FINANCIAL INDUSTRY REGULATORY AUTHORITY

OFFICE OF HEARING OFFICERS

Department of Enforcement, Complainant, v. TriPoint Global Equities, LLC (CRD No. 143174), Michael Robert Boswell (CRD No. 5292563), and Andrew Dean Kramer (CRD No. 4847677), Respondents.	DISCIPLINARY PROCEEDING NO. 2015048172801

COMPLAINT

The Department of Enforcement alleges:

SUMMARY

1. During the period November 2011 through December 2015 (the "Relevant Period"), TriPoint Global Equities, LLC ("TriPoint" or the "Firm") engaged in the penny stock business, effecting transactions for customers whose primary trading activity involved the deposit and prompt liquidation of low-priced securities (also known as "penny stocks" or "microcap stocks"). Nonetheless, throughout the Relevant Period, TriPoint, through Anti-Money Laundering ("AML") Compliance Officer ("AMLCO") and Chief Compliance Officer ("CCO") Michael Boswell ("Boswell"), and Head of Trading ("Head Trader") Andrew Kramer ("Kramer"), failed to establish and implement AML policies and procedures reasonably designed

to detect and report suspicious activity, including AML red flags, in connection with the Firm's penny stock business.

2. Further, during the Relevant Period, Respondents TriPoint, Boswell, and Kramer failed to reasonably identify and address red flags of potentially suspicious activities presented by Customer EM's deposits and liquidations of penny stocks. By virtue of this conduct, Respondents TriPoint, Boswell and Kramer violated FINRA Rules 3310(a) and 2010.

3. In addition, during the Relevant Period, TriPoint failed to comply with the registration requirements of Section 5 of the Securities Act of 1933 (the "Securities Act") by engaging in the unlawful re-sales of approximately 16,907,900 shares of restricted securities of two penny stock issuers into the public market on behalf of Customer EM, in violation of FINRA Rule 2010.

4. Further, TriPoint failed to establish and maintain a supervisory system, including written supervisory procedures ("WSPs"), reasonably designed to achieve compliance with the registration requirements of Section 5 of the Securities Act of 1933 (the "Securities Act") for the re-sales of restricted securities, in violation of NASD Rule 3010(a) and FINRA Rule 2010 for conduct prior to December 1, 2014 and in violation of FINRA Rule 3110(a) and FINRA Rule 2010 for conduct on or after December 1, 2014.

RESPONDENTS AND JURISDICTION

TriPoint

5. TriPoint Global Equities LLC (CRD No. 143174) is a New York-based broker-dealer and has been a FINRA member since 2007. The Firm employs approximately 22 registered individuals at five domestic branch offices. The Firm conducts a general securities business, including by facilitating its customers' deposits and liquidations of penny stocks.

Michael Boswell

6. Michael Boswell (CRD No. 5292563) entered the securities industry in November 2006 when he became registered with FINRA through an association with TriPoint, which continues to date. Boswell is, and during all times relevant to this Complaint was, the Firm's President and Chief Compliance Officer, with an ownership interest in the Firm. Boswell holds the following securities licenses: Series 82 (Private Securities Offerings Representative) obtained in May 2007, Series 24 (General Securities Principal) in May 2007, Series 63 (Uniform Securities Agent) obtained in May 2007, and Series 62 (Corporate Securities Representative) obtained in April 2010. Under Article V of FINRA's By-Laws, FINRA possesses jurisdiction over Boswell because (a) he currently is registered with FINRA and associated with a member firm and (b) the Complaint charges him with misconduct committed while he was registered with FINRA and associated with a member firm.

Andrew Kramer

7. Andrew Kramer (CRD No. 4847677) entered the securities industry in August 2004 and became registered with FINRA in August 2005 through an association with a FINRA member. Since August 2005, Kramer has been associated with three FINRA members. He has been associated with Tripoint since October 2008. At all times relevant to this Complaint, Kramer was the Firm's Head of Trading ("Head Trader"). Kramer holds the following securities licenses: General Securities Representative (Series 7) obtained in August 2005, Uniform Securities Agent State Law (Series 63) obtained in August 2005, and the General Securities Principal Examination (Series 24) obtained in May 2013. Under Article V of FINRA's By-Laws, FINRA possess jurisdiction over Kramer because (a) he currently is registered with

FINRA and associated with a member firm and (b) the Complaint charges him with misconduct committed while he was registered with FINRA and associated with a member firm.

FACTUAL BACKGROUND

I. TriPoint, Boswell, and Kramer Failed to Establish and Implement a Reasonably Designed AML Program

A. Boswell and Kramer Failed to Reasonably Fulfill Their Responsibilities for the Firm's AML Program

8. During the Relevant Period, as TriPoint's AMLCO, Boswell was responsible for establishing and implementing an AML program that was reasonably designed to cause the detection and reporting of suspicious activity.

9. Throughout the Relevant Period, the Firm's WSPs designated Boswell, the Firm's AMLCO, as the registered principal responsible for AML compliance. In addition, during the Relevant Period, the Firm maintained a written AML plan (the "AML Plan") as an Appendix to its WSPs that designated Boswell, as AMLCO, "with full responsibility for executing the Firm's AML plan." According to the WSPs, Boswell was also responsible for providing written approval of the AML program "as reasonably designed to achieve and monitor the Firm's ongoing compliance with the requirements of the BSA and the implementing regulations under it." Further, as the WSPs stated, Boswell was responsible for maintaining and revising the Firm's WSPs, including its AML Plan.

10. Boswell's responsibilities as AMLCO included overseeing communication and training for employees, ensuring that the Firm maintained proper AML records, and causing the Firm to file Suspicious Activity Reports with the Financial Crimes Enforcement Network ("FinCEN") when warranted. Pursuant to the AML Plan, Boswell was also responsible for

monitoring accounts for suspicious activity and investigating and reporting suspicious activities to the appropriate authorities.

11. In its AML Plan, the Firm required that all Firm employees notify Boswell upon observing any such activity.

12. Additionally, Boswell tasked Kramer, the Firm's Head Trader, with the responsibility for day-to-day monitoring of customer accounts and trading activity for suspicious activities and red flags. However, Boswell, as AMLCO with full responsibility for executing the Firm's AML Program and as CCO responsible for the Firm's WSPs, which included the AML Plan as an Appendix, did not identify Kramer as a Designated Supervisor in the AML Plan or otherwise memorialize the delegation.

13. Boswell did not conduct any independent review for suspicious activity and red flags. Instead, he relied upon Kramer to escalate any such activity to his attention.

14. Boswell also did not take any steps to verify that Kramer was performing his delegated responsibilities properly, such as performing an independent review of the information Kramer monitored to determine if it raised any red flags for suspicious activity that Kramer had not escalated.

15. Pursuant to Boswell's delegation of AML responsibility, Kramer was responsible for the day-to-day monitoring for suspicious trading activity, including market manipulation and potentially suspicious trading patterns. In particular, Kramer reviewed the exception reports provided by TriPoint's clearing firm on a daily basis. However, these reports were not designed to detect market manipulation, prearranged trading, or patterns of activity indicative of pump and dump schemes. In addition, Kramer was responsible for reviewing customers' trading activity

for suspicious activity on a daily basis. Nevertheless, Kramer failed to take reasonable steps to detect and investigate customers' potentially suspicious transactions and respond appropriately.

B. TriPoint's AML Program Was not Reasonably Designed to Address the Risks Presented by its Penny Stock Liquidation Business

16. TriPoint's AML Plan was largely copied from FINRA's Small Firm Template and was not tailored to TriPoint's business and the regulatory risks of its penny stock liquidation business. During the Relevant Period, FINRA's Small Firm Template provided AML guidance as a "helpful starting point," but warned that the use of its language does not guarantee compliance with AML requirements or create "a safe harbor from regulatory responsibility."

17. TriPoint's AML Plan stated that the Firm "manually monitors a sufficient amount of account activity to permit identification of patterns of unusual size, volume, pattern or type of transactions, . . . or any of the 'red flags' identified below, in the normal course of its business." The AML Plan required the Firm to look at "transactions, including trading and wire transfers, in the context of other account activity to determine if a transaction lacks financial sense or is suspicious because it is an unusual transaction or strategy for that customer." The AML Plan also stated that the monitoring for activity would be "in the normal course of its business" and that "[a]mong the information" the Firm would consider were exception reports that "include transaction size, location, type, number, and nature of activity."

18. The AML Plan listed examples of red flags signaling possible money laundering that were identified in the FINRA Small Firm Template. The examples included the following red flags specifically identified as relating to "Transactions in Penny Stock Companies:"

(a) Company has no business, no revenues and no product;
(b) Company has experienced frequent or continuous changes in its business structure;
(c) Officers or insiders of the issuer are associated with multiple penny stock issuers;

(d) Company undergoes frequent material changes in business strategy or its line of business;
(e) Officers or insiders of the issuer have a history of securities violations; and
(f) Company has not made disclosures in SEC or other regulatory filings.

19. The Firm, acting through Boswell, was required to tailor the Firm's AML program to the specific risks posed by the Firm's business, which included facilitating its customers' deposits and liquidations of penny stocks.

20. The Firm, acting through Boswell, did not appropriately tailor its AML program to address the increased risks associated with its customers' deposits and liquidations of penny stocks from their Firm accounts.

21. Tripoint's AML Plan did not provide any specific guidance about how to identify the types of activity that constituted red flags or potentially suspicious activity that required escalation. The Firm also did not identify with any specificity the steps that should be taken or processes that should be followed to effectively monitor for, detect, and investigate suspicious activity involving the liquidation of low-priced securities. In addition, TriPoint did not provide any guidance about how to report red flags or other suspicious activity.

22. No one at the Firm, including Boswell and Kramer, took reasonable steps to detect and investigate potentially suspicious transactions in penny stocks, and respond appropriately, including considering whether or not to report the activity as suspicious.

23. During the Relevant Period, the Firm, Boswell, and Kramer did not use any exception report, or other similar tracking tool, reasonably designed to detect patterns of activity that could include possible indicators of market manipulation including prearranged trading, marking the close, layering, spoofing, matched trading, or wash trades.

24. TriPoint, Boswell, and Kramer did not implement any manual or automated process reasonably designed to detect suspicious penny stock transactions. The Firm did not

employ any manual or automated process reasonably designed to detect: (a) patterns of stock deposits quickly followed by liquidations, (b) suspicious promotional activity related to the issuer occurring at or around the time of customer stock deposits and liquidations, (c) increased trading volume and/or substantial fluctuation in the price of securities being deposited and promptly liquidated, (d) potential market manipulation or prearranged trading, or (e) timing of trades.

25. The Firm, through Boswell and Kramer, failed to monitor for, detect, or further investigate the red flags for penny stock transactions identified in its own AML Plan.

26. During the Relevant Period, Kramer observed a number of the red flags listed in the AML Plan but did not treat them as red flags in light of his customers' business transacting in penny stocks, and accordingly, did not escalate or take additional steps to investigate them. This included information concerning an issuer's minimal or lack of revenues, lack of sales employees, net losses, accumulated deficits, frequent name changes, and frequent business line changes.

27. Kramer—and, through Kramer, the Firm—also did not treat a customer's high percentage of daily total market volume ("TMV") as a red flag for penny stock transactions. Further, Kramer did not view the filing of Form NT 10-Qs or Form NT 10-Ks, signifying that an issuer needed an extension of time to file its required quarterly or annual reports with the SEC, to be a red flag for penny stock companies. The Firm, Kramer, and Boswell also did not consider patterns of trading in penny stocks, or deposits followed by immediate liquidations, to be red flags of suspicious activity.

28. No one at the Firm, including Kramer, compared TriPoint's customers' daily sales of a security to the TMV in that security to determine if its customers were dominating the trading volume in a given security.

29. No one at the Firm, including Kramer, reviewed press releases or promotional activity relating to the securities in which Firm clients were transacting or conducted internet searches about the issuers to determine whether Firm clients were benefiting from favorable news about the securities they were trading.

30. Neither the Firm nor Boswell created any process for documenting decisions about whether something potentially suspicious should be escalated to Boswell for review. No one at the Firm, including Kramer and Boswell, documented any such decision.

31. Additionally, the Firm and Boswell did not create any process to document any decisions they made about whether to file a Suspicious Activity Report ("SAR"). No one at the Firm, including Kramer and Boswell, documented any such decision.

C. Red Flags Involving Customer EM's Deposits and Liquidation of Low-Priced Securities

32. In or about March 2015, Customer EM opened an account with TriPoint.

33. At all times, TriPoint, Boswell, and Kramer were aware that Customer EM's business was the liquidation of low-priced securities obtained through convertible note investments. By contrast to a traditional convertible debt arrangement, in which the conversion formula is fixed, the conversion ratio for Customer EM's transactions was based on fluctuating market prices to determine the number of shares of common stock to be issued. This market price-based conversion formula protected Customer EM against price declines. However, a market price-based conversion formula can lead to dramatic stock price reductions and corresponding negative effects on both the issuer and its shareholders. Accordingly, as the SEC

has explained, these types of convertible debt financing arrangements have colloquially been referred to as "toxic" or "death spiral" convertibles.

34. Eight of the issuers whose stock was deposited and liquidated by Customer EM through TriPoint presented red flags signaling potentially suspicious activity for penny stock companies. These red flags included several that the Firm's AML Plan (and FINRA's Small Firm Template) identified, such as limited or no revenues, large net losses and accumulated deficits, and material changes in business lines, names, and structures. In addition, although each of the issuers was an SEC reporting company, several failed to make the appropriate SEC disclosures or were delinquent in their regulatory filings. As discussed further herein, one company's CEO had been the subject of a California State Court Desist and Refrain order relating to re-sales of another penny stock issuer of which he was an owner. Several of the issuers also released numerous press releases around the time of Customer EM's deposits and liquidations. Publicly available information, including the issuers' own SEC filings and a website that published newsletters and maintained message boards focused on microcap stocks, pointed to risks surrounding several of the issuers' securities. Customer EM's liquidations of the penny stocks amounted to a significant percentage of the TMV of these securities. At times, Customer EM's liquidations represented over 90% of the TMV. This information was readily available in public filings made by the issuers to the SEC and on the internet.

35. In connection with its deposits and liquidations of the eight securities described in paragraphs 39 through 121, Customer EM was charged NSCC illiquid transaction fees of $1,301.47. TriPoint's clearing firm explained, in a guidebook it provided to TriPoint, that "illiquid charges" were generated when a firm's aggregate position in a security surpassed certain thresholds. The guidebook also stated that the assessment of "illiquid charges" resulted

from increased risks posed by transactions in stocks traded on the OTCBB, OTC Markets, and Pink Sheets. These charges were passed on to the accounts associated with the trading activity. TriPoint required its customers that deposited penny stocks to acknowledge in writing at the time of deposit that they could be charged illiquid transaction fees for "heightened risk security deposits." The "illiquid charges" were reflected in TriPoint's account statements for Customer EM.

36. Customer EM generated proceeds of $688,080 from its re-sales of 1,035,553,488 shares in the eight securities, from April 2015 through December 2015. During that same period, Customer EM wired a total of $580,000 out of its account, which represented approximately 84% of its proceeds from the liquidations.

37. TriPoint earned approximately $34,000 in commissions for these re-sales.

38. The Firm, Boswell, and Kramer did not identify or investigate the numerous red flags presented by Customer EM's deposit and liquidation of shares in these eight penny stocks.

1. Activity Involving Liberated Energy, Inc.

39. During the period June 10, 2015 through September 3, 2015, Customer EM deposited a total of approximately 153,556,503 shares of Liberated Energy, Inc. (LIBE) into its TriPoint account.

40. At that time, LIBE's SEC filings described the company's business as selling alternative energy products and services. Prior to 2013, LIBE did business as Mega World Food Holdings Company and was purportedly in the business of selling frozen vegetables.

41. On February 14, 2013, in conjunction with the change from Mega World Food Holdings Company to Liberated Energy, Inc., LIBE underwent a 24-for-1 stock split to increase its shares from 3 million to 72 million. In February 2015, LIBE increased its number of

authorized preferred shares from 10 million to 100 million and authorized an increase in common shares from 250 million to 900 million.

42. On May 20, 2015, LIBE filed a Form 10-Q for the period ending March 31, 2015, which reported that LIBE had negative working capital of over $500,000, an accumulated deficit of over $1 million, and had generated no revenues during the preceding six months and only $39,200 for the six months ending March 31, 2014. The Form 10-Q noted that these factors raised "substantial doubt about the company's ability to continue as a going concern."

43. Nonetheless, a series of press releases issued by LIBE beginning in April 2015 and continuing throughout Customer EM's June 2015 deposit of shares of LIBE advertised positive business developments for LIBE.

44. In connection with Customer EM's initial deposit of 7,500,000 shares of LIBE on June 10, 2015, TriPoint represented to its clearing firm that Customer EM had been unsuccessful in obtaining a letter from Liberated Energy Inc. confirming that the shares were validly issued, can now have any restrictive legend removed, and can thereafter be traded without being subject to any further lock-up, holding period, or other restrictions.

45. TriPoint then represented to the clearing firm that it and Customer EM agreed to have any restrictive legend that still remained on the shares certificates removed by the issuer's transfer agent prior to initiating a sale of the shares. The restrictive legend was removed from the 7,500,000 shares of LIBE as of June 11; that same day, Customer EM began liquidating its position.

46. On August 14, 2015, LIBE filed a Form NT 10-Q with the SEC disclosing it would be delinquent in filing its Form 10-Q for the period ending June 30, 2015.

47. TriPoint liquidated an additional 14,596,000 shares of LIBE on behalf of Customer EM on August 18, 2015.

48. On August 19, 2015, LIBE filed its delinquent Form 10-Q for the period ending June 30, 2015, which again reported the company's negative working capital and accumulated deficit. The Form 10-Q also reported that "[t]hese factors raise substantial doubt about the Company's ability to continue as a going concern."

49. As described above, Customer EM's trading in LIBE presented multiple red flags, including the issuer's material changes in business and name, minimal revenues, delinquent SEC filing, and multiple press releases issued throughout Customer EM's June 2015 deposit and subsequent liquidations. Despite the red flags presented, during the period June 11, 2015 through September 8, 2015, TriPoint facilitated Customer EM's liquidation of 130,259,474 shares of LIBE on 20 trading days for total proceeds of approximately $62,429. Customer EM's re-sales represented greater than 20% of the total market volume on eight of the trading days.

50. At no time did TriPoint, Boswell, or Kramer detect or investigate, or take reasonable steps to detect or investigate, the red flags presented by Customer EM's trading of LIBE, including the material changes in business and name, minimal revenues, and delinquent SEC filing, all of which the Firm's AML Plan (and FINRA's Small Firm Template) identified as red flags for penny stock transactions. Nor did TriPoint, Boswell, and Kramer detect or investigate the large market volume of LIBE that Customer EM's re-sales represented or maintain a practice of analyzing sales in a security to determine if its customers were dominating the market.

2. Activity Involving Pazoo, Inc.

51. On May 22, 2015, Customer EM deposited a total of 5 million shares of Pazoo, Inc. (PZOO) into its TriPoint account. At the time of deposit, TriPoint represented to its clearing firm that Customer EM had been unsuccessful in obtaining a letter from Pazoo Inc. confirming that the shares were validly issued, can now have any restrictive legend removed, and can thereafter be traded without being subject to any further lock-up, holding period, or other restrictions.

52. TriPoint then represented to the clearing firm that it and Customer EM agreed to have any restrictive legend that still remained on the shares certificates removed by the issuer's transfer agent prior to initiating a sale of the shares. The restrictive legend was removed from the 5,000,000 PZOO shares as of May 26, 2015.

53. At the time of Customer EM's deposit, PZOO's SEC filings described the company as a health, wellness, and safety company that focused on the testing of marijuana and marijuana products.

54. In February 2015, a publicly available article published online had warned that "PZOO's financial statements will need to look a lot better if they are to offset the rather horrific dilution that has been going on. . . . The company is in a desperate need to raise the cash, but the dilution that will result from the agreement is sure to upset some of the shareholders. . . . In other words, in a matter of just two and a half months, PZOO printed a total of 64.7 million shares of common stock."

55. In addition, in March 2015, a publicly available article published on the website hotstocked.com claimed that PZOO was a target of paid pumpers and stated that PZOO was a "rather risky choice for investment."

56. On April 27, 2015, PZOO issued a press release touting its complete repayment of obligations on the convertible promissory note held by Customer EM and claimed that "Pazoo is in a very aggressive expansion and growth mode and has plans to accelerate the expansion plans moving forward." In the two weeks prior to Customer EM's deposit and liquidation of its 5 million shares of PZOO, on May 1, 2015, May 14, 2015, and May 20, 2015, the company issued additional positive press releases concerning business developments and its attendance at a marijuana business conference.

57. On May 14, 2015, PZOO filed a Form 10-K with the SEC for the fiscal year ending December 31, 2014, which reported net losses of almost $5 million, that the company had "never been profitable," that the company had a "limited operating history" and "limited sales and revenue during [its] operating history," and that as of December 31, 2014, the company had a working capital deficit approaching $3 million. The Form 10-K further disclosed that PZOO could not "forecast with any accuracy the results of operations for the next fiscal year, nor predict our need for cash." In addition, the Form 10-K disclosed that PZOO's substantial net losses in 2013 and 2014, as well as its working capital deficit, "rais[ed] substantial doubt about the Company's ability to continue as a going concern."

58. On May 15, 2015, PZOO filed with the SEC a Form NT 10-Q disclosing that it would be late in filing its Form 10-Q for the period ending March 31, 2015. PZOO did not file its Form 10-Q until June 24, 2015. At the time of Customer EM's deposit and re-sales, the issuer was not current in its SEC filings.

59. As described above, Customer EM's trading in PZOO presented multiple red flags, including the issuer's minimal revenues and operating history, delinquent SEC filing, and multiple press releases issued just prior to Customer EM's deposit and subsequent liquidations of

PZOO. Despite the red flags presented, during the period May 22, 2015 through May 27, 2015, TriPoint facilitated Customer EM's liquidation of its entire position of PZOO over the course of three trading days for total proceeds of $61,858. On each of the three trading days, Customer EM's re-sales represented from approximately 5% to approximately 20% of the total market volume.

60. At no time did TriPoint, Boswell, or Kramer detect or investigate, or take reasonable steps to detect or investigate, the red flags presented by Customer EM's trading of PZOO, including those that the AML Plan (and FINRA's Small Firm Template) specifically identified as red flags for penny stock transactions. Nor did TriPoint, Boswell, and Kramer detect or investigate the large market volume of PZOO that Customer EM's re-sales represented over the course of its liquidation.

3. Activity Involving WeedHire International, Inc.

61. On May 7, 2015 and September 10, 2015, Customer EM deposited a total of approximately 418,272,805 shares of WeedHire (WDHR) into its TriPoint account.

62. As of May 2015, WDHR was purportedly engaging in two different businesses. It claimed it was a "provider of green technology solutions" in the business of "IT asset management and disposition services." In addition, it claimed to run a career website for the marijuana industry, as part of a "diversification plan to meet the perceived underserved market for employer and employee candidates to connect within the legal marijuana industry."

63. The company reportedly entered into the marijuana industry in May 2014, and changed its name from Anything IT (ANY) to WDHR in November 2014 to reflect its business line expansion. WDHR billed its marijuana career website as the "Monster.com of Marijuana."

64. On January 27, 2015, a publicly available news article published online reported a fall in WDHR share price and stated that the daily trading volume had exceeded the number of outstanding shares of WDHR. The article also stated that the "company is constantly issuing optimistic PR" but predicted that "neither news nor promotional emails can help WDHR for long."

65. On February 20, 2015, WDHR filed with the SEC a Form 10-Q for the period ending December 31, 2014, which reported net losses of approximately $3.5 million for the six months ending December 31, 2014, an accumulated deficit of approximately $14.4 million, and that the company had only one customer representing 51% of gross accounts receivable as of December 31, 2014. The Form 10-Q also disclosed that these factors "raise substantial doubt about the Company's ability to continue as a going concern." In addition, the Form 10-Q reported that effective July 13, 2014, the issuer had amended its articles of incorporation to increase the total number of authorized capital stock from 200,000,000 shares to 3,000,000,000 shares, and that as of December 31, 2014, it was (a) in default for a principal amount of $175,850 of 12% convertible notes and (b) had raised another $823,000 in proceeds through the sale of additional convertible notes that matured between October 2014 and August 2016. The Form 10-Q disclosed that WDHR did not have sufficient funds to satisfy its obligations if the convertible note holders did not elect to convert their notes.

66. Customer EM started liquidating its shares on May 8, 2015. In the five weeks prior to Customer EM's liquidations, WDHR issued a series of press releases and promotions that touted, among other things, WDHR's release of Android and Apple applications, its ranking as the "number one website for marijuana jobs on the internet," and its release of its first quarter 2015 "Cannabis Jobs report."

67. On May 15, 2015, WDHR filed with the SEC a Form 10-Q for the period ending March 31, 2015. The Form 10-Q disclosed that for the nine months ending March 31, 2015, the company had net losses of approximately $4 million and an accumulated deficit of $14.8 million, which raised "substantial doubt about the Company's ability to continue as a going concern." As of March 31, 2015, WDHR had three customers, which represented approximately 60% of its gross accounts receivable.

68. On September 28, 2015, WDHR filed a Form NT 10-K with the SEC disclosing it would be delinquent in filing its Form 10-K for the period ending June 30, 2015.

69. Notwithstanding WDHR's filing of a Form NT 10-K, TriPoint, on behalf of Customer EM, liquidated an additional 11,000,000 shares of WDHR on October 1, 2015 and October 2, 2015. These re-sales represented 50.76% of the total market volume and 17.95% of the total market volume, respectively. WDHR never filed a Form 10-K for the period ending June 30, 2015. On April 8, 2016, WDHR filed a Form 15-12G to de-register its securities with the SEC.

70. As described above, Customer EM's trading in WDHR presented multiple red flags, including the issuer's material business line and name changes, minimal revenues and operations, delinquent SEC filing, and ultimate de-registration. Despite the red flags presented, TriPoint facilitated Customer EM's liquidations of 221,199,703 shares of WDHR between May 8, 2015 and November 13, 2015, and earned approximately $17,766 for this activity.

71. On seven of the 25 trading days on which Customer EM liquidated shares of WDHR, its re-sales represented greater than 40% of the TMV. Specifically, on May 8, 2015, the first day that it liquidated its shares of WDHR, Customer EM's re-sales represented 75.16% of the total market volume. On October 20, 2015 and October 26, 2015, Customer EM's re-sales

constituted 99.75% of the total market volume and 100.00% of the total market volume, respectively.

72. At no time did TriPoint, Boswell, or Kramer detect or investigate, or take reasonable steps to detect or investigate, the red flags presented by Customer EM's trading of WDHR, including those that the AML Plan (and FINRA's Small Firm Template) specifically identified as red flags for penny stock transactions. TriPoint, Boswell, and Kramer also failed to detect or investigate the large market volume of WDHR that Customer EM's re-sales represented, including re-sales that constituted 100% of the market on certain days.

4. Activity Involving Wowio Inc.

73. During the period May 6, 2015 through September 8, 2015, Customer EM deposited a total of approximately 144,778,939 shares of Wowio Inc. (WWIO) into its TriPoint account. At the time of deposit, WWIO purported to be a "digital media, publishing, advertising, and distribution company."

74. On January 6, 2015, the California Department of Business Oversight issued a "Desist and Refrain order" against WWIO's Chairman, Brian Altounian, for omitting material facts related to the re-sales of securities of Alliance Acquisitions, Inc. ("Alliance). Altounian held an ownership interest in Alliance, and WWIO had entered into a management fee agreement with Alliance for the period November 2011 through June 2013.

75. On April 24, 2015, WWIO filed with the SEC a Form 10-K for the period ending December 31, 2014, which reported that WWIO had only minimal revenue, an accumulated deficit of approximately $28 million, and reported net losses of nearly $4 million in fiscal year 2014 and $5 million in fiscal year 2013. In addition, WWIO also reported that as of the end of 2014, it had no sales force due to its lack of sufficient operating capital, only one full time

employee as of March 31, 2015, and total cash of $552.00 as of December 31, 2014. The Form 10-K also disclosed that WWIO expected to report net losses into the near future and that there was "substantial doubt about the Company's ability to continue as a going concern."

76. On May 18, 2015, WWIO filed with the SEC a Form 10-Q for the period ending March 31, 2015, which again reported that due to a lack of sufficient operating capital, the Company did not currently have a sales force and did not generate significant revenues. The Form 10-Q disclosed that since inception, the company had experienced recurring net operating losses and negative operating cash flows, raising substantial doubt about the company's ability to continue as a going concern. WWIO also disclosed in the Form 10-Q that as of March 31, 2015, it had cash of $0 (down from $552 in December 2014).

77. On April 15, 2015, a publicly available article published online warned that "the stock of WWIO should be approached with caution and you should remember to do your due diligence and weigh out the risks before putting any money on the line." In the article, the author noted that the outstanding share volume listed on the OTC market website totaled only 188 million. However, on April 14, following a positive press release issued by WWIO, WWIO experienced a daily trading volume of 335 million shares and a 106.90% increase in value.

78. On May 1, 2015, the same website published a second article on WWIO warning that WWIO's stock "has been put under quite a lot of pressure from the truly horrifying dilution that has taken place over the last few months." It stated that "the reason for all the share printing is toxic debt" and noted that "WWIO's management team raised the number of authorized shares to 4 billion."

79. On September 23, 2015, WWIO issued a press release announcing a stock swap and joint venture. On that same day, Customer EM sold 26,980,000 shares, representing 17.31% of the daily total market volume.

80. As described above, Customer EM's trading in WWIO presented multiple red flags, including the desist and refrain order issued against WWIO's chairman by the State of California and the issuer's minimal revenues and operations, which the AML Plan (and FINRA's Small Firm Template) specifically identified as red flags for penny stock transactions. Despite the red flags presented, TriPoint facilitated Customer EM's liquidation of 113,595,938 shares of WWIO on 15 trading days for total proceeds of approximately $17,257 between May 6, 2015 and September 25, 2015. Customer EM's re-sales represented greater than 10% of the total market volume on ten of the 15 trading days and greater than 25% on five of the trading days. Notably, on three of the days on which Customer EM liquidated shares, its trading volume constituted 93.89%, 99.09%, and 100.00% of the total market volume, respectively.

81. At no time did TriPoint, Boswell, or Kramer detect or investigate, or take reasonable steps to detect or investigate, the red flags presented by Customer EM's trading of WWIO, including those identified in the AML Plan or Customer EM's daily trading volume approaching 100% of WWIO's market volume on multiple trading days.

5. Activity Involving Future World Corp.

82. During the period June 17, 2015 through December 22, 2015, Customer EM deposited a total of approximately 279,439,709 shares of Future World Corp. (FWDG) into its TriPoint account. At that time, FWDG purported to be a "technology provider" for the marijuana industry.

83. Between 2008 and March 31, 2015, FWDG changed its business name four times, reflecting significant changes to its business model ranging from a medical device company (until 2009), to a renewable and alternative energy company (until July 2014), to a marijuana technology provider.

84. On February 17, 2015, FWDG filed with the SEC a Form 10-Q for the quarter ending December 31, 2014, which reported that the company had incurred a net loss of $167,996 for the quarter, $816,542 for the nine months ending December 31, 2014, and a cumulative net loss since inception of $6,680,324. The Form 10-Q also disclosed that as of December 31, 2014, the Company had cash of $150,794 and a working capital deficit of $1,099,308, which raised "substantial doubt about the Company's ability to continue as a going concern." FWDG further disclosed in the Form 10-Q that management had determined that its disclosure controls and procedures were not effective, stating: (a) "We do not have adequate personnel and other resources to assure that significant and complex transactions are timely analyzed and reviewed" and (b) "We have limited personnel and financial resources available to plan, develop, and implement disclosure and procedure controls and other procedures that are designed to ensure that information required to be disclosed in our period reports filed or submitted under the Exchange Act is timely recorded, summarized and reported."

85. Beginning on June 8, 2015, FWDG issued a series of press releases announcing (1) a new line of products, (2) an increase in its dividend rate, and (3) the acquisition of a new wholly owned subsidiary. On June 17, 2015, Customer EM began liquidating its initial deposit of 20 million shares of FWDG.

86. In addition, in connection with its initial deposit of the 20 million shares of FWDG, TriPoint represented to its clearing firm that Customer EM had been unsuccessful in

obtaining a letter from FutureWorld confirming that the shares were validly issued, can now have any restrictive legend removed, and can thereafter be traded without being subject to any further lock-up, holding period, or other restrictions.

87. TriPoint then represented to the clearing firm that it and Customer EM agreed to have any restrictive legend that still remained on the shares certificates removed by the issuer's transfer agent prior to initiating a sale of the shares. The restrictive legend was removed from the 20 million shares of FWDG as of June 17, when Customer EM deposited its shares. That same day, Customer EM began liquidating its position.

88. On August 14, 2015, FWDG filed a Form NT 10-Q with the SEC disclosing it would be late in filing its Form 10-Q. Despite the filing, on August 18, 2015, Customer EM sold the remaining approximately 5 million of the 20 million shares it deposited on June 17. The sale represented 58.48% of the total market volume on that day.

89. On November 23, 2015, FWDG filed with the SEC a Form 10-Q for the quarter ending September 30, 2015, which reported that for the quarter ending September 30, 2015, the company had incurred a net loss of $203,918 and a cumulative net loss since inception of $7,964,665, and had cash of $13,887 and a working capital deficit of $332,317 as of September 30, 2015. The Form 10-Q reported that its total revenue for the quarter was $8,052 and revenue for the six months ending September 30, 2015 was $9,773. As with the Form 10-Q for the quarter ending December 31, 2014, the Form 10-Q reported that the company's disclosure controls and procedures were not effective.

90. As described above, Customer EM's trading in FWDG presented multiple red flags that were identified in TriPoint's AML Plan (and FINRA's Small Firm Template), including multiple name and business line changes, minimal revenues, and the filing of the Form

NT 10-Q. Despite the red flags presented, during the period June 17, 2015 through December 23, 2015, TriPoint facilitated Customer EM's liquidation of 252,410,018 shares of FWDG on 37 trading days between June 17, 2015 and December 23, 2015 for total proceeds of approximately $79,468. Customer EM's re-sales represented greater than 20% of the total market volume on 14 of the 37 trading days and greater than 25% on eight of the trading days.

91. At no time did TriPoint, Boswell, or Kramer detect or investigate, or take reasonable steps to detect or investigate, the red flags presented by Customer EM's trading of FWDG, including those specifically identified in the AML Plan, the large market volume of Customer EM's liquidations, or the issuer's own acknowledgment in SEC filings that its disclosure controls and procedures were not effective.

6. Activity Involving Boreal Water Collection Inc.

92. During the period May 20, 2015 through June 24, 2015, Customer EM deposited a total of approximately 280,621,208 shares of Boreal Water Collection Inc. (BRWC) into its TriPoint account. At that time, BRWC purported to be a "high-end, personalized bottled water company."

93. Since its inception in 2001 until its renaming in 2008 as BRWC, BRWC had changed its name six times, reflecting purported changes in its business ranging from an information technology business to a technology holding company, to a distinctly different high-end bottled water company.

94. On May 13, 2015, BRWC filed with the SEC a Form 10-Q for the quarter ending March 31, 2015 that reported that its public accounting firm had expressed "substantial doubt as to our ability to continue as a going concern" given its accumulated deficit and insufficient revenues. Additionally, the Form 10-Q reported that BRWC had: (1) operated under various

names since incorporation, (2) an accumulated deficit of close to $4 million since January 2006 (3) minimal cash balances, and (4) insufficient revenue to cover its operating costs. In addition, the Form 10-Q reported net losses of $310,739 for the quarter ending March 31, 2015.

95. In addition, on May 13, 2015, shortly before Customer EM's initial deposit of shares of BRWC into its TriPoint account, BRWC issued two press releases announcing its commitment to increasing shareholder value and pursuit of potential business opportunities. On May 19, 2015, the day before Customer EM's initial deposit of BRWC shares, BRWC announced its attendance at an international high-end water exposition and the start of supermarket sales for one of its products.

96. On May 20, 2015, Customer EM deposited 60,000,000 shares of BRWC with TriPoint and immediately liquidated its full position by May 22, 2015, totaling 3% of total shares outstanding.

97. Also on May 20, 2015, a publicly available article published online warned "[t]he fact that the company's authorized common share count was upped all the way to 5 billion on March 27, 2015 should have been enough of a tip-off for most investors to be wary of BRWC and its toxic debt shenanigans. Still, another word of caution is probably in order here – said shenanigans could end up bringing disastrous results for unwary investors at any point in time."

98. On June 24, 2015, BRWC issued a press release announcing it had become free of convertible debts. That same day, Customer EM deposited 56,571,208 shares of BRWC and immediately began liquidating its position.

99. On August 14, 2015, BRWC filed a Form NT 10-Q with the SEC disclosing it would be late in filing its Form 10-Q for the period ending June 30, 2015. Despite the lack of current reporting, TriPoint continued to facilitate Customer EM's liquidation of its shares of

BRWC, re-selling a total of approximately 11.9 million shares between September 14, 2015 and September 30, 2015.

100. BRWC never filed a Form 10-Q for the period ending June 30, 2015. In January 2017, the SEC revoked BRWC's registration, finding that (1) BRWC had remained delinquent in its periodic filings since May 2015 and (2) BRWC had filed Forms 8-K with the Commission noting that its 2012 – 2014 financial statements could not be relied upon.

101. As described above, Customer EM's trading in BRWC presented multiple red flags that were identified in TriPoint's AML Plan (and FINRA's Small Firm Template), including the issuer's multiple name and business line changes, minimal revenues, and delinquent SEC filing, resulting in the SEC's subsequent revocation of its registration. Despite the red flags presented, TriPoint facilitated Customer EM's liquidation of 280,621,208 shares of BRWC on 24 trading days between May 20, 2015 and September 30, 2015 for total proceeds of approximately $237,521. Customer EM's re-sales represented 10% or more of the total market volume on nine trading days.

102. At no point did TriPoint, Boswell, and Kramer detect or investigate, or take reasonable steps to detect or investigate, the red flags presented by Customer EM's trading of BRWC, including those that TriPoint's own AML Plan identified and Customer EM's continued liquidations for over a month during which time BRWC was not current with its SEC filing obligations.

7. Activity Involving Blue Sphere Corp.

103. During the period May 18, 2015 through October 6, 2015, Customer EM deposited a total of approximately 5,445,555 shares of Blue Sphere Corp. (BLSP) into its

TriPoint account. At that time, BLSP purported to be an "independent power producer that develops, owns, and manages waste-to-energy facilities."

104. BLSP was initially incorporated in July 2007 under the name Jin Jie Corp. and was purportedly engaged in the business of developing and promoting automotive internet websites. Under that business model and name, BLSP generated no revenue, accumulated a deficit of approximately $64,000, and became a shell company. In the second quarter of fiscal year 2010, the company underwent a dramatic change in business line, changed its name, and effected a 35-for-1 forward split of authorized, issued, and outstanding common stock. As part of the stock split, BLSP increased its authorized commons shares from 50,000,000 to 1,750,000,000 and outstanding common stock from 16,814 to 588,496 shares. On November 26, 2013, BLSP authorized the issuance of 500,000,000 shares of preferred stock effected a 1-for-113 reverse stock split of common stock.

105. On January 13, 2015, BLSP filed with the SEC a Form 10-K for the fiscal year ending September 30, 2014, which reported that BLSP had a negative working capital, net losses of approximately $7.376 million, an aggregate accumulated deficit of approximately $36 million, a limited operating history, and no revenue since inception. The Form 10-K also disclosed that the company did not own any of its own projects, it expected to incur additional substantial operating losses for the foreseeable future, and that there was substantial doubt as to the company's ability to continue as a going concern. Further, the Form 10-K disclosed that as of January 13, 2015, BLSP had convertible notes with outstanding principal and accrued interest of approximately $1,399,000, all payable within the following 12 months and with the notes convertible at a significant discount to the market price of the stock.

106. On January 27, 2015, a publicly available article published online stated that the publisher had received numerous emails from stock promoters on the company. The article also stated that the company's recent financials appeared bleak and that third parties holding shares "are ready to dump them into the market."

107. Before and during the period of Customer EM's deposits and liquidations at TriPoint, BLSP published on May 18, 2015, May 21, 2015, June 16, 2015, June 17, 2015, September 8, 2015 a series of press releases announcing favorable news concerning its acquisition of production facilities, engagement of strategic advisors, a share repurchase program, and a conversion of its convertible debentures.

108. At the time of its initial deposit on May 18, 2015, TriPoint represented to its clearing firm that Customer EM had been unsuccessful in obtaining a letter from BLSP confirming that the shares were validly issued, can now have any restrictive legend removed, and can thereafter be traded without being subject to any further lock-up, holding period, or other restrictions. TriPoint then represented to the clearing firm that it and Customer EM agreed to have any restrictive legend that still remained on the shares certificates removed by the issuer's transfer agent prior to initiating a sale of the shares. The restrictive legend was removed from the BLSP shares as of May 18, 2015; that same day, Customer EM began liquidating its position.

109. On August 14, 2015, BLSP filed a Form 10-Q for the period ending June 30, 2015, which also disclosed that there was substantial doubt about the company's ability to continue as a going concern based on a negative working capital in $597,000, a stockholders' deficit of approximately $2,229,000, and an accumulated deficit of approximately $42,200,000. The company further reported a net loss of $3,133,000 for the three months ending June 30, 2015, net losses of over $6 million for the nine months ending June 30, 2015, and that it

anticipated losses in future periods. In addition, the Form 10-Q reported that management had determined that its disclosure controls and procedures were not effective and suffered from material weaknesses.

110. As described above, Customer EM's trading in BLSP presented multiple red flags that were identified in TriPoint's AML Plan (and FINRA's Small Firm Template), including the issuer's material name and business line changes, minimal revenues, and limited operating history. Despite the red flags presented, TriPoint liquidated for Customer EM 5,445,555 shares of BLSP over the course of 21 trading days from May 28, 2015 through October 6, 2015 for total proceeds of $125,518. On 13 of the trading days, Customer EM's re-sales represented from 20% to 76.15% of the daily total market volume.

111. At no point did TriPoint, Boswell, and Kramer detect or investigate, or take reasonable steps to detect or investigate, the red flags presented by Customer EM's trading of BLSP.

8. Activity Involving iHookup Social Inc. / Friendable, Inc.

112. During the period April 16, 2015 through December 22, 2015, Customer EM deposited a total of approximately 27,021,592 shares of iHookup Social Inc. (HKUP) / Friendable, Inc. (FDBL) into its TriPoint account. At all times relevant to this Complaint, HKUP/ FDBL purported to be a mobile social media application developer.

113. HKUP/FDBL was initially incorporated in June 2007 as Digital Yearbook, Inc. In June 2011, the company changed its name to Titan Iron Ore Corp., reflecting its transformation from a digital yearbook company to a company that purportedly acquired, developed, and operated iron ore. In conjunction with the change, the company effected a 31-to-1 forward stock split of issued and outstanding common and preferred stock, increasing its

common stock from 100,000,000 to 3,700,000,000 shares. In April 2014, the company changed its name to iHookup Social Inc., to reflect a change in business line to the development and dissemination of mobile social media applications. At that time, HKUP/FDBL also conducted a 20-for-1 reverse stock split whereby 937,459,274 shares of common stock were exchanged for 46,872,964 shares. On March 19, 2015, HKUP/FDBL conducted a 100-for-1 reverse stock split decreasing its authorized shares from 2,355,489,991 shares of common stock to 23,554,923 shares. In October 2015, in the midst of Customer EM's liquidations, HKUP/FDBL again changed its name to Friendable, Inc.

114. On April 16, 2015, HKUP/FDBL filed with the SEC its Form 10-K for the period ending December 31, 2014, reporting that it (a) had minimal revenues leading to net losses since its inception, (b) currently did not have sufficient capital to fund its business for the next 12 months, and (c) relied on financing from convertible and promissory notes to fund its operations. In the Form 10-K, HKUP/FDBL also reported that it had net losses for the fiscal year ending December 31, 2014 of $3,681,667, an accumulated deficit of $4,310,032, and that it had $0 in cash as of December 31, 2014. HKUP/FDBL had only four full-time employees and one part-time employee. In addition, the Form 10-K disclosed that management had determined that as of December 31, 2014, the company's disclosure controls and procedures were ineffective for multiple reasons, and that material weaknesses in its disclosure controls and procedures continued to exist.

115. Between March 24, 2015 and May 5, 2015, HKUP/FDBL published nine positive press releases promoting its business and touting its market successes. For example, on April 13, 2015, HKUP/FDBL released a letter to its shareholders stating that its "operational and product side of the house exceeded our wildest expectations, easily surpassing our goals for 2014."

116. During that same period, Customer EM deposited 6,607,000 HKUP/FDBL shares on April 16, April 29, and May 5 into its TriPoint account. Customer EM immediately liquidated all 6,607,000 shares between April 16, 2015 and May 15, 2015.

117. HKUP/FDBL filed a Form 10-Q on November 16, 2015 for the period ending September 30, 2015, which reported that the company had a working capital deficiency of $657,285 and an accumulated deficit of $6,638,633 since inception, and continued to fund its operations primarily through sales of stock and issuances of convertible debentures. The Form 10-Q further disclosed that these factors continued to raise substantial doubt as the company's ability to continue as a going concern.

118. Between November 20, 2015 and December 22, 2015, Customer EM deposited an additional 20,414,592 HKUP/FDBL shares in its TriPoint account. Customer EM immediately liquidated all of the shares by December 22, 2015.

119. In conjunction with its November 19, 2015 deposit of HKUP/FDBL shares, TriPoint represented to its clearing firm that Customer EM had been unsuccessful in obtaining a letter from HKUP/FDBL confirming that the shares were validly issued, can now have any restrictive legend removed, and can thereafter be traded without being subject to any further lock-up, holding period, or other restrictions. TriPoint then represented to the clearing firm that it and Customer EM agreed to have any restrictive legend that still remained on the subject shares certificates removed by the issuer's transfer agent prior to initiating a sale of the shares. The restrictive legend was removed as of November 23, 2015, when Customer EM began liquidating its position.

120. As described above, Customer EM's in HKUP/FDBL presented multiple red flags, including the issuer's material name and business line changes, minimal revenues, and

limited operations, all of which were identified in TriPoint's AML Plan (and FINRA's Small Firm Template). Despite the red flags presented, TriPoint liquidated for Customer EM 27,021,592 shares of HKUP/FDBL on 27 trading days from April 16, 2015 through December 22, 2015 for total proceeds of $86,263. On 14 trading days during that time period, Customer EM's re-sales represented from 22 % to 64 % of the TMV.

121. At no time did TriPoint, Boswell, or Kramer detect or investigate, or take reasonable steps to detect or investigate, the red flags presented by Customer EM's trading of HKUP/FDBL.

II. Supervision of Customers' Deposit and Liquidation of Low-Priced Securities

122. During all periods relevant to the Complaint, Kramer, as Head Trader, was tasked by the Firm, acting through Boswell, with reviewing customer deposits of restricted or control securities, including supporting documents, and was responsible for making the primary determination of whether the shares of the restricted or control securities were legally permissible for re-sale**.** However, the WSPs did not identify Kramer or anyone else as the "Designated Supervisor" specifically responsible for sales or re-sales of "Restricted/Control Securities." Indeed, TriPoint did not memorialize the designation of responsibility for Restricted/Control Securities in any document.

123. Throughout the Relevant Period, TriPoint's WSPs included a short section addressing the sale of "Restricted / Control Securities." The WSPs referenced SEC Rule 144, explained that there were "specific rules under which control persons and holders of restricted securities can sell their securities," and defined control persons or affiliates for determining whether securities are "control" securities. The WSPs also required the unnamed Designated Supervisor to review sales of control and restricted securities prior to the sales and confirm that "the requirements of the SEC rules, to the extent under the control of the seller, have been met."

124. TriPoint's WSPs did not provide guidance concerning what documents should be collected or what information should be reviewed to determine whether control or restricted securities were legally permissible for re-sale. The WSPs also did not address whether, and how, anyone at the Firm should analyze or verify the information and documents obtained that supported the requests for deposits and liquidations of restricted or control securities. Further, the WSPs did not specify when or how frequently the review should be performed to prevent violations of the registration requirements of Section 5.

125. During 2015, Kramer assisted in drafting a description of TriPoint's "low priced deposit review process for convertible notes" (the "Section 5 Process Document"). Kramer circulated the Section 5 Process Document to the Firm's registered representatives and posted it on the Firm's electronic system for use as a guide about the documentation they should collect in connection with deposits of low-priced securities.

126. The Section 5 Process Document was not part of the Firm's WSPs, and the WSPs did not reference the Section 5 Process Document or the review process it described. The Section 5 Process Document stated that initial reviews of first time deposits of low-priced securities collected "detailed information about the purchase and custody history of the deposit and the legal status," including "seeking verification and original source information from multiple parties and sources to identify for red flags, involve[ing] multiple parties in the approval process, and keep[ing] track of all documents used to perform the review." Under a section entitled "Legal Status Review" for both initial and subsequent conversions of convertible notes, the Section 5 Process Document required confirmation that the issuer is current in its reporting requirements. However, the Section 5 Process Document did not specify how or when such a check for current reporting status should be performed, or by whom.

127. The Firm, through Kramer, did not conduct a Section 5 analysis at the time of liquidation of control or restricted low-priced securities.

III. TriPoint's Re-sale of Restricted Securities on Behalf of Customer EM

128. TriPoint, acting as a broker on behalf of Customer EM, resold approximately 16,907,900 shares of restricted securities. There were no registration statements in effect to cover the re-sales of those shares into the secondary market nor was there any available exemption for these transactions. The re-sales generated $73,458 in proceeds for Customer EM and $3,648 in commissions for TriPoint.

A. PZOO

129. On November 12, 2014, Customer EM acquired a 12% convertible note of PZOO through a securities purchase agreement with PZOO. Under the terms of the convertible note, the conversion price at which Customer EM could acquire shares of PZOO was based on PZOO's fluctuating market price.

130. Effective April 21, 2015, Customer EM converted a portion of the principal amount of the note into 5,000,000 shares of PZOO. Customer EM deposited the 5 million shares of PZOO into its TriPoint account on May 18, 2015.

131. No registration statement was filed with the SEC or in effect for Customer EM's re-sales of the PZOO shares, which were effected through the over-the-counter market.

132. However, during the period May 22, 2015 through May 27, 2015, despite the lack of a registration statement, TriPoint effected re-sales of 5,000,000 restricted shares of PZOO for Customer EM for total proceeds of $61,858. The transactions generated $3,063 in commissions for TriPoint.

133. Customer EM purported to rely upon the SEC Rule 144 Safe Harbor to exempt its re-sales of restricted shares of PZOO into the public market. However, for Customer EM to

qualify for the Rule 144 Safe Harbor within one year of acquiring the securities, *i.e.*, before November 12, 2015, PZOO, an SEC 1934 Act Reporting Company, was required to be current with its periodic reporting requirements at the time of re-sale.

134. Yet PZOO's Form 10-Q for the period ending March 31, 2015 was due by May 15, 2015. Instead, on May 15, 2015, PZOO filed with the SEC a Form NT 10-Q disclosing that it would be late in filing the Form 10-Q.

135. PZOO did not file its delinquent Form 10-Q for the period ending March 31, 2015 until June 24, 2015.

B. BRWC

136. On November 5, 2014, Customer EM acquired an 8% Convertible Note of BRWC through a securities purchase agreement. Under the terms of the convertible note, the conversion price at which Customer EM could acquire shares of BRWC was based on BRWC's fluctuating market price.

137. Effective June 19, 2015, Customer EM converted part of the principal of the 8% Convertible Note into 56,571,208 shares of BRWC. Customer EM deposited the 56,571,208 shares of BRWC into its TriPoint account on June 24, 2015.

138. No registration statement was filed with the SEC or in effect for Customer EM's re-sales of the BRWC shares, which were effected through the over-the-counter market.

139. However, during the period September 14, 2015 through September 30, 2015, despite the lack of a registration statement, TriPoint effected re-sales of 11,907,900 restricted shares of BRWC for Customer EM for total proceeds of $11,600. The transactions generated $585 in commissions for TriPoint.

140. Customer EM purported to rely upon the SEC Rule 144 Safe Harbor to exempt its re-sales of restricted shares of BRWC into the public market. However, for Customer EM to qualify for the Rule 144 Safe Harbor within one year of acquiring the securities, *i.e*. before November 5, 2015, BRWC, an SEC 1934 Act Reporting Company, was required to be current with its periodic reporting requirements at the time of re-sale.

141. Yet BRWC'S Form 10-Q for the period ending June 30, 2015 was due by August 14, 2015. Instead, on August 14, 2015, BRWC filed with the SEC a Form NT 10-K disclosing that it would be late in filing the Form 10-Q.

142. BRWC never filed its delinquent Form 10-Q. On December 5, 2016, the SEC issued an order revoking BRWC's registration.

FIRST CAUSE OF ACTION
FAILURE TO ESTABLISH AND IMPLEMENT A REASONABLE AML PROGRAM
Violation of FINRA Rules 3310(a) and 2010
(Respondents TriPoint, Boswell, and Kramer)

143. The Department of Enforcement re-alleges and incorporates by reference paragraphs 1 through 142 above.

144. FINRA Rule 3310 requires member firms to "develop and implement a written anti-money laundering program reasonably designed to achieve and monitor the member's compliance with the requirements of the Bank Secrecy Act (31 U.S.C. 5311, et seq.), and the implementing regulations promulgated thereunder by the Department of the Treasury."

145. FINRA Rule 3310(a) requires members to "[e]stablish and implement policies and procedures that can be reasonably expected to detect and cause the reporting of transactions required under 31 U.S.C. Section 5318(g) [the Bank Secrecy Act] and the implementing regulations thereunder."

146. In 2002, in NTM 02-21, the NASD advised each broker-dealer to "tailor its AML program to fit its business." When developing "an appropriate AML program . . . [a firm] should consider factors such as its size, location, business activities, the types of accounts it maintains, and the types of transactions in which its customers engage."

147. FINRA Rule 2010 provides that "[a] member, in the conduct of its business, shall observe high standards of commercial honor and just and equitable principles of trade." A violation of FINRA Rule 3310 is a violation of FINRA Rule 2010.

148. Trading penny stocks typically poses greater AML risks than trading other stocks because of lower trading volumes and less available information regarding issuers. As noted in NTM 02-21, penny stock transactions have been used in connection with fraudulent schemes and money laundering activity.

149. During the Relevant Period, TriPoint effected penny stock transactions for customers, including Customer EM, whose primary trading activity involved the deposit and prompt liquidation of penny stocks. TriPoint, Boswell, and Kramer were aware that these customers' toxic-debt financing business model, which was disclosed at account opening, was to deposit penny stocks and immediately begin liquidating the positions.

150. Nonetheless, throughout the period November 2011 through December 2015, TriPoint, Boswell, and Kramer failed to develop and implement an AML program to address the heightened risks inherent in these customers' activities. The Firm's AML system was not tailored to reasonably cause the detection of red flags and patterns of potentially suspicious activity with regard to the Firm's customers' deposit and liquidation of penny stocks.

151. In particular, the Firm did not develop or implement any processes or procedures for the Head Trader or AML Compliance Officer to detect (1) suspicious promotional activity

around the time of customer deposits or liquidations, (2) increased trading volume or substantial price fluctuations of securities being deposited and promptly liquidated, (3) patterns of activity taking place over the course of days or months, such as deposits of penny stock followed by liquidations, that would indicate a pump and dump scheme, or (4) potential market manipulation or prearranged trading. Instead, the Firm relied on exception reports from its clearing firm that were not designed to detect market manipulation, prearranged trading, or patterns of activity indicative of pump and dump schemes.

152. In addition, the Firm, through Boswell and Kramer, failed to monitor for, detect, or further investigate the red flags for penny stock transactions identified in its own AML Plan. Rather, Kramer, the Head Trader responsible for the day-to-day monitoring of customers' accounts and trading activity, did not treat information concerning an issuer's minimal or lack of revenues, lack of sales forces, net losses, accumulated deficits, or frequent name or business line changes to be indicative of potentially suspicious activity for penny stocks, despite the Firm's WSPs identifying them as such. Kramer also did not treat a customer's high percentage of TMV as potentially suspicious given the illiquid nature of penny stock securities.

153. As a result, TriPoint, Boswell, and Kramer failed to identify or investigate red flags in connection with customer EM's deposit and liquidation of low-priced securities, as detailed in paragraphs 32 through 121 above.

154. Because the Respondents did not adequately identify or consider numerous red flags related to Customer EM's liquidation of penny stocks, they also failed to adequately consider whether to file a Suspicious Activity Report as required by the Bank Secrecy Act and its implementing regulations.

155. As a result of the foregoing, TriPoint, Boswell, and Kramer violated FINRA Rules 3310(a) and 2010.

SECOND CAUSE OF ACTION
UNLAWFUL SALE OF RESTRICTED SECURITIES
In Contravention of Securities Act of 1933 § 5; Violation of FINRA Rule 2010
(Respondent TriPoint)

156. The Department of Enforcement re-alleges and incorporates by reference paragraphs 1 through 155 above.

157. Section 5 of the Securities Act prohibits the sale of any security through the mails or in interstate commerce, unless a registration statement is in effect as to the transaction.

158. As described above in paragraphs 128 through 142, Customer EM re-sold a total of 16,907,900 shares of PZOO and BRWC without a valid registration statement or exemption from registration for the re-sales. For each of the re-sales, the issuer was not current with its periodic reporting requirements at the time of liquidation. However, the issuer was required to be current with its periodic reporting requirement for the identified re-sale transactions for them to qualify for the claimed Rule 144 safe harbor. Thus, each sale by Customer EM constituted an unregistered nonexempt re-sale of a restricted security in violation of Section 5 of the Securities Act.

159. By approving the above-described shares for re-sale, and thereafter selling the shares into the secondary market, TriPoint acted in contravention of Section 5 of the Securities Act, and thereby violated FINRA Rule 2010.

THIRD CAUSE OF ACTION
FAILURE TO SUPERVISE
Violation of NASD Rule 3010(a) and FINRA Rules 3110(a) and 2010
(Respondent TriPoint)

160. The Department of Enforcement re-alleges and incorporates by reference paragraphs 1 through 159 above.

161. FINRA Rule 3110(a) and its predecessor NASD Rule 3010(a) require member firms to "establish and maintain a system to supervise the activities of each associated person that is reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable FINRA rules."

162. TriPoint failed to establish and maintain a supervisory system, including WSPs, reasonably designed to achieve compliance with registration requirements of Section 5 for the re-sale of restricted or control securities. In particular, the Firm's supervisory system was inadequate to ensure that its customers' sales of low-priced securities were sold pursuant to an effective registration statement or qualified for a valid exemption therefrom.

163. The Firm's WSPs provided only a general instruction that the Firm must comply with the requirements of Section 5 prior to sales of control or restricted securities. The WSPs, failed, however, to provide specific guidance as to what documents should be collected, what information should be reviewed, and the timing of such review, to prevent the Firm's participation in an illegal, unregistered distribution. In addition, the WSPs did not require that the Head Trader, or anyone else at the Firm, verify the information submitted by the customers at the time of deposit or any other time.

164. The WSPs were silent as to who was responsible for performing the analysis to determine whether shares were legally permissible for re-sale, apart from referencing an unidentified Designated Supervisor.

165. The Section 5 Process Document, like the WSPs, did not address whether, or how, anyone at the Firm should analyze or verify the information and documents obtained to support the requests for deposits and liquidations of restricted or control securities. Further, the Section 5 Process Document did not specify whether the analysis should be performed or refreshed at the time of liquidation.

166. Kramer, the Head Trader, was responsible for the daily supervision of the Firm's microcap securities liquidation business, including approving or rejecting deposits of restricted securities for re-sale. At the time of deposit, Kramer reviewed the supporting documents and information provided by Firm customers that purported to establish that the customer's securities were eligible for re-sale into the secondary market, without performing a searching inquiry as required by FINRA NTM 09-05. Instead, Kramer relied on the customers' representations and supporting documents submitted at the time of deposit.

167. In addition, TriPoint did not require Kramer or anyone else to perform an analysis to determine whether shares were legally permissible for re-sale at the time of liquidation. Neither Kramer nor anyone else at the Firm conducted any analysis at the time of liquidation or checked whether the shares continued to be legally permissible for re-sale based on the issuer's current reporting status.

168. Consequently, the Firm failed to identify that the re-sales in shares of PZOO and BRWC as described in paragraphs 128 to 142 were not eligible for the Rule 144 Safe Harbor, and by extension the Section 4(a)(1) exemption under the Securities Act, and thus, contravened Section 5.

169. As a result of the foregoing, TriPoint violated NASD Rule 3010(a) (for conduct before December 1, 2014) and FINRA Rules 3110(a) (for conduct beginning December 1, 2014) and 2010.

RELIEF REQUESTED

WHEREFORE, the Department of Enforcement respectfully requests that the Panel:

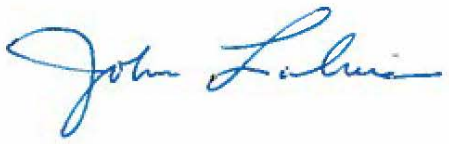
A. make findings of fact and conclusions of law that Respondent(s) committed the violations charged and alleged herein;

B. order that one or more of the sanctions provided under FINRA Rule 8310(a), be imposed, including that Respondent be required to disgorge fully any and all ill-gotten gains and/or make full and complete restitution, together with interest; and

C. order that Respondent(s) bear such costs of proceeding as are deemed fair and appropriate under the circumstances in accordance with FINRA Rule 8330.

FINRA DEPARTMENT OF ENFORCEMENT

Date: September 7, 2018



Sara Raisner, Director
Gina Petrocelli, Chief Counsel
FINRA Department of Enforcement
Brookfield Place, 11th Floor
200 Liberty Street
New York, New York 10281
Phone: 646-315-7412; Fax: 301-527-4835
e-mail: sara.raisner@finra.org

Melissa J. Turitz, Principal Counsel
FINRA Department of Enforcement
581 Main Street, Suite 710
Woodbridge, NJ 07095

Phone: 732-596-2005; Fax: 301-527-4835
e-mail: melissa.turitz@finra.org

John Luburic, Senior Litigation Counsel
FINRA, Department of Enforcement
55 West Monroe Street, Suite 2700
Chicago, IL 60603-5052
Phone: 312-899-4369; Fax: 312-606-0742
e-mail: john.luburic@finra.org

Thomas Kuczajda, Senior Counsel
FINRA, Department of Enforcement
15200 Omega Drive, Suite 300
Rockville, MD 20850
Phone: 301-258-8531; Fax: 301-208-8090
e-mail: tom.kuczajda@finra.org

Mark David Hunter, Esq.
Hunter Taubman Fischer & Li LLC
2 Alhambra Plaza, Suite 650
Coral Gables, FL 33134
mhunter@htflawyers.com

William Phair
Senior Paralegal