

STATE OF NORTH DAKOTA  
SECURITIES DEPARTMENT

In the Matter of Associated Financial  
Services, Inc.,

Respondent.

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**FINDINGS OF FACT, CONCLUSIONS OF LAW, ORDER TO SUMMARILY SUSPEND  
BROKER-DEALER REGISTRATION, NOTICE OF PROPOSED ORDER TO REVOKE  
BROKER-DEALER REGISTRATION, AND NOTICE OF RIGHT TO REQUEST A  
HEARING**

**FINDINGS OF FACT**

The Securities Commissioner has determined as follows:

1. Respondent, Associated Financial Services, Inc., CRD #1121, is a North Dakota corporation headquartered in Fargo, North Dakota, which has been registered as a broker-dealer in North Dakota since October 21, 1981.
2. Respondent's membership agreement with the Financial Industry Regulatory Authority, (FINRA) provided that the firm would only engage in the distribution of mutual funds and variable life insurance and annuities. Contrary to this agreement, Respondent, through its agents, engaged in the sale of real estate investment trusts (REITs), without first having made application with FINRA for approval of a change of its business operations. This was a violation of FINRA Rule 1017.
3. Based on this violation, Respondent consented to imposition of a monetary fine in the amount of \$5,000.00, through a Letter of Acceptance, Waiver & Consent with FINRA, on or about September 16, 2011.

4. Respondent failed to pay the \$5,000.00 fine assessed by FINRA in a timely manner, a further violation of FINRA Rule 8320, and on November 28, 2011, FINRA ordered Respondent expelled from FINRA membership.

5. FINRA is the self-regulatory organization for broker-dealer firms under the Securities Exchange Act of 1934.

### **CONCLUSIONS OF LAW**

1. The North Dakota Securities Department has jurisdiction over the subject matter of these proceedings and the Respondent.

2. Pursuant to N.D.C.C. § 10-04-11(1)(m), a broker-dealer is required to properly supervise its agents. Allowing its agents to offer for sale and sell REITs, in violation of FINRA rules, demonstrates a failure of this responsibility.

3. Pursuant to N.D.A.C. § 73-02-09-02(29) and § 73-02-09-03(6), it is a dishonest or unethical practice for a broker-dealer or an agent to engage in any act which is a violation of FINRA Rules.

4. Pursuant to N.D.C.C. § 10-04-11(1)(j), it is grounds for revocation of a broker-dealer's registration in this state if the broker-dealer is the subject of an order expelling membership in a self-regulatory organization under the Securities Exchange Act of 1934.

5. Pursuant to N.D.C.C. § 10-04-11(1), the Commissioner may revoke the registration of a broker-dealer if the Commissioner finds that the broker-dealer has violated the provisions of the Securities Act or any order or rule issued pursuant thereto, has engaged in dishonest, fraudulent or unethical practices in the securities business, or has failed to properly supervise its agents. The activities set forth above constitute sufficient grounds

for the Commissioner to summarily suspend and revoke the broker-dealer registration of Respondent, Associated Financial Services, Inc.

6. This order is necessary and appropriate in the public interest for the protection of investors.

**ORDER TO SUMMARILY SUSPEND THE BROKER-DEALER  
REGISTRATION OF ASSOCIATED FINANCIAL SERVICES, INC.**

Based on the Findings of Fact set forth above and pursuant to N.D.C.C. § 10-04-11(4), the Commissioner hereby Orders that the broker-dealer registration of Associated Financial Services, Inc. is hereby suspended pending final determination of the matter regarding the Commissioner's proposed Order to revoke the broker-dealer registration of Associated Financial Services, Inc., after hearing or opportunity for hearing.

**NOTICE OF PROPOSED ORDER TO REVOKE  
BROKER-DEALER REGISTRATION**

**YOU ARE HEREBY NOTIFIED THAT** the North Dakota Securities Commissioner hereby proposes to issue an Order to Revoke the Broker-Dealer Registration of Respondent based on the Findings of Fact set forth above, pending hearing or an opportunity for hearing.


**NOTICE OF RIGHT TO REQUEST A HEARING**

**YOU ARE NOTIFIED** that, pursuant to N.D.C.C. §10-04-12, 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. 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,

2011.



  
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Karen J. Tyler, Securities Commissioner  
North Dakota Securities Department  
600 East Boulevard Ave.  
State Capitol – Fifth Floor  
Bismarck, ND 58505-0510  
(701) 328-2910

**STATE OF NORTH DAKOTA  
SECURITIES DEPARTMENT**

In the Matter of Associated Financial Services, Inc.,  <p style="text-align: right;">Respondent.</p>	) ) ) ) )	<b>AFFIDAVIT OF SERVICE BY MAIL</b>
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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.

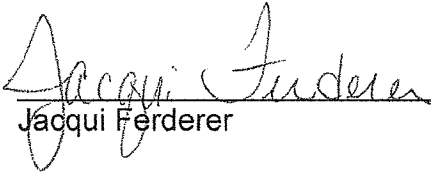
On December 6, 2011, I deposited in the Central Mailing Bureau of the United States Post Office Department in the State Capitol in Bismarck, North Dakota, true and correct copies of each of the following documents:

**FINDINGS OF FACT, CONCLUSIONS OF LAW, ORDER TO SUMMARILY SUSPEND  
BROKER-DEALER REGISTRATION, NOTICE OF PROPOSED ORDER TO REVOKE  
BROKER-DEALER REGISTRATION, AND NOTICE OF RIGHT TO REQUEST A  
HEARING**

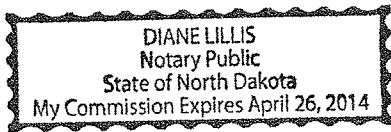
A copy of the above documents was securely enclosed in an envelope with postage prepaid, sent via Certified U. S. mail, return receipt requested, and addressed to each of the following:

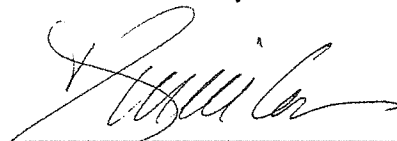
Robert H. Medhus, Registered Agent  
 Associated Financial Services, Inc.  
 P.O. Box 2163  
 818 Main Ave., Suite #2  
 Fargo, ND 58107-2163

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 6<sup>th</sup> day of December, 2011.



  
Diane Lillis, Notary Public  
Burleigh County, North Dakota  
My commission expires 4/26/2014