

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-07-006-08-FO01

ENTRY OF FINDINGS OF FACT AND  
CONCLUSIONS OF LAW AND FINAL ORDER  
TO CEASE AND DESIST, TO BAR  
REGISTRATIONS, AND IMPOSE FINES

THE STATE OF WASHINGTON TO:

Dale E. Bohnet  
Braggdisc Incorporated  
Braggdisk, Inc.

**ENTRY OF FINAL ORDER**

On October 11, 2007, the Securities Administrator of the State of Washington issued S-07-006-07-SC01, hereinafter referred to as the Statement of Charges, against Dale E. Bohnet, Braggdisc Incorporated, and Braggdisk, Inc.

The Statement of Charges, together with a Notice of Opportunity to Defend and Opportunity for Hearing, hereinafter referred to as "Notice of Opportunity for Hearing," and an Application for Adjudicative Hearing, hereinafter referred to as "Application for Hearing," was personally served on Dale E. Bohnet, Braggdisc Incorporated, and Braggdisk, Inc. on February 4, 2008. The Notice of Opportunity for Hearing advised Dale E. Bohnet, Braggdisc Incorporated, and Braggdisk, Inc. that a written application for an administrative hearing on the Statement of Charges must be received within twenty days from the date of receipt of the notice. The Statement of Charges advised Dale E. Bohnet, Braggdisc Incorporated, and Braggdisk, Inc. that if a hearing was not requested by a Respondent, the Securities Administrator intends to adopt the "Tentative Findings of Fact" and "Conclusions of Law," as set forth in the Statement of Charges, as final, and enter a final order against that Respondent to cease and desist from violations of the Securities Act, to permanently bar future securities registrations, and to impose the fine.

ENTRY OF FINDINGS OF FACT AND CONCLUSIONS  
OF LAW AND FINAL ORDER TO CEASE AND DESIST,  
TO BAR REGISTRATIONS, AND IMPOSE FINES

1

DEPARTMENT OF FINANCIAL INSTITUTIONS  
Securities Division  
PO Box 9033  
Olympia, WA 98507-9033  
360-902-8760

1 Dale E. Bohnet, Braggdisc Incorporated, and Braggdisk, Inc. failed to request an administrative  
2 hearing within twenty days of receipt of the Statement of Charges and Notice of Opportunity for Hearing,  
3 either on the Application for Hearing provided or otherwise. The Securities Administrator therefore will  
4 adopt as final the findings of fact and conclusions of law as set forth in the Statement of Charges and  
5 enter a final order against Respondents to cease and desist from violations of the Securities Act, to  
6 permanently bar future securities registrations, and to impose the fine.

7 The Securities Administrator makes the following findings of fact and conclusions of law:

8  
9 **FINDINGS OF FACT**

10 Respondents

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

15 2. Braggdisk, Inc. (“Braggdisk”) is a Washington corporation with its principal place of business at  
16 1120 N Mullan Street, Suite 110, Spokane Valley, Washington. Braggdisk was incorporated on April 14,  
17 2005. Braggdisk creates and produces sales presentation compact disks that are marketed to mortgage and  
18 insurance companies.

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

1 Background

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

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

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

13 Nature of the Offering

14 7. In June 2003, Bohnet began offering and selling an investment opportunity in his company  
15 Braggdisc. The initial investment opportunity with Braggdisc was in the form of a promissory note. The  
16 promissory notes were later converted into ownership interests in Braggdisc and Braggdisk. From June  
17 2003 through September 2004, at least five investors, three of whom were Washington residents, invested  
18 in Braggdisc and/or Braggdisk. The Washington investors were previous investment and/or insurance  
19 clients of Bohnet's. Some of the investors were not accredited or sophisticated and did not have any  
20 experience investing in start-up marketing companies. The individual investments ranged from  
21 approximately \$10,000 to \$55,000. The investments that were made from June 2003 through September  
22 2004 total at least \$140,000. The investment opportunities were not carried on the books of United  
23 Securities Alliance or Premier Securities of America.

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

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

9 10. Bohnet and Braggdisc were unsuccessful in generating business or revenues and could not make  
10 payments to investors as promised. When Bohnet realized Braggdisc could not make the promised  
11 payments to investors he drafted a new promissory note for at least one investor with a 25% interest rate  
12 and extended the term of the note. Again, Bohnet told the investor that the interest rate was guaranteed  
13 but he did not explain what that meant or who was guaranteeing the rate.

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

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

11 13. Bohnet was required to obtain written authorization from United Securities Alliance, where he was  
12 registered as a securities salesperson, prior to effecting securities transactions that were not approved or  
13 recorded on the books and records of United Securities Alliance. Bohnet failed to disclose to investors  
14 that the investments were not approved by United Securities Alliance and that Bohnet's sales of the  
15 investments were not recorded on the books and records of United Securities Alliance.

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

21  
22 Misrepresentations and Omissions

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

5 Registration Status

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

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

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

12 Based on the foregoing Findings of Fact, the following Conclusions of Law are made:

13 **CONCLUSIONS OF LAW**

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

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

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

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

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

22 6. The offer and/or sale of the securities Respondents were made in violation of RCW 21.20.010  
23 because, as set forth in the Findings of Fact, Respondents made misstatements of material fact or omitted

1 to state material facts necessary in order to make the statements made, in light of circumstances under  
2 which they were made, not misleading.

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

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

### 12 **FINAL ORDER**

13 Based upon the foregoing and finding it in the public interest:

14  
15 It is hereby ORDERED that the Respondents, Dale E. Bohnet, Braggdisc Incorporated, and  
16 Braggdisk, Inc., shall each cease and desist from offering and/or selling securities in any manner in  
17 violation of RCW 21.20.140, the section of the Securities Act of Washington requiring registration.

18 It is further ORDERED that the Respondents, Dale E. Bohnet, Braggdisc Incorporated, and  
19 Braggdisk, Inc., shall each cease and desist from violation of RCW 21.20.010, the anti-fraud section of  
20 the Securities Act of Washington.

21 It is further ORDERED that Respondent Dale E. Bohnet shall cease and desist from violation of  
22 RCW 21.20.040, the broker-dealer and securities salesperson registration section of the Securities Act  
23 of Washington.

1 It is further ORDERED that the Respondents, Dale E. Bohnet, Braggdisc Incorporated, and  
2 Braggdisk, Inc., shall be permanently barred from any future securities registrations as an investment  
3 adviser, broker-dealer, investment adviser representative, or securities salesperson.

4 It is further ORDERED that Respondent Dale E. Bohnet shall be liable for and shall pay a fine of  
5 \$20,000.

6 **AUTHORITY AND PROCEDURE**

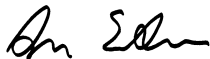
7 This Final Order is entered pursuant to the provisions of RCW 21.20.110 and RCW 21.20.390,  
8 and is subject to the provisions of RCW 21.20.120 and RCW 34.05. Respondents have the right to  
9 petition the superior court for judicial review of this agency action under the provisions of RCW 34.05.  
10 For the requirements for filing a Petition for Judicial Review, see RCW 34.05.510 and sections following.  
11 Pursuant to RCW 21.20.395, a certified copy of this order may be filed in Superior Court. If so filed,  
12 the clerk shall treat the order in the same manner as a Superior Court judgment as to the fine, and the  
13 fine may be recorded, enforced, or satisfied in like manner.

14  
15 DATED AND ENTERED this 4<sup>th</sup> day of March, 2008.

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17 \_\_\_\_\_  
18 MICHAEL E. STEVENSON  
19 Securities Administrator

20 Approved by:

21 

22 \_\_\_\_\_  
23 Suzanne Sarason  
24 Chief of Compliance & Examinations

20 Presented by:

21 

22 \_\_\_\_\_  
23 Bridgett Fisher  
24 Enforcement Attorney