



## IAPD Report

# MICHAEL WAYNE BEARDSLEY

CRD# 2546470

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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

### MICHAEL WAYNE BEARDSLEY (CRD# 2546470)

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 **01/14/2026**.

### CURRENT EMPLOYERS

|           | Firm                      | CRD#        | Registered Since |
|-----------|---------------------------|-------------|------------------|
| <b>B</b>  | RAINMAKER SECURITIES, LLC | CRD# 132995 | 05/30/2013       |
| <b>IA</b> | INTERNET SECURITIES       | CRD# 102800 | 01/24/2017       |

### QUALIFICATIONS

This representative is currently registered in **1** SRO(s) and **3** 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      |
|-----------|---------------------|--------|-------------|-------------------------|
| <b>IA</b> | INTERNET SECURITIES | 102800 | OAKLAND, CA | 11/21/2013 - 12/31/2016 |
| <b>IA</b> | INTERNET SECURITIES | 102800 | OAKLAND, CA | 01/19/2006 - 09/13/2012 |
| <b>B</b>  | INTERNET SECURITIES | 102800 | OAKLAND, CA | 07/07/2000 - 09/13/2012 |

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 | 2     |
| Customer Dispute | 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 3 jurisdiction(s) and 1 SRO(s) through his or her employer(s).

#### Employment 1 of 2

Firm Name: **RAINMAKER SECURITIES, LLC**  
Main Address: 2000 SALZEDO STREET, #1218  
ATTN: RAINMAKER SECURITIES, LLC  
CORAL GABLES, FL 33134  
Firm ID#: 132995

| Regulator           | Registration                      | Status   | Date       |
|---------------------|-----------------------------------|----------|------------|
| <b>B</b> FINRA      | General Securities Principal      | Approved | 05/30/2013 |
| <b>B</b> FINRA      | General Securities Representative | Approved | 05/30/2013 |
| <b>B</b> FINRA      | Investment Banking Representative | Approved | 05/30/2013 |
| <b>B</b> FINRA      | Investment Banking Principal      | Approved | 10/01/2018 |
| <b>B</b> California | Agent                             | Approved | 05/30/2013 |
| <b>B</b> Florida    | Agent                             | Approved | 02/26/2021 |
| <b>B</b> Nevada     | Agent                             | Approved | 11/27/2018 |

#### Branch Office Locations

EL CERRITO, CA

#### Employment 2 of 2

Firm Name: **INTERNET SECURITIES**  
Main Address: 300 FRANK H. OGAWA PLAZA  
SUITE 238  
OAKLAND, CA 94612  
Firm ID#: 102800



## Qualifications

| Regulator            | Registration                      | Status   | Date       |
|----------------------|-----------------------------------|----------|------------|
| <b>IA</b> California | Investment Adviser Representative | Approved | 01/24/2017 |

### Branch Office Locations

**INTERNET SECURITIES**  
300 FRANK H. OGAWA PLAZA  
SUITE 238  
OAKLAND, CA 94612




## 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 1 principal/supervisory exam, 4 general industry/product exams, and 2 state securities law exams.**



#### Principal/Supervisory Exams

|   | Exam   | Category  | Date       |
|---|--|-----------|------------|
|  | General Securities Principal Examination (S24) | Series 24 | 03/13/2000 |

#### General Industry/Product Exams

|   | Exam   | Category    | Date       |
|---|--|-------------|------------|
|  | Investment Banking Registered Representative Examination (S79TO) | Series 79TO | 01/02/2023 |
|  | Securities Industry Essentials Examination (SIE)                 | SIE         | 10/01/2018 |
|  | Research Analyst Exam - Part II Regulations Module (S87)         | Series 87   | 07/07/2007 |
|  | General Securities Representative Examination (S7)               | Series 7    | 12/23/1994 |

#### State Securities Law Exams

|   | Exam   | Category  | Date       |
|---|--|-----------|------------|
|  | Uniform Investment Adviser Law Examination (S65)     | Series 65 | 01/07/2006 |
|  | Uniform Securities Agent State Law Examination (S63) | Series 63 | 10/29/2005 |

### PROFESSIONAL DESIGNATIONS

This section details that the representative has reported **0** professional designation(s).

No information reported.



## 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 | 11/21/2013 - 12/31/2016 | INTERNET SECURITIES                                   | CRD#<br>102800 | OAKLAND, CA       |
| IA | 01/19/2006 - 09/13/2012 | INTERNET SECURITIES                                   | CRD#<br>102800 | OAKLAND, CA       |
| B  | 07/07/2000 - 09/13/2012 | INTERNET SECURITIES                                   | CRD#<br>102800 | OAKLAND, CA       |
| B  | 07/14/1998 - 01/22/1999 | PACIFIC GROWTH EQUITIES, INC.                         | CRD#<br>24835  | SAN FRANCISCO, CA |
| B  | 01/03/1995 - 10/20/1997 | MERRILL LYNCH, PIERCE, FENNER & SMITH<br>INCORPORATED | CRD# 7691      | NEW YORK, NY      |

### 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                   |
|-------------------|---------------------------|-----------------------|--------------------|-------------------------------------|
| 05/2013 - Present | RAINMAKER SECURITIES, LLC | INVESTMENT<br>BANKER  | Y                  | OAKLAND, CA, United<br>States       |
| 01/2006 - Present | INTERNET SECURITIES       | RIA<br>REPRESENTATIVE | Y                  | OAKLAND, CA, United<br>States       |
| 12/1998 - Present | INTERNET SECURITIES       | INVESTMENT<br>BANKER  | Y                  | SAN FRANCISCO,<br>CA, United States |

### 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.

INTERNET SECURITIES. MR. BEARDSLEY OVERSEES THE RIA DIVISION AND IS RESPONSIBLE FOR ANNUAL UPDATES AND FORM SUBMITTAL. 4 HOURS PER WEEK. IMPACT TECHNOLOGY FUND WILL BE HOUSED WITHIN RIA DIVISION.

APARTMENT RENTAL OWNER 10 HOURS PER MONTH.

TIMBER COVE VACATION HOME RENTAL; THIS SINGLE FAMILY HOUSE IS PART OF FAMILY ESTATE; LOCATED IN JENNER, CA; NOT INVESTMENT-RELATED; 1-4% OF TIME SPENT ON THIS ACTIVITY DURING NORMAL WORKING HOURS.

LAKE TAHOE CABIN VACATION HOME RENTAL; OWNER OF 2 BEDROOM CABIN; 2-5% 1-4% OF TIME SPENT ON THIS



## Registration & Employment History



### OTHER BUSINESS ACTIVITIES

ACTIVITY DURING NORMAL WORKING HOURS.



## 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 | 2     |
| Customer Dispute | 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 2

|  |  |
|--|--|
| <b>Reporting Source:</b>   | Regulator  |
| <b>Regulatory Action Initiated By:</b>   | FINRA  |
| <b>Sanction(s) Sought:</b>   | Other: N/A   |
| <b>Date Initiated:</b>   | 10/04/2011   |
| <b>Docket/Case Number:</b>   | <a href="#">2009020930302</a>  |
| <b>Employing firm when activity occurred which led to the regulatory action:</b> | INTERNET SECURITIES  |
| <b>Product Type:</b>   | Other: EXCHANGE-TRADED FUNDS   |
| <b>Allegations:</b>  | FINRA BY-LAWS ARTICLE V, SECTION 2 AND SECTION 3, FINRA RULES 2010, 3130, 3310(B), 4530(A), NASD RULES 2110, 3010, 3011(B), 3011(C), 3012, 3070(A): BEARDSLEY WAS A REGISTERED REPRESENTATIVE'S DIRECT SUPERVISOR RESPONSIBLE FOR REVIEWING AND APPROVING THE REPRESENTATIVE'S SECURITIES TRANSACTIONS; BEARDSLEY FAILED TO EXERCISE REASONABLE SUPERVISION OVER THE REPRESENTATIVE'S RECOMMENDATIONS OF EXCHANGE-TRADED FUNDS (ETFs) IN THE ACCOUNTS OF CUSTOMERS, THEREBY ALLOWING THE REPRESENTATIVE TO CONDUCT NUMEROUS, UNSUITABLE TRANSACTIONS. AS CHIEF COMPLIANCE OFFICER OF THE FIRM, BEARDSLEY WAS RESPONSIBLE FOR ENSURING THAT THE FIRM FILED ALL NECESSARY FORMS U4, FORMS U5 AND RULE 3070 REPORTS; BEARDSLEY AND THE FIRM FAILED TO AMEND BEARDSLEY'S FORM U4 TO DISCLOSE SETTLEMENT OF AN ARBITRATION, WITHIN 30 DAYS OF THE SETTLEMENT; THE FIRM FAILED TO AMEND A REGISTERED REPRESENTATIVE'S FORM U5 TO DISCLOSE SETTLEMENT OF ARBITRATION, WITHIN 30 DAYS OF THE SETTLEMENT; |



BEARDSLEY AND THE FIRM FAILED TO MAKE THE REQUIRED REPORT ABOUT THE SETTLEMENT TO FINRA WITHIN TEN BUSINESS DAYS. BEARDSLEY AND THE FIRM FAILED TO ESTABLISH AND MAINTAIN A SUPERVISORY SYSTEM REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH APPLICABLE SECURITIES LAWS AND REGULATIONS AND FINRA RULES AS THEY PERTAIN TO SALES OF PRIVATE PLACEMENTS: THE FIRM AND BEARDSLEY FAILED TO CONDUCT INVESTIGATIONS OF OFFERING FOR SUITABILITY BUT RELIED ON INFORMATION PROVIDED BY THE REGISTERED REPRESENTATIVE, NEVER REVIEWED ISSUERS' FINANCIAL, NOR ATTEMPT TO OBTAIN INFORMATION ABOUT THE ISSUERS FROM ANY THIRD PARTIES; FAILED TO MAINTAIN DOCUMENTATION OF THEIR INVESTIGATIONS; ALLOWED A REGISTERED REPRESENTATIVE TO DRAFT SELLING AGREEMENTS WITH OFFERINGS WHICH ALLOWED DIRECT PAYMENT BY THE ISSUER TO AN ENTITY OWNED BY THE REPRESENTATIVE, NOT THE FIRM; FAILED TO IMPLEMENT SUPERVISORY PROCEDURES TO ENSURE COMPLIANCE WITH SEC EXCHANGE ACT RULE 15C2-4(B); AND FAILED TO IMPLEMENT SUPERVISORY PROCEDURES TO PREVENT GENERAL SOLICITATION OF INVESTMENT IN CONNECTION WITH OFFERING MADE PURSUANT TO REGULATION D. THE FIRM'S WRITTEN PROCEDURES REQUIRED BEARDSLEY TO OBTAIN AND REVIEW, ON AT LEAST AN ANNUAL BASIS, A WRITTEN STATEMENT FROM EACH REGISTERED REPRESENTATIVE ABOUT HIS OR HER OUTSIDE BUSINESS ACTIVITIES; DESPITE THE FACT THAT SEVERAL REGISTERED REPRESENTATIVES WERE ACTIVELY ENGAGED IN OUTSIDE BUSINESS ACTIVITIES, BEARDSLEY FAILED TO OBTAIN ANY SUCH WRITTEN STATEMENTS. THE FIRM'S WRITTEN PROCEDURES REQUIRED BEARDSLEY TO REQUEST DUPLICATE STATEMENTS OF ALL SECURITIES ACCOUNTS HELD BY THE FIRM'S EMPLOYEES AT OTHER INSTITUTIONS; THE PROCEDURES FURTHER REQUIRED BEARDSLEY TO OBTAIN, ON AT LEAST AN ANNUAL BASIS, A WRITTEN NOTIFICATION FROM EACH REGISTERED REPRESENTATIVE CONCERNING ALL ACTUAL AND ANTICIPATED OUTSIDE SECURITIES ACTIVITIES; FOR ALMOST A THREE YEAR PERIOD BEARDSLEY DID NOT REQUEST ANY DUPLICATE STATEMENTS OF OUTSIDE SECURITIES ACCOUNTS HELD BY FIRM EMPLOYEES; FURTHER, HE NEITHER REQUESTED NOR OBTAINED ANY WRITTEN NOTIFICATIONS FROM FIRM EMPLOYEES CONCERNING THEIR ACTUAL OR ANTICIPATED OUTSIDE SECURITIES ACTIVITIES. BEARDSLEY AND THE FIRM FAILED TO IMPLEMENT AN ADEQUATE SYSTEM OF SUPERVISORY CONTROL POLICIES AND PROCEDURES. BEARDSLEY AND THE FIRM COMPLETED ANNUAL CERTIFICATIONS, IN WHICH BEARDSLEY CERTIFIED THAT HE HAD REVIEWED REPORTS EVIDENCING THE FIRM'S PROCESSES FOR: ESTABLISHING, MAINTAINING AND REVIEWING POLICIES AND PROCEDURES REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH APPLICABLE FINRA RULES, MSRB RULES AND FEDERAL SECURITIES LAWS AND REGULATIONS; MODIFYING SUCH POLICIES AND PROCEDURES AS BUSINESS, REGULATORY AND LEGISLATIVE CHANGES AND EVENTS DICTATE; AND TESTING THE EFFECTIVENESS OF SUCH POLICIES AND PROCEDURES ON A PERIODIC BASIS, THE TIMING AND EXTENT OF WHICH IS REASONABLY DESIGNED TO ENSURE CONTINUING COMPLIANCE WITH FINRA RULES, MSRB RULES AND FEDERAL SECURITIES LAWS AND REGULATIONS. (CONT. IN COMMENT)

**Current Status:**

Final

**Resolution:**

Acceptance, Waiver &amp; 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:** 10/04/2011

**Sanctions Ordered:** Suspension

**If the regulator is the SEC, CFTC, or an SRO, did the action result in a finding of a willful violation or failure to supervise?** No

**(1) willfully violated any provision of the Securities Act of 1933, the Securities Exchange Act of 1934, the Investment Advisers Act of 1940, the Investment Company Act of 1940, the Commodity Exchange Act, or any rule or regulation under any of such Acts, or any of the rules of the Municipal Securities Rulemaking Board, or to have been unable to comply with any provision of such Act, rule or regulation?**

**(2) willfully aided, abetted, counseled, commanded, induced, or procured the violation by any person of any provision of the Securities Act of 1933, the Securities Exchange Act of 1934, the Investment Advisers Act of 1940, the Investment Company Act of 1940, the Commodity Exchange Act, or any rule or regulation under any of such Acts, or any of the rules of the Municipal Securities Rulemaking Board? or**



**(3) failed reasonably to supervise another person subject to your supervision, with a view to preventing the violation by such person of any provision of the Securities Act of 1933, the Securities Exchange Act of 1934, the Investment Advisers Act of 1940, the Investment Company Act of 1940, the Commodity Exchange Act, or any rule or regulation under any such Acts, or any of the rules of the Municipal Securities Rulemaking Board?**

**Sanction 1 of 1**

|                             |                          |
|-----------------------------|--------------------------|
| <b>Sanction Type:</b>       | Suspension               |
| <b>Capacities Affected:</b> | ALL PRINCIPAL CAPACITIES |
| <b>Duration:</b>            | ONE YEAR                 |
| <b>Start Date:</b>          | 11/07/2011               |
| <b>End Date:</b>            | 11/06/2012               |

**Regulator Statement**

IN FACT, THE REPORT DID NOT EVIDENCE ANY PROCESSES FOR TESTING THE EFFECTIVENESS OF SUCH POLICIES, AND NO SUCH TESTING WAS DONE. BEARDSLEY, ON BEHALF OF THE FIRM, EXECUTED AN ENGAGEMENT LETTER COMMITTING THE FIRM TO SERVE AS A PLACEMENT AGENT FOR AN ISSUER OF LIMITED PARTNERSHIP UNITS; THE LETTER, WHICH WAS DRAFTED BY AN A REGISTERED REPRESENTATIVE, FALSELY REPRESENTED THAT THE FIRM WAS NOT A REGISTERED BROKER-DEALER; THEREFORE, BEARDSLEY MISREPRESENTED THE FIRM'S STATUS TO A SECURITIES ISSUER. BEARDSLEY AND THE FIRM FAILED TO ENFORCE THE FIRM'S CUSTOMER IDENTIFICATION PROGRAM IN THAT THEY COMPLETELY FAILED TO VERIFY THE IDENTITIES OF CUSTOMERS; BEARDSLEY AND THE FIRM FAILED TO CONDUCT A TEST OF THE FIRM'S ANTI-MONEY LAUNDERING COMPLIANCE PROGRAM FOR A CALENDAR YEAR.

WITHOUT ADMITTING OR DENYING THE FINDINGS, BEARDSLEY CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE HE IS SUSPENDED FROM ASSOCIATION WITH ANY FINRA MEMBER IN ALL PRINCIPAL CAPACITIES FOR ONE YEAR. IN LIGHT OF BEARDSLEY'S FINANCIAL STATUS, NO MONETARY SANCTION HAS BEEN IMPOSED. THE SUSPENSION IS IN EFFECT FROM NOVEMBER 7, 2011, THROUGH NOVEMBER 6, 2012.

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|  |            |
|--|------------|
| <b>Reporting Source:</b>               | Individual |
| <b>Regulatory Action Initiated By:</b> | FINRA      |
| <b>Sanction(s) Sought:</b>             | Other: NA  |
| <b>Date Initiated:</b>                 | 10/04/2011 |



**Docket/Case Number:** [2009020930302](#)

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

**Product Type:** Other: EXCHANGE TRADED FUNDS.

**Allegations:** FINRA BY-LAWS ARTICLE V, SECTION 2 AND SECTION 3, FINRA RULES 2010, 3130, 3310(B), 4530(A), NASD RULES 2110, 3010, 3011(B), 3011(C), 3012, 3070(A): BEARDSLEY WAS A REGISTERED REPRESENTATIVE'S DIRECT SUPERVISOR RESPONSIBLE FOR REVIEWING AND APPROVING THE REPRESENTATIVE'S SECURITIES TRANSACTIONS; BEARDSLEY FAILED TO EXERCISE REASONABLE SUPERVISION OVER THE REPRESENTATIVE'S RECOMMENDATIONS OF EXCHANGE-TRADED FUNDS (ETFs) IN THE ACCOUNTS OF CUSTOMERS, THEREBY ALLOWING THE REPRESENTATIVE TO CONDUCT NUMEROUS, UNSUITABLE TRANSACTIONS. AS CHIEF COMPLIANCE OFFICER OF THE FIRM, BEARDSLEY WAS RESPONSIBLE FOR ENSURING THAT THE FIRM FILED ALL NECESSARY FORMS U4, FORMS U5 AND RULE 3070 REPORTS; BEARDSLEY AND THE FIRM FAILED TO AMEND BEARDSLEY'S FORM U4 TO DISCLOSE SETTLEMENT OF AN ARBITRATION, WITHIN 30 DAYS OF THE SETTLEMENT; THE FIRM FAILED TO AMEND A REGISTERED REPRESENTATIVE'S FORM U5 TO DISCLOSE SETTLEMENT OF ARBITRATION, WITHIN 30 DAYS OF THE SETTLEMENT; BEARDSLEY AND THE FIRM FAILED TO MAKE THE REQUIRED REPORT ABOUT THE SETTLEMENT TO FINRA WITHIN TEN BUSINESS DAYS. BEARDSLEY AND THE FIRM FAILED TO ESTABLISH AND MAINTAIN A SUPERVISORY SYSTEM REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH APPLICABLE SECURITIES LAWS AND REGULATIONS AND FINRA RULES AS THEY PERTAIN TO SALES OF PRIVATE PLACEMENTS. THE FIRM'S WRITTEN PROCEDURES REQUIRED BEARDSLEY TO OBTAIN AND REVIEW, ON AT LEAST AN ANNUAL BASIS, A WRITTEN STATEMENT FROM EACH REGISTERED REPRESENTATIVE ABOUT HIS OR HER OUTSIDE BUSINESS ACTIVITIES; DESPITE THE FACT THAT SEVERAL REGISTERED REPRESENTATIVES WERE ACTIVELY ENGAGED IN OUTSIDE BUSINESS ACTIVITIES, BEARDSLEY FAILED TO OBTAIN ANY SUCH WRITTEN STATEMENTS. THE FIRM'S WRITTEN PROCEDURES REQUIRED BEARDSLEY TO REQUEST DUPLICATE STATEMENTS OF ALL SECURITIES ACCOUNTS HELD BY THE FIRM'S EMPLOYEES AT OTHER INSTITUTIONS; THE PROCEDURES FURTHER REQUIRED BEARDSLEY TO OBTAIN, ON AT LEAST AN ANNUAL BASIS, A WRITTEN NOTIFICATION FROM EACH REGISTERED REPRESENTATIVE CONCERNING ALL ACTUAL AND ANTICIPATED OUTSIDE SECURITIES ACTIVITIES; FOR ALMOST A THREE YEAR PERIOD BEARDSLEY DID NOT REQUEST ANY DUPLICATE STATEMENTS OF OUTSIDE SECURITIES ACCOUNTS HELD BY FIRM EMPLOYEES; FURTHER, HE NEITHER REQUESTED NOR OBTAINED ANY WRITTEN NOTIFICATIONS FROM FIRM EMPLOYEES CONCERNING THEIR ACTUAL OR ANTICIPATED OUTSIDE SECURITIES ACTIVITIES. BEARDSLEY AND THE FIRM FAILED TO IMPLEMENT AN ADEQUATE SYSTEM OF SUPERVISORY CONTROL POLICIES AND PROCEDURES. BEARDSLEY AND THE FIRM COMPLETED ANNUAL CERTIFICATIONS, IN WHICH BEARDSLEY CERTIFIED THAT HE HAD REVIEWED REPORTS EVIDENCING THE FIRM'S PROCESSES FOR: ESTABLISHING, MAINTAINING AND REVIEWING POLICIES AND PROCEDURES REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH APPLICABLE FINRA RULES, MSRB RULES AND FEDERAL SECURITIES LAWS AND REGULATIONS; MODIFYING SUCH POLICIES AND PROCEDURES AS BUSINESS, REGULATORY AND LEGISLATIVE CHANGES AND EVENTS DICTATE; AND TESTING THE EFFECTIVENESS OF SUCH POLICIES AND PROCEDURES ON A PERIODIC BASIS, THE TIMING AND EXTENT OF WHICH



IS REASONABLY DESIGNED TO ENSURE CONTINUING COMPLIANCE WITH FINRA RULES, MSRB RULES AND FEDERAL SECURITIES LAWS AND REGULATIONS. IN FACT, THE REPORT DID NOT EVIDENCE ANY PROCESSES FOR TESTING THE EFFECTIVENESS OF SUCH POLICIES, AND NO SUCH TESTING WAS DONE. BEARDSLEY, ON BEHALF OF THE FIRM, EXECUTED AN ENGAGEMENT LETTER COMMITTING THE FIRM TO SERVE AS A PLACEMENT AGENT FOR AN ISSUER OF LIMITED PARTNERSHIP UNITS; THE LETTER, WHICH WAS DRAFTED BY AN A REGISTERED REPRESENTATIVE, FALSELY REPRESENTED THAT THE FIRM WAS NOT A REGISTERED BROKER-DEALER; THEREFORE, BEARDSLEY MISREPRESENTED THE FIRM'S STATUS TO A SECURITIES ISSUER. BEARDSLEY AND THE FIRM FAILED TO ENFORCE THE FIRM'S CUSTOMER IDENTIFICATION PROGRAM IN THAT THEY COMPLETELY FAILED TO VERIFY THE IDENTITIES OF CUSTOMERS; BEARDSLEY AND THE FIRM FAILED TO CONDUCT A TEST OF THE FIRM'S ANTI-MONEY LAUNDERING COMPLIANCE PROGRAM FOR A CALENDAR YEAR.

**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:** 10/04/2011

**Sanctions Ordered:** Suspension

**Sanction 1 of 1**

**Sanction Type:** Suspension

**Capacities Affected:** ALL PRINCIPAL CAPACITIES

**Duration:** ONE YEAR

**Start Date:** 11/07/2011

**End Date:** 11/06/2012

**Broker Statement**

WITHOUT ADMITTING OR DENYING THE FINDINGS, BEARDSLEY CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE HE IS SUSPENDED FROM ASSOCIATION WITH ANY FINRA MEMBER IN ALL PRINCIPAL CAPACITIES FOR ONE YEAR. IN LIGHT OF BEARDSLEY'S FINANCIAL STATUS, NO MONETARY SANCTION HAS BEEN IMPOSED. THE SUSPENSION IS IN EFFECT FROM NOVEMBER 7, 2011, THROUGH NOVEMBER 6, 2012.

#### Disclosure 2 of 2

**Reporting Source:** Regulator

**Regulatory Action Initiated By:** FINRA

**Sanction(s) Sought:** Other: N/A

**Date Initiated:** 06/16/2010

**Docket/Case Number:** [2009017653801](#)



|   |  |
|---|--|
| <b>Employing firm when activity occurred which led to the regulatory action:</b>  | INTERNET SECURITIES  |
| <b>Product Type:</b>  | No Product   |
| <b>Allegations:</b>   | FINRA RULE 2010: BEARDSLEY ALLOWED HIS MEMBER FIRM TO CONDUCT A SECURITIES BUSINESS WHILE FAILING TO MAINTAIN MINIMUM REQUIRED NET CAPITAL. BEARDSLEY'S FIRM WAS ISSUED A NOTICE OF LEVY BY A STATE AND THE NOTICE WAS SENT TO BEARDSLEY. HE FAILED TO NOTIFY ANY OTHER FIRM PERSONNEL, INCLUDING THE FIRM'S OFFSITE FINANCIAL AND OPERATIONS PRINCIPAL (FINOP) ABOUT THE LEVY. BECAUSE THE FINOP DID NOT HAVE READY ACCESS TO THE FIRM'S BOOKS AND RECORDS, HE WAS UNABLE TO CALCULATE THE FIRM'S NET CAPITAL. THE LEVY CAUSED THE FIRM TO FALL BELOW ITS REQUIRED MINIMUM NET CAPITAL. |
| <b>Current Status:</b>  | Final  |
| <b>Resolution:</b>  | Acceptance, Waiver & Consent(AWC)  |
| <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>Resolution Date:</b>   | 06/16/2010   |
| <b>Sanctions Ordered:</b>   | Civil and Administrative Penalty(ies)/Fine(s)<br>Suspension  |
| <b>If the regulator is the SEC, CFTC, or an SRO, did the action result in a finding of a willful violation or failure to supervise?</b>   | No   |
| <b>(1) willfully violated any provision of the Securities Act of 1933, the Securities Exchange Act of 1934, the Investment Advisers Act of 1940, the Investment Company Act of 1940, the Commodity Exchange Act, or any rule or regulation under any of such Acts, or any of the rules of the Municipal Securities Rulemaking Board, or to have been unable to comply with any provision of such Act, rule or regulation?</b> |  |



(2) willfully aided, abetted, counseled, commanded, induced, or procured the violation by any person of any provision of the Securities Act of 1933, the Securities Exchange Act of 1934, the Investment Advisers Act of 1940, the Investment Company Act of 1940, the Commodity Exchange Act, or any rule or regulation under any of such Acts, or any of the rules of the Municipal Securities Rulemaking Board? or

(3) failed reasonably to supervise another person subject to your supervision, with a view to preventing the violation by such person of any provision of the Securities Act of 1933, the Securities Exchange Act of 1934, the Investment Advisers Act of 1940, the Investment Company Act of 1940, the Commodity Exchange Act, or any rule or regulation under any such Acts, or any of the rules of the Municipal Securities Rulemaking Board?

#### Sanction 1 of 1

|                      |                          |
|----------------------|--------------------------|
| Sanction Type:       | Suspension               |
| Capacities Affected: | ALL PRINCIPAL CAPACITIES |
| Duration:            | 15 BUSINESS DAYS         |
| Start Date:          | 07/19/2010               |
| End Date:            | 08/06/2010               |

#### Monetary Sanction 1 of 1

|                                    |   |
|------------------------------------|---|
| Monetary Related Sanction:         | Civil and Administrative Penalty(ies)/Fine(s) |
| Total Amount:                      | \$5,000.00                                    |
| Portion Levied against individual: | \$5,000.00                                    |
| Payment Plan:                      |   |
| Is Payment Plan Current:           |   |
| Date Paid by individual:           | 06/28/2010                                    |
| Was any portion of penalty waived? | No  |

**Amount Waived:****Regulator Statement**

WITHOUT ADMITTING OR DENYING THE FINDINGS, BEARDSLEY CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE HE IS FINED \$5,000, JOINTLY AND SEVERALLY, AND SUSPENDED FROM ASSOCIATION WITH ANY FINRA MEMBER IN ANY PRINCIPAL CAPACITY FOR 15 BUSINESS DAYS. THE SUSPENSION IS IN EFFECT JULY 19, 2010 THROUGH AUGUST 6, 2010.

.....

**Reporting Source:**

Individual

**Regulatory Action Initiated By:**

FINRA

**Sanction(s) Sought:**Civil and Administrative Penalty(ies)/Fine(s)  
Suspension**Date Initiated:**

06/16/2010

**Docket/Case Number:**[2009017653801](#)**Employing firm when activity occurred which led to the regulatory action:**

INTERNET SECURITIES

**Product Type:**

No Product

**Allegations:**

FINRA RULE 2010: BEARDSLEY ALLOWED HIS MEMBER FIRM TO CONDUCT A SECURITIES BUSINESS WHILE FAILING TO MAINTAIN MINIMUM REQUIRED NET CAPITAL. BEARDSLEY'S FIRM WAS ISSUED A NOTICE OF LEVY BY A STATE AND THE NOTICE WAS SENT TO BEARDSLEY. HE FAILED TO NOTIFY ANY OTHER FIRM PERSONNEL, INCLUDING THE FIRM'S OFFSITE FINANCIAL AND OPERATIONS PRINCIPAL (FINOP) ABOUT THE LEVY. BECAUSE THE FINOP DID NOT HAVE READY ACCESS TO THE FIRM'S BOOKS AND RECORDS, HE WAS UNABLE TO CALCULATE THE FIRM'S NET CAPITAL. THE LEVY CAUSED THE FIRM TO FALL BELOW ITS REQUIRED MINIMUM NET CAPITAL.

**Current Status:**

Final

**Resolution:**

Acceptance, Waiver &amp; 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:**

06/16/2010

**Sanctions Ordered:**Civil and Administrative Penalty(ies)/Fine(s)  
Suspension**Sanction 1 of 1****Sanction Type:**

Suspension

**Capacities Affected:**

ALL PRINCIPAL CAPACITIES

**Duration:**

15 BUSINESS DAYS

**Start Date:**

07/19/2010



**End Date:** 08/06/2010

**Monetary Sanction 1 of 1**

**Monetary Related Sanction:** Civil and Administrative Penalty(ies)/Fine(s)

**Total Amount:** \$5,000.00

**Portion Levied against individual:** \$5,000.00

**Payment Plan:**

**Is Payment Plan Current:**

**Date Paid by individual:**

**Was any portion of penalty waived?** No

**Amount Waived:**

**Broker Statement**

WITHOUT ADMITTING OR DENYING THE FINDINGS, BEARDSLEY CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS. MICHAEL BEARDSLEY BELIEVES THE FOLLOWING:  
1.THE EMPLOYMENT DEVELOPMENT DEPARTMENT (EDD) INAPPROPRIATELY CATEGORIZED THE FIRM'S REGISTERED REPRESENTATIVES AS EMPLOYEES AND NOT INDEPENDENT CONTRACTORS WHICH SIGNIFICANTLY BOOSTED ITS CLAIM FOR THE AMOUNT IT BELIEVED THE FIRM OWED THE EDD. ALL OF INTERNET SECURITIES REGISTERED REPRESENTATIVES SIGN AN INDEPENDENT CONTRACTOR AGREEMENT WHEN THEY JOIN INTERNET SECURITIES. THEY THEN CONDUCT THEMSELVES IN A MANNER APPROPRIATE TO BEING AN INDEPENDENT CONTRACTOR OF THE FIRM. INDEPENDENT CONTRACTORS ARE COMMON IN THE SECURITIES INDUSTRY. IN FACT, THE MAJORITY OF ALL REGISTERED REPRESENTATIVES AT FINRA MEMBER FIRMS ARE INDEPENDENT CONTRACTORS, AND NOT EMPLOYEES.

2.THE EDD CATEGORIZED MICHAEL BEARDSLEY (THE FOUNDER)AS A STATUTORY EMPLOYEE AND HE BELIEVES INAPPROPRIATELY TREATED OFFICER ADVANCES (LOANS WHICH ARE GRANTED AND THEN PAID BACK) AS A TAXABLE PAYMENT OF SALARY, WHICH BOOSTED THE EDD'S CLAIM FOR THE AMOUNT IT BELIEVED THAT INTERNET SECURITIES OWED THE EDD.

3.INTERNET SECURITIES BELIEVES THAT THE EDD ACTED IN AN INAPPROPRIATE FASHION BY ISSUING A NOTICE OF LEVY AGAINST INTERNET SECURITIES IN THE AMOUNT OF \$16,097.90.



## 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

|  |   |
|--|---|
| <b>Reporting Source:</b>   | Individual  |
| <b>Employing firm when activities occurred which led to the complaint:</b> | INTERNET SECURITIES   |
| <b>Allegations:</b>  | CLAIMANTS ALLEGE THAT RESPONDENT SUPERVISOR DID NOT EXERCISE APPROPRIATE SUPERVISION OVER RESPONDENT BROKER.    |
| <b>Product Type:</b>   | Index Option<br>Other: INVERSE ETF  |
| <b>Alleged Damages:</b>  | \$167,000.00  |
| <b>Alleged Damages Amount Explanation (if amount not exact):</b>           | CLAIMANTS SEEK DAMAGES IN THE RANGE AGAINST RESPONDENTS IN THE AMOUNT OF BETWEEN \$167,000.00 AND \$500,000.00. |
| <b>Is this an oral complaint?</b>  | No  |
| <b>Is this a written complaint?</b>  | No  |
| <b>Is this an arbitration/CFTC reparation or civil litigation?</b>         | Yes   |
| <b>Arbitration/Reparation forum or court name and location:</b>            | FINRA DISPUTE RESOLUTION ARBITRATION SAN FRANCISCO, CA  |
| <b>Docket/Case #:</b>  | 09-06292  |
| <b>Filing date of arbitration/CFTC reparation or civil litigation:</b>     | 11/11/2009  |

## Customer Complaint Information

|  |  |
|--|--|
| <b>Date Complaint Received:</b>        | 11/11/2009   |
| <b>Complaint Pending?</b>              | No   |
| <b>Status:</b>                         | Evolved into Arbitration/CFTC reparation (the individual is a named party) |
| <b>Status Date:</b>                    | 11/11/2009   |
| <b>Settlement Amount:</b>              |  |
| <b>Individual Contribution Amount:</b> |  |

## Arbitration Information

|   |          |
|---|----------|
| <b>Arbitration/CFTC reparation claim filed with (FINRA, AAA, CFTC, etc.):</b> | FINRA    |
| <b>Docket/Case #:</b>   | 09-06292 |



|  |   |
|--|---|
| <b>Date Notice/Process Served:</b>     | 11/11/2009  |
| <b>Arbitration Pending?</b>            | No  |
| <b>Disposition:</b>                    | Settled   |
| <b>Disposition Date:</b>               | 02/11/2011  |
| <b>Monetary Compensation Amount:</b>   | \$36,000.00   |
| <b>Individual Contribution Amount:</b> | \$30,000.00   |
| <b>Broker Statement</b>                | RESPONDENT SUPERVISOR STRONGLY DENIES ALL ALLEGATIONS IN CLAIMANTS 'STATEMENT OF CLAIMS'. |



## End of Report

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