

STATE OF NORTH DAKOTA
COUNTY OF BURLEIGH

BEFORE THE
SECURITIES COMMISSIONER

In the Matter of Arnold)
James Schulz a/k/a Jim)
Schulz, and Todd)
James Schulz,)
Respondents)

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

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The Securities Commissioner has determined that the Respondents have engaged 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 such acts, practices and transactions of the Respondents.

1. H. D. Vest Investment Securities, Inc. (H. D. Vest), CRD # 13686, is a dealer headquartered in Irving, Texas, which has for all times relevant to this matter, been registered as a dealer in North Dakota.
2. Respondent, Arnold James Schulz a/k/a Jim Schulz, CRD #1782635, is an agent for H. D. Vest, who for all times relevant to this matter has been registered in and has maintained a place of business in North Dakota. Respondent, Todd James Schulz, CRD #2686775, is an agent for H. D. Vest, who for all times relevant to this matter has been registered in and has maintained a place of business in North Dakota. Jim Schulz and Todd Schulz, who are father and son respectively, have maintained their place of business together for all times relevant to this matter.
3. From at least 1998 to the present, Jim and Todd Schulz created and distributed client account statements. Those account statements were in addition

to the account statements created and distributed by H. D. Vest. The account statements created by Jim and Todd Schulz routinely misrepresented the current value of assets and other facts, and misled many of their clients about the value of their investments.

4. Jim and Todd Schulz routinely executed transactions in client accounts without seeking or obtaining the prior authorization from the client regarding the specific transaction. The clients did not execute any document affording Jim and/or Todd Schulz with discretionary trading authority, and H. D. Vest does not permit its agents to exercise discretion in their client accounts.

5. Jim and Todd Schulz routinely executed options transactions in client account. Many clients did not understand the nature of the transactions or the risks incurred as a result of the transactions.

6. Jim and Todd Schulz executed unsuitable transactions for many clients, causing several client accounts to be over-concentrated in certain securities and classes of securities. These actions exposed clients to higher levels of market risk than consistent with clients' investment objectives and risk temperaments.

7. Pursuant to N.D.C.C. 10-04-15(3), it is a fraudulent practice and a violation of chapter 10-04 for a person to, in connection with the offer and/or sale of securities, make any untrue statement of material fact or to omit to state a fact necessary in order to make the statements made, in light of the circumstances under which they are made, not misleading.

8. Pursuant to N.D.C.C. 10-04-15(4), it is a fraudulent practice and a violation of chapter 10-04 for a person to, in connection with the offer and/or sale of

securities, engage in any act, practice or course of business that operates or would operate as a fraud or deception upon purchasers.

9. As set forth above, Jim and Todd Schulz engaged in multiple violations of N.D.C.C. §10-04-15(3) and (4).

10. The following order is necessary and appropriate in the public interest and for the protection of investors.

CEASE AND DESIST ORDER

Pursuant to N.D.C.C. §10-04-16(1), respondents are hereby Ordered to Cease and Desist from:

1. Engaging in unauthorized trading in client accounts, or engaging in discretionary trading in any client accounts without the written permission of the client to do so.
2. Engaging in transactions which are not suitable given the investment objectives, risk temperaments, investment time horizon, and financial situation of the client.
3. Making any false statements, or omitting to state materials facts in the offer or sale of securities, or engaging in other fraudulent acts or practices. This order specifically precludes respondents from creating and distributing their account statements as presently formatted.

NOTICE OF CIVIL PENALTY

YOU ARE NOTIFIED that the above-cited violations are sufficient grounds for the imposition of civil penalties against the respondents and/or H. D. Vest Investment Securities, Inc. 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.

Additionally, you are notified that nothing in this order in any way restricts the Commissioner from conducting a complete investigation into this matter and to bring action against any party based on any violations discovered.

NOTICE OF RIGHT TO REQUEST A HEARING

YOU ARE FURTHER NOTIFIED that, pursuant to N.D.C.C. §§ 10-04-12 and 10-04-16(1), you may request a hearing before the Securities Commissioner if such a request is made in writing WITHIN TEN (10) DAYS AFTER THE RECEIPT OF THIS ORDER. You have the right to be represented by legal counsel at the hearing.

IN TESTIMONY WHEREOF, witness my hand and seal this 6th day of December, 2000.



Syver Vinje
Syver Vinje, Securities Commissioner
Office of the Securities Commissioner
600 East Boulevard Ave.
State Capitol – Fifth Floor
Bismarck, ND 58505-0510
(701) 328-2910

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James Schulz,)
Respondents)

AFFIDAVIT OF MAILING

.....
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, December 10, 2000, 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:

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

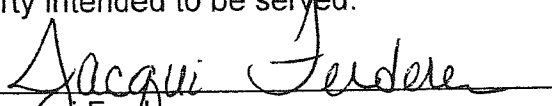
A copy of the above document was securely enclosed in an envelope with postage prepaid, sent via Certified U. S. mail, return receipt requested, and addressed to each of the following:

Arnold James Schulz
1501 N. 12th Street
Bismarck, ND 58501-2713

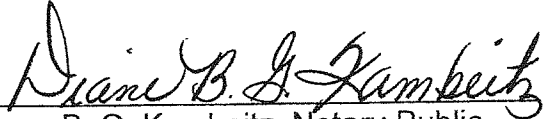
Todd James Schulz
1501 N. 12th Street
Bismarck, ND 58501-2713

David O'Neill, Compliance Officer
H. D. Vest Investment Securities, Inc.
6333 North State Highway 161, 4th Floor
Irving, TX 75038-2200

To the best of my knowledge, information, and belief, the address given above is the last known address of the party intended to be served.


Jacquie Ferderer

Subscribed and sworn to before me on this 6th day of December, 2000.


Diane B. G. Kambeitz, Notary Public
Burleigh County, North Dakota
My commission expires 4/25/2006

STATE OF NORTH DAKOTA
COUNTY OF BURLEIGH

BEFORE THE
SECURITIES COMMISSIONER

In the Matter of Arnold)
James Schulz a/k/a Jim)
Schulz, and Todd)
James Schulz,)
Respondents)

AFFIDAVIT OF DELIVERY

.....
I, Kelly Mathias, 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, December 6, 2000, I gave a true and correct copy of the following document:


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

In person, and directly delivered to each of the following persons:

Arnold James Schulz
1501 N. 12th Street
Bismarck, ND 58501-2713

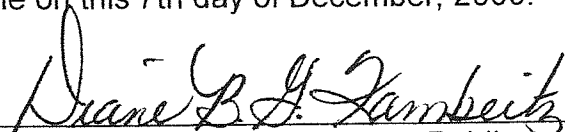
Todd James Schulz
1501 N. 12th Street
Bismarck, ND 58501-2713

Signed this 7th day of December, 2000.



Kelly Mathias

Subscribed and sworn to before me on this 7th day of December, 2000.



Diane B. G. Kambeitz, Notary Public
Burleigh County, North Dakota
My commission expires 4/25/2006