

STATE OF NORTH DAKOTA

SECURITIES DEPARTMENT

In the Matter of Edwin Brent)	ORDER TO SUMMARILY POSTPONE
Lundgren, also known as)	THE APPROVAL OF RESPONDENT'S
E. Brent Lundgren, also known)	APPLICATION FOR REGISTRATION,
as Brent Lundgren,)	ORDER FOR RESCISSION, NOTICE OF
)	PROPOSED ORDER REFUSING
)	REGISTRATION, NOTICE OF CIVIL
)	PENALTIES, AND NOTICE OF RIGHT
Respondent.)	TO REQUEST A HEARING

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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. The Securities Commissioner has a reasonable basis to believe that the Respondent has engaged in acts, practices or transactions, as more fully described below, which are prohibited under Chapter 10-04 of the North Dakota Century Code, and which would constitute a sufficient ground for revocation of an agent's registration under §10-04-11 of the North Dakota Century Code and therefore constitute a ground for refusal of approval of Respondent's application for registration as an agent under §10-04-10(6) of the North Dakota Century Code.

NOW, THEREFORE, the Securities Commissioner makes the following:

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.

**ORDER TO SUMMARILY POSTPONE THE APPROVAL
OF RESPONDENT'S APPLICATION FOR REGISTRATION**

Pursuant to the provisions of N.D.C.C. § 10-04-10(6) and based on the Findings of Fact set forth above, the Commissioner hereby Orders that the approval of the application for registration as an agent of Edwin Brent Lundgren be postponed pending a hearing or an opportunity for a hearing regarding the Commissioner's proposed Order Refusing Registration.

ORDER FOR RESCISSION

The Securities Commissioner further Orders that the Respondent shall make rescission of the transaction described in paragraph 5 of the Findings of Fact within sixty days of the date of this Order, for the full amount paid for the securities, plus interest at the

statutory rate, and less the amount of any income received on the securities by the complainants, pursuant to the provisions of N.D.C.C. §§ 10-04-16(1) and 10-04-17.

The complainants, Randy and Mary Ohlhauser, their heirs, successors and assigns, are intended third party beneficiaries of this provision, and may seek to enforce their interests under this paragraph.

NOTICE OF PROPOSED ORDER REFUSING REGISTRATION

YOU ARE HEREBY NOTIFIED THAT the North Dakota Securities Commissioner hereby proposes to issue an Order Refusing Registration as an Agent on application of Edwin Brent Lundgren, based on the Findings of Fact set forth above, pending hearing or an opportunity for hearing.

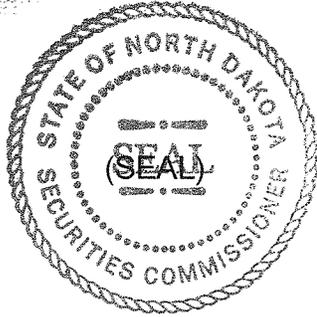
NOTICE OF CIVIL PENALTIES

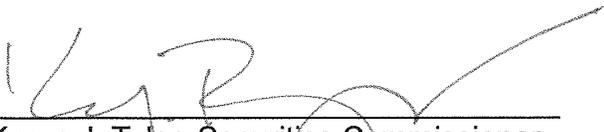
YOU ARE NOTIFIED that the above-cited violations are sufficient grounds for the imposition of civil penalties pursuant to N.D.C.C. § 10-04-16(1). The Securities Commissioner does not herein assess a civil penalty, but the Commissioner expressly reserves the authority to assess civil penalties, not to exceed \$10,000 per violation, regarding the violations outlined above, any other violations subsequently discovered, or any future securities violations or violations of this order.

NOTICE OF RIGHT TO REQUEST A 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. You have the right to be represented by legal counsel at the hearing.

IN TESTIMONY WHEREOF, witness my hand and seal this 13 day of August,
2013.





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

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

AFFIDAVIT OF SERVICE BY MAIL

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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 August 13th 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 TO SUMMARILY POSTPONE THE APPROVAL OF RESPONDENT'S APPLICATION FOR REGISTRATION, ORDER FOR RESCISSION, NOTICE OF PROPOSED ORDER REFUSING REGISTRATION, NOTICE OF CIVIL PENALTIES, AND NOTICE OF RIGHT TO REQUEST A HEARING

A copy of the above documents was securely enclosed in an envelope with postage prepaid, sent via Certified U. S. mail, return receipt requested, and addressed to each of the following:

E. Brent Lundgren
613 8th Avenue E.
West Fargo, ND 58078

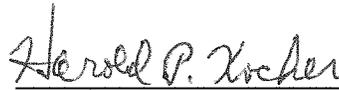
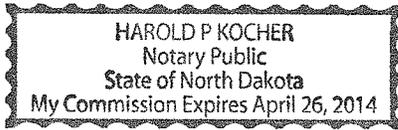
Supreme Alliance LLC
Attn: Henry Clay Smith, President & CCO
P.O. Box 665
123 Vaughn Way
Lancaster, KY 40444

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.



Diane Lillis

Subscribed and sworn to before me on this 13 day of August, 2013.



Harold P. Kocher, Notary Public
Burleigh County, North Dakota
My commission expires 4/26/2014