

STATE OF NORTH DAKOTA
SECURITIES DEPARTMENT

In the Matter of Douglas E. Arends, Respondent.))))))	CEASE AND DESIST ORDER, NOTICE OF CIVIL PENALTIES, AND NOTICE OF RIGHT TO REQUEST A HEARING
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**THE SECURITIES COMMISSIONER OF THE STATE OF NORTH
DAKOTA TO: DOUGLAS E. ARENDS, RESPONDENT.**

The North Dakota Securities Commissioner has a reasonable basis to believe that the Respondent has engaged in, is engaging in, or is about to engage in, acts, practices or transactions, as more fully described below, which are prohibited under Chapter 10-04 of the North Dakota Century Code (N.D.C.C.). It is necessary and appropriate in the public interest and for the protection of investors to restrain these acts, practices, or transactions of the Respondent.

1. Respondent, Douglas E. Arends, (hereinafter, "Arends") is a resident of Richardton, North Dakota, and for all times relevant hereto, was offering investment contracts in a purported frack waste water disposal well he allegedly controlled. Arends is not now and has never been registered as a securities agent in North Dakota.
2. On March 8, 2016, Arends offered for sale and sold an investment contract in a frack waste water disposal well to two residents of Killdeer, North Dakota, in the amount of \$40,000.

3. Rather than investing the funds as represented, on March 8, 2016, Arends converted the funds to his own use, including \$32,000 for the purchase of cattle. The investors were not told of the conversion and did not consent to it. Despite repeated requests for documentation of their injection well investment, Arends refused to provide any documentation to the investors.

4. The investment contract offered for sale and sold to the investors by Respondent Arends is a security as defined in N.D.C.C. §10-04-02(19).

5. The investment contract has not been registered with the Securities Department under N.D.C.C. §§ 10-04-07.1, 10-04-08, or 10-04-08.1; is not an exempt security under N.D.C.C. § 10-04-05; and has not been offered for sale or sold in an exempt transaction under N.D.C.C. § 10-04-06; and is not a federal covered security or has not been properly filed as a federal covered security under N.D.C.C. § 10-04-08.4. The offer and sale of the subject investment was made in violation of N.D.C.C. § 10-04-04.

6. The Respondent, Douglas E. Arends, was not registered as a securities agent with the Securities Department and the offer and sale of the subject investment was made in violation of N.D.C.C. § 10-04-10(2).

7. Respondent Arends, in the misrepresentations made and conversion of investor funds for his own personal benefit, without investors' knowledge and consent, committed fraudulent practices in violation of N.D.C.C. § 10-04-15(2).

8. Pursuant to N.D.C.C. § 10-04-16(1), the Securities Commissioner has the authority to Order that a person Cease and Desist from violations of the Securities Act, to rescind transactions made in violation of the Securities Act, and

to assess civil penalties in an amount not to exceed \$10,000 for each violation of the Securities Act.

9. This Order is issued in the public interest and for the protection of investors.

NOW, THEREFORE, IT IS ORDERED, pursuant to N.D.C.C. § 10-04-16, that the Respondent, Douglas E. Arends, shall immediately **CEASE AND DESIST**:

1. From offering for sale or selling in North Dakota the subject securities, or any other securities however denominated, unless and until such securities have been registered with the Securities Department or are exempt from registration.

2. From offering for sale or selling securities, or effecting transactions in securities, in North Dakota unless and until he has registered with the Securities Commissioner as a securities agent or is exempt from registration.

3. From using material misstatements or omissions, engaging in a scheme or artifice to defraud investors, or from engaging in any fraudulent or deceptive practices, in connection with the offer and/or sale of securities in this state.

This order does not prohibit the offer or sale of securities through exempt securities transactions under N.D.C.C. § 10-04-06, nor does it prohibit registered broker-dealers and agents from offering or selling exempt securities under N.D.C.C. § 10-04-05 or federal covered securities offered pursuant to a notice filing made to the Securities Department pursuant to N.D.C.C. § 10-04-08.4.

YOU ARE NOTIFIED that any willful violation of this order is a Class B Felony pursuant to N.D.C.C. § 10-04-18(1). Pursuant to N.D.C.C. § 12.1-32-

01(3), a Class B Felony is punishable by a \$20,000 fine and 10 years' imprisonment, with respect to a natural person. Pursuant to N.D.C.C. § 12.1-32-01.1(2), a Class B Felony is punishable by a \$70,000 fine with respect to an organization.

YOU ARE FURTHER NOTIFIED that, pursuant to N.D.C.C. § 12.1-09-03, a person is guilty of a criminal offense if that person intentionally "alters, destroys, mutilates, conceals, or removes a record, document, or thing with intent to impair its verity or availability" in an official proceeding. As such, intentional destruction of any documents related to this matter may result in criminal prosecution.

NOTICE OF CIVIL PENALTIES

YOU ARE NOTIFIED that the above-cited violations are sufficient grounds for the imposition of civil penalties pursuant to N.D.C.C. § 10-04-16(1). The Securities Commissioner does not herein assess a civil penalty, but the Commissioner expressly reserves the authority to assess civil penalties, not to exceed \$10,000 per violation, regarding the violations outlined above, any other violations subsequently discovered, or any future securities violations or violations of this order.


NOTICE OF RIGHT TO REQUEST A HEARING

YOU ARE NOTIFIED that, pursuant to N.D.C.C. § 10-04-12, you may request a hearing before the Securities Commissioner if such a request is made in writing WITHIN FIFTEEN (15) DAYS AFTER THE RECEIPT OF THIS ORDER.

The Respondent has the right to be represented by legal counsel at the hearing.

IN TESTIMONY WHEREOF, witness my hand and seal this 12th day of July, 2016.





Karen J. Tyler, Securities Commissioner
North Dakota Securities Department
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