

STATE OF NORTH DAKOTA

BEFORE THE

COUNTY OF BURLEIGH

SECURITIES COMMISSIONER

In the Matter of Craig F. Wollenburg; )  
and SPF Energy, Inc., )  
Respondents )

**CONSENT ORDER**

.....

The North Dakota Securities Commission has advised the respondents SPF Energy, Inc. (SPF), and Craig F. Wollenburg, that the Commissioner is prepared to commence formal action pursuant to North Dakota Century Code Chapter 10-04 and has determined as follows:

1. Respondent, Craig F. Wollenburg, (CRD Number 1864315), is a securities agent of SAL Financial Services, Inc., a brokerage firm currently registered in North Dakota. Wollenburg is currently registered as an agent in North Dakota. For all times relevant to this matter, Wollenburg has been registered as an agent in North Dakota, but has been previously registered with different brokerage firms registered in North Dakota.
2. Respondent, SPF, is a North Dakota corporation headquartered in Minot, North Dakota, which has issued common and preferred stock for sale to residents of North Dakota.
3. In November of 1997, James McLaurin, a then resident of North Dakota, opened a self-directed IRA account, with First Western Bank and Trust a North Dakota banking corporation, as Trustees (IRA Custodian) in the name of West Brand & Co., for the benefit of Mr. McLaurin.

4. Wollenburg, who was then an agent of American Investment Services Co., Inc. (AISCO), was identified, pursuant to an Investment Authority Agreement dated November 7, 1997 between First Western Bank & Trust and Mr. McLaurin as a third party by whom investment decisions would be made in the IRA account.

5. Mr. McLaurin, who was retired, had approximately \$150,000 available for investment at that time. McLaurin expressed a need for income to come from his investments, with a concurrent goal of preservation of capital. Additionally, Mr. McLaurin had a moderate risk temperament.

6. In December of 1997, Wollenburg, acting as an agent of AISCO conducted several solicited transactions in the IRA account of James McLaurin.

The investments purchased include the following:

- a. SPF Energy, Inc. preferred stock. Approximately \$100,000 invested.
- b. Wickes, Inc. corporate bond. Approximately \$20,000 invested.
- c. Stuart Entertainment Sr. Sub. Notes. Approximately \$25,000 invested.

7. Pursuant to the Subscription Agreement for the purchase of SPF Energy, Inc., preferred shares, dated December 3, 1997, executed by the Trustees for the benefit of James McLaurin, the Trustee expressly represented to SPF, among other things, that:

The undersigned has received and read the Offering Circular, is familiar with the provisions thereof and recognizes that (a) these securities involve various risk factors; (b) the purchase of these securities is a long-term investment; (c) there is no present public market for the common stock and, thus, liquidation in the event of emergency may not be possible; (d) transferability is limited; and (e) resale and transfer is subject to compliance with the Securities Act of 1933.

\* \* \*

That the subscription price represents less than ten percent (10%) of the net worth of the undersigned.

8. SPF Energy, Inc. stock was not registered in North Dakota at the time of the sale nor was it exempt from registration under section 10-04-05 N.D.C.C., or sold through an exempt transaction under section 10-04-06 N.D.C.C., or filed as a federal covered security under section 10-04-08.4 N.D.C.C.

9. SPF Energy, Inc. stock was a speculative investment at the time of Mr. McLaurin's investment, and was subject to significant risks, including, without limitation, the risks associated with a lack of liquidity, as there exists no established market for the secondary trading for SPF Energy, Inc. stock. This transaction was not suitable for Mr. McLaurin based on information available to Mr. Wollenburg.

10. Stuart Entertainment notes were high-yield (junk) notes, subject to the risks traditionally associated with high-yield instruments, including the risk of default. On or around January of 2000, Mr. McLaurin learned that Stuart Entertainment declared bankruptcy, which ultimately lead to a loss of more than \$17,000 of the principal invested in the notes. This transaction was not suitable for Mr. McLaurin based on information available to Mr. Wollenburg.

11. Wickes, Inc. bonds were high-yield (junk) bonds, subject to the risks traditionally associated with high-yield instruments, including the risk of default. Upon his having received notice of the Stuart Entertainment bankruptcy, and the resulting awareness of the risks involved in high-yield debt instruments, Mr. McLaurin ordered the sale of the bonds at a loss of more than \$3,000. This

transaction was not suitable for Mr. McLaurin based on information available to Mr. Wollenburg.

12. After the losses were realized in the Stuart and Wicks investments, Wollenburg recommended the investment in Swissray, Inc. stock, an aggressive small-cap company that traded on the OTC bulletin board. This transaction was not suitable for Mr. McLaurin based on information available to Mr. Wollenburg.

13. Swissray stock was not registered as a security in North Dakota, nor was it exempt from registration under section 10-04-05 N.D.C.C., or sold through an exempt transaction under section 10-04-06 N.D.C.C.

14. AISCO and Wollenburg improperly recorded the Swissray investment as "unsolicited".

15. Based on the foregoing, on November 20, 2002, the North Dakota Securities Commissioner issued her "Proposed Order to Suspend the Agent Registration of Craig F. Wollenburg, Proposed Order to Suspend the Investment Adviser Representative Registration of Craig F. Wollenburg, Order for Rescission, Order for and notice of Civil Penalty and Notice Of Right To Request A Hearing" in the above-captioned matter.

16. Pursuant to section 10-04-04 N.D.C.C., it is unlawful for any person to sell a security in North Dakota unless the security is registered or exempt from registration. Pursuant to the facts set forth above, Respondent Wollenburg violated this provision through the sale of SPF Energy, Inc. stock and the sale of Swissray, Inc. to Mr. McLaurin.

17. The Commissioner also finds that Respondent SPF Energy, Inc. violated Section 10-04-04 N.D.C.C. in the sale of its preferred shares to West Brand & Co. for the benefit of Mr. McLaurin.

18. Pursuant to section 10-04-16 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.

19. The violations described above are sufficient grounds for the Commissioner to assess civil penalties against the respondents pursuant to section 10-04-16 N.D.C.C.

20. Pursuant to NASD Conduct Rule 2310, a registered person cannot recommend a securities transaction which is not suitable to the investor. The facts set forth above, demonstrate that Wollenburg violated those rules through the securities transactions described above.

21. Under section 73-02-09-02 N.D.A.C., it is an unethical or deceptive practice to violate any applicable NASD rules, or to otherwise recommend unsuitable transactions, or transactions which lead to a client being over-concentrated in a particular security. Based on the facts set forth above, Respondent Wollenburg engaged in unethical or deceptive practices through the transactions discussed above.

22. Pursuant to section 10-04-11, the Commissioner may suspend or revoke an agent registration of any person who has engaged in dishonest or unethical practices.

23. Respondents acknowledge their rights to a hearing on this matter and waive this right to a hearing and to present arguments to the Commissioner.

24. Respondents and Mr. McLaurin have entered into a settlement agreement, which is attached hereto and incorporated herein, by reference.

25. Respondents agree to resolve this matter with the Securities Commissioner by this Consent Order. Respondent, SFP, while agreeing to resolve this matter through this Consent Order, makes no admissions of the Commissioner's determinations, as set forth above, and claims that section 10-04-06(5) is applicable and provides a securities exemption to SPF.

26. The following Order is necessary and appropriate in the public interest.

**NOW, THEREFORE, IT IS ORDERED, THAT:**

1. Respondent, SPF Energy, Inc., shall pay a civil penalty of \$2,000 to the North Dakota Securities Department pursuant to NDCC §10-04-16.

2. Respondent, Craig F. Wollenburg, shall be subject to a suspension of his agent registration for a period of ten (10) business days, beginning on October 20 and extending through October 31, 2003, all dates inclusive.

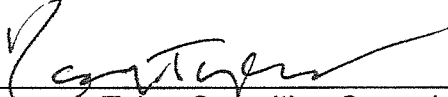
3. The settlement agreement between the Respondents and Mr. McLaurin is attached hereto and incorporated herein, by reference. The Respondents are hereby Ordered to comply with the terms of that agreement. Specifically, Respondent, Wollenburg, is Ordered to make payment of \$26,000, according to the terms of the settlement agreement, on or before November 11, 2003. The

Respondents acknowledge that failure to comply with the terms of the settlement agreement would be a violation of this order, and could subject them to additional civil penalties or other enforcement action.

4. This Order shall be effective upon signature of the Commissioner.

Signed and Sealed this 20<sup>th</sup> day of November, 2003.



  
\_\_\_\_\_  
Karen J. Tyler, Securities Commissioner  
Office of the Securities Commissioner  
State Capitol-5th Floor  
600 East Boulevard Ave.  
Bismarck, ND 58505-0510  
(701) 328-2910

STATE OF NORTH DAKOTA

BEFORE THE

COUNTY OF BURLEIGH

SECURITIES COMMISSIONER

In the Matter of Craig F. Wollenburg, )  
and SPF Energy, Inc., )  
 )  
Respondents )

CONSENT TO ENTRY  
OF ORDER

.....

The undersigned persons, on behalf of Craig F. Wollenburg and SPF Energy, Inc., state that they have read the foregoing Consent Order and that they know and fully understand its contents and effects. They further state that they are executing this Consent to Entry of Order on behalf of the Respondents, without admitting or denying the Commissioner's findings set forth therein. They acknowledge that respondents have waived their rights to a hearing with respect to this matter, and that they consent to entry of the Consent Order by the Securities Commissioner.

It is fully expressly understood that the Consent Order constitutes the entire settlement agreement between the parties hereto, there being no other promises or agreements, either expressed or implied.

Dated this 21<sup>st</sup> day of October, 2003.


SPF Energy, Inc  
PO Box 1847  
Minot, ND 58702

By: 

Print Name: Bruce A. Hest

Its: Sec / TREAS

Subscribed and Sworn to before me this 21<sup>st</sup> day of Oct, 2003.



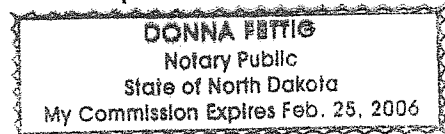
Notary Public

(Notary Seal)

State:

County:     

My Commission Expires:





Dated this 17<sup>th</sup> day of Oct, 2003.

*Craig F. Wollenburg*

Craig F. Wollenburg  
SAL Financial Services, Inc.  
109 1/2 South Main  
Rugby, ND 58368

Subscribed and Sworn to before me this 17<sup>th</sup> day of October, 2003.

*Rebecca R. Cargo*

(Notary Seal)

Notary Public  
State: ND County: Pierce  
My Commission Expires: 6-27-2007

