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Office of the Commissioner of Securities and Insurance
Montana State Auditor
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Attorneys for the CSI

**BEFORE THE COMMISSIONER OF SECURITIES AND INSURANCE
MONTANA STATE AUDITOR**

IN THE MATTER OF:)	CASE NO.	SEC-2013-56
)		
)		
HIGHLANDER HOLDINGS, LLC,)	TEMPORARY CEASE AND DESIST	
STIRLING RECLAMATION, LLC, and)	ORDER	
MORNING STAR MINING COMPANY,)		
LLC.)		
)		
)		
Respondents.)		
)		

The Commissioner of Securities and Insurance, Montana State Auditor,
(Commissioner), pursuant to the authority of the Securities Act of Montana (Act), Mont. Code
Ann. § 33-10-101 et seq. (Act), hereby issues the following allegations of fact, conclusions of
law, order to cease and desist, and notice of right to a public hearing:

ALLEGATIONS OF FACT

1. On March 29, 2012, the CSI received an investor complaint concerning Highlander Holdings, LLC (Highlander), Stirling Reclamation, LLC (Stirling), and Morning Star Mining, LLC (Morning Star);
2. A CSI investigation revealed that Respondents were part of an investment model based on the exploration of properties in Idaho containing legacy mining claims.

3. Approximately 63.75 Highlander units were sold to investors into and out of Montana. An investment in a Highlander unit resulted in the investor receiving equal shares in Morning Star and Stirling. A Highlander unit was a share in the company, but investors oftentimes paid differing amounts for their investment as compared to other investors. Investors invested an aggregate of \$4,819,167 for their ownership in Respondents' companies, for an average investment of \$75,594 per unit.

4. Investors were told their investment proceeds would directly benefit Highlander and Morning Star. Each investor, respectively, signed an agreement to that effect.

5. Highlander's Operating Agreement prohibited the sale of units without registration.

6. Respondents' units were never registered with the CSI or with the Securities and Exchange Commission (SEC), nor were they exempt from registration under Regulation D of the Securities Act of 1933.

7. Investor money did not go directly to Highlander, but was instead funneled through Highlander's president Robert McKay, and, in most cases, given to Highlander as a loan. This arrangement was not disclosed to investors.

8. Highlander investors received neither a prospectus nor the requisite disclosure information, including Respondents' business and properties, offering price factors, use of proceeds, capitalization, description of securities, plan of distribution, ongoing and potential litigation, federal and state tax aspects, financial statements, and dilution.

CONCLUSIONS OF LAW

1. The Commissioner has jurisdiction over this matter pursuant to § 30-10-101 et seq.

2. A "person" is an individual, a corporation, a partnership, or an association. § 30-10-103(16).

3. Respondents are all persons.
4. A security is any note, debenture, evidence of indebtedness, investment contract, or certificate of interest or participation in an oil, gas, or mining title or lease or in payments out of production under a title or lease, or any interest or instrument commonly known as a security. § 30-10-103(22).
5. Highlander, Morning Star and Stirling units are securities.
6. An issuer is any person who issues or proposes to issue a security. § 30-10-103(13).
7. Highlander, Morning Star and Stirling issued securities in, into and from Montana.
8. It is unlawful for any person, in connection with the sale of a security in, into or from the state of Montana, to engage in any act, practice, or course of business that operates or would operate as a fraud or deceit upon any person. § 30-10-301(1)(c).
9. It is fraudulent to engage in conduct such as nondisclosure, incomplete disclosure or misstatement of material facts. Admin R. Mont. 6.10.401(g).
10. Highlander issued securities which operated as a fraud or deceit when its issuing documents contained contradictory information and when it did not include the requisite disclosure information.

CEASE AND DESIST ORDER

Pursuant to Mont. Code Ann. § 30-10-305, it appears to the Commissioner that the above-named Respondents have engaged, are engaged, or are about to engage in acts or practices constituting violations of the Securities Act of Montana, Mont. Code Ann. § 30-10-101 et seq.

1. Therefore, **IT IS HEREBY ORDERED** that the Respondents, their agents, employees, and all other persons participating in or about to participate in the above-described violations

with knowledge of this Order shall immediately cease and desist from engaging in any act, practice, or course of business that violates any section of the Securities Act of Montana.

2. **IT IS FURTHER ORDERED** that, pursuant to Mont. Code Ann. §§ 30-10-305(3), the Commissioner will determine whether to impose a fine of up to five thousand dollars (\$5,000) against each Respondent per violation of Mont. Code Ann. § 30-10-101 et seq, unless the Respondents request a show cause hearing addressing why the penalty should not be imposed.

3. **IT IS FURTHER ORDERED** that this Order is effective immediately and (i) shall continue in full force and effect until ten days after the hearing examiner issues proposed findings of fact and conclusions of law and a proposed order, or (ii) becomes final if the person to whom notice is addressed does not request a hearing within 15 days after receipt of the notice.

PENALTIES

Pursuant to Mont. Code Ann. § 30-10-305(3), any willful violation of this cease and desist order and/or the provisions of the Act may be fined up to five thousand dollars (\$5,000) per violation of the Act, or any rule, or this order, in addition to all other penalties imposed by the laws of this state.

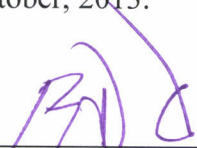
NOTICE OF RIGHT TO HEARING

You are entitled to a hearing and to respond to this Temporary Cease and Desist Order and to present evidence and arguments on all issues involved in this case. You have a right to be represented by an attorney at any and all stages of this proceeding. You may demand a formal hearing before a hearing examiner appointed by the Commissioner pursuant to the Montana Administrative Procedure Act, § 2-4-601 et seq., including § 2-4-631. If you demand a hearing, you will be given notice of the time, place, and the nature of the hearing.

If you wish to contest the allegations herein, you must make a written request for a hearing within 15 days of receipt of this Order to Brett O'Neil, Office of the Commissioner of Securities and Insurance, Montana State Auditor, 840 Helena, Avenue, Helena, MT 59601. Should you request a hearing on the matters raised in this Order, a hearing must be held within a reasonable period of time unless postponed by mutual consent of the parties, pursuant to § 30-10-305. If you do not request a hearing and the Commissioner orders none, this Order shall become permanent, and the above allegations will be declared the findings of fact and the above conclusions of law will be declared the final conclusions of law.

Should you request a hearing, you have the right to be accompanied, represented and advised by counsel. If the counsel you choose has not been admitted to practice law in the state of Montana, he or she must comply with the requirements of *Application of American Smelting and Refining Co.* (1973), 164 Mont. 139, 520 P.2d 103, and *Montana Supreme Court Commission on the Unauthorized Practice of Law v. O'Neil*, 2006 MT 284, 334 Mont. 311, 147 P.3d 200.

DATED this 29th day of October, 2013.



JESSE LASLOVICH
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Attorney for the CSI