

STATE OF NORTH DAKOTA
COUNTY OF BURLEIGH

BEFORE THE
SECURITIES COMMISSIONER

In the Matter of Centex Securities,)
Inc., f/k/a La Jolla Securities)
Corporation, Bruce A. Biddick,)
and their Officers, Directors,)
Agents, and Employees)
)
Respondent.)

CONSENT ORDER

.....

The North Dakota Securities Commissioner has conducted an investigation into the activities of Centex Securities, Incorporated f/k/a La Jolla Securities (Centex) and has determined as follows:

1. On April 15, 1993, Centex Securities was the subject of a Cease and Desist Order issued by the State of Minnesota because Centex engaged in securities business in Minnesota while it was not registered. Centex was assessed a civil penalty of \$3500 and investigative costs of \$300 and was ordered to make a rescission offer to those individuals who were solicited illegally.
2. On April 29, 1993 Centex and Bruce Biddick were censured and fined \$11,475 pursuant to a Letter of Acceptance, Waiver and Consent by the NASD. Centex and Bruce Biddick sold shares of a designated security in 18 transactions in contravention of sec rule 15c2-6 in that they failed to approve nine customer accounts prior to each of the 18 transactions in such designated securities and failed to receive from each person a written agreement setting forth the identity and quantity of the designated security to be purchased.
3. On August 6, 1993, Centex and Bruce Biddick settled a customer complaint alleging misrepresentation and unprofessional behavior. The settlement amount in this case was \$4,000.
4. Before September 2, 1993, Centex filed false and misleading statements in their form B/D with the office of the North Dakota Securities Commissioner in violation of North Dakota law and held a North Dakota customer account while it was not registered as a dealer in North Dakota in violation of North Dakota law. Registration in North Dakota was allowed as part of a Consent Order whereby Centex agreed to make payment to the North Dakota Securities Commissioner the sum of \$5,000 for those violations of North Dakota law.
5. On July 11, 1994, Centex and Bruce Biddick were found liable to a client for the sum of \$4500 for misrepresentation, omission of facts, unsuitability and account related negligence.

6. On March 10, 1995, Centex and Bruce Biddick were found liable to a client for the sum of \$7650 for misrepresentation and unsuitability.
7. On May 24, 1996, Centex was the subject of a Consent Order in Massachusetts because Centex engaged in securities transactions while it was not registered as a broker, its agents engaged in securities transactions in Massachusetts while they were not registered as salesmen, and Centex failed to properly supervise its employees as evidenced by these illegal activities. Pursuant to that Consent Order, Centex agreed to pay back registration fees of \$1050.
8. On August 7, 1996, Centex and Bruce Biddick settled a customer complaint for the sum of \$20,000 alleging breach of fiduciary duty, misrepresentation and failure to supervise.
9. On October 22, 1996, Centex and Bruce Biddick were complained against by a customer alleging breach of fiduciary duty and account related breach of contract. That complaint is pending with the NASD.
10. On March 18, 1997, Centex, Bruce Biddick, and its salesman, Daniel Wood entered into a Consent Order with the North Dakota Securities Commissioner because of the illegal sales activities of Daniel Wood, a salesman for Centex, who sold securities to Cindy and Terry Severson, residents of North Dakota, while he was not registered as a salesman as required by North Dakota law and that Centex failed to properly supervise its salesman as required by North Dakota law and the NASD Rules of Fair Practice. In that Order, Respondents were ordered to make payment to the Office of the North Dakota Securities Commissioner a civil penalty of \$5,000 and was to make a rescission offer to Cindy and Terry Severson, and if the rescission offer is accepted by the Seversons, "payment shall be made within 10 days of the receipt of the acceptance".
11. Centex made the \$5,000 civil penalty payment to the Office of the Securities Commissioner on April 4 and prepared a rescission letter for Cindy and Terry Severson which was dated March 31, 1997. The Seversons accepted the Rescission offer and it was received by Centex Securities on April 15, 1997. Centex has not made the full payment to the Seversons, and they have been in violation of the March 18, 1997 Consent Order since April 25, 1997. On May 8, 1997, Centex made payment to the Seversons in the amount of \$7,728.67 (which was the value of their portfolio at the time of liquidation) which leaves an unpaid balance of \$22,707.46. Respondents continue to be in violation of the Consent Order of March 18, 1997.
12. On April 21, 1997, Centex and Bruce Biddick were complained against by a customer alleging breach of fiduciary duty and account related breach of contract. That complaint is pending with the NASD.

13. On May 16, 1997, the Commissioner entered an Order which revoked the registration of Centex and which assessed a civil penalty of \$10,000 against respondents based on the facts stated above. Respondents requested a hearing on that matter and no Final Order was issued in regard to that matter.
14. Centex has represented to this office that it is not in the financial position to make a full rescission as offered to the Seversons pursuant to the March 18, 1997 Consent Order.
15. The facts stated above are sufficient cause to revoke the registration of Centex as a broker dealer in North Dakota pursuant to NDCC §10-04-11.
16. Respondents violated and are in current violation of the Consent Order dated March 18, 1997 by not paying the rescission to Cindy and Terry Severson as required by that order. The Commissioner has the authority to impose a \$10,000 fine on each of the respondents for this violation.
17. Respondents waive their right to a hearing in this matter and to present arguments to the Commissioner. Respondents further acknowledge their right to be represented by legal counsel throughout this proceeding, and are, in fact, advised by legal counsel in entering this Consent Order. Respondents have agreed to an informal disposition of this matter, without a hearing.
18. Respondents acknowledge the jurisdiction of the Office of the Securities Commissioner and the North Dakota courts and understand that this order can be enforced by North Dakota courts. Respondents have agreed to submit to the authority of the North Dakota courts for any and all actions arising out of or relating to this Consent Order and they waive any and all jurisdictional objections to any such proceeding.
19. The following Order is necessary and appropriate in the public interest.

ORDER

Now Therefore, the Commissioner hereby orders that:

1. The Order issued by the Commissioner regarding the above-named Respondents on May 16, 1996 is hereby revoked and replaced by this Consent Order.
2. The Commissioner hereby revokes the dealer registration of Centex Securities, pursuant to NDCC §10-04-11(1)(a, b, c, f, m).
3. Respondents are ordered to make payments on the rescission ordered in the March 18, 1997 Consent Order in the amount of \$2,000 upon the Respondents signing of the Consent to Entry of Order and \$2,000 per month to be received by

the Commissioner on or before the fifteenth day of each month thereafter until such time as a full rescission (including 12% interest which has accumulated from March 18, 1997) has been paid. Payments shall be made payable to Cindy and Terry Severson and sent to the Office of the Securities Commissioner. Failure to make the rescission payments according to the terms of this provision is a violation of this Consent Order which is enforceable by civil penalties pursuant to NDCC §10-04-16. Further, the failure to make payments according to the terms of this provision makes the entire amount due on the rescission plus applicable interest to be due and payable immediately therefrom.

4. The Commissioner hereby orders that Respondent, Bruce Biddick, and Respondent, Centex, shall make payment of \$10,000 in civil penalties to the Office of the Securities Commissioner for their violations of the Consent Order dated March 18, 1997, but this provision is waived if respondents comply with the terms of the rescission in number 3 above. In the event of a failure to comply with such provisions, the civil penalty plus interest at the rate of 12% from the date of this order shall be due and payable to the Office of the Securities Commissioner immediately.
5. The Commissioner hereby orders that Respondents cease to violate the Consent Order dated March 18, 1997. Nothing herein revokes or alters the obligations of Respondents as contained in the Consent Order dated March 18, 1997. This provision is deemed satisfied so long as respondents comply with the terms of order number 3, above.
6. Respondents are to Cease and Desist from all securities activities in North Dakota until such time as they are properly registered with the State of North Dakota. Further, respondents shall not re-apply to register in North Dakota for a period of five (5) years from the date of this Consent Order.
7. This Order shall be effective upon signature of the Commissioner.

Dated at Bismarck, North Dakota, on ~~August~~ ^{October 6} _____, 1997.



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CAL HOOVESTOL
SECURITIES COMMISSIONER
600 East Boulevard Ave.
State Capitol-5th Floor
Bismarck, ND 58505-0510
(701) 328-2910

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COUNTY OF BURLEIGH

SECURITIES COMMISSIONER
STATE OF NORTH DAKOTA

SECURITIES COMMISSIONER

In the Matter of Centex Securities, Inc., f/k/a)
La Jolla Securities Corporation, Bruce A.)
Biddick, and their Officers, Directors,)
Agents, and Employees,)
Respondents.)

CONSENT TO ENTRY
OF ORDER

The undersigned state that they have read the foregoing Consent Order; that they know and fully understand its contents and effects; that they are authorized to execute this Consent to Entry of Order of behalf of the parties for which they sign; that they have waived their rights to a hearing with respect to this matter; and that Respondents consent to entry of the Consent Order by the Securities Commissioner without admitting or denying the findings of fact and conclusions of law contained herein. It is further expressly understood that the Consent Order constitutes the entire settlement agreement between the parties hereto, there being no other promises or agreements, either expressed or implied.

Dated this _____ day of _____, 1997.

Centex Securities Corporation

By: _____

(Type or Print Name)

Signed: _____

Capacity: Executive Vice President and CEO

Sworn before me this _____ day of _____, 1997

Notary Public, State of California

County of San Diego

My Commission expires: _____

Dated this 4th day of September, 1997.

Bruce Biddick

Signed: Bruce A. Biddick

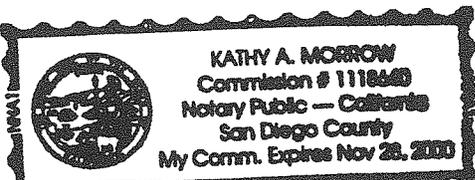
Sworn before me this 4th day of September, 1997

Kathy A. Morrow

Notary Public, State of California

County of San Diego

My Commission expires: 11/28/2000



STATE OF NORTH DAKOTA
COUNTY OF BURLEIGH

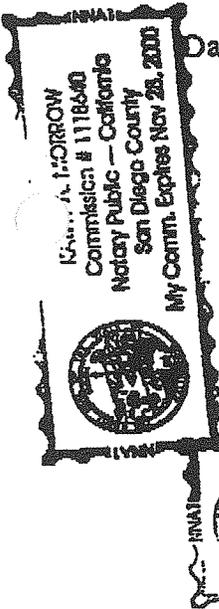
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Dated this 13th day of August, 1997.



Centex Securities Corporation

By: C.M. Biddick
(Type or Print Name)

Signed: [Signature]
Capacity: Executive Vice President and CEO

Sworn before me this 13th day of August, 1997

Kathy A. Morrow
Notary Public, State of California
County of San Diego
My Commission expires: 11-28-2000

Dated this _____ day of _____, 1997.

Bruce Biddick

Signed: _____

Sworn before me this _____ day of _____, 1997

Notary Public, State of California
County of San Diego
My Commission expires: _____