

STATE OF NORTH DAKOTA
SECURITIES DEPARTMENT

In the Matter of Bruce A. Hager,)	FINDINGS OF FACT; CONCLUSIONS
)	OF LAW; APPLICATION OF FACT
)	TO LAW; SUMMARY ORDER
)	TO POSTPONE THE AGENT
)	APPLICATION OF BRUCE A. HAGER;
)	NOTICE OF PROPOSED ORDER TO
)	DENY THE AGENT APPLICATION
)	OF BRUCE A. HAGER; AND NOTICE
Respondent.)	OF RIGHT TO REQUEST A HEARING

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FINDINGS OF FACT

On July 15, 2004, the Respondent, Bruce A. Hager applied to be registered as an agent of Bison Capitol, Inc. After a detailed review of the pending application, the Commissioner has determined as follows:

1. Respondent, Bruce A. Hager, CRD # 1358936, has been registered as an agent in North Dakota with various firms, and has maintained a place of business in North Dakota, for approximately 20 years. Hager is not currently registered as an agent with any firm, but is currently the principal owner and the president of Bison Capitol, Inc., a dealer that is headquartered and registered in North Dakota. From August 1997 to October of 2004, Hager was registered as an agent of ProEquities, Inc. a dealer headquartered in Alabama and registered in North Dakota. From August of 2001 to December of 2003, Hager was also registered as an agent of Associated Financial Services, Inc., a dealer that is headquartered and registered in North Dakota.

2. On April 17, 1997, Hager was the subject of a Consent Order issued by the North Dakota Securities Department, wherein he was found to have failed to properly supervise a branch office that he was charged with supervising. Additionally, that Order found that Hager violated NASD rules. Hager was fined \$1,000 based on those violations.
3. On May 3, 1999, Hager entered into a Consent Order with the NASD wherein Hager was censured and fined \$25,000, joint and several with other persons. The Consent Order was based on multiple violations, including the sale of securities, through a private placement, without proper filings as required by NASD rules. The underlying activities took place prior to Hager's affiliation with ProEquities, Inc.
4. On or around February 24, 2004, Hager was the subject of one customer complaint, wherein a former customer alleged mismanagement of his account and violations relating to the sale of Intellisol, Inc. stock through a private securities transaction, outside of the approval of the dealer with which he was then affiliated.
5. In connection with the above-referenced complaint, ProEquities, Inc. initiated an internal inquiry, which led to the resignation of Hager as an agent of ProEquities, Inc. The firm concluded that Hager engaged in undisclosed outside business activities and received compensation based on a private securities transaction. Hager acknowledged that he had not properly disclosed an outside business relationship. Hager acknowledged that he violated the procedures of ProEquities, Inc. as well as NASD rules.

6. On March 3, 2004, Associated Financial Services, Inc. was the subject of a Consent Agreement with the North Dakota Securities Department, based on unregistered private securities transactions conducted by Hager.
7. Prior to Hager's agent application, referenced above, the Securities Department had initiated an investigation into certain activities regarding private securities transactions in Intellisol, Inc. stock and other entities that were apparently created to distribute Intellisol, Inc. stock to individual investors. The investigation of the Securities Department has revealed that, from 2000-2001:
 - a. Hager was involved in the sale of Intellisol, Inc. stock to several individuals, including some of his then-current clients.
 - b. Hager was involved in the sale of Softech Venture Group, LLC (Softech) membership units to several individuals, including many of his then-current clients.
 - c. Hager was involved in the sale of Softech Venture Group Series B, LLC (Softech B) membership units to several individuals, including many of his then-current clients.
 - d. Hager was involved in the sale of Softech Venture Group Series C, LLC (Softech C) membership units to several individuals, including many of his then-current clients.
 - e. With respect to paragraphs a-d, above, none of the securities were registered or exempt from registration, and none of the transactions were exempt transactions. With respect to paragraphs b-d, above, it has been

claimed that the securities were federal covered securities. This claim, however, is not supported by the facts of the offerings.

- f. The transactions described in paragraphs a-d, above, occurred while Hager was affiliated with ProEquities, Inc. Hager did not disclose the transactions to ProEquities, Inc. or get the approval from ProEquities, Inc. to conduct these private securities transactions.
 - g. As compensation for the transactions described in paragraph a-d, above, Hager received cash compensation in excess of \$125,000, as well as approximately 43,000 shares of Intellisol stock.
 - h. None of the entities involved in the transactions described in paragraphs a-d, above, were registered as dealers in North Dakota. Hager was not registered as an agent affiliated with any of the entities involved in these transactions, and was therefore unregistered with respect to these transactions.
8. During the course of the investigation, the Securities Department requested a written statement from Hager regarding his involvement in the events described in paragraph 7, above. This request was made, in writing, on September 13, 2004, and was requested again on September 29, 2004 and November 4, 2004. Hager has not complied with this request.

CONCLUSIONS OF LAW

1. Pursuant to Section 10-04-10(2) N.D.C.C., the Securities Commissioner may deny registration to an agent applicant if the Commissioner determines that "such applicant is not of good business reputation".
2. Pursuant to Section 10-04-10(6) N.D.C.C., the Securities Commissioner may summarily postpone the approval of an agent application if the Commissioner has reason to believe that there are grounds to deny the application. There are grounds for the Commissioner to determine that a person is not of good business reputation, and therefore, deny the application, if the person has engaged in any act or omission which would be sufficient grounds to revoke a registration under Section 10-04-11 N.D.C.C.
3. Pursuant to Section 10-04-11(1)(a) N.D.C.C., it is sufficient grounds to revoke an agent registration if the agent has violated or failed to comply with any provisions of the Securities Act.
4. Pursuant to Section 10-04-04 N.D.C.C., no person may offer for sale or sell any security in North Dakota unless such security is registered, exempt from registration, or is properly filed as a federal covered security.
5. Pursuant to Section 10-04-10(2) N.D.C.C., it is unlawful for any person to act as a securities agent in North Dakota unless registered to do so.
6. Pursuant to Section 10-04-16.1(1)(b) N.D.C.C., the Securities Department may require any person to file a statement, in writing, as to all the facts and circumstances concerning an investigation. Failure to provide that statement, when required, is a violation of this provision.

7. Pursuant to Section 10-04-11(1)(c) N.D.C.C., it is sufficient grounds to revoke an agent registration if the agent has engaged in dishonest, fraudulent, or unethical practices in the securities business.
8. Pursuant to Section 73-02-09-03(2) N.D.A.C., it is a dishonest or unethical practice for an agent to effect securities transactions not recorded on the regular books and records of the dealer, unless the transactions are authorized by the dealer prior to execution.
9. Pursuant to Sections 73-02-09-02(21) and 73-02-09-03(6) N.D.A.C., it is a dishonest or unethical practice for a person to refuse to provide information requested by the Securities Department pursuant to its investigative authority.
10. Pursuant to Section 73-02-09-02(29) and 73-02-09-03(6) N.D.A.C., it is a dishonest or unethical practice for a person to fail to comply with the ethical standards and rules of a self-regulatory organization, including the NASD.

APPLICATION OF FACT TO LAW

Based on the foregoing, there is sufficient reason to believe that Bruce A. Hager is not of good business reputation for each of the following reasons:

1. Hager violated the Securities Act by selling unregistered securities. (¶¶ 6 and 7(a-e) of Findings of Fact and ¶¶ 2-4 of Conclusions of Law).
2. Hager violated the Securities Act by selling securities while not registered as an agent with respect to the transactions. (¶ 7(a-d & h) of Findings of Fact and ¶¶ 2, 3, and 5 of Conclusions of Law).

3. Hager violated the Securities Act by refusing to provide information required by the Securities Department. (¶ 8 of Findings of Fact and ¶¶ 2, 3, and 6 of Conclusions of Law).
4. Hager engaged in dishonest or unethical practices by selling securities off of the book of ProEquities, Inc. (¶ 7(a-d & f) of Findings of Fact and ¶¶ 2, 7, and 8 of Conclusions of Law).
5. Hager engaged in dishonest or unethical practices by refusing to provide information required by the Securities Department. (¶ 8 of Findings of Fact and ¶¶ 2, 7, and 9 of Conclusions of Law).
6. Hager engaged in dishonest or unethical practices by violating NASD rules. (¶¶ 2-5, and 7 of Findings of Fact and ¶¶ 2, 7, and 10 of Conclusions of Law).

**SUMMARY ORDER TO POSTPONE THE AGENT
APPLICATION OF BRUCE A. HAGER**

Based on the findings of fact set forth above, the Commissioner hereby Orders that the agent application of Bruce A. Hager is postponed pending final determination of the matter regarding the Commissioner's Proposed Order to Deny the Agent Application of Bruce A. Hager.

**NOTICE OF PROPOSED ORDER TO DENY THE
AGENT APPLICATION OF BRUCE A. HAGER**

YOU ARE HEREBY NOTIFIED THAT the North Dakota Securities Commissioner hereby proposes to issue an Order to Deny the Agent Application of Bruce A. Hager. The Order that the Commissioner proposes to issue is attached hereto and incorporated herein by reference.

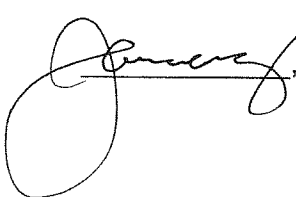
NOTICE OF CIVIL PENALTIES

YOU ARE NOTIFIED that many of the activities described above are violations of the Securities Act. The above-cited violations are sufficient grounds for the imposition of civil penalties pursuant to Section 10-04-16(1) N.D.C.C. 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.

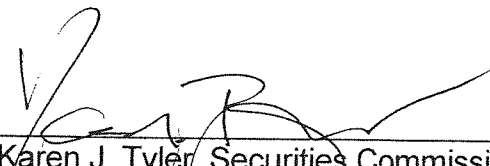
NOTICE OF RIGHT TO REQUEST A HEARING

YOU ARE NOTIFIED that, pursuant to Section 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. You have the right to be represented by legal counsel at the hearing.

IN TESTIMONY WHEREOF, witness my hand and seal this 20th day of _____, 2005.



(SEAL)



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 Bruce A. Hager)
)
) **ORDER TO DENY THE AGENT**
) **APPLICATION OF BRUCE A.**
) **HAGER**

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After hearing or opportunity for a hearing, it has been determined that Bruce A. Hager is not of good business reputation for each of the following reasons:

1. Hager violated the Securities Act by selling unregistered securities.
2. Hager violated the Securities Act by selling securities while not registered as an agent with respect to the transactions.
3. Hager violated the Securities Act by refusing to provide information required by the Securities Department.
4. Hager engaged in dishonest or unethical practices by selling securities off of the book of ProEquities, Inc.
5. Hager engaged in dishonest or unethical practices by refusing to provide information required by the Securities Department.
6. Hager engaged in dishonest or unethical practices by violating NASD rules.

Based on foregoing, it is hereby ORDERED that the agent application of Bruce A. Hager be denied.

IN TESTIMONY WHEREOF, witness my hand and seal this _____ day of

_____, 2005.

(SEAL)

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 Bruce A. Hager)
Respondent)

AFFIDAVIT OF MAILING

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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, January 26, 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:

FINDINGS OF FACT; CONCLUSIONS OF LAW; APPLICATION OF FACT TO LAW; SUMMARY ORDER TO POSTPONE THE AGENT APPLICATION OF BRUCE A. HAGER; NOTICE OF PROPOSED ORDER TO DENY THE AGENT APPLICATION OF BRUCE A. HAGER; AND NOTICE OF RIGHT TO REQUEST A HEARING

And

ORDER TO DENY THE AGENT APPLICATION OF BRUCE A. HAGER
(unexecuted copy)

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:

Jeff A. Bredahl
Bredahl, Frisk & Gompf
3431 4th Avenue S., Suite 200
Fargo, ND 58107-9706

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

Jacqui Ferderer
Jacqui Ferderer

Subscribed and sworn to before me on this 26th day of January,
2005.

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