

## BrokerCheck Report

### GUNNALLEN FINANCIAL, INC

CRD# 17609

Report #95124-81853, data current as of Wednesday, September 16, 2009.

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## Dear Investor:

FINRA has generated the following BrokerCheck report for **GUNNALLEN FINANCIAL, INC.** The information contained within this report has been provided by a FINRA member firm(s) and securities regulators as part of the securities industry's registration and licensing process and represents the most current information reported to the Central Registration Depository (CRD®) system.

FINRA regulates the securities markets for the ultimate benefit and protection of the investor. FINRA believes the general public should have access to information that will help them determine whether to conduct, or continue to conduct, business with a FINRA member firm or any of the member's associated persons. To that end, FINRA has adopted a public disclosure policy to make certain types of information available to you. Examples of information FINRA provides include: actions by regulators, investment-related civil suits, customer disputes that contain allegations of sales practice violations against brokers, all felony charges and convictions, misdemeanor charges and convictions relating to securities violations, and financial events such as bankruptcies, compromises with creditors, judgments, and liens.

When evaluating this report, please keep in mind that it may include items that involve pending actions or allegations that may be contested and have not been resolved or proven. Such items may, in the end, be withdrawn or dismissed, or resolved in favor of the firm or broker, or concluded through a negotiated settlement with no admission or finding of wrongdoing.

The information in this report is not the only resource you should consult. FINRA recommends that you learn as much as possible about the individual broker or brokerage firm from other sources, such as professional references, local consumer and

investment groups, or friends and family members who already have established investment business relationships.

FINRA BrokerCheck is governed by federal law, Securities and Exchange Commission (SEC) regulations and FINRA rules approved by the SEC. State disclosure programs are governed by state law, and may provide additional information on brokers and firms licensed by the state. Therefore, you should also consider requesting information from your state securities regulator. Refer to [www.nasaa.org](http://www.nasaa.org) for a complete list of state securities regulators.

**Thank you for using FINRA BrokerCheck.**



Using this site/information means that you accept the FINRA BrokerCheck Terms and Conditions. A complete list of Terms and Conditions can be found at

[brokercheck.finra.org](http://brokercheck.finra.org)



For additional information about the contents of this report, please refer to the User Guidance or [www.finra.org/brokercheck](http://www.finra.org/brokercheck). It provides a glossary of terms and a list of frequently asked questions, as well as additional resources. [For more information about FINRA, visit www.finra.org.](http://www.finra.org)



## GUNNALLEN FINANCIAL, INC

CRD# 17609

SEC# 8-35508

### Main Office Location

5002 W. WATERS  
TAMPA, FL 33634  
Regulated by FINRA Florida Office

### Mailing Address

5002 W. WATERS  
TAMPA, FL 33634

### Business Telephone Number

813-282-0808

This firm is a brokerage firm and an investment adviser firm. For more information about investment adviser firms, visit the SEC's Investment Adviser Public Disclosure website at:

<http://www.adviserinfo.sec.gov>

## Report Summary for this Firm

The report summary provides an overview of the firm's background. The firm and securities regulators have provided the information contained in this report as part of the securities industry registration and licensing process. More detailed information for this firm can be found in the firm's report. Select "View Full PDF Report" to view more detailed information about this firm. The information contained in this report was last updated by the firm via Uniform Application for Broker-Dealer Registration (Form BD), the Uniform Request for Broker-Dealer Withdrawal (Form BDW), or a securities regulator via a Uniform Disciplinary Action Reporting Form (Form U6) on 08/31/2009.

### Firm Profile

This firm is classified as a corporation.

This firm was formed in Florida on 01/15/1986.

Its fiscal year ends in December.

### Firm History

Information relating to the firm's history such as Other Business Names, Other Business, and Successions (e.g., mergers or acquisitions) can be found in the firm's full report.

### Firm Operations

**This firm is registered with:**

- the SEC
- 2 Self-Regulatory Organizations
- 53 U.S. states and territories

Is this brokerage firm currently suspended with any regulator? **No**

This firm conducts 19 types of businesses.

This firm is affiliated with financial or investment institutions.

This firm has referral or financial arrangements with other brokers or dealers.

### Disclosure of Arbitration Awards, Disciplinary, Financial, and Regulatory Events

This section includes details regarding disclosure events reported by or about this firm to CRD as part of the securities industry registration and licensing process. Examples of such disclosure events include certain disciplinary actions initiated by regulators, certain criminal charges and/or convictions, financial disclosures such as bankruptcies, and summary information regarding arbitration awards involving securities and commodities disputes between public customers and the firm.

Are there events disclosed about this firm? **Yes**

**The following types of disclosures were reported:**

Regulatory Event

Arbitration



## Firm Profile

This firm is classified as a corporation.

This firm was formed in Florida on 01/15/1986.

Its fiscal year ends in December.

## Firm Names and Locations

This section includes details that were reported to CRD, regarding the firm's full legal name, business and mailing addresses, the firm's "Doing Business As" name (DBA) (if different from the full legal name), and any other name by which the firm conducts business and where such name is used.

### **GUNNALLEN FINANCIAL, INC**

**Doing business as GUNNALLEN FINANCIAL, INC**

**CRD#** 17609

**SEC#** 8-35508

### **Main Office Location**

5002 W. WATERS  
TAMPA, FL 33634

**Regulated by FINRA Florida Office**

### **Mailing Address**

5002 W. WATERS  
TAMPA, FL 33634

### **Business Telephone Number**

813-282-0808



## Firm Profile

This section provides information relating to all Direct Owners and Executive Officers as reported by the firm in CRD.

### Direct Owners and Executive Officers

<b>Legal Name &amp; CRD# (if any):</b>	GUNNALLEN HOLDINGS, INC.
<b>Is this a domestic or foreign entity or an individual?</b>	Domestic Entity
<b>Position</b>	SHAREHOLDER
<b>Position Start Date</b>	01/1986
<b>Percentage of Ownership</b>	75% or more
<b>Does this owner direct the management or policies of the firm?</b>	No
<b>Is this a public reporting company?</b>	No

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<b>Legal Name &amp; CRD# (if any):</b>	DANIELS, KEVIN CHRISTIAN 2041956
<b>Is this a domestic or foreign entity or an individual?</b>	Individual
<b>Position</b>	EVP OF TRADING, CHIEF COMPLIANCE OFFICER
<b>Position Start Date</b>	02/2009
<b>Percentage of Ownership</b>	Less than 5%
<b>Does this owner direct the management or policies of the firm?</b>	Yes
<b>Is this a public reporting company?</b>	No

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<b>Legal Name &amp; CRD# (if any):</b>	KRAUS, FREDERICK OSCAR JR 1393886
<b>Is this a domestic or foreign entity or an individual?</b>	Individual
<b>Position</b>	ACTING CEO, CFO, FINOP
<b>Position Start Date</b>	10/2008

**Firm Profile****Direct Owners and Executive Officers (continued)**

**Percentage of Ownership** Less than 5%

**Does this owner direct the management or policies of the firm?** Yes

**Is this a public reporting company?** No

**Legal Name & CRD# (if any):** TANELLA, DEAN GARRETT  
1229108

**Is this a domestic or foreign entity or an individual?** Individual

**Position** EXECUTIVE VICE PRESIDENT, CAPITAL MARKETS GROUP

**Position Start Date** 07/2006

**Percentage of Ownership** Less than 5%

**Does this owner direct the management or policies of the firm?** Yes

**Is this a public reporting company?** No



## Firm Profile

This section provides information relating to Indirect Owners, if any, as reported by the firm in CRD.

### Indirect Owners

<b>Legal Name &amp; CRD# (if any):</b>	GAH HOLDINGS, LLC
<b>Is this a domestic or foreign entity or an individual?</b>	Domestic Entity
<b>Company through which indirect ownership is established</b>	GUNNALLEN HOLDINGS, INC.
<b>Relationship to Direct Owner</b>	SHAREHOLDER OF PREFERRED SERIES C EQUITY
<b>Relationship Established</b>	11/2008
<b>Percentage of Ownership</b>	75% or more
<b>Does this owner direct the management or policies of the firm?</b>	Yes
<b>Is this a public reporting company?</b>	No
<hr/>	
<b>Legal Name &amp; CRD# (if any):</b>	SYKES, JOHN H.
<b>Is this a domestic or foreign entity or an individual?</b>	Individual
<b>Company through which indirect ownership is established</b>	HYDE PARK EQUITY INVESTMENTS, LLC
<b>Relationship to Direct Owner</b>	SHAREHOLDER OF HYDE PARK EQUITY INVESTMENTS, LLC
<b>Relationship Established</b>	11/2008
<b>Percentage of Ownership</b>	75% or more
<b>Does this owner direct the management or policies of the firm?</b>	Yes
<b>Is this a public reporting company?</b>	No
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<b>Legal Name &amp; CRD# (if any):</b>	HYDE PARK EQUITY INVESTMENTS, LLC
<b>Is this a domestic or foreign entity or an individual?</b>	Domestic Entity

## Firm Profile



### Indirect Owners (continued)

<b>Company through which indirect ownership is established</b>	GAH HOLDINGS, LLC
<b>Relationship to Direct Owner</b>	SHAREHOLDER OF GAH HOLDINGS, LLC EQUITY
<b>Relationship Established</b>	11/2008
<b>Percentage of Ownership</b>	50% but less than 75%
<b>Does this owner direct the management or policies of the firm?</b>	Yes
<b>Is this a public reporting company?</b>	No

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**Legal Name & CRD# (if any):** FRUEH, RICHARD ALLEN  
1071715

**Is this a domestic or foreign entity or an individual?** Individual

**Company through which indirect ownership is established** GUNNALLEN HOLDINGS, INC.

<b>Relationship to Direct Owner</b>	SHAREHOLDER
<b>Relationship Established</b>	03/1997
<b>Percentage of Ownership</b>	Other General Partners
<b>Does this owner direct the management or policies of the firm?</b>	No
<b>Is this a public reporting company?</b>	No

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**Legal Name & CRD# (if any):** GUNN, DONALD JAMES JR  
1442917

**Is this a domestic or foreign entity or an individual?** Individual

**Company through which indirect ownership is established** GUNNALLEN HOLDINGS, INC.

## Firm Profile



### Indirect Owners (continued)

<b>Relationship to Direct Owner</b>	SHAREHOLDER
<b>Relationship Established</b>	03/1997
<b>Percentage of Ownership</b>	Other General Partners
<b>Does this owner direct the management or policies of the firm?</b>	Yes
<b>Is this a public reporting company?</b>	No

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## Firm History

This section provides information relating to successions (e.g., mergers or acquisitions), if any, as reported by the firm in CRD.



No information reported.



## Firm Operations

### Registrations

This section provides information about the regulators (e.g., U.S. Securities and Exchange Commission (SEC), self-regulatory organizations, states and U.S. territories) in which the firm is currently registered and licensed, and the date the registration became effective, as well as certain information about the firm's SEC registration.

**This firm is currently registered with the SEC, 2 SROs and 53 U.S. states and territories.**

Federal Regulator	Status	Date Effective
SEC	Approved	03/19/1986

### SEC Registration Questions

This firm is registered with the SEC as:

A broker-dealer: Yes

A broker-dealer and government securities broker or dealer: Yes

A government securities broker or dealer only: No

This firm has ceased activity as a government securities broker or dealer: No

Self-Regulatory Organization	Status	Date Effective
FINRA	Approved	06/10/1986
NASDAQ Stock Market	Approved	07/12/2006



## Firm Operations

### Registrations (continued)

U.S. States & Territories	Status	Date Effective
Alabama	Approved	08/01/1990
Alaska	Approved	04/10/1997
Arizona	Approved	01/20/1989
Arkansas	Approved	04/08/1997
California	Approved	08/04/1986
Colorado	Approved	06/16/1989
Connecticut	Approved	08/01/1989
Delaware	Approved	07/01/1997
District of Columbia	Approved	08/16/1997
Florida	Approved	06/02/1986
Georgia	Approved	03/15/1989
Hawaii	Approved	02/24/1999
Idaho	Approved	09/15/1987
Illinois	Approved	08/21/1987
Indiana	Approved	01/05/1990
Iowa	Approved	01/31/1990
Kansas	Approved	11/14/1989
Kentucky	Approved	04/18/1997
Louisiana	Approved	06/25/1990
Maine	Approved	01/06/1992
Maryland	Approved	08/31/1987
Massachusetts	Approved	05/07/1987
Michigan	Approved	01/08/1990
Minnesota	Approved	08/08/1990
Mississippi	Approved	11/14/1986
Missouri	Approved	01/02/1990
Montana	Approved	03/27/1997
Nebraska	Approved	04/18/1997
Nevada	Approved	06/04/1990
New Hampshire	Approved	12/10/2002
New Jersey	Approved	10/24/1988
New Mexico	Approved	05/12/1997
New York	Approved	12/15/1987

U.S. States & Territories	Status	Date Effective
North Carolina	Approved	04/04/1989
North Dakota	Approved	01/09/2002
Ohio	Approved	11/03/1989
Oklahoma	Approved	04/02/1997
Oregon	Approved	09/16/1987
Pennsylvania	Approved	12/01/1989
Puerto Rico	Approved	07/30/1997
Rhode Island	Approved	04/08/1997
South Carolina	Approved	05/23/1989
South Dakota	Approved	07/18/1997
Tennessee	Approved	03/16/1989
Texas	Approved	10/05/1989
Utah	Approved	01/09/1990
Vermont	Approved	06/21/2001
Virgin Islands	Approved	10/09/2007
Virginia	Approved	09/02/1987
Washington	Approved	04/09/1987
West Virginia	Approved	04/15/1991
Wisconsin	Approved	11/07/2003
Wyoming	Approved	04/07/1997



## Firm Operations

### Types of Business

This section provides the types of business and any other business or other non-securities business the firm is engaged in or is expected to be engaged in as reported by the firm in CRD.

**This firm currently conducts 19 types of businesses.**

#### Types of Business

Broker or dealer making inter-dealer markets in corporation securities over-the-counter

Broker or dealer retailing corporate equity securities over-the-counter

Broker or dealer selling corporate debt securities

Underwriter or selling group participant (corporate securities other than mutual funds)

Mutual fund retailer

U S. government securities dealer

U S. government securities broker

Municipal securities broker

Broker or dealer selling variable life insurance or annuities

Real estate syndicator

Broker or dealer selling oil and gas interests

Put and call broker or dealer or option writer

Investment advisory services

Broker or dealer selling tax shelters or limited partnerships in primary distributions

Broker or dealer selling tax shelters or limited partnerships in the secondary market

Non-exchange member arranging for transactions in listed securities by exchange member

Trading securities for own account

Private placements of securities

Other

#### Other Types of Business

This firm does not affect transactions in commodities, commodity futures, or commodity options.

This firm does not engage in other non-securities business.

Non-Securities Business Description:

## Firm Operations



### Clearing Arrangements

This firm does not hold or maintain funds or securities or provide clearing services for other broker-dealer(s).

### Introducing Arrangements

This firm does refer or introduce customers to other brokers and dealers.

**Name:** RIDGE CLEARING & OUTSOURCING SOLUTIONS, INC.  
**CRD #:** 13071  
**Business Address:** 2 JOURNAL SQUARE PLAZA  
3RD FLOOR  
JERSEY CITY, NJ 07306  
**Effective Date:** 01/02/2008  
**Description:** APPLICANT INTRODUCES CUSTOMER ACCOUNTS AND TRANSACTIONS ON A FULLY DISCLOSED BASIS. RIDGE MAINTAINS CUSTOMER FUNDS AND SECURITIES.

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## Firm Operations

### Industry Arrangements



**This firm does have books or records maintained by a third party.**

**Name:** RIDGE CLEARING & OUTSOURCING SOLUTIONS, INC.  
**CRD #:** 13071  
**Business Address:** 2 JOURNAL SQUARE PLAZA  
3RD FLOOR  
JERSEY CITY, NJ 07306  
**Effective Date:** 01/02/2008  
**Description:** APPLICANT INTRODUCES CUSTOMER ACCOUNTS AND TRANSACTIONS ON A FULLY DISCLOSED BASIS. RIDGE MAINTAINS CUSTOMER FUNDS AND SECURITIES.

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**This firm does not have accounts, funds, or securities maintained by a third party.**

**This firm does not have customer accounts, funds, or securities maintained by a third party.**

#### Control Persons/Financing

**This firm does not have individuals who control its management or policies through agreement.**

**This firm does not have individuals who wholly or partly finance the firm's business.**



## Firm Operations

### Organization Affiliates

This section provides any information on control relationships the firm has with other firms in the securities, investment advisory, or banking business as reported by the firm in CRD.

**This firm is, directly or indirectly:**

- in control of
  - controlled by
  - or under common control with
- the following partnerships, corporations, or other organizations engaged in the securities or investment advisory business.

**HARBORLIGHT CAPITAL MANAGEMENT, LLC is under common control with the firm.**

<b>CRD #:</b>	128899
<b>Business Address:</b>	5002 W. WATERS AVE TAMPA, FL 33634
<b>Effective Date:</b>	09/01/2003
<b>Foreign Entity:</b>	No
<b>Country:</b>	
<b>Securities Activities:</b>	Yes
<b>Investment Advisory Activities:</b>	Yes
<b>Description:</b>	DEAN TANELLA, WHO IS LISTED AS A DIRECT OWNER OF GUNNALLEN FINANCIAL, IS ALSO A DIRECT OWNER OF HARBORLIGHT CAPITAL MANAGEMENT, LLC.

**GUNNALLEN INSURANCE GROUP is under common control with the firm.**

<b>Business Address:</b>	5002 WEST WATERS AVE TAMPA, FL 33634
<b>Effective Date:</b>	04/22/2002
<b>Foreign Entity:</b>	No
<b>Country:</b>	
<b>Securities Activities:</b>	No
<b>Investment Advisory Activities:</b>	No
<b>Description:</b>	GUNNALLEN FINANCIAL INSURANCE GROUP IS WHOLLY OWNED BY GUNNALLEN FINANCIAL HOLDINGS INC.

**Firm Operations****Organization Affiliates (continued)**

**GUNNALLEN HOME LOANS is under common control with the firm.**

**Business Address:** 5002 W. WATERS AVE.  
TAMPA, FL 33634

**Effective Date:** 04/22/2005

**Foreign Entity:** No

**Country:**

**Securities Activities:** No

**Investment Advisory Activities:** No

**Description:** GUNNALLEN FINANCIAL HOME LOANS IS WHOLLY OWNED BY GAF HOLDINGS INC.

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**NAPEX is controlled by the firm.**

**Business Address:** 5002 W WATERS AVE.  
TAMPA, FL 33634

**Effective Date:** 01/15/1986

**Foreign Entity:** No

**Country:**

**Securities Activities:** Yes

**Investment Advisory Activities:** No

**Description:** NAPEX IS AN ALTERNATIVE TRADING SYSTEM UNDER CONTROL OF GUNNALLEN FINANCIAL, INC. ("GUNNALLEN"). NAPEX IS REGISTERED UNDER RULE REGULATION ATS. NAPEX PROVIDES AN AUCTION FORMAT TO RESELL UNITS OF MORE THAN 1200 LIMITED PARTNERSHIPS IN A SECONDARY MARKETPLACE SETTING.

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**This firm is not directly or indirectly, controlled by the following:**

- bank holding company
- national bank
- state member bank of the Federal Reserve System
- state non-member bank
- savings bank or association
- credit union
- or foreign bank



**Organization Affiliates (continued)**

## Disclosure of Arbitration Awards, Disciplinary, Financial, and Regulatory Events



Firms are required to answer a series of disclosure questions on Form BD and provide corresponding details to certain events as part of the securities industry registration and licensing process. The disclosure questions concern certain criminal events, civil actions, financial disclosures (e.g., bankruptcy or liquidation proceedings filed within the past ten years), bond actions and unpaid judgments and liens. The firm must answer either "yes" or "no" to each question as it applies to the firm itself or to any of its control affiliates (i.e., an individual, partnership, corporation, trust, or other organization that directly or indirectly controls, is under common control with, or is controlled by the firm). This section lists the various disclosure questions and their corresponding answers as reported by the firm on Form BD.



Possible multiple reporting sources -- please note:

Disclosure event details may be reported by more than one source (i.e., regulator or firm). When this occurs, all versions of the reported event will appear in the firm's BrokerCheck report. The different versions of the same reported disclosure event are separated by a solid line with the reporting source clearly labeled.

	Pending	Final	On Appeal
Regulatory Event	0	17	0
Arbitration	N/A	15	N/A



## Disclosure Event Details

This section provides the specific details for each disclosure event that was reported in CRD which was reported as part of the securities industry registration and licensing process. It also includes summary information regarding arbitration awards in cases where the firm was named as a respondent in the consumer-initiated arbitration proceeding, if any.

Nothing will be displayed in this section of the firm's BrokerCheck Report when the firm has no reported disclosure information.

If the firm does have reported disclosure events, please keep the following in mind when evaluating the disclosure event details. Items may involve pending actions or allegations that may be contested and have not been resolved or proven. In the end, the items may be withdrawn, dismissed, or otherwise resolved in favor of the firm, or concluded through a negotiated settlement with no admission or finding of wrongdoing.

This report provides the information exactly as it was reported to CRD by the firm and/or by regulators. Some of the specific data fields contained in this section of the report may be blank if the information was not provided to CRD.

Disclosure events may be reported by more than one source (i.e., regulator and firm). When this occurs, all versions of the event will appear on the firm's BrokerCheck report. A solid line separates the different versions of the same disclosure event with the reporting source labeled (e.g., Source: Firm or Source: Regulator).

### Regulatory - Final

This section provides information regarding any final, regulatory action as reported by the firm and/or a securities regulator to CRD as part of the securities industry registration and licensing process. Such event may include a final, formal proceeding initiated by a regulatory authority (e.g., a state securities agency, a self-regulatory organization, a federal regulator such as the U.S. Securities and Exchange Commission (SEC) or the Commodity Futures Trading Commission (CFTC), or a foreign financial regulatory body) for a violation of investment-related rules or regulations. In addition, a revocation or suspension of the authority of a firm's control affiliate to act as an attorney, accountant or federal contractor, if any, will appear here.

#### Disclosure 1 of 17

**Reporting Source:** Regulator

**Current Status:** Final

**Allegations:** NASD RULE 2110: RESPONDENT GUNNALLEN FINANCIAL, INC. WAS REQUIRED TO PROVIDE WRITTEN NOTIFICATION TO CUSTOMERS WHO PURCHASED MUTUAL FUND CLASS A SHARES STATING THAT THE FIRM EXPERIENCED A PROBLEM DELIVERING BREAKPOINT DISCOUNTS AND THAT, AS A RESULT, THE CUSTOMER MAY BE ENTITLED TO A REFUND. GUNNALLEN FAILED TO TIMELY SEND THESE NOTICES TO CUSTOMERS. FINRA ALSO REQUIRED THAT GUNNALLEN PROMPTLY REVIEW ANY CUSTOMER INQUIRIES CONCERNING THE AVAILABILITY OF APPLICABLE BREAKPOINT DISCOUNTS. THE FIRM, HOWEVER, FAILED TO RESPOND TO



CUSTOMER REQUESTS FOR AN ACCOUNT REVIEW IN A TIMELY MANNER.

**Initiated By:** FINRA

**Date Initiated:** 03/23/2009

**Docket/Case Number:** 2005001350501

**Principal Product Type:** Mutual Fund(s)

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:**

**Other Sanction(s)/Relief Sought:**

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 03/23/2009

**Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?** No

**Sanctions Ordered:** Censure  
Monetary/Fine \$6,000.00

**Other Sanctions Ordered:**

**Sanction Details:** WITHOUT ADMITTING OR DENYING THE FINDINGS, GUNNALLEN CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, THE FIRM IS CENSURED AND FINED \$6,000.

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**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** NASD RULE 2110: RESPONDENT GUNNALLEN FINANCIAL, INC. WAS REQUIRED TO PROVIDE WRITTEN NOTIFICATION TO CUSTOMERS WHO PURCHASED MUTUAL FUND CLASS A SHARES STATING THAT THE FIRM EXPERIENCED A PROBLEM DELIVERING BREAKPOINT DISCOUNTS AND THAT, AS A RESULT, THE CUSTOMER MAY BE ENTITLED TO A REFUND. GUNNALLEN FAILED TO TIMELY SEND THESE NOTICES TO CUSTOMERS. FINRA ALSO REQUIRED THAT GUNNALLEN PROMPTLY REVIEW ANY CUSTOMER INQUIRIES CONCERNING THE AVAILABILITY OF APPLICABLE BREAKPOINT DISCOUNTS. THE FIRM, HOWEVER, FAILED TO RESPOND TO



CUSTOMER REQUESTS FOR AN ACCOUNT REVIEW IN A TIMELY MANNER.

**Initiated By:** FINRA  
**Date Initiated:** 03/23/2009  
**Docket/Case Number:** 2005001350501  
**Principal Product Type:** Mutual Fund(s)  
**Other Product Type(s):**  
**Principal Sanction(s)/Relief Sought:**  
**Other Sanction(s)/Relief Sought:**  
**Resolution:** Acceptance, Waiver & Consent(AWC)  
**Resolution Date:** 03/23/2009  
**Sanctions Ordered:** Censure  
 Monetary/Fine \$6,000.00  
**Other Sanctions Ordered:**

**Sanction Details:** WITHOUT ADMITTING OR DENYING THE FINDINGS, GUNNALLEN CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THERFORE, THE FIRM IS CENSURED AND FINED \$6,000.

#### Disclosure 2 of 17

**Reporting Source:** Regulator  
**Current Status:** Final  
**Allegations:** GUNNALLEN FAILED TO REASONABLY SUPERVISE DAVID ADLER WHO OFFERED AND SOLD AN LLC MEMBERSHIP INTEREST BEFORE ADLER BECAME REGISTERED AS AN AGENT IN OKLAHOMA.  
**Initiated By:** OKLAHOMA DEPARTMENT OF SECURITIES  
**Date Initiated:** 12/01/2008  
**Docket/Case Number:** ODS FILE NO. 09-007  
**Principal Product Type:** Other  
**Other Product Type(s):**  
**Principal Sanction(s)/Relief Sought:** Civil and Administrative Penalt(ies) /Fine(s)



**Other Sanction(s)/Relief Sought:**

**Resolution:** Consent

**Resolution Date:** 12/01/2008

**Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?** No

**Sanctions Ordered:** Monetary/Fine \$7,500.00

**Other Sanctions Ordered:**

**Sanction Details:** GUNNALLEN AGREED TO PAY THE CIVIL PENALTY WITHIN 30 DAYS OF THE EFFECTIVE DATE OF THE AGREEMENT (12/1/2008).

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**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** GUNNALLEN FAILED TO REASONABLY SUPERVISE DAVID ADLER WHO OFFERED AND SOLD AN LLC MEMBERSHIP INTEREST BEFORE ADLER BECAME REGISTERED AS AN AGENT IN OKLAHOMA.

**Initiated By:** OKLAHOMA DEPARTMENT OF SECURITIES

**Date Initiated:** 12/01/2008

**Docket/Case Number:** ODS FILE NO. 09-007

**Principal Product Type:** Other

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:** Civil and Administrative Penalt(ies) /Fine(s)

**Other Sanction(s)/Relief Sought:**

**Resolution:** Consent

**Resolution Date:** 12/01/2008

**Sanctions Ordered:** Monetary/Fine \$7,500.00

**Other Sanctions Ordered:**



**Sanction Details:** GUNNALLEN AGREED TO PAY THE CIVIL PENALTY WITHIN 30 DAYS OF THE EFFECTIVE DATE OF THE AGREEMENT (12/1/2008).

### Disclosure 3 of 17

**Reporting Source:** Regulator

**Current Status:** Final

**Allegations:** SECTION 10(B) OF THE SECURITIES EXCHANGE ACT OF 1934, SEC RULE 10B-5 THEREUNDER; SECTION 15(C) OF THE EXCHANGE ACT, SEC RULE 15C1-2 THEREUNDER; SECTION 17(A) OF THE EXCHANGE ACT AND SEC RULE 17A-3 AND 17A-4 THEREUNDER; SECTION 15(F) OF THE SECURITIES ACT OF 1934;  
 FINRA BYLAWS ARTICLE V, SECTIONS 2(C) AND 3(B);  
 NASD RULES 2110, 2120, 2320, 3010, 3011(A), (B) AND (E), 3070(A), (A)(9), (B) AND (C); MSRB RULE G-41:  
 RESPONDENT FIRM, ACTING THROUGH ITS FORMER HEAD TRADER, ENGAGED IN A VIOLATIVE TRADE ALLOCATION, OR "CHERRY PICKING" SCHEME DURING THE PERIOD FROM JANUARY 2002 THROUGH DECEMBER 2003. RESPONDENT DID NOT GIVE THE AFFECTED CUSTOMERS BEST EXECUTION WHEN IT DELAYED EXECUTION OF CUSTOMER ORDER, ALLOWING INDIVIDUAL'S WIFE TO TAKE TRADING PROFITS, AND SUBSEQUENTLY EXECUTED TRADES FOR THE CUSTOMERS AT PRICES LESS FAVORABLE THAN THE PREVAILING INTER-DEALER PRICE AT THE TIME OF RECEIPT OF THE CUSTOMERS' ORDERS.  
 THE FIRM NEGLECTED TO MAINTAIN ACCURATE TIMES OF ENTRY AND EXECUTION FOR THE CUSTOMER ORDERS OR TO MAKE AND RETAIN MEMORANDA OF PURCHASES AND SALES FOR THE INDIVIDUAL'S WIFE.  
  
 IT FAILED TO REPORT BUSINESS ACTIVITY WITH THE PERSON SUBJECT TO STATUTORY DISQUALIFICATION.  
  
 THE FIRM'S SUPERVISORY SYSTEMS AND WRITTEN PROCEDURES WERE DEFICIENT DURING THE PERIOD FROM 2002 THROUGH 2005. FIRM, ACTING THROUGH AN INDIVIDUAL RESPONDENT, FAILED TO SUPERVISE AN INDIVIDUAL IN CONNECTION WITH HIS FRAUDULENT TRADE ALLOCATION SCHEME.  
 THE FIRM NEVER PUT ANY STOCK OF A COMPANY ON A RESTRICTED OR WATCH LIST EVEN THOUGH THE FIRM WAS CONDUCTING INVESTMENT BANKING BUSINESS WITH THESE COMPANIES. DURING THE SAME PERIOD, THE FIRM FAILED TO INFORM IT'S OWN COMPLIANCE DEPARTMENT OF THE INVESTMENT BANKING ACTIVITIES IN WHICH THE FIRM WAS INVOLVED.  
 ALLEGATIONS CONTINUED IN COMMENTS



**Initiated By:** FINRA

**Date Initiated:** 05/08/2008

**Docket/Case Number:** E072005009201

**Principal Product Type:** Other

**Other Product Type(s):** UNSPECIFIED SECURITIES

**Principal Sanction(s)/Relief Sought:**

**Other Sanction(s)/Relief Sought:**

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 05/08/2008

**Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?** No

**Sanctions Ordered:** Censure  
Monetary/Fine \$750,000.00

**Other Sanctions Ordered:**

**Sanction Details:** WITHOUT ADMITTING OR DENYING THE FINDINGS, RESPONDENT MEMBER FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, FIRM IS CENSURED AND FINED \$750,000, OF WHICH \$25,000 IS JOINTLY AND SEVERALLY.

**Summary:** THE FIRM FAILED TO PREVENT TRADING IN STOCKS WHILE IN POSSESSION OF INVESTMENT BANKING INFORMATION, FAILED TO PREVENT THE MISUSE OF MATERIAL, NONPUBLIC INFORMATION BY THE FIRM OR ASSOCIATED PERSON.

IT FAILED TO ENSURE THAT MARKUPS AND COMMISSIONS CHARGED ON EQUITY TRANSACTIONS WERE FAIR AND REASONABLE AND ALLOWED ITS BROKERS SIGNIFICANT DISCRETION IN SETTLING COMMISSIONS ON TRANSACTIONS; ITS SUPERVISORY SYSTEM RELATED TO THE SURVEILLANCE OF ACCOUNTS FOR EXCESSIVE TRADING AND CHURNING WAS DEFICIENT.

THE FIRM FAILED TO PROPERLY AND TIMELY FILE REPORTS RELATING TO DISCLOSURES OF COMPLAINTS, SETTLEMENTS, ARBITRATIONS AND



REGULATORY ACTIONS AND QUARTERLY REPORTS, AND FAILED TO PROPERLY AMEND OR FILE FORMS U4 AND U5; FAILED TO PRESERVE E-MAILS AND INSTANT MESSAGES; FAILED TO IMPLEMENT THE FIRM'S ANTI-MONEY LAUNDERING COMPLIANCE PROGRAM AND PROVIDE ADEQUATE AML TRAINING TO ITS PERSONNEL WHO CONDUCTED AML SURVEILLANCE REVIEWS.

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**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** SECTION 10(B) OF THE SECURITIES EXCHANGE ACT OF 1934, SEC RULE 10B-5 THEREUNDER; SECTION 15(C) OF THE EXCHANGE ACT, SEC RULE 15C1-2 THEREUNDER; SECTION 17(A) OF THE EXCHANGE ACT AND SEC RULE 17A-3 AND 17A-4 THEREUNDER; SECTION 15(F) OF THE SECURITIES ACT OF 1934; FINRA BYLAWS ARTICLE V, SECTIONS 2(C) AND 3(B); NASD RULES 2120, 2320, 2110, 3010, 3011(A), (B) AND (E), 3070, 3070(A)(9) AND (B); MSRB RULE G-41: RESPONDENT FIRM, ACTING THROUGH ITS FORMER HEAD TRADER, ENGAGED IN A VIOLATIVE TRADE ALLOCATION, OR "CHERRY PICKING" SCHEME DURING THE PERIOD FROM JANUARY 2002 THROUGH DECEMBER 2003. RESPONDENT DID NOT GIVE THE AFFECTED CUSTOMERS BEST EXECUTION WHEN IT DELAYED EXECUTION OF CUSTOMER ORDER, ALLOWING INDIVIDUAL'S WIFE TO TAKE TRADING PROFITS, AND SUBSEQUENTLY EXECUTED TRADES FOR THE CUSTOMERS AT PRICES LESS FAVORABLE THAN THE PREVAILING INTER-DEALER PRICE AT THE TIME OF RECEIPT OF THE CUSTOMERS' ORDERS. THE FIRM NEGLECTED TO MAINTAIN ACCURATE TIMES OF ENTRY AND EXECUTION FOR THE CUSTOMER ORDERS OR TO MAKE AND RETAIN MEMORANDA OF PURCHASES AND SALES FOR THE INDIVIDUAL'S WIFE. IT FAILED TO REPORT BUSINESS ACTIVITY WITH THE PERSON SUBJECT TO STATUTORY DISQUALIFICATION. THE FIRM'S SUPERVISORY SYSTEMS AND WRITTEN PROCEDURES WERE DEFICIENT DURING THE PERIOD FROM 2002 THROUGH 2005. FIRM, ACTING THROUGH AN INDIVIDUAL RESPONDENT, FAILED TO SUPERVISE AN INDIVIDUAL IN CONNECTION WITH HIS FRAUDULENT TRADE ALLOCATION SCHEME. THE FIRM NEVER PUT ANY STOCK OF A COMPANY ON A RESTRICTED OR WATCH LIST EVEN THOUGH THE FIRM WAS CONDUCTING INVESTMENT BANKING BUSINESS WITH THESE COMPANIES. DURING THE SAME PERIOD, THE FIRM FAILED TO INFORM IT'S OWN COMPLIANCE DEPARTMENT OF THE INVESTMENT BANKING ACTIVITIES IN WHICH THE FIRM WAS INVOLVED. ALLEGATIONS CONTINUED IN COMMENTS

**Initiated By:** FINRA

**Date Initiated:** 05/08/2008



**Docket/Case Number:** E072005009201

**Principal Product Type:** Other

**Other Product Type(s):** UNSPECIFIED SECURITIES

**Principal Sanction(s)/Relief Sought:** Civil and Administrative Penalt(ies) /Fine(s)

**Other Sanction(s)/Relief Sought:**

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 05/08/2008

**Sanctions Ordered:** Censure  
Monetary/Fine \$750,000.00

**Other Sanctions Ordered:**

**Sanction Details:** FINE OF \$750,000.00 PAID

**Summary:** THE FIRM FAILED TO PREVENT TRADING IN STOCKS WHILE IN POSSESSION OF INVESTMENT BANKING INFORMATION, FAILED TO PREVENT THE MISUSE OF MATERIAL, NONPUBLIC INFORMATION BY THE FIRM OR ASSOCIATED PERSON. IT FAILED TO ENSURE THAT MARKUPS AND COMMISSIONS CHARGED ON EQUITY TRANSACTIONS WERE FAIR AND REASONABLE AND ALLOWED ITS BROKERS SIGNIFICANT DISCRETION IN SETTLING COMMISSIONS ON TRANSACTIONS; ITS SUPERVISORY SYSTEM RELATED TO THE SURVEILLANCE OF ACCOUNTS FOR EXCESSIVE TRADING AND CHURNING WAS DEFICIENT. THE FIRM FAILED TO PROPERLY AND TIMELY FILE REPORTS PURSUANT TO NASD RULE 3070(A) AND (C) RELATING TO DISCLOSURES OF COMPLAINTS, SETTLEMENTS, ARBITRATIONS AND REGULATORY ACTIONS AND QUARTERLY REPORTS, AND FAILED TO PROPERLY AMEND OR FILE FORMS U4 AND U5; FAILED TO PRESERVE E-MAILS AND INSTANT MESSAGES; FAILED TO IMPLEMENT THE FIRM'S ANTI-MONEY LAUNDERING COMPLIANCE PROGRAM AND PROVIDE ADEQUATE AML TRAINING TO ITS PERSONNEL WHO CONDUCTED AML SURVEILLANCE REVIEWS.

#### Disclosure 4 of 17

**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** INDIANA ALLEGED THAT GUNNALLEN VIOLATED 23-2-1-8(A), 8(B), 23-2-1-11(A)(14), 710 IND. ADMIN. CODE 1-17-1(V), AND 23-2-1-11-(A)(14).

**Initiated By:** STATE OF INDIANA



**Date Initiated:** 03/10/2008  
**Docket/Case Number:** 08-0009 CA  
**Principal Product Type:** Other  
**Other Product Type(s):** COLD CALLING AND INITIATION OF NEW ACCOUNTS  
**Principal Sanction(s)/Relief Sought:** Civil and Administrative Penalt(ies) /Fine(s)  
**Other Sanction(s)/Relief Sought:**  
**Resolution:** Acceptance, Waiver & Consent(AWC)  
**Resolution Date:** 03/10/2008  
**Sanctions Ordered:** Monetary/Fine \$150,000.00  
**Other Sanctions Ordered:**  
**Sanction Details:** GUNNALLEN FINANCIAL INC. PAID THE MONETARY PENALTY OF \$150,000 ON MARCH 14, 2008;  
**Summary:** ACCEPTED AWC RECEIVED ON MARCH 10, 2008.

#### Disclosure 5 of 17

**Reporting Source:** Regulator  
**Current Status:** Final  
**Allegations:** GUNNALLEN CONDUCTED SECURITIES TRANSACTIONS AT FLORIDA LOCATIONS THAT WERE NOT REGISTERED WITH THE OFFICE AT THE TIME OF THESE TRANSACTIONS, IN VIOLATION OF CHAPTER 517.12(5), FLORIDA STATUTES.  
**Initiated By:** FLORIDA  
**Date Initiated:** 04/17/2007  
**Docket/Case Number:** 0324-S-2/07  
**Principal Product Type:** No Product  
**Other Product Type(s):**  
**Principal Sanction(s)/Relief Sought:** Civil and Administrative Penalt(ies) /Fine(s)  
**Other Sanction(s)/Relief Sought:**



**Resolution:** Stipulation and Consent

**Resolution Date:** 04/17/2007

**Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?** No

**Sanctions Ordered:** Monetary/Fine \$65,000.00  
Cease and Desist/Injunction

**Other Sanctions Ordered:** CEASE & DESIST FROM VIOLATIONS OF CHAPTER 517, F.S.; FOR A PERIOD OF TWELVE (12) MONTHS THE FIRM SHALL NOT EXPAND THE NUMBER OF REGISTERED BRANCH OFFICES IN FL BEYOND SIXTY-TWO (62); AND AGREES TO SUBMIT TO THE OFFICE, AN UPDATED COPY OF ITS WRITTEN SUPERVISORY PROCEDURES, AS THEY PERTAIN TO BRANCH OFFICE REGISTRATIONS.

**Sanction Details:** FINE WAS PAID AT THE TIME OF THE FINAL ORDER

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**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** GUNNALLEN CONDUCTED SECURITIES TRANSACTIONS AT FLORIDA LOCATIONS THAT WERE NOT REGISTERED WITH THE OFFICE AT THE TIME OF THESE TRANSACTIONS, IN VIOLATION OF CHAPTER 517.12(5), FLORIDA STATUES

**Initiated By:** FLORIDA

**Date Initiated:** 04/17/2007

**Docket/Case Number:** 0324-S-2/07

**Principal Product Type:** No Product

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:** Civil and Administrative Penalt(ies) /Fine(s)

**Other Sanction(s)/Relief Sought:**

**Resolution:** Stipulation and Consent

**Resolution Date:** 04/17/2007



<b>Sanctions Ordered:</b>	Monetary/Fine \$65,000.00 Cease and Desist/Injunction
<b>Other Sanctions Ordered:</b>	CEASE AND DESIST FROM VIOLATIONS OF CHAPTER 517, F.S.; FOR A PERIOD OF TWELVE (12) MONTHS THE FIRM SHALL NOT EXPAND THE NUMBER OF REGISTERED BRANCH OFFICES IN FL BEYOND SIXTY-TWO (62); AND AGREES TO SUBMIT TO THE OFFICE, AN UPDATED COPY OF ITS WRITTEN SUPERVISORY PROCEDURES, AS THEY PERTAIN TO BRANCH OFFICE REGISTRATIONS
<b>Sanction Details:</b>	FINE WAS PAID AT THE TIME OF THE FINAL ORDER

#### Disclosure 6 of 17

<b>Reporting Source:</b>	Regulator
<b>Current Status:</b>	Final
<b>Allegations:</b>	NASD RULES 1120, 2110, 2212, 3010, 3070, ARTICLE 5, SECTIONS 2 AND 3, NASD BY-LAWS - FROM ABOUT JUNE 2003 THROUGH ABOUT MARCH 2004, GUNNALLEN, ACTING THROUGH AN ASSOCIATED PERSON, FAILED TO ESTABLISH AND MAINTAIN A SUPERVISORY SYSTEM, AND FAILED TO ESTABLISH, MAINTAIN AND ENFORCE WRITTEN SUPERVISORY PROCEDURES (WSPS) REASONABLY DESIGNED TO PROVIDE A SYSTEM OF SUPERVISION FOR REGISTERED REPRESENTATIVES WITH HISTORIES OF REPEATED CUSTOMER COMPLAINTS; DISCIPLINARY ACTIONS; ARBITRATIONS; HEIGHTENED SUPERVISION AND TO PREVENT AND DETECT UNAUTHORIZED TRADING. DESPITE THE FACT THAT A REGISTERED REPRESENTATIVE'S REGISTRATIONS WERE INACTIVE AND DESPITE THE FACT THAT THE FIRM HAD NOTIFIED THE REPRESENTATIVE THAT HIS REGISTRATION WAS INACTIVE, ON DECEMBER 16, 2004, GUNNALLEN, ACTING THROUGH AN ASSOCIATED PERSON, PERMITTED THE REPRESENTATIVE TO EFFECT THIRTEEN CUSTOMER SECURITIES TRANSACTIONS. FROM ABOUT APRIL 2003, THROUGH ABOUT JANUARY 2004, GUNNALLEN, ACTING THROUGH AN ASSOCIATED PERSON, WHO WAS RESPONSIBLE FOR THE FIRM'S COMPLIANCE WITH THE REPORTING REQUIREMENTS OF NASD CONDUCT RULE 3070, FAILED TO REPORT ONE CUSTOMER-RELATED REPORTABLE MATTER AS REQUIRED BY NASD CONDUCT RULE 3070, AND FAILED TO REPORT SEVEN CUSTOMER-RELATED REPORTABLE MATTERS WITHIN THE TIME PERIOD PRESCRIBED BY RULE 3070. FROM ABOUT MAY 2003, THROUGH FEBRUARY 2004, GUNNALLEN, ACTING THROUGH AN ASSOCIATED PERSON, WHO WAS RESPONSIBLE FOR UPDATING FORMS U-4 AND U-5 FOR THE FIRM'S REGISTERED REPRESENTATIVES, FAILED TO UPDATE FORMS U-4 OR U-5 WITH RESPECT TO FIVE CUSTOMER COMPLAINTS OR ARBITRATIONS AGAINST FIVE REGISTERED REPRESENTATIVES, WITHIN 30 DAYS OF LEARNING OF SAID MATTERS, AS REQUIRED PURSUANT TO



NASD BYLAWS. GUNNALLEN, ACTING THROUGH AN ASSOCIATED PERSON FAILED TO ENFORCE THE FIRM'S WSPS REGARDING TELEMARKETING AND IN ADDITION PERMITTED A COLD CALL TO BE MADE TO AN INDIVIDUAL WHO HAD PLACED HIMSELF ON THE FIRM'S DO NOT CALL LIST.

**Initiated By:** NASD

**Date Initiated:** 06/23/2006

**Docket/Case Number:** E072004006101

**Principal Product Type:** No Product

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:**

**Other Sanction(s)/Relief Sought:**

**Resolution:** Decision & Order of Offer of Settlement

**Resolution Date:** 03/06/2007

**Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?** No

**Sanctions Ordered:** Monetary/Fine \$100,000.00

**Other Sanctions Ordered:**

**Sanction Details:** WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, RESPONDENT MEMBER FIRM CONSENTED TO THE DESCRIBED SANCTION AND TO THE ENTRY OF FINDINGS; THEREFORE, THE FIRM IS FINED \$100,000, OF WHICH \$90,000 IS JOINTLY AND SEVERALLY.

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**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** NASD RULES 1120, 2110, 2212, 3010, 3070, ARTICLE 5, SECTIONS 2 AND 3, NASD BY-LAWS - FROM ABOUT JUNE 2003 THROUGH ABOUT MARCH 2004, GUNNALLEN, ACTING THROUGH AN ASSOCIATED PERSON, FAILED TO ESTABLISH AND MAINTAIN A SUPERVISORY SYSTEM, AND FAILED TO ESTABLISH, MAINTAIN AND ENFORCE WRITTEN SUPERVISORY



PROCEDURES (WSPS) REASONABLY DESIGNED TO PROVIDE A SYSTEM OF SUPERVISION FOR REGISTERED REPRESENTATIVES WITH HISTORIES OF REPEATED CUSTOMER COMPLAINTS; DISCIPLINARY ACTIONS; ARBITRATIONS; HEIGHTENED SUPERVISION AND TO PREVENT AND DETECT UNAUTHORIZED TRADING. DESPITE THE FACT THAT A REGISTERED REPRESENTATIVE'S REGISTRATIONS WERE INACTIVE AND DESPITE THE FACT THAT THE FIRM HAD NOTIFIED THE REPRESENTATIVE THAT HIS REGISTRATION WAS INACTIVE, ON DECEMBER 16, 2004, GUNNALLEN, ACTING THROUGH AN ASSOCIATED PERSON, PERMITTED THE REPRESENTATIVE TO EFFECT THIRTEEN CUSTOMER SECURITIES TRANSACTIONS. FROM ABOUT APRIL 2003, THROUGH ABOUT JANUARY 2004, GUNNALLEN, ACTING THROUGH AN ASSOCIATED PERSON, WHO WAS RESPONSIBLE FOR THE FIRM'S COMPLIANCE WITH THE REPORTING REQUIREMENTS OF NASD CONDUCT RULE 3070, FAILED TO REPORT ONE CUSTOMER-RELATED REPORTABLE MATTER AS REQUIRED BY NASD CONDUCT RULE 3070, AND FAILED TO REPORT SEVEN CUSTOMER-RELATED REPORTABLE MATTERS WITHIN THE TIME PERIOD PRESCRIBED BY RULE 3070. FROM ABOUT MAY 2003, THROUGH FEBRUARY 2004, GUNNALLEN, ACTING THROUGH AN ASSOCIATED PERSON, WHO WAS RESPONSIBLE FOR UPDATING FORMS U-4 AND U-5 FOR THE FIRM'S REGISTERED REPRESENTATIVES, FAILED TO UPDATE FORMS U-4 OR U-5 WITH RESPECT TO FIVE CUSTOMER COMPLAINTS OR ARBITRATIONS AGAINST FIVE REGISTERED REPRESENTATIVES, WITHIN 30 DAYS OF LEARNING OF SAID MATTERS, AS REQUIRED PURSUANT TO NASD BYLAWS. GUNNALLEN, ACTING THROUGH AN ASSOCIATED PERSON FAILED TO ENFORCE THE FIRM'S WSPS REGARDING TELEMARKETING AND IN ADDITION PERMITTED A COLD CALL TO BE MADE TO AN INDIVIDUAL WHO HAD PLACED HIMSELF ON THE FIRM'S DO NOT CALL LIST.

<b>Initiated By:</b>	NASD
<b>Date Initiated:</b>	06/23/2006
<b>Docket/Case Number:</b>	E072004006101
<b>Principal Product Type:</b>	No Product
<b>Other Product Type(s):</b>	
<b>Principal Sanction(s)/Relief Sought:</b>	Other
<b>Other Sanction(s)/Relief Sought:</b>	AN ORDER IMPOSING SANCTIONS UPON THE RESPONDENTS IN ACCORDANCE WITH NASD RULE 8310 INCLUDING SUCH COSTS OF ANY PROCEEDING AS ARE DEEMED FAIR AND APPROPRIATE
<b>Resolution:</b>	Decision & Order of Offer of Settlement



**Resolution Date:** 03/06/2007

**Sanctions Ordered:** Monetary/Fine \$100,000.00

**Other Sanctions Ordered:**

**Sanction Details:** WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, RESPONDENT MEMBER FIRM CONSENTED TO THE DESCRIBED SANCTION AND TO THE ENTRY OF FINDINGS: THEREFORE, THE FIRM IS FINED \$100,000, OF WHICH \$90,000 IS JOINTLY AND SEVERALLY

#### Disclosure 7 of 17

**Reporting Source:** Regulator

**Current Status:** Final

**Allegations:** NASD RULES 2110, 3010 - GUNNALLEN, ACTING THROUGH AN ASSOCIATED PERSON, FAILED TO OBTAIN WRITTEN CONSENT TO CONDUCT ANY OF THE SEARCHES, AND FALSELY CERTIFIED THAT WRITTEN CONSENT HAD BEEN OBTAINED AND CONDUCTED WEB CRD SEARCHES FOR AT LEAST THE FOLLOWING UNAUTHORIZED PURPOSES; TO GAIN AN INFORMATION ADVANTAGE IN LITIGATION INVOLVING GUNNALLEN AND THIRD PARTIES; TO GATHER INFORMATION TO PROVIDE TO THIRD PARTIES AS A BUSINESS COURTESY IN THE HOPES OF GETTING A FUTURE REFERRAL OF BUSINESS; TO LEARN THE BACKGROUND OF VARIOUS INDIVIDUALS NOT SEEKING EMPLOYMENT WITH GUNNALLEN, INCLUDING BUT NOT LIMITED TO, INDUSTRY REGULATORS; TO PROVIDE THIRD PARTIES FOR WHOM AN ASSOCIATED PERSON RENDERED CONSULTING OR ADVISORY SERVICES WITH INFORMATION NOT RELATED TO GUNNALLEN OR OUTSIDE COUNSEL TO GUNNALLEN. IN ADDITION, GUNNALLEN FAILED TO ESTABLISH AND MAINTAIN WRITTEN PROCEDURES TO SUPERVISE THE USE OF WEB CRD, FAILED TO SUPERVISE THE USE OF WEB CRD TO ENSURE THAT THE REQUISITE WRITTEN CONSENTS WERE OBTAINED PRIOR TO CONDUCTING ALL WEB CRD SEARCHES, AND FAILED TO ENSURE THAT ALL WEB CRD WERE CONDUCTED FOR AUTHORIZED PURPOSES.

**Initiated By:** NASD

**Date Initiated:** 05/16/2006

**Docket/Case Number:** 2005002392101

**Principal Product Type:** No Product

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:**



**Other Sanction(s)/Relief Sought:**

**Resolution:** Decision & Order of Offer of Settlement

**Resolution Date:** 01/25/2007

**Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?** No

**Sanctions Ordered:** Censure  
Monetary/Fine \$50,000.00

**Other Sanctions Ordered:**

**Sanction Details:** WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE THE FIRM IS CENSURED AND FINED \$50,000.

**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** NASD RULES 2110, 3010 - GUNNALLEN, ACTING THROUGH AN ASSOCIATED PERSON, FAILED TO OBTAIN WRITTEN CONSENT TO CONDUCT ANY OF THE SEARCHES, AND FALSELY CERTIFIED THAT WRITTEN CONSENT HAD BEEN OBTAINED AND CONDUCTED WEB CRD SEARCHES FOR AT LEAST THE FOLLOWING UNAUTHORIZED PURPOSES; TO GAIN AN INFORMATION ADVANTAGE IN LITIGATION INVOLVING GUNNALLEN AND THIRD PARTIES; TO GATHER INFORMATION TO PROVIDE TO THIRD PARTIES AS A BUSINESS COURTESY IN THE HOPES OF GETTING A FUTURE REFERRAL OF BUSINESS; TO LEARN THE BACKGROUND OF VARIOUS INDIVIDUALS NOT SEEKING EMPLOYMENT WITH GUNNALLEN, INCLUDING BUT NOT LIMITED TO, INDUSTRY REGULATORS; TO PROVIDE THIRD PARTIES FOR WHOM AN ASSOCIATED PERSON RENDERED CONSULTING OR ADVISORY SERVICES WITH INFORMATION NOT RELATED TO GUNNALLEN OR OUTSIDE COUNSEL TO GUNNALLEN. IN ADDITION, GUNNALLEN FAILED TO ESTABLISH AND MAINTAIN WRITTEN PROCEDURES TO SUPERVISE THE USE OF WEB CRD, FAILED TO SUPERVISE THE USE OF WEB CRD TO ENSURE THAT THE REQUISITE WRITTEN CONSENTS WERE OBTAINED PRIOR TO CONDUCTING ALL WEB CRD SEARCHES, AND FAILED TO ENSURE THAT ALL WEB CRD WERE CONDUCTED FOR AUTHORIZED PURPOSES.



**Initiated By:** NASD  
**Date Initiated:** 05/16/2006  
**Docket/Case Number:** 2005002392101  
**Principal Product Type:** No Product  
**Other Product Type(s):**  
**Principal Sanction(s)/Relief Sought:**  
**Other Sanction(s)/Relief Sought:**  
**Resolution:** Decision & Order of Offer of Settlement  
**Resolution Date:** 01/25/2007  
**Sanctions Ordered:** Censure  
 Monetary/Fine \$50,000.00  
**Other Sanctions Ordered:**  
**Sanction Details:** WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE THE FIRM IS CENSURED AND FINED \$50,000.00

#### Disclosure 8 of 17

**Reporting Source:** Regulator  
**Current Status:** Final  
**Allegations:** MARCH 13, 2006 CONSENT ORDER ALLEGED THAT THE FIRM 1) VIOLATED SECTION 36B-6(D) OF THE CONNECTICUT UNIFORM SECURITIES ACT BY TRANSACTING BUSINESS FROM SIX UNREGISTERED BRANCH OFFICE LOCATIONS; 2) VIOLATED SECTION 36B-6(F) OF THE ACT BY FAILING TO PROVIDE WRITTEN NOTICE TO THE COMMISSIONER PRIOR TO THE TERMINATION OF BUSINESS ACTIVITY AT SEVEN OF ITS BRANCH OFFICES; 3) VIOLATED SECTION 36B-6(D)(3) OF THE ACT BY FAILING TO PROMPTLY NOTIFY THE COMMISSIONER IN WRITING THAT THREE OF THE FIRM'S OFFICES HAD RELOCATED; AND 4) VIOLATED SECTION 36B-31-6F(B) OF THE REGULATIONS UNDER THE ACT BY FAILING TO ESTABLISH, ENFORCE AND MAINTAIN AN ADEQUATE SUPERVISORY SYSTEM.  
**Initiated By:** CONNECTICUT  
**Date Initiated:** 03/13/2006



**Docket/Case Number:** CO-06-7238-S

**Principal Product Type:** No Product

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:** Civil and Administrative Penalt(ies) /Fine(s)

**Other Sanction(s)/Relief Sought:**

**Resolution:** Consent

**Resolution Date:** 03/13/2006

**Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?** No

**Sanctions Ordered:** Monetary/Fine \$10,000.00  
Cease and Desist/Injunction

**Other Sanctions Ordered:** THE MARCH 13, 2006 CONSENT ORDER DIRECTED THE FIRM TO CEASE AND DESIST FROM REGULATORY VIOLATIONS, AND MANDATED THAT THE FIRM IMPLEMENT REVISED SUPERVISORY PROCEDURES DESIGNED TO IMPROVE REGULATORY COMPLIANCE. IN ADDITION, THE CONSENT ORDER REQUIRED THAT THE FIRM PAY \$10,000 TO THE AGENCY. OF THAT AMOUNT, \$9,000 CONSTITUTED AN ADMINISTRATIVE FINE AND \$1,000 CONSTITUTED REIMBURSEMENT FOR AGENCY INVESTIGATIVE COSTS.

**Sanction Details:** SEE RESPONSE TO ITEM 13.B.

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**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** MARCH 13, 2006 CONSENT ORDER ALLEGED THAT THE FIRM 1) VIOLATED SECTION 36B-6(D) OF THE CONNECTICUT UNIFORM SECURITIES ACT BY TRANSACTING BUSINESS FROM SIX UNREGISTERED BRANCH OFFICE LOCATIONS; 2) VIOLATED SECTION 36B-6(F) OF THE ACT BY FAILING TO PROVIDE WRITTEN NOTICE TO THE COMMISSIONER PRIOR TO THE TERMINATION OF BUSINESS ACTIVITY AT SEVEN OF ITS BRANCH OFFICES; 3) VIOLATED SECTION 36B-6(D)(3) OF THE ACT BY FAILING TO PROMPTLY NOTIFY THE COMMISSIONER IN WRITING THAT THREE OF THE FIRM'S OFFICES HAD RELOCATED; AND 4) VIOLATED SECTION



36B-31-6F(B) OF THE REGULATIONS UNDER THE ACT BY FAILING TO ESTABLISH, ENFORCE AND MAINTAIN AN ADEQUATE SUPERVISORY SYSTEM.

**Initiated By:** CONNECTICUT

**Date Initiated:** 03/13/2006

**Docket/Case Number:** CO-06-7238-S

**Principal Product Type:** No Product

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:** Civil and Administrative Penalt(ies) /Fine(s)

**Other Sanction(s)/Relief Sought:**

**Resolution:** Consent

**Resolution Date:** 03/13/2006

**Sanctions Ordered:** Monetary/Fine \$10,000.00  
Cease and Desist/Injunction

**Other Sanctions Ordered:** THE MARCH 13, 2006 CONSENT ORDER DIRECTED THE FIRM TO CEASE AND DESIST FROM REGULATORY VIOLATIONS, AND MANDATED THAT THE FIRM IMPLEMENT REVISED SUPERVISORY PROCEDURES DESIGNED TO IMPROVE REGULATORY COMPLIANCE. IN ADDITION, THE CONSENT ORDER REQUIRED THAT THE FIRM PAY \$10,000 TO THE AGENCY. OF THAT AMOUNT, \$9,000 CONSTITUTED AN ADMINISTRATIVE FINE AND \$1,000 CONSTITUTED REIMBURSEMENT FOR AGENCY INVESTIGATIVE COSTS.

**Sanction Details:** SEE RESPONSE TO ITEM 13.B.

#### Disclosure 9 of 17

**Reporting Source:** Regulator

**Current Status:** Final

**Allegations:** SEC RULE 11AC1-4: THE FIRM FAILED TO DISPLAY IMMEDIATELY CUSTOMER LIMIT ORDERS IN NASDAQ SECURITIES IN ITS PUBLIC QUOTATION, WHEN EACH SUCH ORDER WAS AT A PRICE THAT WOULD HAVE IMPROVED THE FIRM'S BID OR OFFER IN EACH SUCH SECURITY, OR WHEN THE ORDER WAS PRICED EQUAL TO FIRM'S BID OR OFFER AND THE NATIONAL BEST BID OR OFFER FOR EACH SUCH SECURITY, AND THE SIZE OF THE ORDER REPRESENTED MORE THAN A DE MINIMIS CHANGE IN RELATION TO THE SIZE ASSOCIATED THE FIRM'S BID OFFER.



**Initiated By:** NASD  
**Date Initiated:** 07/06/2005  
**Docket/Case Number:** CLG050082  
**Principal Product Type:** Other  
**Other Product Type(s):** SECURITIES  
**Principal Sanction(s)/Relief Sought:**  
**Other Sanction(s)/Relief Sought:**  
**Resolution:** Acceptance, Waiver & Consent(AWC)  
**Resolution Date:** 07/06/2005  
**Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?** No  
**Sanctions Ordered:** Monetary/Fine \$5,000.00  
**Other Sanctions Ordered:**  
**Sanction Details:** WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, RESPONDENT FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, FIRM IS FINED \$5,000.

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**Reporting Source:** Firm  
**Current Status:** Final  
**Allegations:** VIOLATION OF SEC RULE 11AC1-4  
**Initiated By:** NASD  
**Date Initiated:** 09/02/2004  
**Docket/Case Number:** CLG050082  
**Principal Product Type:** No Product  
**Other Product Type(s):**  
**Principal Sanction(s)/Relief Sought:** Civil and Administrative Penalt(ies) /Fine(s)


**Other Sanction(s)/Relief Sought:**
**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 07/06/2005

**Sanctions Ordered:** Monetary/Fine \$5,000.00

**Other Sanctions Ordered:**
**Sanction Details:** GUNNALLEN SIGNED AN AWC ON 5/19/05 AND IT WAS ACCEPTED BY THE NASD ON 7/6/05. GUNNALLEN CONSENTED TO A FINE OF \$5000

**Disclosure 10 of 17**
**Reporting Source:** Regulator

**Current Status:** Final

**Allegations:** ARTICLE V, SECTIONS 2 AND 3 OF NASD BYLAWS AND NASD RULES 1120(A), 2110, 3011, 3070, 3110(C)(1)(C) - RESPONDENT MEMBER FAILED TO IMPLEMENT ITS ANTI-MONEY LAUNDERING PROGRAM IN A MANNER THAT WAS REASONABLY DESIGNED TO ACHIEVE AND MONITOR COMPLIANCE WITH THE REQUIREMENTS OF THE BANK SECRECY ACT AND THE IMPLEMENTING REGULATIONS PROMULGATED THEREUNDER BY THE DEPARTMENT OF TREASURY; RESPONDENT MEMBER ACTING THROUGH EMPLOYEES, PERMITTED REGISTERED REPRESENTATIVES TO ACT IN A CAPACITY REQUIRING REGISTRATION WHEN SUCH PERSONS WERE DEEMED INACTIVE FOR FAILING TO COMPLETE THE REGULATORY ELEMENT OF NASD CONTINUING EDUCATION; FAILED TO TIMELY REPORT INFORMATION REGARDING CUSTOMER COMPLAINTS TO NASD, AND FAILED TO REPORT WITHIN 10 BUSINESS DAYS A SETTLEMENT OF CLAIM FOR DAMAGES AGAINST THE FIRM AND A REPRESENTATIVE FOR \$120,000; FAILED TO TIMELY UPDATE FORM U4'S FOR REPRESENTATIVES TO DISCLOSE CUSTOMER COMPLAINTS, AND FAILED TO TIMELY UPDATE FORM U5'S OF FORMER REPRESENTATIVES TO DISCLOSE SETTLEMENTS AND/OR ARBITRATIONS; FAILED TO ENSURE THAT ALL NEW ACCOUNT FORMS CONTAINED THE SIGNATURE OF A PARTNER, OFFICE OR MANAGER ACCEPTING THE ACCOUNT ON BEHALF OF THE FIRM.

**Initiated By:** NASD

**Date Initiated:** 01/18/2005

**Docket/Case Number:** C07050004

**Principal Product Type:** No Product

**Other Product Type(s):**



**Principal Sanction(s)/Relief Sought:**

**Other Sanction(s)/Relief Sought:**

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 01/18/2005

**Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?** No

**Sanctions Ordered:** Censure  
Monetary/Fine \$30,000.00

**Other Sanctions Ordered:**

**Sanction Details:** WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, GUNNALLEN FINANCIAL INC., CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS, THEREFORE THE FIRM IS CENSURED AND FINED \$30,000, OF WHICH \$20,000 IS IMPOSED JOINTLY AND SEVERALLY WITH TWO OTHER INDIVIDUAL RESPONDENTS.

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**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** VIOLATION OF NASD CONDUCT RULES 2110 AND 3011, 3070, 3110 (C)(1)(C), VIOLATION OF NASD MEMBERSHIP AND REGISTRATION RULE 1120(A) IN THAT THE FIRM FAILED TO IMPLEMENT ITS ANTI-MONEY LAUNDERING PROGRAM, DURING THE PERIOD FROM APRIL 2002 TO AT LEAST AUGUST 2003, IN A MANNER THAT WAS REASONABLY DESIGNED TO ACHIEVE AND MONITOR COMPLIANCE WITH THE REQUIREMENTS OF THE BANK SECRECY ACT AND THE IMPLEMENTING REGULATIONS PROMULGATED THEREUNDER BY THE DEPARTMENT OF TREASURY. SPECIFICALLY, GAF'S AML PROGRAM REQUIRES THAT THE FIRM OBTAIN, WITHIN 10 DAYS OF OPENING AN ACCOUNT FOR A FOREIGN BANK, A MODEL CERTIFICATIONS TO CONFIRM THAT THE BANK IS NOT A SHELL BANK AND IS NOT PROVIDING SERVICE TO FOREIGN SHELL BANKS, AND TO VERIFY OWNERSHIP AND AGENT INFORMATION FOR THE BANK. THE AML PROGRAM FURTHER REQUIRES THAT AN ACCOUNT BE CLOSED IF THE MODEL CERTIFICATES ARE NOT OBTAINED WITHIN THE REQUIRED TIMEFRAME. DURING THE RELEVANT TIME PERIOD, THE FIRM FAILED TO



OBTAIN MODEL CERTIFICATIONS FOR THE ACCOUNTS OF AT LEAST TWO FOREIGN BANKS. THE FIRM DID NOT CLOSE THE ACCOUNTS WITHIN 10 DAYS AS REQUIRED BY ITS AML PROGRAM.

**Initiated By:** NASD

**Date Initiated:** 01/18/2005

**Docket/Case Number:** AWC #C07050004

**Principal Product Type:** No Product

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:** Censure

**Other Sanction(s)/Relief Sought:** MONETARY FINE

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 01/18/2005

**Sanctions Ordered:** Censure  
Monetary/Fine \$30,000.00

**Other Sanctions Ordered:**

**Sanction Details:** WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, AN ACCEPTANCE, WAIVER AND CONSENT WAS SIGNED BY GAF ON 11/29/04 AND WAS ACCEPTED BY THE NASD ON 1/18/05. FINE OF \$30000.00 WAS PAID ON 11/29/04.

#### Disclosure 11 of 17

**Reporting Source:** Regulator

**Current Status:** Final

**Allegations:** OPERATING A BRANCH OFFICE WITHOUT THE BENEFIT OF REGISTRATION IN THE STATE OF FLORIDA.

**Initiated By:** FLORIDA

**Date Initiated:** 12/22/2004

**Docket/Case Number:** 0170-S-11/04

**Principal Product Type:** No Product

**Other Product Type(s):**



**Principal Sanction(s)/Relief Sought:** Cease and Desist

**Other Sanction(s)/Relief Sought:**

**Resolution:** Stipulation and Consent

**Resolution Date:** 12/22/2004

**Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?** No

**Sanctions Ordered:** Monetary/Fine \$20,000.00  
Cease and Desist/Injunction

**Other Sanctions Ordered:**

**Sanction Details:** NA

**Summary:** ON 12/22/04 THE DEPARTMENT ENTERED A FINAL ORDER INCORPORATING A STIPULATION AND CONSENT AGREEMENT FOR OPERATING A BRANCH OFFICE WITHOUT THE BENEFIT OF REGISTRATION IN THE STATE OF FLORIDA.

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**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** OPERATING A BRANCH OFFICE WITHOUT THE BENEFIT OF REGISTRATION IN THE STATE OF FLORIDA. THE BRANCH IS LOCATED AT 839 E. PALMETTO PARK ROAD, BOCA RATON

**Initiated By:** FLORIDA

**Date Initiated:** 12/22/2004

**Docket/Case Number:** 0170-S-11/04

**Principal Product Type:** No Product

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:** Cease and Desist

**Other Sanction(s)/Relief Sought:**



**Resolution:** Stipulation and Consent

**Resolution Date:** 12/22/2004

**Sanctions Ordered:** Monetary/Fine \$20,000.00  
Cease and Desist/Injunction

**Other Sanctions Ordered:**

**Sanction Details:** SIGNED A STIPULATION AND CONSENT AND AGREED TO AN ADMINISTRATIVE FINE OF \$20,000 AND TO COMPLY WITH THE STATE BRANCH OFFICE PROCEDURES

**Summary:** ON 12/22/04 THE STATE OF FLORIDA ENTRED A FINAL ORDER INCORPORATING A STIPULATION AND CONSENT AGREEMENT FOR OPERATING A BRANCH OFFICE WITHOUT THE BENEFIT OF REGISTRATION IN THE STATE OF FLORIDA.

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#### Disclosure 12 of 17

**Reporting Source:** Regulator

**Current Status:** Final

**Allegations:** NASD RULE 2110 - RESPONDENT MEMBER EXECUTED SETTLEMENT AGREEMENTS WITH PUBLIC CUSTOMERS THAT CONTAINED OVERLY BROAD CONFIDENTIALITY CLAUSES CONTAINING LANGUAGE THAT APPEARED TO RESTRICT THE CUSTOMERS' ABILITY TO COOPERATE WITH SELF-REGULATORY ORGANIZATIONS, SUCH AS NASD.

**Initiated By:** NASD

**Date Initiated:** 03/03/2004

**Docket/Case Number:** CLI040004

**Principal Product Type:** No Product

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:**

**Other Sanction(s)/Relief Sought:**

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 03/03/2004



**Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?** No

**Sanctions Ordered:** Monetary/Fine \$5,000.00

**Other Sanctions Ordered:**

**Sanction Details:** WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, GUNNALLEN FINANCIAL, INC. CONSENTED TO THE DESCRIBED SANCTION AND TO THE ENTRY OF FINDINGS, THEREFORE, THE FIRM IS FINED \$5,000.

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**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** CONFIDENTIALITY CLAUSE OF SETTLEMENT AGREEMENTS ENTERED INTO BY CUSTOMERS WAS TO RESTRICTIVE AND PROHIBITS OR DISCOURAGES CUSTOMERS FROM DISCLOSING THE SETTLEMENT TERMS( AND THE UNDERLYING FACTS OF THE DISPUTE) TO THE NASD OR ANY OTHER SECURITIES REGULATOR UPON INQUIRY

**Initiated By:** NATIONAL ASSOCIATION OF SECURITIES DEALERS

**Date Initiated:** 02/19/2004

**Docket/Case Number:** CLI040004

**Principal Product Type:** Other

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:** Other

**Other Sanction(s)/Relief Sought:** ACCEPTANCE WAIVER AND CONSENT FINE OF \$5000.00

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 03/02/2004

**Sanctions Ordered:** Monetary/Fine \$5,000.00

**Other Sanctions Ordered:** AWC

**Sanction Details:** \$5000.00 LEVIED AGAIST THE FIRM

**Summary:** AWC AND \$5000 FINE FOR UTILIZING RESTRICTIVE LANGUAGE, IN THE



FORM OF A CONFIDENTIALITY CLAUSE, THAT PROHIBITS OR DISCOURAGES CUSTOMERS FROM DISCLOSING SETTLEMENT TERMS

**Disclosure 13 of 17**

<b>Reporting Source:</b>	Regulator
<b>Current Status:</b>	Final
<b>Allegations:</b>	FAILURE TO SUPERVISE, AND UNETHICAL AND UNLICENSED AGENT ACTIVITY
<b>Initiated By:</b>	WISCONSIN
<b>Date Initiated:</b>	11/04/2003
<b>Docket/Case Number:</b>	S-03249(LX)
<b>Principal Product Type:</b>	No Product
<b>Other Product Type(s):</b>	
<b>Principal Sanction(s)/Relief Sought:</b>	Suspension
<b>Other Sanction(s)/Relief Sought:</b>	THE SUSPENSION LIFTED ON 11/6/03
<b>Resolution:</b>	Other
<b>Resolution Date:</b>	11/06/2003
<b>Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?</b>	No
<b>Sanctions Ordered:</b>	
<b>Other Sanctions Ordered:</b>	ORDER OF SUSPENSION ISSUED ON 11/4/03 AND LIFTED ON 11/6/03.
<b>Sanction Details:</b>	ORDER OF SUSPENSION ISSUED ON 11/4/03 AND LIFTED ON 11/6/03.
<b>Summary:</b>	ORDER OF SUSPENSION ISSUED ON 11/4/03 AND LIFTED ON 11/6/03 AFTER FIRM SATISFIED THE STAFF THAT PROPER COMPLIANCE PROCEDURES ARE BEING PUT IN PLACE.

**Reporting Source:** Firm

**Current Status:** Final



**Allegations:** WISCONSIN HAS ALLEGED THAT THREE REGISTERED REPS EMPLOYED BY APPLICANT SOLICITED, AT LEAST ONE TRANSACTION EACH, IN THE STATE WITHOUT APPROPRIATE STATE LICENSES. ADDITIONALLY, WISC. ALLEGES THAT THE APPLICANT FAILED TO PROPERLY SUPERVISE ITS REGISTERED REPS AND FOR HAVING NO WRITTEN PROCEDURES THAT WOULD PREVENT OR DETECT SUCH VIOLATIONS

**Initiated By:** STATE OF WISCONSIN

**Date Initiated:** 11/04/2003

**Docket/Case Number:** FILE NO. S-03249(LX)

**Principal Product Type:** Other

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:** Suspension

**Other Sanction(s)/Relief Sought:**

**Resolution:** Withdrawn

**Resolution Date:** 11/06/2003

**Sanctions Ordered:**

**Other Sanctions Ordered:**

**Sanction Details:** A) SUSPENSION 11/04/2003  
B)RESCINDED SUSPENSION 11/06/2003

**Summary:** REGISTRANT HAD NOT APPROVED THE RRS FOR SALES SOLICITATION, CUSTOMER CONTACT IN WISCONSIN OR ANY OTHER STATE. UPON NOTIFICATION OF THE ACTION IN WISCONSIN, REGISTRANT IMMEDIATELY TERMINATED THE RRS IN QUESTION. FOLLOWING EXPLANATION OF THE AFOREMENTIONED, WISCONSIN REMOVED THE SUSPENSION. REGISTRANT ISSUED NEW WSPS COVERING THE ACTIVITIES IN QUESTION.

#### Disclosure 14 of 17

**Reporting Source:** Regulator

**Current Status:** Final

**Allegations:** NASD RULE 1017 - RESPONDENT MEMBER, ACTING THROUGH AN INDIVIDUAL, FAILED TO OBTAIN NASD APPROVAL PRIOR TO EFFECTING A MATERIAL CHANGE IN BUSINESS OPERATIONS BY EXPANDING ITS



NUMBER OF REGISTERED REPRESENTATIVES AND BRANCH OFFICES  
BEYOND THE LIMITS DELINEATED IN IM-1011-1.

**Initiated By:** NASD

**Date Initiated:** 09/29/2003

**Docket/Case Number:** C07030066

**Principal Product Type:** No Product

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:**

**Other Sanction(s)/Relief Sought:**

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 09/29/2003

**Sanctions Ordered:** Censure  
Monetary/Fine \$10,000.00

**Other Sanctions Ordered:**

**Sanction Details:** WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, GUNNALLEN CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS, THEREFORE THE FIRM IS CENSURED AND FINED \$10,000, OF WHICH \$5,000 IS JOINTLY AND SEVERALLY.

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**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** BETWEEN SEPT. 30, 2001 AND SEPT 30, 2002, GUNNALLEN, ACTING THROUGH BRADLEY FAY, FAILED TO OBTAIN NASD APPROVAL PRIOR TO EFFECTING A MATERIAL CHANGE IN BUSINESS OPERATIONS, IN VIOLATION OF NASD MEMBERSHIP AND REGISTRATION RULE 1017.

**Initiated By:** NASD

**Date Initiated:** 06/24/2003

**Docket/Case Number:** C07030066-AWC

**Principal Product Type:** No Product

**Other Product Type(s):**



**Principal Sanction(s)/Relief Sought:**

**Other Sanction(s)/Relief Sought:**

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 09/29/2003

**Sanctions Ordered:** Censure  
Monetary/Fine \$10,000.00

**Other Sanctions Ordered:**

**Sanction Details:** WITHOUT ADMITTING OR DENYING THE ALLEGATIONS. GUNNALLEN FINANCIAL, INC. CONSENTED TO THE DESCRIBED SANCTION AND TO THE ENTRY OF FINDINGS, THEREFORE, THE FIRM IS FINED \$10000.00 JOINTLY AND SEVERALLY WITH BRADLEY FAY (\$5000)

**Disclosure 15 of 17**

**Reporting Source:** Regulator

**Current Status:** Final

**Allegations:** NASD BY-LAWS ARTICLE V, SECTION 2, NASD RULE 3070(A)(8) - RESPONDENT MEMBER FAILED TO REPORT SETTLEMENTS OF CUSTOMER CLAIMS IN EXCESS OF \$25,000 WITHIN 10 BUSINESS DAYS VIA NASD'S CUSTOMER COMPLAINT REPORTING SYSTEM; AND FAILED TO UPDATE FORMS U-4 OF ASSOCIATED PERSONS TO REFLECT INFORMATION REGARDING THE SETTLEMENT OF CUSTOMER ARBITRATION CLAIMS AGAINST THEM.

**Initiated By:** NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

**Date Initiated:** 05/13/2003

**Docket/Case Number:** C07030033

**Principal Product Type:** No Product

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:**

**Other Sanction(s)/Relief Sought:**

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 05/13/2003



<b>Sanctions Ordered:</b>	Monetary/Fine \$7,500.00
<b>Other Sanctions Ordered:</b>	
<b>Sanction Details:</b>	WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, GUNNALLEN FINANCIAL, INC. CONSENTED TO THE DESCRIBED SANCTION AND TO THE ENTRY OF FINDINGS, THEREFORE, THE FIRM IS FINED \$7,500.
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<b>Reporting Source:</b>	Firm
<b>Current Status:</b>	Final
<b>Allegations:</b>	THE NASD HAS NOTIFIED THE FIRM, THAT (1) IT ALLEGEDLY VIOLATED CONDUCT RULE 3070(A)(8)BY FAILING TO REPORT FIVE SETTLEMENTS OF CUSTOMER CLAIMS IN EXCESS OF \$25000.00 WITHIN 10 BUSINESS DAYS AND THAT (2) BRADLEY A FAY , AS THE FIRMS FINOP IN CHARGE OF REGISTRATIONS ALLEGEDLY VIOLATED ART. V. SEC. 2 BY APPARENTLY FAILING TO UPDATE TWO U-4'S TO REFLECT THAT PREVIOUSLY DISCLOSED CUSTOMER ARBITRATIONS HAD BEEN SUBSEQUENTLY SETTLED.
<b>Initiated By:</b>	NATIONAL ASSOCIATION OF SECURITIES DEALERS
<b>Date Initiated:</b>	01/17/2003
<b>Docket/Case Number:</b>	NASD CASE #C07030033
<b>Principal Product Type:</b>	No Product
<b>Other Product Type(s):</b>	
<b>Principal Sanction(s)/Relief Sought:</b>	Other
<b>Other Sanction(s)/Relief Sought:</b>	INVESTIGATION
<b>Resolution:</b>	Acceptance, Waiver & Consent(AWC)
<b>Resolution Date:</b>	05/13/2003
<b>Sanctions Ordered:</b>	Monetary/Fine \$7,500.00
<b>Other Sanctions Ordered:</b>	
<b>Sanction Details:</b>	WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, GUNNALLEN FINANCIAL, INC. CONSENTED TO THE DESCRIBED SANCTION AND TO THE ENTRY OF FINDINGS, THEREFORE, THE FIRM IS FINED \$7500.00.



**Reporting Source:** Regulator

**Current Status:** Final

**Allegations:** RESPONDENT SUBMITTED BROKER/DEALER APPLICATION AND ALONG WITH THE APPLICATION SENT AN AFFIDAVIT OF DEALER ACTIVITY STATING THAT THEY HAD NOT CONDUCTED SECURITIES TRANSACTIONS ON BEHALF OF A NORTH DAKOTA RESIDENT. A TRANSACTION HAD BEEN MADE ON BEHALF OF A NORTH DAKOTA RESIDENT IN DECEMBER OF 2000

**Initiated By:** OFFICE OF THE NORTH DAKOTA SECURITIES COMMISSIONER

**Date Initiated:** 12/28/2001

**Docket/Case Number:**

**Principal Product Type:** Investment Contract(s)

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:** Civil and Administrative Penalt(ies) /Fine(s)

**Other Sanction(s)/Relief Sought:**

**Resolution:** Order

**Resolution Date:** 01/03/2002

**Sanctions Ordered:** Monetary/Fine \$3,000.00

**Other Sanctions Ordered:**

**Sanction Details:** CONSENT ORDER SIGNED ON DECEMBER 28, 2001, STATED THE DEALER WOULD BE FINED \$3000. FINE WAS PAID ON JANUARY 3, 2002, IN FULL

**Summary:** ON AUGUST 21, 2001, THE NORTH DAKOTA SECURITIES COMMISSIONER RECEIVED AN APPLICATION FROM GUNNALLEN. ALONG WITH THAT APPLICATION THEY SENT AN AFFIDAVIT STATING THEY HAD NOT CONDUCTED ANY TRANSACTIONS IN NORTH DAKOTA WHICH THEY HAD DONE BACK IN DECEMBER 2000 ON BEHALF OF ONE NORTH DAKOTA RESIDENT. FINE WAS ORDERED ON THEM ON DECEMBER 28, 2001, AND PAID IN FULL ON JANUARY 3, 2002.

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**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** BROKER/DEALER SUBMITTED AN APPLICATION AND ALONG WITH THE APPLICATION WAS SENT AN AFFIDAVIT OF DEALER'S ACTIVITY STATING



THAT THEY HAD NOT CONDUCTED SECURITIES TRANSACTIONS ON BEHALF OF A NORTH DAKOTA RESIDENT. A TRANSATION HAS BEEN MADE ON BEHALF OF A NORTH DAKOTA RESIDENT IN DECEMBER OF 2000.

**Initiated By:** OFFICE OF THE NORTH DAKOTA SECURITIES COMMISSIONER

**Date Initiated:** 12/28/2001

**Docket/Case Number:**

**Principal Product Type:** Other

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:** Civil and Administrative Penalt(ies) /Fine(s)

**Other Sanction(s)/Relief Sought:**

**Resolution:** Order

**Resolution Date:** 01/03/2002

**Sanctions Ordered:** Monetary/Fine \$3,000.00

**Other Sanctions Ordered:**

**Sanction Details:** CONSENT ORDER SIGNED ON 12/28/2001, STATED DEALER WOULD BE FINED \$3000.00. FINE WAS PAID ON 1/3/02 IN FULL

**Summary:** ON 8/21/2001, THE NORTH DAKOTA SECURITIES COMMISIONER RECEIVED AN APPLICATION FROM GUNNALLEN ALONG WITH THAT APPLICATION GUNNALLEN SENT AN AFFIDAVIT STATING THAT THEY HAD NOT CONDUCTED ANY TRANSACTIONS ON BEHALF OF A NORTH DAKOTA RESIDENT WHICH IN FACT ONE TRANSACTIONS WAS EXECUTED IN BEHALF OF A RESIDENT IN DECEMBER 2000. A FINE WAS ORDERED 12/28/01 AND PAID IN FULL 1/3/02.

#### Disclosure 17 of 17

**Reporting Source:** Regulator

**Current Status:** Final

**Allegations:** SEC RULE 15C2-11, AND NASD RULES 2110 AND 6740 - PURSUANT TO SECTION 12(K)(1)(A) OF THE SECURITIES EXCHANGE ACT OF 1934, SEC SUSPENDED TRADING IN CERTAIN OTC EQUITY SHARES. RESPONDENT FIRM PLACED ORDERS TO SELL SUCH SHARES FOR THE FIRM'S PROPRIETARY ACCOUNT. FOLLOWING THE CONCLUSION OF THE SUSPENSION PERIODS, THE FIRM PUBLISHED A QUOTATION FOR EACH OF THESE SECURITIES, OR DIRECTLY OR INDIRECTLY, SUBMITTED SUCH



QUOTATIONS FOR PUBLICATION IN A QUOTATION MEDIUM AND: (I) DID NOT HAVE IN ITS RECORDS THE DOCUMENTATION REQUIRED BY SEC RULE 15C2-11(A) ("PARAGRAPH (A) INFORMATION"); (II) DID NOT HAVE A REASONABLE BASIS UNDER THE CIRCUMSTANCES FOR BELIEVING THAT THE PARAGRAPH (A) INFORMATION WAS ACCURATE IN ALL MATERIAL RESPECTS; OR (III) THAT THE SOURCES OF THE PARAGRAPH (A) INFORMATION WERE RELIABLE. RESPONDENT FIRM FAILED TO FILE A FORM 211 WITH THE ASSOCIATION AT LEAST THREE BUSINESS DAYS BEFORE THE FIRM'S QUOTATIONS WERE PUBLISHED OR DISPLAYED IN A QUOTATION MEDIUM.

**Initiated By:** NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

**Date Initiated:** 08/02/2000

**Docket/Case Number:** CMS000162

**Principal Product Type:** Equity - OTC

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:**

**Other Sanction(s)/Relief Sought:**

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 08/02/2000

**Sanctions Ordered:** Monetary/Fine \$5,000.00

**Other Sanctions Ordered:**

**Sanction Details:** THE FIRM SHALL ALSO, WITHIN 60 DAYS OF THE ACCEPTANCE OF THIS AWC BY THE ASSOCIATION, UNDERTAKE TO SUBMIT REVISED WRITTEN SUPERVISORY PROCEDURES REASONABLY DESIGNED TO PREVENT FUTURE VIOLATIONS OF SEC RULE 15C2-11 AND NASD RULE 6740.

**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** FAILURE TO COMPLY WITH NASD MARKETPLACE RULE 6740 AND CONDUCT RULE 2110.

**Initiated By:** NASD REGULATION, INC.

**Date Initiated:** 08/02/2000

**Docket/Case Number:** CMS000162AWC



**Principal Product Type:** Equity - OTC

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:** Other

**Other Sanction(s)/Relief Sought:** ACCEPTANCE, WAIVER & CONSENT CMS000162AWC

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 08/02/2000

**Sanctions Ordered:** Monetary/Fine \$5,000.00

**Other Sanctions Ordered:**

**Sanction Details:** \$5000 AGAINST GUNNALLEN PAID 8/7/2000



## Arbitration Award - Award/Judgment

Firms are not required to report arbitration claims filed against them by customers on Form BD; however, FINRA provides summary information regarding FINRA arbitration awards involving securities and commodities disputes between public customers and FINRA-registered firms in this section of the report. Note: An arbitration may contain multiple instances of a certain Relief Type ( e.g., Actual/Compensatory Damages) requested by or awarded to one or more Claimants.

The full text of arbitration awards issued by FINRA is available at [www.finra.org/awardsonline](http://www.finra.org/awardsonline).

### Disclosure 1 of 15

<b>Reporting Source:</b>	Regulator
<b>Type of Event:</b>	ARBITRATION
<b>Allegations:</b>	FRAUDULENT ACTIVITY-OMISSION OF FACTS; ACCOUNT RELATED-FAILURE TO SUPERVISE; FRAUDULENT ACTIVITY-BRCH OF FIDUCIARY DT
<b>Arbitration Forum:</b>	NASD
<b>Case Initiated:</b>	12/06/2001
<b>Case Number:</b>	<a href="#">01-06426</a>
<b>Disputed Product Type:</b>	COMMON STOCK
<b>Relief Sought:</b>	ACTUAL/COMPENSATORY DAMAGES, ASKED AMOUNT \$1,000,000.00 JOINTLY AND SEVERALLY; INTEREST, ASKED AMOUNT \$0.00 JOINTLY AND SEVERALLY; OTHER COSTS, ASKED AMOUNT \$0.00 JOINTLY AND SEVERALLY; OTHER MONETARY RELIEF, ASKED AMOUNT \$0.00 JOINTLY AND SEVERALLY
<b>Disposition:</b>	CLOSED-BY HEARING
<b>Disposition Date:</b>	03/09/2004
<b>Relief Awarded:</b>	ACTUAL/COMPENSATORY DAMAGES, CLOSED-DENIED IN FULL; INTEREST, CLOSED-DENIED IN FULL; OTHER COSTS, CLOSED-DENIED IN FULL; OTHER MONETARY RELIEF, CLOSED-DENIED IN FULL

### Disclosure 2 of 15

<b>Reporting Source:</b>	Regulator
<b>Type of Event:</b>	ARBITRATION
<b>Allegations:</b>	FRAUDULENT ACTIVITY-CHURNING; FRAUDULENT



ACTIVITY-MISREPRESENTATION; FRAUDULENT ACTIVITY-OMISSION OF FACTS; FRAUDULENT ACTIVITY-BRCH OF FIDUCIARY DT

**Arbitration Forum:** NASD

**Case Initiated:** 04/12/2004

**Case Number:** [04-02504](#)

**Disputed Product Type:** UNKNOWN TYPE OF SECURITIES

**Relief Sought:** ACTUAL/COMPENSATORY DAMAGES, ASKED AMOUNT \$128,000.00 SEVERALLY;  
PUNITIVE/EXEMPLARY DAMAGES, ASKED AMOUNT \$0.00 JOINTLY AND SEVERALLY;  
INTEREST, ASKED AMOUNT \$0.00 JOINTLY AND SEVERALLY;  
ATTORNEY'S FEES, ASKED AMOUNT \$0.00 SEVERALLY;  
OTHER COSTS, ASKED AMOUNT \$0.00 SEVERALLY;  
OTHER MONETARY RELIEF, ASKED AMOUNT \$0.00 JOINTLY AND SEVERALLY;  
OTHER MONETARY RELIEF, ASKED AMOUNT \$0.00 JOINTLY AND SEVERALLY

**Disposition:** AWARD AGAINST PARTY

**Disposition Date:** 08/04/2006

**Relief Awarded:** ACTUAL/COMPENSATORY DAMAGES, CLOSED-AWARDED, AWARD AMOUNT \$48,853.00;  
PUNITIVE/EXEMPLARY DAMAGES, CLOSED-DENIED IN FULL;  
INTEREST, CLOSED-DENIED IN FULL;  
ATTORNEY'S FEES, CLOSED-AWARDED, AWARD AMOUNT \$16,121.00;  
OTHER COSTS, CLOSED-AWARDED, AWARD AMOUNT \$2,500.00;  
OTHER MONETARY RELIEF, CLOSED-DENIED IN FULL;  
OTHER MONETARY RELIEF, CLOSED-DENIED IN FULL

### Disclosure 3 of 15

**Reporting Source:** Regulator

**Type of Event:** ARBITRATION

**Allegations:** ACCOUNT RELATED-OTHER; ACCOUNT RELATED-NEGLIGENCE; ACCOUNT RELATED-FAILURE TO SUPERVISE; FRAUDULENT ACTIVITY-BRCH OF FIDUCIARY DT

**Arbitration Forum:** NASD

**Case Initiated:** 06/03/2004

**Case Number:** [04-03016](#)



**Disputed Product Type:** COMMON STOCK

**Relief Sought:** ACTUAL/COMPENSATORY DAMAGES, ASKED AMOUNT \$6,010,000.00 JOINTLY AND SEVERALLY;  
PUNITIVE/EXEMPLARY DAMAGES, ASKED AMOUNT \$6,000,000.00 JOINTLY AND SEVERALLY;  
INTEREST, ASKED AMOUNT \$0.00 JOINTLY AND SEVERALLY;  
ATTORNEY'S FEES, ASKED AMOUNT \$0.00 JOINTLY AND SEVERALLY;  
OTHER COSTS, ASKED AMOUNT \$0.00 JOINTLY AND SEVERALLY;  
OTHER MONETARY RELIEF, ASKED AMOUNT \$0.00 JOINTLY AND SEVERALLY

**Disposition:** AWARD AGAINST PARTY

**Disposition Date:** 02/15/2006

**Relief Awarded:** ACTUAL/COMPENSATORY DAMAGES, CLOSED-AWARDED, AWARD AMOUNT \$939,547.00;  
PUNITIVE/EXEMPLARY DAMAGES, CLOSED-DENIED IN FULL;  
INTEREST, CLOSED-AWARDED, AWARD AMOUNT \$134,501.95;  
ATTORNEY'S FEES, CLOSED-DENIED IN FULL;  
OTHER COSTS, CLOSED-DENIED IN FULL;  
OTHER MONETARY RELIEF, CLOSED-DENIED IN FULL

#### Disclosure 4 of 15

**Reporting Source:** Regulator

**Type of Event:** ARBITRATION

**Allegations:** FRAUDULENT ACTIVITY-MISREPRESENTATION; ACCOUNT RELATED-ERRORS-CHARGES

**Arbitration Forum:** NASD

**Case Initiated:** 06/18/2004

**Case Number:** [04-04171](#)

**Disputed Product Type:** COMMON STOCK

**Relief Sought:** ACTUAL/COMPENSATORY DAMAGES, ASKED AMOUNT \$480.00 JOINTLY AND SEVERALLY;  
ACTUAL/COMPENSATORY DAMAGES, ASKED AMOUNT \$36.00 JOINTLY AND SEVERALLY;  
ACTUAL/COMPENSATORY DAMAGES, ASKED AMOUNT \$9.50 JOINTLY AND SEVERALLY;  
ACTUAL/COMPENSATORY DAMAGES, ASKED AMOUNT \$375.00 JOINTLY AND SEVERALLY;



ACTUAL/COMPENSATORY DAMAGES, ASKED AMOUNT \$24.47 JOINTLY AND SEVERALLY;  
 OTHER COSTS, ASKED AMOUNT \$50.00 JOINTLY AND SEVERALLY  
**Disposition:** AWARD AGAINST PARTY

**Disposition Date:** 11/18/2004

**Relief Awarded:** ACTUAL/COMPENSATORY DAMAGES, CLOSED-AWARDED, AWARD AMOUNT \$250.00;  
 ACTUAL/COMPENSATORY DAMAGES, CLOSED-DENIED IN FULL;  
 ACTUAL/COMPENSATORY DAMAGES, CLOSED-DENIED IN FULL;  
 ACTUAL/COMPENSATORY DAMAGES, CLOSED-DENIED IN FULL;  
 ACTUAL/COMPENSATORY DAMAGES, CLOSED-DENIED IN FULL;  
 OTHER COSTS, CLOSED-DENIED IN FULL

#### Disclosure 5 of 15

**Reporting Source:** Regulator

**Type of Event:** ARBITRATION

**Allegations:** ACCOUNT RELATED-NEGLIGENCE; FRAUDULENT ACTIVITY-OMISSION OF FACTS; ACCOUNT RELATED-FAILURE TO SUPERVISE; FRAUDULENT ACTIVITY-UNSUITABILITY

**Arbitration Forum:** NASD

**Case Initiated:** 08/09/2005

**Case Number:** [05-03266](#)

**Disputed Product Type:** ANNUITIES; MUTUAL FUNDS

**Relief Sought:** ACTUAL/COMPENSATORY DAMAGES, ASKED AMOUNT \$30,000.00 JOINTLY AND SEVERALLY;  
 INTEREST, ASKED AMOUNT \$0.00 JOINTLY AND SEVERALLY;  
 ACTUAL/COMPENSATORY DAMAGES, ASKED AMOUNT \$0.00 JOINTLY AND SEVERALLY;  
 ACTUAL/COMPENSATORY DAMAGES, ASKED AMOUNT \$0.00 JOINTLY AND SEVERALLY;  
 OTHER COSTS, ASKED AMOUNT \$0.00 JOINTLY AND SEVERALLY;  
 OTHER COSTS, ASKED AMOUNT \$0.00 JOINTLY AND SEVERALLY;  
 OTHER MONETARY RELIEF, ASKED AMOUNT \$0.00 JOINTLY AND SEVERALLY

**Disposition:** CLOSED-STIP. AWARD

**Disposition Date:** 03/01/2006

**Relief Awarded:** ACTUAL/COMPENSATORY DAMAGES, CLOSED-DENIED IN FULL;



INTEREST, CLOSED-DENIED IN FULL;  
 ACTUAL/COMPENSATORY DAMAGES, CLOSED-DENIED IN FULL;  
 ACTUAL/COMPENSATORY DAMAGES, CLOSED-DENIED IN FULL;  
 OTHER COSTS, CLOSED-DENIED IN FULL;  
 OTHER COSTS, CLOSED-DENIED IN FULL;  
 OTHER MONETARY RELIEF, CLOSED-DENIED IN FULL

#### Disclosure 6 of 15

**Reporting Source:** Regulator

**Type of Event:** ARBITRATION

**Allegations:** ACCOUNT RELATED-NEGLIGENCE; FRAUDULENT ACTIVITY-CHURNING;  
 FRAUDULENT ACTIVITY-BRCH OF FIDUCIARY DT

**Arbitration Forum:** NASD

**Case Initiated:** 05/05/2006

**Case Number:** [06-01847](#)

**Disputed Product Type:** COMMON STOCK

**Relief Sought:** ACTUAL/COMPENSATORY DAMAGES, ASKED AMOUNT \$0.00 SEVERALLY;  
 TREBLE DAMAGES, ASKED AMOUNT \$0.00 SEVERALLY;  
 PUNITIVE/EXEMPLARY DAMAGES, ASKED AMOUNT \$0.00 SEVERALLY;  
 ATTORNEY'S FEES, ASKED AMOUNT \$0.00 SEVERALLY;  
 OTHER COSTS, ASKED AMOUNT \$0.00 SEVERALLY;  
 INTEREST, ASKED AMOUNT \$0.00 SEVERALLY;  
 OTHER MONETARY RELIEF, ASKED AMOUNT \$0.00 SEVERALLY

**Disposition:** AWARD AGAINST PARTY

**Disposition Date:** 05/22/2007

**Relief Awarded:** ACTUAL/COMPENSATORY DAMAGES, CLOSED-AWARDED, AWARD  
 AMOUNT \$72,000.00;  
 TREBLE DAMAGES, CLOSED-DENIED IN FULL;  
 PUNITIVE/EXEMPLARY DAMAGES, CLOSED-DENIED IN FULL;  
 ATTORNEY'S FEES, CLOSED-DENIED IN FULL;  
 OTHER COSTS, CLOSED-DENIED IN FULL;  
 INTEREST, CLOSED-DENIED IN FULL;  
 OTHER MONETARY RELIEF, CLOSED-DENIED IN FULL

#### Disclosure 7 of 15

**Reporting Source:** Regulator

**Type of Event:** ARBITRATION



**Allegations:** ACCOUNT RELATED-NEGLIGENCE; ACCOUNT RELATED-FAILURE TO SUPERVISE; FRAUDULENT ACTIVITY-BRCH OF FIDUCIARY DT; FRAUDULENT ACTIVITY-UNSUITABILITY

**Arbitration Forum:** NASD

**Case Initiated:** 06/08/2006

**Case Number:** [06-02753](#)

**Disputed Product Type:** COMMON STOCK

**Relief Sought:** ACTUAL/COMPENSATORY DAMAGES, ASKED AMOUNT \$18,000.00 JOINTLY AND SEVERALLY;  
PUNITIVE/EXEMPLARY DAMAGES, ASKED AMOUNT \$3,000.00 JOINTLY AND SEVERALLY;  
OTHER COSTS, ASKED AMOUNT \$425.00 JOINTLY AND SEVERALLY;  
ACTUAL/COMPENSATORY DAMAGES, ASKED AMOUNT \$18,000.00 SEVERALLY;  
OTHER COSTS, ASKED AMOUNT \$425.00 SEVERALLY

**Disposition:** AWARD AGAINST PARTY

**Disposition Date:** 01/09/2007

**Relief Awarded:** ACTUAL/COMPENSATORY DAMAGES, CLOSED-DENIED IN FULL;  
PUNITIVE/EXEMPLARY DAMAGES, CLOSED-DENIED IN FULL;  
OTHER COSTS, CLOSED-DENIED IN FULL;  
ACTUAL/COMPENSATORY DAMAGES, CLOSED-AWARDED, AWARD AMOUNT \$3,500.00;  
OTHER COSTS, CLOSED-AWARDED, AWARD AMOUNT \$72.25

#### Disclosure 8 of 15

**Reporting Source:** Regulator

**Type of Event:** ARBITRATION

**Allegations:** ACCOUNT RELATED-BREACH OF CONTRACT; ACCOUNT RELATED-NEGLIGENCE; ACCOUNT RELATED-FAILURE TO SUPERVISE; FRAUDULENT ACTIVITY-BRCH OF FIDUCIARY DT

**Arbitration Forum:** FINRA

**Case Initiated:** 11/08/2007

**Case Number:** [07-02813](#)

**Disputed Product Type:** COMMON STOCK

**Relief Sought:** ACTUAL/COMPENSATORY DAMAGES, ASKED AMOUNT \$156,513.00



JOINTLY AND SEVERALLY;  
 PUNITIVE/EXEMPLARY DAMAGES, ASKED AMOUNT \$313,026.00 JOINTLY  
 AND SEVERALLY;  
 INTEREST, ASKED AMOUNT \$15,750.00 JOINTLY AND SEVERALLY;  
 OTHER COSTS, ASKED AMOUNT \$7,500.00 JOINTLY AND SEVERALLY

**Disposition:** AWARD AGAINST PARTY

**Disposition Date:** 04/17/2009

**Relief Awarded:** ACTUAL/COMPENSATORY DAMAGES, CLOSED-AWARDED, AWARD  
 AMOUNT \$47,500.00;  
 PUNITIVE/EXEMPLARY DAMAGES, CLOSED-DENIED IN FULL;  
 INTEREST, CLOSED-AWARDED;  
 OTHER COSTS, CLOSED-DENIED IN FULL

#### Disclosure 9 of 15

**Reporting Source:** Regulator

**Type of Event:** ARBITRATION

**Allegations:** FRAUDULENT ACTIVITY-CHURNING; FRAUDULENT ACTIVITY-OMISSION OF  
 FACTS; ACCOUNT RELATED-FAILURE TO SUPERVISE; FRAUDULENT  
 ACTIVITY-BRCH OF FIDUCIARY DT

**Arbitration Forum:** FINRA

**Case Initiated:** 10/18/2007

**Case Number:** [07-02937](#)

**Disputed Product Type:** UNKNOWN TYPE OF SECURITIES

**Relief Sought:** ACTUAL/COMPENSATORY DAMAGES, ASKED AMOUNT \$65,000.00 JOINTLY  
 AND SEVERALLY;  
 ACTUAL/COMPENSATORY DAMAGES, ASKED AMOUNT \$0.00 JOINTLY  
 AND SEVERALLY;  
 PUNITIVE/EXEMPLARY DAMAGES, ASKED AMOUNT \$0.00 JOINTLY AND  
 SEVERALLY;  
 INTEREST, ASKED AMOUNT \$0.00 JOINTLY AND SEVERALLY;  
 ATTORNEY'S FEES, ASKED AMOUNT \$0.00 JOINTLY AND SEVERALLY;  
 OTHER COSTS, ASKED AMOUNT \$0.00 JOINTLY AND SEVERALLY;  
 OTHER MONETARY RELIEF, ASKED AMOUNT \$0.00 JOINTLY AND  
 SEVERALLY;  
 SPECIFIC PERFORMANCE;  
 SPECIFIC PERFORMANCE

**Disposition:** AWARD AGAINST PARTY



**Disposition Date:** 12/23/2008

**Relief Awarded:** ACTUAL/COMPENSATORY DAMAGES, CLOSED-AWARDED, AWARD AMOUNT \$35,000.00;  
 ACTUAL/COMPENSATORY DAMAGES, CLOSED-AWARDED;  
 PUNITIVE/EXEMPLARY DAMAGES, CLOSED-DENIED IN FULL;  
 INTEREST, CLOSED-DENIED IN FULL;  
 ATTORNEY'S FEES, CLOSED-DENIED IN FULL;  
 OTHER COSTS, CLOSED-DENIED IN FULL;  
 OTHER MONETARY RELIEF, CLOSED-DENIED IN FULL;  
 SPECIFIC PERFORMANCE, CLOSED-AWARDED;  
 SPECIFIC PERFORMANCE, CLOSED-AWARDED

#### Disclosure 10 of 15

**Reporting Source:** Regulator

**Type of Event:** ARBITRATION

**Allegations:** ACCOUNT RELATED-NEGLIGENCE; FRAUDULENT ACTIVITY-MISREPRESENTATION; ACCOUNT RELATED-FAILURE TO SUPERVISE; FRAUDULENT ACTIVITY-BRCH OF FIDUCIARY DT

**Arbitration Forum:** FINRA

**Case Initiated:** 12/27/2007

**Case Number:** [07-03291](#)

**Disputed Product Type:** COMMON STOCK

**Relief Sought:** ACTUAL/COMPENSATORY DAMAGES, ASKED AMOUNT \$25,000.00 SEVERALLY;  
 PUNITIVE/EXEMPLARY DAMAGES, ASKED AMOUNT \$5,000.00 SEVERALLY;  
 ATTORNEY'S FEES, ASKED AMOUNT \$0.00 SEVERALLY;  
 INTEREST, ASKED AMOUNT \$7,500.00 SEVERALLY;  
 OTHER MONETARY RELIEF, ASKED AMOUNT \$0.00 SEVERALLY;  
 OTHER COSTS, ASKED AMOUNT \$0.00 SEVERALLY

**Disposition:** CLOSED-BY HEARING

**Disposition Date:** 10/23/2008

**Relief Awarded:** ACTUAL/COMPENSATORY DAMAGES, CLOSED-DENIED IN FULL;  
 PUNITIVE/EXEMPLARY DAMAGES, CLOSED-DENIED IN FULL;  
 ATTORNEY'S FEES, CLOSED-DENIED IN FULL;  
 INTEREST, CLOSED-DENIED IN FULL;  
 OTHER MONETARY RELIEF, CLOSED-DENIED IN FULL;  
 OTHER COSTS, CLOSED-DENIED IN FULL



### Disclosure 11 of 15

<b>Reporting Source:</b>	Regulator
<b>Type of Event:</b>	ARBITRATION
<b>Allegations:</b>	ACCOUNT RELATED-NEGLIGENCE; EXECUTIONS-FAILURE TO EXECUTE; FRAUDULENT ACTIVITY-MISREPRESENTATION; FRAUDULENT ACTIVITY-MANIPULATION
<b>Arbitration Forum:</b>	FINRA
<b>Case Initiated:</b>	03/28/2008
<b>Case Number:</b>	<a href="#">08-00637</a>
<b>Disputed Product Type:</b>	COMMON STOCK
<b>Relief Sought:</b>	ACTUAL/COMPENSATORY DAMAGES, ASKED AMOUNT \$25,000.00 SEVERALLY
<b>Disposition:</b>	CLOSED-BY PAPERS
<b>Disposition Date:</b>	08/19/2008
<b>Relief Awarded:</b>	ACTUAL/COMPENSATORY DAMAGES, CLOSED-DENIED IN FULL

### Disclosure 12 of 15

<b>Reporting Source:</b>	Regulator
<b>Type of Event:</b>	ARBITRATION
<b>Allegations:</b>	EXECUTIONS-FAILURE TO EXECUTE
<b>Arbitration Forum:</b>	NASD
<b>Case Initiated:</b>	08/06/1992
<b>Case Number:</b>	<a href="#">92-02331</a>
<b>Disputed Product Type:</b>	LIMITED PARTNERSHIPS
<b>Relief Sought:</b>	ACTUAL/COMPENSATORY DAMAGES, ASKED AMOUNT \$15,200.00 JOINTLY AND SEVERALLY; ACTUAL/COMPENSATORY DAMAGES, ASKED AMOUNT \$15,200.00 JOINTLY AND SEVERALLY; INTEREST, ASKED AMOUNT \$0.00 JOINTLY AND SEVERALLY; INTEREST, ASKED AMOUNT \$0.00 JOINTLY AND SEVERALLY
<b>Disposition:</b>	AWARD AGAINST PARTY



**Disposition Date:** 03/04/1994

**Relief Awarded:** ACTUAL/COMPENSATORY DAMAGES, CLOSED-AWARDED, AWARD AMOUNT \$15,200.00;  
ACTUAL/COMPENSATORY DAMAGES, CLOSED-AWARDED, AWARD AMOUNT \$15,200.00;  
INTEREST, CLOSED-DENIED IN FULL;  
INTEREST, CLOSED-DENIED IN FULL

#### Disclosure 13 of 15

**Reporting Source:** Regulator

**Type of Event:** ARBITRATION

**Allegations:** ACCOUNT RELATED-DIVIDENDS

**Arbitration Forum:** NASD

**Case Initiated:** 05/11/1993

**Case Number:** [93-01058](#)

**Disputed Product Type:** LIMITED PARTNERSHIPS

**Relief Sought:** ACTUAL/COMPENSATORY DAMAGES, ASKED AMOUNT \$423.02 JOINTLY AND SEVERALLY;  
PUNITIVE/EXEMPLARY DAMAGES, ASKED AMOUNT \$423.02 JOINTLY AND SEVERALLY;  
INTEREST, ASKED AMOUNT \$0.00 JOINTLY AND SEVERALLY;  
OTHER COSTS, ASKED AMOUNT \$0.00 JOINTLY AND SEVERALLY

**Disposition:** AWARD AGAINST PARTY

**Disposition Date:** 02/04/1994

**Relief Awarded:** ACTUAL/COMPENSATORY DAMAGES, CLOSED-AWARDED, AWARD AMOUNT \$423.02;  
PUNITIVE/EXEMPLARY DAMAGES, CLOSED-DENIED IN FULL;  
INTEREST, CLOSED-AWARDED, AWARD AMOUNT \$157.98;  
OTHER COSTS, CLOSED-DENIED IN FULL

#### Disclosure 14 of 15

**Reporting Source:** Regulator

**Type of Event:** ARBITRATION

**Allegations:** ACCOUNT RELATED-BREACH OF CONTRACT

**Arbitration Forum:** NASD



**Case Initiated:** 01/13/1994  
**Case Number:** [93-04871](#)  
**Disputed Product Type:** LIMITED PARTNERSHIPS  
**Relief Sought:** ACTUAL/COMPENSATORY DAMAGES, ASKED AMOUNT \$1,000.00 SEVERALLY;  
 INTEREST, ASKED AMOUNT \$0.00 SEVERALLY  
**Disposition:** AWARD AGAINST PARTY  
**Disposition Date:** 06/23/1995  
**Relief Awarded:** ACTUAL/COMPENSATORY DAMAGES, CLOSED-AWARDED, AWARD AMOUNT \$1,000.00;  
 INTEREST, CLOSED-AWARDED

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#### Disclosure 15 of 15

**Reporting Source:** Regulator  
**Type of Event:** ARBITRATION  
**Allegations:** ACCOUNT RELATED-OTHER  
**Arbitration Forum:** NASD  
**Case Initiated:** 09/01/1998  
**Case Number:** [98-02524](#)  
**Disputed Product Type:** COMMON STOCK  
**Relief Sought:** ACTUAL/COMPENSATORY DAMAGES, ASKED AMOUNT \$3,730.00 JOINTLY AND SEVERALLY;  
 OTHER COSTS, ASKED AMOUNT \$0.00 JOINTLY AND SEVERALLY;  
 OTHER NON-MONETARY RELIEF SEVERALLY  
**Disposition:** AWARD AGAINST PARTY  
**Disposition Date:** 05/17/1999  
**Relief Awarded:** ACTUAL/COMPENSATORY DAMAGES, CLOSED-AWARDED, AWARD AMOUNT \$5,000.00;  
 OTHER COSTS, CLOSED-DENIED IN FULL;  
 OTHER NON-MONETARY RELIEF, CLOSED-AWARDED



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