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**STATE OF CALIFORNIA**  
**BUSINESS, TRANSPORTATION AND HOUSING AGENCY**  
**DEPARTMENT OF CORPORATIONS**

**TO:** John Owen, President and CEO, IER, Inc.  
Don Hancock, V.P. Sales, IER, Inc.  
Alex Dowlatshahi, Sales, IER, Inc.  
International Energy & Resources, Inc.  
USAR, Inc.  
3839 Briargrove Lane, Suite 6307  
Dallas, TX 75287

Chastain Joint Venture I  
3839 Briargrove Lane, Suite 6305  
Dallas, TX 75287

Cathy O’Conner Burroughs  
5 Keller St.  
Petaluma, CA 94952

**DESIST AND REFRAIN ORDER**  
**(For violations of section 25110 and 25401 of the Corporations Code)**

The California Corporations Commissioner finds that:

1. At all relevant times, John Owen (hereinafter, Owen) was the President and CEO of International Energy and Resources, Inc. (hereinafter, IER, Inc.), a wholly owned subsidiary of USAR, Inc. IER, Inc. is a Texas corporation, incorporated in January, 2001, with its principal place of business located at 3839 Briargrove Lane, Suite 6307, Dallas, Texas, 75287.
2. At all relevant times, Chastain Joint Venture I (hereinafter, Joint Venture) is an unincorporated association, with a principal place of business located at 3839 Briargrove Lane, Suite 6305, Dallas, Texas, 75287.

- 1 3. At all relevant times, Don Hancock (hereinafter, Hancock) was Vice President, Sales/Senior  
2 Account Manager for IER, Inc.
- 3 4. At all relevant times, Alex Dowlatshahi (hereinafter, Dowlatshahi) was an employee of IER,  
4 Inc.
- 5 5. At all relevant times, Cathy O'Conner Burroughs (hereinafter, Burroughs) was allegedly a  
6 Vice President for IER, Inc. and/or an employee of Chastain Joint Venture I, or both.
- 7 6. Beginning in or about July, 2005, IER, Inc., USAR, Inc., Owen, Hancock, Dowlatshahi, and  
8 Burroughs and others offered or sold securities in the form of investment contracts or in  
9 payments out of production under a mining title or lease in Chastain Joint Venture I.
- 10 7. IER, Inc., and its employees and agents, USAR, Inc., Owen, Hancock, Dowlatshahi, and  
11 Burroughs and others offered and sold securities in Chastain joint Venture I by means of  
12 general solicitations. Through posting on the internet, open meetings, wealth seminars, and  
13 word of mouth, or other means of general solicitation, IER, Inc., USAR, Inc., Owen,  
14 Hancock, Dowlatshahi, and Burroughs and others, sold at least 20 interests in said joint  
15 venture in California, with the goal of raising \$10,000,000.
- 16 8. The purported purpose of the offering was to raise funds to mine gold from the "Chastian  
17 Mine" in La Paz County, Arizona. (Although interests in three other mines were added to the  
18 offering in January, 2006: the Congress Mine, the Little Giant Mine and the Columbia Mine.)  
19 The funds are to be used in accordance to the sole discretion of the Managing Venturer, IER,  
20 Inc., through its CEO John Owen.
- 21 9. As of June 21, 2006, on its website, IER, Inc. claims to own the rights to five mining sites,  
22 with total recoverable gold assets of 19,800,000 ounces of gold. They claim the Chastain  
23 Mine assays show a .40 oz/ton average, that gold is visible to the naked eye, and that the  
24 property has a value exceeding \$1,400,000,000. Interested persons are instructed to contact  
25 the company through the website, after which they receive a telephone call soliciting  
26 investments in securities in the joint venture.
- 27 10. The offer and sale of interests in the joint venture were to residents of California who are  
28 neither qualified nor accredited investors. IER, Inc., USAR, Inc., Owen, Hancock,

1 Dowlatshahi, and Burroughs and others have failed to determine the nature of these investors'  
2 status and have affirmatively assisted non-qualified, non-accredited investors to "qualify" by  
3 instructing them on how to fill out the investor purchaser questionnaire so they appear to be  
4 qualified investors.

5 11. These securities were offered and sold in this state in issuer transactions. The Department of  
6 Corporations has not issued a permit or other form of qualification authorizing any person to  
7 offer and sell these securities in this state.

8 12. IER, Inc., USAR, Inc., Owen, Hancock, Dowlatshahi, and Burroughs and others also  
9 encouraged other investors to solicit new investors through internet websites, word of mouth,  
10 open meetings and other means of general solicitation. IER, Inc., USAR, Inc., Owen,  
11 Hancock, Dowlatshahi, and Burroughs and others have held training seminars for new  
12 investors, encouraging and teaching them how to sell shares in "Chastain Joint Venture I,"  
13 promising them compensation in the form of commissions or broker's fees for bringing in  
14 new investors and new investor money.

15 13. In connection with these offers and sales, IER, Inc., USAR, Inc., Owen, Hancock,  
16 Dowlatshahi, and Burroughs and others made the following material misrepresentations or  
17 omissions:

- 18 a. As of June 21, 2006, on IER, Inc.'s website and in the latest promotional material,  
19 IER, Inc. claims recoverable gold assets totaling 19,800,000 ounces of gold exist  
20 within its five mining claims. The Chastain Mine is purportedly the richest of these  
21 properties, with over 13,000,000 ounces of recoverable gold. They fail to tell  
22 investors and potential investors that since the late 1800's, in the history of the entire  
23 state of Arizona, the total, cumulative amount of gold recovered from all mining  
24 activities from gold lode mining, placer gold mines, as well as recovery as a byproduct  
25 from silver, copper and/or other base metal mining is only 16,000,000 ounces.
- 26 b. Fail to tell investors that, at the present time, no primarily gold producing mines are  
27 currently, actively, economically mining in Arizona.
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- 1 c. Fail to tell potential investors that the very right to mine the Chastain mine (the largest  
2 of the four mines with stated value of 1.4 billion dollars and recoverable gold  
3 exceeding 13,000,000 oz.) is currently being litigated in several lawsuits. (See, e.g.  
4 *IER, Inc. v. Scott Spooner*, CV 2005-019015.)
- 5 d. Represented that they are currently permitted to take 1,000 tons of ore a day from the  
6 Chastain mine site. However, on September 6, 2005, the U.S. Bureau of Land  
7 Management (BLM) denied IER, Inc.'s application for a permit to occupy the property  
8 and begin mining operations on the site because IER, Inc. failed to support its claims  
9 that occupancy was necessary to protect valuable assets from theft or loss, including  
10 the failure to provide any documentation that the Chastain Mine site contained 1.4  
11 billion dollars in recoverable gold or that gold visible to the naked eye existed at the  
12 site. At the present time, the BLM has still not permitted any occupancy or mining  
13 activity at the site. IER, Inc. and its employees and agents fail to tell investors they  
14 have no present right to mine the property.
- 15 e. Fail to tell potential investors that before the BLM will permit occupancy and mining  
16 operations at the Chastain Mine site, IER, Inc. must submit a mining plan of operation  
17 which must be assessed by the BLM and eventually authorized by BLM: a process  
18 that could take close to a year once a satisfactory mining plan is developed by IER,  
19 Inc. and delivered to BLM.
- 20 f. Fail to tell potential investors that on September 7, 2005, the State of Washington,  
21 through the Securities Division of its Department of Financial Institutions, filed a  
22 "Statement of Charges and Notice of Intent to Enter Order to Cease and Desist and to  
23 Impose Fines" against IER, Inc., its parent corporation and two employees of the  
24 corporation(s) for, among other things, violation the anti-fraud section of the  
25 Securities Act of Washington. On November 29, 2005, IER, Inc., its parent  
26 corporation USAR, Inc., and two of its employees entered into a Consent Order, where  
27 among other things, they agreed to cease and desist from violating the anti-fraud  
28 section of the Securities Act of Washington.

1           Based upon the foregoing findings, the California Corporations Commissioner is of the  
2 opinion that the investment contracts or payments out of production under a mining title or lease  
3 being offered and sold in the Chastain Joint Venture I are securities subject to qualification under the  
4 California Corporate Securities Law of 1968 and that these securities are being or have been offered  
5 or sold without being qualified in violation of Corporations Code section 25110. Pursuant to section  
6 25532 of the Corporate Securities Law of 1968, John Owen, USAR, Inc., IER, Inc., Chastain Joint  
7 Venture I, Cathy O'Conner Burroughs, Alex Dowlatshahi, Don Hancock and any other employees  
8 and agents of IER, Inc. or partners in or employees or agents of the Chastain Joint Venture I, are  
9 hereby ordered to desist and refrain from the further offer or sale of securities in the State of  
10 California, including but not limited to, the investment contracts or payments out of production under  
11 a mining title or lease in the Chastain Joint Venture I joint venture unless and until qualification has  
12 been made under the law or unless exempt. This Order is necessary, in the public interest, for the  
13 protection of investors and consistent with the purposes, policies, and provisions of the Corporate  
14 Securities Law of 1968.

15           Further, the California Corporations Commissioner is of the opinion that the securities in the  
16 Chastain Joint Venture I were offered or sold in this state by means of written or oral  
17 communications which included an untrue statement of a material fact or omitted to state a material  
18 fact necessary in order to make the statements made, in the light of the circumstances under which  
19 they were made, not misleading, in violation of section 25401 of the Corporate Securities Law of  
20 1968. Pursuant to section 25532 of the Corporate Securities Law of 1968, John Owen, USAR, Inc.  
21 IER, Inc., Chastain Joint Venture I, Cathy O'Conner Burroughs, Alex Dowlatshahi, Don Hancock  
22 and any other employees or agents of IER, Inc. or partners in or employees or agents of the Chastain  
23 Joint Venture I are hereby ordered to desist and refrain from offering or selling or buying or offering  
24 to buy any security in the State of California, including but not limited to securities in Chastain Joint  
25 Venture I, by means of any written or oral communication which includes an untrue statement of a  
26 material fact or omits to state a material fact necessary in order to make the statements made, in the  
27 light of the circumstances under which they were made, not misleading. This Order is necessary, in  
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1 the public interest, for the protection of investors and consistent with the purposes, policies, and  
2 provisions of the Corporate Securities Law of 1968.

3 Dated: June 27, 2006

4 Sacramento, California

5 PRESTON DuFAUCHARD  
6 California Corporations Commissioner

7 By \_\_\_\_\_  
8 ALAN S. WEINGER  
9 Supervising Attorney  
10 Enforcement Division

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