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**BEFORE THE DIRECTOR OF THE DEPARTMENT OF FINANCE
OF THE STATE OF IDAHO**

STATE OF IDAHO, DEPARTMENT OF
FINANCE, SECURITIES BUREAU,

Complainant,

vs.

FINTEGRA, LLC,

Respondent.

Docket No. 2011-7-08

**ORDER IMPOSING PENALTIES AND
NOTICE OF OPPORTUNITY FOR
HEARING**

The Director of the Idaho Department of Finance (“Director”) pursuant to Idaho’s Uniform Securities Act (2004), Idaho Code § 30-14-101 *et seq.* (the Act), and in particular Idaho Code §§ 30-14-412 and 30-14-501(3), hereby finds and concludes as follows:

SUMMARY OF THE CASE

The statements in this Summary of the Case do not constitute findings of fact or conclusions of law, but are simply intended to provide a framework for understanding this disciplinary action.

Beginning in July 2004, Respondent Fintegra, LLC (Fintegra) began an association with Sterling Savings Bank (Sterling) whereby Fintegra could have a presence on the premises of Sterling locations. That presence allowed Sterling customers access to a range of securities and insurance services not otherwise offered by the bank. Fintegra and Sterling executed an Investment Services Agreement (ISA) that regulated the duties, responsibilities and obligations of the parties to each other, to the regulatory environment surrounding banking and securities transactions, and to certain employees of the parties.

As part of their agreement, the parties contemplated that they would employ “co-employees,” or “dual employees.” These co-employees were considered to be employed by both Fintegra and Sterling, and the relationships among the three were governed by various agreements among them. One such co-employee was Bobby J. Parks, Jr. (Parks).

Parks, other co-employees, and direct employees of Fintegra conducted certain activities that the Director has found to have violated the Act. Because of the applicable laws, the agreements among the parties, and Fintegra’s supervisory responsibilities, these violations caused Fintegra to be in violation of regulatory and anti-fraud provisions of the Act.

FINDINGS OF FACT¹

1. Fintegra was formed as a Minnesota limited liability company on January 2, 1998. Fintegra conducts business as a securities broker-dealer from its principal place of business located at 6120 Earle Brown Drive, Suite 550, Minneapolis, Minnesota 55430. Fintegra’s Manager/CEO is Doreen Weber.

2. Fintegra had employees located in Sterling branches in Idaho and throughout the Pacific Northwest. Some of these employees were also co-employees of Sterling.

¹ Subheadings in the Findings of Fact section are informational only, and are not substantive or limiting.

3. Fintegra has been a registered broker-dealer with the Idaho Department of Finance (Department) from June 11, 1999 to date, holding Idaho Broker-Dealer License No. BD-12866. Fintegra is also registered with FINRA, holding CRD No. 16741.

4. Parks was a licensed representative of Fintegra from June 2, 2004 to August 24, 2009. From October 20, 2005 through December 19, 2008, Parks was licensed with the Department as an agent of Fintegra. In August 2007, Parks moved from Montana to Washington and began to operate out of the Sterling location at 111 N. Wall Street, Spokane, Washington. As a co-employee, Parks was simultaneously an “Account Executive” of Fintegra and the “Director of Sterling 1031 Exchange” for Sterling.

5. Pursuant to paragraph 2.6.1 of the July 14, 2004 ISA with Sterling, Fintegra had the sole responsibility and complete authority to train, supervise, monitor and discipline Parks and other co-employees regarding securities and insurance activities.

6. In paragraph 4.12 of the ISA, Sterling gave Fintegra access to inspect Sterling’s premises as well as the books, records and other securities and insurance related information maintained by Sterling.

7. As the Director of Sterling 1031 Exchange, Parks had oversight over all 1031 exchanges and Tenant In Common (TIC) transactions offered to Sterling customers. Because some 1031 exchanges and TICs are securities products, Parks was supposed to oversee these offerings in accordance with Fintegra requirements.

8. Due to the numerous substantial violations of federal and state regulations over a period of years, as described below, the Director finds that issuance of this order is in the public interest.

ADVERTISING/SALES LITERATURE VIOLATIONS

9. NASD Rule 2350(c)(4)(B)² requires advertisements and sales literature distributed by the member (in this case, Fintegra) on the premises of a financial institution to disclose that securities products: are not insured by the FDIC; are not deposits or other obligations of the financial institution and are not guaranteed by the financial institution; and are subject to investment risks, including possible loss of the principal.

10. Fintegra's "Compliance Procedures Manual" (Manual) requires that all advertising and sales literature directed at financial institution customers contain the following disclosure language³:

Investments and Insurance offered through **FINTEGRA FINANCIAL SOLUTIONS**,
an independent broker-dealer, Member FINRA/SIPC.
[Rep Name or Rep Title] is a registered representative of Fintegra.
[Bank Name] and Fintegra are not affiliated.

**Investments and Insurance offered are: NOT FDIC Insured * May Lose Value * NOT
Bank Guaranteed * NOT Insured By Any Government Agency * NOT A Deposit**

Office of Supervisory Jurisdiction Phone # 763-585-0503

11. In early 2008, DBSI Securities (DBSI), a now defunct Idaho based broker-dealer, and Parks created "DBSI Villago South LLC" (Villago), which purported to be "An exclusive offering from DBSI for Sterling Savings Bank."

12. Emails between Parks and DBSI show that Parks was involved in the structuring of the Villago offering. Parks requested that the offering have a "put option." In an email from Josh Hoffman, Senior Director, Sales Operations and National Accounts for DBSI (Hoffman), to Parks dated January 31, 2008, Hoffman wrote: "My job will be to work with our land managers to find out which one will be appropriate and making sure that is [sic] fits within the 'put option' structure that you desire and the \$3-4M price range." On February 18, 2008, Hoffman asked

² NASD Rule 2350 has been superseded by FINRA Rule 3160, but was in effect at the times of the transactions described in this Order.

³ For example, see page 36 of the Compliance Procedures Manual dated October 2007.

Parks, “Do you still desire to have this land come with a put option?” Parks replied later that day from his Sterling email address, bobby.parks@sterlingsavings.com, and wrote, “Maybe we can talk about the advantages and disadvantages of the put option.”

13. On March 13, 2008, Hoffman emailed Parks (at his Sterling email address) and Fintegra’s Senior Vice President for Partner Support, Steve Henriksen (Henriksen), that the Villago “offering is structured with a put option available to investors in month 48.”

14. Parks was also involved in the design of the sales and marketing material for the Villago offering.

15. In an email dated March 3, 2008, Kristine Lavoie of DBSI wrote to Parks (at his Sterling email address): “Would you like to have your logo included on the marketing material for this offering. For example, we could position it as ‘An exclusive offering from DBSI for Bobby Parks/Sterling/Fintegra’ and we’d include your logo next to ours.” Parks replied: “That would be awesome if possible.” The final Villago “investment summary” (Summary) displayed the logo of Sterling on the front cover, next to the DBSI logo, but did not identify or disclose Fintegra’s involvement.



16. In an email dated March 13, 2008, sent by Hoffman (DBSI) to Parks (at his Sterling email address) and to Henriksen, Hoffman attached an electronic version of the Summary.

17. The Summary did not include the following information required by NASD Rule 2350(c)(4)(B)⁴: that the Villago product was not insured by the FDIC; that the Villago product was not a deposit or other obligation of Sterling; that the Villago product was not guaranteed by Sterling; or that the Villago product was subject to investment risks, including loss of the principal.

18. The Summary did not include the following information required by Fintegra's Compliance Manual: that the Villago product was offered through Fintegra Financial Solutions; that Parks was a registered representative of Fintegra; that Sterling and Fintegra were not affiliated; that the Villago product was not insured by the FDIC; that the Villago product may lose value; that the Villago product was not bank guaranteed; that the Villago product was not insured by any government agency; or that the Villago product was not a deposit.

19. By entering into a March 14, 2008⁵ "Soliciting Dealers Agreement" with DBSI whereby Fintegra agreed to use its best efforts to sell Villago, Fintegra approved the Villago offering without the required information and disclosures.

20. Parks used the Summary to solicit investors, including Sterling customers N. L. and V. L., and A. H. and R. H. to invest in the Villago offering, all of whom invested in April, 2008. Parks sold approximately \$1,125,000 of the Villago offering to Idaho investors.

EMAIL VIOLATIONS

21. Fintegra annually requires its affiliated persons to sign an acknowledgment (Memorandum of Understanding) attesting to their receipt, reading, understanding and adherence to the policies and procedures set forth in Fintegra's Compliance Manual and all Fintegra

⁴ NASD Rule 2350 has been superseded by FINRA Rule 3160, but was in effect at the times of the transactions described in this Order.

⁵ The Soliciting Dealers Agreement was dated March 14, 2008, but signed by Henriksen of Fintegra on March 19, 2008.

Compliance Memos located on the Fintegra.net website. In addition, affiliated persons acknowledge and agree to comply with all applicable federal and state laws, and all FINRA Rules of Conduct. Parks signed Memoranda of Understanding on June 19, 2006, on November 22, 2007, and on November 22, 2008, in which he acknowledged the referenced information and agreed to comply with it.

22. In order to properly supervise its affiliated persons, Fintegra is required to retain all Fintegra-related emails in accordance with SEC Regulation 17a-4. 17 CFR 240.17a-4(b)(4) provides that the following must be preserved:

Originals of all communications received and copies of all communications sent (and any approvals thereof) by the member, broker or dealer (including inter-office memoranda and communications) relating to its business as such, including all communications which are subject to rules of a self-regulatory organization of which the member, broker or dealer is a member regarding communications with the public.

23. Fintegra is also required to monitor its emails in accordance with NASD Rule 3010(d)(2), which provides: “Each member shall develop written procedures that are appropriate to its business, size, structure, and customers for the review of incoming and outgoing written (i.e., non-electronic) and electronic correspondence with the public relating to its investment banking or securities business....”

24. The Idaho Administrative Procedure Act (IDAPA), section 12.01.08, (Rules Pursuant to the Uniform Securities Act (2004)), Rule 105.03.e, imposes the following duty upon broker-dealers such as Fintegra: “The review of form, content and filing of all correspondence related in any way to the purchase or sale or solicitation for the purchase or sale of securities.”

25. Fintegra’s email policy set forth in the three Memoranda of Understanding varied in tone and specific language from year to year, but all three are in accord with the requirement as stated in the 2008 Memorandum at page 2: “Your requirements include transmitting all

emails sent by you, or to you, regarding any Fintegra related business, through your Fintegra approved email address.” (Emphasis in original.)

26. Despite having signed Fintegra’s Memoranda of Understanding, Parks used his Sterling email address when conducting Fintegra-related business with DBSI from May 2007 through March 2009. In June and August 2007, Parks sent email pertaining to Fintegra-related business with DBSI to Fintegra due diligence staff using Parks’ Sterling email address.

27. Parks used his Sterling email address when conducting Fintegra-related business. On June 1, 2007, Parks sent Ric Meyer, a Fintegra employee, an email using the Sterling email address. On August 14, 2007, Parks sent both Meyer and Henriksen email using the Sterling email address.

28. Fintegra was aware that Parks was not in compliance with Fintegra’s email procedures because Parks used his Sterling email account to communicate with other Fintegra employees. On February 28, 2008, Parks sent an email to Meyer using his Sterling email account. Meyer forwarded that email to Henriksen, who then reminded Parks to use his Fintegra.net email address, but copying the admonishment to Park’s Sterling email address. Parks continued to use his Sterling email address. On March 18, 2008, Parks sent another email to Meyer using his Sterling email account. Meyer again forwarded that email to Henriksen, who then again reminded Parks to use his Fintegra.net email address, writing, “And don’t forget to use your fintegra.net e-mail address.” Parks replied to Henriksen’s second reminder using his Sterling email.

29. Parks also used his Sterling email address to communicate with Fintegra securities clients, contrary to Fintegra’s policies and procedures. These communications occurred on at least the following dates to the noted Fintegra customers: November 24, 2008 to

mtn_bowhunter@⁶; November 26, 2008 to kjperiat@; November 26, 2008 to mtn_bowhunter@; January 5, 2009 to mtn_bowhunter@; January 22, 2009 to 2nglinton@; January 23, 2009 to alpieri@; January 26, 2009 to mtn_bowhunter@, broso@, georgerxxx@, alpieri@, ken@madxxx, 2nglinton@, and sadie93@; February 10, 2009 to mtn_bowhunter@; February 11, 2009 to mtn_bowhunter@, and 2nglinton@; and February 17, 2009 to mtn_bowhunter@.

30. Fintegra knew that Parks was using his Sterling email account to communicate with Fintegra clients. The January 26, 2009 email to Fintegra clients noted above and sent from Parks' Sterling email address was copied to Fintegra staff, including Henriksen and Larson.

31. Contrary to Fintegra's policies and procedures, Parks and other Fintegra representatives used their Sterling email addresses to communicate with other Fintegra associated persons regarding Fintegra-related business on at least 100 occasions between May 21, 2007 and March 20, 2009.

32. In a letter dated April 30, 2009, the Department informed Fintegra that it had come to the Department's "attention that Bobby Parks...was using an outside email account in connection with his securities activities" and requested further information from Fintegra on that point.

FORM U-4 VIOLATIONS

33. Article V, Section 2(c) of the NASD By-Laws state:

Every application for registration filed with the NASD shall be kept current at all times by supplementary amendments via electronic process or such other process as the NASD may prescribe on the original application. Such amendment to the application shall be filed with the NASD not later than 30 days after learning of the facts or circumstances giving rise to the amendment.

34. IDAPA section 12.01.08, Rule 83.05.c, requires that "Any broker-dealer agent or issuer agent shall notify the Administrator in writing or through the CRD of any civil,

⁶ Full email addresses are withheld to protect investor privacy.

administrative, or criminal complaint, petition, or pleading issued or filed against him and of any bankruptcy proceeding filed by or against him within thirty (30) days of his receipt of the initial pleading.”

35. Fintegra’s Manual states on page 25: “You have a continuing responsibility to keep the information on Form U-4 accurate and up-to-date. For example, if you change your home address, Fintegra is required to amend your U-4 within 30 days of being notified.”

36. Rev. Form U-4, Question 14I (1) asks: “Have you ever been named as a respondent/defendant in an investment-related, consumer-initiated arbitration or civil litigation which alleged that you were involved in one or more sales practice violations and which: (a) is still pending,” (Underlining in original.)

37. On April 6, 2009, Fintegra, Parks and other Fintegra representatives were named as defendants in Case No. 0904-04812, filed in the Circuit Court for the State of Oregon for the County of Multnomah. That civil action alleged multiple violations of securities statutes, including sale of unregistered securities, sale of securities by misrepresentation and omission, and fraud. The suit was filed by several individual consumers.

38. In a letter dated August 27, 2009, the Department informed Fintegra that it had learned of the civil lawsuit referenced above, but that such lawsuit was not appropriately reported on the Central Registration Depository, or “CRD” system. The Department also notified Fintegra that the representatives named in such lawsuit needed to immediately update their Forms U-4. In a response dated September 4, 2009, Fintegra resisted updating the Forms U-4, and on September 8, 2009, the Department faxed a letter to Fintegra again insisting that the Forms U-4 be immediately updated.

39. The Fintegra defendants (Grigsby, Lee-Hausladen, Mapes, Sands), with the exception of Parks, updated their Forms U-4 on September 8, 2009. The civil action was reported on Parks' Form U-5, filed upon his termination of affiliation with Fintegra, on August 24, 2009.

WRITTEN COMPLIANCE PROCEDURE VIOLATIONS

40. NASD Rule 3010(b)(1) provides:

Each member shall establish, maintain, and enforce written procedures to supervise the types of business in which it engages and to supervise the activities of registered representatives, registered principals, and other associated persons that are reasonably designed to achieve compliance with applicable securities laws and regulations, and with the applicable Rules of NASD.

41. IDAPA section 12.01.08, Rule 105.03, requires that "every broker-dealer shall establish, maintain and enforce written procedures...."

42. Fintegra published its Manual annually, and required certain of its employees to acknowledge annually their receipt, reading and understanding of the manual by signing a "Memorandum of Understanding." (See paragraph 21 above.)

43. Parks signed Memoranda of Understanding on June 19, 2006, on November 22, 2007, and on November 22, 2008. (See also paragraph 21 above.)

44. In the "Supervision" section of the Manual, beginning on page nine of the 2007 Manual, for example, Fintegra discussed the importance of supervision of its Account Executives, like Parks. It wrote: "If the company [Fintegra] fails to follow our own written supervisory procedures, we will be in violation of FINRA regulations."

45. To be approved to offer **tenant in common (TIC)**⁷ products, Fintegra's procedures required Fintegra representatives to be approved to do so. Page 68 of the 2007

⁷ Bolding hereafter is used to clarify what subject matter is being referenced, except when it is identified as being in the original text or added for emphasis.

Manual states: “an Account Executive must obtain the Fintegra Chief Compliance Officer’s approval before offering 1031 TIC exchanges to clients. This approval must be granted **in writing** from the Chief Compliance Officer.” (Emphasis added.)

46. The written approval requirement was echoed in Fintegra’s “Written Supervisory Procedures” (WSP) manual. In a draft dated June 2006, at page 63, that manual states: “**Pre-Approval for Allowance to Sell is Required** As TIC’s are very specialized and carry numerous, significant, unique risks, an Account Executive must obtain the Fintegra Chief Compliance Officer’s approval before offering 1031 TIC exchanges. This approval must be granted in writing from the Chief Compliance Officer.” (Emphasis in original.) Similar language appears at page 103 of the draft April 2007 WSP; at page 105 of the December 2007 to January 2008 WSP; at page 105 of the February 2008 WSP; at page 105 of the March 2008 WSP; at page 105 of the April 2008 WSP; and at page 106 of the May 2008 WSP.

47. Fintegra allowed Parks to sell 1031 TICs beginning as early as February 15, 2006, and by December 31, 2007 he had sold at least 17 such investments. (See Exhibit A to Smalley-Fleming letter dated March 25, 2011.)

48. In a letter dated May 29, 2009, Kevin J. Larson, Fintegra’s Chief Compliance Officer at the time (Larson), stated that Fintegra could not locate the Chief Compliance Officer’s written approval for Parks. Larson also admitted that Fintegra’s senior management was fully aware of Parks’ involvement in these TIC transactions. Fintegra admits that it approved Parks’ involvement verbally to him.

49. Fintegra also required that “An Account Executive must complete a Fintegra offered training to be approved to sell TICs.” Draft June 2006 WPS manual, page 68. Fintegra’s WSP manual states: “In considering if an Account Executive should be allowed to offer TIC’s, a

1031 TIC training session provided by Fintegra must first be completed.” (Draft dated June 2006, at page 63.)

50. Parks did not complete Fintegra’s required TIC training until January 31, 2008, nearly two years after he began selling TICs. Fintegra has no training attendance records or documentation demonstrating the completion of TIC training by Parks prior to January 31, 2008. (See Larsen letter dated May 29, 2009, and 1031/TIC Certification Test results referenced therein.)

51. Fintegra admits that Parks was not initially required to complete the training, despite the written requirement to do so. In a letter dated February 5, 2010, Larson wrote, “Due to Mr. Parks’ previous experience and knowledge, he wasn’t initially required to complete the training.”

52. To be approved to offer **private placements**, such as DBSI’s Corporate Notes, Fintegra’s procedures required Fintegra representatives to be qualified to do so. Page 72 of the 2007 Manual, for example, states: “an Account Executive must obtain the Fintegra Chief Compliance Officer’s approval before offering private placements to clients. This approval must be granted **in writing** from the Chief Compliance Officer.” (Emphasis added.) The pre-approval requirement to offer private placements also appeared on pages 58 and 59 of Fintegra’s draft June 2006 WSP manual, which states, referring to private placements: “As these vehicles are very specialized and carry significant and unique risks, only pre approved [sic] Account Executives may solicit limited partnerships. This approval must be **in writing** from the Chief Compliance Officer.” (Emphasis added.)

53. Fintegra allowed Parks to sell private placements beginning as early as February 15, 2006, and by December 31, 2007, he had sold at least 18 such products. (See Exhibit A to Smalley-Fleming letter dated March 25, 2011 and paragraph 46 above.)

54. In the May 29, 2009 letter, Larson stated that Fintegra could not locate the Chief Compliance Officer's written approval for Parks. Larson also admitted that Fintegra's senior management was fully aware of Parks' involvement in these private placement transactions. Fintegra admits that it approved Parks' involvement verbally to him.

55. Fintegra also required that "An Account Executive must complete a Fintegra offered training to be approved to sell private placements." Manual, page 72.

56. On April 30, 2009, the Department asked for documentation that Parks completed Fintegra private placement training. In response, Fintegra did not provide the requested documentation, but instead offered Parks' January 31, 2008 TIC training documentation, which contains only two questions related to private placements, one of which was to define what "PPM" stands for.⁸

57. Fintegra failed to enforce its procedures which required the written approval from its Chief Compliance Officer before TIC and private placement products were offered to clients and completion of the Fintegra offered training before a representative was approved to sell TIC's and private placements.

CONCLUSIONS OF LAW

58. The Director has jurisdiction over this matter pursuant to the Act.

59. **Idaho Code § 30-14-412(c)** provides that if the Director finds that the order is in the public interest and that a broker-dealer has violated any of Idaho Code §§ 30-14-412(d)(2),

⁸ Private Placement Memorandum

412(d)(9), or 412(d)(13), the Director may impose a civil penalty not to exceed \$5,000 for each violation.

a. As stated in paragraph 8 above, the Director has found that this order is in the public interest.

b. As set forth below, the Director concludes that Respondent Fintegra has violated the enumerated statutes, and that penalties are an appropriate remedy, as set forth in the Remedies section below.

WILLFUL VIOLATIONS

60. **Idaho Code § 30-14-412(d)(2)** provides that the Director may impose penalties for willfully violating or willfully failing to comply with the Act. Respondent has willfully violated or otherwise failed to comply with the Act, as follows:

a. Fintegra failed to update Forms U-4 within 30 days after its representatives were named as defendants in a civil lawsuit filed by individual consumers. Fintegra willfully persisted in this failure even after being notified by the Department of this failure, as set forth in paragraphs 33 through 39 above.

b. Fintegra was aware that Parks was in violation of its email policies and procedures. Fintegra ignored the “red flags” presented by Parks’ repeated violations of its email policies and did not conduct adequate follow-up or monitoring to ensure that the violations ceased. Fintegra failed to exercise diligent supervision over Parks and its associated persons by failing to enforce its email procedures that prohibited the use by its associated persons of non-Fintegra email systems and email addresses when conducting Fintegra-related business, as set forth in paragraphs 21 through 32 above.

FAILURE TO SUPERVISE

61. **Idaho Code § 30-14-412(d)(9)** provides that the Director may impose penalties upon Respondent for failing to reasonably supervise an agent or other individual if the agent or other individual is subject to Respondent's supervision and committed a violation of the Act.

a. Fintegra failed to ensure that its employees:

- i. included the required FDIC disclosures on all advertising materials;
- ii. sent all email on the Fintegra email server;
- iii. did not send out deceptive advertising;
- iv. updated their Forms U-4 on a timely basis;
- v. had the required training and approval before offering TIC products; and
- vi. had the required training and approval before offering private placement products.

b. Respondent Fintegra failed to exercise diligent supervision over the securities activities of its agents, and employees, as set forth in paragraphs 64.a.i. through 64.a.vi, and 9 through 57 above.

DISHONEST OR UNETHICAL PRACTICES

62. **Idaho Code § 30-14-412(d)(13)** provides that the Director may impose penalties upon Respondent if Respondent engages in dishonest or unethical practices in the securities business.

63. IDAPA section 12.01.08, Rule 104.01, provides that a person who engages in any of the practices enumerated in IDAPA 12.01.08, Rule 104.02 through 104.48 is deemed to engage in acts, practices, or courses of business that operate or would operate as a fraud or deceit upon another person pursuant to Idaho Code § 30-14-501(3).

64. Fintegra violated the following IDAPA rules, and therefore is deemed to have operated a fraud or deceit in violation of Idaho Code § 30-14-501(3):

a. Rule 104.11 provides that a broker-dealer or investment adviser must exercise diligent supervision over the securities activities of all its broker-dealer agents, investment adviser representatives and employees.

b. Respondent Fintegra failed to exercise diligent supervision over the securities activities its agents, and employees, as set forth in paragraphs 64.a.i. through 64.a.vi, and 9 through 57 above. Fintegra failed to ensure that its employees:

- i. included the required FDIC disclosures on all advertising materials;
- ii. sent all email on the Fintegra email server;
- iii. did not send out deceptive advertising;
- iv. updated their Forms U-4 on a timely basis;
- v. had the required training and approval before offering TIC products; and
- vi. had the required training and approval before offering private placement products.

c. Rule 104.17 prohibits using any advertising or sales presentation in such a fashion as to be deceptive or misleading.

d. Respondent Fintegra engaged in deceptive or misleading advertising when it sent out advertising materials lacking the required FDIC disclosures, as set forth in paragraphs 9 through 20 above.

e. Rule 104.27 requires compliance with any applicable provision of the Conduct Rules and any other Rules of Fair Practice of the National Association of Securities Dealers or any applicable fair practice or ethical standard promulgated by the Securities and Exchange

Commission or by a self-regulatory organization approved by the Securities and Exchange Commission.

f. Respondent Fintegra failed to comply with applicable NASD rules, as set forth in paragraphs 9 through 39 above, and specifically as follows:

i. Fintegra failed to comply with NASD Rule 2350(c)(4) when it failed to make the required FDIC disclosures;

ii. Fintegra failed to comply with NASD Rule 3010 when it failed to monitor employee emails to ensure compliance with various applicable rules and standards; and

iii. Fintegra failed to comply with Article V, Section 2(c) of the NASD By-Laws when it failed to ensure that its employees updated Forms U-4 within 30 days after learning several employees were named as defendants in a securities-related lawsuit.

g. Rule 105.03 requires that every broker-dealer shall establish, maintain and enforce written procedures.

h. Respondent Fintegra failed to enforce its own written procedures that were designed to ensure it met its duty to supervise its employees, as set forth in paragraphs 9 through 57 above. Fintegra failed to enforce the following procedures:

i. That sales literature had the required disclosures and disclaimers;

ii. That prohibited the use of alternative email systems and addresses by its associated persons for Fintegra-related business;

iii. That required representatives to timely amend their Forms U-4; and

iv. That required written approval from the Chief Compliance Officer and requisite training of representatives prior to being approved to sell certain products.

FRAUDULENT OMISSIONS

65. Fintegra violated **Idaho Code § 30-14-501(2)** when it omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.

66. As referenced in paragraphs 9 through 20 above, Fintegra omitted to tell certain of its potential clients or investors the following material information when it offered Villago South for investment:

- a. that the offering was being offered by Fintegra, not Sterling;
- b. that the offering was not FDIC insured;
- c. that the offering could lose value;
- d. that the offering was not bank guaranteed;
- e. that the offering was not a deposit;
- f. that the offering was not insured by any government agency; and
- g. that Fintegra and Sterling were not affiliated.

FRAUDULENT BUSINESS PRACTICES

67. Fintegra violated **Idaho Code § 30-14-501(3)** when it engaged in acts, practices, or courses of business that operated or would operate as a fraud or deceit upon another person in connection with the fraudulent, dishonest, and unethical practices identified in paragraphs 69.a through 69.d below.

68. IDAPA section 12.01.08, Rule 104.01, provides that engaging in any of the practices enumerated in Rules 12.01.08.104.02 through 104.48 is deemed to have engaged in acts, practices, or courses of business that operate or would operate as a fraud or deceit upon another person pursuant to Idaho Code § 30-14-501(3).

69. Fintegra violated the following IDAPA rules, and therefore is deemed to have operated a fraud or deceit in violation of Idaho Code § 30-14-501(3):

a. Rule 104.11 provides that a broker-dealer or investment adviser must exercise diligent supervision over the securities activities of all its broker-dealer agents, investment adviser representatives and employees.

b. Respondent Fintegra failed to exercise diligent supervision over the securities activities its agents, and employees, as set forth in paragraphs 9 through 57 above. Fintegra failed to ensure that its employees:

- i. included the required FDIC disclosures on all advertising materials;
- ii. sent all email on the Fintegra email server;
- iii. did not send out deceptive advertising;
- iv. updated their Forms U-4 on a timely basis;
- v. had the required training and approval before offering TIC products; and
- vi. had the required training and approval before offering private placement products.

c. Rule 104.17 prohibits using any advertising or sales presentation in such a fashion as to be deceptive or misleading.

d. Respondent Fintegra engaged in deceptive or misleading advertising when it sent out advertising materials lacking the required FDIC disclosures, as set forth in paragraphs 9 through 20 above.

e. Rule 104.27 requires compliance with any applicable provision of the Conduct Rules and any other Rules of Fair Practice of the National Association of Securities Dealers or any applicable fair practice or ethical standard promulgated by the Securities and Exchange

Commission or by a self-regulatory organization approved by the Securities and Exchange Commission.

f. Respondent Fintegra failed to comply with applicable NASD rules, as set forth in paragraphs 9 through 39 above, and specifically as follows:

i. Fintegra failed to comply with NASD Rule 2350(c)(4) when it failed to make the required FDIC disclosures;

ii. Fintegra failed to comply with NASD Rule 3010 when it failed to monitor employee emails to ensure compliance with various applicable rules and standards; and

iii. Fintegra failed to comply with Article V, Section 2(c) of the NASD By-Laws when it failed to ensure that its employees updated Forms U-4 within 30 days after learning that several employees were named as defendants in a securities-related lawsuit.

g. Rule 105.03 requires that every broker-dealer shall establish, maintain and enforce written procedures.

h. Respondent Fintegra failed to enforce its own written procedures that were designed to ensure it met its duty to supervise its employees, as set forth in paragraphs 9 through 57 above. Fintegra failed to enforce the following procedures:

i. That sales literature had the required disclosures and disclaimers;

ii. That prohibited the use of alternative email systems and addresses by its associated persons for Fintegra-related business;

iii. That required representatives to timely amend their Forms U-4; and

iv. That required written approval from the Chief Compliance Officer and requisite training of representatives prior to being approved to sell certain products.

REMEDIES

1. For violations of **Idaho Code § 30-14-412(d)(2), willful violations** or failure to comply, pursuant to authority granted under Idaho Code § 30-14-412(c), the Director imposes a penalty in the amount of \$5,000 for each count enumerated below, for a total of \$10,000.

a. Failure to timely update Forms U-4 after being notified by the Department of that failure.

b. Repeated failure to correct violations of email use rules and procedures after becoming aware of the violations.

2. For violations of **Idaho Code § 30-14-412(d)(9), failure to supervise**, pursuant to authority granted under Idaho Code § 30-14-412(c), the Director imposes a penalty in the amount of \$5,000 for each count enumerated below, for a total of \$25,000.

a. Failure to ensure that the required FDIC disclosures were included on all advertising materials.

b. Failure to ensure that employees sent all Fintegra-related email on the Fintegra email server.

c. Failure to ensure that agents did not send out deceptive advertising.

d. Failure to ensure that employees updated their Forms U-4 on a timely basis.

e. Failure to ensure that agents had the required training and approval before offering TIC or private placement products.

3. For violations of **Idaho Code § 30-14-412(d)(13), dishonest or unethical practices**, pursuant to authority granted under Idaho Code § 30-14-412(c), the Director imposes a penalty in the amount of \$5,000 for each count enumerated below, for a total of \$20,000.

a. IDAPA 12.01.07.104.11 – failure to exercise diligent supervision;

- b. IDAPA 12.01.07.104.17 – engaging in deceptive or misleading advertising;
- c. IDAPA 12.01.07.104.27 – failure to comply with applicable NASD rules; and
- d. IDAPA 12.01.07 105.03 – failure to enforce its own written procedures.

4. For violations of **Idaho Code § 30-14-501(2), fraudulent omissions**, pursuant to authority granted under Idaho Code § 30-14-602(d), the Director imposes a penalty in the amount of \$5,000.

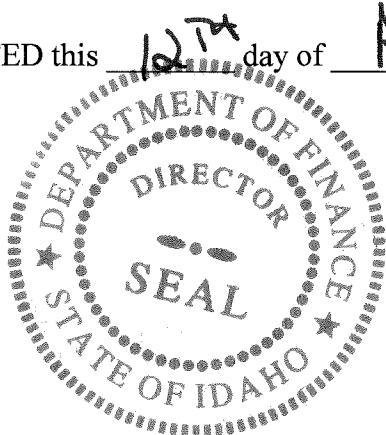
5. For violations of **Idaho Code § 30-14-501(3), fraudulent business practices**, the Director imposes a penalty in the amount of \$5,000 for each count enumerated below, for a total of \$20,000.

- a. IDAPA 12.01.07.104.11 – failure to exercise diligent supervision;
- b. IDAPA 12.01.07.104.17 – engaging in deceptive or misleading advertising;
- c. IDAPA 12.01.07.104.27 – failure to comply with applicable NASD rules; and
- d. IDAPA 12.01.07 105.03 – failure to enforce its own written procedures.

ORDER

NOW THEREFORE, having found that this order is in the public interest, pursuant to Idaho Code §§ 30-14-412(c) and 30-14-604(d) IT IS HEREBY ORDERED that Fintegra, LLC pay a civil penalty in the total amount of \$85,000. This Order is effective fifteen (15) days from the date of service of this Order on Respondent Fintegra.

DATED this 12TH day of APRIL, 2012.



STATE OF IDAHO
DEPARTMENT OF FINANCE

GAVIN M. GEE, Director
Idaho Department of Finance

NOTICE OF OPPORTUNITY FOR HEARING

YOU ARE HEREBY NOTIFIED that you have the right to request a hearing on this Order, within thirty (30) days after the service of this Order, in accordance with Idaho Code § 30-14-412(f). Within fifteen (15) days from the Department's receipt of a request for hearing on this Order, a hearing will be scheduled, and implementation of this Order will be suspended until a final determination is made. If you do not request a hearing and none is ordered by the Director within thirty (30) days after the date of service of this Order, this Order becomes final by operation of law.

Any such request for hearing must be in writing, addressed to:

Marilyn T. Chastain
Securities Bureau Chief
Idaho Department of Finance
P.O. Box 83720
Boise, Idaho 83720-0031

A copy of such request for a hearing shall also be served on the Department's counsel, Alan Conilogue, Deputy Attorney General, at the same address.

At the hearing you will be entitled to enter an appearance, introduce evidence, examine and cross-examine witnesses, make arguments, and generally participate in the conduct of the proceedings. As a limited liability company, you must be represented by an Idaho licensed attorney at your own expense.

The hearing will be conducted in accordance with the Idaho Administrative Procedure Act (IDAPA), Chapter 52, Title 67, Idaho Code, and rules promulgated thereto at IDAPA 04, Title 11, Chapter 01 *et seq.* If you fail to appear at the hearing, you are subject to a default order, in accordance with IDAPA.

CERTIFICATE OF SERVICE


I HEREBY CERTIFY that on this 13 day of April, 2012, I served a true and correct copy of the foregoing ORDER IMPOSING PENALTIES AND NOTICE OF OPPORTUNITY FOR HEARING upon the following by the designated means:

Fintegra, LLC
Attn: Doreen Weber
6120 Earle Brown Dr., Ste. 550
Minneapolis, MN 55430

U.S. mail, postage prepaid
 Certified mail
 Facsimile
 Email

Sandra Smalley-Fleming
LINDQUIST & VENNUM
4200 IDS Center
80 South Eighth Street
Minneapolis, MN 55402-2274

U.S. mail, postage prepaid
 Certified mail
 Facsimile
 Email



Paralegal