

STATE OF NORTH DAKOTA

BEFORE THE

COUNTY OF BURLEIGH

SECURITIES COMMISSIONER

In the Matter of Kea-Watt and Associates, Ltd.; Joseph Henry Kalina; Larry Gene Kalina; Terry Wanless; and their Officers, Directors, Agents, and Employees, Respondents.

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

THE SECURITIES COMMISSIONER OF THE STATE OF NORTH DAKOTA TO KEA-WATT AND ASSOCIATES, LTD.; JOSEPH HENRY KALINA; LARRY GENE KALINA; AND TERRY WANLESS:

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. The Respondents have offered for sale and/or sold investment(s) to at least one resident of North Dakota in violation of N.D.C.C. § 10-04-04. The subject investment(s) are securities as defined in N.D.C.C. § 10-04-02(15).
2. The subject investment(s) has (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.

3. The Respondent, Kea-Watt and Associates, Ltd., was not registered as a dealer with the Securities Department, in apparent violation of N.D.C.C. § 10-04-10(1).
4. The Respondents, Joseph Henry Kalina and Larry Gene Kalina, have not registered as agents with the Securities Department, in apparent violation of N.D.C.C. § 10-04-10(2).
5. The Respondents have engaged in a scheme or artifice to defraud investors and/or have otherwise engaged in fraudulent or deceptive practices in violation of N.D.C.C. § 10-04-15.

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 investment, or any other investment interest however denominated, unless and until such investment interests have been registered with the Securities Commissioner.
2. From offering for sale or selling investments in North Dakota unless and until they have registered with the Securities Commissioner as dealers or agents.
3. From engaging in a scheme or artifice to defraud investors, or from engaging 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 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 \$10,000 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 \$35,000 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 he 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

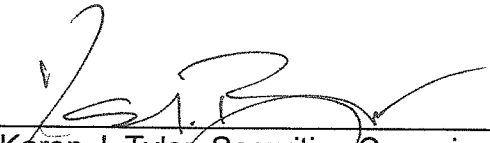
YOU ARE NOTIFIED that the above-cited violations are sufficient grounds for the imposition of civil penalties pursuant to N.D.C.C. § 10-04-16(1). The Securities Commissioner does not herein assess a civil penalty, but the Commissioner expressly reserves the authority to assess civil penalties, not to 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 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 6th day of February, 2006.





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

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SECURITIES COMMISSIONER

In the Matter of Kea-Watt and)
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Larry Gene Kalina; Terry Wanless;)
and their Officers, Directors, Agents,)
and Employees,)
Respondents.)

**AFFIDAVIT OF SERVICE
BY MAIL**

.....
I, Darcy Hoff, 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 8th day of February, 2006, 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, NOTICE OF CIVIL PENALTY,
AND NOTICE OF RIGHT TO REQUEST A HEARING**

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

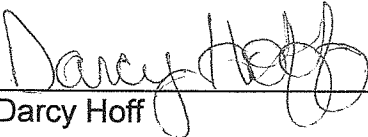
Larry Gene Kalina
2303 5th Avenue
Spearfish, SD 57783

Joseph Henry Kalina
221 6th Street NW
East Grand Forks, MN 56721

Joseph Henry Kalina
8540 E. McDowell Road, #94
Mesa, AZ 58207


Terry Wanless
61 Adler Circle
Sacramento, CA 95864

To the best of my knowledge, information, and belief, the address given above is the actual mailing address for the party intended to be served or of the attorney representing that party.



Darcy Hoff

Subscribed and sworn to before me this 8th day of February, 2006.



Matthew Bahrenburg, Notary Public
Burleigh County, North Dakota
My commission expires 4/26/2008