

STATE OF NORTH DAKOTA

SECURITIES DEPARTMENT

In the Matter of ProTrust Financial	)	
Group, Inc.; ProTrust Management	)	
Group, Inc.; and Gordon B. Grigg;	)	
	)	
Respondents.	)	<b>CEASE AND DESIST ORDER; NOTICE OF CIVIL PENALTY; AND NOTICE OF RIGHT TO REQUEST A HEARING</b>

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The North Dakota Securities Commissioner has a reasonable basis to believe that the Respondents have engaged in, are engaging in, or are about to engage in, acts, practices or transactions, as more fully described below, which are prohibited under Chapter 10-04 of the North Dakota Century Code (N.D.C.C.). It is necessary and appropriate in the public interest and for the protection of investors to restrain these acts, practices, or transactions of the Respondents.

1. Respondent, ProTrust Financial Group, LLC, (hereinafter, "ProTrust Financial") is a company operated and controlled by Respondent, Gordon B. Grigg, and is headquartered in Tennessee. From 1990 to 2005, ProTrust Financial was registered in Tennessee as an investment adviser. ProTrust Financial is not now and has never been registered as an investment adviser in North Dakota. ProTrust Financial is not now and has never been registered as a broker-dealer in North Dakota.
2. Respondent, ProTrust Management, Inc., (hereinafter, "ProTrust Management") is a company operated and controlled by Respondent, Grigg, and is headquartered in Tennessee. ProTrust Management is not now and has never been registered as

an investment adviser in North Dakota. ProTrust Management is not now and has never been registered as a broker-dealer in North Dakota.

3. Respondent, Gordon B. Grigg, is a Tennessee resident who, for all times relevant to this matter, operated and controlled ProTrust Financial and ProTrust Management. On information and belief, for all times relevant to this matter, Respondent, Grigg owned ProTrust Financial and ProTrust Management.
4. Respondent, Grigg, is not now and has never been registered as an investment adviser representative in North Dakota. For some times relevant to this matter, Respondent, Grigg, was registered as an investment adviser representative with Tennessee, and was affiliated with ProTrust Financial.
5. Respondent, Grigg, is not now and has never been registered as an agent with the North Dakota Securities Department. For some times relevant to this matter, Respondent, Grigg, was registered as an agent with Tennessee and several other states, and has been affiliated with several broker-dealers.
6. From June of 2001 to August of 2005, Respondent, Grigg engaged in more than 30 transactions in investments issued by Respondent, ProTrust Management, in the account of a North Dakota resident. All of these transactions occurred while Grigg was affiliated with ProTrust Financial.
7. The 30 securities transactions referenced above include 13 sales of notes or debentures issued by ProTrust Management, and 17 partial or total liquidations of those same notes or debentures.
8. The notes or debentures issued by ProTrust Management have not been registered with the Securities Department under N.D.C.C. §§ 10-04-07, 10-04-07.1, 10-04-08,

or 10-04-08.1; are not exempt securities under N.D.C.C. § 10-04-05; and have not been offered for sale or sold in exempt transactions under N.D.C.C. § 10-04-06; and are not federal covered securities or have not properly filed as federal covered securities under N.D.C.C. § 10-04-08.4.

9. The Respondents, ProTrust Financial, ProTrust Management and Grigg, engaged in 13 violations of N.D.C.C. § 10-04-04.
10. On information and belief, the transactions referenced above were conducted through ProTrust Financial. Neither ProTrust Financial nor ProTrust Management were registered as a broker-dealer with the Securities Department at the time of these transactions. The Respondents, ProTrust Financial and ProTrust Management, engaged in 30 violations of N.D.C.C. § 10-04-10(1).
11. Respondent, Grigg, was not registered as an agent with the Securities Department at the times of these transactions. The Respondent, Grigg, engaged in 30 violations of N.D.C.C. 10-04-10(2).
12. With respect to the 13 purchases of notes or debentures, Respondents engaged in fraudulent conduct in that these notes or debentures were described as CDs at the time of the sale, and occasionally thereafter.
13. Furthermore, Respondents engaged in 1 transaction purchasing an additional note after the client had ordered a liquidation of the account. The transaction was not authorized, and was a fraudulent transaction.
14. Based on the foregoing, the Respondents, Grigg, ProTrust Financial and ProTrust Management, engaged in 14 violations of N.D.C.C. § 10-04-15.

**NOW, THEREFORE, IT IS ORDERED**, pursuant to N.D.C.C. § 10-04-16, that the Respondents shall immediately **CEASE AND DESIST**:

1. From offering for sale or selling in North Dakota the subject securities, or any other securities however denominated, unless and until such securities have been registered with the Securities Department.
2. From offering for sale or selling securities, or effecting transactions in securities, in North Dakota unless and until they have registered with the Securities Department as broker-dealers or agents.
3. From offering investment advisory services in North Dakota, unless or until the Respondents are registered with the Securities Department as investment advisers and/or Investment adviser representatives, or have properly filed as federal covered advisers.
4. From engaging in fraudulent conduct in connection with the offer, sale or purchase of any security in North Dakota.

This order does not prohibit the offer or sale of securities through exempt securities transactions under N.D.C.C. § 10-04-06, nor does it prohibit registered broker-dealers and agents from offering or selling exempt securities under N.D.C.C. § 10-04-05 or federal covered securities offered pursuant to a notice filing made to the Securities Department pursuant to N.D.C.C. § 10-04-08.4.

**YOU ARE NOTIFIED** that any willful violation of this order is a Class B Felony pursuant to N.D.C.C. § 10-04-18(1). Pursuant to N.D.C.C. § 12.1-32-01(3), a Class B Felony is punishable by a \$10,000 fine and 10 years' imprisonment, with respect to

a natural person. Pursuant to N.D.C.C. § 12.1-32-01.1(2), a Class B Felony is punishable by a \$35,000 fine with respect to an organization.

YOU ARE FURTHER NOTIFIED that, pursuant to N.D.C.C. § 12.1-09-03, a person is guilty of a criminal offense if that person intentionally “alters, destroys, mutilates, conceals, or removes a record, document, or thing with intent to impair its verity or availability” in an official proceeding. As such, intentional destruction of any documents related to this matter may result in criminal prosecution.

#### 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). Respondents, Grigg, ProTrust Financial, and ProTrust Management, are hereby assessed, and shall pay a civil penalty of \$570,000 to the North Dakota Securities Department based on the violations discussed above. The civil penalty assessed under this paragraph is joint and several, and shall be deposited as follows:

1. \$350,000 shall be deposited into the North Dakota Investor Restitution Fund (Fund # 262), for the purpose of reimbursing the complainant for losses incurred as a result of the investments with the Respondents. The complainant’s losses will be calculated pursuant to N.D.C.C. § 10-04-17. Any funds not paid to the complainant within one year of the date those funds are collected shall revert to the General Fund for the State of North Dakota.

2. \$220,000 shall be paid to the North Dakota Securities Department, and shall be deposited into the General Fund for the State of North Dakota.

The civil penalties assessed herein are due and payable immediately upon the entry of this Order, except to the extent that a hearing has been timely requested by the respective Respondent. If a hearing is requested, the Securities Commissioner expressly reserves the authority to modify this provision and to assess civil penalties, not to exceed \$10,000 per violation, regarding the violations outlined above or any other violations subsequently discovered.

#### 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 28<sup>th</sup> day of

June, 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

STATE OF NORTH DAKOTA

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Respondents. )

**AFFIDAVIT OF SERVICE  
BY MAIL**

.....

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 this 29<sup>th</sup> day of June, 2006, I deposited in the Central Mailing Bureau of the United States Post Office Department in the State Capitol in Bismarck, North Dakota, a true and correct copy of each of the following documents:

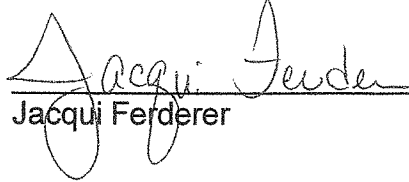
**CEASE AND DESIST ORDER, NOTICE OF CIVIL PENALTY,  
AND NOTICE OF RIGHT TO REQUEST A HEARING**

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

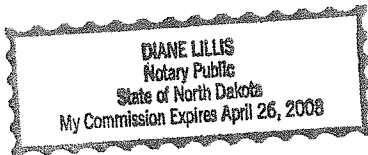
Gordon B. Grigg  
ProTrust Financial Group, Inc.  
213 Ben Brush Circle  
Franklin, TN 37069

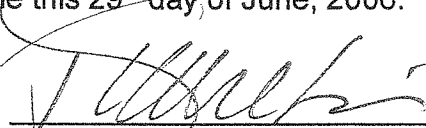
Gordon B. Grigg  
ProTrust Management, Inc.  
213 Ben Brush Circle  
Franklin, TN 37069

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.

  
Jacquie Ferderer

Subscribed and sworn to before me this 29<sup>th</sup> day of June, 2006.



  
Diane Lillis, Notary Public  
Burleigh County, North Dakota  
My commission expires 4/26/2008



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**AFFIDAVIT OF SERVICE  
BY MAIL**

.....  
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 this 29 day of June, 2006, I deposited in the Central Mailing Bureau of the United States Post Office Department in the State Capitol in Bismarck, North Dakota, a true and correct copy of each of the following documents:

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Gordon B. Grigg  
ProTrust Financial Group, Inc.  
PO Box 159328  
Nashville, TN 37215

Gordon B. Grigg  
ProTrust Management, Inc.  
PO Box 159328  
Nashville, TN 37215

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  
Jacqui Ferderer

Subscribed and sworn to before me this 29 day of June, 2006.

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



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**AFFIDAVIT OF SERVICE  
BY MAIL**

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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 this \_\_\_\_\_ day of June, 2006, I deposited in the Central Mailing Bureau of the United States Post Office Department in the State Capitol in Bismarck, North Dakota, a true and correct copy of each of the following documents:

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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 \_\_\_\_\_ day of \_\_\_\_\_, 2006.

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