

STATE OF ILLINOIS
SECRETARY OF STATE
SECURITIES DEPARTMENT

IN THE MATTER OF: MARK ALBERT RAND,
GREGORY KEITH RAND,
and WILLIAM NICHOLAS RAND.

File No. 0700019

ORDER OF PROHIBITION

TO RESPONDENTS:

Mark Albert Rand
CRD #2415434
3500 Omar Lane
Plano, TX 75023

Mark Albert Rand
6508 Sudbury Road
Plano, TX 75229

Gregory Keith Rand
CRD #1588313
8650 Southwestern
Dallas, TX 75206

Gregory Keith Rand
5538 Tanbark Road
Dallas, TX 75229

William "Bill" Nicholas Rand
CRD #2149533
4612 Booth
Plano, TX 75093

William "Bill" Nicholas Rand
10134 Waller St.
Dallas, TX 75229

On January 26, 2010, Illinois Secretary of State Hearing Officer James L. Kopecky conducted a hearing in this proceeding on allegations in an amended notice of hearing issued on December 8, 2008, against Respondents Mark Albert Rand, Gregory Keith Rand, and William "Bill" Nicholas Rand, in accordance with the provisions of the Illinois Securities Law of 1953 ("Act) and the Rules and Regulations under the Illinois Securities Law of 1953 ("Rules). 815

Order of Prohibition

-2-

ILCS 5/11.F; 14 Ill. Adm Code Part 130, Subpart K. The hearing officer then submitted to the Secretary of State a written report containing his recommendations, proposed findings of fact, and conclusions of law, in accordance with Sections 11.F(5) and 11.A(1) of the Act; and Section 130.1123 of the Rules. 815 ILCS 11.F(5) and 11.A(1); 14 Ill. Adm Code 130.1123.

The Illinois Secretary of State, through his duly authorized representative, has reviewed the hearing officer's report and the record in this proceeding. Based on that review, the Secretary finds that all of the rulings of the hearing officer on the admission of evidence and on all motions were correct, and adopts those rulings. The Secretary also finds that the hearing officer's recommendations, proposed findings of fact, and conclusions of law, were correct, and adopts them, as follows, in accordance with Section 130.1123 and 130.1109 of the Rules.

FINDINGS OF FACT

1. On December 8, 2008, the Illinois Secretary of State issued an Amended Notice of Hearing in this proceeding against each of the Rand Respondents and the company they operated, Aspen Exploration, Inc.
2. On November 17, 2008, a bankruptcy proceeding was commenced against Aspen Exploration. *In re Aspen Exploration, Inc., Debtor*, U.S. Bankruptcy Court, S. Dist. Texas (Laredo) (Case No. 09-50325). On March 24, 2009, the bankruptcy judge granted the petition. On March 24, 2009, the bankruptcy judge granted the petition. On May 22, 2009, the judge denied for lack of prosecution motions by Aspen Exploration to abstain from granting the bankruptcy petition, to dismiss the petition, and to convert the petition from a Chapter 7 proceeding to a Chapter 11 proceeding.
3. On April 3, 2009, Aspen Exploration's attorneys filed in this proceeding a notice of suggestion of Aspen Exploration's bankruptcy based on the bankruptcy judge's May 22, 2009 ruling.
4. On April 13, 2009, attorneys for each of the Rand Respondents filed answers to the amended notice on their behalf.
5. On August 27, 2009, the Illinois Securities Department filed a motion to dismiss Aspen Exploration from this proceeding on the grounds the bankruptcy judge's order denying Aspen's motion to convert its bankruptcy petition to a Chapter 11 proceeding would require the company's assets to be liquidated and distributed by its creditors. These creditors included the investors the Department alleged were victimized by Aspen and the Rand Respondents. Because a Chapter 11 proceeding would prevent Aspen from continuing to operate and potentially generate additional assets that could be used as restitution to victims or fines by the Illinois Secretary of State, the Department saw no value in continuing to pursue the company in this proceeding. On September 8, 2009, the hearing officer granted the motion, dismissing Aspen and leaving the Rands as the only remaining respondents in this proceeding.

Order of Prohibition

-3-

6. On September 8, 2009, the attorneys for the Rand Respondents filed notice of their withdrawal dated September 4, 2009, from their representation of the three Respondents in this proceeding. The notice included addresses of the Respondents to which all future correspondence should be sent.
7. On September 8, 2009, the hearing officer entered an order continuing the hearing to November 19 and 20 of 2009, and by e-mail directed the attorneys for the Rand Respondents to inform him when they had informed the Respondents of the continued hearing dates and had sent the Respondents a copy of the continuance order.
8. In a September 29, 2009, email to the hearing officer, the former Rand Respondent attorneys confirmed they had provided a copy of the September 8, 2009 order continuing the hearing to November 19 and 20, 2009.
9. On November 11, 2009, the hearing officer, on his own motion, entered an order continuing the hearing to January 26, 2010, at 10:00 a.m., at the office of the Illinois Securities Department at 69 W. Washington Street – Suite 1220, in Chicago, Illinois.
10. On January 6, 2010, the Department served each of the Respondents a copy of the hearing officer's November 11, 2009 order continuing the hearing to January 26, 2010, and a set of requests to admit, using certified U.S. mail. The order and requests were mailed to the Respondents at the addresses their former attorneys had provided the hearing officer and the Department.
11. The Department's requests to admit required the Respondents to respond by January 21, 2010. The Department received no responses by the January 21, 2010 deadline or the January 26, 2010 hearing.
12. On January 26, 2010, none of the Respondents appeared at the hearing.
13. At the hearing, the Department moved to amend the caption to add the middle names of Mark and Gregory Rand, and the middle initial of William Nicholas Rand. The hearing officer granted the motion.
14. The Department moved for entry of an order of default based on the Respondents' failure to appear at the hearing, in accordance with Section 130.1109 of the Illinois Administrative Code. In support of this motion, the Department produced its Exhibit 2, which consisted of affidavits stating that on January 6, 2010, it had served notice of the January 26, 2010 hearing and its requests to admit on each of the Respondents. In accordance with Section 130.1109, the hearing officer ruled he would recommend the Secretary of State grant the motion.
15. The Department moved the admission as true each of the allegations in its Exhibit 9, its January 6, 2010 requests to admit to the Respondents. The hearing officer granted the motion.

Order of Prohibition

-4-

Facts Deemed Admitted as True through the Respondents' Failure to Respond to the Department's Requests to Admit

16. At all relevant times ("this period"), Respondent Mark Albert Rand was chairman of the board of directors of Aspen Exploration, Inc.
17. During this period, Respondent Gregory Keith Rand was chief executive officer of Aspen Exploration.
18. During this period, Respondent William "Bill" Nicholas Rand was president of Aspen Exploration.
19. Mark, Gregory, and William "Bill" Nicholas Rand were brothers.
20. Beginning in September 2004, the Respondents authorized Aspen Exploration to offer and sell Illinois and Wisconsin investors participations in several oil and gas-drilling projects initiated by Aspen Exploration. The projects were known as Rancho Blanco State #5, Rancho Blanco State #6, and Rancho Blanco State #7.
21. Aspen Exploration made representations to the Illinois and Wisconsin investors that Rancho Blanco #5, Rancho Blanco State #6, and Rancho Blanco State #7 would acquire an interest in a prospect well and drill it in search of oil and gas, with Aspen Exploration serving as its managing venturer.
22. Aspen Exploration also represented to the Illinois and Wisconsin Investors that the investment objectives of Rancho Blanco #5, Rancho Blanco #6 and Rancho Blanco #7 were to generate revenue and provide cash distributions to investors.
23. The Respondents solicited many of these investors through repeated cold-calls and other high-pressure tactics.
24. In addition to the Illinois and Wisconsin investors, the Respondents sold interests in Rancho Blanco #5, #6, and #7 to individuals who resided in at least thirty-three other states.
25. The overwhelming majority of the purchasers of Rancho Blanco were not presently in the business of managing or operating an oil and gas well; and in other cases, the purchasers were not working in a field that was at all business-related.
26. The education levels of several purchasers of Rancho Blanco #5, #6 and #7 were no greater than graduating high school or trade school.
27. In addition to cold-calling, the Respondents used the services of a company by the name of Investment Trend Analytics and a registered securities salesperson by the name of Stephen Walker ("Walker") to solicit Walker's clients to purchase Rancho Blanco units.

Order of Prohibition

-5-

28. Walker had requested from Aspen Exploration a finder's fee to be paid by Aspen Exploration to either Walker or Investment Trend Analytics for sales of interests in Rancho Blanco that Walker or Investment Trend Analytics would make to Walker's clients.
29. None of the Respondents had any direct contact with the individuals that Walker represented to be his clients prior to their initial purchase.
30. Walker would send a collection of checks drafted by Walker's clients in FedEx packages to Aspen, which were made for the purpose of purchasing interests in Rancho Blanco #5, #6, or #7.
31. At the time of Walker's solicitations of his clients, the Respondents had no idea what the financial background or suitability standards were for Walker's clients.
24. Walker and Investment Trend Analytics were paid a finder's fee by Aspen for finding purchasers of the Rancho Blanco units.
25. Between September of 2004 and July of 2007, the Respondents through the use of cold-calling and through the services of Stephen Walker and Investment Trend Analytics, entered into a total of at least 145 transactions to sell interests in Rancho Blanco #5, #6, or #7, the purchases of which were made by at least 48 Illinois Investors.
26. In addition, the Respondents sold interests in Rancho Blanco #5, #6, and #7 to a Wisconsin investor through the services of Stephen Walker a securities salesperson who at the time was registered as such in the State of Illinois.
27. Stephen Walker solicited the Wisconsin investor to purchase interests in Rancho Blanco #5, #6, and #7 in Illinois.
28. In September of 2006, the Respondents informed certain Illinois and Wisconsin investors of a meeting that was to take place at a restaurant in Illinois.
29. That the meeting took place on September 14th, 2006 at a restaurant in Illinois.
30. Respondent Gregory Keith Rand was present throughout the entire meeting on September 14th, 2006.
31. During the meeting, Gregory Rand told the investors present at the meeting that the interests in the oil and gas prospects purchased by Rancho Blanco #6 and #7 were in the process of being sold to a third party and that he had the signed contract in his hand and the deal would be completed one month later.
32. Gregory Rand told the investors present at the meeting that the purchase of the Rancho Blanco #6 and #7 oil and gas interests by the third party would result in the Investors receiving a dollar amount the equivalent to between 8 to 16 times the investors' original purchase price of the units in Rancho Blanco #6 and #7.

Order of Prohibition

-6-

33. Gregory Rand also told the investors present at the Meeting that the investors should not discuss this potential buy-out with anyone because of a "cooling off period".
34. There has been no purchase or buy-out of the investors' units in Rancho Blanco #6 and #7 by any third party.
35. On October 4, 2005, Brian Bramell named Aspen Exploration as a defendant in a suit filed in federal court in Texas. Bramell stated in his complaint that he had purchased from Aspen \$197,000.00 worth of oil and gas interests in Rancho Blanco No. 2 and other wells.
36. On March 11, 2005, Bramell amended the complaint that was filed on October 4th, 2005 to include Respondent Gregory Rand as a defendant, in addition to Aspen Exploration.
37. Bramell's amended complaint stated his purchases were made in reliance on misrepresentations and false statements made by Aspen Exploration and Gregory Rand.
38. Bramell alleged Aspen Exploration misrepresented to him that it had a working relationship with Texaco, and that this misrepresentation was made to induce Bramell to purchase oil and gas interests from Aspen.
39. On June 28, 2006, Frank R. Kitchell named Aspen Exploration and Gregory Rand as defendants in a suit filed in federal court in Texas. Kitchell stated in his complaint that he had purchased from Aspen a \$2.7 million oil and gas interest in Rancho Blanco No. 2 and other wells.
40. Kitchell's complaint stated that his purchases were made in reliance on misrepresentations made by Aspen Exploration and Gregory Rand.
41. On July 11, 2006, Frank Y. Takahashi filed a lawsuit in federal court in Texas naming Aspen Exploration and Greg Rand as Defendants.
42. Takahashi's complaint alleged he had purchased a 4.5% working interest in an oil and gas well in DeWitt County, Texas, named the Shaffer #1 well.
43. Takahashi alleged in his complaint that the sale to him of the interest in the Shaffer #1 well was in violation of the Texas Securities Act and in violation of Section 10(b) of the Federal Securities Exchange Act and Securities and Exchange Commission Rule 10b-5.
44. On June 25, 2004 Integrated Production Services, Inc. filed a lien for services performed and for materials and equipment furnished under contract with Aspen Exploration, in connection with operations conducted by Aspen on oil or gas wells identified as Rancho Blanco Corporation State Well #2 and Rancho Blanco Corporation State Well #3.
45. The lien claimed \$177,130.78, plus interest, against all oil, gas and mineral leasehold estates owned by Aspen Exploration and identified as Rancho Blanco Corporation State Well #2 and Rancho Blanco Corporation State Well #3.

Order of Prohibition

-7-

46. On June 15, 2004 Jack Rettig, managing member of Professional Wireline Rentals, filed a lien for services performed and for materials and equipment furnished under contract with Aspen Exploration, in connection with operations conducted by Aspen on oil or gas wells identified as Rancho Blanco Corporation State Well #3.
47. The lien claimed \$63,102.64, plus interest, against all oil, gas and mineral leasehold estates owned by Aspen Exploration and identified as Rancho Blanco Corporation State Well #3.
48. On March 22, 2005, Tubular Technology claimed a lien for services performed and for materials and equipment furnished under contract with Aspen Exploration, Inc. in connection with operations conducted by Aspen Exploration on oil or gas wells identified as Rancho Blanco Corporation State Well #4.
49. The Tubular Technology lien claimed \$31,1346.41, plus interest, against all oil, gas and mineral leasehold estates owned by Aspen Exploration and identified as Rancho Blanco Corporation State Well #4.
50. On November 30, 2005, Coil Tubing Services, L.L.C., claimed a lien for services performed and for materials and equipment furnished under contract with Aspen Exploration, Inc. in connection with operations conducted by Aspen Exploration on oil or gas wells identified as Rancho Blanco Corporation State Well #4.
51. The Coil Tubing Services lien claimed \$45,032.64, against all oil, gas and mineral leasehold estates owned by Aspen Exploration and identified as Rancho Blanco Corporation State Well #4.
52. On February 13, 2006, Coil Tubing Services, L.L.C., filed suit against Aspen Exploration to enforce the lien for services performed and for materials and equipment furnished under contract with Aspen Exploration, in connection with operations conducted by Aspen on oil or gas wells identified as Rancho Blanco Corporation State Well #4.
53. At no time did the Respondents ever disclose to Illinois and Wisconsin investors the risks involved with investing in the securities Walker was recommending.
54. Walker did not disclose at the time of the sales that:
 - (a) Aspen Exploration was a party to several pending litigations whereby investors were alleging that Aspen Exploration and Greg Rand had engaged in fraudulent activity in connection with the sale of oil and gas interests to investors.
 - (b) The above-mentioned creditors had filed liens against Aspen Exploration for services performed and for materials and equipment furnished under contract with Aspen, in connection with operations conducted by Aspen on oil or gas wells.
 - (c) Aspen Exploration was a party to pending litigation whereby a creditor filed suit against Aspen to enforce a lien for services performed and for materials and equipment furnished under contract with Aspen, in connection with operations

Order of Prohibition

-8-

conducted by Aspen on oil or gas wells.

55. The above omissions of fact address the solvency, financial condition, competency and most importantly, the ability and willingness of Aspen Exploration to comply with existing rules and regulations.
56. To induce the investors to purchase interests in Rancho Blanco oil wells, the Respondents represented to investors that there were practically no risks involved in the purchase of the interests.
57. The Respondents misrepresented to Illinois investors that the only risk factor involved in the purchase of the Rancho Blanco oil interests was the chance of a natural disaster or war interfering with the operations of the wells.
58. In addition, the Respondents represented to investors that purchasing the Rancho Blanco oil and gas interests was a better investment than putting their money into stocks.
59. At no time were any of the Respondents registered to sell securities in the state of Illinois.
60. The participations in the Rancho Blanco #5 oil interests were never registered with the Secretary of State.
61. The participations in the Rancho Blanco #6 oil interests were never registered with the Secretary of State.
62. The participations in the Rancho Blanco #7 oil interests were never registered with the Secretary of State.
63. No filing of any report by either of the Respondents was made in reliance upon any exemption provided by the Illinois Securities Law for registration of the oil interests.

Facts Adduced at the Hearing

Richard A. Diaz testified that he is a senior investigator with the Department. In this position, he contacts victims and witnesses, and subpoenas bank records and other documentation involved in financial transactions. He stated that he has been doing this for over 11 years. He believes the information he receives in response to subpoenas from banks, brokerage firms, and sometimes individuals is strongly reliable. He testified that his average case load is between 35 and 55 cases, and that he has investigated between 12 and 15 oil or gas drilling cases. He has worked covertly, putting his name out as a perspective investor and waiting to be contacted in approximately five cases. It is hard to categorize, but oil and gas drilling investments are very risky because of unknown factors. Therefore, Diaz testified that if a person wanted to sell an investor interest in oil or gas drilling, and told that investor that the investment was a "shoo-in, absolute winner," it would be highly dubious. He testified further that there are different types of lures or tricks used to defraud investors. One is the high-pressure sales tactic. The investor is lead to believe the investment is a short time horizon, and must

Order of Prohibition

-9-

invest in it today because next month may be too late. The investor is not given a long period of time to read or ask anybody else who might be knowledgeable about the project. Oftentimes, Diaz testified, the investor gets a document and is pushed to make an investment decision on the spot, without time to read the document. Often, people can't understand the prospectus of the memoranda that disclose the risk factors. The investor is told that they are not going to understand the documents but that they can rely on them. They will tell the investor that they are required to put language in the documents by state regulations, or federal regulations but that this is a sure thing, a special and unique situation.

Jessica Sepanik testified that she is employed by the Illinois Securities Department as a legal intern. She has been so employed since February 2009. As a legal intern, she assists lawyers with anything that needs to be done, such as making copies, preparing subpoenas, and assembling Excel spreadsheets. She makes spreadsheets with the names of investors, how much they invested, the totals, the dates, and the like. She makes sure to record all the information accurately so that nothing is mistaken or wrong. She testified that she worked on the Department's investigation of the Respondents in this case. She worked on the case for three to four months. Sepanik identified Department Exhibit 4 as the list of people who invest in the oil and gas drilling projects managed by Aspen Exploration, Inc. ("Aspen"). It shows the names of the investors, the dates, the amounts they invested, check numbers, and a total of everything they invested, along with the grand total. She testified that she found the names on the investment applications received from Aspen and the amounts on the records received by subpoena.

Sepanik identified Department's Exhibit 2 as listing the total amount of investment that each investor made. The first spreadsheet in the exhibit itemized each investment and the next spreadsheet in the exhibit listed the grand total. She double-checked the amounts of each payment on each check or wire transfer with what she had recorded onto the spreadsheets. She reviewed around 500 pages of documents to do this. The spreadsheets listed 29 investors from 19 families. One investor was a church. The smallest investment, \$20,000.00, was made by one group of family members, and was invested through Steven Walker. Sepanik testified that the largest amount, invested by one group of family members, totaled over \$2,281,572.00.

Department Exhibit 6 was a certificate from the Secretary of State's office certifying the registration of Steven Wayne Walker as a securities salesperson in the state of Illinois from August 19, 1999, through July 25, 2007, and the registration for Walker as an investment advisor representative from March 24, 2002, through July 27, 2007.

The hearing officer reviewed and admitted Departments Exhibits 2, 4, and 6 into evidence.

Sepanik testified she assisted in preparing subpoenas and organizing subpoena responses. She testified that she assisted in preparing a subpoena to Mike Zuidema directing him to produce certain information. Sepanik testified that Department Exhibit 11 refers to a subpoena issued to Investment Trend Analytics, and that Mike Zuidema responded on behalf of Investment Trend Analytics. The subpoena and the documents served in response are available to the Respondents.

Order of Prohibition

-10-

The Department moved for admission of Department Exhibit 11 into evidence and the hearing officer granted the motion.

Four persons who invested with Aspen in Illinois testified. The hearing officer summarized the testimony of two of the witnesses.

One of the witnesses, Witness Investor 1, testified he had invested in Aspen, together with his wife. He testified that a Department representative had showed him an itemized list of each of his investments in Aspen (Department Exhibit 2) and he confirmed its accuracy. He has no training or education in investing. He was a high school graduate and had spent 2½ years studying general education at an Illinois university. He has invested money over the years. He invested conservatively for a number of years but wasn't satisfied. He found another broker and invested in mutual funds before ending up at Sauk Valley Bank in Illinois and investing with Steve Walker. A Sauk Valley Bank officer and other Illinois residents recommended Witness Investor 1 to Walker. Witness Investor 1 testified that he probably saw a business card, but he doesn't know if Walker was associated with a brokerage firm. Witness Investor 1 had never before been involved in oil or gas drilling investments. He had never been a partner in any joint venture for any purpose. He did not know the difference between a joint venture and a security. Initially, Witness Investor 1 testified, Walker recommended mutual funds, and then they worked their way into a few stocks. He testified that he and his wife were trying to protect the money that they inherited and not lose it.

At some point, Walker recommended Witness Investor 1 purchase Aspen securities. He called Witness Investor 1, which was unusual, and wanted to talk right away. Walker went to the home of Witness Investor 1 and his wife, and told them he had an opportunity to get into a gas exploration venture. Walker said some investors had pulled out of the investment because of Hurricane Katrina, and the hole that they were trying to fill was about \$2,000,000. He said they needed to do it as soon as possible, that the investors that had pulled out were from New Orleans and needed to get their money out to work on whatever they needed to work on in New Orleans. Walker rolled out a 9-foot scroll that depicted the well. He also had a report that had all kinds of writing on it as to where the pay zones were and how good the well was. He explained that it was probably a 20- to 30-year payout and that Witness Investor 1 could expect somewhere in the range of a 30% return on his money. He said it should be between \$25,000 to \$30,000 a year. Walker said the risk was minimal, because the hole had already been dug. It wasn't starting from scratch. He said they could expect a check within 30 days because the well was ready to be capped. Walker also told Witness Investor 1 that he had \$100,000 invested in the well himself. That made Witness Investor 1 feel good. He thought he was being presented a gift, something too good to be true. He testified he was not aware Walker was being paid by Aspen.

Witness Investor 1 testified he wrote a check on October 19, 2005, to invest in Aspen. He testified that Walker had told him that there would be significant write-offs, since the venture was considered risky, and that the government allowed a large write-off that could be as much as 77%. He testified that there was quite a bit of paperwork to fill out, and he went to Walker's office at the bank to fill it out. Witness Investor 1 and his wife both signed the documents. After 30 days, they were looking for the first distribution and nothing happened. Nothing happened for the better part of the year. Respondent William (Nicholas) "Bill" Rand would write him

Order of Prohibition

-11-

about what was happening with the well, that they were testing this or drilling that, or that there was a problem with the cable, or that no gas was being produced. At the same time Witness Investor 1 and his wife were still receiving calls soliciting more money. Witness Investor 1 testified that he was concerned, but was still on board and decided to invest a second time. He did not know that Respondent Bill Rand was an officer of Aspen Exploration. He thinks he received a call to solicit more investments in Aspen probably once a month. During these calls, Witness Investor 1 explained he had no more money to invest and that he hadn't received any returns on his previous investments, and that is why he wasn't willing to invest more.

Witness Investor 1 testified that around September of 2006, there was meeting of investors in Aspen Corporation. Walker told Witness Investor 1 about the meeting and said that investors were going to meet with Respondent Greg Rand in Moline. He invited Witness Investor 1 to come to the meeting; and Greg Rand sent communications regarding the meeting from Texas. Witness Investor 1 went to the meeting at the Skyline Restaurant right next to the Moline Airport. There were probably 12 to 15 people present. Steve Walker was in charge of the meeting. Witness Investor 1 believes Walker was preparing the investors for a sale of all the wells at Aspen. Walker told Witness Investor 1 at least 8 times that his money was up 18 times as a return. Witness Investor 1 testified that Greg Rand was at the meeting to ensure the investors that there was a sale that was almost completed. Schuneman testified that he is not sure that Rand said this directly, but Witness Investor 1 walked away from the meeting feeling that there would be a sale within a week or two.

After the meeting, Witness Investor 1 spoke with Walker on the phone. Walker informed him that there was still space available on Well #7, and that was a way to make some more money. He could not speak about risk at that time because Witness Investor 1 thought a sale was ready to be completed. Witness Investor 1 some mutual funds to come up with another \$20,000 to invest. He had heard representations about what was happening with his investment directly from Respondent Greg Rand. Witness Investor 1 also talked to Greg Rand on the telephone a couple of times after the meeting. Witness Investor 1 had to make sure that Greg Rand did not cash his check until securities were sold to cover it. Witness Investor 1 believed that he had to act rapidly because he had to have his shares in place before the sale took place. That information came directly from Greg Rand.

Witness Investor 1 testified that the sale never happened. Walker held another meeting with some other investors and it appeared Walker was scrambling. At one point the investors found out that Parker Drilling, a drilling company used to complete Well #6, apparently was not paid by Aspen for their services and they filed a \$13,000,000 lien on the number 6 well. At the same time, they continued to solicit money from the investors. Witness Investor 1 called one of the sales people and asked him if he knew that a lien had been placed on Well #6. He told the sales person to stop calling and do some investigating. Respondent Greg Rand then called Witness Investor 1, asking what he was talking about, and saying the lawyers were taking care of it, that it wasn't a problem, and that Witness Investor 1 should not be spreading rumors.

Witness Investor 1 then heard that Parker Drilling and a group of investors were getting together to force a bankruptcy proceeding on Aspen. He had heard from the FBI and other people that they were investigating Aspen. It was obvious at that point that the company was in

Order of Prohibition

-12-

big trouble. Witness Investor 1 testified that in March of 2009, he was contacted by an attorney to see if he wanted to participate in a bankruptcy filing. He did not want to, because he was pursuing his own avenue to try and recoup money and his attorney advised him not to get involved. At about the same time, he received a letter from the Rands, from Aspen, that informed the investors that they were trying to force a bankruptcy on Aspen and that if investors participated in it Aspen would prevail in court and could sue the investors. It was basically a threat. The day after that, an Aspen sales person called again and Witness Investor 1 let him have it. Greg Rand immediately called back and Witness Investor 1 told him the same thing in not so nice terms. He then hung up on Rand. Rand called back and Witness Investor 1 told him he wasn't going to take it from him anymore and Rand laughed at him. Witness Investor 1 hung up the telephone again and never heard from Rand again.

Witness Investor 1 identified Department Exhibit 8 as a copy of the document that was sent to him in March of 2009 from Greg Rand. The letter urged Witness Investor 1 not to participate in the bankruptcy proceeding against Aspen. The hearing officer admitted Department Exhibit 8 into evidence.

Witness Investor 1 is not aware of having any contact with Respondents Mark Rand or William Rand. He testified that no other Rands ever sat him down to determine the suitability of investment for him, nor did Steven Walker or Michael Zuidema. Walker made most of the representations; he was the point person on the thing. He represented it as a safe and lucrative investment, one that would carry on for a number of years and give tax advantages as well. The Rands did not make any similar representations. Witness Investor 1 is not sure if he received an offer or memorandum from Aspen. The Department then showed him its Exhibit number 7 and Schuneman testified that he had received such a document in a binder. He testified that Walker brought it to him. The hearing officer admitted Department Exhibit 7 into evidence.

Finally, Witness Investor 1 testified that neither Walker, or Zuidema, or anyone at Aspen ever told him that there had been a number of lawsuits and liens filed against Aspen. He would have considered this information important in deciding whether to make an investment.

Another witness, Witness Investor 2 testified that he invested in the Aspen gas drilling project Rancho Blanco #5 on December 12, 2005, in Illinois. He reviewed the Department's investment summary exhibit and confirmed its accuracy as to the amounts of his investments. He has no work experience that helped him learn about investing. He has engaged in no training or personal study of investing. His only personal experience in investing has been in real estate. He has no experience in oil and gas drilling or investing in those enterprises.

Witness Investor 2 testified he met with Walker at the recommendation of another Aspen investor whose investment experience he trusted. At Walker's office, Witness Investor 2 testified, Walker had charts on the wall and literature regarding a gas well in Zapata County, Texas, called Gas Well Rancho Blanco #5. The chart showed drilling logs. Witness Investor 2 testified that at another meeting attended by Witness Investor 2 and other prospective investors, Walker explained to them that Hurricane Katrina had caused some investors to pull their money out, and that there were shares available. The well was already drilled, Witness Investor 2 testified, and Walker showed them boring logs. Walker said the investments had to be done

Order of Prohibition

-13-

quickly because there were numerous people trying to fill the hole. Walker assured them, Witness Investor 2 testified, that they had the first opportunity to get in, but that time was of the essence. Walker had paperwork with him, and he instructed everybody how to fill it out. Witness Investor 2 testified he began to balk when reading questions about whether he was an accredited investor. Walker assured him it was okay to say he was an accredited investor, that the document was only a formality. Witness Investor 2 testified he continued to question whether he should complete the form. Walker told him: "Don't worry about it; just do what I tell you." The meeting lasted less than one hour.

Witness Investor 2 testified that Walker told him he should expect \$1,000 a month for his first investment. Witness Investor 2 testified he received a 0.4084 ownership in the wells. The only risk that Walker informed Witness Investor 2 and the other investors at the meeting described above was that of a natural disaster like an earthquake or act of war, because the well had already been drilled. Witness Investor 2 testified that Walker told him to expect a return within 30 days or by the end of the year, which would be 6 weeks. Witness Investor 2 testified that 6 weeks went by and he never heard anything.

In January, Witness Investor 2 started to ask questions and was assured that there were some formalities getting the well hooked up. Witness Investor 2 testified he received the same report for awhile. He testified that Walker came back to him and other investors, telling them there were still some shares remaining. Walker arranged another meeting at which Witness Investor 2 made an additional investment. Witness Investor 2 made this investment in 2006. Witness Investor 2 testified that nothing happened after that. Witness Investor 2 testified he just received a lot of excuses, and that he and other investors met with Respondents Greg and Mark Rand in the summer of 2006. Witness Investor 2 testified he had recently learned that the Rands' father, William Anthony Rand, had been arrested for securities fraud in Arkansas, and that he was the President of Aspen. Witness Investor 2 testified that Respondents Greg and Mark Rand acknowledged this, saying their father had been wrongly accused and convicted. Greg and Mark Rand gave what appeared to Witness Investor 2 to be reasonable explanations for Aspen missing deadlines that reassured him that his investment was going to be okay.

Respondent Greg Rand gave Witness Investor 2 Rand's personal cellular telephone number. Witness Investor 2 testified that he called Greg Rand on a regular basis to track the progress of his investment, but did not get to speak to him often. Witness Investor 2 testified that 90% of the time, Rand avoided his call. At another meeting with Greg Rand in the fall of 2006, Witness Investor 2 told Rand he thought Rand was hiding something about the investment. Rand aggressively responded that any time Witness Investor 2 wanted his investment money back, Rand would be glad to take him out of the investment. Witness Investor 2 testified that he took Rand up on the offer, but never received the money.

Witness Investor 2 testified that in the spring of 2007, he met with Respondent Mark Rand, who gave him a myriad of excuses for why the well he had invested in had not begun operating.

Witness Investor 2 testified that, in total, he had close to a hundred contacts with Respondent Greg Rand and another Aspen employee named Earl Gannells from 2005 to the

summer of 2007, and that probably 20 or 30 of those contacts were with Greg Rand. Witness Investor 2 testified he met once with Respondent Mark Rand and received a letter and telephone call from him regarding his investment.

Witness Investor 2 testified he did not know about Aspen's lawsuits and liens before he invested with the company. He testified he did not know about Aspen's track record of 17 failed wells out of 35 wells, and that he did not know that Aspen's president William Anthony Rand had been accused of securities fraud. Witness Investor 2 testified he had been hoodwinked; that he would have considered those things in deciding of whether to invest.

The hearing officer granted the Department's requests to withdraw its Exhibits 1 and 10. The Department moved the admission of its Group Exhibit 3, the Department's requests to admit to the Respondents, and proofs of service of the requests. The hearing officer took administrative notice of the documents in that exhibit. The hearing officer also granted the Department's motion to admit its Exhibit 9, a statement from the office of the Illinois Secretary of State certifying the absence of any registrations by Respondents Mark, Gregory, and William Nicholas Rand to sell securities in the state of Illinois.

CONCLUSIONS OF LAW

1. The Illinois Securities Department properly served the Amended Notice of Hearing issued December 8, 2008, on the Respondents, in accordance with Section 11.F(1) of the Illinois Securities Law of 1953 ("Act"); and Section 130.1102 of the Rules and Regulations under the Illinois Securities Law of 1953 ("Rules"). 815 ILCS 5/12.F(1);14 Ill. Adm Code 130.1102.
2. The Illinois Secretary of State has jurisdiction over the subject-matter of this proceeding, in accordance with Section 11.A(1) of the Act.
3. The Respondents were given proper notice of the hearing, in accordance with Section 130.1101(b)-(f) of the Rules.
4. The Respondents failed to request a continuance of the hearing, in accordance with Sections 130.1111 and 130.130.1123(e)
5. The Respondents' failures to appear at the time and place set for the hearing in this proceeding, in accordance with Sections 130.1109, 130.1123(e), and 130.1111 of the Rules, is deemed a waiver of their rights to present evidence, argue, object, or cross-examine witnesses, or otherwise participate in the hearing.
6. On January 6, 2010, the Department served the requests to admit identified in the findings of fact on each of the Respondents, in accordance with Section 130.1115(h).
7. The Respondents' failures to respond to the Department's requests to admit within ten days after service are deemed admissions of the truth of each fact set forth in the requests, in accordance with Section 130.1115(h).

Order of Prohibition

-15-

8. Section 12.F of the Act provides, *inter alia*, that it shall be a violation of the Act for any person to engage in any transaction, practice or course of business in conjunction with the sale or purchase of securities which works or tends to work a fraud or deceit upon the purchaser or seller thereof.
9. Each and every sale made by the Respondents to each of the Illinois and Wisconsin investors was in violation of Section 12.F of the Act.
10. Section 12.G of the Act provides, *inter alia*, that it shall be a violation of the Act for any person to obtain money or property through the sale of securities by means of any untrue statement of a material fact or any omission to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading.
11. Each and every sale made by the Respondents to each of the Illinois and Wisconsin investors was in violation of Section 12.G of the Act.
12. Section 12.I of the Act provides, *inter alia*, that it shall be a violation of the Act for any person to employ any device, scheme or artifice to defraud in connection with the sale or purchase of any security, directly or indirectly.
13. Each and every sale made by Respondents to each of the Illinois and Wisconsin investors was in violation of Section 12.I of the Act.
14. Section 12.F of the Act provides, *inter alia*, that it shall be a violation of the Act for any person to engage in any transaction, practice or course of business in conjunction with the sale or purchase of securities which works or tends to work a fraud or deceit upon the purchaser or seller thereof.
15. Each and every sale made by the Respondents to each of the Illinois and Wisconsin investors was in violation of Section 12.F of the Act.
16. Section 12.G of the Act provides, *inter alia*, that it shall be a violation of the Act for any person to obtain money or property through the sale of securities by means of any untrue statement of a material fact or any omission to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading.
17. Each and every sale made by the Respondents to each of the Illinois and Wisconsin investors was in violation of Section 12.G of the Act.
18. Section 12.I of the Act provides, *inter alia*, that it shall be a violation of the Act for any person to employ any device, scheme or artifice to defraud in connection with the sale or purchase of any security, directly or indirectly.
19. Each and every sale made by Respondents to each of the Illinois and Wisconsin investors was in violation of Section 12.I of the Act.

Order of Prohibition


-16-

20. Section 12.A of the Act provides, *inter alia*, that it shall be a violation of the Act for any person to offer or sell any security except in accordance with the provisions of this Act.
21. Each and every sale made by Respondents to each of the Illinois and Wisconsin investors was in violation of Section 12.A of the Act.
22. Section 12.B of the Act provides, *inter alia*, that it shall be a violation of the Act for any person to deliver to any purchaser any security required to be registered under Section 5, Section 6 or Section 7 hereof unless accompanied or preceded by a prospectus that meets the requirements of the pertinent subsection of Section 5 or of Section 6 or of Section 7.
23. Each and every delivery the Respondents made of the securities to the purchasers was in violation of Section 12.B of the Act.

NOW, THEREFORE, IT IS HEREBY ORDERED THAT:

1. Each of the Respondents Mark Albert Rand, Gregory Keith Rand, and William "Bill" Nicholas Rand are in default, in accordance with Sections 130.1109, 130.1123(e), and 130.1111 of the Rules and Regulations under the Illinois Securities Law of 1953 ("Rules").
2. Each of the Respondents have waived their right to a hearing, and their rights to present evidence, argue, object, or cross-examine witnesses, or otherwise participate in the hearing, in accordance with Sections 130.1109, 130.1123(e), and 130.1111 of the Rules.
3. The answers filed by each of the Respondents are stricken, in accordance with Sections 130.1109 of the Rules.
4. Each of the Respondents is permanently prohibited from acting as an investment adviser representative or federal covered investment adviser in Illinois, and from offering or selling securities or any mineral investment contract or mineral deferred-delivery contract in or from Illinois, in accordance with Section 11.E(1)-(3) of the Illinois Securities Law of 1953.

ENTERED: this 21st day of June, 2010.


JESSE WHITE
Secretary of State
State of Illinois

Order of Prohibition

-17-

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NOTICE TO RESPONDENTS:

Failure to comply with the terms of this order shall constitute a violation of Section 12.D of the Illinois Securities Law of 1953. Any person or entity failing to comply with the terms of this order and having knowledge of the existence of this order, shall be guilty of a Class 4 felony. 815 ILCS 5/12.D; and 5/14.A.

This is a final order and is subject to judicial review under the Administrative Review Law, in accordance with Section 11.H of the Illinois Securities Law of 1953, and the Illinois Administrative Code. 735 ILCS 5/3-101 *et seq.*; 815 ILCS 5/11.H; and 14 Ill. Admin. Code 130.1123.

Any action for judicial review of this order must be commenced within 35 days from the date a copy of this order was served upon the party seeking review. This order shall be deemed to have been served either when a copy of the decision is personally delivered or when a copy of the decision is deposited in the United States mail, in a sealed envelope or package, with postage prepaid, addressed to the party affected by the decision at his or her last known residence or place of business., in accordance with Section 103 of the Administrative Review Law. 735 ILCS 5/3-103.