

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 20150466981-01**

TO: Department of Enforcement
Financial Industry Regulatory Authority ("FINRA")

RE: Gerald Tagge, Respondent
CRD No. 2155001

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, I submit this Letter of Acceptance, Waiver, and Consent ("AWC") for the purpose of proposing a settlement of the alleged rule violations described below. This AWC is submitted on the condition that, if accepted, FINRA will not bring any future actions against me alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. I hereby accept and consent, without admitting or denying the findings, and solely for the purposes of this proceeding and any other proceeding brought by or on behalf of FINRA, or to which FINRA is a party, prior to a hearing and without an adjudication of any issue of law or fact, to the entry of the following findings by FINRA:

BACKGROUND

Tagge entered the securities industry in 1990. Since 1998, he has been registered with FINRA or its predecessor as a general securities representative. Since 2006, he has been associated with Cetera Advisors LLC ("Cetera") (CRD No. 10299) as a registered representative and principal, and as an investment advisor.

RELEVANT DISCIPLINARY HISTORY

Tagge does not have any history of discipline by FINRA, any other self-regulatory organization, the Securities and Exchange Commission, or any state securities regulator.

OVERVIEW

Tagge borrowed from his customer without his firm's permission or approval, violating NASD Rule 2370 and FINRA Rules 3240 and 2010.

FACTS AND VIOLATIVE CONDUCT

In 2009, Tagge asked one of his customers, a close friend, for two loans totaling \$125,000, with the understanding that most of the proceeds would be used to satisfy his tax debts. Cetera prohibited its representatives from borrowing from customers, which Tagge knew. So, in an effort to circumvent that restriction, Tagge arranged for his stepson and his wife to sign promissory notes reflecting the loans. At that time, Tagge's stepson and wife depended on him financially, and Tagge informally guaranteed that the notes would be honored. Tagge also proposed the interest rate and other key terms of the notes. The customer agreed, not because she regarded the loans as a good investment but because she wanted to help Tagge and his family.

Tagge's stepson and wife received the proceeds of the loans, then conveyed approximately 75% of those funds to Tagge or for his benefit. In 2012, more than two years before the notes matured, the customer demanded the repayment of her loans. Tagge promptly provided virtually all of the funds to repay the customer. Cetera was not aware of the loans until 2015, when the customer complained. After investigating the matter, Cetera suspended Tagge for thirty days and fined him \$5,000.

NASD Rule 2370 and FINRA Rule 3240 prohibit registered persons from borrowing from "any customer of such person" unless (i) the registered person's firm "has written procedures allowing the borrowing and lending of money between such registered persons and customers of the member" and (ii) the firm "pre-approve[s] in writing" the loan, if it is based on a personal relationship. Those rules are intended to prevent registered persons from "taking unfair advantage of their customers by inducing them to lend money in disregard of the customers' best interests"¹ and that risk is present when a registered person arranges a loan to a family member for the registered person's benefit. A violation of those rules also constitutes a violation of FINRA Rule 2010, which requires members and associated persons to "observe high standards of commercial honor and just and equitable principles of trade" regarding their business.

By asking his customer for loans, proposing the amount, interest rate, and other key terms of the loans, informally guaranteeing their repayment, benefitting from most of the proceeds, and providing virtually all of the money to repay the loans, Tagge borrowed from his customer. He did so without Cetera's permission or approval.

As a result, Tagge violated NASD Rule 2370 and FINRA Rules 3240 and 2010.

¹ *Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the National Association of Securities Dealers, Inc. to Adopt NASD Rule 2370 to Govern Certain Lending Arrangements Between Registered Persons and Customers*, 68 Fed. Reg. 39608 (July 2, 2003).

OTHER FACTORS

Tagge received some credit for the sanctions that Cetera imposed, resulting in a lower sanction in this matter.

B. I also consent to the imposition of the following sanctions:

Suspension of two months
Fine of \$2,500

I understand that if I am barred or suspended from associating with any FINRA member, I become subject to a statutory disqualification as that term is defined in Article III, Section 4 of FINRA's By-Laws, incorporating Section 3(a)(39) of the Securities Exchange Act of 1934. Accordingly, I may not be associated with any FINRA member in any capacity, including clerical or ministerial functions, during the period of the bar or suspension (see FINRA Rules 8310 and 8311).

The fine shall be due and payable either immediately upon reassociation with a member firm following the two-month suspension noted above, or prior to any application or request for relief from any statutory disqualification resulting from this or any other event or proceeding, whichever is earlier.

I specifically and voluntarily waive any right to claim that I am unable to pay, now or at any time hereafter, the monetary sanction(s) imposed in this matter.

The sanctions imposed herein shall be effective on a date set by FINRA staff. Tagge's suspension shall not run concurrently with the suspension in matter 20150466981-02.

II.

WAIVER OF PROCEDURAL RIGHTS

I specifically and voluntarily waive the following rights granted under FINRA's Code of Procedure:

- A. To have a Complaint issued specifying the allegations against me;
- B. To be notified of the Complaint and have the opportunity to answer the allegations in writing;
- C. To defend against the allegations in a disciplinary hearing before a hearing panel, to have a written record of the hearing made and to have a written decision issued; and
- D. To appeal any such decision to the National Adjudicatory Council ("NAC") and

then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, I specifically and voluntarily waive any right to claim bias or prejudgment of the Chief Legal Officer, the NAC, or any member of the NAC, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including acceptance or rejection of this AWC.

I further specifically and voluntarily waive any right to claim that a person violated the ex parte prohibitions of FINRA Rule 9143 or the separation of functions prohibitions of FINRA Rule 9144, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including its acceptance or rejection.

III.

OTHER MATTERS

I understand that:

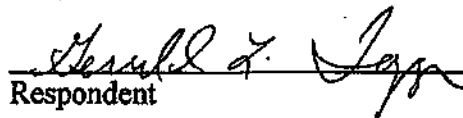
- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs ("ODA"), pursuant to FINRA Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against me; and
- C. If accepted:
 - 1. this AWC will become part of my permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against me;
 - 2. this AWC will be made available through FINRA's public disclosure program in accordance with FINRA Rule 8313;
 - 3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with FINRA Rule 8313; and
 - 4. I may not take any action or make or permit to be made any public statement, including in regulatory filings or otherwise, denying, directly or indirectly, any finding in this AWC or create the impression that the AWC is without factual basis. I may not take any position in any proceeding brought by or on behalf of FINRA, or to which FINRA is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects

my: (i) testimonial obligations; or (ii) right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.

- D. I may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. I understand that I may not deny the charges or make any statement that is inconsistent with the AWC in this Statement. This Statement does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA or its staff.

I certify that I have read and understand all of the provisions of this AWC and have been given a full opportunity to ask questions about it; that I have agreed to its provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein and the prospect of avoiding the issuance of a Complaint, has been made to induce me to submit it.

5-20-16
Date (mm/dd/yyyy)


Respondent

Reviewed by:



John W. Shaw

Counsel for Respondent

Berkowitz Oliver Williams Shaw & Eisenbrandt LLP

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Kansas City, Missouri 64108

816-627-0243 (telephone)

816-561-1888 (facsimile)

Accepted by FINRA:

6/7/16

Date

Signed on behalf of the
Director of ODA, by delegated authority



J. Loyd Gattis III

Principal Regional Counsel

FINRA Department of Enforcement

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