

**STATE OF NORTH DAKOTA**  
**SECURITIES DEPARTMENT**

In the Matter of Impact Energy, LLC,	)	
a limited liability company, Eugene L.	)	<b>CONSENT ORDER</b>
McArthur, Jr., Mike Ladue, and Lynne	)	
Hanson,	)	OAH File No. 20130015
Respondents.	)	

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

**TO: IMPACT ENERGY, LLC, a limited liability company, EUGENE L. McARTHUR, JR., MIKE LADUE, and LYNNE HANSON, RESPONDENTS.**

The North Dakota Securities Commissioner has advised the Respondents that the Commissioner is prepared to commence formal action pursuant to Chapter 10-04 of the North Dakota Century Code and has determined as follows:

1. Respondent, Impact Energy, LLC, was a Minnesota limited liability company operated and controlled by Respondent, Eugene L. McArthur, Jr., (hereinafter, "McArthur") with its principal place of business at 1265 Highway 10 West, Suite 1, Detroit Lakes, Minnesota. Impact Energy, LLC, is not now and has never been registered as an issuer-dealer or broker-dealer in North Dakota.
2. Respondent McArthur is a Minnesota resident who, for all times relevant to this matter, operated and controlled Impact Energy, LLC, as its CEO and President. Respondent McArthur is not now and has never been registered as an agent with the North Dakota Securities Department.
3. On or about February 1, 2006, Respondents, Impact Energy, LLC, and McArthur, through their agents, Mike Ladue and Lynne Hanson, offered for sale and sold an

investment contract to Larry G. Thompson in Fargo, North Dakota, for a total sum of \$75,000. Respondents characterized the investment as a “bridge loan” while Thompson believed he was purchasing an interest in the company. No documentation of the transaction was prepared or signed by the parties. Respondents Ladue and Hanson are not now and have never been registered as an agent with the North Dakota Securities Department.

4. The transaction described in paragraph 3 did involve the offer and sale of a “security” as defined in N.D.C.C. § 10-04-02(19), whether denominated an undocumented promissory note for a bridge loan or a sale of membership interests in a limited liability company.
5. The offer and sale of the subject investment by Respondents was not 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; was not an exempt security under N.D.C.C. § 10-04-05; and was not offered for sale or sold in an exempt transaction under N.D.C.C. § 10-04-06; and was not a federal covered security and was not 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 and Respondents engaged in one violation of N.D.C.C. § 10-04-04.
6. The transaction referenced above was conducted at a time when Impact Energy, LLC, was not registered as an issuer-dealer or broker-dealer with the Securities Department. Respondent Impact Energy, LLC, engaged in one violation of N.D.C.C. § 10-04-10(1).

7. Respondents McArthur, Ladue, and Hanson were not registered as agents with the Securities Department at the time of this transaction. Respondents McArthur, Ladue, and Hanson each engaged in one violation of N.D.C.C. 10-04-10(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 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 \$50,000 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).
9. Respondents McArthur and Ladue have entered into a Settlement Agreement with Thompson agreeing to personally repay the principal amount of his investment with Respondent Impact Energy, LLC, on or before January 1, 2015.
10. Respondents have a right to a hearing on this matter, but affirmatively waive any right to a hearing and to present arguments to the Commissioner regarding this matter.
11. Respondents agree to resolve this matter with the Securities Commissioner by this Consent Order, and this is evidenced by Respondents' signatures on the Consent to Entry of Order, attached hereto and incorporated herein by reference.
12. This following Order is necessary and appropriate in the public interest.

**NOW, THEREFORE, IT IS ORDERED AND AGREED** as follows:

1. The Respondents shall **CEASE AND DESIST** 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; and 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.

2. Respondents McArthur and Ladue shall make payment to Larry G. Thompson, his heirs or assigns, the principal sum of \$75,000.00, pursuant to the terms of their Settlement Agreement, on or before January 1, 2015. If payment is not timely made, a certified copy of this final order may be filed with the clerk of a court of competent jurisdiction and enforced or satisfied in the same manner as a judgment of the court, as provided in §10-04-16 of the North Dakota Century Code.
3. The Commissioner hereby assesses a civil penalty of \$10,000.00 against the Respondents, jointly and severally, but that civil penalty is suspended and shall not be enforced by the Commissioner so long as the Respondents comply with the terms of this Consent Order. Any willful violation of this Consent Order shall result in a default of this Consent Order and the entire civil penalty shall be immediately due and payable.
4. This Order shall be effective upon signature of the Commissioner.

**IN TESTIMONY WHEREOF**, witness my hand and seal this 26<sup>th</sup> day of February, 2013.



  
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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 Impact Energy, LLC,	)	
a limited liability company, Eugene L.	)	
McArthur, Jr., Mike Ladue, and Lynne	)	<b>CONSENT TO ENTRY</b>
Hanson,	)	<b>OF ORDER</b>
	)	
Respondents.	)	OAH File No. 20130015

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Based on mutual concessions and a willingness to resolve all matters discussed in the foregoing Consent Order, the above-named Respondents state that:

1. The Respondents have read the foregoing Consent Order and know and fully understand its contents and effects.
2. The Respondents have been advised of their rights to a hearing with regard to this matter, and have specifically waived their rights to a hearing.
3. The foregoing Consent Order, which is attached hereto and incorporated herein by reference, constitutes the entire settlement agreement between the Respondents and the Securities Commissioner, there being no other promises or agreements, either expressed or implied.
4. The Respondents admit the jurisdiction of the Securities Department and the factual determinations set forth in the foregoing Consent Order, and they are specifically precluded from denying those determinations in any forum, public or private.
5. The Respondents consent to entry of the foregoing Consent Order by the Securities Commissioner, and do so willingly and voluntarily for the purpose of resolving the issues described in the foregoing Consent Order.

Dated this 25 day of February, 2013.

IMPACT ENERGY, LLC

By: \_\_\_\_\_

Its: UIC Pres

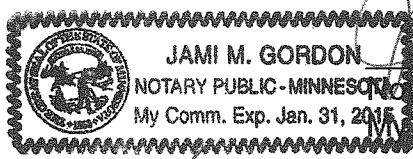
Subscribed and sworn to before me this \_\_\_\_ day of February, 2013.

\_\_\_\_\_  
Notary Public  
My Commission Expires:

Dated this 15<sup>th</sup> day of February, 2013.

Eugene L. McArthur, Jr.  
Eugene L. McArthur, Jr.

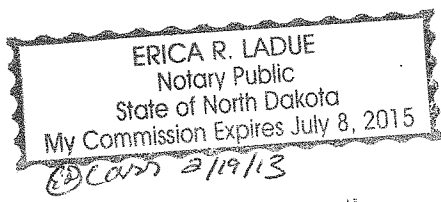
Subscribed and sworn to before me this 15<sup>th</sup> day of February, 2013.

 Jami M. Gordon  
JAMI M. GORDON  
NOTARY PUBLIC - MINNESOTA  
My Comm. Exp. Jan. 31, 2015  
Notary Public  
My Commission Expires: 1/31/15

Dated this 20<sup>th</sup> day of February, 2013.

Mike Ladue  
Mike Ladue

Subscribed and sworn to before me this 19<sup>th</sup> day of February, 2013.

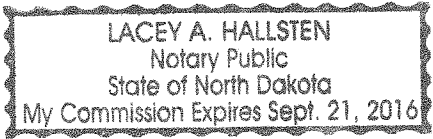
  
ERICA R. LADUE  
Notary Public  
State of North Dakota  
My Commission Expires July 8, 2015  
Comm 2/19/13

Erica R. Ladue  
Notary Public  
My Commission Expires: July 8, 2015

Dated this 19<sup>th</sup> day of February, 2013.

Lynne Hanson  
Lynne Hanson

Subscribed and sworn to before me this 20<sup>th</sup> day of February, 2013.

  
LACEY A. HALLSTEN  
Notary Public  
State of North Dakota  
My Commission Expires Sept. 21, 2016

Lacey A. Hallsten  
Notary Public

My Commission Expires: 9-21-16