

BEFORE THE
STATE OF WISCONSIN
DEPARTMENT OF FINANCIAL INSTITUTIONS
DIVISION OF SECURITIES

In the matter of,

JAMES P. KOLF

CONSENT ORDER TO CEASE AND
DESIST, REVOKE BROKER-DEALER
AGENT AND INVESTMENT ADVISER
REPRESENTATIVE REGISTRATIONS

Respondent.

DFI Case No. S-235446 (EX)

I.

The Administrator of the State of Wisconsin, Department of Financial Institutions, Division of Securities (“Division”), having legal authority and jurisdiction to administer and enforce the Wisconsin Uniform Securities Law, Wis. Stats. Ch. 551 (“Ch. 551”) and rules and orders promulgated thereunder, and having determined that this action is necessary and appropriate in the public interest and for the protection of investors, hereby enters this Order as follows:

II.

Division staff have presented evidence sufficient for the Administrator to make the following findings of fact and conclusions of law:

A. Findings of Fact

Respondents

1. James P. Kolf (“Kolf”) (CRD# 1015682) is an adult male resident of Wisconsin with a last known address of 1701 Mulberry Street, Sauk City, Wisconsin 53583. Kolf was registered with the Division during his employment with broker-dealers as a broker-dealer agent from 1981 to August 29, 2016 and during his employment with investment advisers as an investment adviser representative from January 15, 2009 to August 29, 2016. At all times material, he was the sole proprietor doing business as SFN Financial Network, LLC (“SFN Financial”).

Conduct

2. In 2006 and 2011, Kolf opened bank accounts in his name d/b/a SFN Financial at Guaranty Bank and Park Bank respectively.

3. Around 2011, Kolf began soliciting his existing brokerage customers at New England Securities (CRD# 615) to invest in SFN Financial. SFN Financial was a fictitious company which was never organized or incorporated as a limited liability company, corporation, partnership, or other business entity in Wisconsin or any other jurisdiction.
4. Between 2011 and 2016, Kolf defrauded approximately fourteen investors out of an approximate total of \$905,077.20. These investment transactions are summarized in Table 1.

Table 1: Investor Transaction Summary

Investor Name	Investment	Date	Ponzi-like Payments Received.	Net Financial Loss
Investor G.C.	\$150,000.00 \$55,000.00	5/6/11 3/15/12	\$16,917.03	\$188,082.97
Investor N.M.	\$54,000.00	9/21/11	\$0.00	\$54,000.00
Investor B.E.	\$20,000.00 \$9,000.00	11/30/12 4/21/14	\$0.00	\$29,000.00
Investor B.K.	\$12,500.00 \$115,000.00	9/27/13 7/11/14	\$0.00	\$127,500.00
Investor L.F.	\$18,000.00	12/10/13	\$20,690.00	\$0.00
Investor L.W.	\$50,000.00	4/3/14	\$0.00	\$50,00.00
Investor K.L.	\$40,000.00	4/10/14	\$0.00	\$40,000.00
Investor M.C.	\$16,000.00	4/14/14	\$0.00	\$16,000.00
Investor V.R.	\$22,000.00	4/17/14	\$0.00	\$22,000.00
Investor K.Z.	\$100,000.00	4/24/14	\$0.00	\$100,000.00
Investor V.M.	\$49,577.20	5/13/14	\$0.00	\$49,577.20
Investors H, J. & C.	\$80,000.00	5/22/14	\$7,162.41	\$72,837.59
Investor J.U.	\$30,000.00 \$8,500.00 \$11,500.00	5/27/14 2/16/16 2/16/16	\$0.00	\$30,000.00
Investor M.O.	\$64,000.00	7/3/14	\$2,812.77	\$61,187.23
Totals	\$905,077.20		\$47,572.21	\$857,504.99

5. Kolf made Ponzi-like payments to four investors totaling approximately \$47,572.32. All of the Ponzi-like payments, except for the payment to Investor L.F., came from the commingled Park Bank account held in Kolf's name dba SFN Financial.
6. Kolf represented to six of the investors that SFN Financial would invest funds on their behalf in energy companies to produce consistent returns of six to eight percent (6-8%) annually, a rate of return higher than the returns generated by other products held by most of his brokerage customers. Kolf provided these investors with prospectuses and marketing materials for FS Investment Company, a business development company investment that was an approved product offered through New England Securities. Kolf admitted in an interview with Division staff that he used the prospectus for that specific

investment because its name sounded similar to SFN Financial and was intended to boost the appearance of legitimacy and credibility to the investors.

7. Kolf represented to four of the investors that by investing their money in SFN Financial, they would receive a higher rate of return than their current portfolios provided. Kolf described SFN Financial as an independent investment adviser that would invest and manage their money to achieve a guaranteed six percent (6%) annual return.
8. As a result of Kolf's representations, at least five of the six investors referenced in ¶ 6 and at least three of the four investors referenced in ¶ 7 liquidated securities from their pre-existing brokerage accounts to invest the money with SFN Financial.
9. The remaining four investors gave money to Kolf d/b/a SFN Financial to invest on their behalf, issuing checks with SFN Financial as the payee. During an interview with Division staff, Kolf admitted that he obtained the funds by representing that SFN Financial would invest the funds for the investors' benefit.
10. In fact, Kolf did not apply the investor funds as he had represented to the investors in ¶¶ 6-9. Kolf deposited all investors funds into his SFN Financial bank accounts at Guaranty and Park Bank, and used the funds for myriad personal expenses, including but not limited to:
 - a. The full cash purchase of his residence in Sauk City for \$280,534.00;
 - b. Home improvements totaling at least \$15,935.01;
 - c. Other mortgage payments totaling at least \$5,030.29;
 - d. Credit card payments to Capital One totaling \$74,298.47 between 2011 and 2014 for personal expenses;
 - e. Accounting and business services totaling at least \$10,000.00;
 - f. The cash purchase of a car totaling at least \$4,957.64;
 - g. Legal bills totaling at least \$40,355.00;
 - h. Resolving an outstanding tax liability with the US Treasury Department totaling \$152,640.00;
 - i. A \$10,325.00 payment to the Mikasa Towers Condo Association;
 - j. Property taxes to Sauk County totaling at least \$10,247.75 in 2015 and 2016;
 - k. Personal purchases and cash withdrawals totaling at least \$250,738.49 from 2011 to 2016; and
 - l. Ponzi-like payments to investors of SFN Financial totaling \$47,572.32.
11. At no time prior to or during the solicitation of investor funds did Kolf disclose to investors that he had an outstanding tax liability with the US Treasury Department totaling \$152,640.00.

12. At no time prior to or during the solicitation of investor funds did Kolf disclose to investors that he would not be applying the investor funds to any real investment, but would instead use the funds for his personal and legal expenses, including those enumerated in ¶ 11.
13. Kolf further tried to deceive investors into believing that SFN Financial was a real investment by mailing falsified account statements to thirteen of the investors on SFN letterhead in 2013 and 2014, which showed their purported dividends as being reinvested on a periodic basis and adding to the overall value of the investment. The account statements included the investors' account numbers, investment identifiers such as the CUSIP number for FS Energy Investment Company, and the names of Kolf's previous partners, who were unaware of Kolf's SFN Financial scheme and had never consented to his use of their names in connection with SFN Financial.
14. Kolf admitted to Division staff in an interview that the account statements were completely fictitious, did not represent any actual investment by the investors, and that the purpose of the statements were to make SFN Financial appear legitimate.
15. On August 29, 2016, Kolf consented to being permanently barred from the brokerage industry by the Financial Industry Regulatory Authority ("FINRA") for conduct including willful violations of Section 10(b) of the Securities Exchange Act of 1934, Rule 10b-5 thereunder, and FINRA rules 2020 and 2010 by making material misrepresentations and omissions in the sale of fake securities to brokerage customers. Rather than investing the investors' monies, Kolf used the funds for his own business and personal expenses. A true and accurate copy of the Agreement, Waiver, and Consent is attached and incorporate by reference herein as Exhibit 1.

B. Conclusions of Law

Legal Authority and Jurisdiction

16. The Administrator has legal authority and jurisdiction over the conduct described above, pursuant to Ch. 551 and the rules and orders promulgated thereunder.
17. Kolf was registered as an investment adviser representative pursuant to Wis. Stat. § 551.404 with the Division during his employment with investment advisers from January 15, 2009 to August 29, 2016.
18. Kolf was registered as a broker-dealer agent pursuant to Wis. Stat. § 551.402 with the Division during his employment with broker-dealers from July 5, 1999 to August 29, 2016.

19. Pursuant to Wis. Stat. § 551.501(2), it is unlawful for a person, in connection with the offer, sale, or purchase of a security, directly or indirectly to make an untrue statement of material fact or to omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.
20. Pursuant to Wis. Stat. § 551.501(3), it is unlawful for a person, in connection with the offer, sale, or purchase of a security, directly or indirectly, to engage in an act, practice, or course of business that operates or would operate as a fraud or deceit upon another person.

Violations

21. Kolf violated Wis. Stat. § 551.501(2) when, in connection with the offer and sale of a security, he made untrue statements of material facts to investors, including but not limited to representing that the issuer they were investing in, SFN Financial, was a real company and legitimate investment when in fact it did not exist.
22. Kolf violated Wis. Stat. § 551.501(2) when, in connection with the offer and sale of a security, he omitted to state material facts necessary in order to make the statement made, in light of the circumstances under which they were made, not misleading, including but not limited to omitting to state that the investor funds would be applied to his personal expenses, debts, and tax obligations, rather than to an income generating investment as he had described.
23. Kolf violated Wis. Stat. 551.501(3) when, in connection with the offer and sale of a security, he engaged in an act, practice, or course of business that operates or would operate as a fraud or deceit upon another person, as reflected in Kolf's conduct described above in ¶¶ 1-15, including but not limited to the misappropriation of proceeds.

III.

In view of the above findings of fact and conclusions of law, the Administrator deems it necessary and appropriate in the public interest and for the protection of investors, and pursuant to its legal authority and jurisdiction under Ch. 551, to wit Wis. Stat. §§ 551.604 and 551.412, to issue the following orders and notices:

A. Consent Orders issued pursuant to Wis. Stat. §§ 551.604(2) and 551.412(4).

- (a.) IT IS ORDERED summarily that RESPONDENT, his agents, servants, officers, employees, successors, affiliates, and every entity and person directly or indirectly controlled or organized by or on behalf of the RESPONDENT, shall cease and desist from making or causing to be made to any person or entity in Wisconsin any further offers or sales of securities unless and until such securities qualify as covered securities

or are registered under Ch. 551 or successor statute, pursuant to Wis. Stat. §§ 551.604(1)(a) and 551.604(2).

- (b.) IT IS FURTHER ORDERED summarily that all exemptions from registration set forth at Ch. 551 or successor statute that might otherwise apply to any offer or sale of any security of or by the RESPONDENT, his agents, servants, officers, employees, successors, affiliates and every entity and person directly or indirectly controlled or organized by or on behalf of RESPONDENT, are hereby revoked, pursuant to Wis. Stat. §§ 551.604(1)(b) and 551.604(2).
- (c.) IT IS FURTHER ORDERED summarily that RESPONDENT, his successors, affiliates, controlling persons, officers, agents, servants, employees, and every entity and person directly or indirectly controlled or hereafter organized by or on behalf of RESPONDENT, are prohibited from violating Ch. 551 or successor statute that might otherwise apply to any offer or sale of a security of or by RESPONDENT, pursuant to Wis. Stat. §§ 551.604(1)(a) and 551.604(2).
- (d.) IT IS FURTHER ORDERED that RESPONDENT's registration with the Division as an investment adviser representative is hereby permanently revoked, pursuant to Wis. Stat. §§ 551.412(4)(e)(3) and 551.412(4)(m).
- (e.) IT IS FURTHER ORDERED that RESPONDENT's registration with the Division as a broker-dealer agent is hereby permanently revoked, pursuant to Wis. Stat. §§ 551.412(4)(e)(3) and 551.412(4)(m).
- (f.) IT IS FURTHER ORDERED that RESPONDENT, his successors, affiliates, controlling persons, officers, agents, servants, employees, and every entity and person directly or indirectly controlled or hereafter organized by or on behalf of RESPONDENT, are prohibited from becoming registered in any capacity under Ch. 551, or successor statute that might otherwise apply, prior to satisfaction of the RESPONDENT's civil liabilities under Wis. Stat. § 551.509.

B. Service of Order.

- (g.) IT IS FURTHER ORDERED that this order shall be sent promptly by certified mail to each party named in the order at his or her last known address or to the party's attorney of record, or shall be personally served upon the party or the party's attorney of record, pursuant to Wis. Admin. Code § DFI-Sec. 8.06.
- (h.) PLEASE TAKE NOTICE that the date of the service of this order is the date it is placed in the mail. You are advised that any willful violation of an Order issued by the Division under Ch. 551 is a criminal offense punishable under the provisions of Wis. Stat. § 551.508.

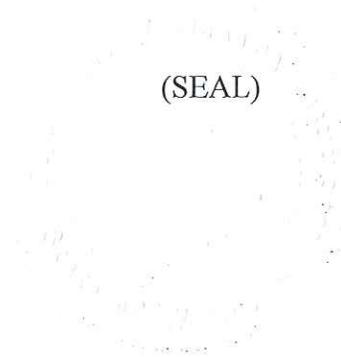
C. Notifications

- (i.) PLEASE TAKE NOTICE that this Order consented to by the Respondent prohibits the Respondent from transacting securities business in the State of Wisconsin, effective upon the date issued, and shall have the same effect on Respondent as a permanent injunction entered by a circuit court pursuant to Wis. Stat. § 551.603(2)(a).

- (j.) PLEASE TAKE FURTHER NOTICE that this Order is effective on the date it is issued. You are advised that any willful violation of an Order issued by the Division under Ch. 551 is a criminal offense punishable under the provisions of Wis. Stat. § 551.508.

EXECUTED at Madison, Wisconsin, this 19th day of December, 2016.

(SEAL)



Leslie M. Van Buskirk

Leslie M. Van Buskirk
Administrator

Division of Securities
State of Wisconsin
Department of Financial Institutions
201 West Washington Avenue, Suite 300
Madison, Wisconsin 53703



State of Wisconsin
Department of Financial Institutions

Scott Walker, Governor

Lon E. Roberts, Secretary

AFFIDAVIT OF SERVICE

STATE OF WISCONSIN)
) ss.
COUNTY OF DANE)

I, JAKI WELTER, first being duly sworn, depose and state:

- 1. I am employed as a state civil service employee with the State of Wisconsin, Department of Financial Institutions, Division of Securities.
2. On the date of this Affidavit and in the course of regularly conducted activity, I have caused to be deposited in the U.S. mail: (1) the Administrator's order (attached); and (2) a copy of this Affidavit of Service, to be served by certified mail upon the subject of the order at the subject's last known address; and I have also caused to be served copies of those same documents upon the Administrator for the Division of Securities, pursuant to Wis. Stat. §§ 227.48, 551.611, and 891.46; and Wis. Admin. Code. §§ DFI-Sec 8.06 and 8.07.
3. On the date of this Affidavit and in the course of regularly conducted activity, I have also caused a copy of the Administrator's order and this Affidavit of Service to be posted on the Division of Securities' Administrative Orders section of the State of Wisconsin, Department of Financial Institution's website, www.wdfi.org/newsroom/admin_orders/dos_default.htm.

I declare under penalty of perjury that the foregoing is true and correct to the best of my knowledge and belief.

JAKI WELTER (Signature)

State of Wisconsin
Department of Financial Institutions
Division of Securities

Subscribed and sworn to before me
This 19 day of December, 2016.

(Signature)
Lindsay Fedler
Notary Public, State of Wisconsin
My commission is permanent.

(Notary Seal)

