

BEFORE THE  
DIVISION OF SECURITIES  
DEPARTMENT OF FINANCIAL INSTITUTIONS  
STATE OF WISCONSIN

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In the Matter of  
EASTERN ENERGY CORPORATION,  
WILLIAM CHAMPION, DONALD  
BRADLEY SHULTZ, and MARK KROMAN,

PETITION FOR ORDER

Respondents.

File No. S-02179(EX)

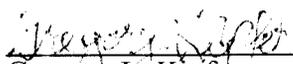
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The staff of the Bureau of Registration & Enforcement, of the Division of Securities, Department of Financial Institutions, State of Wisconsin has conducted an investigation in this matter pursuant to sec. 551.56, Wis. Stats. and as a result thereof alleges as follows:

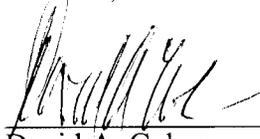
1. Eastern Energy Corporation (“Eastern Energy”) is a foreign business entity incorporated in Kentucky in April 1992 with a last known business address of 1109 Lovers Lane, Suite 2D, Bowling Green, Kentucky 42103.
2. Mark Kroman (“Kroman”) is an individual who at all time material hereto has been chief executive officer and president of Eastern Energy, with a last known business address at that of Eastern Energy.
3. William Champion (“Champion”) is an individual who at all time material hereto has been an executive officer of Eastern Energy, with a last known business address at that of Eastern Energy.
4. Donald Bradley Shultz (“Shultz”) is an individual who at all time material hereto has been an executive officer of Eastern Energy, with a last known business address at that of Eastern Energy.
5. During the period of June 2000 through July 2002, Champion, on behalf of Eastern Energy, offered to at least one person in Wisconsin the opportunity to invest in membership interests in an oil and gas well drilling project named Denton-2001 Drilling Program.
6. During the period of March 2002 through July 2002, Shultz, on behalf of Eastern Energy, offered to at least one person in Wisconsin the opportunity to invest in membership interests in an oil and gas well drilling project named Denton-2001 Drilling Program.
7. Upon information and belief, each investor will not be involved in the day-to-day management of the Denton-2001 Drilling Program or the Tetrapak-2002 Drilling Program, since there are too many investors for them to each have any meaningful input, and they do not have the expertise or experience necessary to perform its duties.
8. Since the investors will be involved in a common enterprise with the expectation of profits to be derived from the essential managerial efforts of others, the “membership units” offered and sold by the respondents are investment contracts as defined by DFI-Sec. 1.02(6)(a), Wis. Adm. Code, and are therefore securities as defined by 551.02(13), Wis. Stats.

9. The Denton-2001 Drilling Program was never registered for offer and sale in Wisconsin pursuant to Ch.551, Wis. Stats.
10. As set forth in 551.29(2), Wis. Stats., transactions made in reliance on Rule 506 of Regulation D under the Securities Act of 1933 require the issuer to file a completed and signed copy of the federal Form D with the Division of Securities no later than 15 days after the first sale in Wisconsin.
11. A filing was not received by the Wisconsin Division of Securities until a copy of federal Form D was received from Eastern Energy on August 20, 2002.
12. Upon information and belief, the Wisconsin offerees where cold-called by a person with whom they had no preexisting relationship, in violation of Regulation D's ban on general solicitation.
13. All respondents have violated sec. 551.21(1), Wis. Stats., by offering unregistered securities in Wisconsin..
14. In connection with the offer and sale of securities described above, Champion and Shultz transacted business in Wisconsin as an "agent" for Eastern Energy and Kroman, as that term is defined by sec. 551.02(2), Wis. Stats.
15. At no time material hereto have the agents referred to in paragraphs 5 and 6 above been licensed as a securities agent pursuant to 551, Wis. Stats.
16. Eastern Energy and Kroman have violated sec. 551.31(2), Wis. Stats., by employing unlicensed agents, Champion and Shultz, to represent them in Wisconsin.
17. In November 2000, the State of Arkansas Securities Department issued a Cease And Desist Order against Eastern Energy based on allegations of securities violations.

Therefore, the staff of the Enforcement Unit petitions the Administrator of the Division of Securities for the issuance of the attached Order pursuant to Ch. 551, Wis. Stats.

  
 Gregory L. Kipfer  
 Examiner  
 Enforcement Unit

Dec. 11, 2002  
 Date

  
 David A. Cohen  
 Supervising Attorney  
 Enforcement Unit

12/11/02  
 Date