



IAPD Report

Gino Nick Chiappetta

CRD# 2105561

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When communicating online or investing with any professional, make sure you know who you're dealing with. [Imposters](#) might link to sites like BrokerCheck from [phishing](#) or similar scam websites, or through [social media](#), trying to steal your personal information or your money.

Please contact FINRA with any concerns.



IAPD Information About Representatives

IAPD offers information on all current-and many former representatives. Investors are strongly encouraged to use IAPD to check the background of representatives before deciding to conduct, or continue to conduct, business with them.

What is included in a IAPD report?

IAPD reports for individual representatives include information such as employment history, professional qualifications, disciplinary actions, criminal convictions, civil judgments and arbitration awards.

It is important to note that the information contained in an IAPD report may include pending actions or allegations that may be contested, unresolved or unproven. In the end, these actions or allegations may be resolved in favor of the representative, or concluded through a negotiated settlement with no admission or finding of wrongdoing.

Where did this information come from?

The information contained in IAPD comes from the Investment Adviser Registration Depository (IARD) and FINRA's Central Registration Depository, or CRD, (see more on CRD below) and is a combination of:

- information the states require representatives and firms to submit as part of the registration and licensing process, and
- information that state regulators report regarding disciplinary actions or allegations against representatives.

How current is this information?

Generally, representatives are required to update their professional and disciplinary information in IARD within 30 days.

Need help interpreting this report?

For help understanding how to read this report, please consult NASAA's IAPD Tips page <http://www.nasaa.org/IAPD/IARReports.cfm>

What if I want to check the background of an Individual Broker or Brokerage Firm?

To check the background of an Individual Broker or Brokerage firm, you can search for the firm or individual in IAPD. If your search is successful, click on the link provided to view the available licensing and registration information in FINRA's BrokerCheck website.

Are there other resources I can use to check the background of investment professionals?

It is recommended that you learn as much as possible about an individual representative or Investment Adviser firm before deciding to work with them. Your state securities regulator can help you research individuals and certain firms doing business in your state. The contact information for state securities regulators can be found on the website of the North American Securities Administrators Association <http://www.nasaa.org>



Report Summary

Gino Nick Chiappetta (CRD# 2105561)

The report summary provides an overview of the representative's professional background and conduct. The information contained in this report has been provided by the representative, investment adviser and/or securities firms, and/or securities regulators as part of the states' investment adviser registration and licensing process. The information contained in this report was last updated by the representative, a previous employing firm, or a securities regulator on **04/25/2025**.

CURRENT EMPLOYERS

	Firm	CRD#	Registered Since
B	VANDERBILT SECURITIES, LLC	CRD# 5953	10/04/2024
IA	CONSOLIDATED PORTFOLIO REVIEW CORP	CRD# 112694	10/04/2024

QUALIFICATIONS

This representative is currently registered in **1** SRO(s) and **7** jurisdiction(s).

Is this representative currently Inactive or Suspended with any regulator? **No**

Note: Not all jurisdictions require IAR registration or may have an exemption from registration.

Additional information including this individual's qualification examinations and professional designations is available in the Detailed Report.

REGISTRATION HISTORY

This representative was previously registered with the following firm(s):

	FIRM	CRD#	LOCATION	REGISTRATION DATES
IA	WESTERN INTERNATIONAL SECURITIES	39262	Northwood, OH	11/23/2009 - 10/24/2024
B	WESTERN INTERNATIONAL SECURITIES, INC.	39262	Northwood, OH	07/18/2007 - 10/24/2024
IA	COMMONWEALTH FINANCIAL NETWORK	8032	MILLBURY, OH	01/04/2005 - 07/19/2007

For additional registration and employment history details as reported by the individual, refer to the Registration and Employment History section of the Detailed Report.

DISCLOSURE INFORMATION

Disclosure events include certain criminal charges and convictions, formal investigations and disciplinary actions initiated by regulators, customer disputes and arbitrations, and financial disclosures such as bankruptcies and unpaid judgments or liens.

Are there events disclosed about this representative?

Yes

The following types of events are disclosed about this representative:

Type	Count
Regulatory Event	1
Customer Dispute	1
Termination	1



Qualifications

REGISTRATIONS

This section provides the SRO, states and U.S. territories in which the representative is currently registered and licensed, the category of each registration, and the date on which the registration becomes effective. This section also provides, for each firm with which the representative is currently employed, the address of each location where the representative works. This individual is currently registered with 7 jurisdiction(s) and 1 SRO(s) through his or her employer(s).

Employment 1 of 2

Firm Name: **VANDERBILT SECURITIES, LLC**
Main Address: 125 FROEHLICH FARM BLVD.
WOODBURY, NY 11797
Firm ID#: 5953

	Regulator	Registration	Status	Date
	FINRA	General Securities Principal	Approved	10/04/2024
	FINRA	General Securities Representative	Approved	10/04/2024
	FINRA	General Securities Sales Supervisor	Approved	10/04/2024
	California	Agent	Approved	10/04/2024
	Florida	Agent	Approved	10/04/2024
	Michigan	Agent	Approved	10/04/2024
	Missouri	Agent	Approved	10/08/2024
	Ohio	Agent	Approved	10/04/2024
	Pennsylvania	Agent	Approved	10/04/2024
	Utah	Agent	Approved	10/07/2024

Branch Office Locations

5216 Woodville Rd. Suite 102
Northwood, OH 43619

Employment 2 of 2


Firm Name: **CONSOLIDATED PORTFOLIO REVIEW CORP**



Qualifications

Main Address: 125 FROEHLICH FARM BLVD.
WOODBURY, NY 11797

Firm ID#: 112694

Regulator	Registration	Status	Date
 Ohio	Investment Adviser Representative	Approved	10/04/2024

Branch Office Locations

CONSOLIDATED PORTFOLIO REVIEW CORP

5216 Woodville Rd. Suite 102
Northwood,, OH 43619



Qualifications



PASSED INDUSTRY EXAMS

This section includes all industry exams that the representative has passed. Under limited circumstances, a representative may attain registration after receiving an exam waiver based on a combination of exams the representative has passed and qualifying work experience. Likewise a new exam requirement may be grandfathered based on a representative's specific qualifying work experience. Exam waivers and grandfathering are not included below.

This individual has passed 3 principal/supervisory exams, 2 general industry/product exams, and 2 state securities law exams.

Principal/Supervisory Exams

	Exam	Category	Date
B	General Securities Sales Supervisor - Options Module Examination (S9)	Series 9	04/04/2002
B	General Securities Sales Supervisor - General Module Examination (S10)	Series 10	01/28/2002
B	General Securities Principal Examination (S24)	Series 24	08/15/1998

General Industry/Product Exams

	Exam	Category	Date
B	Securities Industry Essentials Examination (SIE)	SIE	10/01/2018
B	General Securities Representative Examination (S7)	Series 7	01/04/1991

State Securities Law Exams

	Exam	Category	Date
IA	Uniform Investment Adviser Law Examination (S65)	Series 65	12/01/2000
B	Uniform Securities Agent State Law Examination (S63)	Series 63	07/18/1991



PROFESSIONAL DESIGNATIONS

This section details that the representative has reported **1** professional designation(s).

Certified Financial Planner

This representative holds or did hold **1** professional designation(s) that may have been used to qualify as an Investment Advisor representative. Please check with the appropriate designation authority for verification that the designation is still in effect. The contact information for these professional designation authorities can be found on the website for the North American Securities



Administrators Association at <http://www.nasaa.org>



Registration & Employment History

PREVIOUSLY REGISTERED WITH THE FOLLOWING FIRMS

This representative held registrations with the following firms:

	Registration Dates	Firm Name	ID#	Branch Location
IA	11/23/2009 - 10/24/2024	WESTERN INTERNATIONAL SECURITIES	CRD# 39262	Northwood, OH
B	07/18/2007 - 10/24/2024	WESTERN INTERNATIONAL SECURITIES, INC.	CRD# 39262	Northwood, OH
IA	01/04/2005 - 07/19/2007	COMMONWEALTH FINANCIAL NETWORK	CRD# 8032	MILLBURY, OH
B	01/03/2005 - 07/19/2007	COMMONWEALTH FINANCIAL NETWORK	CRD# 8032	MILLBURY, OH
IA	10/22/2004 - 01/04/2005	BANC ONE SECURITIES CORPORATION	CRD# 16999	WAYNE, MI
B	10/06/2004 - 01/04/2005	BANC ONE SECURITIES CORPORATION	CRD# 16999	CHICAGO, IL
B	03/11/2002 - 09/20/2004	CHARLES SCHWAB & CO., INC.	CRD# 5393	WESTLAKE, TX
IA	06/13/2000 - 09/20/2004	CHARLES SCHWAB & CO., INC.	CRD# 5393	, OH
B	08/15/1997 - 02/19/2002	FSC SECURITIES CORPORATION	CRD# 7461	ATLANTA, GA
B	01/07/1991 - 08/15/1997	AMERICAN EXPRESS FINANCIAL ADVISORS INC.	CRD# 6363	MINNEAPOLIS, MN
B	01/07/1991 - 08/15/1997	IDS LIFE INSURANCE COMPANY	CRD# 6321	MINNEAPOLIS, MN

EMPLOYMENT HISTORY

Below is the representative's employment history for up to the last 10 years.

Employment Dates	Employer Name	Position	Investment Related	Employer Location
10/2024 - Present	Consolidated Portfolio Review Corp	Investment Advisor Representative	Y	Woodbury, NY, United States
10/2024 - Present	Vanderbilt Securities, LLC	Registered Representative	Y	Woodbury, NY, United States
07/2007 - 10/2024	Western International Securities, Inc.	Registered Representative	Y	Pasadena, CA, United States



Registration & Employment History



OTHER BUSINESS ACTIVITIES

This section includes information, if any, as provided by the representative regarding other business activities the representative is currently engaged in either as a proprietor, partner, officer, director, employee, trustee, agent, or otherwise. This section does not include non-investment related activity that is exclusively charitable, civic, religious, or fraternal and is recognized as tax exempt.

- 1) CH Asset Management. Not Investment Related. Start date: 04/01/2025. Address: 5216 Woodville Road #102 Northwood, Ohio 43619. Title President. Duties: Run Payroll with one employee. Time spent during regular hours: 0%.
- 2) Medicare Molehill. Non Investment-Related. Start date: 09/01/2007. Address: 27 S. Lake St. Boyne City MI, 49712. Title: Realtor. Duties: I am a 1099 realtor. Time spent during regular hours: 0%.
- 3) Chiappetta Financial Group LLC. Investment-Related. DBA for Securities Business. Start date: 09/01/2027. Address: 5216 Woodville Rd Suite 102, Northwood Ohio, 43619. Title: President. Duties: Running a fee-based asset management business with financial planning and some commissioned sales. Time spent during regular hours: 100%.
- 4) Fixed Insurance Sales. Non Investment-Related. Start date: 02/01/1991. Address: 5216 Woodville Rd Suite 102, Northwood Ohio, 43619. Title: Independent Agent. Duties: Sell life insurance, fixed annuities, long-term care, health and other non-investment related products. Time spent during regular hours: 5%.



Disclosure Summary

Disclosure Information

What you should know about reported disclosure events:

(1) Certain thresholds must be met before an event is reported to IARD, for example:

- A law enforcement agency must file formal charges before an Investment Adviser Representative is required to report a particular criminal event.;
- A customer dispute must involve allegations that an Investment Adviser Representative engaged in activity that violates certain rules or conduct governing the industry and that the activity resulted in damages of at least \$5,000.

(2) Disclosure events in IAPD reports come from different sources:

As mentioned in the "About IAPD" section on page 1 of this report, information contained in IAPD comes from Investment Adviser Representatives, firms and regulators. When more than one of these sources reports information for the same disclosure event, all versions of the event will appear in the IAPD report. The different versions will be separated by a solid line with the reporting source labeled.

(3) There are different statuses and dispositions for disclosure events:

- A disclosure event may have a status of *pending*, *on appeal*, or *final*.
 - A "pending" disclosure event involves allegations that have not been proven or formally adjudicated.
 - A disclosure event that is "on appeal" involves allegations that have been adjudicated but are currently being appealed.
 - A "final" disclosure event has been concluded and its resolution is not subject to change.
- A final disclosure event generally has a disposition of *adjudicated*, *settled* or *otherwise resolved*.
 - An "adjudicated" matter includes a disposition by (1) a court of law in a criminal or civil matter, or (2) an administrative panel in an action brought by a regulator that is contested by the party charged with some alleged wrongdoing.
 - A "settled" matter generally represents a disposition wherein the parties involved in a dispute reach an agreement to resolve the matter. Please note that Investment Adviser Representatives and firms may choose to settle customer disputes or regulatory matters for business or other reasons.
 - A "resolved" matter usually includes a disposition wherein no payment is made to the customer or there is no finding of wrongdoing on the part of the Investment Adviser Representative. Such matters generally involve customer disputes.

(4) You may wish to contact the Investment Adviser Representatives to obtain further information regarding any of the disclosure events contained in this IAPD report.



DISCLOSURE EVENT DETAILS

When evaluating this information, please keep in mind that some items may involve pending actions or allegations that may be contested and have not been resolved or proven. The event may, in the end, be withdrawn, dismissed, resolved in favor of the Investment Adviser Representative, or concluded through a negotiated settlement with no admission or finding of wrongdoing.

This report provides the information exactly as it was reported to the Investment Adviser Registration Depository. Some of the specific data fields contained in the report may be blank if the information was not provided.

The following types of events are disclosed about this representative:

Type	Count
Regulatory Event	1
Customer Dispute	1
Termination	1

Regulatory Event

This disclosure event may include a final, formal proceeding initiated by a regulatory authority (e.g., a state securities agency, a federal regulator such as the Securities and Exchange Commission or the Commodities Futures Trading Commission, or a foreign financial regulatory body) for a violation of investment-related rules or regulations. This disclosure event may also include a revocation or suspension of an Investment Adviser Representative's authority to act as an attorney, accountant or federal contractor.

Disclosure 1 of 1

Reporting Source: Regulator

Regulatory Action Initiated By: FINRA

Sanction(s) Sought:

Date Initiated: 11/26/2008

Docket/Case Number: [2007009850501](#)

Employing firm when activity occurred which led to the regulatory action: COMMONWEALTH FINANCIAL NETWORK

Product Type:

Allegations: NASD RULES 2110, 2370 - GINO CHIAPPETTA, WHILE ASSOCIATED WITH A MEMBER FIRM LOANED \$14,222.45 TO PUBLIC CUSTOMERS IN VIOLATION OF THE FIRM'S WRITTEN PROCEDURES THAT PROHIBITED ITS REGISTERED REPRESENTATIVES FROM BORROWING OR LENDING TO CUSTOMERS UNLESS THE CUSTOMER IS AN IMMEDIATE FAMILY MEMBER OF THE REPRESENTATIVE. THE PUBLIC CUSTOMERS WERE NOT RELATED IN ANY WAY TO CHIAPPETTA.

Current Status: Final

Resolution: Acceptance, Waiver & Consent(AWC)



Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?

No

Resolution Date:

11/26/2008

Sanctions Ordered:

Civil and Administrative Penalty(ies)/Fine(s)
Suspension

Regulator Statement

WITHOUT ADMITTING OR DENYING THE FINDINGS, CHIAPPETTA CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, HE IS FINED \$5,000 AND SUSPENDED FROM ASSOCIATION WITH ANY FINRA MEMBER IN ANY CAPACITY FOR FIVE BUSINESS DAYS. THE SUSPENSION IS IN EFFECT FROM DECEMBER 15, 2008 THROUGH DECEMBER 19, 2008. FINE PAID ON 12/17/2008.

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Reporting Source:

Individual

Regulatory Action Initiated By:

FINRA

Sanction(s) Sought:

Date Initiated:

11/26/2008

Docket/Case Number:

[2007009850501](#)

Employing firm when activity occurred which led to the regulatory action:

COMMONWEALTH FINANCIAL NETWORK

Product Type:

No Product

Allegations:

NASD RULES 2110, 2370-GINO CHIAPPETTA, WHILE ASSOCIATED WITH A MEMEBER FIRM LOANED \$14, 222.45 TO PUBLIC CUSTOMERS IN VIOLATION OF THE FIRM'S WRITTEN PROCEDURES THAT PROHIBITED ITS REGISTERED REPRESENTATIVE FROM BORROWING OR LENDING TO CUSTOMERS UNLESS THE CUSTOMER IS AN IMMEDIATE FAMILY MEMBER OF THE REPRESENTATIVE. THE PUBLIC CUSTOMERS WERE NOT RELATED IN ANY WAY TO CHIAPPETTA.

Current Status:

Final

Resolution:

Acceptance, Waiver & Consent(AWC)

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?

No

Resolution Date:

11/26/2008

Sanctions Ordered:

Suspension

Sanction 1 of 1

Sanction Type:

Suspension

Capacities Affected:

ALL CAPACITIES



Duration: 5 DAYS

Start Date: 12/15/2008

End Date: 12/19/2008

Monetary Sanction 1 of 1

Monetary Related Sanction: Monetary Penalty other than Fines

Total Amount: \$5,000.00

Portion Levied against individual: \$5,000.00

Payment Plan:

Is Payment Plan Current: No

Date Paid by individual:

Was any portion of penalty waived? No

Amount Waived:

Broker Statement

The permission to resign resulted in a FINRA investigation. I have a client who is very philanthropic. He goes out of the county several times per year on missionary trips. He gives generously on these trips. He approached me about land he wanted to sell that he inherited from his father. He initially wanted to give the proceeds from the sale of the property to his church, then reinvest the proceeds and have the income from the sale go to the church foundation & when he passed away, the principal be left to his children. That was very easily a Charitable Lead Trust. A series of events occurred where he believed the Diocese was possibly going to split, so he did not want the Diocese to have control of the funds, so I suggested a non-taxable 1031 Exchange. He sold the land, & the proceeds went to a qualified intermediary. You must identify 3 possible properties within 45 days of the close of your sold property. I was sure he was going to do a 1031 with a Real Estate Investment Trust Company. He would be one of the few owners of a retail property complex in Columbus, Ohio, which was going to pay an income of 6.5% for the life of the ownership with a goal of increasing the payout over time. That was the first property he identified. The other one was a single family property in Michigan, & the third one was a duplex I owned personally. He identified my duplex only as a third option in case anything went wrong, which we did not anticipate. The accredited investor rule applied & I filled out the net worth statements with his current balances not including his home, which totaled \$989,000. Accredited investor rule is \$1,000,000 net worth, not including primary residence or \$250,000 income per year for the last three years, of which he did not qualify either way but was very close, but we only report numbers that are real. Inland did reject the application because he was not an accredited investor on that date of the application. The other home in Michigan already had an offer on it, so it was my duplex to complete the 1031 exchange. The sale was for \$106,000. He had practically no cost basis in the land, so he would have a large capital gains tax on the property unless he did the 1031 exchange. By doing this exchange, he saved most likely over \$30,000 in taxes, therefore in my eyes, I did what was right for the client. My duplex was \$120,000 & he had \$105,777.55 at the qualified intermediary's account. At the close, he did not have his checkbook. He was leaving the next day out of the country on a missionary trip for a month, & I agreed he could pay later. The title company wrote up a promissory note, which he signed. He paid me back within a few months from that time, but my internal compliance found this to be a loan to a client, which I am not permitted to do unless the firm has written procedures regarding it, which Commonwealth did not. Commonwealth, in my opinion, did not treat me fairly & asked me to leave the firm



as if I committed a malicious crime. They told me they would not check of any boxes on my U5 about permitting me to resign, nor report violation of NASD rule 2370. In actuality, they did both & also check off a violation of NASD rule 2110. This has been challenging to my business, & I am sure I have had potential clients not do business with me because of it. I was in violation of Rule 2370 & loaned a client money, but for a real estate transaction, paid off in a short period of time. The gentleman at FINRA even told me if I went to Arbitration, I had a good chance of winning since it was a real estate transaction. He also told me I would be going to Chicago up to five times & would incur costs in excess of \$30,000, so I agreed to a five day suspension & a \$5,000 fine. Today, the client still owns that same duplex, which nets after expenses between \$9,000-\$10,000 annually, which he gives to missions, churches, people & organizations throughout the world. As far as I am concerned, I did what was right for the client



Customer Dispute

This section provides information regarding a customer dispute that was reported to the Investment Adviser Registration Depository (IARD) by the Investment Adviser Representative (IAR), an investment adviser and/or securities firm, and/or a securities regulator. The event may include a consumer-initiated, investment-related complaint, arbitration proceeding or civil suit that contains allegations of sales practice violations against the individual.

The customer dispute may be pending or may have resulted in a civil judgment, arbitration award, monetary settlement, closure without action, withdrawal, dismissal, denial, or other outcome.

Disclosure 1 of 1

Reporting Source:	Firm
Employing firm when activities occurred which led to the complaint:	AMERIPRISE FINANCIAL SERVICES, INC.
Allegations:	THE CLIENT ALLEGES THAT THE SIGNATURE ON THE EXCLUSION RIDER PAPERWORK SUBMITTED WITH HIS DISABILITY INCOME INSURANCE POLICY APPLICATION ISSUED IN FEBRUARY 1993, DOES NOT APPEAR TO BE HIS.
Product Type:	Insurance
Alleged Damages:	\$0.00
Alleged Damages Amount Explanation (if amount not exact):	ALLEGATION INVOLVES POTENTIAL FORGERY ON AN EXCLUSION RIDER, WHICH HAS NO EFFECT ON PREMIUMS PAID FOR CLIENT'S COST IF INSURANCE. AS SUCH, NO COMPENSATORY DAMAGES AMOUNT INVOLVED.
Is this an oral complaint?	No
Is this a written complaint?	Yes
Is this an arbitration/CFTC reparation or civil litigation?	No

Customer Complaint Information

Date Complaint Received:	12/07/2010
Complaint Pending?	No
Status:	Settled
Status Date:	04/01/2011
Settlement Amount:	\$6,660.08
Individual Contribution Amount:	\$0.00

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Reporting Source:	Individual
Employing firm when activities occurred which led to the complaint:	AMERIPRISE FINANCIAL SERVICES, INC
Allegations:	THE CLIENT ALLEGES THAT THE SIGNATURE ON THE EXCLUSION RIDER PAPERWORK SUBMITTED WITH HIS DISABILITY INCOME INSURANCE POLICY APPLICATION ISSUED IN FEBRUARY 1993 DOES NOT APPEAR TO BE HIS.
Product Type:	Insurance



Alleged Damages: \$0.00

Alleged Damages Amount Explanation (if amount not exact): ALLEGATION INVOLVES POTENTIAL FORGERY ON AN EXCLUSION RIDER WHICH HAS NOT EFFECT ON PREMIUMS PAID FOR THE CLIENT'S COST OF INSURANCE. AS SUCH, NO COMPENSATORY DAMAGES AMOUNT INVOLVED.

Is this an oral complaint? No

Is this a written complaint? Yes

Is this an arbitration/CFTC reparation or civil litigation? No

Customer Complaint Information

Date Complaint Received: 12/07/2010

Complaint Pending? No

Status: Settled

Status Date: 04/01/2011

Settlement Amount: \$6,660.08

Individual Contribution Amount: \$0.00

Broker Statement

This is an insurance-related event, not an investment-related situation, which I tried to get American Express to delete, but they will not. I sold a gentleman who was an auto body painter a disability insurance policy back in 1993. He had a bad back. IDS life, now owned by American Express, issued the policy with an exclusion on injuries of the back, but would allow a reconsideration in five years after the issue date. I had the conversation when delivering the policy about the back exclusion and how to attempt to get it lifted in five years. I left American Express four years later. Then, in 2010, he tried to make a claim because his back was so bad, he could no longer work. IDS Life denied his claim because of the back exclusion. He wrote a written complaint about it and apparently claims the back exclusion rider signed was not his signature. I have never forged a client signature. Apparently, American Express refunded him the premiums paid for the policy.



Termination

This disclosure event involves a situation where the Investment Adviser Representative voluntarily resigned, was discharged or was permitted to resign after allegations were made that accused the Investment Adviser Representative of violating investment-related statutes, regulations, rules or industry standards of conduct; fraud or the wrongful taking of property; or failure to supervise in connection with investment-related statutes, regulations, rules or industry standards of conduct.

Disclosure 1 of 1

Reporting Source: Firm
Firm Name: COMMONWEALTH FINANCIAL NETWORK
Termination Type: Permitted to Resign
Termination Date: 07/19/2007
Allegations: VIOLATIONS OF FIRM POLICY AND NASD CONDUCT RULE 2370
Product Type: No Product
Other Product Types:

.....

Reporting Source: Individual
Firm Name: COMMONWEALTH FINANCIAL NETWORK
Termination Type: Permitted to Resign
Termination Date: 07/19/2007
Allegations: VIOLATIONS OF FIRM POLICY AND NASD CONDUCT RULE 2370.
Product Type: No Product

Broker Statement

The permission to resign resulted in a FINRA investigation. I have a client who is very philanthropic. He goes out of the county several times per year on missionary trips. He gives generously on these trips. He approached me about land he wanted to sell that he inherited from his father. He initially wanted to give the proceeds from the sale of the property to his church, then reinvest the proceeds and have the income from the sale go to the church foundation & when he passed away, the principal be left to his children. That was very easily a Charitable Lead Trust. A series of events occurred where he believed the Diocese was possibly going to split, so he did not want the Diocese to have control of the funds, so I suggested a non-taxable 1031 Exchange. He sold the land, & the proceeds went to a qualified intermediary. You must identify 3 possible properties within 45 days of the close of your sold property. I was sure he was going to do a 1031 with a Real Estate Investment Trust Company. He would be one of the few owners of a retail property complex in Columbus, Ohio, which was going to pay an income of 6.5% for the life of the ownership with a goal of increasing the payout over time. That was the first property he identified. The other one was a single family property in Michigan, & the third one was a duplex I owned personally. He identified my duplex only as a third option in case anything went wrong, which we did not anticipate. The accredited investor rule applied & I filled out the net worth statements with his current balances not including his home, which totaled \$989,000. Accredited investor rule is \$1,000,000 net worth, not including primary residence or \$250,000 income per year for the last three years, of which he did not qualify either way but was very close, but we only report numbers that are real. Inland did reject the application because he was not an accredited investor on that date of the application. The other home in Michigan already had an offer on it, so it was my duplex to complete the 1031 exchange. The sale was for \$106,000. He had practically no cost basis in the land, so he would have a large capital gains tax on the property unless he did the 1031 exchange. By doing this exchange, he saved



most likely over \$30,000 in taxes, therefore in my eyes, I did what was right for the client. My duplex was \$120,000 & he had \$105,777.55 at the qualified intermediary's account. At the close, he did not have his checkbook. He was leaving the next day out of the country on a missionary trip for a month, & I agreed he could pay later. The title company wrote up a promissory note, which he signed. He paid me back within a few months from that time, but my internal compliance found this to be a loan to a client, which I am not permitted to do unless the firm has written procedures regarding it, which Commonwealth did not. Commonwealth, in my opinion, did not treat me fairly & asked me to leave the firm as if I committed a malicious crime. They told me they would not check off any boxes on my U5 about permitting me to resign, nor report violation of NASD rule 2370. In actuality, they did both & also check off a violation of NASD rule 2110. This has been challenging to my business, & I am sure I have had potential clients not do business with me because of it. I was in violation of Rule 2370 & loaned a client money, but for a real estate transaction, paid off in a short period of time. The gentleman at FINRA even told me if I went to Arbitration, I had a good chance of winning since it was a real estate transaction. He also told me I would be going to Chicago up to five times & would incur costs in excess of \$30,000, so I agreed to a five day suspension & a \$5,000 fine. Today, the client still owns that same duplex, which nets after expenses between \$9,000-\$10,000 annually, which he gives to missions, churches, people & organizations throughout the world. As far as I am concerned, I did what was right for the client



End of Report

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