

STATE OF NORTH DAKOTA

BEFORE THE

COUNTY OF BURLEIGH

SECURITIES COMMISSIONER

In the Matter of A. G. Edwards)
& Sons, Inc.; and Daniel M. Schmidt;)
Respondents.)

**ORDER FOR AND NOTICE
OF CIVIL PENALTY AND
NOTICE OF RIGHT TO
REQUEST A HEARING**

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On December 14, 2004, the North Dakota Securities Department initiated an investigation into the activities of the Respondent, A. G. Edwards & Sons, Inc., and its agent, Respondent, Daniel M. Schmidt. The investigation, which was based on the complaint of a North Dakota resident, is contained in NDSD file #04-365. The investigation reveals that the Respondent engaged in several violations of the Securities Act. These factual findings, as well as the relevant legal conclusions, are outlined below.

1. Respondent, A. G. Edwards & Sons, Inc., (Edwards) is a registered dealer headquartered in St. Louis, Missouri. For all times relevant to this matter, Respondent has been registered as a dealer in North Dakota.
2. Respondent, Daniel M. Schmidt, is a North Dakota resident who, for all times relevant to this matter, was employed as an agent of Edwards. Schmidt was registered as an agent in North Dakota during all times relevant to this matter.
3. From June 14, 2000 to August 20, 2002, Edwards and Schmidt conducted in excess of 50 unauthorized securities transactions in the account of a North Dakota resident. Pursuant to Sections 73-02-09-02(4) and 73-02-09-03(6) N.D.A.C., it is a dishonest or unethical practice for a dealer or agent to execute a transaction on behalf of a client without authorization to do so.

4. During the same time period and regarding many of the same transactions, Edwards and Schmidt conducted in excess of 50 securities transactions in the account of a North Dakota resident, and recorded those transactions as "unsolicited" on the Respondent's books and records. Pursuant to Sections 73-02-09-02(25) and 73-02-09-03(6) N.D.A.C., it is a dishonest or unethical practice for a dealer or agent to mark a transaction as unsolicited when it is not an unsolicited transaction.
5. Respondent, Edwards, did not properly supervise its then agent, Daniel M. Schmidt, as it did not confirm with the client that the transactions were either authorized or properly marked "unsolicited". Respondent had a duty to supervise its agent pursuant to Section 10-04-11(1)(m) N.D.C.C.
6. Pursuant to Section 10-04-15 N.D.C.C., fraudulent practices are prohibited in connection with the offer or sale of a security. The facts described in paragraphs 3 and 4, above, are fraudulent practices prohibited by that section. Each of the Respondents conducted in excess of 100 violations of this section.
7. Pursuant to Section 10-04-16(1) N.D.C.C., when it shall appear to the Commissioner that any person has engaged in, or is engaging in, or is about to engage in any act or practice which is declared illegal in this chapter, the Commissioner may issue any order and collect civil penalties against any person found in an administrative action to have violated any provision of the chapter in an amount not to exceed \$10,000 for each violation. The violations described above are sufficient grounds for the Commissioner to assess civil penalties against the Respondents pursuant to Section 10-04-16(1) N.D.C.C.
8. The following Order is necessary and appropriate in the public interest and for the protection of investors.

ORDER FOR AND NOTICE OF CIVIL PENALTY

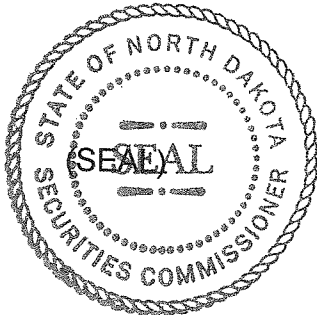
NOW, THEREFORE, it is hereby Ordered that the Respondent, A. G. Edwards & Sons, Inc., be assessed a civil penalty of \$50,000 based on the facts set forth above. The penalty shall be due and payable immediately upon the issuance of this Order.

NOW, THEREFORE, it is hereby Ordered that the Respondent, Daniel M. Schmidt, be assessed a civil penalty of \$50,000 based on the facts set forth above. The penalty shall be due and payable immediately upon the issuance of this Order.

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 FIFTEEN (15) DAYS AFTER THE RECEIPT OF THIS ORDER. The respondent has the right to be represented by legal counsel at the hearing.

Dated at Bismarck, North Dakota on this 11 day of August, 2005.





Karen J. Tyler, Securities Commissioner
North Dakota Securities Department
State Capitol, Fifth Floor
600 East Boulevard
Bismarck, ND 58505-0510
Ph. # (701) 328-2900

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**AFFIDAVIT OF SERVICE
BY MAIL**

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I, Jacqui Ferderer, 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 August 15, 2005, 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 document:

**ORDER FOR AND 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:

Phyllis Hartirch
A. G. Edwards & Sons, Inc.
One North Jefferson
St. Louis, MO 63103

Daniel Mark Schmidt
Wells Fargo Investments, LLC
33 S. 3rd Street
Grand Forks, ND 58201

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.

Jacqui Ferderer
Jacqui Ferderer

Subscribed and sworn to before me this 15 day of August, 2005.

Harold P. Kocher
Harold P. Kocher, Notary Public
Burleigh County, North Dakota
My commission expires 4/26/2008