

**STATE OF NORTH DAKOTA**

**SECURITIES DEPARTMENT**

	)	<b>CEASE AND DESIST ORDER,</b>
In the Matter of Main Street Hospitality,	)	<b>ORDER FOR CIVIL PENALTY,</b>
L.L.C., a South Dakota limited liability	)	<b>ORDER FOR RESCISSION,</b>
company, and Robert Pagan,	)	<b>AND</b>
	)	<b>NOTICE OF RIGHT TO</b>
Respondents.	)	<b>REQUEST A HEARING</b>

.....

**THE SECURITIES COMMISSIONER OF THE STATE OF NORTH DAKOTA**

**TO: MAIN STREET HOSPITALITY, L.L.C., a South Dakota limited liability company, and ROBERT PAGAN, RESPONDENTS.**

The North Dakota Securities Commissioner has a reasonable basis to believe that the Respondents have engaged in, are engaging in, or are 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 Respondents.

1. Respondent, Main Street Hospitality, L.L.C., (hereinafter, "Main Street") is a South Dakota limited liability company operated and controlled by Respondent, Robert Pagan, (hereinafter, "Pagan") as Managing Member, with its principal office at 625 East Disk Drive, Suite 300, Rapid City, South Dakota. Main Street is not now and has never been registered as an issuer-dealer or broker-dealer with the North Dakota Securities Department.
2. Respondent Pagan is a resident of Rapid City, South Dakota, who, for all times relevant to this matter, operated and controlled Main Street, as its Managing

Member. Respondent Pagan is not now and has never been registered as an agent with the North Dakota Securities Department.

3. On or about August 28, 2013, Respondents engaged in the offer and sale of a Promissory Note issued by Main Street and signed by Pagan to Terry Anderson, a North Dakota resident, in Ross, North Dakota. The securities transaction involved a total principal investment of \$100,000 together with interest to be paid as set forth in the note. All principal and unpaid interest accrued was due and payable on March 30, 2015.
4. On or about August 28, 2013, Respondents engaged in the offer and sale of a Promissory Note issued by Main Street and signed by Pagan to Arlove Weisser, a North Dakota resident, in Devils Lake, North Dakota. The securities transaction involved a total principal investment of \$100,000 together with interest to be paid as set forth in the note. All principal and unpaid interest accrued was due and payable on March 30, 2015.
5. On or about August 28, 2013, Respondents engaged in the offer and sale of a Promissory Note issued by Main Street and signed by Pagan to Duane Lidstrom, a North Dakota resident, in Stanley, North Dakota. The securities transaction involved a total principal investment of \$100,000 together with interest to be paid as set forth in the note. All principal and unpaid interest accrued was due and payable on March 30, 2015.
6. Respondents have failed to make all payments of principal and interest to the investors as agreed.

7. The Promissory Notes issued by Main Street are “securities” as defined in N.D.C.C. §10-04-02(19). N.D.C.C. §10-04-04 requires that securities offered for sale or sold in North Dakota be registered or exempt from registration.
8. The Promissory Notes issued by Main Street have not been registered with the Securities Department under N.D.C.C. §§ 10-04-07, 10-04-07.1, 10-04-08, or 10-04-08.1; are not exempt securities under N.D.C.C. § 10-04-05; and have not been offered for sale or sold in exempt transactions under N.D.C.C. § 10-04-06; and are not federal covered securities or have not properly filed as federal covered securities under N.D.C.C. § 10-04-08.4. The offers and sales of the subject investments were made in violation of N.D.C.C. § 10-04-04. Respondent Main Street and Respondent Pagan each engaged in three violations of N.D.C.C. § 10-04-04.
9. The transactions referenced above were conducted at a time when Main Street was not registered as an issuer-dealer or broker-dealer with the Securities Department. Main Street engaged in three violations of N.D.C.C. § 10-04-10(1).
10. Respondent, Robert Pagan, was not registered as an agent with the Securities Department at the times of these transactions. Pagan engaged in three violations of N.D.C.C. §10-04-10(2).
11. 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 violations of the Securities Act, and to assess civil penalties in an amount not to exceed \$10,000 for each violation of the Securities Act or a total of \$120,000 based on the violations described above. The violations

described above are sufficient grounds for the Commissioner to assess civil penalties against the Respondents pursuant to N.D.C.C. § 10-04-16(1).

12. 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 Respondents 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 Department or are exempt from registration under N.D.C.C. Chapter 10-04.
2. From offering for sale or selling securities, or effecting transactions in securities, in North Dakota unless and until they have registered with the Securities Department as issuer-dealers, broker-dealers or agents or are exempt from registration under N.D.C.C. Chapter 10-04.

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.

#### **ORDER FOR AND NOTICE OF CIVIL PENALTY**

**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), in an amount not to exceed \$10,000 for each violation. **IT IS ORDERED, THAT:**

1. Respondent Main Street Hospitality, L.L.C., shall pay a civil penalty of \$60,000 to the North Dakota Securities Department based on the violations discussed above. \$45,000 of the civil penalty assessed under this paragraph shall be suspended and shall not be due and payable provided the Respondent completes rescission of the transactions described in paragraphs 3, 4 and 5 of the findings within sixty days of the date of this Order, with the complainants' losses to be calculated pursuant to N.D.C.C. § 10-04-17. Failure to make timely payment to complainants shall result in a default of this provision and the entire civil penalty of \$60,000 shall be due and payable to the Department.
2. Respondent Robert Pagan shall pay a civil penalty of \$15,000 to the North Dakota Securities Department based on the violations discussed above.

The civil penalties assessed herein are due and payable immediately upon the entry of this Order, except to the extent that a hearing has been timely requested by the Respondents. If a hearing is requested, the Securities Commissioner expressly reserves the authority to modify this provision and to assess additional civil penalties, not to exceed \$10,000 per violation, regarding the violations outlined above or any other violations subsequently discovered. The Commissioner reserves the authority to direct any penalties to the North Dakota Investor Restitution Fund (Fund # 262), for the purpose of repaying aggrieved investors, as appropriate.

### **ORDER FOR RESCISSION**

The Securities Commissioner further Orders that the Respondents shall make rescission of the transactions described in paragraphs 3, 4 and 5 of the findings within sixty days of the date of this Order, for the full amount paid for the securities, plus interest according to the provisions of N.D.C.C. §§ 10-04-16(1) and 10-04-17.

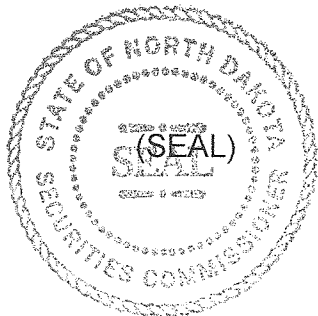
The complainants, Terry Anderson, Arlove Weisser, and Donna Lidstrom, surviving spouse of Duane Lidstrom, are intended third party beneficiaries of this provision, and may seek to enforce their interests under this paragraph.

### **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 Respondents have the right to be represented by legal counsel at the hearing.

IN TESTIMONY WHEREOF, witness my hand and seal this 20 day of March,

2018.



  
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Karen J. Tyler, Securities Commissioner  
North Dakota Securities Department  
600 East Boulevard Ave.  
State Capitol – Fifth Floor  
Bismarck, ND 58505-0510  
(701) 328-2910

STATE OF NORTH DAKOTA

SECURITIES DEPARTMENT

In the Matter of Main Street Hospitality,  
L.L.C., a South Dakota limited liability  
company, and Robert Pagan,  
  
Respondents.

**AFFIDAVIT OF SERVICE  
BY MAIL**

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I, Jacqui Ferderer, being first duly sworn, state that I am a citizen of the United States over the age of twenty-one years and not a party to or interested in the above-entitled proceeding.

On this 9<sup>th</sup> day of March, 2018, I deposited in the Central Mailing Bureau of the United States Post Office Department in the State Capitol in Bismarck, North Dakota, a true and correct copy of each of the following documents:

**CEASE AND DESIST ORDER, ORDER FOR AND NOTICE OF CIVIL PENALTY,  
ORDER FOR RESCISSION, AND NOTICE OF RIGHT  
TO REQUEST A HEARING**

Copies of the above documents were securely enclosed in an envelope with postage duly prepaid, sent via certified mail, return receipt requested, addressed to each of the following:

Stanton A. Anker  
1301 West Omaha Street, Suite 207  
Rapid City, SD 57701

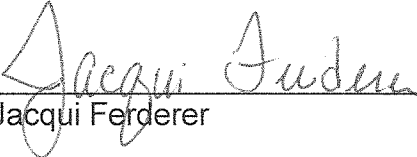
(As Registered Agent for Respondent, Main Street Hospitality, L.L.C.)

Robert Pagan  
3902 Storm Circle  
Rapid City, SD 57702

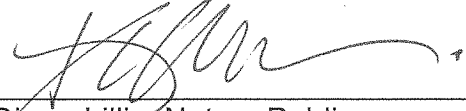
(Individually and as Managing Member of Respondent, Main Street Hospitality, L.L.C.)



To the best of my knowledge, information and belief, the addresses given above are the last known addresses of the parties intended to be served.

  
Jacquie Ferderer

Subscribed and sworn to before me this 8 day of March, 2018.

  
Diane Lillis, Notary Public  
Burleigh County, North Dakota  
My commission expires 4/26/2020

