

STATE OF NORTH DAKOTA

BEFORE THE

COUNTY OF BURLEIGH

SECURITIES COMMISSIONER

In the Matter of The (Wilson) Williams )  
Financial Group, Inc. and )  
Sidney Mondschein )  
)

**UNDERTAKING AND  
AGREEMENT**

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A. The North Dakota Securities Commissioner (the "Commissioner") has advised The (Wilson) Williams Financial Group, Inc. ("WFG") and Mr. Sidney Mondschein ("Mondschein") that she is prepared to commence formal action against them pursuant to North Dakota Century Code Chapter 10-04, and has determined that:

1. WFG is a securities dealer headquartered in Dallas, Texas and is registered as a dealer in North Dakota.
2. Mondschein is a securities agent employed by and associated with WFG in Antioch, California and is registered as a securities agent of WFG in North Dakota.
3. Mr. Jeffrey Toft ("Toft") is an insurance agent licensed to sell the insurance products of American Investors Life Insurance Company ("AIL"), an insurance company licensed to do business in North Dakota, but is not now and has never been registered as a securities agent in North Dakota.
4. Mr. T.L. Secrest ("Secrest") is an insurance agent licensed to sell the insurance products of AIL, but is not now and has never been registered as a securities agent in North Dakota.

5. From June through September of 2000, Toft solicited a North Dakota resident to purchase a fixed annuity product of AIL, and as part of that process:

a. recommended that the North Dakota resident, in order to fund the annuity purchase, sell securities through WFG and Mondschein, who had no prior relationship with the resident; and

b. assisted the resident in filling out forms created by WGF and Mondschein which:

i. authorized the transfer of the resident's securities holdings to WFG;

ii. authorized WFG and Mondschein to liquidate the resident's securities holdings;

iii. authorized WFG and Mondschein to transfer the proceeds received from the liquidation of the securities to AIL; and

iv. stated that Toft had solicited the sale of the securities and that WFG and Mondschein had not solicited the sale of the securities.

6. From December of 2001 through March of 2003, Secret solicited several North Dakota residents to purchase fixed annuity products of AIL, and as part of that process :

a. recommended that the North Dakota residents, in order to fund the annuity purchase, sell securities through WFG and Mondschein, who had no prior relationship with the client; and

b. assisted the residents in filling out forms created by WGF and Mondschein which :

i. authorized the transfer of the residents' securities holdings to WFG;

ii. authorized WFG and Mondschein to liquidate the residents' securities holdings;

iii. authorized WFG and Mondschein to transfer the proceeds received from the liquidation of the securities to AIL; and

iv. stated that Secrest had solicited the sale of the securities and that WFG and Mondschein had not solicited the sales of the securities.

7. The forms described in paragraphs 5 and 6 above were filled out prior to the North Dakota residents establishing an account at WFG and prior to any communications between those residents and Mondschein or any other registered agent of WFG.

8. After receiving the forms from Toft and Secrest with respect to a resident, Mondschein and WFG opened a securities account at WFG for the purpose of transferring their securities holdings to WFG, liquidating those securities and transferring the proceeds of the liquidation to AIL. Some of

the assets were not transferred, as authorized in the above-described documentation, as the resident intentions changed, based on discussions with Mr. Mondschein and/or other circumstances.

9. With respect to the North Dakota residents who did open an account at WFG, WFG and Mondschein received compensation in the form of commissions based on their sale of securities. Neither Toft nor Secret received any compensation from WFG or Mondschein, but were compensated by AIL for selling the insurance products.

10. Each of the transactions conducted, as described above, were recorded on the books of WFG as unsolicited.

11. Section 10-04-02(1) N.D.C.C. defines an "agent", in relevant part, as an individual "who represents a dealer . . . in effecting or attempting to effect purchases or sales of securities." Pursuant to Section 10-04-10 N.D.C.C., no person may act as an agent with respect to any securities transaction, unless the person is registered or the transaction is exempt from registration under section 10-04-06 N.D.C.C.

12. Toft and Secret, by assisting North Dakota residents in opening securities accounts at WFG, acted as unregistered "agents" of WFG in violation of the Securities Act. Additionally, WFG violated this provision by conducting securities business through unregistered agents.

13. Pursuant to Section 10-04-15 N.D.C.C., no person may make any false statements in connection with a securities transaction. By indicating that the transactions were unsolicited, WFG and Mondschein violated this provision.

14. Pursuant to Section 10-04-11(1) N.D.C.C., the Commissioner may revoke, suspend or deny the registration of a dealer or agent of a dealer if the Commissioner finds that the dealer or agent has violated provisions of the Securities Act, or has otherwise engaged in dishonest, fraudulent or unethical business practices. The Commissioner believes that the activities described above are sufficient grounds for the Commissioner to suspend or revoke the registrations of WFG and Mondschein.

15. Pursuant to Section 10-04-16(1) N.D.C.C., the Commissioner has the authority to assess civil penalties in an amount not to exceed \$10,000 for each violation of the Securities Act. The violations described above are sufficient grounds for the imposition of civil penalties against the respondents.

B. WFG and Mondschein deny that Toft and Secret were "agents" of WFG, but rather, assert that Toft and Secret were non-compensated third parties employed independently of WFG who referred securities business to WFG and Mondschein. WFG and Mondschein also deny that documenting the referrals as "unsolicited" was a violation of the Securities Act.

C. Notwithstanding the above, the Commissioner, WFG and Mondschein have reached an agreement to resolve the pending dispute. WFG and Mondschein hereby undertake and agree that:

a. they shall not conduct securities transactions in North Dakota through an unregistered agent, as that term is defined in the Securities Act;

b. when a resident of North Dakota is referred to WFG and/or Mondschein by any person who is licensed as an insurance agent, but not a securities agent, they will secure a written, signed statement from the North Dakota resident confirming that the unregistered person who referred them to WFG and Mondschein did not solicit any securities transactions from them prior to the referral;

c. they shall not compensate any unregistered person who refers securities business to them; and

d. they will remit the sum of \$15,000 to the Commissioner upon execution of this Undertaking and Agreement.

D. Nothing contained in this Undertaking and Agreement shall constitute an admission of wrongdoing by either WFG or Mondschein. This Undertaking and Agreement is being tendered by WFG and Mondschein solely for the purpose of resolving the matter now pending before the Commissioner. However, WFG and Mondschein file this Undertaking and Agreement with the Commissioner with the understanding that a violation of any provision imposing an affirmative duty upon them pursuant to the terms of this Undertaking and Agreement shall constitute a basis for disciplinary proceedings against them pursuant to the Securities Act.

Signed and Sealed this 13<sup>th</sup> day of May, 2004.



[Signature]  
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

Dated this 4<sup>th</sup> day of MAY, 2004.

THE (WILSON) WILLIAMS FINANCIAL GROUP, Inc.  
12221 Merit Drive, Suite 300  
Dallas, Texas 75251

By: [Signature]  
Mr. Wilson H. Williams, President

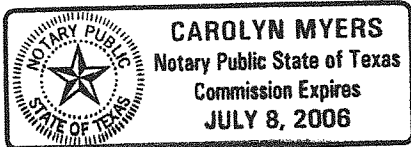
Dated this 30<sup>th</sup> day of APRIL, 2004.

SIDNEY MONDSCHEN  
105 G Street  
Antioch, CA 94509

By: [Signature]  
Mr. Sidney Mondschein

Subscribed and Sworn <sup>by Wilson H. Williams</sup> before me this 3<sup>rd</sup> day of May, 2004.

(notary seal)



[Signature]  
notary public  
State: TEXAS County:  
My Commission Expires: