

**STATE OF ILLINOIS
SECRETARY OF STATE
SECURITIES DEPARTMENT**

IN THE MATTER OF:)

Richard W. Ahrendt,)

Hydro-tek, Inc. d/b/a)

Hydro-tek, Environmental Systems, Inc.)

File No. 1100217

NOTICE OF HEARING

TO THE RESPONDENT:

Richard W. Ahrendt
18434 Center Avenue
Homewood, IL 60430

Richard W. Ahrendt
8504 W. 192nd Street
Mokena, IL 60448

Richard W. Ahrendt
19252 S Blackhawk Parkway, Suite D
Mokena, IL 60448

Hydro-tek, Inc.
d/b/a Hydro-tek Environmental Systems, Inc.
8504 W. 192nd Street
Mokena, IL 60448

Hydro-tek, Inc.
d/b/a Hydro-tek Environmental Systems, Inc.
19252 S. Blackhawk Parkway, Suite D
Mokena, IL 60448

You are hereby notified in accordance with Sections 11.E and F of the Illinois Securities Law of 1953 [815 ILCS 5/11.E and F] ("the Act") and 14 Ill. Adm. Code 130, subpart K, that a public hearing will be held at the Secretary of State's office at the office of the Illinois Securities Department, 69 W. Washington Street, Suite 1220, in Chicago, Illinois 60602, on April 4, 2013 at the hour of 11:00 a.m. or as soon thereafter as possible before Canella Henrichs, or such other hearing officer who shall be presiding at that time.

Notice of Hearing

-2-

Said hearing will be held to determine whether an Order shall be entered which would prohibit the Respondent from selling or offering for sale securities in the State of Illinois and/or granting such other relief as may be authorized under the Act including, but not limited to, the imposition of a monetary fine in the amount of \$10,000 per violation pursuant to 11 E of the Act, payable within ten (10) days of the entry of the order

The grounds for such proposed action are as follows:

FRAUD IN THE OFFER AND SALE OF SECURITIES

1. Respondent **Richard W. Ahrendt** ("Ahrendt") is an individual with last known addresses of 18434 Center Avenue, Homewood, IL 60430; 8504 W. 192nd Street, Mokena, IL 60448; and 19252 S. Blackhawk Parkway, Suite D, Mokena, IL 60448.
2. Ahrendt is the President and CEO of **Hydro-tek, Inc.**, a business entity with last known addresses of 8504 W. 192nd Street, Mokena, IL 60448 and 19252 S. Blackhawk Parkway, Suite D, Mokena, IL 60448. Hydro-tek, Inc. does business as **Hydro-tek Environmental Systems, Inc.** Hereafter, Hydro-tek, Inc. and Hydro-tek Environmental Systems, Inc. will be collectively referred to as "Hydro-tek"
3. John F. "Jack" Clifford ("Clifford") is an individual with a last known address of 686 Golf Club Lane, Frankfort, IL 60423 At all relevant times, Clifford served as the Secretary of Hydro-tek. Clifford passed away in May of 2012 and, as a result, is not named as a party to this action.
4. Hydro-tek purportedly manufactured and marketed "unique environmental distillation systems" that process industrial waste so that the waste could be used as a raw material in other manufacturing processes.
5. Ahrendt, as President and CEO of Hydro-tek solicited potential investors to invest in Hydro-tek stock and has been doing so since the 1990's.
6. In soliciting investments in Hydro-tek stock, Ahrendt did not provide potential investors with a formal private placement memorandum or other disclosure document. Instead, Ahrendt used his personal relationships, such as relationships established through his church, to solicit investors.
7. Instead of formal disclosure documents, Ahrendt provided some potential investors with generic marketing information regarding Hydro-tek. This marketing information did not disclose the risks involved in an investment in Hydro-tek.
8. As a result of Ahrendt's efforts to solicit investors, over 200 investors invested in Hydro-tek stock.

Notice of Hearing

-3-

9. Following a sale of Hydro-tek stock, very little (if any) of the sales proceeds went toward the marketing or manufacturing of environmental distillation systems that processed industrial waste. Instead, the vast majority of investor money was used to pay Ahrendt and Clifford. For example:

- a. On December 29, 2006, the account balance of Hydro-tek's corporate bank account was \$46,017.71. Between December 29, 2006 and May 1, 2007, there was only one additional deposit into Hydro-tek's corporate bank account – a deposit of investor funds in the amount of \$50,000.
- b. In other words, between December 29, 2006 and May 1, 2007, Hydro-tek's corporate bank account had funds totaling \$96,017.71 in it.
- c. Out of the \$96,017.71 in Hydro-tek's corporate bank account between December 29, 2006 and May 1, 2007, approximately \$77,000 was used to make payments to Ahrendt and Clifford. The payments made were as follows:

- i. \$10,000.00 to Ahrendt on 1/2/07
- ii. \$10,000.00 to Clifford on 1/3/07
- iii. \$9,628.83 to Ahrendt on 1/12/07
- iv. \$5,000.00 to Clifford on 2/6/07
- v. \$4,000.00 to Ahrendt on 2/9/07
- vi. \$9,654.82 to Ahrendt on 3/7/07
- vii. \$5,000.00 to Clifford on 3/9/07
- viii. \$9,376.00 to Ahrendt 3/15/07
- ix. \$9,815.23 to Ahrendt on 4/3/07
- x. \$5,000.00 to Clifford on 4/5/07

Ahrendt total: \$52,474.88

Clifford total: \$25,000.00

Officer total: \$77,474.88

- d. The balance in Hydro-tek's corporate bank account on May 1, 2007 was \$8,142.74.

10. When soliciting investments from potential investors, Ahrendt omitted to inform investors that the majority of their funds would not be used to market or manufacture environmental distillation systems that processed industrial waste.

11. Ahrendt also omitted to inform potential investors that their funds would be used mostly to make payments to Ahrendt and Clifford.

12. Additionally, at least dating back to 2007, Hydro-tek did not sell any of its distillation or filtration systems. Nearly all of the money that went into Hydro-tek's corporate bank account since 2007 consisted of investor funds.

Notice of Hearing

-4-

13. When soliciting investments in Hydro-tek stock, Ahrendt omitted to inform potential investors that the company was operating almost entirely on investor funds rather than sales proceeds from Hydro-tek's distillation products.
14. Beginning as early as 2004, and continuing through 2012, Ahrendt told Hydro-tek investors that there was a foreign investor that wanted to invest in Hydro-tek.
15. Furthermore, Ahrendt had told investors that once this foreign investor had placed his money with Hydro-tek, that current investors would receive a 7 to 1 (700%) return on their money
16. In 2009, the funds from the foreign investor still had not come. Instead, Ahrendt strung investors along by telling them that the foreign investment was imminent and would occur "any day now".
17. In conducting its investigation relating to this case, the Securities Department asked Ahrendt to provide contact information for the foreign investor.
18. Ahrendt was unable to provide any contact information for the foreign investor to the Securities Department and, to date, still has not provided any contact information for the foreign investor to the Securities Department.
19. To date, investors in Hydro-tek have not received the 7 to 1 return on their investment that Ahrendt promised.
20. Additionally, certain investors of Hydro-tek have requested the return of the principal of their investments. To date, these investors have not received the principal of their investment back from either Ahrendt or Hydro-tek
21. The activities described above constitute the offer and sale of a security as those terms are defined in Sections 2.1, 2.5, and 2.5a of the Illinois Securities Law of 1953 [815 ILCS 5/1 *et. seq*] (the "Act").
22. Section 12.F of the Act states that it shall be a violation of the provisions of this Act for any person to, engage in any transaction, practice or course of business in connection with the sale or purchase of securities which works or tends to work a fraud or deceit upon the purchaser or seller thereof.
23. Section 12.G of the Act states that it shall be a violation of the provisions of this 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 light of the circumstances under which they were made, not misleading.

Notice of Hearing

-5-

24. Section 12.I of the Act states that it shall be a violation of the provisions of this 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."
25. By virtue of the foregoing, Ahrendt and Hydro-tek violated Sections 12.F, 12.G and 12.I of the Act.

OFFER AND SALE OF UNREGISTERED SECURITIES

26. Section 5 of the Act provides, *inter alia*, that all securities except those exempt under Section 3 or those offered or sold in transactions exempt under Section 4 "shall be registered either by coordination or qualification prior ... to their offer or sale" in the State of Illinois.
27. Ahrendt, personally and as President and CEO of Hydro-tek, failed to file with the Secretary of State an application for registration of the securities described above as required by the Act and, as a result, the securities were not registered pursuant to Section 5 of the Act prior to their offer or sale in the State of Illinois.
28. Furthermore, Ahrendt, personally and as President and CEO of Hydro-tek, failed to file any notice filings with the Secretary of State claiming that the securities being offered were exempt from registration.
29. Section 12.A of the Act provides that it shall be a violation for any person to offer or sell any security except in accordance with the provisions of the Act.
30. Section 12.D of the Act provides, *inter alia*, that it shall be a violation for any person to fail to file with the Secretary of State any application, report or document required to be filed under the provisions of the Act or any rule or regulation made by the Secretary of State pursuant to the Act.
31. By virtue of the foregoing, Ahrendt and Hydro-tek violated Sections 12.A, and 12.D of the Act

NOTICE: You are further notified that you are required pursuant to Section 130 1104 of the Rules and Regulations (14 Ill. Adm. Code 130) (the "Rules"), to file an answer to the allegations outlined above within thirty (30) days of the receipt of this Notice. A failure to file an answer within the prescribed time shall be construed as an admission of the allegations contained in the Notice of Hearing.

Furthermore, you may be represented by legal counsel; may present evidence; may cross-examine witnesses and otherwise participate. A failure to so appear shall constitute default, unless any Respondent has upon due notice moved for and obtained a continuance.

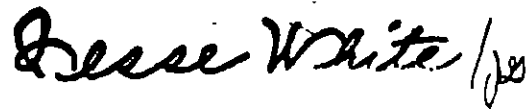
Notice of Hearing

-6-

A copy of the Rules and Regulations promulgated under the Illinois Securities Law and pertaining to hearings held by the Office of the Secretary of State, Illinois Securities Department, are available at the Department's website at <http://www.cyberdriveillinois.com/departments/securities/lawrules.html>, or on request.

Delivery of Notice to the designated representative of any Respondent constitutes service upon such Respondent.

Dated: This 6th day of February, 2013.

A handwritten signature in black ink that reads "Jesse White" followed by a small mark that appears to be initials or a flourish.

JESSE WHITE
Secretary of State
State of Illinois

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