

NEWS FROM THE ND SECURITIES COMMISSIONER
For Immediate Release - December 5, 2001

APPROXIMATELY \$3.2 MILLION REPAID TO NORTH DAKOTA INVESTORS

Bismarck, ND - North Dakota Securities Commissioner Karen Tyler today announced a settlement with H. D. Vest Investment Securities, Inc., a wholly owned subsidiary of Wells Fargo & Company. The settlement requires H. D. Vest to pay approximately \$3.2 million back to investors who were clients of H. D. Vest and its agents James Schulz and Todd Schulz, both of Bismarck. Most of the investors involved were from North Dakota. The settlement also required a contribution to the Securities Protection Fund for the primary purpose of enhancing investor education in North Dakota. In connection with this settlement, a class-action lawsuit that was filed several months ago has also been resolved.

Though precise dollar amounts have not been calculated, the Securities Commissioner and H. D. Vest have agreed to a formula to pay back investors, and it is believed that the formula will result in approximately \$3.2 million paid to investors. The offer to any client will be the client's out-of-pocket losses plus 6% interest, as provided for by North Dakota law. The offers will be made on or before December 31, 2001, and the investors may accept that offer or reject the offer to pursue their own legal remedies.

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“The settlement provides for the largest payment offer extended to North Dakota investors through an action by the Office of the Securities Commissioner,” said Tyler.

“This matter developed through an investigation initiated by this office based on several customer complaints,” said Tyler. “Our investigation uncovered compelling evidence of numerous and significant violations of the securities laws, including unauthorized trading, unsuitable trading involving options contracts, and providing false and misleading information to clients. These actions led to substantial investor losses.”

Under North Dakota law and the rules governing the securities industry, a securities agent cannot trade in a client account without the client’s prior approval. An agent can conduct discretionary trading if a client has signed a discretionary trading agreement authorizing the agent to do so.

Tyler stated, “Our investigation demonstrated that James Schulz and Todd Schulz routinely conducted trading in client accounts without specific prior approval of the client, and without discretionary trading agreements. H. D. Vest failed to prevent or detect these activities.”

“Not only did James Schulz and Todd Schulz conduct unauthorized trading in their clients’ accounts, the investigation of this office reveals that many of the trades they conducted were not suitable to the investment

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objective, risk temperament, and financial profiles of their clients,” said Tyler. “Many of their clients, including many conservative and less experienced clients, were exposed to trading in options contracts and highly concentrated speculative investments.” Tyler continued, “The investigation by this office reveals that these trading strategies subjected clients to extensive selection risk and significant investment losses.”

“Additionally, James Schulz and Todd Schulz created false and misleading account statements which they sent to their clients, for the apparent purpose of concealing the investment losses of their clients,” Tyler said. “H. D. Vest approved those statements and permitted them to be distributed.”

In mid-December of 2000, the Commissioner issued a Cease and Desist Order against James Schulz and Todd Schulz based on these facts. In January of 2001, the Commissioner suspended the registrations of the two agents, and initiated action to revoke their agent registrations. They both resigned their positions with H. D. Vest Investment Securities while their registrations were suspended.

“As all actions against the two agents were remedial in nature, this office is free to take additional action against them in the future,” said Tyler.

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H. D. Vest was purchased by Wells Fargo & Company in July, after the problems with H. D. Vest and its agents had already developed. Wells Fargo is working with H. D. Vest to develop additional policies and procedures designed to prevent the recurrence of violations of the securities laws underlying this matter. "Wells Fargo is a valued corporate citizen in North Dakota. It has demonstrated its willingness to resolve this matter and to make North Dakota residents whole," said Tyler.

"It is important to note that the actions of James Schulz and Todd Schulz and H. D. Vest are not representative of the securities industry in North Dakota," Tyler added.

The Office of the Securities Commissioner encourages investors to be proactive in protecting their investment portfolios, and suggests the following: Investors can check out the background of a financial professional by contacting the Office of the Securities Commissioner [(800) 297-5124], or checking with the National Association of Securities Dealers at www.nasdr.com and clicking on "about your broker".

Investors should carefully read their account statements and trade confirmation statements to ensure that all of the transactions in their accounts are authorized. Investors should also endeavor to know as much as they can about their investments, and be sure that they are comfortable with the risks involved in their investments.

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Additionally, investors should contact the Office of the Securities Commissioner in the event that they find any unauthorized transactions or transactions that are not in line with their investment objectives, risk temperament, and financial profile.

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