

BrokerCheck Report

DENNIS HEROLD DAUGS JR

CRD# 1615507

Report #25013-64382, data current as of Wednesday, November 12, 2014.

<u>Section Title</u>	<u>Page(s)</u>
Report Summary	1
Broker Qualifications	2 - 3
Registration and Employment History	4
Disclosure Events	5

About BrokerCheck®

BrokerCheck offers information on all current, and many former, registered securities brokers, and all current and former registered securities firms. FINRA strongly encourages investors to use BrokerCheck to check the background of securities brokers and brokerage firms before deciding to conduct, or continue to conduct, business with them.

- **What is included in a BrokerCheck report?**

BrokerCheck reports for individual brokers include information such as employment history, professional qualifications, disciplinary actions, criminal convictions, civil judgments and arbitration awards. BrokerCheck reports for brokerage firms include information on a firm's profile, history, and operations, as well as many of the same disclosure events mentioned above.

Please note that the information contained in a BrokerCheck report may include pending actions or allegations that may be contested, unresolved or unproven. In the end, these actions or allegations may be resolved in favor of the broker or brokerage firm, or concluded through a negotiated settlement with no admission or finding of wrongdoing.

- **Where did this information come from?**

The information contained in BrokerCheck comes from FINRA's Central Registration Depository, or CRD® and is a combination of:

- information FINRA and/or the Securities and Exchange Commission (SEC) require brokers and brokerage firms to submit as part of the registration and licensing process, and
- information that regulators report regarding disciplinary actions or allegations against firms or brokers.

- **How current is this information?**

Generally, active brokerage firms and brokers are required to update their professional and disciplinary information in CRD within 30 days. Under most circumstances, information reported by brokerage firms, brokers and regulators is available in BrokerCheck the next business day.

- **What if I want to check the background of an investment adviser firm or investment adviser representative?**

To check the background of an investment adviser firm or representative, you can search for the firm or individual in BrokerCheck. If your search is successful, click on the link provided to view the available licensing and registration information in the SEC's Investment Adviser Public Disclosure (IAPD) website at <http://www.adviserinfo.sec.gov>. In the alternative, you may search the IAPD website directly or contact your state securities regulator at <http://www.finra.org/Investors/ToolsCalculators/BrokerCheck/P455414>.

- **Are there other resources I can use to check the background of investment professionals?**

FINRA recommends that you learn as much as possible about an investment professional before deciding to work with them. Your state securities regulator can help you research brokers and investment adviser representatives doing business in your state.



Using this site/information means that you accept the FINRA BrokerCheck Terms and Conditions. A complete list of Terms and Conditions can be found at

brokercheck.finra.org



For additional information about the contents of this report, please refer to the User Guidance or www.finra.org/brokercheck. It provides a glossary of terms and a list of frequently asked questions, as well as additional resources. For more information about FINRA, visit www.finra.org.

Thank you for using FINRA BrokerCheck.

DENNIS H. DAUGS JR

CRD# 1615507

This broker is not currently registered.

Report Summary for this Broker

This report summary provides an overview of the broker's professional background and conduct. Additional information can be found in the detailed report.

Broker Qualifications

This broker is not currently registered.

This broker has passed:

- 0 Principal/Supervisory Exams
- 2 General Industry/Product Exams
- 2 State Securities Law Exams

Registration History

This broker was previously registered with the following securities firm(s):

PAINWEBBER INCORPORATED
 CRD# 8174
 WEEHAWKEN, NJ
 05/1994 - 01/2000

EVEREN SECURITIES, INC.
 CRD# 19616
 ST. LOUIS, MO
 01/1992 - 05/1994

OPPENHEIMER & CO., INC.
 CRD# 630
 NEW YORK, NY
 01/1990 - 01/1992

Disclosure Events

This broker has been involved in one or more disclosure events involving certain final criminal matters, regulatory actions, civil judicial proceedings, or arbitrations or civil litigations.

Are there events disclosed about this broker? **Yes**

The following types of disclosures have been reported:

Type	Count
Regulatory Event	1

Investment Adviser Representative Information

The information below represents the individual's record as a broker. For details on this individual's record as an investment adviser representative, visit the SEC's Investment Adviser Public Disclosure website at

<http://www.adviserinfo.sec.gov>

Broker Qualifications



Registrations

This section provides the self-regulatory organizations (SROs), states and U.S. territories the broker is currently registered and licensed with, the category of each registration, and the date on which the registration became effective. This section also provides, for each firm with which the broker is currently employed, the address of each branch where the broker works.

This broker is not currently registered.



Broker Qualifications

Industry Exams this Broker has Passed

This section includes all securities industry exams that the broker has passed. Under limited circumstances, a broker may attain a registration after receiving an exam waiver based on exams the broker has passed and/or qualifying work experience. Any exam waivers that the broker has received are not included below.

This individual has passed 0 principal/supervisory exams, 2 general industry/product exams, and 2 state securities law exams.

Principal/Supervisory Exams

Exam	Category	Date
No information reported.		

General Industry/Product Exams

Exam	Category	Date
National Commodity Futures Examination	Series 3	02/23/1987
General Securities Representative Examination	Series 7	01/17/1987

State Securities Law Exams

Exam	Category	Date
Uniform Securities Agent State Law Examination	Series 63	01/28/1987
Uniform Investment Adviser Law Examination	Series 65	06/25/1992

Additional information about the above exams or other exams FINRA administers to brokers and other securities professionals can be found at www.finra.org/brokerqualifications/registeredrep/.



Registration and Employment History

Registration History

The broker previously was registered with the following securities firms:

Registration Dates	Firm Name	CRD#	Branch Location
05/1994 - 01/2000	PAINWEBBER INCORPORATED	8174	WEEHAWKEN, NJ
01/1992 - 05/1994	EVEREN SECURITIES, INC.	19616	ST. LOUIS, MO
01/1990 - 01/1992	OPPENHEIMER & CO., INC.	630	NEW YORK, NY
01/1987 - 01/1990	SHEARSON LEHMAN HUTTON INC.	7506	NEW YORK, NY

Employment History

This section provides up to 10 years of an individual broker's employment history as reported by the individual broker on the most recently filed Form U4.

Please note that the broker is required to provide this information only while registered with FINRA or a national securities exchange and the information is not updated via Form U4 after the broker ceases to be registered. Therefore, an employment end date of "Present" may not reflect the broker's current employment status.

Employment Dates	Employer Name	Employer Location
01/2000 - Present	LAKESIDE CAPITAL MANAGEMENT, LLC	SEATTLE, WA



Disclosure Events

What you should know about reported disclosure events:

1. Disclosure events in BrokerCheck reports come from different sources:

- As mentioned at the beginning of this report, information contained in BrokerCheck comes from brokers, their employing firms, and regulators. When more than one source reports information for the same disclosure event, all versions of the event will appear in the BrokerCheck report. The different versions are separated by a solid line with the reporting source labeled.

For your convenience, below is a matrix of the number and status of regulatory disclosure events involving this broker. Further information regarding these events can be found in the subsequent pages of this report. You also may wish to contact the broker to obtain further information regarding these events.

	Final	On Appeal
Regulatory Event	1	0



Disclosure Event Details

This report provides the information exactly as it was reported to CRD and therefore some of the specific data fields contained in the report may be blank if the information was not provided to CRD.

Regulatory - Final

This type of disclosure event involves a final, formal proceeding initiated by a regulatory authority (e.g., a state securities agency, self-regulatory organization, federal regulator such as the Securities and Exchange Commission, foreign financial regulatory body) for a violation of investment-related rules or regulations.

Disclosure 1 of 1

Reporting Source:	Regulator
Regulatory Action Initiated By:	UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Sanction(s) Sought:	Bar Cease and Desist Civil and Administrative Penalty(ies)/Fine(s) Disgorgement Monetary Penalty other than Fines Prohibition
Date Initiated:	07/17/2014
Docket/Case Number:	3-15976
Employing firm when activity occurred which led to the regulatory action:	LAKESIDE CAPITAL MANAGEMENT LLC
Product Type:	Other: UNSPECIFIED SECURITIES
Allegations:	SEC ADMIN RELEASE 34-72635; IA RELEASE 40-3877; INVESTMENT COMPANY RELEASE 40-31159, JULY 17, 2014: THE SEC DEEMS IT APPROPRIATE AND IN THE PUBLIC INTEREST THAT PUBLIC ADMINISTRATIVE AND CEASE-AND-DESIST PROCEEDINGS BE, AND HEREBY ARE, INSTITUTED PURSUANT TO SECTION 21C OF THE SECURITIES EXCHANGE ACT OF 1934, SECTIONS 203(E), 203(F), AND 203(K) OF THE INVESTMENT ADVISERS ACT OF 1940, AND SECTION 9(B) OF THE INVESTMENT COMPANY ACT OF 1940 AGAINST DENNIS H. DAUGS, JR. AND A FIRM HE OWNED. IN ANTICIPATION OF THE INSTITUTION OF THESE PROCEEDINGS, RESPONDENTS HAVE SUBMITTED OFFERS OF SETTLEMENT WHICH THE COMMISSION HAS DETERMINED TO ACCEPT. SOLELY FOR THE PURPOSE OF THESE PROCEEDINGS AND ANY OTHER PROCEEDINGS BROUGHT BY OR ON BEHALF OF THE COMMISSION, OR TO WHICH THE COMMISSION IS A PARTY, AND WITHOUT ADMITTING OR DENYING THE FINDINGS HEREIN, EXCEPT AS TO THE COMMISSION'S



JURISDICTION OVER THEM AND THE SUBJECT MATTER OF THESE PROCEEDINGS, WHICH ARE ADMITTED, RESPONDENTS CONSENT TO THE ENTRY OF THIS ORDER INSTITUTING ADMINISTRATIVE AND CEASE-AND-DESIST PROCEEDINGS PURSUANT TO SECTION 21C OF THE SECURITIES EXCHANGE ACT OF 1934, SECTIONS 203(E), 203(F), AND 203(K) OF THE INVESTMENT ADVISERS ACT OF 1940, AND SECTION 9(B) OF THE INVESTMENT COMPANY ACT OF 1940, MAKING FINDINGS, AND IMPOSING REMEDIAL SANCTIONS AND A CEASE-AND-DESIST ORDER. BEGINNING IN 2008 AND 2009, DAUGS INVESTED A SENIOR CITIZEN FIRM CLIENT IN \$3.1 MILLION IN PERSONAL LOANS TO HIMSELF. DAUGS DID NOT DISCLOSE THE LOANS TO THE CLIENT UNTIL EARLY 2010. THE LOANS WERE NOT IN THE CLIENT'S BEST INTEREST AND WERE EFFECTED THROUGH SECURITIES PURCHASES AND SALES IN THE CLIENT'S PORTFOLIO WITHOUT DISCLOSING TO HER THE PURPOSE OF THOSE TRANSACTIONS. AS A RESULT OF THE CONDUCT DESCRIBED ABOVE, DAUGS WILLFULLY VIOLATED SECTION 10(B) OF THE EXCHANGE ACT AND RULES 10B-5(A) AND 10B-5(C) THEREUNDER, WHICH PROHIBIT FRAUDULENT CONDUCT IN CONNECTION WITH THE PURCHASE OR SALE OF SECURITIES. IN EARLY 2010, DAUGS DIVERTED \$561,000 FROM A PRIVATE FUND TO MAKE SETTLEMENT PAYMENTS TO SEVERAL OF HIS CLIENTS WHO HAD ALLEGED HE MISMANAGED THEIR ASSETS. DAUGS LATER PAID THE PRIVATE FUND BACK, BUT DID SO WITHOUT INTEREST. BY LATE 2010, THE SENIOR CITIZEN CLIENT HAD THREATENED TO SUE DAUGS FOR MISMANAGING HER PORTFOLIO. OVER THE NEXT TWO YEARS, DAUGS ARRANGED FOR THE PRIVATE FUND TO SPEND ABOUT \$2.5 MILLION TO BUY THE CLIENT OUT OF SEVERAL INVESTMENTS SHE NO LONGER WANTED. DAUGS' PERSONAL STAKE IN THE FOREGOING TRANSACTIONS CREATED A MATERIAL CONFLICT OF INTEREST THAT HE DID NOT DISCLOSE TO THE FIRM CLIENTS WHO WERE INVESTORS IN THE PRIVATE FUND. WHILE BENEFITING DAUGS, THE TRANSACTIONS WERE NOT IN THE BEST INTEREST OF THE FUND OR ITS INVESTORS WHO WERE FIRM CLIENTS. IN ADDITIONAL CONFLICTED AND UNDISCLOSED TRANSACTIONS, DAUGS DIRECTED THE PRIVATE FUND TO LEND OUT ROUGHLY \$1.2 MILLION TO FACILITATE HIS PERSONAL PURCHASE AND SALE OF REAL ESTATE DURING 2009 AND 2010. AS A RESULT OF THE CONDUCT DESCRIBED ABOVE, DAUGS WILLFULLY VIOLATED SECTIONS 206(1) AND 206(2) OF THE ADVISERS ACT, WHICH PROHIBIT FRAUDULENT CONDUCT BY AN INVESTMENT ADVISER. DURING 2010 THROUGH AT LEAST 2012, THE FIRM ROUTINELY HELD CASH BELONGING TO ITS VARIOUS PRIVATE FUND CLIENTS IN THREE BANK ACCOUNTS ESTABLISHED IN THE NAME OF LAW FIRMS EMPLOYED BY THE FIRM. FOR AUDIT YEARS 2010 AND 2011, THE FIRM RELIED ON THE AUDIT APPROACH AND FREQUENTLY FAILED TO DELIVER AUDITED FINANCIAL STATEMENTS FOR THE PRIVATE FUNDS IT ADVISED BY THE REQUIRED DEADLINES. AS A RESULT OF THE CONDUCT DESCRIBED ABOVE, THE FIRM WILLFULLY



VIOLATED SECTION 206(4) OF THE ADVISERS ACT AND RULES 206(4)-2 AND 206(4)-7 THEREUNDER, AND DAUGS WILLFULLY AIDED AND ABETTED AND CAUSED THE FIRM'S VIOLATIONS OF THESE PROVISIONS.

Current Status:

Final

Resolution:

Order

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?

Yes

Resolution Date:

07/17/2014

Sanctions Ordered:

Bar (Permanent)
 Cease and Desist
 Civil and Administrative Penalty(ies)/Fine(s)
 Disgorgement
 Monetary Penalty other than Fines
 Prohibition
 Other: IT IS ORDERED THAT DAUGS CEASE AND DESIST FROM COMMITTING OR CAUSING ANY VIOLATIONS AND ANY FUTURE VIOLATIONS OF SECTION 10(B) OF THE EXCHANGE ACT AND RULE 10B-5 THEREUNDER AND SECTIONS 206(1), 206(2), AND 206(4) OF THE ADVISERS ACT AND RULES 206(4)-2 AND 206(4)-7 THEREUNDER.

DAUGS IS PROHIBITED FROM SERVING OR ACTING AS AN EMPLOYEE, OFFICER, DIRECTOR, MEMBER OF AN ADVISORY BOARD, INVESTMENT ADVISER OR DEPOSITOR OF, OR PRINCIPAL UNDERWRITER FOR, A REGISTERED INVESTMENT COMPANY OR AFFILIATED PERSON OF SUCH INVESTMENT ADVISER, DEPOSITOR, OR PRINCIPAL UNDERWRITER.

RESPONDENT WILLFULLY VIOLATED SECTION 10(B) OF THE EXCHANGE ACT AND RULES 10B-5(A) AND 10B-5(C) THEREUNDER, WHICH PROHIBIT FRAUDULENT CONDUCT IN CONNECTION WITH THE PURCHASE OR SALE OF SECURITIES. RESPONDENT WILLFULLY VIOLATED SECTIONS 206(1) AND 206(2) OF THE ADVISERS ACT, WHICH PROHIBIT FRAUDULENT CONDUCT BY AN INVESTMENT ADVISER. THE FIRM WILLFULLY VIOLATED SECTION 206(4) OF THE ADVISERS ACT AND RULES 206(4)-2 AND 206(4)-7 THEREUNDER, AND DAUGS WILLFULLY AIDED AND ABETTED AND CAUSED THE FIRM'S VIOLATIONS OF THESE PROVISIONS.



If the regulator is the SEC, CFTC, or an SRO, did the action result in a finding of a willful violation or failure to supervise?

Yes

(1) willfully violated any provision of the Securities Act of 1933, the Securities Exchange Act of 1934, the Investment Advisers Act of 1940, the Investment Company Act of 1940, the Commodity Exchange Act, or any rule or regulation under any of such Acts, or any of the rules of the Municipal Securities Rulemaking Board, or to have been unable to comply with any provision of such Act, rule or regulation?

Yes

(2) willfully aided, abetted, counseled, commanded, induced, or procured the violation by any person of any provision of the Securities Act of 1933, the Securities Exchange Act of 1934, the Investment Advisers Act of 1940, the Investment Company Act of 1940, the Commodity Exchange Act, or any rule or regulation under any of such Acts, or any of the rules of the Municipal Securities Rulemaking Board? or

Yes



(3) failed reasonably to supervise another person subject to your supervision, with a view to preventing the violation by such person of any provision of the Securities Act of 1933, the Securities Exchange Act of 1934, the Investment Advisers Act of 1940, the Investment Company Act of 1940, the Commodity Exchange Act, or any rule or regulation under any such Acts, or any of the rules of the Municipal Securities Rulemaking Board?

No

Sanction 1 of 1

Sanction Type: Bar (Permanent)
Capacities Affected: ALL CAPACITIES
Duration: DAUGS MAINTAINS THE RIGHT TO APPLY FOR REENTRY AFTER FIVE YEARS.
Start Date: 07/17/2014
End Date:

Monetary Sanction 1 of 3

Monetary Related Sanction: Disgorgement
Total Amount: \$302,451.00
Portion Levied against individual: \$302,451.00
Payment Plan: JOINTLY AND SEVERALLY
Is Payment Plan Current:
Date Paid by individual:
Was any portion of penalty waived? No

Amount Waived:



Monetary Sanction 2 of 3

Monetary Related Sanction: Civil and Administrative Penalty(ies)/Fine(s)

Total Amount: \$250,000.00

Portion Levied against individual: \$250,000.00

Payment Plan: JOINTLY AND SEVERALLY

Is Payment Plan Current:

Date Paid by individual:

Was any portion of penalty waived? No

Amount Waived:

Monetary Sanction 3 of 3

Monetary Related Sanction: Monetary Penalty other than Fines

Total Amount: \$37,701.00

Portion Levied against individual: \$37,701.00

Payment Plan: PREJUDGMENT INTEREST; JOINTLY AND SEVERALLY

Is Payment Plan Current:

Date Paid by individual:

Was any portion of penalty waived? No

Amount Waived:

Regulator Statement

AS AN EXCEPTION, FOR A PERIOD OF SIX MONTHS FROM THE ENTRY OF THIS ORDER, DAUGS MAY CONTINUE TO ASSOCIATE WITH THE FIRM AND ITS AFFILIATES SOLELY FOR THE PURPOSE OF WINDING DOWN THE FIRM'S OPERATIONS WITH OVERSIGHT FROM AN INDEPENDENT MONITOR.

End of Report



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