



RICK SNYDER
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF LICENSING AND REGULATORY AFFAIRS
LANSING

SHELLY EDGERTON
DIRECTOR

Complaint No. 328626

GOPI VUNGARALA
CRD No. 4856193

FINE PAYMENT INSTRUCTIONS

The FINE must be received by the Department on or before **APRIL 8, 2018**. The FINE must be paid by cashier's check or money order, with the Complaint No. clearly indicated on the check or money order, made payable to the State of Michigan, and sent to the address indicated below. Payment cannot be made by credit card.

Once the FINE has been overdue for at least six months, it will be referred to the Michigan Department of Treasury for collection. Questions may be directed to Final Order Monitoring staff at (517) 241-9180.

To ensure the proper posting of the payment to your account, please mail the Fine Payment Processing Stub with your payment to:

Michigan Department of Licensing and Regulatory Affairs
CORPORATIONS, SECURITIES & COMMERCIAL LICENSING BUREAU
Final Order Monitoring – Securities & Audit Division
P.O. Box 30018 – Lansing, MI 48909

FINE PAYMENT PROCESSING STUB

Please return this with your payment.

Make your check or money order drawn from a U.S. financial institution payable to the STATE OF MICHIGAN.
Do not send cash. Payment cannot be made by credit card.

C3 ACCOUNT Code – 110117

SIGMA ACCOUNTING TEMPLATE – 641R686601

Complaint No.: 328626

Due: APRIL 8, 2018

Total Amount Due: **\$10,000.00**

**STATE OF MICHIGAN
DEPARTMENT OF LICENSING AND REGULATORY AFFAIRS
CORPORATIONS, SECURITIES & COMMERCIAL LICENSING BUREAU**

In the matter of:

GOPI VUNGARALA
CRD# 4856193

Complaint No. 328626

Respondent.

_____ /

Issued and entered
This 8th day of December 2017

**CONSENT ORDER RESOLVING
NOTICE OF INTENT TO REVOKE SECURITIES AGENT REGISTRATION**

A. Relevant information and statutory provisions, under the Michigan Uniform Securities Act (2002) (the Act), 2008 PA 551, MCL 451.2101 *et seq.*:

1. On March 29, 2017, the State of Michigan, Department of Licensing and Regulatory Affairs, Corporations, Securities & Commercial Licensing Bureau (the "Bureau") and the Director of the Bureau who serves as the Administrator of the Act (the Administrator) issued a Notice of Intent to Revoke Securities Agent Registration ("NOI") to Gopi Vungarala ("Vungarala").
2. Vungarala was registered as a securities agent through Purshe, Kaplan, Sterling Investments, Inc. (CRD# 35747) from around December 2007 until around February 21, 2017, when he resigned from the firm. Vungarala was previously registered as a securities agent through various broker-dealers beginning in or around 2004.
3. Vungarala was represented by, and had the advice of, legal counsel throughout the process of resolving the NOI.
4. Vungarala neither admits nor denies any of the allegations in the NOI and agrees to entry of this Consent Order only for the purpose of resolving the NOI.
5. Under Securities and Exchange Commission (SEC) Rule 506(d)(2)(iii) of Regulation D, 17 CFR 230.506(d)(2)(iii), disqualification under Regulation D, SEC Rule 506(d)(1), 17 CFR 230.506(d)(1), shall not arise as a consequence of this Consent Order. However, this does not limit the application of 17 CFR 230.506(d)(1) in any other respect.

B. AGREEMENT PROVISIONS

Vungarala and the Administrator (collectively, "the Parties") agree that the NOI will be resolved with the following conditions:

1. Vungarala's Michigan securities agent registration was withdrawn on or around February 21, 2017, and the Form U5 Termination Statement was subsequently amended on or around May 16, 2017 and May 19, 2017. Vungarala does not have an effective securities agent registration in Michigan at the time of entry of this Consent Order.
2. Vungarala agrees that he will not reapply for a securities agent registration in Michigan for a period of ten (10) years after the date of entry of this Consent Order. This paragraph is not intended to be a bar under section 412(3) of the Securities Act, MCL 451.2412(3).
3. Vungarala agrees to pay a fine of Ten Thousand and 00/100 Dollars (\$10,000.00) within one hundred and twenty (120) days after the mailing date of this Consent Order. The fine must be paid by check or money order payable to the "State of Michigan," contain Vungarala's identifying information (name and complaint no. 328626), and be mailed to:

Corporations, Securities & Commercial Licensing Bureau
Final Order Monitoring – Securities & Audit Division
P.O. Box 30018
Lansing, MI 48909

4. If any portion of the fine is overdue for at least six months, the Administrator may refer it to the Michigan Department of Treasury for collection action against Vungarala.
5. The Parties acknowledge and agree that the Administrator retains the right to pursue any action or proceeding permitted by law to enforce the provisions of this Consent Order.
6. The Administrator acknowledges and agrees that this Consent Order will be reported according to the Bureau's standard policy, as follows:
 - a. By posting a summary report on the Bureau's website disclosing Vungarala's name and address, Consent Order effective date, Action Taken (Consent Order and fine amounts), and Reason (resolution of NOI, without any admission or finding of wrongdoing).
 - b. The Bureau will also separately report the NOI on the Bureau website.
 - c. The Bureau will file an updated Form U6 with the Central Registration Depository ("CRD") for purposes of reporting this Consent

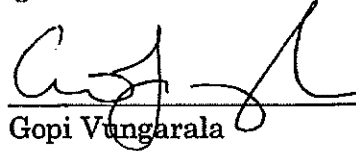
Order resolving the NOI to other securities regulators. The Bureau will update that CRD entry to reflect that this Consent Order resolved the NOI, without any admission or finding of wrongdoing.

7. The Parties acknowledge and agree that: (A) Vungarala neither admits nor denies any wrongdoing in connection with this matter; (B) this Consent Order contains no finding or ruling that Vungarala has violated any laws or regulations; and (C) Vungarala consents to entry of this Consent Order only for the purpose of resolving the NOI in an expeditious fashion that avoids the time and expense associated with the Administrative proceeding and any appeals therefrom. This Consent Order is admissible only in a proceeding to enforce its provisions or an administrative proceeding under the Act, but it is not admissible for any purpose in any other administrative, civil, or criminal proceeding.
8. Vungarala understands and intends that by signing this Consent Order, he is waiving the right, pursuant to the Act, the rules promulgated under that Act and the Uniform Securities Act (Predecessor Act), 1964 PA 265, MCL 451.501 *et seq.*, and the Administrative Procedures Act, 1969 PA 306, MCL 24.201 *et seq.*, to prior notice and a hearing before an administrative law judge, at which the Bureau would be required to defend any disciplinary action taken under Section 412(2) and (3) of the Act, MCL 451.2412(2)-(3), by presentation of evidence and legal authority and at which Vungarala would be entitled to appear with or without an attorney to cross-examine all witnesses presented by the Bureau and to present such testimony or other evidence or legal authority deemed appropriate.

Through their signatures, the Parties agree to the above terms and conditions.

Dated: 11/16/2017

Signed:



Gopi Vungarala

Acknowledged by:

Dated: 11-27-17

Signed:



Sharron Ash
Gopi Vungarala's Attorney

Approved by:

Dated: _____

Signed:

Timothy L. Teague
Securities & Audit Division Director
Corporations, Securities & Commercial
Licensing Bureau

Through their signatures, the Parties agree to the above terms and conditions.

Dated: _____

Signed: _____

Gopi Vungarala

Acknowledged by:

Dated: _____

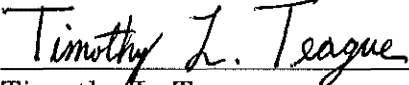
Signed: _____

Sharron Ash
Gopi Vungarala's Attorney

Approved by:

Dated: 11.28.17

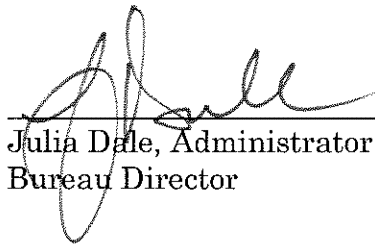
Signed: _____


Timothy L. Teague
Securities & Audit Division Director
Corporations, Securities & Commercial
Licensing Bureau

C. ORDER

The Administrator NOW, THEREFORE, ORDERS:

THE TERMS AND CONDITIONS IN THIS CONSENT ORDER ARE BINDING AND EFFECTIVE, IN ACCORD WITH THE FULLY EXECUTED STIPULATION CONTAINED HEREIN.

A handwritten signature in black ink, appearing to read "Julia Dale", is written over a horizontal line.

Julia Dale, Administrator and Corporations, Securities & Commercial Licensing
Bureau Director

STATE OF MICHIGAN
DEPARTMENT OF LICENSING AND REGULATORY AFFAIRS
CORPORATIONS, SECURITIES & COMMERCIAL LICENSING BUREAU

In the matter of:

Agency No. 328626

GOPI VUNGARALA
CRD# 4856193

Respondent.

/
Issued and entered
This 29th day of March, 2017

NOTICE OF INTENT TO REVOKE
SECURITIES AGENT REGISTRATION

I. RELEVANT FACTS AND APPLICABLE LAW.

Relevant information and statutory provisions, under the Michigan Uniform Securities Act (2002), 2008 PA 551, as amended, MCL 451.2101 *et seq* (the "Securities Act"):

1. Gopi Vungarala ("Respondent") was registered as a securities agent through Purshe, Kaplan, Sterling Investments, Inc. (CRD#35747) ("PKS") from in or around December of 2007 until on or around February 21, 2017, when he resigned from the firm. Respondent was previously registered as a securities agent through various broker-dealers beginning in or around the 2004.
2. The Corporations, Securities & Commercial Licensing Bureau ("the Bureau") within the Department of Licensing and Regulatory Affairs began an investigation of Respondent's activities in the securities industry after the Financial Industry Regulatory Authority ("FINRA") initiated regulatory proceedings (Exhibit 1 – FINRA Complaint) based upon Respondent charging larger-than-necessary commissions to a customer without adequately disclosing to the customer the extent or nature of the commission payments.
3. The Bureau's investigation developed evidence that Respondent, through PKS, acted as a securities agent on behalf of a Native American Tribe ("the Tribe") that is located within Michigan's borders. PKS and Respondent received commission payments from the Tribe for effecting securities transactions on its behalf.
4. Respondent disclosed in his Other Business Activity ("OBA") on his Form U4 Registration Application that he acted as the Tribe's investment manager in addition to acting as a securities agent for the Tribe through PKS. (Exhibit 2 – OBAs).

5. In addition to compensation received through PKS as the Tribe's securities agent, Respondent was compensated as the Tribe's investment manager from November 2008 through January 2015. In that role, Respondent undertook an obligation to conduct himself in accordance with the Tribe's Investment Policy Standards of Care. The Investment Policy Standards of Care included an obligation to "refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair the ability to make impartial decisions..." (Exhibit 3 – Correspondence from the Tribe).
6. During his employ as the investment manager for the Tribe, Respondent recommended and sold to the Tribe certain real estate investment trust ("REIT") securities issued by two separate REIT issuers, Cole Credit ("Cole Credit") and American Realty Capital ("ARC").
7. The Tribe represented to the Bureau that until October of 2014, the Tribe's investment committee was unaware of the fact that Respondent or PKS earned commissions on sales of the Cole Credit REIT or ARC REIT units to the Tribe. The Tribe represented to the Bureau that when asked about the commissions, Respondent identified that "the team at PKS" received the commissions; Respondent did not disclose that he received 87% of commissions paid to PKS in connection with the REIT sales discussed herein.
8. Both Cole Credit and ARC offered volume discount programs to REIT unit purchasers that purchased large volumes of their respective securities. Volume discounts effectively reduce the per-share price of the REIT units, allowing the purchaser to buy more units than if the entire commission were paid to the broker-dealer; the commission paid to the broker-dealer is reduced when the volume discounts are applied.
9. The volume of Cole Credit and ARC REIT investments made by the Tribe entitled it to volume discounts. However, Respondent routinely failed to identify on Alternative Investment Order Tickets that the Tribe was entitled to the volume discounts, resulting in overpayments of commissions to PKS and Respondent, and fewer REIT units being purchased by the Tribe.
10. Analysis by Bureau staff showed that PKS received \$1,159,951.43 in commissions from sales of Cole Credit REIT products to the Tribe. Had volume discounts been applied properly, the commissions would have been approximately \$891,789.46. Staff analysis indicates that \$268,161.97 in excess commissions were paid to PKS, with approximately 87% of that excess commission being paid to Respondent.
11. Analysis by Bureau staff showed that PKS received \$457,100.04 in commissions from sales of ARC REIT products to the Tribe. Had volume discounts been applied properly, the commissions would have been approximately \$378,871.17. Staff analysis indicates that \$78,228.87 in excess commissions were paid to PKS, with approximately 87% of that excess commission being paid to Respondent.

12. The Director ("Administrator") of the Bureau has reviewed materials relating to Respondent's actions as a registrant under the Securities Act. The Administrator has determined that it is authorized, appropriate, and in the public interest to revoke Respondent's securities agent registration based upon Respondent's conduct discussed above and hereafter.

13. Section 409 of the Securities Act, MCL 451.2409, states in relevant part:

Withdrawal of registration by a broker-dealer, agent, investment adviser, or investment adviser representative is effective 60 days after an application to withdraw is filed or within a shorter period as provided by rule or order under this act, unless a revocation or suspension proceeding is pending when the application is filed. If a proceeding is pending, withdrawal is effective when and on conditions required by rule or order under this act. *The administrator may institute a revocation or suspension proceeding under section 412 within 1 year after the withdrawal became effective automatically and issue a revocation or suspension order as of the last date on which registration was effective if a proceeding is not pending. (Emphasis added).*

14. Section 412(2) of the Securities Act, MCL 451.2412(2), states in relevant part:

If the administrator finds that the order is in the public interest and subsection (4) authorizes the action, an order under this act may revoke, suspend, condition, or limit the registration of a registrant and if the registrant is a broker-dealer or investment adviser, of a partner, officer, director, or a person having a similar status or performing similar functions, or a person directly or indirectly in control of the broker-dealer or investment adviser...

15. Section 412(3) of the Securities Act, MCL 451.2412(3), states:

If the administrator finds that the order is in the public interest and subsection (4)(a) to (f), (i) to (j), or (l) to (n) authorizes the action, an order under this act may censure, impose a bar, or impose a civil fine in an amount not to exceed a maximum of \$10,000.00 for a single violation or \$500,000.00 for more than 1 violation on a registrant...

16. Section 412(4) of the Securities Act, MCL 451.2412(4) states in relevant part:

(4) A person may be disciplined under subsections (1) to (3) if any of the following apply to the person:

(m) The person has engaged in dishonest or unethical practices in the securities, commodities, investment, franchise, banking, finance, or insurance business within the previous 10 years...

17. Section 412(7) of the Securities Act, MCL 451.2412(7), states:

(7) Except under subsection (6), an order shall not be issued under this section unless all of the following have occurred:

- (a) Appropriate notice has been given to the applicant or registrant.
- (b) Opportunity for hearing has been given to the applicant or registrant.
- (c) Findings of fact and conclusions of law have been made on the record pursuant to the administrative procedures act of 1969, 1969 PA 306, MCL 24.201 to 24.328.

18. The Administrator may revoke Respondent's securities agent registration pursuant to section 412(2) of the Securities Act, MCL 451.2412(2), because it is in the public interest, and because:

- A. Respondent engaged in dishonest or unethical behavior by withholding information about commissions earned through the sale of REIT units to the Tribe, and by failing to ensure the correct application of volume discounts for the Tribe's purchases of REIT units, which directly benefitted Respondent and harmed the Tribe, giving the Administrator cause to issue an order under sections 412(2) and 412(3) of the Securities Act, MCL 451.2412(2) and MCL 451.2412(3).

II. ORDER.

The Administrator finds that this ORDER is authorized, appropriate, and in the public interest based on the above-cited facts and law.

IT IS ORDERED as follows:

1. The Administrator intends TO REVOKE THE SECURITIES AGENT REGISTRATION OF GOPI VUNGARALA under section 412(2) of the Securities Act, MCL 451.2412(2), because he has engaged in dishonest or unethical business practices in the securities industry within the previous 10 years, which supports the revocation of his securities agent registration under the above-cited provisions of the Michigan Uniform Securities Act (2002), 2008 PA 551, MCL 451.2101 *et seq.*
2. In her final order, the Administrator intends to impose a civil fine of \$10,000.00 against Respondent under section 412(3) of the Securities Act, MCL 451.2412(3).
3. In accordance with sections 412(2) and 412(7) of the Securities Act, MCL 451.2412(2) and MCL 451.2412(7): This is NOTICE that the Administrator intends to commence administrative proceedings to revoke Respondent's securities agent registration, and that Respondent has thirty (30) days after the date that this Order is served on Respondent to respond in writing to the enclosed Notice of Opportunity to Show Compliance. If the

Administrator timely receives a written request, depending upon the election, the Administrator shall either promptly schedule a compliance conference, or schedule a hearing within fifteen (15) days after receipt of the written request. If you fail to respond to this Notice and Order within the time frame specified, the Administrator shall schedule a hearing. If a hearing is requested or ordered, the Administrator, after notice of and an opportunity for hearing to Respondent, may modify or vacate this Order or extend the Order until final determination.

If Respondent requests a hearing, the request must be in writing and filed with the Department of Licensing and Regulatory Affairs, Corporations, Securities & Commercial Licensing Bureau, Regulatory Compliance Division, P.O. Box 30018, Lansing, MI 48909.

DEPARTMENT OF LICENSING AND REGULATORY AFFAIRS
CORPORATIONS, SECURITIES & COMMERCIAL LICENSING BUREAU

By: _____
Julia Dale, Administrator and Director
Corporations, Securities & Commercial Licensing Bureau