

STATE OF WASHINGTON
DEPARTMENT OF FINANCIAL INSTITUTIONS
SECURITIES DIVISION

IN THE MATTER OF DETERMINING
whether there has been a violation of the
Securities Act of Washington by:

DALE E. BOHNET;
BRAGGDISC INCORPORATED; and
BRAGGDISK, INC.,

Respondents.

Order Number S-07-006-07-SC01

STATEMENT OF CHARGES AND NOTICE OF
INTENT TO ENTER ORDER TO CEASE AND
DESIST, TO DENY FUTURE
REGISTRATIONS, IMPOSE FINES, AND
CHARGE COSTS

THE STATE OF WASHINGTON TO:

Dale E. Bohnet
Braggdisc Incorporated
Braggdisk, Inc.

STATEMENT OF CHARGES

Please take notice that the Securities Administrator of the State of Washington has reason to believe that the Respondents, Dale E. Bohnet, Braggdisc Incorporated, and Braggdisk, Inc. have each violated the Securities Act of Washington and that their violations justify the entry of an order to of the Securities Administrator under RCW 21.20.390 against each to cease and desist from such violations, denial of Dale Bohnet's future registration pursuant to RCW 21.20.110 (1), and imposing fines and costs pursuant to 21.20.395.

The Securities Administrator finds as follows:

TENTATIVE FINDINGS OF FACT

Respondents

1. Braggdisc Incorporated ("Braggdisc") is a Washington corporation with its principal place of business at 1120 N Mullan Street, Suite 110, Spokane Valley, Washington. Braggdisc was incorporated on January 17, 2003. Braggdisc creates and produces sales presentation compact disks that are marketed to mortgage and insurance companies.

1 2. Braggdisk, Inc. (“Braggdisk”) is a Washington corporation with its principal place of business at
2 1120 N Mullan Street, Suite 110, Spokane Valley, Washington. Braggdisk was incorporated on April 14,
3 2005. Braggdisk creates and produces sales presentation compact disks that are marketed to mortgage and
4 insurance companies.

5 3. Dale E. Bohnet (“Bohnet”), CRD # 2278145, a Washington resident, was first registered in the
6 securities industry in 1992 and was registered periodically until 2005. Bohnet is not currently registered
7 with the Washington State Securities Division (“the Division”) in any capacity. Bohnet was registered in
8 Washington as a securities salesperson limited to selling mutual funds and variable annuities. Bohnet was
9 not registered to sell any other securities products. Bohnet is the founder and President of both Braggdisc
10 and Braggdisk. Bohnet resides in Spokane Valley, Washington.

11 Background

12 4. United Securities Alliance, CRD #36487, is a registered broker-dealer and federally-registered
13 investment adviser based in Colorado. Bohnet was associated with United Securities Alliance from
14 February 22, 2002 through November 25, 2003. Bohnet was the supervisor at the branch and responsible
15 for compliance issues with the company. United Securities Alliance requested Bohnet’s resignation on
16 November 15, 2003 due to repeated compliance deficiencies.

17 5. Premier Securities of America, CRD #2278145, is a registered broker-dealer and federally-
18 registered investment adviser based in Georgia. Bohnet was associated with Premier Securities of
19 America from March 12, 2004 through August 1, 2005. Premier Securities of America terminated Bohnet
20 for non-compliance with their 2005 annual reporting and firm continuing education requirements.

21 6. Bohnet is licensed to sell insurance with the Washington State Office of the Insurance
22 Commissioner. Bohnet has held an insurance license since 1992.

Nature of the Offering

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2 7. In June 2003, Bohnet began offering and selling an investment opportunity in his company
3 Braggdisc. The initial investment opportunity with Braggdisc was in the form of a promissory note. The
4 promissory notes were later converted into ownership interests in Braggdisc and Braggdisk. From June
5 2003 through September 2004, at least five investors, three of whom were Washington residents, invested
6 in Braggdisc and/or Braggdisk. The Washington investors were previous investment and/or insurance
7 clients of Bohnet's. Some of the investors were not accredited or sophisticated and did not have any
8 experience investing in start-up marketing companies. The individual investments ranged from
9 approximately \$10,000 to \$55,000. The investments that were made from June 2003 through September
10 2004 total at least \$140,000. The investment opportunities were not carried on the books of United
11 Securities Alliance or Premier Securities of America.

12 8. Bohnet told potential investors he needed funds for his new company, Braggdisc, and that the
13 investment would be used to make discs and help with the costs involved in the development of the
14 product. At least one investor was given a sample of the marketing discs, but was not provided with any
15 other information on the company, including financial information.

16 9. Bohnet initially offered potential investors promissory notes with a specific rate of return which
17 varied from a \$5000 payment at the end of a three month term to a monthly \$1000 interest payment with
18 no specified term. Bohnet told the investors that the return amount on their investment was guaranteed
19 but he did not explain what that meant or who was guaranteeing the return.

20 10. Bohnet and Braggdisc were unsuccessful in generating business or revenues and could not make
21 payments to investors as promised. When Bohnet realized Braggdisc could not make the promised
22 payments to investors he drafted a new promissory note for at least one investor with a 25% interest rate
23

1 and extended the term of the note. Again, Bohnet told the investor that the interest rate was guaranteed
2 but he did not explain what that meant or who was guaranteeing the rate.

3 11. Less than one year after the investors had made their initial investments, Braggdisc was still not
4 generating any revenues, and was unable to meet the payment obligations on the promissory notes.
5 Bohnet approached the investors with the option of converting the promissory notes into ownership
6 interests in Braggdisc and/or Braggdisk. Bohnet represented that ownership interests in the companies
7 would be much more valuable than the promissory notes because of the company's potential profits. He
8 told the investors that he had already obtained numerous contracts with companies for the marketing discs
9 and he told at least one investor that an Idaho business man had offered him \$50 million to purchase the
10 Braggdisc distribution rights. Bohnet did not provide any additional information about Braggdisc and/or
11 Braggdisk such as financial statements.

12 12. Bohnet offered the investors the opportunity to convert their promissory notes into percentage
13 ownership interests in Braggdisc and Braggdisk. He described these ownership interests as the rights to
14 share in a percentage of company's profits. The investors would not have any control over the day-to-day
15 operations and would not be liable for any losses. All of the Washington investors accepted the offer.
16 Bohnet provided some investors with statements indicating their promissory notes had been converted to
17 ownership interests. However, one investor was only provided with a copy of the Braggdisk Washington
18 Secretary of State Initial Annual Report, dated May 5, 2005, which included a notation of his ownership
19 interest, after repeated requests for documentation of his note conversion. The ownership interests ranged
20 from 2% to 25% in Braggdisc and/or Braggdisk. Bohnet has been unable to explain what criteria he based
21 the ownership percentages on.

22 13. Bohnet was required to obtain written authorization from United Securities Alliance, where he was
23 registered as a securities salesperson, prior to effecting securities transactions that were not approved or

1 recorded on the books and records of United Securities Alliance. Bohnet failed to disclose to investors
2 that the investments were not approved by United Securities Alliance and that Bohnet's sales of the
3 investments were not recorded on the books and records of United Securities Alliance.

4 14. Bohnet was required to obtain written authorization from Premier Securities of America, where he
5 was registered as a securities salesperson, prior to effecting securities transactions that were not approved
6 or recorded on the books and records of Premier Securities of America. Bohnet failed to disclose to
7 investors that the investments were not approved by Premier Securities of America and that Bohnet's sales
8 of the investments were not recorded on the books and records of Premier Securities of America.

9 Misrepresentations and Omissions

10 15. Braggdisc, Braggdisk, and Bohnet failed to provide material information regarding the companies
11 and investments including, but not limited to: financial statements; use of proceeds; risks involved with a
12 start-up company; what specific ownership interest amounts were based upon; and business background
13 and experience of Bohnet.

14 Registration Status

15 16. Braggdisc is currently not registered to sell its securities in the State of Washington and has not
16 previously been so registered and no claim of exemption for said securities was on file with the Division.

17 17. Braggdisk is currently not registered to sell its securities in the State of Washington and has not
18 previously been so registered and no claim of exemption for said securities was on file with the Division.

19 18. Bohnet is not currently registered as a broker-dealer or as a securities salesperson authorized to
20 sell securities other than mutual funds or variable annuities in Washington.

21 Based on the foregoing Tentative Findings of Fact, the following Conclusions of Law are made:
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1 **CONCLUSIONS OF LAW**

2 1. The offer and sale of the promissory notes and the “ownership interest” investments as described
3 above each constitute the offer and sale of a security as defined in RCW 21.20.005(10) and (12).

4 2. Dale Bohnet violated RCW 21.20.140, by offering and selling unregistered securities.

5 3. Dale Bohnet violated RCW 21.20.040, by offering and selling said securities while not registered
6 as broker-dealer or as a securities salesperson authorized to sell variable annuities or mutual funds in the
7 State of Washington.

8 4. Braggdisc violated RCW 21.20.140, by offering and selling unregistered securities.

9 5. Braggdisk violated RCW 21.20.140, by offering and selling unregistered securities.

10 6. The offer and/or sale of the securities Respondents were made in violation of RCW 21.20.010
11 because, as set forth in the Findings of Fact, Respondents made misstatements of material fact or omitted
12 to state material facts necessary in order to make the statements made, in light of circumstances under
13 which they were made, not misleading.

14 7. Dale Bohnet has engaged in dishonest and unethical practices as defined in WAC 460-22B-090(2),
15 by effecting securities transactions not recorded on the regular books and records of the broker-dealer
16 which Dale Bohnet represented. Such action is grounds for denial of Dale Bohnet’s future securities
17 salesperson registration pursuant to RCW 21.20.110(1)(g).

18 8. Dale Bohnet has engaged in dishonest and unethical practices as defined in WAC 460-22B-
19 090(19), by failing to comply with any applicable provision of the Conduct Rules of the NASD, to wit,
20 Conduct Rule 3030; prohibiting Outside Business Activity; and Conduct Rule 3030, prohibiting Private
21 Securities Transactions. Such action is grounds for denial of Dale Bohnet’s future securities salesperson
22 registration pursuant to RCW 21.20.110(1)(g).

1 **NOTICE OF INTENT TO CHARGE COSTS**

2 Pursuant to RCW 21.20.110(7) and RCW 21.20.390(5), and based upon the above Tentative Findings
3 of Fact and Conclusions of Law, the Securities Administrator intends to order that Respondent
4 Dale E. Bohnet shall be liable for and shall pay the costs, fees, and other expenses incurred in the conduct
5 of the administrative investigation, hearing or court proceeding relating to this matter.

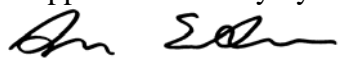
6 **AUTHORITY AND PROCEDURE**

7 This STATEMENT OF CHARGES AND NOTICE OF INTENT TO ISSUE AN ORDER TO
8 CEASE AND DESIST, TO DENY FUTURE REGISTRATIONS, IMPOSE FINES, AND CHARGE
9 COSTS is entered pursuant to the provisions of RCW 21.20.390, and RCW 21.20.110 and RCW 21.20.395
10 and is subject to the provisions of Chapter 34.05 RCW. Each Respondent may make a written request for a
11 hearing as set forth in the NOTICE OF OPPORTUNITY TO DEFEND AND OPPORTUNITY FOR
12 HEARING accompanying this Order.

13 If a Respondent does not request a hearing, the Securities Administrator intends to adopt the above
14 Tentative Findings of Fact and Conclusions of Law as final, enter a permanent order against that Respondent
15 to cease and desist from violations of the Securities Act, and enter an order imposing the fine and charging
16 costs, as described above.

17 DATED and ENTERED this 11th day of October, 2007.

18 
19 MICHAEL E. STEVENSON
20 Securities Administrator

21 Approved for entry by:
22 

23 Presented by:
24 
25 _____
ANGELA R. VOGEL
Enforcement Attorney

24 SUZANNE E. SARASON
Chief of Compliance & Examinations

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Securities Division
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