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California Corporations Commissioner  
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California Corporations Commissioner

BEFORE THE DEPARTMENT OF CORPORATIONS  
OF THE STATE OF CALIFORNIA

In the Matter of the  
DESIST AND REFRAIN ORDER  
Issued To:  
John Owen, Don Hancock, Alex Dowlatshahi,  
International Energy and Resources, Inc.,  
USAR, Inc., Chastain Joint Venture I, and Cathy  
O’Conner Burroughs,  
Respondents.

OAH No. N2006120566

IT IS HEREBY STIPULATED BY AND BETWEEN RESPONDENTS JOHN OWEN AND  
USAR, INC. ONLY (“THESE RESPONDENTS”), AND PRESTON DuFAUCHARD, CALIFORNIA  
CORPORATIONS COMMISSIONER (“COMMISSIONER”), AS FOLLOWS:

WHEREAS, THESE RESPONDENTS waive the right of hearing, including that provided by  
California Corporations Code sections 25532 subdivision (d) and 25609. Further, THESE  
RESPONDENTS waive any and all review by a court of law, including that provided by California  
Government Code section 11523.

WHEREAS, all terms used, but not defined herein, shall have the meaning assigned to them  
by the California Corporations Code.
WHEREAS, THESE RESPONDENTS represent that no promises of any kind or nature whatsoever were made to induce them to entering into this Stipulation, and that this Stipulation is a voluntary act on the part of RESPONDENTS.

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

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

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

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

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

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

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

5. At all relevant times, John Owen was the CEO of IER, Inc.
6. At all relevant times, USAR, Inc., was a Texas Corporation ("USAR") with its principal place of business at 3839 Briargrove Lane, Suite 6307, Dallas, Texas 75287, and the parent corporation of IER, Inc.

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

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

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

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

a. They failed to tell investors and potential investors that since the late 1800s, in the history of the entire state of Arizona, the total, cumulative amount of gold recovered from all mining activities from gold lode mining, placer gold mines, as well as recovery as a byproduct from silver, copper and/or other base metal mining is only 16,000,000 ounces. It is the position of the Commissioner that this omission is material because of representations by IER and USAR in informational materials that there were the potential reserves in excess of 19 million ounces of gold on properties being explored by IER, USAR and affiliates.

b. They failed to tell investors that, at the present time, no primarily gold producing mines are currently, actively, economically mining in Arizona. It is the position of the
Commissioner that this omission is material because IER was seeking to operate primarily gold producing mines in Arizona.

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

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

WHEREFORE, THESE RESPONDENTS understand and agree not to represent that this Stipulation is a settlement or a withdrawal of the COMMISSIONER’S Order. RESPONDENTS further understand and agree that they have admitted Corporations Codes section 25110 violations and cannot deny the omissions alleged as violations of Corporations Code section of 25401 in this Stipulation or make any statement or representation that is inconsistent with this Stipulation.
ADDITIONALLY, THESE RESPONDENTS UNDERSTAND AND AGREE THAT THE FOLLOWING TERMS ARE HEREBY ORDERED:

1. That John Owen abide by the California Corporations Code and related regulations and that he desist and refrain from offering or selling or buying or offering to buy any security in the State of California by means of any written or oral communication which includes an untrue statement of a material fact or omits to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.

2. That USAR, Inc. abide by the California Corporations Code and related regulations and that it desist and refrain from offering or selling or buying or offering to buy any security in the State of California by means of any written or oral communication which includes an untrue statement of a material fact or omits to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.

3. That John Owen will not offer or sell securities in the State of California, including but not limited to any and all investment contracts or any securities offering payments out of production under a mining title or lease unless and until qualification has been made under the law or unless exempt.

4. That USAR, Inc. will not offer or sell securities in the State of California, including but not limited to any and all investment contracts or any securities offering payments out of production under a mining title or lease unless and until qualification has been made under the law or unless exempt.
IT IS AGREED BETWEEN THE PARTIES TO THIS STIPULATION THAT THE DESIST AND REFRAIN ORDER, ISSUED JUNE 27, 2006, REMAINS IN EFFECT AS TO THESE RESPONDENTS AS SET FORTH IN THIS STIPULATION.

AGREED AND CONSENTED to on date indicated:

USAR, Inc.

BY: /s/ John Owen

TITLE: Pres & CEO

DATE: 6/27/07

John Owen

/s/ John Owen

DATE: 6/27/07

Dated: 7/17/07

PRESTON DuFAUCHARD
California Corporations Commissioner

By: /s/

ERIK BRUNKAL
Senior Corporations Counsel