

**UNITED STATES DISTRICT COURT
MIDDLE DISTRICT OF FLORIDA
ORLANDO DIVISION**

CASE NO.: 6:09-CV-2178-ORL-22-KRS

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

v.

HAROLD H. JASCHKE,

Defendant.

COMPLAINT FOR INJUNCTIVE AND OTHER RELIEF

Plaintiff Securities and Exchange Commission alleges:

I. INTRODUCTION

1. The Commission brings this action against Harold H. Jaschke, formerly a registered representative associated with First Allied Securities, Inc. (“First Allied”), for violating the antifraud provisions of the federal securities laws. Jaschke risked the financial well-being of two Florida municipalities, the City of Kissimmee (“Kissimmee”) and the Tohopekaliga Water Authority (“Toho”) (collectively, the “Municipalities”), by engaging in unauthorized and unsuitable transactions on their behalf, and by churning their accounts. Jaschke continuously lied to his customers in order to continue his fraudulent trading, taking advantage of their trust in him and their lack of investment sophistication. As a result of his conduct, Jaschke made approximately \$14.2 million in commissions, while his customers, at times, suffered massive unrealized losses in their accounts.

2. By ordinance, the Municipalities were required to invest in only safe and conservative investments. Despite being aware of the ordinances, between June 2005 and March

2008, Jaschke engaged in a high risk, short term Treasury bond trading strategy on behalf of the Municipalities, without fully disclosing to them the risks involved.

3. By late 2006, Jaschke's strategy began failing. In response, Jaschke exposed the Municipalities' accounts to even greater risk by leveraging the accounts through the use of short-term loans known as repurchase agreements to continue trading. This eventually caused the accounts to receive margin or "house" calls based on the low percentage of equity in the accounts. Because the Municipalities were not allowed to use leverage to fund their investments, Jaschke lied about the house calls.

4. When his customers began realizing that their accounts were losing large amounts of money, Jaschke falsely blamed the account losses on Bear Stearns, First Allied's clearing broker. This gave Jaschke additional time to continue churning the accounts and earning additional commissions.

5. As a result of his fraudulent conduct, between June 2005 and June 2007, the Municipalities' accounts suffered an aggregate, unrealized loss of approximately \$60 million. Due to extreme volatility in the market, the Municipalities were eventually able to recoup the unrealized losses. As of March 2008, when both customers had ceased working with Jaschke, Jaschke had made approximately \$14.2 million in commissions earned on the trading in the Municipalities' accounts. Despite the extraordinary risk-free profits to Jaschke, the Municipalities made an aggregate profit of only \$9.8 million during the same time period, and Jaschke exposed them to enormous risks that were specifically prohibited by their respective ordinances. Had the market not swung sharply in Jaschke's favor, the Municipalities could have lost millions of dollars as a result of Jaschke's misconduct.

6. Jaschke also aided and abetted his firm's willful violations of certain books and records provisions. Specifically, First Allied failed to preserve all business e-mails, in part, because Jaschke used his personal e-mail account to conduct business. This practice was specifically prohibited by First Allied's written policies because e-mails sent to and from personal accounts were not subject to the firm's review and retention system. Jaschke was aware of the firm's policies and was reminded by his supervisors not to use his personal e-mail account to conduct business, but continued to do so to evade detection.

7. Through his conduct, Jaschke violated Section 17(a) of the Securities Act of 1933 ("Securities Act"), 15 U.S.C. § 77q(a); Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act") and Rule 10b-5 thereunder, 15 U.S.C. § 78j(b) and 17 C.F.R. § 240.10b-5; and aided and abetted First Allied's violations of Section 17(a) of the Exchange Act and Rule 17a-4 thereunder, 15 U.S.C. § 78q(a) and 17 C.F.R. §240.17a-4. Unless enjoined, Jaschke is reasonably likely to engage in future violations of the federal securities laws.

II. DEFENDANT AND RELEVANT ENTITY

8. **Jaschke**, age 49, is a resident of Houston, Texas. Jaschke was associated with First Allied as a registered representative from June 2005 to August 2008, at which time First Allied terminated Jaschke for "failure to follow firm policy and industry standards of conduct, including those related to the use of approved e-mail accounts and accurate communications with customers." Jaschke started his own investment adviser business, HHJ Capital Partners, L.P. ("HHJ"), in November 2008, and became registered with the Commission on February 24, 2009.

9. **First Allied Securities, Inc.**, is a New York corporation with its principal place of business in San Diego, California and has been registered with the Commission since 1993 as a broker-dealer, and since 1994 as an investment adviser. First Allied licenses over 900

independent contractor representatives and maintains approximately 600 branch offices nationwide.

III. JURISDICTION AND VENUE

10. The Court has jurisdiction over this action pursuant to Sections 20(b), 20(d), and 22(a) of the Securities Act, 15 U.S.C. §§ 77t(b), 77t(d) and 77v(a); and Sections 21(d), 21(e), 21A and 27 of the Exchange Act, 15 U.S.C. §§ 78u(d), 78u(e) and 78aa.

11. The Court has personal jurisdiction over Jaschke and venue is proper in the Middle District of Florida because Jaschke conducted business in the Middle District and perpetrated a fraud against two municipalities in the Middle District. Thus, many of his acts and transactions constituting violations of the Securities Act and the Exchange Act occurred in the Middle District.

12. Jaschke, directly and indirectly, singly or in concert with others, made use of the means and instrumentalities of interstate commerce, the means and instruments of transportation and communication in interstate commerce, and the mails, in connection with the acts, practices, and courses of business set forth in this Complaint.

IV. JASCHKE'S FRAUDULENT CONDUCT

A. Jaschke's Trading Strategy

13. Jaschke recommended that his customers engage in a risky trading strategy involving long-term, zero-coupon United States Treasury Bonds, also known as "STRIPS" (which stands for Separate Trading of Registered Interest and Principal of Securities). Holding STRIPS to maturity is considered a safe investment, as the United States Treasury will pay the face amount of the bond regardless of any intervening events affecting the stock market, interest rates, or the bond market. However, Jaschke's strategy involved buying and selling the same

STRIPS within a matter of days, and sometimes within the same day. The value of STRIPS is very sensitive to changes in interest rates. For example, if interest rates increase by only 1%, the value of a 30-year STRIP may drop by 25%. Therefore, while selling a STRIP prior to maturity might allow an investor to make a profit, it could also cause the investor to suffer a large loss depending on whether interest rates have gone up or down since the investor purchased the STRIP.

14. In addition to simply short-term trading in STRIPS, in spring 2006, Jaschke began using repurchase agreements, or “repos,” to finance purchases of STRIPS. As explained in First Allied training materials, a repo “represents a collateralized short-term loan for which the collateral may be a Treasury Security”¹ The use of repos dramatically increased the risks to which Jaschke’s customers were exposed, as repos allowed the accounts to borrow large amounts of money in order to hold larger positions.

15. The leverage ratios for the accounts of both Kissimmee and Toho reached as high as \$7 borrowed for each \$1 of equity, and in Kissimmee’s account, the leverage ratio reached as high as \$20 to \$1. In addition, after 2006, there was never enough money in either account to pay for all of the securities purchased. This required Jaschke to continually “roll” repos, or enter into additional short-term loans, in order to fund the positions he took on behalf of the Municipalities.

16. As a result of Jaschke’s trading strategy, between June 2005 and June 2007, Kissimmee’s account value declined approximately 84% and Toho’s account value declined

¹ For example, a customer may purchase \$2.5 million of Treasury Bonds and fund the purchase by using the securities as collateral for a two-week loan at 5% interest. The lender would then provide \$2,450,000 to the customer (\$2,500,000 – the “credit spread” the customer pays for a repo), and in two weeks, the customer would repay the lender \$2,454,763 (\$2,450,000 + 14 days’ interest at 5%).

approximately 68%, an aggregate of more than \$60 million. Jaschke was able to recoup these losses by early 2008 only because the market volatility that had caused the accounts to quickly lose money just a few months earlier, swung sharply in Jaschke's favor during fall 2007.

B. Jaschke's Customers

1. City of Kissimmee

17. Kissimmee is a municipality located in Osceola County, Florida, with a population of approximately 63,000. Jaschke had been Kissimmee's broker for over 17 years, and, in 2005, Kissimmee moved its account to First Allied in conjunction with Jaschke's move to the firm. Kissimmee held a non-discretionary account with First Allied, meaning that Jaschke did not have discretion to trade without prior authorization from Kissimmee.

18. At all relevant times, Kissimmee's Director of Finance (the "Kissimmee Fund Manager") was responsible for investing Kissimmee's funds, and until summer 2006, was responsible for investing Toho's funds as well. While overseeing investments was one of the Kissimmee Fund Manager's duties, only a small percentage of her time was devoted to investment activities, and she primarily relied on Jaschke for investment advice, based on his longstanding relationship with Kissimmee. The Kissimmee Fund Manager herself had very little investing experience and was an unsophisticated investor.

19. Given her lack of investment acumen, the Kissimmee Fund Manager relied on Jaschke to explain the mechanics of certain investments, including STRIPS. When Jaschke approached the Kissimmee Fund Manager about investing in STRIPS in 2005, he explained to her that the investments would be a good way to supplement Kissimmee's interest earnings and, in response to her questions, assured her that the STRIPS trading was nothing like the derivatives trading that had caused Kissimmee to suffer large unrealized losses in the 1990s. The

Kissimmee Fund Manager agreed to a limited investment based on her understanding that Kissimmee's principal investment would be kept safe.

20. The Kissimmee Fund Manager also relied on Jaschke to ensure that all investment activity Kissimmee engaged in complied with Kissimmee's investment policy, which was outlined in a Kissimmee ordinance. Jaschke was aware of, and had a copy of Kissimmee's ordinance, and the Kissimmee Fund Manager sometimes reminded him that all investments had to comply with these rules. The ordinance includes, in pertinent part, the following restrictions:

- Kissimmee funds should be "invested to provide safety of capital, liquidity of funds and investment income, in that order of importance;" and
- "Repurchase and Reverse Repurchase Agreements will be limited to transactions in which the proceeds will be used to provide liquidity. The proceeds will not be used for the purpose of making investments."

21. Despite the explicit restrictions in the ordinance and conversations with the Kissimmee Fund Manager concerning the safety of the investments, Jaschke engaged in a high risk, rapid trading strategy within Kissimmee's account, eventually using the proceeds of repurchase agreements to invest in STRIPS, which was a direct violation of Kissimmee's investment ordinance.

22. The Kissimmee Fund Manager was unaware of the manner in which repos were being used to leverage the Municipalities' accounts. In March 2006, Jaschke suggested to the Kissimmee Fund Manager that Kissimmee and Toho open repo accounts. Jaschke explained that the accounts would be used in accordance with the ordinance to provide liquidity by facilitating cash transfers between the Municipalities and First Allied. For example, Jaschke explained that in situations where Kissimmee sold securities and planned to reinvest the cash proceeds within a

week or two, the account would hold the proceeds, thereby saving the effort and expense of wiring funds back and forth between Kissimmee and First Allied. Unbeknownst to the Kissimmee Fund Manager, Jaschke began using repos to leverage the account in order to fund the purchase of STRIPS the Municipalities would not otherwise have been able to afford.

23. In summer 2007, the Kissimmee Fund Manager hired an outside accountant to help prepare for Kissimmee's upcoming fiscal 2007 audit. The accountant discovered the short-term trading occurring in Kissimmee's account, as well as a margin call Kissimmee had received, and alerted the Kissimmee Fund Manager, who immediately contacted Jaschke to ask about the transactions. Jaschke falsely claimed that the short-term transactions reflected on the statements were initiated by Bear Stearns, First Allied's clearing broker. He misleadingly indicated that Bear Stearns may have mistakenly treated Kissimmee's account as a margin account, and liquidated Kissimmee's STRIPS at a loss. In reality, Jaschke had initiated all of the transactions on behalf of Kissimmee without the Kissimmee Fund Manager's prior approval. With respect to the margin call, Jaschke assured the Kissimmee Fund Manager that this was another mistake on the part of Bear Stearns, and that he was not using margin to trade in Kissimmee's account.

24. Jaschke's use of leverage in the form of repos to fund additional purchases of securities in Kissimmee's account triggered margin or "house" calls from Bear Stearns, which required additional equity in the account. Because Jaschke's use of repos for the purpose of investment rather than liquidity was specifically prohibited by Kissimmee's investment ordinance, he lied to the Kissimmee Fund Manager to hide the true reason for the house calls.

25. In late summer 2007, Kissimmee's outside accountant discovered that Kissimmee's account had suffered a large unrealized loss. Jaschke again blamed Bear Stearns,

and suggested that Kissimmee pursue legal action against the clearing broker. Jaschke explained that First Allied was switching its clearing broker to UBS due to problems it had encountered with Bear Stearns. In reality, the switch to UBS occurred because Bear Stearns asked to be removed as clearing broker for the Municipalities' accounts.

26. Between June 2005 and March 2008, Jaschke received \$6.1 million in commissions from the trades he executed on behalf of Kissimmee. However, Kissimmee earned only \$4.3 million during the same time on the purchase of \$2.8 billion of STRIPS, and was unknowingly exposed to huge risks during the process.

2. Tohopekaliga Water Authority

27. Toho is an independent special district of the State of Florida, created in 2003 to provide water services to Kissimmee and the unincorporated areas within Osceola County, Florida. The Kissimmee Fund Manager was responsible for overseeing Toho's investments until summer 2006, when Toho investment funds were separated from Kissimmee's. From that point on, Toho's Business Services Manager (the "Toho Fund Manager") (with the Kissimmee Fund Manager, the "Fund Managers"), took over all investment activities for Toho.

28. The Toho Fund Manager was responsible for investing Toho funds. Toho had its own account with First Allied, which was also non-discretionary. Like the Kissimmee Fund Manager, the Toho Fund Manager was an unsophisticated investor and spent only a small portion of his time overseeing Toho's investments. When the Toho Fund Manager initially took over Toho's investment activities, he told Jaschke that he did not understand the STRIPS "program." The Toho Fund Manager tried to learn more about STRIPS trading, but never completely understood how Jaschke's strategy actually worked. As a result, he primarily relied on Jaschke for investment advice and believed that Jaschke's STRIPS trading strategy complied

with Toho's investment ordinance, which, like Kissimmee's, emphasized preservation of capital and safety of investment, and prohibited the use of repurchase agreements for the purpose of making investments.

29. As with Kissimmee, Jaschke ignored Toho's investment ordinance and used its account to rapidly trade STRIPS, using repurchase agreements to leverage Toho's account and fund the STRIPS' purchase.

30. Despite the account's non-discretionary status, Jaschke controlled, and had complete discretion over the account. The only time the Toho Fund Manager ever gave any sort of authorization was in situations in which Jaschke asked the Toho Fund Manager to wire additional funds for a new investment. The Toho Fund Manager received account statements reflecting the STRIPS trading activity. However, he did not immediately question the trading because he had "inherited" the program from Kissimmee, and no one suggested to him that there were any potential problems.

31. In fall 2007, Toho's 2007 audit began, and the Toho Fund Manager asked the accountants to "scrub" the STRIPS trading information based on his lack of expertise in the area. The auditors soon discovered that Toho's account had suffered large unrealized losses as a result of the short-term trading of STRIPS and the use of repos. When the Toho Fund Manager asked Jaschke for an explanation, Jaschke responded with a lengthy written response again deflecting the blame towards Bear Stearns. By this point, the Toho Fund Manager was skeptical of Jaschke's explanations, but did not want to sell Toho's remaining STRIPS for a loss. Therefore, he kept his First Allied account open until January 2008, when he was able to close the First Allied account and sell all of his securities for a small profit.

32. Between June 2005 and January 2008, Jaschke received \$8.1 million in commissions on the trades he executed on behalf of Toho. However, Toho earned only \$5.5 million during the same time on the purchase of \$3.1 billion of STRIPS, and was forced to unknowingly assume huge risks during the process.

C. Jaschke's Material Misrepresentations and Omissions

1. House Calls

33. In fall 2006, the STRIPS market fell. Jaschke reacted by leveraging the Municipalities' accounts to an even greater degree to allow him to continue his trading strategy. This, in turn, caused the percentage of equity in the Municipalities' accounts to drop below Bear Stearns' equity threshold. As a result, the accounts began receiving house calls, requiring an infusion of cash to meet the required equity percentage.

34. House calls could be met by either wiring cash into the account, or by selling off securities. Because Jaschke knew that the house calls might alert the Fund Managers as to the large amounts of leverage being used in both accounts, he continuously lied to his customers about their existence. For example, in December 2006, Bear Stearns issued a written margin notification to the Kissimmee Fund Manager, informing her that her account required an additional \$3.8 million. The notice was automatically generated due to a debit balance in the account that occurred because it did not contain enough money to pay for all of the STRIPS Jaschke had purchased. When the Kissimmee Fund Manager asked Jaschke about the notice, Jaschke informed her that she should ignore it, and that the people at Bear Stearns were sometimes "morons."

35. From December 2006 through early 2008, the accounts received house calls on a regular basis, and sometimes on a daily basis when the STRIPS market was performing

particularly poorly. However, because Jaschke became adept at using repos and selling securities to manage the account balances, the Municipalities did not typically receive notices regarding house calls.

36. When Jaschke needed additional funds wired into one of the accounts to satisfy a house call, he contacted the Fund Managers purporting to offer them new STRIPS “investments.” These were the few STRIPS transactions that Jaschke actually discussed with the Fund Managers prior to their purchase, and they typically involved an investment of a fixed amount that would be returned shortly with a specific rate of return. Often, Jaschke would falsely claim that an unnamed wealthy customer was making the same or similar purported investments. However, instead of investing his customers’ funds as promised, Jaschke simply used the “investment” funds to meet house calls, and then returned the funds plus the rate of return when the accounts no longer needed the cash to meet the required equity threshold. If the customers weren’t interested in making these “investments,” or if Jaschke chose not to approach them, he would simply sell securities to cover the calls without ever disclosing either the house call or the sale to his customers.

2. Account Performance

37. Between December 2006 and June 2007, the Municipalities’ accounts continuously lost money, suffering extremely large losses by the summer of 2007 when the STRIPS market rapidly declined. While Jaschke knew that the Fund Managers relied on him for information about the performance of their accounts, Jaschke never disclosed the massive, unrealized losses suffered in their accounts.

38. When the Toho Fund Manager noticed that Toho’s account statement showed losses in December 2006, Jaschke falsely told him that the statements were inaccurate due to

problems with Bear Stearns' systems, and instructed the Toho Fund Manager to instead rely on spreadsheets Jaschke had prepared. On at least one of Jaschke's spreadsheets, the market value of Toho's STRIPS was overstated by approximately \$25 million.

39. When Kissimmee's and Toho's auditors began reviewing the Municipalities' investment activity in late summer 2007 and found the massive, unrealized losses, Jaschke blamed the losses on Bear Stearns and insisted that, due to glitches within Bear Stearns' systems, the accounts had mistakenly been treated as margin accounts and were wrongfully liquidated, at a loss, to cover margin calls. In reality, Bear Stearns neither liquidated the Municipalities' accounts, nor directed anyone at First Allied to do so. Instead, the losses resulted from Jaschke's trading in the accounts while the STRIPS market suffered a dramatic decline, and Jaschke simply lied to deflect attention from his unauthorized activities.

D. Unauthorized Trading

40. Between June 2005 and March 2008, Jaschke engaged in several different types of unauthorized trading in the Municipalities' accounts. First, despite the fact that the Municipalities held non-discretionary accounts with First Allied, Jaschke conducted hundreds of short-term STRIP transactions in the Municipalities' accounts without the Fund Managers' authorization.

41. Second, Jaschke's use of repos on behalf of the Municipalities was unauthorized. The Kissimmee Fund Manager authorized the opening of repo accounts for both Kissimmee and Toho based on the understanding that they would be used to provide liquidity for the Municipalities, in accordance with their investment ordinances. Jaschke provided her with language indicating that the repo accounts would not be used to leverage the Municipalities' investment portfolios, and the Kissimmee Fund Manager signed letters to the financial institution

holding the accounts indicating the same. Despite these assurances, Jaschke nevertheless engaged in hundreds of transactions on behalf of both Kissimmee and Toho that used the same repo accounts to leverage the investment portfolios of the Municipalities in contradiction to the investment ordinances.

42. Third, Jaschke conducted unauthorized trading to hide the numerous house calls the Municipalities received from Bear Stearns. Jaschke engaged in unauthorized sales of securities to meet some house calls, and lied to the Fund Managers about non-existent investment opportunities in order to secure funds to satisfy other house calls. In one instance, Jaschke promised the Kissimmee Fund Manager that her \$10 million wire would be used to purchase a Treasury Bill with a specific CUSIP number. Instead, he used the \$10 million to meet a house call and did not purchase a Treasury Bill. Jaschke's sale of securities and use of investment funds to meet house calls are additional examples of his unauthorized trading.

E. Unsuitable Recommendations

43. Jaschke's trading strategy was unsuitable for the Municipalities in light of their investment ordinances and their conservative investment objectives. Their investment ordinances prioritized safety of capital above all else, and specifically prohibited using repos for the purpose of making investments. Jaschke was aware of these restrictions, and had copies of the Municipalities' investment ordinances.

44. Additionally, within First Allied's internal account-tracking system, Kissimmee was listed as having a moderate risk tolerance and Toho was listed as having a low risk tolerance.² In spite of this, Jaschke embarked on a risky trading strategy that involved short-term

² Kissimmee and Toho have nearly identical investment ordinances and appear to have had different risk tolerances within First Allied's internal account-tracking system due to a mistake possibly caused by Jaschke's data entry regarding the Municipalities.

trading, a practice that First Allied's written definitions of investment objectives described as "extremely risky" and "not appropriate for customers with limited resources, limited investment or trading experience or a low risk tolerance, as it does involve a high degree of risk, including the potential for significant loss of principal"

45. Finally, Jaschke used repurchase agreements to invest in STRIPS, a practice specifically prohibited by the Municipalities' investment ordinances. Jaschke was able to use his trading strategy only because he failed to adequately explain his activities and disclose the level of risk they incurred to his unsophisticated customers. He then lied to the Municipalities when they questioned him about their accounts' activity.

F. Churning

46. Between June 2005 and March 2008, Jaschke controlled the accounts of both Kissimmee and Toho. While both accounts were set up as non-discretionary, Jaschke engaged in unauthorized trading and/or had complete discretion over the accounts at all relevant times. Jaschke excessively traded the Municipalities' accounts for his own gain in disregard of his customers' interest. Kissimmee's account effected a total of 478 trades during this time, which resulted in the purchase of \$2.8 billion of STRIPS, an average monthly equity of approximately \$27.8 million, an annualized turnover rate of 37 (annualized turnover rates in excess of 6 are generally presumed to reflect excessive trading), and a cost-to-equity ratio of 19.2% (well above accepted norms). Kissimmee's account made only approximately \$4.3 million, while Jaschke personally generated \$6.1 million in commissions during the same time, of which, 10% was paid to First Allied. Toho's account effected a total of 563 trades, which resulted in the purchase of \$3.1 billion of STRIPS, an average monthly equity of approximately \$32.2 million, an annualized turnover rate of 37, and a cost-to-equity ratio of 27.6%. Toho's account made only

approximately \$5.5 million, while Jaschke personally generated \$8.1 million in commissions from the trades, of which, 10% was paid to First Allied.

G. Aiding and Abetting First Allied's Books and Records Violation

47. First Allied willfully violated certain books and records provisions, which Jaschke aided and abetted. Specifically, First Allied failed to preserve all business e-mails, in part, because Jaschke used his personal e-mail account to conduct business. This practice was specifically prohibited by First Allied's written policies because e-mails sent to and from personal accounts were not subject to the firm's review and retention system.

48. Jaschke was aware of First Allied's e-mail policy, which required its registered representatives to use their First Allied e-mail address when corresponding with customers, and was outlined in the firm's compliance manual, which Jaschke read "thoroughly." Additionally, on several occasions, Jaschke's supervisors noticed his use of a personal account, and reminded him to use only his First Allied account when conducting business.

49. Because Jaschke used his personal e-mail account to correspond with customers despite knowing that the firm's policies prohibited this practice, he aided and abetted First Allied's failure to maintain business-related e-mails.

V. CLAIMS FOR RELIEF

COUNT I

FRAUD IN VIOLATION OF SECTION 17(a)(1) OF THE SECURITIES ACT

50. The Commission repeats and realleges Paragraphs 1 through 49 of this Complaint.

51. From June 2005 to March 2008, Jaschke directly and indirectly, by use of the means or instruments of transportation or communication in interstate commerce and by use of

the mails, in the offer or sale of securities, as described in this Complaint, knowingly, willfully, or recklessly employed devices, schemes or artifices to defraud.

52. By reason of the foregoing, Jaschke directly and indirectly violated, and unless enjoined, is reasonably likely to continue to violate, Section 17(a)(1) of the Securities Act, 15 U.S.C. § 77q(a)(1).

COUNT II

FRAUD IN VIOLATION OF SECTIONS 17(a)(2) AND 17(a)(3) OF THE SECURITIES ACT

53. The Commission repeats and realleges Paragraphs 1 through 49 of this Complaint.

54. From June 2005 to March 2008, Jaschke directly and indirectly, by use of the means or instruments of transportation or communication in interstate commerce and by the use of the mails, in the offer or sale of securities: (a) obtained money or property by means of untrue statements of material facts and omissions to state material facts necessary to make the statements made, in the light of the circumstances under which they were made, not misleading; or (b) engaged in transactions, practices and courses of business which operated and will operate as a fraud or deceit upon purchasers and prospective purchasers of such securities.

55. By reason of the foregoing, Jaschke directly and indirectly violated and, unless enjoined, is reasonably likely to continue to violate, Sections 17(a)(2) and 17(a)(3) of the Securities Act, 15 U.S.C. §§ 77q(a)(2) and 77q(a)(3).

COUNT III

FRAUD IN VIOLATION OF SECTION 10(b) OF THE EXCHANGE ACT AND RULE 10b-5 THEREUNDER

56. The Commission repeats and realleges Paragraphs 1 through 49 of this Complaint.

57. From June 2005 through March 2008, Jaschke directly and indirectly, by use of the means and instrumentality of interstate commerce, and of the mails in connection with the purchase or sale of securities as described in this Complaint, knowingly, willfully, or recklessly: 1) employed devices, schemes or artifices to defraud; 2) made untrue statements of material facts and omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; or 3) engaged in acts, practices and courses of business which operated as a fraud upon the purchasers of such securities and will operate as a fraud upon the purchasers of such securities.

58. By reasons of the foregoing, Jaschke directly or indirectly violated, and, unless enjoined, is reasonably likely to continue to violate, Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5 thereunder, 17 C.F.R. § 240.10b-5.

COUNT IV

AIDING AND ABETTING VIOLATIONS OF SECTION 17(a) OF THE EXCHANGE ACT AND RULE 17a-4 THEREUNDER

59. The Commission repeats and realleges Paragraphs 1 through 49 of this Complaint.

60. From June 2005 through March 2008, First Allied did not retain all business-related e-mails received and generated by Jaschke.

61. From June 2005 through March 2008, Jaschke knowingly and substantially assisted First Allied's violations of Section 17(a) of the Exchange Act, 15 U.S.C. § 78q(a), and Rule 17a-4 thereunder, 17 C.F.R. § 240.17a-4.

62. By reason of the foregoing, Jaschke aided and abetted violations of and, unless enjoined, is reasonably likely to continue to violate, Section 17(a) of the Exchange Act, 15 U.S.C. § 78q(a), and Rule 17a-4 thereunder, 17 C.F.R. § 240.17a-4.

RELIEF REQUESTED

WHEREFORE, the Commission respectfully requests that the Court:

I.

Declaratory Relief

Declare, determine, and find that Jaschke committed the violations of the federal securities laws alleged herein.

II.

Permanent Injunction

Issue a Permanent Injunction restraining and enjoining Jaschke, his officers, agents, servants, employees, attorneys, and all persons in active concert or participation with him, and each of them, from violating Section 17(a) of the Securities Act; Section 10(b) of the Exchange Act and Rule 10b-5 thereunder; and Section 17(a) of the Exchange Act and Rule 17a-4 thereunder.

III.

Disgorgement

Issue an Order directing Jaschke to disgorge all ill-gotten gains, including prejudgment interest, resulting from the acts or courses of conduct alleged in this Complaint.

IV.

Penalties

Issue an Order directing Jaschke to pay a civil money penalty pursuant to Section 20(d) of the Securities Act, 15 U.S.C. § 77t(d), and Section 21(d) of the Exchange Act, 15 U.S.C. § 78u(d).

V.

Further Relief

Grant such other and further relief as may be necessary and appropriate.

VI.

Retention of Jurisdiction

Further, the Commission respectfully requests that the Court retain jurisdiction over this action in order to implement and carry out the terms of all orders and decrees that may be entered or to entertain any suitable application of motion by the Commission for additional relief within the jurisdiction of this Court.

Respectfully submitted,

December ____, 2009

By: _____

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