

**STATE OF NORTH DAKOTA
COUNTY OF BURLEIGH**

**BEFORE THE
SECURITIES COMMISSIONER**

In the Matter of)
David Stavig,)
)
Respondent.)

**INVESTIGATION, DECISION,
ORDER AND NOTICE OF
OPPORTUNITY FOR HEARING**

.....

WHEREAS, the office of the Securities Commissioner received a complaint from Anne Craig, a North Dakota resident alleging that David Stavig violated North Dakota securities laws; and

WHEREAS, the office of the Securities Commissioner provided Mr. Stavig with the opportunity to and ordered Mr. Stavig to present information to this office relating to the allegations of Ms. Craig; and

WHEREAS, Mr. Stavig refused to provide the requested materials and has made no denial of the allegations of Ms. Craig.

NOW THEREFORE, the Office of the Securities Commissioner hereby makes the following findings of fact, conclusions of law and order.

FINDINGS OF FACT

1. In March of 1995, Mr. Stavig contacted James and Anne Craig about an investment in the form of a personal note. The money was to be used for the purchase of used cars for a used car lot. The note was to mature in 90 days from the date of the note. Based on continued conversations between Mr. Stavig and the Craigs, James and Anne Craig invested \$20,000 on May 4, 1995 and executed the attached note.
2. On August 4, 1995, the note matured and Mr. Stavig owed to James and Anne Craig the sum of \$27,500. No payment was made by Stavig.
3. On October 3, 1996, the Anne Craig filed a complaint with our office and our office initiated an investigation into this matter. At that time, our office made a request for information from Mr. Stavig, and we requested that the information be produced within 14 days of his receipt of the request. Mr. Stavig received that request for information on October 5, 1996. On October 19, Mr. Stavig was in default on the request for information.
4. On October 24, 1996, the office of the Securities Commissioner re-requested the information which had been requested on October 3, 1996.
5. On November 5, 1996, the office of the Securities Commissioner received a letter from Mr. Stavig stating that he had made those offers during a nervous breakdown and that he had been diagnosed with bipolar disorder. Mr. Stavig,

however, did not disclose the name of his physician or any evidence that he was so diagnosed apart from his statement to that effect. Mr. Stavig stated that he gathered some information which would indicate that he was going to start a car lot in North Dakota, and that he had talks with Mr. Ralph Keller to buy or rent a lot in Bismarck. Mr. Stavig did not indicate that he had any business activity which occurred in South Dakota relating to any used car lot. Mr. Stavig disclosed that he met with a loan officer at a local Bismarck bank to discuss a loan regarding the activity, but Mr. Stavig did not disclose the name of that officer, the name of the bank, or the date of the alleged meeting. Mr. Stavig disclosed that he knew of four investors, but he would not disclose their names, the amount of their investments, or the dates of their investments.

6. In response to the letter of Mr. Stavig, the office of the Securities Commissioner sent an additional request to Mr. Stavig on November 5. That letter requested information relating to the name of his physician and the date of the diagnosis of bipolar disorder, complete with medical records indicating the accuracy of that information. In addition, the address and telephone of Mr. Keller was requested and the address of the lot in question was requested. Further, the names of the investors was requested and also the name of the loan officer who had been discussions with Mr. Stavig regarding the loan for the car lot.
7. Mr. Stavig did not respond to that letter. On December 18, 1996, that letter was resent to Mr. Stavig. Mr. Stavig did not respond to that letter.

CONCLUSIONS OF LAW

1. Mr. Stavig made at least four offers of securities to residents of North Dakota which were not registered in violation of NDCC § 10-04-04 (4 violations). These offers were made while Mr. Stavig was not registered as a dealer (4 violations) or salesman (4 violations) in North Dakota in violation of NDCC § 10-04-10.
2. In regard to the offer to Mr. and Mrs. Craig, Mr. Stavig engaged in a Fraudulent activity in violation of NDCC § 10-04-15 by stating that this investment was for a South Dakota car lot while Mr. Stavig had no intention of doing any business in South Dakota (1 violation).
3. On three separate occasions, Mr. Stavig failed to provide information to the office of the Securities Commissioner which had been requested. This failure was in violation of NDCC § 10-04-16.1 (3 violations).

ORDER

1. Mr. Stavig is ordered to pay civil penalties to the office of the Securities Commissioner in the amount of \$6,000 per violation for each violation enumerated in 1 and 2 above. As such, the total civil penalty required is \$78,000 for those 13 violations.

2. Mr. Stavig is ordered to pay civil penalties to the office of the Securities Commissioner in the amount of \$3,000 per violation for each violation enumerated in 3 above, for a total civil penalty of \$9,000 for those 3 violations.
3. Mr. Stavig shall pay to the office of the Securities Commissioner the sum of \$2,000 for the investigative costs associated with this investigation.

The total civil penalties and investigative costs assessed in this case is \$89,000. In the alternative, Mr. Stavig can avoid the civil penalties and investigative costs assessed in this case, if Mr. Stavig will repay to the investors the amount to which they are entitled under the terms of their bonds, plus all interest as permitted by law.

NOTICE OF OPPORTUNITY FOR HEARING

You are notified that pursuant to NDCC § 10-04-16 and NDCC § 10-04-12 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. Such writing must contain all specific objections to the Findings of Fact and Conclusions of Law as contained in this order, and it must state, in specific detail, any legal theories upon which any objections may be based. The respondents have the right to be represented by legal counsel at the hearing.

IN TESTIMONY WHEREOF, witness my hand and seal this 19th day of February, 1997.



Cal Hoovestol

CAL HOOVESTOL
SECURITIES COMMISSIONER
STATE CAPITOL – FIFTH FLOOR
600 E. BOULEVARD AVE.
BISMARCK, ND 58505-0510
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AFFIDAVIT OF SERVICE
BY MAIL

.....
I, Diane Lillis, 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.

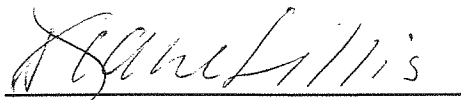
On, Thursday, February 20, 1997, I deposited in the Central Mailing Bureau of the United States Post Office Department in the State Capitol in Bismarck, North Dakota, true and correct copies of the following document:

**INVESTIGATION, DECISION, ORDER
AND NOTICE OF OPPORTUNITY FOR HEARING**

A copy of the above document was securely enclosed in an envelope with postage duly prepaid, sent via certified mail, return receipt requested, and addressed to:


David Stavig
7834 Belmont Lane
Bismarck, ND 58501

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



Diane Lillis

Subscribed and sworn to before me on February 20, 1997.



Diane Kambeitz, Notary Public
Burleigh County, North Dakota
My commission expires 3/10/2000