

STATE OF NORTH DAKOTA

SECURITIES DEPARTMENT

In the Matter of Capital Growth)
Financial, LLC and Ross O. Haugen)
)
)
 Respondents.)
)

**FINDINGS OF FACT; CONCLUSIONS
OF LAW; ORDER FOR AND NOTICE
OF CIVIL PENALTY; ORDER FOR
RESCISSION; AND NOTICE OF
RIGHT TO REQUEST A HEARING**

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**THE SECURITIES COMMISSIONER OF THE STATE OF NORTH DAKOTA TO
CAPITAL GROWTH FINANCIAL, LLC AND ROSS OWEN HAUGEN.**

FINDINGS OF FACT

1. Respondent, Capital Growth Financial, LLC, (CGF) is a broker-dealer headquartered in Boca Raton, Florida. From July of 2001 to September of 2004, CGF was registered as a broker-dealer in the state of North Dakota. On September 2, 2004, CGF withdrew its registration as a broker-dealer in North Dakota and has not been registered in North Dakota at any time since that date.
2. Respondent, Ross Owen Haugen, is an individual who has been registered as an agent with several broker-dealers. From August of 2002 to August of 2004, Haugen was registered as an agent with CGF Securities. On August 13, 2004, the agent registration of Haugen was suspended. Haugen did not request a hearing on the suspension order and withdrew his agent registration in North Dakota on August 26, 2004. At the times relevant to this matter, Haugen was a North Dakota resident.

3. Mid East 2003-1 (ME3-1) is a Pennsylvania limited partnership engaged in the business of oil and natural gas exploration and production. Mid East 2003-2 (ME3-2) is a Pennsylvania limited partnership engaged in the business of oil and natural gas exploration and production. Mid East 2003-3 (ME3-3) is a Pennsylvania limited partnership engaged in the business of oil and natural gas exploration and production. Mid East 2004-1 (ME4-1) is a Pennsylvania limited partnership engaged in the business of oil and natural gas exploration and production. Collectively, these entities are referred to as "Mid East Partnerships".
4. On July 22, 2003, ME3-1 made a notice filing with the Securities Department that it was selling membership units in ME3-1 through the Respondents. During July and August of 2003, Respondents made 15 sales of ME3-1 to residents of North Dakota.
5. On September 23, 2003, ME3-2 made a notice filing with the Securities Department that it was selling membership units in ME3-2 through the Respondents. From September to December of 2003, Respondents made 14 sales of ME3-2 in North Dakota.
6. During December of 2003, Respondents made 2 sales of ME3-3 in North Dakota. No notice filing was made with respect to ME3-3.
7. On March 31, 2004, ME4-1 made a notice filing with the Securities Department that it was selling membership units in ME4-1 through the Respondents. April through August of 2004, Respondents made 26 sales of ME4-1 in North Dakota.
8. With respect to the securities sales referenced in paragraphs 4-7, above, the investors were given the option of investing as general partners or limited partners.

9. The owner of a general partnership interest has unlimited liability for all of the debts and liabilities of the partnership. The purchasers of the Mid East Partnerships general partnership interests were subject to unlimited liability, and investment losses could exceed the amount of their investment interests.
10. The general partnership holders might have had the benefit of more favorable tax treatment with respect to their investments, but this tax treatment has not been determined by the IRS prior to the investment, and whether the purported favorable tax treatment is actually available is not known. Even if the purported tax treatment was available to general partner investors, the value of that benefit would vary from investor to investor, depending on various factors, including the investor's income, tax status, and amount of investment.
11. Respondents generally recommended that investors purchase general partnership interests, without regard to the income or the tax situation of the individual investors, or the assets that would be placed at risk due to unlimited liability. Each of the investors referenced in paragraphs 4-7, above, invested in the Mid East Partnerships as general partners.
12. At least 25 of the transactions recommended by the Respondents were not suitable to the investors, as the risks of unlimited liability outweighed the potential benefits of the favorable tax treatment. The details of these transactions are itemized in Addendum A to this Order.

CONCLUSIONS OF LAW

1. Pursuant to N.D.A.C. § 73-02-09-02(3) and § 73-02-09-03(6), it is a dishonest or unethical practice for a broker-dealer or an agent to recommend a securities transaction without a reasonable basis to believe that the transaction is suitable for the investor.
2. 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 a violation of NASD rules.
3. Pursuant to NASD Rule 2310, no broker-dealer or agent may recommend a securities transaction without a reasonable basis to believe that the transaction is suitable to the investor.
4. Pursuant to N.D.C.C. § 10-04-16(1), 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 Respondent pursuant to N.D.C.C. § 10-04-16(1).
5. The violations described above are sufficient grounds to impose civil penalties against each of the Respondents in the amount of \$250,000.
6. Pursuant to N.D.C.C. § 10-04-17, a securities transaction is subject to rescission if it was conducted in violation of law. The transactions described in paragraph 12 of the findings of fact are subject to rescission.

7. Pursuant to N.D.C.C. § 10-04-16(1), the Securities Department can issue an Order of Rescission when the Securities Department has reason to believe that the Respondents have engaged in violations of the Securities Act.

8. The facts set forth above are sufficient grounds for the Securities Department to issue an Order for rescission to all persons discussed in paragraph 12 of the Findings of Fact.

ORDER FOR NOTICE OF CIVIL PENALTIES

YOU ARE NOTIFIED that the above-cited violations are sufficient grounds for the imposition of civil penalties pursuant to N.D.C.C. § 10-04-16(1). The Respondents are hereby assessed, jointly and severally, a civil penalty of \$50,000. The Commissioner expressly reserves the authority to assess civil penalties, not to exceed \$10,000 per violation, regarding any other violations subsequently discovered, or any future securities violations or violations of this order.

ORDER FOR RESCISSION

The Securities Commissioner further Orders that the respondents shall make rescission for the total investment price of all investments described in paragraph 12 of the Findings of Fact, plus interest at the statutory rate, and attorneys fees reasonably attributed to an investors' attempt to recover the purchase price of the Mid East Partnership investments as described in this Order. Addendum A to this Order is a schedule of the investors and investment amount. Addendum A is attached hereto and incorporated herewith. The total rescission amount includes interest calculated as of the

date of this Order, and may include attorneys' fees that have not been calculated on Addendum A. Respondents may deduct from the rescission amount set forth in Addendum A any income received by the investors based on the individual investments.

The investors named on Addendum A, and their heirs and estates, are intended third party beneficiaries of this provision, and may seek to enforce their interests under this paragraph.

NOTICE OF RIGHT TO REQUEST 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. The respondents have the right to be represented by legal counsel at the hearing.

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

September 2006.





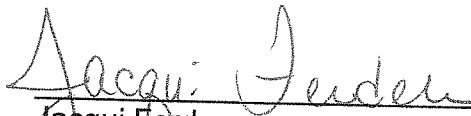
Karen J. Tyler, Securities Commissioner
North Dakota Securities Department
600 East Boulevard Ave.
State Capitol – Fifth Floor
Bismarck, ND 58505-0510
(701) 328-2910

Addendum A

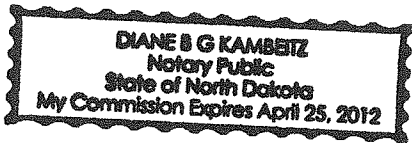
Investor Name	Private Placement	Date of Sale	Amount Invested	Interest to September 1	Total Rescission
Carmen & Shawn Gray	Mid East 2003-1	7/30/03	\$15,000.00	\$2,777.50	\$17,777.50
Timothy & Sally Bosh	Mid East 2003-1	7/30/03	\$20,000.00	\$3,703.33	\$23,703.33
Leota Almen	Mid East 2003-1	8/6/03	\$40,000.00	\$7,366.67	\$47,366.67
Leota Almen	Mid East 2003-1	8/18/03	\$60,000.00	\$10,930.00	\$70,930.00
Winten A Gunderson	Mid East 2003-1	8/25/03	\$20,000.00	\$3,620.00	\$23,620.00
Robert & Frances Murray	Mid East 2003-1	8/26/03	\$10,000.00	\$1,808.33	\$11,808.33
June Ellingson	Mid East 2003-2	10/22/03	\$17,000.00	\$2,915.50	\$19,915.50
Audrey J Johnson	Mid East 2003-2	10/23/03	\$20,000.00	\$3,426.67	\$23,426.67
Audrey J Johnson	Mid East 2003-2	11/1/03	\$20,000.00	\$3,400.00	\$23,400.00
Lois G Kosmatka	Mid East 2003-2	11/13/03	\$15,000.00	\$2,520.00	\$17,520.00
H David Wiison	Mid East 2003-2	11/16/03	\$10,000.00	\$1,675.00	\$11,675.00
Cleophas W & Doris W Novak	Mid East 2003-2	12/2/03	\$15,000.00	\$2,472.50	\$17,472.50
Carmen & Shawn Gray	Mid East 2003-3	12/31/03	\$20,000.00	\$3,203.33	\$23,203.33
Howard A & Ann R Dahl	Mid East 2004-1	4/7/04	\$25,000.00	\$3,600.00	\$28,600.00
Omer & June Ellingson	Mid East 2004-1	4/7/04	\$25,000.00	\$3,600.00	\$28,600.00
Bernice Flanagan	Mid East 2004-1	4/14/04	\$25,000.00	\$3,570.83	\$28,570.83
Cleophas W & Doris W Novak	Mid East 2004-1	4/15/04	\$25,000.00	\$3,566.67	\$28,566.67
Marilyn M Matthews	Mid East 2004-1	5/4/04	\$25,000.00	\$3,487.50	\$28,487.50
Winten A Gunderson	Mid East 2004-1	5/17/04	\$25,000.00	\$3,433.33	\$28,433.33
Shawn & Carmen Gray	Mid East 2004-1	5/24/04	\$25,000.00	\$3,404.17	\$28,404.17
Donald & Leota Almen	Mid East 2004-1	6/10/04	\$50,000.00	\$6,675.00	\$56,675.00
Donald & Leota Almen	Mid East 2004-1	6/10/04	\$50,000.00	\$6,675.00	\$56,675.00
Anytime Plumbing PSP, Kevin Bosh	Mid East 2004-1	6/16/04	\$25,000.00	\$3,312.50	\$28,312.50
Patricia & W.E. Appelgren	Mid East 2004-1	7/13/04	\$25,000.00	\$3,200.00	\$28,200.00
Gary Paulsrud	Mid East 2004-1	8/5/04	\$25,000.00	\$3,108.33	\$28,108.33

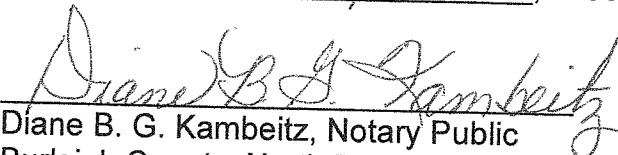
Michael Jacobs
Capital Growth Financial, LLC
225 NE Mizner Boulevard, Suite 750
Boca Raton, FL 33432

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

Subscribed and sworn to before me this 6 day of Sept., 2006.




Diane B. G. Kambeitz, Notary Public
Burleigh County, North Dakota
My commission expires 4/25/2012