

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2022074096804**

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

RE: Investment Network, Inc. (Respondent)
Member Firm
CRD No. 127724

Gary L. Arnold (Respondent)
General Securities Principal
CRD No. 852859

Pursuant to FINRA Rule 9216, Respondents Investment Network, Inc. and Gary L. Arnold 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 Respondents alleging violations based on the same factual findings described in this AWC.

I.

ACCEPTANCE AND CONSENT

- A. Respondents accept and consent to the following findings by FINRA without admitting or denying them:

BACKGROUND

Investment Network Inc. (INI) became a FINRA member firm in 2003. The firm is headquartered in Canton, Ohio, and conducts a general securities business. The firm has approximately 20 registered representatives and five branch offices.¹

Arnold first became registered with FINRA in 1987. Since October 2003, Arnold has been registered as a General Securities Principal through an association with INI. From at least February 2019 to the present, Arnold was INI's President, Chief Executive Officer, and Chief Compliance Officer.²

¹ For more information about the firm, including prior regulatory events, visit BrokerCheck® at www.finra.org/brokercheck.

² For more information about Arnold, visit BrokerCheck® at www.finra.org/brokercheck.

OVERVIEW

First, INI engaged in various types of misconduct in connection with recommendations and sales to retail customers of private placement offerings of pre-initial public offering (pre-IPO) funds (the Offerings) that took place between October 2020 and May 2021:

- INI engaged in a deceptive course of business by misrepresenting to investors that it would receive only a ten percent sales commission from its sale of the Offerings when, in fact, INI had an agreement with the Offerings' issuer (the Issuer) to receive an additional five percent in selling compensation as well as half of any carried interest. INI never disclosed this agreement or the additional compensation it would receive to investors. As a result, INI violated FINRA Rule 2010, both independently and by virtue of contravening Section 17(a)(3) of the Securities Act of 1933. INI also willfully violated Regulation Best Interest (Reg BI), set forth at Exchange Act Rule 15c-1(a)(1), by failing to comply with Reg BI's Disclosure Obligation, set forth at Rule 15c-1(a)(2)(i)(B), and violated FINRA Rule 2010.
- INI lacked a reasonable basis to believe that the Offerings were in the best interests of at least some retail customers. Prior to recommending and selling the Offerings, INI failed to confirm that the Issuer had possession of or access to the pre-IPO shares identified in the offering documents or that the Issuer's prices and markups were reasonable and not excessive. As a result, INI willfully violated Reg BI by failing to comply with Reg BI's Care Obligation, set forth at Exchange Act Rule 15c-1(a)(2)(ii)(A), and violated FINRA Rule 2010.
- In contravention of the Bank Secrecy Act and its implementing regulations, INI failed to implement a reasonable Customer Identification Program (CIP) for customer accounts that were opened by the representatives who sold the Offerings. INI approved the opening of these accounts without receiving sufficient information to verify customer identity. As a result, INI violated FINRA Rules 3310(b) and 2010.
- INI failed to make required filings with FINRA in connection with the Offerings. As a result, INI violated FINRA Rules 5123 and 2010.

Second, INI and Arnold failed to establish, maintain, and enforce a reasonable supervisory system, including written supervisory procedures (WSPs), in the following respects:

- Between October 2020 and May 2021, INI and Arnold failed to establish, maintain, and enforce a reasonable supervisory system, including WSPs, to achieve compliance with Reg BI's Care Obligation with respect to the firm's recommendations of private placement offerings. The firm had no WSPs related to private placement offerings, including compliance with Reg BI's Care Obligation and did not designate a supervisor with responsibility for supervising such offerings. In practice, the firm failed to conduct reasonable due diligence on

the Offerings and failed to supervise recommendations of the Offerings to ensure that those recommendations were in customers' best interest. Finally, the firm had no WSPs related to making private placement filings with FINRA pursuant to FINRA Rule 5123. As a result, INI willfully violated Reg BI by failing to comply with Reg BI's Compliance Obligation, set forth at Exchange Act Rule 15c-1(a)(2)(iv), and INI and Arnold violated FINRA Rules 3110 and 2010.

- From at least February 2019 to the present, INI and Arnold failed to establish, maintain, and enforce a supervisory system, including WSPs, reasonably designed to achieve compliance with the suitability requirements of FINRA Rule 2111 and, as of June 30, 2020, Reg BI's Care Obligation, regarding excessive trading. As a result, INI violated Reg BI by failing to comply with Reg BI's Compliance Obligation, set forth at Exchange Act Rule 15c-1(a)(2)(iv), and INI and Arnold violated FINRA Rules 3110 and 2010
- From June 30, 2020, to the present, INI and Arnold failed to establish any written supervisory procedures concerning Reg BI, and therefore failed to establish, maintain, and enforce WSPs reasonably designed to achieve compliance with Reg BI. As a result, INI willfully violated Reg BI by failing to comply with Reg BI's Compliance Obligation, and INI and Arnold violated FINRA Rules 3110 and 2010.

FACTS AND VIOLATIVE CONDUCT

The matters covered by this AWC arose from a review of INI's pre-IPO offerings, as well as from a cycle examination of the firm.

A. INI failed to disclose a conflict of interest by misrepresenting the amount of compensation it received from sales of the Offerings.

Section 17(a) of the Securities Act provides that:

It shall be unlawful for any person in the offer or sale of any securities . . . by the use of any means or instruments of transportation or communication in interstate commerce or by the use of the mails, directly or indirectly . . .

(3) to engage in any transaction, practice, or course of business which operates or would operate as a fraud or deceit upon the purchaser.

As of June 30, 2020, broker-dealers and their associated persons are required to comply with Regulation BI under the Securities Exchange Act of 1934. Rule 15c-1(a)(1) of Reg BI requires a broker, dealer, or a natural person associated with a broker or dealer, when making a recommendation of any securities transaction or investment strategy involving securities (including account recommendations) to a retail customer, to act in the best interest of that retail customer at the time the recommendation is made, without placing

the financial or other interest of the broker, dealer, or associated person ahead of the interest of the retail customer.

Reg BI's Disclosure Obligation, set forth at Exchange Act Rule 15c-1(a)(2)(i), requires broker-dealers and associated persons to provide retail customers full and fair written disclosure, prior to or at the time of the recommendation, of all material facts relating to conflicts of interest that are associated with the recommendation.³ Reg BI defines a "conflict of interest" to be an interest that might incline a broker-dealer or an associated person—consciously or unconsciously—to make a recommendation that is not disinterested. Reg BI's Adopting Release provides that broker-dealers and associated persons must disclose material facts relating to compensation associated with recommendations to retail customers and related conflicts of interest. This disclosure should summarize how the broker-dealer and associated persons are compensated for their recommendations and the conflicts of interest that such compensation creates. This summary should include the sources and types of compensation received.⁴

FINRA Rule 2010 requires that FINRA members observe high standards of commercial honor and just and equitable principles of trade in the conduct of their business. A violation of Section 17(a) of the Securities Act or Reg BI is also a violation of FINRA Rule 2010. In addition, making a material misrepresentation or omitting a material fact to customers independently violates FINRA Rule 2010, as it is inconsistent with just and equitable principles of trade.

In the fall of 2020, four registered representatives requested that INI allow them to sell the Offerings to retail customers.⁵ The Offerings purportedly provided investors the opportunity to own interests in pre-IPO companies. The pre-IPO shares were the Offerings' sole purported asset.

In October 2020, Arnold approved the Offerings on behalf of INI, and in November 2020, he executed a written agreement with the Issuer under which INI agreed to act as a placement agent for the Offerings.⁶ The written agreement between the Issuer and INI stated that INI was entitled to a ten-percent sales commission and half of any carried interest collected by the Issuer.⁷ Separately, the Issuer and an INI representative agreed that the Issuer would pay INI an additional five percent in selling compensation, for a

³ Reg BI's Adopting Release states that a fact is "material" if there is a substantial likelihood that a reasonable retail customer would consider it important. *Regulation Best Interest: The Broker-Dealer Standard of Conduct*, Exchange Act Release No. 86031, 84 FR 33318 at 33347 (July 12, 2019) ("Adopting Release").

⁴ Adopting Release at 33363.

⁵ FINRA has sanctioned three of these representatives for their failure to respond to requests for testimony that were issued pursuant to FINRA Rule 8210 (each received a bar from association with any FINRA member in all capacities).

⁶ The issuer is a non-registered limited liability company that established multiple private funds. Each fund issued different series of investments offering pre-IPO shares of private companies.

⁷ Carried interest is a share of profits payable to investment managers rather than investors. Here, the Issuer retained as carried interest 20 percent of any profits following the IPOs of the private companies.

total of 15 percent. Although Arnold was not aware of this agreement for extra compensation, the firm should have discovered and disclosed it based on the size of the Issuer's payments to the firm, which reflected 15 percent in selling compensation.

From December 2020 to May 2021, INI disseminated offering documents to prospective investors in the Offerings—including a private placement memorandum, series investment letters, and subscription agreements—that falsely stated that INI was entitled to only a ten-percent sales commission and omitted its share of half of the carried interest. Customers who invested in the Offerings then received “welcome letters” from the Issuer, which repeated the false statement that INI received only a ten-percent commission and omitted its share of half of the carried interest.

In total, the four representatives recommended and sold the Offerings to 36 retail customers. The total principal amount of the investments was \$2,352,900, and INI received \$116,745 in undisclosed commissions. INI passed along 91 percent of the total commissions it received in connection with the Offerings to the four representatives and retained \$63,769.60 in commissions and carried interest.

No one associated with INI ever informed customers that the issuer had entered into an agreement to pay INI 50 percent more in selling compensation than INI had disclosed to customers. These misrepresentations and omissions regarding the firm's entitlement to selling compensation were material and misleading because they gave potential investors inaccurate information about the firm's financial incentive to recommend the Offerings, which was a conflict of interest that could influence the firm's recommendations.

Therefore, INI violated FINRA Rule 2010, both independently and by virtue of contravening Section 17(a)(3) of the Securities Act, willfully violated Exchange Act Rule 15c-1(a)(1) by failing to comply with Reg BI's Disclosure Obligation, and thereby also violated FINRA Rule 2010.

B. INI lacked a reasonable basis to recommend the Offerings.

Reg BI's Care Obligation, set forth at Exchange Act Rule 15c-1(a)(2)(ii), requires broker-dealers and their associated persons to exercise reasonable diligence, care, and skill to, among other things, understand the potential risks, rewards, and costs associated with a recommendation. Reg BI's Adopting Release provides that what constitutes “reasonable diligence” depends on, among other things, the complexity of, and risks associated with, the recommended security.⁸ The Care Obligation requires broker-dealers and their associated persons to have a reasonable basis to believe that the recommendation could be in the best interest of at least *some* retail investors.

When a broker-dealer is engaged in selling a private placement, compliance with the Care Obligation requires the broker-dealer to conduct a reasonable investigation, or due diligence, prior to recommending the offerings to its customers. Regulatory Notice 10-22

⁸ Adopting Release at 33376.

provides that such due diligence should include, at a minimum, a reasonable investigation concerning the issuer and its management, the assets held by or to be acquired by the issuer, the claims being made, and the intended use of proceeds of the offering.⁹

INI did not conduct reasonable due diligence before recommending the Offerings to 36 retail customers who purchased the Offerings, and therefore lacked a reasonable basis for those recommendations. INI failed to take reasonable steps to verify whether the Issuer had access to, or possession of, the pre-IPO shares in the companies that were the subject of the Offerings, even though acquiring an interest in such shares was the sole purpose of investing in the Offerings. Because investors in the Offerings receive shares in the companies at issue only after the companies have held IPOs, and many of the companies at issue have not yet done so, it remains unknown whether the Issuer, in fact, possesses the pre-IPO shares it purported to sell. Moreover, despite knowing that the Issuer applied markups to the pre-IPO shares—in other words, the Issuer charged a higher price when selling the shares to the pre-IPO fund than the Issuer had paid to acquire the shares—INI did not take reasonable steps to determine the amount of these markups.

As a result, at the time INI recommended the Offerings to its customers, the firm had no reasonable basis to believe that the Issuer had access to or possession of the pre-IPO shares identified in the offering documents, or that the Issuer's prices and markups were reasonable and properly disclosed. In fact, the Issuer applied markups as high as 39 percent.¹⁰

Therefore, INI willfully violated Exchange Act Rule 15c-1(a)(1) by failing to comply with Reg BI's Care Obligation, and violated FINRA Rule 2010.

C. INI failed to implement its Customer Identification Program with respect to investors in the Offerings.

FINRA Rule 3310(b) requires each member to "[e]stablish and implement policies, procedures, and internal controls reasonably designed to achieve compliance with the Bank Secrecy Act [31 U.S.C. 5311, *et seq.*] and the implementing regulations thereunder." The BSA and its implementing regulations require, among other things, that each broker-dealer establish and maintain a written Customer Identification Program (CIP) appropriate for the firm's size and business and that the program contain risk-based procedures for verifying the identity of each customer to the extent reasonable and

⁹ Regulatory Notice 23-08 (May 9, 2023) updates and supplements, without altering, the guidance provided in Regulatory Notice 10-22.

¹⁰ On May 13, 2022, the SEC filed a lawsuit in the Southern District of New York against the Issuer and its principals. Among other things, the SEC alleged that the Issuer committed fraud by charging undisclosed, excessive markups and not having enough pre-IPO shares to satisfy its sales to investors. On June 14, 2022, the court entered a stipulation and consent order granting a preliminary injunction and other relief, including appointment of a receiver for the Issuer. On November 28, 2023, the U.S. Attorney's Office for the Southern District of New York filed a criminal case naming principals of the Issuer as defendants in a multi-count indictment including various felonies, including fraud and conspiracy to obstruct justice.

practicable.¹¹ A broker-dealer must obtain certain customer identifying information and verify the identity of each customer within a reasonable time before or after an account is opened.¹² CIPs must also include procedures for responding to circumstances in which the broker-dealer cannot form a reasonable belief that it knows the true identity of a customer, which should include a description of when the broker-dealer should not open an account and when the broker-dealer should close an account after attempts to verify a customer's identity have failed. A violation of Rule 3310 also constitutes a violation of FINRA Rule 2010.

INI failed to implement its written CIP for more than 20 customers of the four representatives who sold the Offerings. The firm's written CIP procedures required that the firm verify the identity of its customers and maintain records of any documentation used to verify customers' identities. Typically, INI used new account forms to collect sufficient information to verify customers' identities and customer profile information. For customer verification, these forms required customers to provide, among other things, their social security number, personal identification such as a driver's license or passport, and address. However, when the four representatives joined INI from another broker-dealer, over 20 customer accounts were transferred from the prior firm to INI based solely on a one-page authorization form. That form was executed by the customers and sent to INI's clearing firm, the same clearing firm utilized by the representatives' former firm. The form contained no identifying information for the customers beyond their name and account number at their prior firm. Based on this information alone, INI could not verify the customers' identities. Although INI reminded the four representatives to ensure that their customers ultimately completed new account forms, the firm did not impose a deadline or follow up when customers failed to complete these forms. Nor did the firm take any steps in the meantime to otherwise ensure that these customers produced sufficient information to allow INI to verify their identities.

As a result, at the time they invested in the Offerings, only 13 of the 36 investors had completed new account forms or otherwise provided information from which INI could verify their identities. Six investors did not complete new account forms or otherwise provide such information to INI until FINRA made a request for this information years after the Offerings closed, and the firm was never able to produce new account forms or otherwise demonstrate receipt of this information for three other investors.

By failing to implement a CIP that was reasonably designed to achieve compliance with the BSA and its implementing regulations, INI violated FINRA Rules 3310(b) and 2010.

D. INI failed to make required filings pursuant to FINRA Rule 5123.

FINRA Rule 5123 requires that each member that sells a security in a non-public offering in reliance on an available exemption from registration under the Securities Act:

(i) submit to FINRA, or have submitted on its behalf, a copy of any private placement

¹¹ See 31 U.S.C. § 5318(l) and 31 C.F.R. § 1023.220.

¹² See 31 C.F.R. § 1023.220(a)(2)(i) and § 1023.220(a)(2)(ii).

memorandum, term sheet or other offering document, used in connection with such sale within 15 calendar days of the date of first sale; or (ii) notify FINRA that no such offering documents were used. Rule 5123 was implemented to, as described in FINRA Regulatory Notice 12-40, “enhance oversight and investor protection” and provide “more timely and complete information about the private placement activities of firms on behalf of other issuers.” A violation of FINRA Rule 5123 is also a violation of FINRA Rule 2010.

From December 2020 to May 2021, INI sold 13 new Offerings to customers, but failed to file the private placement memorandum and other offering documents with FINRA.

Therefore, INI violated FINRA Rules 5123 and 2010.

E. INI and Arnold failed to establish, maintain, and enforce a supervisory system, including written supervisory procedures, reasonably designed to achieve compliance with Reg BI and FINRA rules relating to (1) the sale of private placements and (2) identifying and addressing potentially excessive trading.

Reg BI’s Compliance Obligation, set forth at Exchange Act Rule 15c-1(a)(2)(iv), requires a broker-dealer to establish, maintain, and enforce written policies and procedures reasonably designed to achieve compliance with Reg BI, including the Disclosure and Care Obligations. Reg BI’s Adopting Release provides that broker-dealers should consider the nature of that firm’s operations and how to design such policies and procedures to prevent violations from occurring, detect violations that have occurred, and to correct promptly any violations that have occurred.¹³

FINRA Rule 3110(a) requires that FINRA members “establish and maintain a system to supervise the activities of each associated person that is reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable FINRA rules.” FINRA Rule 3110(b) requires that each FINRA member “establish, maintain, and enforce written procedures to supervise the types of business in which it engages and the activities of its associated persons that are reasonably designed to achieve compliance with the applicable securities laws and regulations, and with applicable FINRA rules.”

INI and Arnold failed to reasonably supervise the Offerings.

From at least February 2019 to the present, Arnold has served as INI’s President, CEO, and CCO. Throughout this period, the firm’s WSPs have tasked Arnold with responsibility for “the overall supervision of the firm’s operation and the maintenance of its supervisory system,” including maintaining and updating the firm’s WSPs. Between October 2020 and May 2021, when the firm sold the Offerings, Arnold failed to update INI’s WSPs to include any written policies and procedures regarding private placements. As a result, INI’s WSPs did not designate a supervisor with responsibility for supervising

¹³ Adopting Release at 33397.

private placement offerings, nor did the WSPs establish guidelines and processes for: (1) private placement due diligence and evidencing compliance with its due diligence obligations; (2) approval of private placement offerings; (3) compliance with private placement filing requirements under FINRA Rule 5123; or (4) compliance with Reg BI's Care Obligation with respect to recommendations of the Offerings.

INI's system for supervising the Offerings was also not reasonably designed to achieve compliance with Reg BI's Care Obligation or FINRA Rules. In practice, between October 2020 and May 2021, Arnold was responsible for all aspects of private placement supervision. As noted above, under Regulatory Notice 10-22, firms must conduct reasonable due diligence before selling private offerings to customers to ensure that firm representatives have a reasonable basis to recommend the offerings. Arnold approved the Offerings for sale by the four representatives without conducting reasonable due diligence on the Offerings or the Issuer or documenting any due diligence he conducted. As described above, among other things, Arnold failed to determine whether the Issuer possessed the pre-IPO shares, failed to determine the amount of the Issuer's markups, failed to take reasonable steps to confirm that the offering documents conveyed accurate information to potential investors regarding the Issuer's markups and INI's entitlement to selling compensation, and failed to ensure that the firm made required filings with FINRA pursuant to Rule 5123. Moreover, Arnold took no steps to review recommendations of the Offerings to verify that those recommendations were consistent with customers' investment profiles and in the customers' best interest—indeed, as explained above, INI did not collect any customer profile information for 13 of the 36 investors in the Offerings.

Therefore, INI willfully violated Exchange Act Rule 15l-1(a)(1) by virtue of violating Reg BI's Compliance Obligation, set forth at Exchange Act Rule 15l-1(a)(2)(iv), and INI and Arnold violated FINRA Rules 3110 and 2010.

INI and Arnold failed to establish, maintain, and enforce a supervisory system, including WSPs, reasonably designed to identify and address potentially excessive trading.

As of June 30, 2020, Reg BI's Care Obligation, set forth at Exchange Act Rule 15l-1(a)(2)(ii), requires broker-dealers and their associated persons to exercise reasonable diligence, care, and skill to, among other things, have a reasonable basis to believe that a series of recommended transactions, even if in the retail customer's best interest when viewed in isolation, is not excessive and is in the retail customer's best interest in light of the retail customer's investment profile.

Prior to June 30, 2020, FINRA Rule 2111 required members and associated persons to have a reasonable basis to believe that a recommendation of a transaction or investment strategy involving a security or securities to any customer is suitable for the customer. Under Rule 2111 Supplementary Material .05 (Rule 2111.05), members and associated persons with actual or de facto control over an account were required to have a reasonable basis for believing that a series of recommended transactions, even if suitable

when viewed in isolation, is not excessive and unsuitable for the customer in light of the customer's investment profile. FINRA Rule 2111 is still in effect, but as of June 30, 2020, it no longer applies to recommendations that are subject to Reg BI, and the element of control was removed from the quantitative suitability component.

Rule 2111.05 states that “[n]o single test defines excessive activity, but factors such as the turnover rate, the cost-to-equity ratio, and the use of in-and-out trading in a customer's account may provide a basis for a finding that a member or associated person has violated the quantitative suitability obligation.” Turnover rate represents the number of times that a portfolio of securities is exchanged for another portfolio of securities. The cost-to-equity ratio measures the amount an account must appreciate just to cover commissions and other expenses. In other words, it is the break-even point where a customer may begin to see a return. A turnover rate above six or a cost-to-equity ratio above 20 percent generally indicates that an account has been excessively traded.

From at least February 2019 to the present, Arnold has failed to establish WSPs for INI that provide reasonable guidance for identifying and addressing potentially excessive trading. INI's WSPs have therefore not been reasonably designed to achieve compliance with FINRA Rule 2111 and Reg BI's Care Obligation as they pertain to excessive trading. The firm's WSPs do not provide guidance about how to identify accounts that are excessively traded. For example, the WSPs do not identify what cost-to-equity ratio or turnover rate should trigger further review or what steps should be taken after identifying an account that was being excessively traded. Further, INI has no reports or alerts designed to identify factors that would indicate excessive trading, such as those that flag turnover and cost-to-equity ratios. The firm instead has relied primarily on a daily, manual trade-blotter review, but such review is not reasonably designed to identify patterns of excessive trading.

Therefore, INI violated Exchange Act Rule 15c-1(a)(1) by virtue of violating Reg BI's Compliance Obligation, set forth at Exchange Act Rule 15c-1(a)(2)(iv), and INI and Arnold violated FINRA Rules 3110 and 2010.

F. INI and Arnold failed to establish written policies and procedures reasonably designed to achieve compliance with Reg BI.

From June 30, 2020, to the present, INI and Arnold failed to establish, maintain, and enforce written policies and procedures reasonably designed to achieve compliance with Reg BI. Despite awareness of Reg BI's June 30, 2020, implementation date, Arnold never updated the firm's WSPs to include policies or procedures regarding compliance with Reg BI's requirements.

Therefore, INI willfully violated Exchange Act Rule 15c-1(a)(1) by failing to comply with Reg BI's Compliance Obligation, and INI and Arnold violated FINRA Rules 3110 and 2010.

- B. Respondents also consent to the imposition of the following sanctions:

For Investment Network, Inc.:

- a censure;
- a 60-day suspension from conducting any private placement activities;
- a \$210,000 fine;
- disgorgement of \$63,769.60 plus interest as described below; and
- an undertaking requiring certification of the firm's supervisory system, as more fully set forth below.

Within 60 days of the date of the notice of acceptance of this AWC, a member of INI's senior management who is a registered principal of the firm shall certify in writing that as of the date of the certification, the firm has remediated the issues identified in this AWC and implemented a supervisory system, including written supervisory procedures, reasonably designed to achieve compliance with Regulation BI regarding the issues identified in this AWC. The certification shall include a narrative description and supporting exhibits sufficient to demonstrate Respondent's remediation and implementation. FINRA staff may request further evidence of Respondent's remediation and implementation, and Respondent agrees to provide such evidence. Respondent shall submit the certification to Roger Kiley, Senior Counsel, FINRA, 55 West Monroe Street, Suite 2700, Chicago, IL 60603, with a copy to EnforcementNotice@finra.org. Upon written request showing good cause, FINRA staff may extend this deadline.

For Gary Arnold:

- a three-month suspension from associating with any FINRA member firm in all principal capacities;
- a \$10,000 fine; and
- a requirement that he requalify as a general securities principal by passing the requisite examination prior to acting in that capacity with any FINRA member.

Respondents agree to pay the monetary sanctions upon notice that this AWC has been accepted and that such payments are due and payable. Respondents have submitted Election of Payment forms showing the methods by which they propose to pay the fines imposed.

Disgorgement of commissions received is ordered to be paid by Respondent Investment Network, Inc., to FINRA in the amount of \$63,769.60, plus interest at the rate set forth in Section 6621(a)(2) of the Internal Revenue Code, 26 U.S.C. § 6621 from September 21, 2012, until the date this AWC is accepted by the National Adjudicatory Council (NAC).

Respondent Investment Network, Inc. understands that this settlement includes a finding that it willfully violated Exchange Act Rule 15c-1(a)(1) of the Securities Exchange Act of 1934 and that under Article III, Section 4 of FINRA's By-Laws, this makes Respondent subject to a statutory disqualification with respect to membership.

Respondent Arnold understands that if he is barred or suspended from associating with any FINRA member in a limited capacity, he becomes 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, Respondent Arnold may not be associated with any FINRA member in any principal capacity during the period of the bar or suspension. *See* FINRA Rules 8310 and 8311. Furthermore, because Respondent Arnold is subject to a statutory disqualification during the suspension, if he remains associated with a member firm in a non-suspended capacity, an application to continue that association may be required.

Respondents specifically and voluntarily waive any right to claim an inability to pay, now or at any time after the execution of this AWC, the monetary sanctions imposed in this matter.

The sanctions imposed in this AWC shall be effective on a date set by FINRA.

II.

WAIVER OF PROCEDURAL RIGHTS

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

- A. To have a complaint issued specifying the allegations against them;
- 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 NAC and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, Respondents 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 its acceptance or rejection.

Respondents 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

Respondents 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 Respondents; and
- C. If accepted:
 - 1. this AWC will become part of Respondents' permanent disciplinary record and may be considered in any future action brought by FINRA or any other regulator against Respondents;
 - 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 its subject matter in accordance with FINRA Rule 8313; and
 - 4. Respondents 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. Respondents 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 Respondents' right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party. Nothing in this provision affects Respondents' testimonial obligations in any litigation or other legal proceedings.
- D. Respondents may attach a corrective action statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondents understands that they 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.

The undersigned, on behalf of Respondents, certifies that a person duly authorized to act on Respondents' behalf has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that Respondents have agreed to the AWC's provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth in this AWC and the prospect of avoiding the issuance of a complaint, has been made to induce Respondents to submit this AWC.

9/27/2024
Date

Gary L. Arnold
Investment Network, Inc.
Respondent

Print Name: Gary L. Arnold
Title: PRESIDENT

9/27/2024
Date

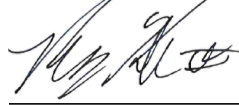
Gary L. Arnold
Gary Arnold
Respondent

Accepted by FINRA:

October 16, 2024

Date

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



Roger Kiley
Senior Counsel
FINRA
Department of Enforcement
55 W. Monroe, Suite 2700
Chicago, Illinois 60603

Eric M. Goldstein
Director
FINRA
Department of Enforcement
1700 K Street NW
Washington, DC 20006