

STATE OF NORTH DAKOTA
COUNTY OF BURLEIGH

BEFORE THE
SECURITIES COMMISSIONER

In the Matter of)
FACT Companies, Richard Furrer,)
Janelle Furrer, Ward Hughes, Joseph)
M. Malloy, James Herbst, Darreld Kartes,)
and their Officers, Directors,)
Agents and Employees,)
Respondents.)

CEASE AND DESIST ORDER

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THE SECURITIES COMMISSIONER OF THE STATE OF NORTH DAKOTA TO FACT COMPANIES, RICHARD FURRER, JANELLE FURRER, WARD HUGHES, JOSEPH M. MALLOY, JAMES HERBST, DARRELD KARTES, AND THEIR OFFICERS, DIRECTORS, AGENTS, AND EMPLOYEES:

1. The 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;
2. the Respondents have offered for sale, solicited an order or offer to buy, or sold investments, as defined in §10-04-02(13) N.D.C.C., of Fact Technologies, Fact Canada, or Fact Holding Co. to residents of North Dakota in violation of §10-04-04 N.D.C.C.;
3. the subject investments have not been registered with the Securities Commissioner under §10-04-07; §10-04-07.1; §10-04-08; or §10-04-08.1 N.D.C.C.; are not exempt securities under §10-04-05 N.D.C.C; and have not been offered for sale or sold in exempt transactions under §10-04-06 N.D.C.C;
4. the Respondents have failed to register as dealers in violation of § 10-04-10(1) N.D.C.C; and
5. the Respondents have failed to register any salesman in violation of §10-04-10(2) N.D.C.C.;

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

- a. From offering for sale or selling in North Dakota the subject investment, or any other

investment interest however denominated, unless and until such investment interests have been registered with the Securities Commissioner; provided, however, that nothing in this part of the order shall apply to exempt securities under §10-04-05 N.D.C.C. or to exempt transactions under §10-04-06 N.D.C.C.; and

- b. From offering for sale or selling investments in North Dakota unless and until they have registered with the Securities Commissioner as dealers or salesmen; provided, however, that nothing in this part of the order shall apply to exempt securities transactions under §10-04-06 N.D.C.C.

NOTICE OF CIVIL PENALTIES

YOU ARE NOTIFIED that the above-cited violations are sufficient grounds for the imposition of civil penalties pursuant to §10-04-16(1) N.D.C.C. The Securities Commissioner hereby orders payment of a civil penalty in the amount of \$120,000.

NOTICE OF RIGHT TO REQUEST HEARING

YOU ARE NOTIFIED that pursuant to § 10-04-12 N.D.C.C. you may request a hearing before the Securities Commissioner if such a request is made in writing WITHIN FOURTEEN (14) 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 24th day of September, 1996.



Cal Hoovestol

CAL HOOVESTOL
SECURITIES COMMISSIONER

STATE OF NORTH DAKOTA
COUNTY OF BURLEIGH

BEFORE THE
SECURITIES COMMISSIONER

In the Matter of)
FACT Companies, Richard Furrer,)
Janelle Furrer, Ward Hughes, Joseph)
M. Malloy, James Herbst, Darreld Kartes,) **AFFIDAVIT OF**
and their Officers, Directors,) **MAILING**
Agents and Employees,)
Respondents.)

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I, Diane Lillis, 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, September 25, 1996, I deposited in the Central Mailing Bureau of the United States Post Office Department in the State Capitol in Bismarck, North Dakota, true and correct copies of the following documents:

**CEASE AND DESIST ORDER
INQUIRY LETTER**

A copy of the above document was securely enclosed in an envelope with postage duly prepaid, sent via certified mail, return receipt requested, and addressed to:

President
FACT Companies
P. O. Box 847
Ferndale, WA 98248

Richard Furrer
Fact Group
P. O. Box 847
Ferndale, WA 98248

Janelle Furrer
Fact Group
P. O. Box 847
Ferndale, WA 98248

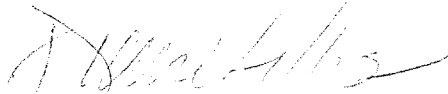
Ward Hughes
20604 Welch Road
Snohomish, WA 98290

Joseph M. Malloy
3313 North Shore Road
Bellingham, WA 98226

James Herbst
2370 North Shore Road
Bellingham, WA 98226

Darrel Kartes
13217 4th Ave. SW
Seattle, WA 98146

To the best of my knowledge, information, and belief, the address given above is the actual post office address of the party intended to be served.



Diane Lillis

Subscribed and sworn to before me on September 25, 1996.



Matthew Bahrenburg, Notary Public
Burleigh County, North Dakota
My commission expires 04/26/2002