

STATE OF NORTH DAKOTA
BEFORE THE INSURANCE COMMISSIONER

In the Matter of

Chad W. Friese,
NPN 16672774

Respondent.

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CONSENT ORDER
CASE NO. AG-13-403

Insurance Commissioner Adam Hamm (“Commissioner”) has determined as follows:

1. As a result of information obtained by the North Dakota Insurance Department (“Department”) regarding the conduct of Chad W. Friese, NPN 16672774 (“Respondent”), an individual who has at all relevant times hereto held a North Dakota resident insurance producer license, the Commissioner has considered initiating administrative proceedings regarding Respondent’s conduct as alleged below and regarding the imposition of a civil penalty or any other action the Commissioner deems necessary. Respondent’s conduct is alleged to be in violation of N.D.C.C. §§ 26.1-26-15 and 26.1-26-42(6).

2. N.D.C.C. § 26.1-26-15 states:

26.1-26-15. License requirement – Character. An applicant for any license under this chapter must be deemed by the Commissioner to be competent, trustworthy, financially responsible, and of good personal and business reputation.

3. N.D.C.C. § 26.1-26-42 states, in relevant part:

The commissioner may suspend, revoke, place on probation, or refuse to continue or refuse to issue any license issued under this chapter if, after notice to the licensee and hearing, the commissioner finds as to the licensee any of the following conditions:

...

6. In the conduct of affairs under the license, the licensee has used fraudulent, coercive or dishonest practices, or has shown oneself to be incompetent, untrustworthy, or financially irresponsible.

4. The Commissioner has come into information which alleges that Respondent entered into a "STIPULATION AND CONSENT TO THE ISSUANCE OF AN ORDER OF PROHIBITION FROM FURTHER PARTICIPATION" with the Federal Deposit Insurance Corporation ("FDIC") on or about May 21, 2012 (the "May 21 Stipulation") on the basis the FDIC had reason to believe that Respondent engaged in misconduct and breached his fiduciary duty to The State Bank of Bartley while serving as the CEO of Stockmens Bank, a branch of The State Bank of Bartley operating in Colorado Springs, CO.

5. On or about July 20, 2012, the FDIC issued an "ORDER OF PROHIBITION FROM FURTHER PARTICIPATION" (the "July 20 Order") against Respondent which prohibits Respondent from "participating in any manner in the conduct of the affairs of any financial institution or organization enumerated in section 8(e)(7)(A) of the [Federal Deposit Insurance] Act, 12 U.S.C. § 1818(e)".

6. The July 20 Order indicates the FDIC determined it had reason to believe Respondent "engaged in misconduct and breached his fiduciary duty to The State Bank of Bartley by his actions, including but not limited to his unauthorized use of bank funds

to pay obligations of his company” and further that The State Bank of Bartley “suffered financial loss or other damage, and/or the interests of the bank’s depositors have or could be prejudiced, and Respondent received financial gain or other benefit”.

7. Respondent admitted to the Department he “took significant time away” from his business and role as CEO of Stockmens Bank and further admitted his actions “let circumstances . . . get out of control” at Stockmens Bank.

8. Respondent’s actions as encompassed in Paragraphs 4, 5, 6 and 7 above constitute violations of N.D.C.C. §§ 26.1-26-15 and 26.1-26-42(6).

9. Respondent has demonstrated conduct which constitutes financial irresponsibility in violation of N.D.C.C. §§ 26.1-26-15 and 26.1-26-42(6), including entering into the May 21 Stipulation and the July 20 Order which prohibit Respondent from any further participation in the conduct of the affairs of any financial institution.

10. Respondent has agreed to informal disposition of this matter, without a hearing, as provided under N.D.C.C. § 28-32-22. For purposes of resolving this matter, without further administrative proceedings, Respondent and the Commissioner have agreed to enter into the following Order.

NOW, THEREFORE, IT IS HEREBY ORDERED THAT:

1. Respondent agrees to issuance by the Commissioner of a conditional license for a period of three years.

2. Respondent agrees Respondent will not handle client funds during the three-year conditional license period required by this Order.

3. During the time of Respondent's conditional license, Respondent agrees to notify the Commissioner within three business days if Respondent leaves his current employment.

4. During the time of Respondent's conditional license, Respondent agrees to notify the Department within three business days of any checks Respondent writes which are returned for insufficient funds, whether or not it results in a criminal charge.

5. Further, the Department may, during the three-year conditional license period, revoke, suspend, or take such further action as may be deemed necessary against Respondent's insurance license without Notice of Hearing or the issuance of a Complaint if the Department receives a complaint from any source against the Respondent and after investigation of the merits of said complaint, notifies the Respondent that he has, in the Commissioner's opinion, violated the laws of the State of North Dakota. Respondent further agrees that any action taken against his license or in furtherance of this action is not appealable.

6. The use of this Consent Order for competitive purposes by an insurance agent or agency holding a license in the State of North Dakota, or by any company holding a Certificate of Authority, or by anyone on their behalf, may be deemed unfair competition and be grounds for suspension or revocation of said license or authority.

DATED at Bismarck, North Dakota, this 24th day of June, 2013.



Adam Hamm
Insurance Commissioner
State of North Dakota

CONSENT TO ENTRY OF ORDER

The undersigned, **Chad W. Friese**, states that he has read the foregoing Consent Order, that he knows and fully understands its contents and effect; that he has been advised of his right to a hearing in this matter, his right to be represented by legal counsel, his right to present evidence and arguments to the Commissioner, and his right to appeal from an adverse determination after hearing; and that by the signing of this Consent to Entry of Order he waives those rights in their entirety, and consents to entry of this Order by the Commissioner. It is further expressly understood that this Order constitutes the entire settlement agreement between the parties, there being no other promises or agreements, either expressed or implied.

DATED this 14 day of JUNE, 2013.



Chad W. Friese

Subscribed and sworn to before me

this 14 day of June, 2013.

Marilyn Meland

Notary Public

State of North Dakota
County of Wells

My commission expires:

