

AGREEMENT

THIS AGREEMENT is entered into this 26th day of March, 1990, by and between the Walling Heirs Association (Association), Beatrice J. Thedford (Thedford), Karen Thompson (Thompson), LaDonna Spradlin (Spradlin) (collectively "Respondents") and the Oklahoma Department of Securities (Department).

WHEREAS, on June 27, 1989, the Department commenced an action against the Respondents in Oklahoma County District Court, Case No. CJ-89-5891; and

WHEREAS, on August 23, 1989, pursuant to the Respondents' Motion to Dismiss Case No. CJ-89-5891, the Court remanded the matter to the Oklahoma Department of Securities, dissolved the Temporary Restraining Order and dismissed the Department's Petition, Application for Temporary and Permanent Injunction and Appointment of a Receiver; and

WHEREAS, on September 1, 1989, the Department filed an Application to Assume Original Jurisdiction and Petition for Writ of Mandamus in the Supreme Court of the State of Oklahoma. On October 31, 1989, the Supreme Court denied the application to assume original jurisdiction; and

WHEREAS, on November 2, 1989, the Department issued a Summary Order to Cease and Desist and Notice of Intent to Issue Permanent Order to Cease and Desist (Notice) in Case No. OSC 89-27 against the Association, Thedford, Thompson and Spradlin in connection with the offer and sale of membership interests in the Association in and/or from the State of Oklahoma pursuant to which, on January 23, 1990, the Administrator of the Department issued a permanent order (Administrator's Order); and

WHEREAS, on February 6, 1990, Respondents filed an appeal of the Administrator's Order to the Oklahoma Securities Commission, which appeal is pending; and

WHEREAS, on February 7, 1990, the Department filed an Application for Appointment of a Receiver, Petition for Permanent Injunction and Other Equitable Relief (Petition) in Oklahoma County District Court, Case No. CJ-90-1054, naming the Association, Thedford, Thompson and Spradlin as defendants; pursuant to which a Temporary Restraining Order and a Receivership Order were issued by Judge Matthews; which case is still pending; and

WHEREAS, on February 12, 1990, the Association filed for protection pursuant to Chapter 11 of the United States Bankruptcy Code, Case No. 90-00861-BH; and numerous applications have been filed in connection therewith, all of which are still pending; and

WHEREAS, on February 20, 1990, Respondents filed an application for payment of fees from the Department in Case No. CJ-89-5891, which application is still pending; and

WHEREAS, Respondents desire to resolve all the issues raised in the pending actions by executing this Agreement.

NOW THEREFORE, the parties hereby agree as follows:

1. Compliance with the Act. The Association, Thedford, Thompson and Spradlin, and each of them, shall comply with all applicable provisions of the Oklahoma Securities Act, 71 O.S. §§1-16, 101-103, 201-204, 301-307, 401-413, 501, 502, 701-703 (Supp. 1989) (Act), and the rules adopted and promulgated pursuant thereto, in all material respects, in connection with any transaction involving the offer or sale of any securities in and/or from the State of Oklahoma which securities are (a) issued by any Respondent or (b) issued by an issuer in which any Respondent is an officer, director, general partner or control person. In furtherance thereof, the Association, Thedford, Thompson and Spradlin agree to employ counsel licensed to practice law in Oklahoma and having knowledge of the Oklahoma securities laws before participating in any securities transaction in and/or from the State of Oklahoma as described in this paragraph.

2. Accounting. The Association, Thedford, Thompson and Spradlin agree to employ a certified public accountant licensed

to practice public accounting in the State of Oklahoma for preparation of any and all financial statements, projections or related information prepared for distribution to the public or for filing with any regulatory authority in connection with (a) the Association; (b) the issuer of any security in which any Respondent is an officer, director, general partner or control person; or (c) any security issued by any Respondent.

3. Rescission. The Association shall make an offer to rescind any and all purchases of memberships in the Association to each purchaser of a membership (Offeree) whether or not Offerees are current members of the Association. The rescission offer shall commence within sixty (60) days of the date of this Agreement, subject however to the provisions of paragraph 5, below. Each offeree shall have thirty (30) days from the date of receipt of the offer to notify the Association of such Offeree's acceptance or rejection of the offer. Within thirty (30) days of acceptance of the rescission offer by any Offeree, the Association shall pay the Offeree the amount paid by such Offeree for his or her membership subject to paragraph 4, below. A list shall be provided to the Department of all persons to whom rescission offers were made and of all persons accepting the rescission offer. Such rescission offer shall be made in compliance with Section 401(b)(21) of the Act by requesting an exemption under that section.

4. Proration of Rescission. If the number of Offerees accepting the rescission offer is such that the Association and

Respondents do not have sufficient funds to make full rescission to all accepting Offerees as required by paragraph 3, the Association will file an action for bankruptcy in the Bankruptcy Court for the Western District of Oklahoma. The Respondents will further agree that the bankruptcy action will be to liquidate all the assets of the Association and distribute the proceeds therefrom to all members, past and current, on a pro rata basis.

5. Disclosure Statement. The rescission offer shall be made by means of an offering document (Disclosure Statement) that shall disclose all material information about the Association, its purpose and its principals, necessary for an Offeree to make an informed decision about the rescission offer. Such information shall include, but not be limited to, the following:

- a. an audited balance sheet for the Association current to within ninety (90) days of the date of commencement of the rescission offer if such can be prepared by a certified public accountant for Ten Thousand Dollars (\$10,000.00) or less after the Association obtains three audit quotes. If the Association is unable to so provide an audited balance sheet, a reviewed balance sheet may be substituted;
- b. a detailed description of the amount of funds previously raised by the Association and the use of

such funds including a description of all fees paid to attorneys for the Association, the purpose for which such fees were paid and a description of any affiliation between such attorneys and the Association or any officer or director of the Association;

- c. a full description of the lawsuit to be filed in Texas concerning the land being reclaimed by the Association, including the status of the lawsuit, the likelihood of success based on an opinion of independent Texas counsel, a description of the attorneys responsible for bringing that lawsuit, the prospective amount required to complete the lawsuit and all appeals, the prospective amount to be recovered after payment of legal fees and costs, and the persons entitled to share in any proceeds recovered in such lawsuit;
- d. the information concerning each Association board member required by Regulation S-K of the Securities and Exchange Commission;
- e. all conflicts of interest affecting the Association, including those between the Association and its officers, directors, consultants, lawyers, accountants or other affiliated parties;

f. all potential risks to Offerees who do not elect rescission including the lack of sufficient funds to fully rescind all Offerees' memberships, the lack of sufficient funds to proceed with the Texas lawsuit and the likelihood of success of the lawsuit; and

g. all litigation filed or threatened against the Association by third parties.

6. Access to Records. The Respondents shall provide the Department reasonable access to all records of the Association and agree to cooperate fully with the Department in any investigations by the Department in connection with the matters relating to this Agreement.

7. Future Solicitation. Respondents may rely only upon the exemption from registration provided by Section 401(b)(11)(B) of the Act in soliciting future contributions to the Association provided such transactions meet the conditions of such exemption. It is understood that such exemption does not exempt Respondents from the requirements of Section 101 of the Act in future solicitations. Accordingly, the Association may only solicit Offerees who reject the rescission offer, by means of an up-to-date Disclosure Statement.

9. Dismissal of Pending Actions. Simultaneous with the execution of this Agreement, Respondents shall each dismiss with

prejudice any and all pending actions against the Department or including the issues raised herein, including all proceedings in the U.S. Bankruptcy Court (90-00861-BH), all proceedings in the District Court of Oklahoma County, Oklahoma (CJ-89-5891 and CJ-90-1054), and the appeal before the Oklahoma Securities Commission.

10. Consideration. In consideration for the agreements of Respondents set forth above, the Department hereby agrees, upon the execution of this Agreement, to dismiss all claims in the District Court of Oklahoma County (CJ-90-1054). The Department also agrees to take no further action against Respondents with respect to the matters set forth herein; provided, however, should any Respondent fail to comply with the terms of this Agreement in any material respect, this Agreement shall be null and void as to that particular Respondent.

Irrespective of the above, in the event the Department, as a result of its investigation, determines there have been criminal violations of the Act or other criminal activity in connection with the transactions in question, the Department shall make a referral to the appropriate authorities. It is understood that in the event any prosecutor or any other agency, authority or person commences any other action in connection with any of the facts alleged in the Notice or Petition against any of the Respondents named therein, the Department may assist in such actions as authorized by law.

IN WITNESS WHEREOF, the undersigned hereto set their hands as of the date first above written.

Walling Heirs Association

By: George W. Walling

Subscribed and sworn to before me this 16<sup>th</sup> day of March, 1990.

Jo Alice Robinson  
Notary Public

My commission expires:

May 11, 1991

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Beatrice J. Theford  
Beatrice J. Theford

Subscribed and sworn to before me this 16<sup>th</sup> day of March, 1990.

Jo Alice Robinson  
Notary Public

My commission expires:

May 11, 1991

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Karen Thompson  
Karen Thompson

Subscribed and sworn to before me this 16<sup>th</sup> day of March, 1990.

Jo Alice Robinson  
Notary Public

My commission expires:

May 11, 1991

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LaDonna Spradlin  
LaDonna Spradlin

Subscribed and sworn to before me this 16<sup>th</sup> day  
of March, 1990.

Jo Alice Robinson  
Notary Public

My commission expires:

May 11, 1991

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WITNESS my Hand and the Official Seal of the Oklahoma  
Securities Commission this 26<sup>th</sup> day of March, 1990.

(SEAL)

Susan E. Bryant  
Susan E. Bryant, Administrator of the  
Oklahoma Department of Securities and  
for the Oklahoma Securities Commission  
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