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## Texas State Securities Board

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E. WALLY KINNEY  
MEMBER

THE MATTER OF  
COUGAR RESOURCES, LLC;  
MICHAEL J. BRODERICK; AND  
PAUL MCCARTHY

§  
§  
§  
§

Order No. **ENF-09-CDO-1677**

TO: Cougar Resources, LLC  
100 Congress Avenue, Suite 2100  
Austin, Texas 78701  
and  
c/o InCorp Services, Inc.  
815 Brazos Street, Suite 500  
Austin, Texas 78701

Michael J. Broderick  
100 Congress Avenue, Suite 2100  
Austin, Texas 78701  
and  
40034 Hudson Court  
Temecula, California 92591

Paul McCarthy  
100 Congress Avenue, Suite 2100  
Austin, Texas 78701

### EMERGENCY CEASE AND DESIST ORDER

This is your OFFICIAL NOTICE of the issuance by the Securities Commissioner of the State of Texas ("Securities Commissioner") of an EMERGENCY CEASE AND DESIST ORDER pursuant to Section 23-2 of The Securities Act, TEX. REV. CIV. STAT. ANN. art. 581-1 et seq. (Vernon 1964 & Supp. 2009) ("Texas Securities Act").

The Staff of the Enforcement Division of the Texas State Securities Board has presented evidence sufficient for the Deputy Securities Commissioner to find that:

#### FINDINGS OF FACT

1. Cougar Resources, LLC, formerly known as Cougar Oil and Gas, LLC ("Respondent Cougar"), is a company that maintains a last known address at 100 Congress Avenue, Suite 2100, Austin, Texas 78701. The Registered Agent of Respondent Cougar is InCorp Services, Inc., and this company maintains a last known address at 815 Brazos Street, Suite 500, Austin, Texas 78701.
2. Michael J. Broderick ("Respondent Broderick") is a Managing Partner and the Chief Operating Manager of Respondent Cougar and maintains last known

addresses at 100 Congress Avenue, Suite 2100, Austin, Texas 78701 and 40034 Hudson Court, Temecula, California 92591.

3. Paul McCarthy ("Respondent McCarthy") is a Managing Partner and Vice-President of Respondent Cougar and maintains last known addresses at 100 Congress Avenue, Suite 2100, Austin, Texas 78701.
4. Respondents are offering an investment in Texas variously described as Class 'A' Preferred Membership Units, representing a percentage membership interest in Cougar Resources, LLC, and percentage shares of Cougar Resources, LLC (the "Units"). The aggregate offering amount of said Units is \$1,500,000.00 and Respondents represent that Respondent Cougar is being formed to develop domestic "proven reserves" of oil and natural gas through the procurement and redevelopment of orphaned oil leases in the States of Texas, Louisiana, Oklahoma, Colorado, Montana, Illinois and North Dakota.
5. No securities issued by Respondent Cougar have been registered by qualification, notification or coordination and no permit has been granted for their sale in Texas.
6. Respondents have not been registered with the Securities Commissioner as dealers or agents at any time material hereto.
7. In connection with the offer for sale of the Units, Respondents are misrepresenting a relevant fact by telling prospective investors that the Units are being offered and sold pursuant to the exemption provided by Section 139.16 of the Rules and Regulations of the State Securities Board and that certain advertisements were filed with the Texas Securities Commissioner on or about July 1, 2009, pursuant to said exemption, when in truth and fact no such advertisements were filed with the Texas Securities Commissioner at any time material hereto.
8. In connection with the offer for sale of the Units, Respondents Cougar and Broderick are misrepresenting a relevant fact by telling prospective investors that Respondent Broderick was conferred an MBA from Washington University at St. Louis, when in truth and fact Respondent Broderick never received an MBA from Washington University at St. Louis.
9. In connection with the offer for sale of the Units, Respondents are misrepresenting a relevant fact by telling prospective investors that the securities being offered to prospective investors may be purchased only by persons whose individual net worth, or joint net worth with that person's spouse, at the time of purchase of the securities, exceeds \$1 million or by persons who have an individual income in excess of \$200,000.00 in each of the two most recent years, or joint income with that person's spouse in excess of \$300,000.00 in each of those years, and who have a reasonable expectation of reaching that same income level in the current year, when in truth and fact Respondents have continued to offer for sale the Units to a prospective investor subsequent to being informed that said investor did not meet the aforementioned net worth or income levels.

10. Respondents are making statements that are materially misleading or otherwise likely to deceive the public by misrepresenting the relevant facts set forth herein.

### CONCLUSIONS OF LAW

1. Investments in the Units are “securities” as that term is defined by Section 4.A of the Texas Securities Act.
2. Respondents are violating Section 7 of the Texas Securities Act by offering securities for sale in Texas at times when the securities are not registered with the Securities Commissioner.
3. Respondents are violating Section 12 of the Texas Securities Act by offering securities for sale in Texas at times when Respondents are not registered pursuant to the provisions of Section 12 of the Texas Securities Act.
4. Respondents are making an offer containing statements that are materially misleading and otherwise likely to deceive the public.
5. Respondents are engaging in fraud in connection with the offer for sale of securities.
6. Respondents’ conduct, acts, and practices threaten immediate and irreparable public harm.
7. The foregoing violations constitute bases for the issuance of an Emergency Cease and Desist Order pursuant to Section 23-2 of the Texas Securities Act.

### ORDER

1. It is therefore ORDERED that Respondents immediately CEASE AND DESIST from offering for sale any security in Texas until the security is registered with the Securities Commissioner or is offered for sale pursuant to an exemption from registration under the Texas Securities Act.
2. It is further ORDERED that Respondents immediately CEASE AND DESIST from acting as securities dealers or agents in Texas until Respondents are registered with the Securities Commissioner or are acting pursuant to an exemption from registration under the Texas Securities Act.
3. It is further ORDERED that Respondents immediately CEASE AND DESIST from engaging in any fraud in connection with the offer for sale of any security in Texas.
4. It is further ORDERED that Respondents immediately CEASE AND DESIST from offering securities in Texas through an offer containing a statement that is materially misleading or otherwise likely to deceive the public.

NOTICE

Pursuant to Section 23-2 of the Texas Securities Act, you may request a hearing before the 31st day after the date you were served with this Order. The request for a hearing must be in writing, directed to the Securities Commissioner, and state the grounds for the request to set aside or modify the Order. Failure to request a hearing will result in the Order becoming final and non-appealable.

You are advised under Section 29.D of the Texas Securities Act that any knowing violation of an order issued by the Securities Commissioner under the authority of Section 23-2 of the Texas Securities Act is a criminal offense punishable by a fine of not more than \$5,000, or imprisonment in the penitentiary for not more than two years, or by both such fine and imprisonment.

SIGNED AND ENTERED by the Deputy Securities Commissioner this 9<sup>th</sup>  
day of October, 2009.

  
JOHN MORGAN  
Deputy Securities Commissioner