

**STATE OF NORTH DAKOTA**  
**SECURITIES DEPARTMENT**

In the Matter of Edwin Brent )  
Lundgren, also known as )  
E. Brent Lundgren, also known )  
as Brent Lundgren, )  
)  
)  
Respondent. )

**ORDER REFUSING REGISTRATION  
AS AN AGENT**

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Pending before the Securities Commissioner is the application of Respondent, Edwin Brent Lundgren, CRD # 1242437, ("Lundgren" or "Respondent") for registration as an agent of Supreme Alliance LLC, CRD # 45348, pursuant to §10-04-10 of the North Dakota Century Code. On August 13, 2013, the Securities Commissioner issued an Order to Summarily Postpone the Approval of Respondent's Application for Registration, Order for Rescission, Notice of Proposed Order Refusing Registration, and Notice of Right to Request a Hearing in this matter. The Respondent received this Order and Notice on August 16, 2013, and failed to make a timely request for hearing within the prescribed time (fifteen days after receipt) which expired, at the latest, on September 3, 2013. N.D.C.C. §§ 10-04-12, 1-02-15, 1-03-01, and 1-03-05.

The Securities Commissioner, after Respondent has been afforded the opportunity for a hearing, has determined as follows:

**FINDINGS OF FACT**

1. United Equity Securities, LLC, CRD # 47261, was a broker-dealer headquartered in Houston, Texas, which, for all times relevant to this matter, was registered as a broker-

dealer in North Dakota. United Equity Securities, LLC's broker-dealer registration in North Dakota terminated at the firm's request on August 16, 2010, and the firm's registration with the Securities and Exchange Commission terminated on October 11, 2010.

2. Supreme Alliance LLC, CRD # 45348, is a broker-dealer headquartered in Lancaster, Kentucky, registered as a broker-dealer in North Dakota effective August 8, 2013. An application for registration of Respondent as an agent of Supreme Alliance LLC was submitted electronically to the North Dakota Securities Department on July 23, 2013.

3. Respondent Lundgren has been registered as an agent in North Dakota with various broker-dealer firms, and has maintained a place of business in West Fargo, North Dakota, since 1984. He is not currently registered as an agent in the state of North Dakota since his termination as an agent of J.P. Turner & Company, L.L.C. on May 29, 2013. He was registered as an agent of United Equity Securities, LLC from February 28, 2008 until September 16, 2009.

4. On March 13, 2012, the North Dakota Securities Department received a complaint from Randy and Mary Ohlhauser, husband and wife, of Bismarck, North Dakota, concerning their investment with Respondent in an oil and gas limited partnership known as Layton Energy Fund 2, LP.

5. On or about July 13, 2009, Respondent, a registered securities agent of United Equity Securities, LLC, offered for sale and sold complainants ten limited partnership interests or "units" of Layton Energy Fund 2, LP, notice filed as a federal covered security in North Dakota, for a total investment of \$50,000. According to the Private Placement Memorandum, Layton Energy was to be sold only to "accredited investors".

6. In order to qualify as “accredited investors”, complainants would have needed to have a net worth in excess of \$1 million, or a joint annual income in excess of \$300,000 in each of the two most recent years and a reasonable expectation of the same income in the current year. Respondent knew that complainants’ net worth and annual income were far below those thresholds, having consulted with the complainants on a comprehensive financial plan in January of 2008.

7. As part of the sales transaction, Respondent was required to sign a certificate as the agent of the broker/dealer, United Equity, that the investors were “accredited investors” and that the investment was suitable, given the investors’ investment objectives, other investments, financial situation and needs, and risk tolerance. Respondent falsely signed the certificate and had no reasonable basis to believe the sale of this speculative and illiquid investment was suitable given the complainants’ age, lack of income, financial condition, tax status, risk tolerance and investment objectives.

8. Prior to the sale, the Respondent misrepresented to the complainants that the minimum they could invest in Layton Energy was \$50,000, while the Private Placement Memorandum states: “Price Per Unit: \$5,000 (Minimum Subscription 5 Units - \$25,000)” and also gave the Managing Partner discretion to accept subscriptions as low as a single unit or \$5,000.

9. Respondent has four other unresolved customer complaints related to sales of Layton Energy private placements alleging misrepresentation, unsuitable sales, and forgery.

#### **CONCLUSIONS OF LAW**

1. The North Dakota Securities Department has jurisdiction over the subject matter of these proceedings and the named Respondent.

2. Pursuant to NASD Rule 2310 (now FINRA Rule 2111), no broker-dealer or agent may recommend a securities transaction without a reasonable basis to believe that the transaction is suitable for the investor.

3. Pursuant to N.D.A.C. § 73-02-09-02(3) and § 73-02-09-03(6), it is a dishonest or unethical practice for a broker-dealer or an agent to recommend a securities transaction without a reasonable basis to believe that the transaction is suitable for the investor.

4. Pursuant to N.D.A.C. § 73-02-09-02(29) and § 73-02-09-03(6), it is a dishonest or unethical practice for a broker-dealer or an agent to engage in any act which is a violation of NASD or FINRA Rules.

5. Pursuant to N.D.C.C. § 10-04-15(2), it is a fraudulent practice for any person, in connection with the offer and sale of a security, to make an untrue statement of a material fact or engage in any course of business which operates as a fraud or deception upon purchasers or the public. The misrepresentation of complainants' status as "accredited investors" and minimum subscription amounts were made in violation of N.D.C.C. § 10-04-15(2).

6. Pursuant to the facts set forth above, Respondent, Edwin Brent Lundgren, has violated the securities laws and engaged in dishonest, fraudulent or unethical practices in the securities industry. As such, there are sufficient grounds for the Commissioner to revoke an agent's registration under N.D.C.C. § 10-04-11 and such acts constitute a sufficient ground for a finding by the Commissioner that Respondent is "not of good business reputation" as defined in N.D.C.C. § 10-04-10(6) and that approval of his application for registration should therefore be refused.

7. Pursuant to N.D.C.C. § 10-04-17, a securities transaction is subject to rescission if it was conducted in violation of the Securities Act or rules. The transaction described in paragraph 5 of the Findings of Fact is subject to rescission.

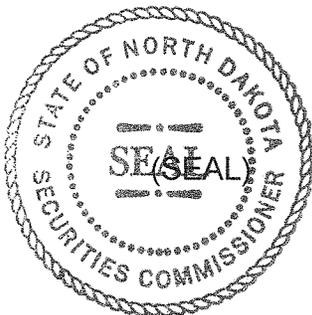
8. Pursuant to N.D.C.C. § 10-04-16(1), the Securities Commissioner has the authority to Order that a person Cease and Desist from violations of the Securities Act, to rescind transactions made in violation of the Securities Act, and to assess civil penalties in an amount not to exceed \$10,000 for each violation of the Securities Act. The violations described above are sufficient grounds for the Commissioner to order rescission of the transaction described in paragraph 5 of the Findings of Fact and to assess civil penalties against the Respondent pursuant to N.D.C.C. § 10-04-16(1).

9. This order is necessary and appropriate in the public interest for the protection of investors.

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

Pursuant to the provisions of N.D.C.C. §§ 10-04-10(6) and 10-04-12(4), and based on the findings set forth above, the Securities Commissioner hereby Orders that approval of the application of Respondent Edwin Brent Lundgren for registration as an agent of Supreme Alliance LLC, a registered broker-dealer, be refused.

IN TESTIMONY WHEREOF, witness my hand and seal this 20<sup>th</sup> day of September, 2013.



  
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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**

**SECURITIES DEPARTMENT**

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Lundgren, also known as )  
E. Brent Lundgren, also known )  
as Brent Lundgren, )  
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Respondent. )

**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 September 20, 2013, 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 each of the following documents:

**ORDER REFUSING REGISTRATION AS AN AGENT**

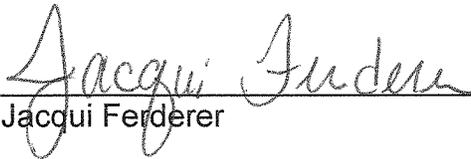
A copy of the above document was securely enclosed in an envelope with postage prepaid and addressed to each of the following:

E. Brent Lundgren  
613 8<sup>th</sup> Avenue E.  
West Fargo, ND 58078

Supreme Alliance LLC  
Attn: Henry Clay Smith, President & CCO  
P.O. Box 665  
123 Vaughn Way  
Lancaster, KY 40444

Sean T. Foss  
720 Main Avenue  
P.O. Box 2105  
Fargo, ND 58107-2105

To the best of my knowledge, information, and belief, the address given above is the actual mailing address of the party intended to be served or the attorney for said party.

  
Jacquie Ferderer

Subscribed and sworn to before me on this 20 day of September, 2013.

  
Diane Lillis, Notary Public  
Burleigh County, North Dakota  
My commission expires: April 26, 2014

