorized to:

(a) compel, including by subpoena, the appearance and testimony of all persons, including the Defendants (prior to and/or after the filing of responsive pleadings in this action) and the production of the originals of any records and materials, of any sort whatsoever, within the possession, custody or control of any person, though the Receiver's authority under this

paragraph shall not be construed to require the waiver by any person of any validly asserted privilege; and,

(b) order consumer and credit reports that the he deems necessary and appropriate as a part of his investigation.

## **XII.**

**IT IS FURTHER ORDERED** that the Receiver is directed to file with this Court and serve upon the parties, within 45 days after entry of this *Order*, a preliminary report setting out the identity, location and value of the known assets of the Receivership, and any liabilities pertaining thereto.

## **XIII.**

**IT IS FURTHER ORDERED** that the Receiver is authorized to communicate with all such persons as he deems appropriate to inform them of the status of this matter and the financial condition of the Receiver Estate. The Receiver is also authorized to employ such employees, accountants, consultants, attorneys and other professionals, including employees or members of his own professional firm, as are necessary and proper for the administration of the Receiver Estate and the performance of his duties as set forth herein. The Receiver shall seek and obtain the approval of this Court prior to disbursement of professional fees and expenses to himself, his firm or his counsel, by presentation of a written application therefore, and after consultation with the Department and counsel for the Defendants. All costs incurred by the Receiver shall be paid from the Receiver Estate. Upon notice to all parties in this case, the Receiver may submit a proposed order regarding an administrative process for the approval and payment of professional fees and expenses consistent with this provision.

**XIV.**

**IT IS FURTHER ORDERED** that Defendants and Receiver allow representatives of the Department access to any and all documents relating to the sales of securities, including investment contracts, and the business of Defendants, their subsidiaries, officers, agents, servants, employees, assigns, attorneys, accountants, and all persons acting on their behalf, under their direction and control, or in active concert or participation with them, including, but not limited to, bank records, customer lists, customer files, telephone records, ledgers, payroll, and production records, and any and all records in any format, electronic or otherwise.

**XV.**

**IT IS FURTHER ORDERED** that upon the request of the Receiver, the Kentucky State Police is ordered to assist the Receiver in carrying out his duties to take possession, custody or control of, or identify the location of, any assets, records or other materials belonging to the Receivership Estate.

**XVI.**

**IT IS FURTHER ORDERED** that the Receiver is authorized to remove any person from any premises or real estate that is owned or controlled by or that is otherwise part of the Receiver Estate, except that defendant Anthony Young shall be entitled to remain in his homeplace until further order of the Court. The Receiver shall provide to the Department and counsel for the Defendants upon request copies of any documents under the control of the Receiver.

**XVII.**

**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 to comply in any way

with the terms of this Order.

**XVIII.**

**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.

**XIX.**

**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, named in the first paragraph of this *Order*, above, for issuance of such other orders as may be necessary and appropriate in order to carry out the mandate of this Court.

**XX.**

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

**XXI.**

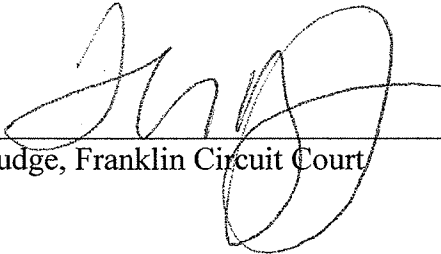
**IT IS FURTHER ORDERED** that this Court shall retain jurisdiction of this matter for all purposes.

**XXII.**

**IT IS FURTHER ORDERED** that the Clerk of this Court is directed to enter and maintain this Order and accompanying Motion and Memorandum together with all exhibits,

affidavits and other testimony submitted in support of the Motion, under seal until further order of the Court.

Entered the 29<sup>th</sup> day of December, 2008.

  
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Judge, Franklin Circuit Court

AS CLERK OF THE FRANKLIN CIRCUIT/DISTRICT COURT, I DO CERTIFY THAT THIS IS A TRUE AND CORRECT COPY OF THE ORIGINAL ENTERED OF RECORD IN MY OFFICE IN TESTIMONY WHEREOF WITNESS MY HAND THIS 29<sup>th</sup> DAY OF Dec 2008 BY: Sally Jay BKS, CLERK