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Montana State Auditor  
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406-444-2040

Attorneys for the CSI

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Helena, MT 59601  
406-442-3261

Attorney for the Respondent

BEFORE THE COMMISSIONER OF SECURITIES AND INSURANCE,  
HELENA, MONTANA

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IN THE MATTER OF:	)	CASE NO.	SEC-2013-56
	)		
	)		
HIGHLANDER HOLDINGS, LLC,	)	<b>CONSENT AGREEMENT AND FINAL</b>	
STIRLING RECLAMATION, LLC, and	)	<b>ORDER</b>	
MORNING STAR MINING, LLC.	)		
	)		
	)		
	)		
Respondents.	)		
	)		

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This Consent Agreement and Final Order (Agreement) is entered into by the Office of the Commissioner of Securities and Insurance, Montana State Auditor (CSI), acting pursuant to the authority of the Securities Act of Montana, Mont. Code Ann. § 30-10-101 et seq. (Act), and Highlander Holdings, LLC, a Montana LLC, (Highlander) Stirling Reclamation, LLC, a Wyoming LLC, (Stirling) and Morning Star Mining, LLC, an Idaho LLC (Morning Star), (collectively, Respondents).

*RJA*  
3/14/2014

## RECITALS

WHEREAS, the CSI received a complaint that Robert McKay, manager for the Respondents, misrepresented how Highlander debentures would be collateralized, did not disclose there was a security agreement pledging company assets away from Highlander, and Highlander was not making required payments on previously issued notes;

WHEREAS, a CSI investigation revealed Highlander-issued LLC units in which the proceeds were not attributed to paid-in capital, but instead listed as a liability of Highlander;

WHEREAS, the investigation further revealed the property securitizing the Highlander debentures was pledged as security for multiple notes and, oftentimes, had values substantially less than the face amount of the debentures the property was securing;

WHEREAS, Highlander LLC units and Highlander debentures were not registered with the CSI, nor were the units and debentures exempt from registration;

WHEREAS, this information was not disclosed to investors;

WHEREAS, the CSI filed and Robert McKay pled no contest to a Felony for his involvement in issuing and selling Highlander LLC units and Highlander debentures;

WHEREAS, the CSI entered into a consent agreement with Highlander salesperson Michael Ferrara;

WHEREAS, Stirling Reclamation, LLC, and Morning Star Mining Company, LLC utilized Highlander assets without disclosing such usage to Highlander investors;

WHEREAS, the CSI alleged Respondent Highlander violated § 30-10-201 by failing to register units;

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WHEREAS, the CSI alleged Respondents violated § 30-10-301 by failing to disclose that investment proceeds would not be attributed to paid-in capital;

WHEREAS, the CSI alleged that Respondent Highlander violated § 30-10-301 by failing to disclose units were not registered; and

WHEREAS, the CSI alleged that Respondent Highlander violated § 30-10-301 by misrepresenting the property securitizing the debentures.

NOW, THEREFORE, in consideration of the following mutual undertakings, the CSI and Respondents enter into the following:

#### **STIPULATIONS AND CONSENTS**

1. Without admitting or denying the CSI's allegations, Respondents stipulate and agree to the following:

A. Respondents shall collectively be fined \$100,000.00, all of which is suspended pending, as determined by the CSI, satisfactory completion of the terms of this Agreement.

B. Within 90 days of the date of this Agreement, Respondent Highlander shall re-allocate ownership in Highlander based solely on the amount of paid-in capital and as described in attached Exhibit A, which includes the disclaimed interests of Robert McKay and Michael Ferrara. For purposes of ownership, all investors and debenture holders shall be treated equally. Should Highlander or its successor(s) wish to offer debenture holders the option to become unsecured creditors in exchange for their ownership shares, that offer and requisite disclosure documents must be submitted to the CSI for prior approval.

C. Until December 31, 2016, Respondent Highlander or its successor(s) shall submit quarterly accounting statements to the CSI. These statements shall include a balance sheet, income statement, and statement of cash flows. The first statement is due within thirty-days of signing this Agreement.

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D. Until December 31, 2016, Respondent Highlander and its successor(s) shall submit any disclosure documents to the CSI for review and approval prior to making any offer, sale, or capital call involving the distribution, redistribution, or reallocation of ownership in Highlander or its successor(s).

E. Until December 31, 2016, Respondent Highlander or its successor(s) shall submit to examinations at the CSI's discretion. Thereafter, the CSI shall perform examinations in accordance with its statutory regulatory authority.

F. Until December 31, 2016, Respondent Highlander or its successor(s) shall not sell, reorganize, or shift material company assets without the CSI's approval. This includes, but is not limited to, reorganizing under the laws of Montana or any other state.

G. Respondents' representative acknowledges that he or she has read and understands each term of this Agreement and that this Agreement is entered into voluntarily and without reservation.

H. Respondent Morning Star acknowledges that the company name is Morning Star Mining, LLC, and not Morning Star Mining Company, LLC, as represented in the original caption. Respondent consents to the name change within the caption and within this Agreement.

I. With respect to the CSI's allegations as set forth in the Recitals and the CSI's Notice of Proposed Agency Action, Respondents specifically and affirmatively waive a contested case hearing and their right to appeal under the Montana Administrative Procedures Act, including Title 2, chapter 4, part 7, and elects to resolve this matter on the terms and conditions set forth therein.

J. Respondents fully and forever release and discharge the CSI from any and all actions, claims, causes of action, demands, or expenses for damages or injuries, whether asserted or not asserted, known or unknown, foreseen or unforeseen, arising out of the Recitals.

2. Each party to this Agreement stipulates and agrees as follows:

A. This Agreement resolves the alleged violations set forth in the Recitals and the CSI's Notice of Proposed Agency Action.

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B. This Agreement is entered without adjudication of any issue, law, or fact. It is entered solely for the purpose of resolving the CSI's investigation and allegations, and is not intended to be used for any other purpose.

C. This Agreement constitutes the entire agreement between the parties and no other promises or agreements, either express or implied, have been made by the CSI or by any member, officer, agent, or representative of the CSI to induce Respondents to enter into this Agreement.

D. This Agreement may not be modified orally, and any subsequent modifications to this Agreement must be mutually agreed upon in writing to be effective.

E. This Agreement shall be incorporated into and made part of the attached Final Order issued by the Commissioner of Securities and Insurance, Montana State Auditor (Commissioner) herein.

F. Upon the signing of the Final Order by the Commissioner or her representative, this Agreement and Final Order will be an order of the CSI. The CSI has jurisdiction over the enforcement of the Final Order, and failure to comply with it may constitute separate violations of the Act, as provided in Mont. Code Ann. § 30-10-305, and may result in subsequent legal action by the CSI.

G. This Agreement shall be effective upon signing of the Final Order. The duration of the Agreement shall be one year from the date of the Final Order.

H. This Agreement and Final Order are public records under Montana law and as such may not be sealed or otherwise withheld from the public.

DATED this 17<sup>th</sup> day of March, 2014

**OFFICE OF THE COMMISSIONER OF  
SECURITIES AND INSURANCE**

*RJD*  
3/14/2014

By:   
JESSE LASLOVICH  
BRETT O'NEIL  
Attorneys for the CSI

DATED this 14<sup>th</sup> day of March, 2014

**HIGHLANDER HOLDINGS, LLC**

By: Richard J. Dale  
Its: Co-Manager

DATED this 14<sup>th</sup> day of March, 2014

**STIRLING RECLAMATION, LLC**

By: Richard J. Dale  
Its: Co-Manager

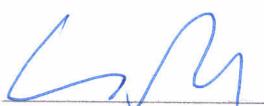
DATED this 14<sup>th</sup> day of March, 2014

**MORNING STAR MINING, LLC**

By: Richard J. Dale  
Its: Co-Manager

Approved as to legal content:

**MORRISON, SHERWOOD, WILSON & DEOLA, PLLP**

  
LINDA DEOLA, Esq.  
Counsel for Respondents

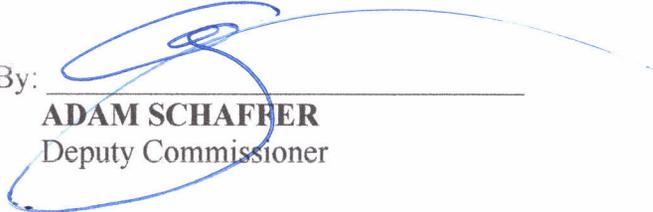
**FINAL ORDER**

Pursuant to the authority vested by Mont. Code Ann. § 2-4-603 and §§ 30-10-101, et seq., and upon review of the foregoing Consent Agreement and good cause appearing,

IT IS HEREBY ORDERED that the foregoing Consent Agreement between the Office of the Commissioner of Securities and Insurance, Montana State Auditor, and Respondents Highlander Holdings LLC, Morning Star Mining Company LLC, and Stirling Reclamation LLC, is adopted as set forth fully herein.

DATED this 17<sup>th</sup> day of March, 2014.

**MONICA J. LINDEEN**  
Commissioner of Securities and Insurance  
Montana State Auditor

By:   
**ADAM SCHAFFER**  
Deputy Commissioner

cc. Brett O'Neil  
Linda Deola

**CONFIDENTIAL**

Investor (Note - I have included their cost basis)	Funds invested	Current Units in Highlander Holdings	Post Settlement Units of Ownership in Highlander Holdings
R T (\$0)	\$ -	10.0000	0
R D (\$0)	\$ -	8.3403	0
M F (\$0)	\$ -	8.3403	0
L B (\$667)	\$ 667.00	1.8681	0.002
R T (\$0)	\$ -	4.0000	0
A H (\$0)	\$ -	1.8681	0
R&S Holdings	\$ -	2.0000	0
Henderson	\$ -	1.0000	0
Runft	\$ -	1.0000	0
Abot	\$ -	1.0000	0
<b>Debentures (I have listed them below)</b>			
<i>H S (\$225,000)</i>	\$ 225,000.00		2.869
<i>K R (\$100,000)</i>	\$ 100,000.00		1.275
<i>H E (\$95,000)</i>	\$ 95,000.00		1.212
<i>J &amp; K F (\$50,000)</i>	\$ 50,000.00		0.638
<i>B T, B D (\$25,000)</i>	\$ 25,000.00		0.319
<i>L T, B T, B D (\$50,000)</i>	\$ 50,000.00		0.638
<i>D V (\$50,000)</i>	\$ 50,000.00		0.638
<i>S V (\$50,000)</i>	\$ 50,000.00		0.638
Unissued Units		0.0000	25
D A (\$1,050,000) \$175,000 B, \$116,667 A O, \$758,333	\$ 1,050,000.00	13.0000	13.391
D A (collateral) (needs to remain an obligation - non-equity)		6.0000	0
P A (\$750,000)	\$ 750,000.00	2.5000	9.564
E C - L Ent. (\$375,000 + \$57147)	\$ 432,147.00	1.5000	5.512
V A - DTOM (\$250,000 + \$43,750)	\$ 293,750.00	1.5000	3.746
P G (\$175,000 + \$26,000)	\$ 201,000.00	0.5000	2.563
N S (\$175,000 + \$26,669)	\$ 201,669.00	0.5000	2.572
D R (\$175,000 + \$40,000)	\$ 215,000.00	0.5000	2.742
M (\$175,000 + \$43,750 + \$33,336)	\$ 252,086.00	1.0000	3.215
Y P - E Ind. (150,000)	\$ 150,000.00	1.0000	1.913
G - W. W (\$150,000)	\$ 150,000.00	1.0000	1.913
G M (\$275,000 + \$25,000)	\$ 300,000.00	1.0000	3.826
D L (\$140,000)	\$ 140,000.00	1.0000	1.785
G H (\$125,000 + \$19,032)	\$ 144,032.00	0.5000	1.837
J S (\$125,000)	\$ 125,000.00	0.5000	1.594
E R (\$125,000)	\$ 125,000.00	0.5000	1.594
T - VCT (\$125,000)	\$ 125,000.00	0.5000	1.594
K R (\$125,000 + \$19,049)	\$ 144,049.00	0.5000	1.837
M & C C (\$116,667 + \$29,167 + \$40,000)	\$ 185,834.00	0.6666	2.37
R K (\$87,500 + \$21,875 + \$16,702)	\$ 126,077.00	0.7500	1.608
E H (\$75,000)	\$ 75,000.00	0.3000	0.957
W R (\$50,000)	\$ 50,000.00	2.2000	0.638
R M		28.5161	0
	<b>\$ 5,881,311.00</b>		<b>100</b>