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UNITED STATES OF AMERICA
Before The
SECURITIES AND EXCHANGE COMMISSION

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Administrative Proceeding
File No. 3-14630

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:
:
In the Matter of :
:
DANIEL J. GALLAGHER, :
:
Respondent. :
:
----- X

DECLARATION OF KEVIN P. MCGRATH IN SUPPORT OF THE DIVISION OF ENFORCEMENT'S MOTION FOR SUMMARY DISPOSITION

I, Kevin P. McGrath, pursuant to 28 U.S.C. § 1746, declare as follows:

1. I am employed as a Senior Trial Counsel in the Division of Enforcement in the New York Regional Office of the Securities and Exchange Commission. I submit this Declaration in support of the Division of Enforcement's Motion for Summary Disposition.
2. Attached hereto as Exhibit A is a true and correct copy of the Financial Industry Regulatory Agency BrokerCheck Report for Vision Securities, Inc., dated July 29, 2014.
3. Attached hereto as Exhibit B is a true and correct copy of the June 13, 2011 Hearing Panel Decision in Department of Enforcement v. Daniel James Gallagher and Vision Securities, Inc., FINRA Disciplinary Proceeding No. 2008011701203.

I declare under penalty of perjury that the foregoing is true and correct.

Executed: July 30, 2014
New York, New York



Kevin P. McGrath

EXHIBIT A



BrokerCheck Report
VISION SECURITIES INC.

CRD# 35001

Report #62006-98043, data current as of Tuesday, July 29, 2014.

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About BrokerCheck®

BrokerCheck offers information on all current, and many former, registered securities brokers, and all current and former registered securities firms. FINRA strongly encourages investors to use BrokerCheck to check the background of securities brokers and brokerage firms before deciding to conduct, or continue to conduct, business with them.

- **What is included in a BrokerCheck report?**

BrokerCheck reports for individual brokers include information such as employment history, professional qualifications, disciplinary actions, criminal convictions, civil judgments and arbitration awards. BrokerCheck reports for brokerage firms include information on a firm's profile, history, and operations, as well as many of the same disclosure events mentioned above.

Please note that the information contained in a BrokerCheck report may include pending actions or allegations that may be contested, unresolved or unproven. In the end, these actions or allegations may be resolved in favor of the broker or brokerage firm, or concluded through a negotiated settlement with no admission or finding of wrongdoing.

- **Where did this information come from?**

The information contained in BrokerCheck comes from FINRA's Central Registration Depository, or CRD® and is a combination of:

- information FINRA and/or the Securities and Exchange Commission (SEC) require brokers and brokerage firms to submit as part of the registration and licensing process, and
- information that regulators report regarding disciplinary actions or allegations against firms or brokers.

- **How current is this information?**

Generally, active brokerage firms and brokers are required to update their professional and disciplinary information in CRD within 30 days. Under most circumstances, information reported by brokerage firms, brokers and regulators is available in BrokerCheck the next business day.

- **What if I want to check the background of an investment adviser firm or investment adviser representative?**

To check the background of an investment adviser firm or representative, you can search for the firm or individual in BrokerCheck. If your search is successful, click on the link provided to view the available licensing and registration information in the SEC's Investment Adviser Public Disclosure (IAPD) website at <http://www.adviserinfo.sec.gov>. In the alternative, you may search the IAPD website directly or contact your state securities regulator at <http://www.finra.org/Investors/ToolsCalculators/BrokerCheck/P455414>.

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

FINRA recommends that you learn as much as possible about an investment professional before deciding to work with them. Your state securities regulator can help you research brokers and investment adviser representatives doing business in your state.

Thank you for using FINRA BrokerCheck.



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

brokercheck.finra.org



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

VISION SECURITIES INC.

CRD# 35001

SEC# 8-46500

Main Office Location416 MAIN STREET
PORT WASHINGTON, NY 11050**Mailing Address**416 MAIN STREET
PORT WASHINGTON, NY 11050**Business Telephone Number**

516-767-6572

Report Summary for this Firm

This report summary provides an overview of the brokerage firm. Additional information for this firm can be found in the detailed report.

Firm Profile

This firm is classified as a corporation.

This firm was formed in New York on 06/25/1993.

Its fiscal year ends in December.

Firm History

Information relating to the brokerage firm's history such as other business names and successions (e.g., mergers, acquisitions) can be found in the detailed report.

Firm Operations

This brokerage firm is no longer registered with FINRA or a national securities exchange.

**Disclosure Events**

Brokerage firms are required to disclose certain criminal matters, regulatory actions, civil judicial proceedings and financial matters in which the firm or one of its control affiliates has been involved.

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

The following types of disclosures have been reported:

| Type | Count |
|------------------|-------|
| Regulatory Event | 11 |
| Civil Event | 1 |
| Arbitration | 3 |

Firm Profile

This firm is classified as a corporation.

This firm was formed in New York on 06/25/1993.

Its fiscal year ends in December.



Firm Names and Locations

This section provides the brokerage firm's full legal name, "Doing Business As" name, business and mailing addresses, telephone number, and any alternate name by which the firm conducts business and where such name is used.

VISION SECURITIES INC.

Doing business as **VISION SECURITIES INC.**

CRD# 35001

SEC# 8-46500

Main Office Location

416 MAIN STREET
PORT WASHINGTON, NY 11050

Mailing Address

416 MAIN STREET
PORT WASHINGTON, NY 11050

Business Telephone Number

516-767-6572

Firm Profile

This section provides information relating to all direct owners and executive officers of the brokerage firm.



Direct Owners and Executive Officers

Legal Name & CRD# (if any): GCG HOLDINGS, INC.

Is this a domestic or foreign entity or an individual? Domestic Entity

Position OWNER

Position Start Date 02/2002

Percentage of Ownership 75% or more

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

Is this a public reporting company? No

Legal Name & CRD# (if any): GALLAGHER, DANIEL JAMES

2092711

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

Position SECRETARY

Position Start Date 04/2003

Percentage of Ownership Less than 5%

Does this owner direct the management or policies of the firm? No

Is this a public reporting company? No

Legal Name & CRD# (if any): GALLAGHER, DANIEL JAMES

2092711

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

Position CHAIRMAN

Position Start Date 10/2007

Firm Profile



Direct Owners and Executive Officers (continued)

Percentage of Ownership Less than 5%

Does this owner direct the management or policies of the firm? No

Is this a public reporting company? No

Legal Name & CRD# (if any): LUBURIC, IVAN
2189458

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

Position PRESIDENT/CHIEF COMPLIANCE OFFICER

Position Start Date 10/2008

Percentage of Ownership Less than 5%

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

Is this a public reporting company? No

Firm Profile

This section provides information relating to any indirect owners of the brokerage firm.



Indirect Owners

| | |
|--|--------------------|
| Legal Name & CRD# (if any): | SIMMONS, ROBERT J |
| Is this a domestic or foreign entity or an individual? | Individual |
| Company through which indirect ownership is established | GCG HOLDINGS, INC. |
| Relationship to Direct Owner | PARTNER |
| Relationship Established | 02/2002 |
| Percentage of Ownership | 75% or more |
| Does this owner direct the management or policies of the firm? | Yes |
| Is this a public reporting company? | No |

Firm History

This section provides information relating to any successions (e.g., mergers, acquisitions) involving the firm.

No information reported.



Firm Operations

Registrations

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

This firm is no longer registered.

The firm's registration was from 03/25/1994 to 01/08/2010.



Firm Operations



Types of Business

This section provides the types of business, including non-securities business, the brokerage firm is engaged in or expects to be engaged in.

This firm currently conducts 7 types of businesses.

Types of Business

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

Broker or dealer selling corporate debt securities

Mutual fund retailer

U S. government securities broker

Put and call broker or dealer or option writer

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

Private placements of securities

Firm Operations



Clearing Arrangements

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

Introducing Arrangements

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

Name: PENSON FINANCIAL SERVICES, INC.
CRD #: 25866
Business Address: 1700 PACIFIC AVE.
SUITE 1400
DALLAS, TX 75201
Effective Date: 01/30/2007
Description: VISION SECURITIES IS AN INTRODUCING BROKER. WE CLEAR ALL
TRANSACTIONS THROUGH PENSON FINANCIAL ON A FULLY DICLOSED
BASIS

Firm Operations

Industry Arrangements



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

Name: PENSON FINANCIAL SERVICES, INC.
CRD #: 25866
Business Address: 1700 PACIFIC AVE.
SUITE 1400
DALLAS, TX 75201
Effective Date: 01/30/2007
Description: VISION SECURITIES IS AN INTRODUCING BROKER. WE CLEAR ALL
TRANSACTIONS THROUGH PENSON FINANCIAL ON A FULLY
DISCLOSED BASIS.

This firm does have accounts, funds, or securities maintained by a third party.

Name: PENSON FINANCIAL SERVICES, INC.
CRD #: 25866
Business Address: 1700 PACIFIC AVE.
SUITE 1400
DALLAS, TX 75201
Effective Date: 01/30/2007
Description: VISION SECURITIES, INC. IS AN INTRODUCING BROKER. WE CLEAR ALL
TRANSACTIONS THROUGH PENSON FINANCIAL ON A FULLY
DISCLOSED BASIS.

Name: PENSON FINANCIAL SERVICES, INC.
CRD #: 25866
Business Address: 1700 PACIFIC AVE SUITE 1400
DALLAS, TX 75201
Effective Date: 01/30/2007
Description: VISION SECURITIES, INC. IS AN INTRODUCING BROKER. WE CLEAR
ALL TRANSACTIONS THROUGH PENSON FINANCIAL ON A FULLY
DISCLOSED BASIS.

This firm does have customer accounts, funds, or securities maintained by a third party.

Name: PENSON FINANCIAL SERVICES, INC.
CRD #: 25866

Firm Operations

Industry Arrangements (continued)

Business Address: 1700 PACIFIC AVE.
SUITE 1400
DALLAS, TX 75201

Effective Date: 01/30/2007

Description: VISION SECURITIES IS AN INTRODUCING BROKER. WE CLEAR ALL
TRANSACTIONS THROUGH PENSON FINANCIAL ON A FULLY
DISCLOSED BASIS.

Control Persons/Financing

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

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



Firm Operations



Organization Affiliates

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

This firm is not, directly or indirectly:

- in control of
- controlled by
- or under common control with

the following partnerships, corporations, or other organizations engaged in the securities or investment advisory business.

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

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

Disclosure Events



All firms registered to sell securities or provide investment advice are required to disclose regulatory actions, criminal or civil judicial proceedings, and certain financial matters in which the firm or one of its control affiliates has been involved. For your convenience, below is a matrix of the number and status of disclosure events involving this brokerage firm or one of its control affiliates. Further information regarding these events can be found in the subsequent pages of this report.

| | Pending | Final | On Appeal |
|------------------|---------|-------|-----------|
| Regulatory Event | 0 | 11 | 0 |
| Civil Event | 0 | 1 | 0 |
| Arbitration | N/A | 3 | N/A |



Disclosure Event Details

What you should know about reported disclosure events:

1. **BrokerCheck provides details for any disclosure event that was reported in CRD. It also includes summary information regarding FINRA arbitration awards in cases where the brokerage firm was named as a respondent.**
2. **Certain thresholds must be met before an event is reported to CRD, for example:**
 - A law enforcement agency must file formal charges before a brokerage firm is required to disclose a particular criminal event.
3. **Disclosure events in BrokerCheck reports come from different sources:**
 - Disclosure events for this brokerage firm were reported by the firm and/or regulators. When the firm and a regulator report information for the same event, both versions of the event will appear in the BrokerCheck report. The different versions will be separated by a solid line with the reporting source labeled.
4. **There are different statuses and dispositions for disclosure events:**
 - A disclosure event may have a status of *pending*, *on appeal*, or *final*.
 - A "pending" event involves allegations that have not been proven or formally adjudicated.
 - An event that is "on appeal" involves allegations that have been adjudicated but are currently being appealed.
 - A "final" event has been concluded and its resolution is not subject to change.
 - A final event generally has a disposition of *adjudicated*, *settled* or *otherwise resolved*.
 - An "adjudicated" matter includes a disposition by (1) a court of law in a criminal or civil matter, or (2) an administrative panel in an action brought by a regulator that is contested by the party charged with some alleged wrongdoing.
 - A "settled" matter generally involves an agreement by the parties to resolve the matter. Please note that firms may choose to settle customer disputes or regulatory matters for business or other reasons.
 - A "resolved" matter usually involves no payment to the customer and no finding of wrongdoing on the part of the individual broker. Such matters generally involve customer disputes.
5. **You may wish to contact the brokerage firm to obtain further information regarding any of the disclosure events contained in this BrokerCheck report.**

Regulatory - Final

This type of disclosure event involves (1) a final, formal proceeding initiated by a regulatory authority (e.g., a state securities agency, self-regulatory organization, federal regulator such as the U.S. Securities and Exchange Commission, foreign financial regulatory body) for a violation of investment-related rules or regulations; or (2) a revocation or suspension of the authority of a brokerage firm or its control affiliate to act as an attorney, accountant or federal contractor.

Disclosure 1 of 11

Reporting Source: Regulator

Current Status: Final

**Allegations:**

FINRA BY-LAWS, ARTICLE V, SECTIONS 2 AND 3, NASD RULES 1021, 1021(A), 1120, 1120(B), 2110, 3010, 3010(A), 3011, 3011(C), 3012, 3012(A)(1), 3012(A)(1)(B), 3012(A)(2)(C), 3013, 3013(B), 3070, 3070(C), 3070(F), MSRB RULE G-41: VISION FAILED TO APPLY AND EVIDENCE THE HEIGHTENED SUPERVISION REQUIREMENTS FOR A REPRESENTATIVE AS REQUIRED UNDER FIRM'S MEMBERSHIP AGREEMENT AND CERTAIN STATES. THOSE STATES REQUIRED THAT THEY BE INFORMED OF, AMONG OTHER THINGS, ANY ARBITRATION CLAIMS, REGULATORY ACTIONS OR THE INITIATION OF ANY INVESTIGATIONS AGAINST THE REPRESENTATIVE. VISION ALLOWED A REPRESENTATIVE TO ENGAGE IN ACTIVITIES REQUIRING REGISTRATION AS A PRINCIPAL WITHOUT BEING REGISTERED AS SUCH. IT ALSO FAILED TO CONDUCT THE ANALYSIS REQUIRED TO DETERMINE WHETHER, AS A PRODUCING MANAGER, A REPRESENTATIVE SHOULD HAVE BEEN SUBJECTED TO THE HEIGHTENED SUPERVISION REQUIREMENTS. VISION FAILED TO ESTABLISH, MAINTAIN AND ENFORCE WRITTEN SUPERVISORY CONTROL POLICIES AND PROCEDURES. IT ALSO FAILED TO IDENTIFY AT LEAST ONE PRINCIPAL WHO WOULD ESTABLISH, MAINTAIN AND ENFORCE WRITTEN SUPERVISORY CONTROL POLICIES AND PROCEDURES. VISION FAILED TO ENSURE THAT AN ANNUAL CERTIFICATION WAS COMPLETE, CERTIFYING IT HAD IN PLACE PROCESSES TO ESTABLISH, MAINTAIN, REVIEW, TEST AND MODIFY WRITTEN COMPLIANCE POLICIES AND WRITTEN SUPERVISORY PROCEDURES TO COMPLY WITH APPLICABLE SECURITIES RULES AND REGULATIONS. VISION FAILED TO REPORT CUSTOMER COMPLAINTS AND A PRIVATE CIVIL COMPLAINT. THE FIRM ALSO FAILED TO MAKE THE NECESSARY AND REQUIRED UPDATES TO FORMS U4 AND U5 TO REFLECT CUSTOMER COMPLAINTS AND ARBITRATIONS WITHIN THE REQUIRED 30 DAYS AND UNTIMELY FILED AN AMENDMENT TO A REGISTERED REPRESENTATIVE'S FORM U4. VISION FAILED TO CONDUCT AND EVIDENCE AN INDEPENDENT TEST OF ITS ANTI-MONEY LAUNDERING PROGRAM (AML). VISION ALSO FAILED TO CONDUCT AND EVIDENCE AN ANNUAL TRAINING PROGRAM OF ITS CONTINUING EDUCATION PROGRAM FOR ITS COVERED REGISTERED PERSONS.

Initiated By: FINRA
Date Initiated: 02/02/2010
Docket/Case Number: 2008011701203
Principal Product Type: No Product
Other Product Type(s):
Principal Sanction(s)/Relief Sought: Other



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

Resolution: Decision

Resolution Date: 07/31/2011

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

Sanctions Ordered: Censure
Monetary/Fine \$60,000.00

Other Sanctions Ordered: COSTS

Sanction Details: HEARING PANEL DECISION RENDERED JUNE 13, 2011 WHEREIN VISION SECURITIES INC. IS CENSURED AND FINED \$60,000 FOR VIOLATING: NASD RULES 1021(A) AND 2110 BY ALLOWING AN INDIVIDUAL TO ACT AS AN UNREGISTERED PRINCIPAL; NASD RULES 3010 AND 2110 BY FAILING TO CONDUCT HEIGHTENED SUPERVISION OF THE INDIVIDUAL; NASD RULES 3012, 3013, AND 2110 BY FAILING TO ADOPT A SUPERVISORY CONTROL SYSTEM AND FAILING TO ANNUALLY CERTIFY THE FIRM'S COMPLIANCE AND SUPERVISORY PROCESSES; FINRA BY-LAWS ARTICLE V, SECTIONS 2 AND 3 AND NASD RULES 3070 AND 2110 BY FAILING TO ACCURATELY REPORT AND MAINTAIN RULE 3070 FILINGS AND FAILING TO UPDATE FORMS U4 AND U5; NASD RULES 3011(C) AND 2110 BY FAILING TO CONDUCT INDEPENDENT AML TESTING; AND NASD RULES 1120(B)(2) AND 2110 BY FAILING TO ADMINISTER AND DOCUMENT THE FIRM'S CONTINUING EDUCATION PROGRAM. THE HEARING PANEL DISMISSED THE CHARGE THAT THE FIRM VIOLATED MSRB RULE G-41 BECAUSE THERE WAS NO EVIDENCE THAT THE FIRM CONDUCTED A MUNICIPAL SECURITIES BUSINESS. THE FIRM IS ALSO ORDERED TO PAY, JOINTLY AND SEVERALLY, COSTS IN THE AMOUNT OF \$4,137. THE FIRM'S FINE AND COSTS SHALL BE PAYABLE ON A DATE SET BY FINRA, BUT NOT LESS THAN 30 DAYS AFTER THIS DECISION BECOMES FINRA'S FINAL DISCIPLINARY ACTION IN THIS MATTER. THE DECISION IS FINAL JULY 31, 2011.

Disclosure 2 of 11

Reporting Source: Regulator

Current Status: Final

Allegations: RESPONDENT FIRM FAILED TO PAY ARBITRATION FEES ASSESSED IN



Initiated By: FINRA
Date Initiated: 07/21/2009
Docket/Case Number: 08-02047
Principal Product Type: No Product
Other Product Type(s):
Principal Sanction(s)/Relief Sought: Suspension
Other Sanction(s)/Relief Sought:
Resolution: Other
Resolution Date: 01/08/2010
Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No
Sanctions Ordered:
Other Sanctions Ordered: CANCELLATION
Sanction Details: PURSUANT TO FINRA RULE 9553, RESPONDENT FIRM'S MEMBERSHIP WITH FINRA IS CANCELED AS OF JANUARY 8, 2010 FOR FAILURE TO PAY OUTSTANDING FEES.
Regulator Statement PURSUANT TO FINRA RULE 9553, RESPONDENT FIRM'S MEMBERSHIP WITH FINRA IS SUSPENDED AS OF NOVEMBER 12, 2009 FOR FAILURE TO PAY ARBITRATION FEES.

Disclosure 3 of 11

Reporting Source: Regulator
Current Status: Final
Allegations: VISION SECURITIES FAILED TO FILE ITS ANNUAL AUDIT REPORT WITHIN 21 DAYS AFTER SERVICE OF THE NOTICE OF SUSPENSION DATED MARCH 17, 2009.
Initiated By: FINRA
Date Initiated: 03/17/2009



Docket/Case Number: N/A
Principal Product Type: No Product
Other Product Type(s):
Principal Sanction(s)/Relief Sought:
Other Sanction(s)/Relief Sought:
Resolution: Other
Resolution Date: 04/14/2009
Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No
Sanctions Ordered: Suspension
Other Sanctions Ordered:

Sanction Details: PURSUANT TO FINRA RULE 9552, VISION SECURITIES' FINRA MEMBERSHIP WAS SUSPENDED AS OF THE CLOSE OF BUSINESS APRIL 14, 2009. IF THE FIRM FAILS TO REQUEST TERMINATION OF SUSPENSION WITHIN SIX MONTHS, IT WILL BE AUTOMATICALLY EXPELLED. SUSPENSION LIFTED MAY 12, 2009.

Reporting Source: Firm
Current Status: Final
Allegations: FINRA REGULATORY ACTION FILED ON 3/17/2009, FIRM'S FINRA MEMBERSHIP WAS SUSPENDED ON 4/14/2009, FOR FAILURE TO FILE ITS ANNUAL AUDIT REPORT, AND SUSPENSION WAS LIFTED ON 5/12/2009 AFTER ANNUAL AUDIT WAS COMPLETED AND SUBMITTED ON 05/08/2009.
Initiated By: FINRA
Date Initiated: 04/14/2009
Docket/Case Number: 25374453
Principal Product Type: Equity Listed (Common & Preferred Stock)
Other Product Type(s):



Principal Sanction(s)/Relief Sought: Suspension

Other Sanction(s)/Relief Sought:

Resolution: Order

Resolution Date: 05/12/2009

Sanctions Ordered: Monetary/Fine \$1,000.00
Suspension

Other Sanctions Ordered:

Sanction Details: FINRA REGULATORY ACTION FILED ON 3/17/2009, FIRM'S FINRA MEMBERSHIP WAS SUSPENDED ON 4/14/2009, FOR FAILURE TO FILE ITS ANNUAL AUDIT REPORT, AND SUSPENSION WAS LIFTED ON 5/12/2009 AFTER ANNUAL AUDIT WAS COMPLETED AND SUBMITTED ON 05/08/2009.

Firm Statement: FINRA REGULATORY ACTION FILED ON 3/17/2009, FIRM'S FINRA MEMBERSHIP WAS SUSPENDED ON 4/14/2009, FOR FAILURE TO FILE ITS ANNUAL AUDIT REPORT, AND SUSPENSION WAS LIFTED ON 5/12/2009 AFTER ANNUAL AUDIT WAS COMPLETED AND SUBMITTED ON 05/08/2009.

Disclosure 4 of 11

Reporting Source: Regulator

Current Status: Final

Allegations: VISION SECURITIES INC., FAILED TO COMPLY WITH AN ARBITRATION AWARD OR SETTLEMENT AGREEMENT OR TO SATISFACTORILY RESPOND TO A FINRA REQUEST TO PROVIDE INFORMATION CONCERNING THE STATUS OF COMPLIANCE.

Initiated By: FINRA

Date Initiated: 07/23/2008

Docket/Case Number: 07-01185

Principal Product Type: No Product

Other Product Type(s):

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Other



Resolution Date: 07/23/2008

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

Sanctions Ordered: Suspension

Other Sanctions Ordered:

Sanction Details: PURSUANT TO ARTICLE VI, SECTION 3 OF FINRA BY-LAWS, AND NASD RULE 9554, FIRM'S FINRA MEMBERSHIP IS SUSPENDED JULY 23, 2008 FOR FAILURE TO COMPLY WITH AN ARBITRATION AWARD OR SETTLEMENT AGREEMENT OR TO SATISFACTORILY RESPOND TO FINRA REQUESTS TO PROVIDE INFORMATION CONCERNING THE STATUS OF COMPLIANCE. SUSPENSION LIFTED NOVEMBER 5, 2008.

Reporting Source: Firm

Current Status: Final

Allegations: MEMBERSHIP WAS SUSPENDED ON JULY 23, 2008 FOR FAILURE TO COMPLY WITH AN ARBITRATION AWARD OR SETTLEMENT AGREEMENT

Initiated By: FINRA

Date Initiated: 07/23/2008

Docket/Case Number: 07-01185

Principal Product Type: Equity Listed (Common & Preferred Stock)

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Suspension

Other Sanction(s)/Relief Sought:

Resolution: Settled

Resolution Date: 11/05/2008

Sanctions Ordered: Monetary/Fine \$20,000.00
Suspension

Other Sanctions Ordered:



Sanction Details: MEMBERSHIP WAS SUSPENDED ON JULY 23, 2008 FOR FAILURE TO COMPLY WITH AN ARBITRATION AWARD OR SETTLEMENT AGREEMENT. SUSPENSION WAS LIFTED NOVEMBER 5, 2008.

Firm Statement ON NOVEMBER 3, 2008 CLAIMANT AND VISION DECIDED TO SETTLE, COMPROMISE AND RESOLVE ALL OF CLAIMANT'S ACTUAL OR POTENTIAL DISPUTES, CLAIMS, OR ACTIONS AGAINST VISION. VISION WIRED CLAIMANT THE SUM OF \$20,000.00 ON NOVEMBER 4, 2008.

Disclosure 5 of 11

Reporting Source: Regulator

Current Status: Final

Appealed To and Date Appeal Filed: 10/30/2008

Allegations: FAILURE TO COMPLY WITH NOTIFICATION REQUIREMENTS IN THE HEIGHTENED SUPERVISION AGREEMENT FOR GALLAGHER.

Initiated By: NEW JERSEY BUREAU OF SECURITIES AND NEW JERSEY OFFICE OF ADMINISTRATIVE LAW

Date Initiated: 10/11/2007

Docket/Case Number: 2010-039 / DOCKET NO. BOS 12197-07, BOS 12198-07

Principal Product Type: No Product

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Bar

Other Sanction(s)/Relief Sought: CIVIL MONETARY PENALTIES

Resolution: Stipulation and Consent

Resolution Date: 11/16/2010

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

Sanctions Ordered: Monetary/Fine \$15,000.00
Bar

Other Sanctions Ordered: CIVIL MONETARY PENALTY IS ISSUED JOINTLY AND SEVERALLY WITH



DANIEL J. GALLAGHER.

Sanction Details:

GALLAGHER WAS NOTIFIED OF THE NASD'S INTENT TO SUSPEND HIS AFFILIATION BASED ON HIS FAILURE TO COMPLY WITH AN ARBITRATION SETTLEMENT AGREEMENT. GALLAGHER WAS LATER SUSPENDED FOR THE SAME FAILURE. BOTH OCCURRENCES WERE REPORTABLE DIRECTLY TO THE BUREAU, NEITHER OF WHICH WERE REPORTED. ORDER WAS AMENDED ON 10/30/08, TO INCLUDE REPORTING VIOLATIONS WITH REGARDS TO SUPERVISORY CHANGES FOR GALLAGHER.

Regulator Statement

VISION ADMITTED TO FINDINGS OF FACT AND CONCLUSIONS OF LAW THAT IT DID NOT NOTIFY THE BUREAU OF FINRA AND SEC DISCLOSURE ITEMS AGAINST GALLAGHER AS REQUIRED BY A HEIGHTENED SUPERVISORY AGREEMENT, DID NOT MAINTAIN SATISFACTORY REVIEW REPORTS AS REQUIRED BY A HEIGHTENED SUPERVISORY AGREEMENT, DID NOT SEEK APPROVAL FOR CHANGES IN GALLAGHER'S SUPERVISOR. VISION AGREES NOT TO APPLY TO THE BUREAU FOR REGISTRATION IN NEW JERSEY IN ANY CAPACITY.

Reporting Source:

Firm

Current Status:

Pending

Allegations:

ON 7/2/07 NASD SUSPENDED GALLAGHER'S REGISTRATION FOR FAILING TO COMPLY WITH SETTLEMENT AGREEMENT IN CONNECTION WITH NASD DISPUTE RESOLUTION ARBITRATION # 02-03107. SUSPENSION WAS LIFTED 7/24/07. NEITHER GALLAGHER NOR VISION NOTIFIED BUREAU OF NASD ACTIONS, CHANGES TO SUPERVISORY PERSONEL NOR MAINTAINED MEMORANDA MEMORIALIZING A MONTHLY REVIEW OF GALLAGHER'S SECURITIES ACTIVITY

Initiated By:

NEW JERSEY BUREAU OF SECURITIES

Date Initiated:

10/11/2007

Docket/Case Number:

BOS 12198-07 AND BOS 12197-07

Principal Product Type:

No Product

Other Product Type(s):

Principal Sanction(s)/Relief Sought:

Civil and Administrative Penalt(ies) /Fine(s)

Other Sanction(s)/Relief Sought:

Firm Statement

THE ERRONEOUS SUSPENSION WAS LIFTED BY NASD AND A HEARING IS SCHEDULE FOR FEBRUARY 2009.

**Disclosure 6 of 11**

Reporting Source: Regulator

Current Status: Final

Allegations: SEC RULE 15C3-1; NASD RULES 1120(B)(2), 2110, 3011(B), 3011(D), 3011(C), 3510; MSRB RULE G-41:
 VISION FAILED TO FULLY COMPLY WITH THE FIRM ELEMENT OF NASD'S CONTINUING EDUCATION REQUIREMENTS FOR THE YEARS 2001 AND 2002. SPECIFICALLY, VISION FAILED TO MAINTAIN RECORDS DOCUMENTING THE CONTENT OF ITS CONTINUING EDUCATION PROGRAMS AND COMPLETION OF THE PROGRAMS BY COVERED REGISTERED PERSONS.
 VISION FAILED TO DEVELOP AN ANTI-MONEY LAUNDERING PROGRAM REASONABLY DESIGNED TO ACHIEVE AND MONITOR ITS 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. SPECIFICALLY, VISION'S WRITTEN AML PROCEDURES WERE NOT APPROVED IN WRITING BY A MEMBER OF SENIOR MANAGEMENT; DID NOT PROVIDE FOR PROMPT NOTIFICATION TO NASD REGARDING ANY CHANGE IN THE DESIGNATION AND IDENTIFICATION TO NASD OF AN INDIVIDUAL OR INDIVIDUALS RESPONSIBLE FOR IMPLEMENTING AND MONITORING THE DAY-TO-DAY OPERATIONS AND INTERNAL CONTROLS OF THE PROGRAM; DID NOT HAVE AN ADEQUATE CUSTOMER IDENTIFICATION PROGRAM FOR THE PERIOD FROM OCTOBER 1, 2003, THROUGH JANUARY 7, 2005; DID NOT HAVE PROCEDURES FOR RESPONDING TO INFORMATION REQUESTS FROM FINCEN; AND DID NOT PROVIDE FOR ONGOING TRAINING FOR APPROPRIATE PERSONNEL.
 FOR THE PERIOD FROM SEPTEMBER 10, 2004, THROUGH AT LEAST JANUARY 7, 2005, VISION DID NOT CREATE OR MAINTAIN A BUSINESS CONTINUITY PLAN.
 VISION FAILED TO MAINTAIN THE MINIMUM REQUIRED NET CAPITAL, ON TWO SEPARATE OCCASIONS, WHILE CONDUCTING A SECURITIES BUSINESS.

Initiated By: NASD

Date Initiated: 01/18/2007

Docket/Case Number: ELI2005001201

Principal Product Type: No Product

Other Product Type(s):



Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 01/18/2007

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

Sanctions Ordered: Censure
Monetary/Fine \$27,500.00

Other Sanctions Ordered:

Sanction Details: WITHOUT ADMITTING OR DENYING THE FINDINGS, RESPONDENT MEMBER FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, THE FIRM IS CENSURED AND FINED \$27,500

Reporting Source: Firm

Current Status: Final

Allegations: VISION FAILED TO: COMPLY WITH NASD CE FOR 01 AND 02, DOCUMENTING CONTENT OF CE & COMPLETION OF RR'S; DEVELOP AML PROGRAM W/BSA REQUIREMENTS & NO APPROVAL FROM SR. MGMT, FAILED TO NOTIFY NASD OF CHANGES TO PERSONEL FOR MONITORING, NO ADAQUATE CIP 10/03-1/05, NO FINCEN PROCEDURES, 2 NET CAPITAL VIOLATIONS

Initiated By: NASD

Date Initiated: 01/18/2007

Docket/Case Number: ELI20050012-01

Principal Product Type: No Product

Other Product Type(s):

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



Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 01/18/2007

Sanctions Ordered: Censure
Monetary/Fine \$27,700.00

Other Sanctions Ordered:

Sanction Details: FINE OF \$27,700 PAID IN JANUARY 2007

Firm Statement WITHOUT ADMITTING OR DENYING THE FINDING THE FIRM CONSENTED TO THE DESCRIBED SANTIIONS AND TO THE ENTRY OF FINDINGS.

Disclosure 7 of 11

Reporting Source: Regulator

Current Status: Final

Allegations: THE JULY 14, 2006 CONSENT ORDER ALLEGED THAT VISION SECURITIES, INC. VIOLATED THE TERMS OF A 2003 CONSENT ORDER ISSUED BY THE COMMISSIONER IN CONJUNCTION WITH SALES OF DELTATHREE, INC. AND NANODYMANICS, INC. SECURITIES, AND THAT SUCH SECURITIES WERE SOLD IN VIOLATION OF SECTION 36B-16 OF THE CONNECTICUT UNIFORM SECURITIES.

Initiated By: CONNECTICUT

Date Initiated: 07/14/2006

Docket/Case Number: CO-06-7299-S

Principal Product Type: Other

Other Product Type(s): SECURITIES OF DELTATHREE, INC. (NSDAQ SMALL CAP) AND SECURITIES OF NANODYNAMICS, INC. (PRIVATE PLACEMENT)

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

Other Sanction(s)/Relief Sought:

Resolution: Consent

Resolution Date: 07/14/2006



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

No

Sanctions Ordered:

Monetary/Fine \$15,000.00
Suspension

Other Sanctions Ordered:

THE CONSENT ORDER FINED VISION SECURITIES, INC. \$15,000 AND SUSPENDED THE FIRM'S BROKER-DEALER REGISTRATION FOR 30 DAYS COMMENCING FIVE BUSINESS DAYS AFTER THE ENTRY OF THE CONSENT ORDER. IN ADDITION, THE CONSENT ORDER RESTRICTED THE FIRM'S FUTURE SECURITIES BUSINESS TO TRANSACTIONS EFFECTED FOR ACCREDITED INVESTORS AS DEFINED IN RULE 501 OF REGULATION D. THE CONSENT ORDER ALSO REQUIRED THAT THE FIRM REIMBURSE THE AGENCY UP TO \$2,500 FOR THE COSTS ASSOCIATED WITH ONE OR MORE FUTURE EXAMINATIONS OF THE FIRM'S OFFICES TO BE CONDUCTED WITHIN 24 MONTHS FOLLOWING THE COMMISSIONER'S ENTRY OF THE CONSENT ORDER.

Sanction Details:

SEE RESPONSE TO ITEM 13.B.

Regulator Statement

SEE RESPONSE TO ITEM 13.B.

Reporting Source:

Firm

Current Status:

Final

Appealed To and Date Appeal Filed:

AGREED TO CONSENT ORDER-TERMS ABOVE

Allegations:

VIOLATION OF CENSENT ORDER

Initiated By:

STATE OF CONNECTICUT. VIOLATION OF CONSENT ORDER.

Date Initiated:

06/20/2006

Docket/Case Number:

CO-06-7299-S

Principal Product Type:

Equity - OTC

Other Product Type(s):

Principal Sanction(s)/Relief Sought:

Civil and Administrative Penalt(ies) /Fine(s)

Other Sanction(s)/Relief Sought:

\$15,000 FINE, PAY FOR TWO AUDITS \$2,500 EACH. DEAL WITH ONLY ACCREDITED INVESTORS-6 MONTHS TO CLOSE OUT UNACCREDITED INVESTORS-LIQUIDATING ORDERS ONLY. 30 DAY



SUSPENSION-UNSOLICITED ORDERS ONLY WITH EXISTING ACCOUNTS.FULL ORDER AVAILABLE UPON REQUEST.SUSPENSION STARTS JULY 21, 2006 AND ENDS AUGUST 19, 2006

Resolution: Consent
Resolution Date: 06/20/2006
Sanctions Ordered: Monetary/Fine \$15,000.00
 Suspension

Other Sanctions Ordered:

Sanction Details: THE CONSENT ORDER FINED VISION SECURITIES, INC. \$15,000 AND SUSPENDED THE FIRM'S BROKER-DEALER REGISTRATION FOR 30 DAYS 7/21/06-8/19/06. THE CONSENT ORDER RESTRICTED THE FIRM'D FUTURE BUSINESS TO TRANSACTIONS EFFECTED FOR ACCREDITED INVESTOR ONLY.

Disclosure 8 of 11

Reporting Source: Regulator
Current Status: Final
Allegations: SEC RULE 15C3-1 AND NASD CONDUCT RULE 2110 - VISION SECURITIES INC., ACTING THROUGH AN INDIVIDUAL FAILED TO MAINTAIN THE REQUIRED NET CAPITAL, WHICH RESULTED IN NET CAPITAL DEFICIENCIES. IN ADDITION, THE FIRM'S NET CAPITAL COMPUTATION INCORRECTLY INCLUDED PRIVATE PLACEMENT INCOME AS AN ALLOWABLE ASSET THAT SHOULD HAVE BEEN CLASSIFIED AS A NON-ALLOWABLE ASSET.
Initiated By: NASD
Date Initiated: 03/03/2005
Docket/Case Number: CLI050002
Principal Product Type: No Product
Other Product Type(s):
Principal Sanction(s)/Relief Sought:
Other Sanction(s)/Relief Sought:
Resolution: Acceptance, Waiver & Consent(AWC)
Resolution Date: 03/03/2005



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

No

Sanctions Ordered:

Censure
Monetary/Fine \$7,500.00

Other Sanctions Ordered:

Sanction Details:

WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, RESPONDENT FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, THE FIRM IS CENSURED AND FINED \$7,500, JOINTLY AND SEVERALLY.

Reporting Source:

Firm

Current Status:

Final

Allegations:

NET CAP VIOLATIONS.

Initiated By:

NASD

Date Initiated:

01/21/2005

Docket/Case Number:

AWC #CLI050002

Principal Product Type:

Equity - OTC

Other Product Type(s):

Principal Sanction(s)/Relief Sought:

Civil and Administrative Penalt(ies) /Fine(s)

Other Sanction(s)/Relief Sought:

NASD FINE \$7,500

Resolution:

Acceptance, Waiver & Consent(AWC)

Resolution Date:

03/03/2005

Sanctions Ordered:

Censure
Monetary/Fine \$7,500.00

Other Sanctions Ordered:

Sanction Details:

FINE \$7,500, \$5,000 JOINT AND SEVERAL WITH DAN GALLAGHER.

Disclosure 9 of 11



Reporting Source: Regulator
Current Status: Final
Allegations: SEC RULE 15C3-1, NASD RULE 2110 - RESPONDENT MEMBER HAD A NET CAPITAL DEFICIENCY AND FAILED TO MEET THE MINIMUM NET CAPITAL REQUIREMENT.
Initiated By: NASD
Date Initiated: 04/15/2004
Docket/Case Number: CLI040008
Principal Product Type: No Product
Other Product Type(s):
Principal Sanction(s)/Relief Sought:
Other Sanction(s)/Relief Sought:
Resolution: Acceptance, Waiver & Consent(AWC)
Resolution Date: 04/15/2004
Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No
Sanctions Ordered: Monetary/Fine \$2,000.00
Other Sanctions Ordered:
Sanction Details: WITHOUT ADMITTING OR DNEYING THE ALLEGATIONS, VISION SECURITIES, INC. CONSENTED TO THE DESCRIBED SANCTION AND TO THE ENTRY OF FINDINGS, THEREFORE, THE FIRM IS FINED \$2,000.

.....
Reporting Source: Firm
Current Status: Final
Allegations: VISION SECURITIES UNDER NET CAP REQUIREMENT FOR 12/31/2002. AGREED TO \$2,000 FINE.
Initiated By: NASD
Date Initiated: 12/31/2002



Docket/Case Number: COMPLAINT # CLIO40008
Principal Product Type: Equity - OTC
Other Product Type(s):
Principal Sanction(s)/Relief Sought: Civil and Administrative Penalt(ies) /Fine(s)
Other Sanction(s)/Relief Sought:
Resolution: Acceptance, Waiver & Consent(AWC)
Resolution Date: 04/15/2004
Sanctions Ordered: Monetary/Fine \$2,000.00
Other Sanctions Ordered: NONE
Sanction Details: FINAL ACCEPTANCE WAIVER AND CONSENT THST VISION WAS UNDER NET CAP FOR 12/31/2002 AND AGREED TO FINE OF \$2,000, ACCEPTED 4/15/2004.
Firm Statement FINAL ACCEPTANCE WAIVER AND CONSENT THAT FIRM UNDER NET CAP FOR 12/31/2002 AND AGREED TO \$2,000 FIME.

Disclosure 10 of 11

Reporting Source: Regulator
Current Status: Final
Allegations: 8/6/2003 CONSENT ORDER ALLEGED THAT, DURING A SECURITIES AND BUSINESS INVESTMENTS DIVISION EXAMINATION, THE FIRM, THROUGH ITS FORMER COMPLIANCE OFFICER, DANIELLE TERZANO AND FORMER PRESIDENT, MARK EISENBERG, PROHIBITED DIVISION STAFF FROM PROCEEDING WITH THE EXAMINATION IN VIOLATION OF SECTION 36B-31-14F(B)(3) OF THE REGULATIONS UNDER THE CONNECTICUT UNIFORM SECURITIES ACT. THE CONSENT ORDER ALSO ALLEGED THAT THE FIRM ENGAGED IN DISHONEST OR UNETHICAL PRACTICES BY EMPLOYING "COLD CALLERS" WHO WERE NOT REGISTERED WITH THE NASD AND FAILING TO ESTABLISH AND ENFORCE AN ADEQUATE SUPERVISORY SYSTEM. THE FIRM, PREVIOUSLY OWNED BY LANTERN INVESTMENTS, INC., IS NOW UNDER NEW OWNERSHIP.
Initiated By: CONNECTICUT
Date Initiated: 08/06/2003
Docket/Case Number: CO-03-6720-S



Principal Product Type: No Product

Other Product Type(s):

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

Other Sanction(s)/Relief Sought:

Resolution: Consent

Resolution Date: 08/06/2003

Sanctions Ordered: Monetary/Fine \$3,500.00

Other Sanctions Ordered: IN ADDITION TO FINING THE FIRM \$3,500, THE CONSENT ORDER ALSO RESTRICTED THE FIRM'S CONNECTICUT SECURITIES BUSINESS TO INVESTMENT COMPANY SECURITIES, GOVERNMENTAL SECURITIES, EXCHANGE-LISTED AND NASDAQ-NMS SECURITIES, ANNUITIES AND NON-SECURITIES INSURANCE PRODUCTS. THE CONSENT ORDER ALSO REQUIRED THAT THE FIRM REIMBURSE THE AGENCY UP TO \$2,500 TO COVER THE COSTS OF A FUTURE EXAMINATION OF THE FIRM'S OFFICES TO BE CONDUCTED WITHIN 24 MONTHS.

Sanction Details: SEE ABOVE.

Regulator Statement SEE ABOVE.

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Reporting Source: Firm

Current Status: Final

Allegations: THE PRIOR OWNERS AND MANAGEMENT OF VISION SECURITIES WERE ALLEGED TO HAVE DENIED ACCESS TO THEIR PREMISES TO AUDITORS FROM THE STATE OF CONNECTICUT AND ALSO TO HAVE EMPLOYED A NON REGISTERED COLD CALLER.

Initiated By: STATE OF CONNECTICUT

Date Initiated: 08/06/2003

Docket/Case Number: CO-03-6720-S

Principal Product Type: No Product

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Other



Other Sanction(s)/Relief Sought: CONSENT ORDER

Resolution: Consent

Resolution Date: 08/06/2003

Sanctions Ordered: Monetary/Fine \$3,500.00

Other Sanctions Ordered:**Sanction Details:**

A \$3500 FINE WAS LEVIED AGAINST VISION SECURITIES WITH THE AGREEMENT THAT THIS ACTION WAS RELATED TO THE PRIOR OWNERS OF THE FIRM AND THAT NO PRESENT DAY MANAGEMENT WAS INVOLVED. THE FINE WAS PAID IN JUNE 2003.THE FIRM CONSENTED TO THE FINDINGS THAT THE PRIOR MANAGEMENT EMPLOYED A COLD CALLER WHO WAS NOT REGISTERED WITH THE NASD AND FAILED TO PROVIDE RECORDS TO THE COMMISSIONER AND ALSO FAILED TO ESTABLISH, ENFORCE AND MAINTAIN A SYSTEM FOR SUPERVISING THE ACTIVITIES OF ITS AGENTS.

Disclosure 11 of 11

Reporting Source: Regulator

Current Status: Final

Allegations:

ON APRIL 23, 1999, DISTRICT NO. 10 NOTIFIED RESPONDENT VISION SECURITIES, INC. THAT THE LETTER OF AWC NO. C10990041 WAS ACCEPTED; THEREFORE, THE FIRM IS FINED \$4,000 - (NASD MARKETPLACE RULES 4632(A), (C) AND (F), 4642(A) AND (C), 6130(B) AND (D), 6420(C), AND 6620(A) AND (C) - RESPONDENT MEMBER, IN NASDAQ NATIONAL MARKET SECURITIES, REPORTED A TRANSACTION LATE THAT WAS DESIGNATED AS LATE, REPORTED A TRANSACTION THAT WAS NOT REQUIRED TO BE REPORTED, REPORTED A TRANSACTION WITH AN INCORRECT NUMBER OF SHARES, REPORTED TRANSACTIONS WITH AN INCORRECT BUY/SELL INDICATOR, AND REPORTED A TRANSACTION AS AGGREGATED WITHOUT THE APPROPRIATE MODIFIER; IN NASDAQ SMALLCAP MARKET SECURITIES, REPORTED A TRANSACTION LATE THAT WAS DESIGNATED AS LATE, AND REPORTED A TRANSACTION WITH AN INCORRECT BUY/SELL INDICATOR; IN ACT ELIGIBLE SECURITIES REPORTED BY OTHER BROKER/DEALERS WHICH RESPONDENT MEMBER WAS REQUIRED TO ACCEPT OR DECLINE WITHIN 20 MINUTES AFTER EXECUTION, FAILED TO ACCEPT OR DECLINE THE TRADES WITHIN 20 MINUTES AFTER EXECUTION; IN ACT ELIGIBLE SECURITIES, REPORTED TRANSACTIONS WITH THE "ORDER ENTRY ID" FIELD ENTERED INCORRECTLY, AND REPORTED TRANSACTIONS WITH THE INCORRECT (PRINCIPAL/AGENT) CAPACITY INDICATING THAT RESPONDENT MEMBER



WAS THE ORDER ENTRY FIRM ACTING ON AN AGENCY BASIS WHEN THE FIRM WAS ACTUALLY A MARKET MAKER ON A PRINCIPAL BASIS; IN A LISTED SECURITY EXECUTED OVER-THE-COUNTER, REPORTED AS A PRINCIPAL TRANSACTION WHAT WAS ACTUALLY AN AGENCY TRANSACTION; AND, IN OTC EQUITY SECURITIES, REPORTED A TRANSACTION LATE WITHOUT BEING DESIGNATED AS LATE, AND REPORTED TRANSACTIONS WITH AN INCORRECT BUY/SELL INDICATOR).

Initiated By: NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

Date Initiated: 04/23/1999

Docket/Case Number: C10990041

Principal Product Type: Other

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Other

Other Sanction(s)/Relief Sought: FINED \$4,000.00

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 04/23/1999

Sanctions Ordered: Monetary/Fine \$4,000.00

Other Sanctions Ordered:

Sanction Details: FINED \$4,000.00

Reporting Source: Firm

Current Status: Final

Allegations: ON 04/23/1999 THE FIRM WAS FINED 4000.00 FOR REPORTING TRANSACTION LATE, REPORTED TRANSACTION THAT WAS NOT REQUIRED TO BE REPORTED,REPORTED INCORRECT # OF SHARES, REPORTED TRANSACTION WITH INCORRECT BUY/SELL INDICATOR, REPORTED WRONG MODIFIER IN NASDAQ SMALLCAP MARKET SECURITIES. IN ACT VISION SECURITIES FAILED TO ACCEPT OR DECLINE TRADES WITHIN 20 MINUTES AFTER EXECUTION, INCORRECTLY REPORTED ORDER ENTRY ID, PRINCIPLE/AGENT CAPACITY. FIRM INDICATED AGENT WHEN IT WAS ACTING AS PRINCIPLE. IN A LISTED SECURITY EXECUTED OTC, REPORTED A PRINCIPLE TRANSACTION WHICH WAS TRUELY AGENCY AND IN OTC EQUITY SECURITIES, REPORTED A TRANSACTION LATE WITHOUT BEING DESIGNATED AS LATE



AND REPORTED TRANSACTION WITH A INCORRECT BUY/SELL INDICATOR.

Initiated By: NASD
Date Initiated: 04/23/1999
Docket/Case Number: C10990041
Principal Product Type: Other
Other Product Type(s):
Principal Sanction(s)/Relief Sought: Other
Other Sanction(s)/Relief Sought: FINED \$4000.00
Resolution: Other
Resolution Date: 04/23/1999
Sanctions Ordered: Monetary/Fine \$4,000.00
Other Sanctions Ordered:
Sanction Details: FINED \$4000.00
Firm Statement \$ 4000.00 FINE PAID ON 05/14/1999, INVOICE # 99-10-385, NOTE THIS ACTION OCCURED WHILE PREVIUO OWNERS WERE IN CONTROL. THE FIRM WAS SOLD 02/2002 GCG HOLDINGS CURRENT OWNERS



Civil - Final

This type of disclosure event involves (1) an injunction issued by a foreign or domestic court within the last 10 years in connection with investment-related activity, (2) a finding by a court of a violation of any investment-related statute or regulation, or (3) an action dismissed by a court pursuant to a settlement agreement.

Disclosure 1 of 1

| | |
|---------------------------------|---|
| Reporting Source: | Regulator |
| Current Status: | Final |
| Allegations: | SEC LITIGATION RELEASE 20764, OCTOBER 1, 2008: SECTIONS 15(B)(7) AND 17(A) OF THE EXCHANGE ACT - ON SEPTEMBER 30, 2008, THE COMMISSION FILED A CIVIL INJUNCTIVE ACTION CHARGING VISION SECURITIES, INC., ITS OFFICER AND OTHERS WITH VIOLATIONS OF THE BROKER-DEALER REGISTRATION AND REPORTING REQUIREMENTS. THE COMMISSION'S COMPLAINT ALLEGED THAT, FROM APPROXIMATELY MAY 2005 THROUGH FEBRUARY 2007, INDIVIDUAL SOLICITED INVESTORS, AND RECEIVED TRANSACTION-BASED COMPENSATION, IN CONNECTION WITH THREE OFFERINGS OF SECURITIES, INCLUDING ONE OFFERING CONDUCTED UNDER THE AUSPICES OF VISION, AND THAT A SECOND INDIVIDUAL SOLICITED INVESTORS AND RECEIVED TRANSACTION-BASED COMPENSATION IN CONNECTION WITH ONE OF THESE OFFERINGS. ACCORDING TO THE COMPLAINT, THIS CONDUCT WAS ILLEGAL BECAUSE THESE INDIVIDUALS WERE NOT REGISTERED AS BROKERS, AND ONE OF THEM WAS NOT A REGISTERED REPRESENTATIVE OF VISION. MOREOVER, THE INDIVIDUAL'S BROKERAGE ACTIVITIES VIOLATED THE TERMS OF A COMMISSION ORDER PREVIOUSLY ENTERED AGAINST HIM. IN ADDITION, THE COMPLAINT ALLEGED THAT VISION FILED NUMEROUS INACCURATE FORM BD AMENDMENTS, IN WHICH IT FAILED TO DISCLOSE THE OFFICER'S CONTROL OF THE FIRM. |
| Initiated By: | UNITED STATES SECURITIES AND EXCHANGE COMMISSION |
| Court Details: | UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK, NEW YORK, NY, CIVIL ACTION NO. 08-CV-8397 (JSR) |
| Date Court Action Filed: | 09/30/2008 |
| Principal Product Type: | No Product |
| Other Product Types: | |
| Relief Sought: | Injunction |
| Other Relief Sought: | PERMANENT INJUNCTION, DISGORGEMENT AND PREJUDGMENT INTEREST AND CIVIL PENALTIES |
| Resolution: | Judgment Rendered |
| Resolution Date: | 08/19/2009 |



Sanctions Ordered or Relief Granted:

Monetary/Fine \$24,000.00
Disgorgement/Restitution

Other Sanctions:

Sanction Details:

ON AUGUST 18, 2009, THE HONORABLE JUDGE FOR THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK ISSUED A MEMORANDUM ORDER AND FINAL JUDGMENT AGAINST DEFENDANT VISION SECURITIES. DEFENDANT VISION SECURITIES IS HEREBY ORDERED TO PAY, JOINTLY AND SEVERALLY, DISGORGEMENT IN THE AMOUNT OF \$126,466.91, PLUS PRE-JUDGMENT INTEREST IN THE AMOUNT OF \$29,251.32, FOR A TOTAL OF \$155,718.23. A CIVIL MONETARY PENALTY OF \$24,000 IS HEREBY IMPOSED ON VISION SECURITIES, JOINTLY AND SEVERALLY.

Regulator Statement

SEC LITIGATION RELEASE 21146, JULY 22, 2009: ON JULY 20, 2009, A FEDERAL JURY RETURNED A VERDICT IN THE SEC'S FAVOR AGAINST VISION SECURITIES. AFTER A SIX-DAY TRIAL BEFORE THE U.S. DISTRICT COURT JUDGE, THE JURY FOUND THE FIRM LIABLE ON THE SEC'S CLAIM THAT AN INDIVIDUAL ACTED AS AN UNLICENSED BROKER WITH RESPECT TO AN OFFERING OF SECURITIES AND DID SO IN CLOSE, CONTROLLING ASSOCIATION WITH THE FIRM, AND THAT VISION'S OFFICER KNOWINGLY ASSISTED HIS FIRM IN THE VIOLATION. THE COURT HAS SCHEDULED A HEARING TO CONSIDER APPROPRIATE RELIEF AGAINST THE DEFENDANTS ON JULY 31.

SEC LITIGATION RELEASE 22598, JANUARY 23, 2013: ON AUGUST 17, 2009, THE U.S. DISTRICT COURT JUDGE ISSUED A MEMORANDUM ORDER AND FINAL JUDGMENT ("ORDER") WITH RESPECT TO VISION SECURITIES. THE ORDER WAS ENTERED FOLLOWING A HEARING ON REMEDIES AND A TRIAL THAT HAD RESULTED IN A JURY VERDICT AGAINST VISION.

THE JUDGE DECLINED TO IMPOSE INJUNCTIVE RELIEF AGAINST ANY OF THE DEFENDANTS, BUT ORDERED THE FOLLOWING MONETARY RELIEF: AS TO VISION SECURITIES, JOINTLY AND SEVERALLY: \$126,466.91 IN DISGORGEMENT, \$29,251.32, IN PREJUDGMENT INTEREST, AND \$24,000 IN CIVIL MONEY PENALTIES, WITH PAYMENTS OF DISGORGEMENT AND PREJUDGMENT INTEREST TO BE MADE IN MONTHLY INSTALLMENTS IN AMOUNTS BASED ON THE DEFENDANTS' GROSS INCOME, MINUS AN AMOUNT REFLECTING GALLAGHER'S SUPPORT OBLIGATIONS TO HIS EX-WIFE AND CHILDREN.

ON NOVEMBER 2, 2009, THE HONORABLE JUDGE FOR THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK



DENIED DEFENDANT'S MOTION FOR RELIEF FROM THE PORTION OF THE FINAL JUDGMENT HOLDING IT JOINTLY AND SEVERALLY LIABLE FOR THE DISGORGEMENT AMOUNT.

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Reporting Source: Firm

Current Status: Final

Allegations: ON 9/30/2008, THE COMMISSION FILED A CIVIL INJUNCTIVE ACTION CHARGING VISION SECURITIES, INC., DANIEL JAMES GALLAGHER WITH VIOLATIONS OF THE BROKER DEALER REGISTRATION AND REPORTING REQUIREMENTS. COMPLAINT ALLEGES THAT FROM 05/2005 TO 02/2007 DANIEL GALLAGHER AIDED AND ABETTED VISION SECURITIES WITH PAYING UNREGISTERED INDIVIDUALS FOR MONEY RAISED IN AN OFFERING.

Initiated By: SECURITIES AND EXCHANGE COMMISSION

Court Details: SEC CIVIL JUDICIAL ACTION, CIVIL ACTION NO. 08CIV.8397(JSR)(S.D.N.Y.) FILED ON SEPTEMBER 30, 2008.

Date Court Action Filed: 09/30/2008

Principal Product Type: No Product

Other Product Types:

Relief Sought: Injunction

Other Relief Sought:

Resolution: Judgment Rendered

Resolution Date: 08/17/2009

Sanctions Ordered or Relief Granted: Monetary/Fine \$179,718.23
Disgorgement/Restitution

Other Sanctions:

Sanction Details: DANIEL JAMES GALLAGHER AND VISION ARE ORDERED TO PAY, JOINTLY AND SEVERALLY, \$155,718.23 PLUS A CIVIL MONETARY PENALTY OF \$24,000 IN MONTHLY INSTALLEMENTS EQUAL TO 10% OF THE SUM OF: A) VISION'S GROSS MONTHLY INCOME FOR THE PRECEDING MONTH, AND GALLAGHERS GROSS MONTHLY INCOME MINUS \$9,000 FOR THE PRECEDING MONTH BEGINNING 10/01/2009. NO INJUNCTIVE RELIEF WILL BE IMPOSED.

Firm Statement DANIEL JAMES GALLAGHER AND VISION ARE ORDERED TO PAY, JOINTLY AND SEVERALLY, \$155,718.23 PLUS A CIVIL MONETARY PENALTY OF \$24,000 IN MONTHLY INSTALLEMENTS EQUAL TO 10% OF THE SUM OF: A) VISION'S GROSS MONTHLY INCOME FOR THE PRECEDING MONTH, AND



GALLAGHERS GROSS MONTHLY INCOME MINUS \$9,000 FOR THE PRECEDING MONTH BEGINNING 10/01/2009. NO INJUNCTIVE RELIEF WILL BE IMPOSED.



Arbitration Award - Award/Judgment

Brokerage firms are not required to report arbitration claims filed against them by customers; however, BrokerCheck provides summary information regarding FINRA arbitration awards involving securities and commodities disputes between public customers and registered securities firms in this section of the report.

The full text of arbitration awards issued by FINRA is available at www.finra.org/awardsonline.

Disclosure 1 of 3

Reporting Source: Regulator

Type of Event: ARBITRATION

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

Arbitration Forum: NASD

Case Initiated: 04/17/2007

Case Number: 07-01185

Disputed Product Type: COMMON STOCK

Sum of All Relief Requested: Unspecified Damages

Disposition: AWARD AGAINST PARTY

Disposition Date: 04/24/2008

Sum of All Relief Awarded: \$75,000.00

There may be a non-monetary award associated with this arbitration.
Please select the Case Number above to view more detailed information.

Disclosure 2 of 3

Reporting Source: Regulator

Type of Event: ARBITRATION

Allegations: ACCOUNT RELATED-ERRORS-CHARGES; ACCOUNT RELATED-FAILURE TO SUPERVISE; FRAUDULENT ACTIVITY-MISREPRESENTATION; FRAUDULENT ACTIVITY-UNAUTHORIZED TRADING

Arbitration Forum: NASD

Case Initiated: 06/25/2007

Case Number: 07-01760



Disputed Product Type: COMMON STOCK
Sum of All Relief Requested: \$5,300.00
Disposition: AWARD AGAINST PARTY
Disposition Date: 01/07/2008
Sum of All Relief Awarded: \$2,732.61

There may be a non-monetary award associated with this arbitration.
Please select the Case Number above to view more detailed information.

Disclosure 3 of 3

Reporting Source: Regulator
Type of Event: ARBITRATION
Allegations: UNKNOWN TYPE OF CONTROVERSIES
Arbitration Forum: FINRA
Case Initiated: 07/09/2008
Case Number: 08-02047
Disputed Product Type: UNKNOWN TYPE OF SECURITIES
Sum of All Relief Requested: \$260,000.00
Disposition: AWARD AGAINST PARTY
Disposition Date: 12/08/2010
Sum of All Relief Awarded: \$239,784.01

There may be a non-monetary award associated with this arbitration.
Please select the Case Number above to view more detailed information.

End of Report



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EXHIBIT B

FINANCIAL INDUSTRY REGULATORY AUTHORITY
OFFICE OF HEARING OFFICERS

DEPARTMENT OF ENFORCEMENT,

Complainant,

v.

DANIEL JAMES GALLAGHER
(CRD No.2092711)

and

VISION SECURITIES INC.
(CRD No. 35001),

Respondents.

Disciplinary Proceeding
No. 2008011701203

Hearing Officer – RSH

HEARING PANEL DECISION

June 13, 2011

Respondent Gallagher was barred for violating: (1) Rules 8210 and 2010 by failing to answer questions during two OTRs; (2) Rules 1021(a) and 2110 by acting as an unregistered principal; and (3) Rule 2110 by circumventing heightened supervision that had been imposed on him by New York, New Jersey, Maryland and FINRA. Because of the bars, sanctions were not imposed against Gallagher for violating: (1) Rules 2110 and 2010 by willfully failing to amend his Form U4 to disclose an SEC complaint and judgment against him and (2) Rules 3012, 3013, and 2110 by failing to adopt and certify Vision's compliance and supervisory processes. Respondent Vision Securities was censured and fined a total of \$60,000 for violating: (1) Rules 1021(a) and 2110 by allowing Gallagher to act as an unregistered principal; (2) Rules 3010 and 2110 by failing to conduct heightened supervision of Gallagher; (3) Rules 3012, 3013, and 2110 by failing to adopt a supervisory control system and failing to annually certify Vision's compliance and supervisory processes; (4) Rules 3070 and 2110 by failing to accurately report and maintain Rule 3070 filings and failing to update Forms U4 and U5; (5) Rules 3011(c) and 2110 by failing to conduct independent AML testing; and (6) Rules 1120(B)(2) and 2110 by failing to administer and document Vision's continuing education program. The Respondents were also ordered to pay costs.

Appearances

For Complainant: Vaishali S. Shetty, Kathleen Lynch, and Jon S. Batterman,
Jericho, NY, for the FINRA DEPARTMENT OF ENFORCEMENT

For Respondents: Daniel James Gallagher, *pro se*, Port Washington, NY

DECISION

I. INTRODUCTION

The Department of Enforcement (“Enforcement”) brought this disciplinary proceeding against Respondents Vision Securities Inc. (“Vision” or the “Firm”) and Daniel James Gallagher (“Gallagher”). Gallagher is currently registered as a General Securities Representative (“GSR”) through another FINRA-regulated firm. Between May 2001 and January 2010, Gallagher was registered as a GSR with Vision and was, at various times during the alleged violative conduct, its president and chairman. Vision’s FINRA membership was cancelled in January 2010. Gallagher is currently the part owner, president, and chairman of Vision’s holding company.

Enforcement alleged that between December 2006 and February 2008, the Respondents violated numerous NASD Rules.¹ Enforcement also alleged that in September 2009, Gallagher willfully failed to amend his Uniform Application for Securities Industry Registration or Transfer (“Form U4”) to disclose that the Securities and Exchange Commission (“SEC”) had filed a complaint against him in the United States District Court for the Southern District of New York and that a judgment was later entered against him. Finally, Enforcement alleged that in April 2010, Gallagher failed to answer the staff’s questions during on-the-record testimony

¹ As of July 30, 2007, NASD consolidated with the member firm regulation functions of NYSE and began operating under a new corporate name, the Financial Industry Regulatory Authority (“FINRA”). References in this decision to FINRA include, where appropriate, NASD. Initially, FINRA adopted NASD’s rules and certain NYSE rules, but it is in the process of establishing a consolidated FINRA rulebook. To that end, on December 15, 2008, certain consolidated FINRA rules became effective, replacing parallel NASD rules, and in some cases the prior rules were re-numbered and/or revised. *See* Regulatory Notice No. 08-57, FINRA Notices to Members, 2008 FINRA LEXIS 50 (Oct. 2008). This Decision refers to and relies on the NASD rules that were in effect at the time of the Respondents’ alleged misconduct and cited in the Complaint as the basis for the charges against them.

("OTR"). For this conduct, Enforcement recommended that Vision be censured and fined, and that Gallagher be barred. The Respondents denied most of the allegations. Although they admitted that they violated some FINRA rules, they contended that the violations were inadvertent, rather than intentional. They argued that the sanctions recommended by Enforcement are excessive and out of proportion to the violations that occurred.

The Hearing Panel found that Enforcement proved all of its allegations by a preponderance of the evidence, and that the sanctions it recommended are reasonable and appropriate.

II. PROCEDURAL HISTORY

Enforcement filed a six-cause Complaint with the Office of Hearing Officers on February 2, 2010. The Respondents filed their Answer to the Complaint on April 12, 2010. On August 9, 2010, Enforcement filed an Amended Complaint to add two causes of action that charge Gallagher with failing to answer questions during two OTRs, and with failing to disclose information on his Form U4. The Respondents did not answer the Amended Complaint; however, at the hearing, Gallagher denied both charges. On December 20, 2010, the Hearing Panel granted Enforcement's Motion for Summary Disposition with respect to liability on the Seventh Cause of Action, which alleged that Gallagher failed to answer FINRA's questions during two OTRs. The Hearing Panel deferred its decision on sanctions until the hearing.

The hearing was held on January 11 and 12, 2011, in New York, NY, before a Hearing Panel composed of the Hearing Officer and two current members of FINRA's District 10 Committee. Enforcement called six witnesses: Margaret Tymon ("Tymon") (FINRA principal examiner); William A. Mancusi ("Mancusi") (former head of operations and chief compliance officer at Vision); Frank L. Boccio ("Boccio") (former financial principal at Vision); Craig Thomson ("Thomson") (FINRA examinations manager); Michael Gerena ("Gerena") (FINRA

examiner); and Gallagher. In presenting his case, Gallagher testified, but did not call any other witness. The Hearing Panel accepted into evidence, pursuant to a stipulation by the parties, 88 exhibits submitted by Enforcement. The Respondents did not offer any exhibits during the hearing.²

Based upon a review of the entire record, the Hearing Panel makes the following findings of fact and conclusions of law.

III. BACKGROUND

A. Source of FINRA's Investigation

FINRA began the investigation that led to the filing of the Complaint as a result of a routine cycle examination that started in January 2008.³

B. Respondents

1. Vision Securities Inc.

Vision, based in Port Washington, New York, was a FINRA member firm from approximately March 1994 through January 8, 2010, when Vision's FINRA membership was cancelled for failing to pay outstanding fees.⁴

2. Daniel James Gallagher

Gallagher first became registered with FINRA as a GSR in November 1990, through Stratton Oakmont, Inc. ("Stratton"), where he worked until December 1996. From December 1996 through May 2001, he was registered as a GSR through D.L. Cromwell Investments, Inc. ("Cromwell"). Next, Gallagher was registered as a GSR with Vision from on or about May 17, 2001, through January 8, 2010. From December 12, 2006, through October 1, 2007, Gallagher

² In this decision, "Tr." refers to the transcript of the hearing, and "CX" to Enforcement's exhibits.

³ Tr. at 30.

⁴ CX-2.

served as president of Vision.⁵ Since April 2003, Gallagher has been the secretary of Vision, and since May 2008, he has also been Vision's chairman.⁶ Gallagher is also the part owner and president of Vision's holding company, GCG Holdings, Inc.⁷ He has been registered as a GSR through EKN Financial Services, Inc. since November 2010.⁸

3. Vision and Gallagher's Regulatory History

Gallagher's Form U4 contains numerous disclosures and an extensive disciplinary history. Between 1994 and 2001, while he was employed at Stratton and Cromwell, seven customer arbitrations were filed against Gallagher. The complaints, all alleging sales practice violations, resulted in settlements or awards to the customers of over \$1,000,000.⁹ Because of customer allegations of sales practice violations, the states of Georgia, Illinois, New York, New Jersey, and Maryland fined, suspended, and/or imposed conditions of heightened supervision on Gallagher. The heightened supervision restrictions imposed by New York, New Jersey, and Maryland were in effect through October 2007.¹⁰ In May 2006, as a condition of continuing its membership in NASD, Vision signed a Membership Agreement in which it agreed to enforce heightened supervisory procedures for Gallagher.¹¹

Prior to the current disciplinary proceeding, NASD filed three actions against Gallagher, and one against Vision. In 1997, NASD alleged that Gallagher committed sales practice violations while a broker at Stratton. Gallagher settled that action, and was fined \$15,000, censured, and suspended in all capacities for six months.¹² In January 2005, Vision and Gallagher were charged with violating net capital rules. Pursuant to their settlement with NASD,

⁵ CX-11 at 245; CX-14 at 316; CX-14 at 319; Tr. at 386-388.

⁶ CX-1 at 90; CX-84 at 33:10-13; CX-67 at 1013.

⁷ *Id.*

⁸ CX-1 at 90.

⁹ CX-1 at 102-117.

¹⁰ CX-1 at 119-124, 130, 182; CX-24; CX-26; CX-27; CX-32.

¹¹ CX-32.

¹² CX-1 at 120-121.

Gallagher and Vision were fined \$7,500.00 (\$5,000.00 of which was owed jointly and severally).¹³ In July 2007, Gallagher was suspended for failing to pay an arbitration award owed to a customer. The suspension was lifted after he satisfied the award.¹⁴

Gallagher's Form U4 also discloses two judgments against him that were outstanding as of November 2010. One judgment, in the amount of \$179,718, is owed to the SEC.¹⁵ On September 30, 2008, the SEC filed a complaint in the SDNY against Vision, Gallagher, and others.¹⁶ On August 17, 2009, after a jury trial, a judgment was entered against Vision and Gallagher. Vision was found liable for violating Section 15(b)(7) of the Securities Exchange Act of 1934 ("Exchange Act") by allowing a broker to act in a registered capacity without being registered with the NASD. Gallagher was found liable for aiding and abetting Vision's violation of Section 15(b)(7). Vision and Gallagher were ordered to pay, jointly and severally, disgorgement, prejudgment interest, and a fine totaling \$179,718.¹⁷ The second judgment, in the amount of \$367,333, is owed to one of Gallagher's former customers, who filed a lawsuit in New York State Court.¹⁸

IV. FINDINGS OF FACT AND CONCLUSIONS OF LAW

A. Gallagher Acted as an Unregistered Principal, and Vision Failed to Require his Registration (First Count, Violation of Rules 1021(a) and 2110)

1. Findings of Fact

One of the conditions of Vision's Membership Agreement with FINRA stated that Gallagher was subject to heightened supervision by Vision.¹⁹ In addition, the states of New

¹³ CX-1 at 125.

¹⁴ CX-1 at 127.

¹⁵ CX-1 at 98-100.

¹⁶ CX-77.

¹⁷ CX-80.

¹⁸ CX-1 at 117.

¹⁹ CX-32.

Jersey, New York, and Maryland restricted Gallagher from holding any supervisory or principal position at Vision.²⁰ Enforcement alleged that despite those restrictions, from at least December 12, 2006, through October 1, 2007, Gallagher was actively engaged in the management of Vision without being licensed as a principal. Although Gallagher denied at the hearing that he acted as a principal of Vision, his testimony at his OTR, testimony from other witnesses, and numerous documents show that he managed Vision as alleged.

Gallagher admitted that he took the title of president in December 2006, when the previous president left the Firm.²¹ Further, in response to FINRA's request for information in February 2008, Vision's then president stated that Gallagher was president of Vision between December 12, 2006, and October 1, 2007.²² During that time period, Gallagher hired and fired numerous individuals at Vision, including compliance officers,²³ a Financial and Operations Principal ("FINOP"),²⁴ and Vision's bookkeeper.²⁵ Gallagher also hired his two successor presidents.²⁶ Gallagher also supervised individuals, including compliance officers.²⁷

Gallagher directed the filing of registered persons' Forms U4 and Uniform Termination Notices for Securities Industry Registration ("Form U5"), and signed them as president of Vision.²⁸ He controlled the Firm's bank account,²⁹ and directed payments to brokers and vendors.³⁰ He also held himself out in correspondence to Vision's clearing firm, customers, and

²⁰ CX-24; CX-26; CX-27.

²¹ CX-84 at 40:7-42:15.

²² CX-11.

²³ CX-85 at 18:6-19:1; CX-86 at 16:19-18:19; 41:6-18; 67:18-24. Tr. at 198:16-22; 199:24-200:9; 207:8-21.

²⁴ CX-5; CX-17.

²⁵ CX-8.

²⁶ CX-84 at 37:6-8; 37:18-38:21.

²⁷ CX-84 at 54:18-55:23; CX-86 at 76:2-77:5.

²⁸ CX-86 at 32:20-33:9; CX-19.

²⁹ CX-84 at 50:2-11;

³⁰ CX-84 at 52:18-53:15; CX-86 at 25:9-22; 29:4-15; Tr. at 202:2-7.

business associates as the president, director, and owner of Vision.³¹ Gallagher testified that, as an owner and president of CGC Holdings (Vision's parent company), he wanted to be "on top of most of the things that were going on at Vision in terms of a macro view," and that "[i]t was important for me to have some sort of ability to be more involved in Vision, other than just being a registered rep...."³²

2. Conclusions of Law

NASD Membership and Registration Rule 1021(a) provides that "[all persons engaged or to be engaged in the investment banking or securities business of a member who are to function as principals shall be registered as such with NASD." Rule 1021(b) defines principals as sole proprietors, officers, partners, and others who are "actively engaged in the management of the member's investment banking or securities business, including supervision, solicitation, conduct of business...." Being "actively engaged in the management" of a firm means "day-to-day conduct of the member's securities business and the implementation of corporate policies related to such business."³³ Other indicia of management include: whether an individual has held himself out to others as someone intimately involved in the management of a firm;³⁴ hiring and firing key personnel;³⁵ controlling the firm's finances; and directing commission payments to brokers and checks to vendors.³⁶

In this case, Gallagher was an owner and the president of Vision's holding company, was Vision's secretary, and for the relevant ten-month period, its president. He directly and indirectly controlled Vision and was actively involved in managing the firm. He recruited, hired,

³¹ CX-21; CX-20.

³² CX-84 at 33:13-34:7.

³³ Notice to Members ("NTM") 99-49 (June 1999).

³⁴ *Department of Enforcement v. Pecaro*, No. C8A960029, 1998 NASD Discip. LEXIS 13, at *17-20 (NBCC Jan. 7, 1998).

³⁵ *Department of Mkt. Regulation v. Yankee Fin. Group, Inc.*, No. CMS030182, 2006 NASD Discip. LEXIS 21 (NAC Aug. 4, 2006).

³⁶ *Dennis Todd Lloyd*, Exchange Act Rel. No. 57655, 2008 SEC LEXIS 819, at *28-34 (Apr. 11, 2008).

and fired key personnel, including chief compliance officers, a FINOP, a bookkeeper, and two presidents. He held himself out to the public as Vision's president, controlled Vision's finances, and directed payments to vendors and firm employees. By engaging in these activities, Gallagher acted as a principal of Vision, and was required to register as such. Vision permitted him to act in this unregistered capacity. Therefore, Vision and Gallagher violated Rule 1021(a). Violations of any NASD Rule also constitute a violation of Rule 2110.³⁷

B. Gallagher Circumvented Heightened Supervision and Vision Failed to Conduct Heightened Supervision of Gallagher (Second Count, Violation of Rules 3010 ad 2110)

1. Findings of Fact

Between December 2006 and October 2007, while president of Vision, Gallagher was under the heightened supervisory requirements of three states: New York, New Jersey and Maryland.³⁸ He was also subject to the heightened supervisory requirements of Vision's membership agreement with FINRA.³⁹ Gallagher executed agreements with the states and with FINRA. Under these agreements, the states and FINRA imposed a number of conditions that Gallagher had to meet in order to maintain his registration in those states and under FINRA's membership agreement. Gallagher and Vision failed to abide by the following conditions and restrictions contained in the heightened supervisory agreements:

- New York, New Jersey and Maryland prohibited Gallagher from acting in supervisory or recruiting capacities;

³⁷ *Department of Enforcement v. Duma*, No. C8A030099, 2005 NASD Discip. LEXIS 46, at *4, n.1 (NAC Oct. 27, 2005) (citing *Stephen J. Gluckman*, 54 SEC 175, 185, 1999 SEC LEXIS 1395, at *22 (Jul. 20, 1999)).

³⁸ CX-24; CX-26; CX-27.

³⁹ CX-32.

- The New York agreement required that all of Gallagher's written correspondence be approved in advance of transmittal and on receipt. In practice, any reviews that were conducted of Gallagher's e-mails were done after the e-mails had been transmitted.⁴⁰
- FINRA's membership agreement with Vision required the Firm to make random calls to Gallagher's active accounts and to document the discussions. There is no evidence that such calls took place.
- New York and New Jersey required that the states be informed of, among other things, any arbitrations claims, regulatory actions, or the initiation of any investigations against Gallagher. On July 2, 2007, NASD suspended Gallagher for failing to comply with an arbitration award. Vision and Gallagher failed to provide notification to either state.⁴¹
- New Jersey required that any change in Gallagher's supervisors would have to be approved in advance by the New Jersey Bureau of Securities. Gallagher's supervisors changed twice during the relevant period; however, he and Vision failed to seek approval for the changes.⁴²
- Vision's FINRA membership agreement and the New York and New Jersey agreements required Vision to document and report to FINRA and the states any complaints made about Gallagher. Vision received a written customer complaint on August 25, 2007; however, it was not reported to FINRA, New York, or New Jersey.⁴³

Gallagher failed to inform either chief compliance officer ("CCO") he hired of the special supervision he required. Mancusi was CCO for only six months and was unaware of

⁴⁰ CX-86 at 58:21-24; CX-85 at 35:18-36:15; CX-84 at 112:13-19; 165:3-11; 166:10-18.

⁴¹ CX-1at 180; CX-25.

⁴² CX-28; CX-29; CX-31.

⁴³ CX-32; CX-24; CX-27; CX-26; CX-46; CX-84 at 177:1-8.

Gallagher's heightened supervision until well into his tenure.⁴⁴ Vision's next CCO was told about Gallagher's heightened supervisory agreements, but not what he was required to do to supervise Gallagher.⁴⁵

2. Conclusions of Law

Conduct Rule 2110 requires registered persons to observe high standards of commercial honor and just and equitable principles of trade. As reiterated by the National Adjudicatory Council in the *Saad* case, "Rule 2110 is an ethical rule...FINRA's authority to pursue disciplinary action for violations of Rule 2110 is sufficiently broad to encompass any unethical business-related misconduct, regardless of whether it involves a security."⁴⁶

From at least December 2006 through October 2007, Gallagher failed to adhere to the heightened supervisory requirements imposed by FINRA and the agreements he entered into with New York, New Jersey and Maryland. Because of his controlling role at Vision, and the transitory nature of supervision at Vision, Gallagher was able to sidestep the requirements of his heightened supervision. His conduct violated Rule 2110.

Vision failed to ensure that Gallagher's heightened supervisory requirements from the states and FINRA were being followed, thus violating Rule 2110. By failing to have a system to adequately monitor Gallagher's compliance with the states' and FINRA's requirements, Vision also violated Rule 3010(a).

⁴⁴ Tr. at 206:3-17.

⁴⁵ CX-85 at 25:25-26:12; 27:9-28:5.

⁴⁶ *Department of Enforcement v. Saad*, No. 2006006705601, 2009 FINRA Discip. LEXIS 29, at *11 (NAC Oct. 6, 2009) (finding that a registered person's submission of false expense reimbursement requests and receipts to his broker-dealer violated Rule 2110).

C. Vision and Gallagher Failed to Adopt a Supervisory Control System and Failed to Annually Certify Vision's Compliance and Supervisory Processes (Third Count, Violation of Rules 3012, 3013, and 2110)

Findings of Fact and Conclusions of Law

Rule 3012(a)(1) requires each member firm to designate and identify to FINRA at least one principal who shall “establish, maintain, and enforce a system of supervisory control policies and procedures.” Rule 3012(a)(1)(B) requires that a firm’s designated principal or principals “submit to the member’s senior management no less than annually, a report detailing each member’s system of supervisory controls, the summary of the test results and significant identified exceptions, and any additional or amended supervisory procedures created in response to the test results.” Rule 3012(a)(2)(C) requires procedures that provide heightened supervision over the activities of each producing manager who (like Gallagher) is responsible for generating 20% or more of the revenue of the business units supervised by the producing manager’s supervisor. Finally, Rule 3013(b) requires that each member firm have its chief executive officer certify annually that the firm has in place processes to establish, maintain, review, test, and modify written compliance policies and written supervisory procedures.

In Vision’s responses to FINRA’s requests for information, some of which were signed by Gallagher, it admitted that between April 2006 and February 2008, it did not comply with Rules 3012 and 3013.⁴⁷ Therefore it violated those rules and Rule 2110. Gallagher testified that during the time at issue, he did not know what the rules were, and did not know whether Vision complied with them.⁴⁸ As president of Vision from December 2006 through October 2007, Gallagher was responsible for the establishment, maintenance and enforcement of a system of supervisory control policies and procedures. During that period, he failed to make

⁴⁷ CX-35; CX-40; CX-41.

⁴⁸ CX-84 at 74:11-76:22.

the necessary designations and certifications required by Rules 3012 and 3013. He therefore violated both of those rules and Rule 2110.

D. Vision Failed to Report Customer Complaints and Failed to Update Forms U4 and U5 (Fourth Count, Violations of Rules 3070 and 2110 and Article V, Sections 2 and 3)

1. Findings of Fact

Between April 2006 and January 2008, Vision failed to report to FINRA, pursuant to Rule 3070, three customer complaints against Gallagher and one customer-initiated lawsuit involving an investment in which Gallagher was named as a defendant.⁴⁹ Vision acknowledged that it failed to report the complaints and lawsuit, and blamed the failure on the fact that they came in during the tenures of three different CCOs.⁵⁰

Also between April 2006 and January 2008, Vision failed to amend the Forms U4 and U5 for two representatives, Keith Connolly (“Connolly”) and Glen Meyer (“Meyer”), to reflect customer complaints, arbitrations and lawsuits.⁵¹ A customer of Connolly’s filed an arbitration in July 2007, alleging that Connolly had engaged in unauthorized trading. The arbitration was never reported on Connolly’s Form U4 or U5. On April 3, 2007, and September 18, 2007, two different customers filed complaints with Vision alleging that Meyer had engaged in unauthorized trading in their accounts.⁵² On April 12, 2007, a third customer filed an arbitration against Meyer, also alleging unauthorized trading.⁵³ Meyer was terminated by Vision on February 19, 2008, and Vision filed a Form U5 on that day.⁵⁴ The customer complaints and the arbitration were never reported on Meyer’s Forms U4 or U5.

⁴⁹ CX-45; CX-46; CX-47; CX-44; CX-48.

⁵⁰ CX-40; CX-41.

⁵¹ CX-49; CX-53.

⁵² CX-54; CX-47.

⁵³ CX-55.

⁵⁴ CX-56.

2. Conclusions of Law

Rule 3070 requires member firms to provide to FINRA statistical and summary information about customer complaints and investment-related lawsuits by the 15th day of the month following the calendar quarter in which customer complaints are received by the firm. By failing to report the three customer complaints and lawsuit filed against Gallagher, Vision violated Rule 3070.

Article V, Section 2(c) of NASD's By-Laws requires that every application for registration (Form U4) "filed with NASD shall be kept current at all times by supplementary amendments which must be filed within 30 days after learning of the facts or circumstances giving rise to the amendment." Article V, Section 3(b) of NASD's By-Laws similarly requires a member to amend a registered person's Form U5 within 30 days of learning of any facts or circumstances causing any information previously set forth in the Form U5 to become inaccurate or incomplete. By failing to amend Connolly's and Meyer's Forms U4 and U5, Vision violated Article V, Sections 2(c) and 3(b), and Rule 2110.

E. Vision Failed to Conduct Independent Anti-Money Laundering Testing (Fifth Count, Violations of Rules 3011(c) and 2110)

Findings of Fact and Conclusions of Law

Rule 3011(c) requires that each member develop and implement a written anti-money laundering ("AML") program to "[p]rovide for independent testing for compliance" with the firm's anti-money laundering obligations.

Vision admitted in its responses to FINRA's requests for information that it failed to conduct any independent testing of its AML program in 2006 and 2007.⁵⁵ It therefore violated Rules 3011(c) and 2110.⁵⁶

F. Vision Failed to Administer a Continuing Education Program or to Maintain Records Documenting Completion (Sixth Count, Violation of Rules 1120(b)(2) and 2110)

Findings of Fact and Conclusions of Law

Rule 1120(b) provides that a member "must maintain a continuing and current education program for its covered registered persons to enhance their securities knowledge, skill, and professionalism. At a minimum, each member shall at least annually evaluate and prioritize its training needs and develop a written training plan." Rule 1120(b) also requires members to maintain records documenting the content of the programs and completion of the programs by covered registered persons.

Vision admitted in its responses to FINRA's request for information that for the year 2007, it failed to conduct and evidence an annual training program or its continuing education program for its covered registered persons. Vision therefore violated Rules 1120(b) and 2110.

G. Gallagher Failed to Respond to FINRA's Questions at His OTRs (Seventh Count, Violation of Rules 8210 and 2010)

1. Findings of Fact

At his OTRs, which were conducted on April 12, 2010, and April 26, 2010, Gallagher was repeatedly told that his testimony was being requested pursuant to FINRA Rule 8210.⁵⁷ The staff asked a series of questions concerning an offering of Nano Acquisition Group LLC

⁵⁵ CX-37; CX-58; CX-85 at 68:6-17.

⁵⁶ Enforcement charged that Vision's failure to test its AML program also violated MSRB Rule G-41. Vision was registered with the MSRB; however, Tymon testified that Vision did not do any municipal bond trading during her review period, and she did not know if Vision had ever done any such business during the ten years it was registered with the MSRB. (CX-38; Tr. 185:21-186:2.) Consequently, the Hearing Panel dismissed the charge that Vision violated MSRB Rule G-41 because there was no evidence that Vision conducted a municipal securities business.

⁵⁷ CX-87 at 11:2-9; 29:7-10; CX-88 at 322:19-22; 324:25-325:11; 327:19-22.

(“NAG”). The staff had concerns about investor solicitation in the NAG offering, and wanted to know whether Vision, through Gallagher, was conducting a securities business. During that time, Vision was subject to a FINRA cease order because it was net capital deficient. FINRA had instructed Vision to cease all securities business, and the staff was concerned that funds from the NAG offering may have been used to fund the broker-dealer or were otherwise misused. The staff also had concerns about potential private securities transactions by Gallagher, since the offering was being sold to individuals who might not have been aware that Vision had been instructed to cease business. At the time of his OTRs, Gallagher was registered with FINRA.

On both dates of his OTR, Gallagher consistently and repeatedly refused to answer questions concerning NAG. At times he asserted that FINRA “lacked jurisdiction” to question him about NAG. At other times, Gallagher refused to answer because he said he distrusted the staff’s ability to keep information about the NAG offering confidential.⁵⁸ In addition, Gallagher refused to answer questions about other matters, including about NAG being an outside business of Gallagher’s, his current sources of compensation, and e-mails he sent from his Vision e-mail account.⁵⁹

2. Conclusions of Law

Rule 8210 requires persons subject to FINRA’s jurisdiction to provide information requested by FINRA and to permit the inspection and copying of books, records, or accounts. Associated persons must cooperate fully in providing requested information. When associated persons register with FINRA, they agree to “abide by its rules, including the requirement to provide information requested by [FINRA] for its investigations.”⁶⁰ Associated persons are not

⁵⁸ CX-87 at 29:7-31:14; CX-88.

⁵⁹ CX-87 at 85:13-86:22; 99:7-12; 311:16-312:25; 124:16-125:6; CX-62.

⁶⁰ *Toni Valentino*, Exchange Act Rel. No. 49255, 2004 SEC LEXIS 330, at *14 (Feb. 13, 2004).

permitted to make their own determinations of whether the information sought by the staff is necessary.⁶¹

In this case, Gallagher repeatedly refused to answer a series of questions concerning Vision and the use of investor funds. Among other potential misconduct, the staff's line of questions related to the possible operation of a broker-dealer while under a cease order.

Gallagher was obligated to answer the staff's questions, and by failing to do so, he violated Rules 8210 and 2010.

H. Gallagher Willfully Failed to Amend His Form U4 (Eighth Count, Violation of Rules 2110 and 2010)

1. Findings of Fact

On September 30, 2008, the SEC filed a complaint in the United States District Court for the Southern District of New York against Vision, Gallagher, and others.⁶² Gallagher failed to disclose the complaint on his Form U4. On August 17, 2009, after a jury trial, a judgment was entered against Vision and Gallagher. Vision was found liable for violating Section 15(b)(7) of the Exchange Act by allowing a broker to act in a registered capacity without being registered with NASD. Gallagher was found liable for aiding and abetting Vision's violation of Section 15(b)(7). Vision and Gallagher were ordered to pay, jointly and severally, disgorgement, prejudgment interest, and a fine totaling \$179,718.⁶³ Gallagher failed to disclose the judgment on his Form U4.⁶⁴

⁶¹ See *CMG Institutional Trading, LLC*, Exchange Act Rel. No. 59325, 2009 SEC LEXIS 215 (Jan. 30, 2009); *Department of Enforcement v. Sturm*, No. CAF000033, 2002 NASD Discip. LEXIS 2, at *9 (NAC Mar. 21, 2002).

⁶² CX-77.

⁶³ CX-80.

⁶⁴ FINRA disclosed the judgment by sending a copy of the Court's order to the Central Records Depository ("CRD") on December 14, 2009. See CX-83.

2. Conclusions of Law

Article V, Section 2(c) of FINRA's By-Laws requires that every application for registration (Form U4) be kept current at all times by supplementary amendments. The amendments must be filed not later than thirty days after learning of the facts or circumstances giving rise to the amendment. Question 14H(2) of Form U4 requires an applicant to disclose any pending investment-related civil actions that could result in a court finding that he was involved in the violation of an investment-related statute. Question 14M of Form U4 asked, "[d]o you have any unsatisfied judgments or liens against you?" Gallagher was required to disclose both the SEC complaint and judgment on Form U4. By failing to do so, he violated Rules 2110 and 2010.

The Hearing Panel also finds that his failure to amend his Form U4 was willful. The standard for determining willfulness is whether the respondent "voluntarily committed the act that constituted the violation."⁶⁵ Gallagher testified that he did not believe he was required to report the SEC complaint or judgment; however, the Hearing Panel did not find his testimony credible. Because of his extensive regulatory history, it is unlikely that Gallagher did not understand his obligation to amend his Form U4 to report investment-related lawsuits such as the SEC's. Gallagher knew about the SEC complaint and subsequent judgment and failed to make the required disclosures. He knew that disclosing the SEC action would likely bring increased scrutiny from state regulators. For example, the agreement he signed with the Maryland Securities Commissioner provided that, for a four-year period (until October 2010), any sanction, such as the one imposed by the SEC action, would "result in [Gallagher's and Vision's] entire

⁶⁵ *Department of Enforcement v. Kraemer*, No. 2006006192901, 2009 FINRA Discip. LEXIS 39, at *16-17 (NAC Dec. 18, 2009).

matter being reviewed by Maryland.”⁶⁶ His agreement with New Jersey likewise required him to notify the New Jersey Attorney General of any “civil or regulatory action.” Gallagher knew or reasonably should have known that he was required to disclose the SEC action and unsatisfied judgment on his Form U4. The Hearing Panel finds that his failure to do so was willful.

V. SANCTIONS

1. Gallagher Failed to Answer Questions at Two OTRs

Since FINRA lacks subpoena power, it must rely upon Rule 8210 “to police the activities of its members and associated persons.”⁶⁷ “[A member’s] failure to respond to [FINRA’s] information requests frustrates [FINRA’s] ability to detect misconduct, and such inability in turn threatens investors and markets....”⁶⁸ Because compliance with Rule 8210 is necessary for FINRA to carry out its regulatory functions, the FINRA Sanction Guidelines (“Guidelines”) provide that for failure to respond to requests for information made pursuant to Rule 8210, a bar is the standard sanction.⁶⁹ Gallagher argued that because he answered most of the staff’s questions, he should be sanctioned for providing a partial response, rather than for failing to respond. This argument is unavailing. The Guidelines, as recently amended, make clear that where a person provided a partial but incomplete response, a bar is standard unless the person can demonstrate that the information provided “substantially complied with all aspects of the request.” In this case, the information Gallagher provided did not substantially comply with the Rule 8210 request; failed to respond to any of the staff’s questions about NAG.

Further, the Principal Consideration specific to determining sanctions for this violation—the importance of the information requested as viewed from FINRA’s perspective-- also supports

⁶⁶ CX-26.

⁶⁷ *Joseph Patrick Haman*, Exchange Act Rel. No. 40438; 1998 SEC LEXIS 1955, at *9 (Sept. 14, 1998).

⁶⁸ *PAZ Sec.*, Exchange Act Rel. No. 57656, 2008 SEC LEXIS 820, at *13 (Apr. 11, 2008), *aff’d sub nom. PAZ Sec. v. SEC*, 566 F.3d 1172, 2009 U.S. App. LEXIS 11500 (May 29, 2009.)

⁶⁹ *FINRA Sanction Guidelines* 33 (2011), <http://www.finra.org/sanctionguidelines>.

the imposition of a bar. The nature of the information FINRA sought from Gallagher was important and goes to the heart of its regulatory obligation—investor protection. FINRA staff was attempting to determine whether Vision was operating a securities business while under a cease order which prohibited such activity, and whether Gallagher was engaged in any private securities transactions or outside business activities. Most importantly, the staff's questions sought information about the use and whereabouts of investor funds raised in an offering that they suspected had been conducted through Vision. The staff gave Gallagher numerous opportunities, over the course of two OTRs, to answer their questions. Each time, he refused to answer. His excuse for failing to answer—that he did not trust the staff to keep the information confidential, and that the staff “lacked jurisdiction” to question him about his business activities outside of Vision—are without merit. As the SEC explained in *PAZ Securities*, the seriousness of a failure to respond to Rule 8210 necessitates the imposition of a bar and may have a deterrent effect on all current and future FINRA members and associated persons.⁷⁰

For failing to answer questions at two OTRs, Gallagher is barred from associating with any FINRA-regulated firm in any capacity.

2. Gallagher Acted as an Unregistered Principal

For registration violations, the Guidelines recommend a fine of \$2,500 to \$50,000 for firms and individuals. For individuals, suspensions of up to six months are recommended, with lengthier suspensions or a bar in egregious cases.⁷¹ Enforcement argued that Gallagher's violation is egregious and merits a bar. The Hearing Panel agrees.

Gallagher engaged in activity at Vision that required a principal's license. Gallagher's conduct is egregious because he was aware that several states and FINRA had specifically

⁷⁰ *PAZ Sec.*, 2008 SEC LEXIS 820, at *11.

⁷¹ *Guidelines* 45 (2011).

prohibited him from acting in a principal or supervisory capacity. He chose to ignore those restrictions. His conduct is similar to situations in which a broker violates a principal bar or suspension and he should be similarly sanctioned. A fine or a suspension would serve little purpose in deterring Gallagher's conduct; he has already been fined, suspended and restricted, all to no avail. Accordingly, the Hearing Panel finds that a bar is the only appropriate sanction for Gallagher.⁷² With respect to Vision, the Hearing Panel finds that a \$10,000 fine is the appropriate sanction for allowing Gallagher to act as an unregistered principal.⁷³

3. Gallagher and Vision Circumvented Gallagher's Heightened Supervision

The Guidelines do not contain a provision for violations related to circumventing state securities rules; however, because Gallagher also violated undertakings contained in Vision's membership agreement with FINRA, the Hearing Panel looked to those Guidelines. The Guidelines for member agreement violations recommend a fine of \$2,500 to \$50,000, and individual suspensions for up to six months. In egregious cases, the Guidelines recommend suspensions of up to two years or a bar.⁷⁴ The Hearing Panel finds that Gallagher's violation is egregious. Vision's membership agreement with FINRA and the agreements Gallagher entered into with New York, New Jersey, and Maryland specifically required him to comply with conditions of heightened supervision. Gallagher and Vision failed to adhere to the conditions and restrictions contained in the agreements.

⁷² See *Department of Enforcement v. Usher*, No. C3A980069, 2000 NASD Discip. LEXIS 5, at *13 (NAC Apr. 18, 2000) (barring a broker and firm president who, after being suspended for non-payment of an arbitration award, effected securities transactions); see also *Gordon Kerr*, Exchange Act Rel. No. 43418, 2000 SEC LEXIS 2132 (Oct. 5, 2000) (barring respondent who violated a principal bar previously imposed by SEC order).

⁷³ *Department of Enforcement v. Beerbaum & Beerbaum Fin.*, No. C01040019, 2006 NASD Discip. LEXIS 5 (NAC May 19, 2006) (taking into consideration the member firm's small size and fining the firm \$15,000 for allowing the broker to act as unregistered principal).

⁷⁴ *Guidelines* 44 (2011).

With respect to its supervisory violations, Vision did not have a system in place to monitor Gallagher's adherence to the heightened supervisory requirements of the states and FINRA. The compliance officers tasked with Gallagher's heightened supervision initially were unaware of the requirements. In large part, this was due to Gallagher's control of the firm, and his deliberate circumvention of the requirements. Accordingly, the Hearing Panel bars Gallagher for this violation. Vision is fined \$20,000.

4. Gallagher Willfully Failed to Disclose the SEC Complaint and Judgment

The accuracy of an applicant's Form U4 "is critical to the effectiveness" of a self-regulatory organization's ability "to monitor and determine the fitness of securities professionals."⁷⁵ The Guidelines recommend a fine of \$2,500 to \$50,000 and a suspension in all capacities for five to 30 days. In egregious cases, the Guidelines recommend a suspension of up to two years or a bar.⁷⁶ In this case, the information that Gallagher was named in and subsequently fined for federal securities law violations was significant. Gallagher already had an extensive disciplinary history, and several states had imposed restrictions on his activities. The SEC action and the resulting judgment would have been of interest to regulators, customers and potential employers. The Hearing Panel finds that Gallagher's failure to disclose the SEC case was willful. An appropriate sanction would be a one-year suspension in all capacities and a fine of \$10,000.⁷⁷ Because of the bars, however, additional sanctions would serve no remedial purpose and so will not be imposed.

⁷⁵ *Rosario R. Ruggiero*, 52 S.E.C. 725, 728 (1996) (citing *Alton*, 52 S.E.C. at 382); see also *Guang Lu*, Exchange Act Rel. No. 51047, 2005 SEC LEXIS 117, at *19-20 (Jan. 14, 2005) (recognizing that "the candor and forthrightness of applicants is critical to the effectiveness of the screening process").

⁷⁶ *Guidelines* 71 (2011).

⁷⁷ *Department of Enforcement v. Zayed*, No. 2006003834901, 2010 FINRA LEXIS 13 (NAC Aug. 19, 2010) (respondent suspended for nine months and fined \$10,000 for willfully failing to disclose a civil complaint and judgments on his Form U4).

5. Gallagher and Vision Failed to Adopt a Supervisory Control System or to Annually Certify Compliance

There are no Guidelines directly addressing violations of Rules 3012 and 3013; however, the Guideline for having deficient written supervisory procedures under Rule 3010(b) is analogous. That Guideline recommends a fine of \$1,000 to \$25,000. The principal considerations are whether the deficiencies allowed violative conduct to occur or to escape detection, and whether the deficiencies made it difficult to determine the individuals responsible for specific areas of supervision or compliance.⁷⁸ In this case, Vision's failure to maintain supervisory control procedures pursuant to Rule 3012 contributed to the inadequate supervisory system in place and the resulting violations at the firm, particularly those related to heightened supervision of Gallagher. Vision is therefore fined \$10,000.

During the period that Gallagher was the president of Vision, he was responsible for the establishment, maintenance, and enforcement of the supervisory control policies and procedures at Vision. Under Rule 3013, he was responsible for certifying that Vision had in place adequate processes to establish, maintain, review, test, and modify written compliance policies and written supervisory procedures. For failing to comply with those responsibilities, the Hearing Panel finds that an appropriate sanction would be a \$10,000 fine. However, because of the bars already imposed, additional sanctions would serve no remedial purpose and so will not be imposed.

6. Vision Failed to Report Customer Complaints (3070 and Forms U4 and U5)

For failure to report events as required by Rule 3070, the Guidelines recommend a fine of \$5,000 to \$100,000. The relevant principal consideration is whether events not reported would

⁷⁸ *Guidelines* 106 (2011).

have established a pattern of potential misconduct.⁷⁹ Here, Vision failed to report three customer complaints and a customer's lawsuit to the Rule 3070 reporting system. The firm's failure to report this information deprived FINRA staff of an opportunity to make a timely assessment of the need for investigation and possible disciplinary action. The allegations in the complaints and lawsuit were similar and suggest a pattern of misconduct at the firm.

For late filing of amendments to Forms U4 and U5, the Guidelines recommend a fine of \$5,000 to \$50,000 for the firm. For failing to file, the Guidelines recommend consideration of a fine of \$5,000 to \$100,000. Among the principal considerations are the nature and significance of the information at issue.⁸⁰ In this case, Vision failed to amend the Forms U4 and U5 of two registered representatives at the firm to reflect two customer complaints and two arbitrations. In addition, with respect to one of the registered representatives, Vision failed to timely update his Form U4 to reflect an additional customer complaint. The nature of the information is significant because the failure to file the amendments within the prescribed times deprived FINRA and the public of information concerning a pattern of problems at the firm and with the registered representatives. Vision is fined \$10,000 for both its Rule 3070 failures and its failures to amend and timely amend Forms U4 and U5.

7. Vision Failed to Conduct Independent AML Testing

There are no specific Guidelines for AML violations; however the Guideline for deficient supervisory procedures under Rule 3010(b) is instructive and suggests a fine in the amount of \$1,000 to \$25,000.⁸¹ Vision's failure here is not egregious. There is no indication that the firm's failure to conduct independent AML testing allowed suspicious trading activity to occur, or that

⁷⁹ *Guidelines* 76 (2011).

⁸⁰ *Guidelines* 71-72 (2011).

⁸¹ *Guidelines* 106 (2011).

it would have turned up inadequacies in the AML procedures at Vision. Accordingly, Vision is fined \$5,000 for this violation.

8. Vision Failed to Administer and Maintain Records of a Continuing Education Program

The Guidelines suggest a fine of \$2,500 to \$20,000 for violation of the firm element of continuing education.⁸² Vision's violation of Rule 1120 was related to its failure in 2007 to document the content of its continuing education program, or the completion of such a program by the firm's registered persons. For this violation, the Hearing Panel fines Vision \$5,000.

VI. ORDER

Respondent Daniel James Gallagher is barred for violating: (1) Rules 8210 and 2010 by failing to answer questions during his OTRs; (2) Rules 1021(a) and 2110 by acting as an unregistered principal; and (3) Rule 2110 by circumventing heightened supervision that had been imposed on him by New York, New Jersey, Maryland, and FINRA. Because of the bars, sanctions are not imposed against Gallagher for violating: (1) Rules 2110 and 2010 by willfully failing to amend his Form U4 to disclose an SEC complaint and judgment against him and (2) Rules 3012, 3013, and 2110 by failing to adopt and certify Vision's compliance and supervisory processes.

Respondent Vision Securities Inc. is censured and fined a total of \$60,000 for violating: (1) Rules 1021(a) and 2110 by allowing Gallagher to act as an unregistered principal; (2) Rules 3010 and 2110 by failing to conduct heightened supervision of Gallagher; (3) Rules 3012, 3013, and 2110 by failing to adopt a supervisory control system and failing to annually certify Vision's compliance and supervisory processes; (4) Rules 3070 and 2110 by failing to accurately report and maintain Rule 3070 filings and failing to update Forms U4 and U5; (5) Rules 3011(c) and

⁸² *Guidelines* 41 (2011).

2110 by failing to conduct independent AML testing; and (6) Rules 1120(B)(2) and 2110 by failing to administer and document Vision's continuing education program.

If this decision becomes FINRA's final disciplinary action, Gallagher's bars and Vision's censure shall be effective immediately. The Respondents are also ordered to pay, jointly and severally, costs in the amount of \$4,137.00, which includes a \$750.00 administrative fee and the cost of the hearing transcript. Vision's fine and both Respondents' costs shall be payable on a date set by FINRA, but not less than 30 days after this decision becomes FINRA's final disciplinary action in this matter.⁸³

Rochelle S. Hall
Hearing Officer
For the Hearing Panel

Copies to:

Daniel J. Gallagher (*via electronic and first-class mail*)
Vision Securities, Inc. (*via electronic and first-class mail*)
Vaishali S. Shetty, Esq. (*via electronic and first-class mail*)
Mark P. Dauer, Esq. (*via electronic mail*)
David R. Sonnenberg, Esq. (*via electronic mail*)

⁸³ The Hearing Panel has considered and rejects without discussion all other arguments of the parties.