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ARKANSAS SECURITIES DEPARTMENT

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FOR IMMEDIATE RELEASE

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ARKANSAS SECURITIES COMMISSIONER ISSUES CEASE AND DESIST ORDER STOPPING SALES OF UNREGISTERED SECURITIES BY LIMITED LIABILITY COMPANY IN CONNECTION WITH PROPOSED WIND FARM

Arkansas Securities Commissioner B. Edmond Waters (Commissioner) issued a cease and desist order against **Dragonfly Industries International, LLC**, (Dragonfly) and **Jody Douglas Davis** finding that Dragonfly and Davis offered investment contracts, a type of security, that are not registered with the Arkansas Securities Department in accordance with the Arkansas Securities Act (Act). Dragonfly, acting through Davis, a managing member of Dragonfly designated as its chief executive officer, sold three Arkansas residents (Investors) equity interests in Dragonfly, two for \$30,000 each and the third for \$60,000. The Commissioner found these equity interests to be a type of security known as investment contracts. Because they were not registered with the Arkansas Securities Department (Department) or exempt from registration, the Commissioner found that their sale was a violation of the Arkansas Securities Act (Act).

The Commissioner also found that Davis and Dragonfly had contracted with two of the Investors to locate investors in Dragonfly in exchange for compensation for each investment. Because these two Investors were not registered with the Department, the Commissioner found that Davis and Dragonfly had violated another provision of the Act prohibiting the employment of unregistered persons to act as agents of the issuer in the offer and sale of securities.

The order sets out two instances of securities fraud. First was Davis's failure to have informed the Investors of his 2009 federal conviction in Oklahoma for wire fraud and money laundering in some detail. Davis diverted approximately \$1.1 million in funds to a bank account owned and controlled by him that should have been returned to two companies that provided payment assistance to home owners upon the closing of the home loans. Davis pleaded guilty and was sentenced to thirty-seven months imprisonment and restitution.

Second was Davis's misinformation concerning a purported \$10 million grant that was about to be made to Dragonfly by the United States Department of Energy (DOE). In May 2015, Davis informed the Investors that Dragonfly had applied for a \$10 millions grant from the DOE, that the application was in a final stage of consideration and the \$10 million would probably be delivered by the end of July 2015. The Investors all invested at the end of July 2015. In reality, Dragonfly had filed a concept paper with the Advanced Research Projects Agency-Energy (ARPA-E), the part of the DOE that makes grants for research. Dragonfly had received a letter dated May 14,

2015, conveying its “lack of programmatic interest in the proposed project,” discouraging “the submission of a Full Application” because it was “unlikely to be selected for” a grant. Davis did not disclose this letter with the Investors, but instead informed them that a grant \$10 million grant was imminent, a statement with no basis in fact whatever.

Davis and Dragonfly were ordered to cease all further actions in Arkansas in connection with the offer or sale of securities unless and until the securities in question are properly registered or exempt from registration, any agent they might employ to represent Dragonfly in the offer or sale of securities is registered and to cease and desist in all actions constituting securities fraud.

Copies of the order can be obtained at the Arkansas Securities Department’s website, listed below. Order No. S-15-0047-16-OR02, *In the Matter of Dragonfly Industries International, LLC and Jody Douglas Davis*.