

# Exhibit B

IN DISTRICT COURT, COUNTY OF CASS, STATE OF NORTH DAKOTA

Susan L. Welo,	Civil No.: _____
Plaintiff,	<b>COMPLAINT</b>
vs.	
AdvisorNet Financial, Inc.,	
Defendant.	

[1] Plaintiff, for her Complaint against Defendant, states and alleges as follows:

**THE PARTIES**

[2] Plaintiff Susan L. Welo ("Welo") is a resident of West Fargo, North Dakota. Ms. Welo was a licensed securities agent from 1989 until 2016. During this time, Ms. Welo worked in North Dakota for a variety of firms, most recently Cetera Advisor Networks LLC ("Cetera").

[3] On information and belief, AdvisorNet Financial, Inc. ("AdvisorNet") is a Minnesota business corporation with its headquarters in Minneapolis, Minnesota. AdvisorNet served as Ms. Welo's Office of Supervisory Jurisdiction ("OSJ") during her time with Cetera. On information and belief, AdvisorNet is a separate and distinct entity from Cetera, sharing no common ownership or control.

**JURISDICTION AND VENUE**

[5] This Court has jurisdiction over AdvisorNet because, among other things, it has transacted business in North Dakota and entered into business agreements governing activities within North Dakota.

[6] Venue is proper in Cass County, North Dakota pursuant to North Dakota Century Code section 28-04-05.

### **GENERAL ALLEGATIONS**

[7] Ms. Welo was registered as a General Securities Representative with Cetera from February 2015 until October 2016. Ms. Welo's preexisting business model involved working with investment clients in various retail bank branches throughout North Dakota. Prior to joining Cetera, Ms. Welo completed a successful FINRA examination.

[8] While Ms. Welo was on the road servicing her clientele, the staff in her office handled the back office and administrative tasks. When Ms. Welo joined Cetera, AdvisorNet served as the transition team to handle the transfer of Ms. Welo's files to Cetera. During the transition to Cetera, AdvisorNet's representatives instructed Ms. Welo's staff to receive and place blank, signed client forms into Ms. Welo's clients' files without Ms. Welo's knowledge or approval.

[9] After the transition, AdvisorNet continued to serve as the OSJ for Ms. Welo's office, assuming responsibility to supervise and assure all advisors and administrative staff in Ms. Welo's office followed all federal, state, FINRA rules and regulations, and Cetera's internal policies. AdvisorNet received a percentage of Ms. Welo's gross commissions from Cetera for serving as Ms. Welo's OSJ.

[10] Part of AdvisorNet's duties included responsibility to maintain an ongoing presence within Ms. Welo's office to ensure business was being conducted properly, including reviewing customer files and general office operations. Ms. Welo, who was a busy traveling securities representative, relied on AdvisorNet to do its job by diligently and skillfully completing its compliance and supervisory duties.

[11] AdvisorNet ultimately failed and neglected its compliance and supervisory duties over Ms. Welo's office. The blank, signed client forms, which AdvisorNet instructed Ms. Welo's staff to place into clients' files, were first discovered during an internal review of Ms. Welo's office

conducted by Cetera in August 2016. Additionally, Cetera alleged that one of Ms. Welo's assistants was permitted by AdvisorNet to sign Ms. Welo's name on customer account paperwork—again without Ms. Welo's knowledge or consent. Finally, Cetera alleged that Ms. Welo's office had generally failed to comply with Cetera's data protection and communication policies. All of this occurred on AdvisorNet's watch.

[12] Cetera also raised issue with a gift Ms. Welo made to a friend (who was also a client) who was going through tough times as a potential compliance violation because Cetera characterized the gift as a loan. Ms. Welo never considered this gift to be a loan because she never expected or demanded repayment, charged interest, signed a note, or the like. The gift was made from Ms. Welo's personal account.

[13] Prior to Cetera's internal review in August 2016, Ms. Welo's office had received two clean audits conducted by AdvisorNet. As such, it came as a shock to Ms. Welo that Cetera was now alleging these compliance issues occurring during the time period covered by AdvisorNet's audits.

[14] As a result of Cetera's internal review in August 2016, Cetera elected to terminate Ms. Welo and filed a U-5 form with FINRA detailing AdvisorNet's aforementioned compliance and supervision failures. The U-5 form alleged various violations of securities industry rules, regulations and standards of conduct as the basis for Ms. Welo's termination—all of which fell under AdvisorNet's scope of responsibility to guard against. The filing of U-5 form is a like a "scarlet letter" for securities representative and all but ensures the representative will never work in the securities industry again.

[15] After Ms. Welo's termination by Cetera, she lost her entire book of business that she had worked long and hard to establish. AdvisorNet's supervisory and compliance failures have destroyed Ms. Welo's career and her primary source of income.

[16] At the time of her termination from Cetera, Ms. Welo's book of business was valued at \$1,170,000.00.

[17] Cetera and Ms. Welo subsequently engaged in FINRA arbitration over Cetera's handling of her termination. AdvisorNet was not a party to that arbitration. Cetera and Ms. Welo ultimately settled that matter on confidential terms. AdvisorNet was not a party to the settlement agreement and release that was ultimately executed between Ms. Welo and Cetera.

**FIRST CAUSE OF ACTION – Negligence**

[18] Plaintiff realleges and reincorporates by reference paragraphs 1 through 17 above as though fully set forth herein.

[19] AdvisorNet had a duty of care to competently and diligently supervise and assure all advisors and administrative staff in Ms. Welo's office complied with all federal, state, FINRA rules and regulations, and Cetera's internal policies. This duty included responsibility to maintain an ongoing presence within Ms. Welo's office to ensure business was being conducted properly, including reviewing customer files and general office operations.

[20] AdvisorNet breached the duty of care and was negligent in, among other things:

- a. Failing to use reasonable care in supervising all advisors and administrative staff in Ms. Welo's office;
- b. Failing to use reasonable care to ensure Ms. Welo's office complied with all federal, state, FINRA rules and regulations, and Cetera's internal policies;
- c. Failing to use reasonable care in selecting and managing AdvisorNet

representatives designated to supervise Ms. Welo's office operations;

- d. Failing to use reasonable care in transferring Ms. Welo's clients to Cetera;
- e. Failing to implement proper compliance procedures within Ms. Welo's client office;
- f. Failing to use reasonable care in inspecting and auditing Ms. Welo's office procedures; and
- g. Being otherwise generally negligent.

[21] AdvisorNet is liable to Ms. Welo for all damages proximately caused by its negligence.

[22] As a result of its negligence, AdvisorNet is liable to Ms. Welo in an amount in excess of \$50,000.00, the exact amount to be determined at trial.

#### **SECOND CAUSE OF ACTION – Breach of Contract**

[23] Plaintiff realleges and reincorporates by reference paragraphs 1 through 22 above as though fully set forth herein.

[24] AdvisorNet entered into an agreement with Ms. Welo to serve as the OSJ for her office, wherein AdvisorNet agreed to supervise and assure all advisors and administrative staff in Ms. Welo's office followed all federal, state, FINRA rules and regulations, and Cetera's internal policies. In exchange, AdvisorNet received a percentage of Ms. Welo's gross commissions from Cetera for serving as Ms. Welo's OSJ.

[25] Ms. Welo has performed all of the conditions and covenants required to be performed under her agreement with AdvisorNet, except to the extent that such performance was excused or prevented.

[26] AdvisorNet breached its obligations under the agreement with Ms. Welo by, among other things, failing to perform its contractual duties to supervise and assure all advisors and

administrative staff in Ms. Welo's office followed all federal, state, FINRA rules and regulations, and Cetera's internal policies.

[27] As a direct and proximate result of AdvisorNet's breaches of contract, Ms. Welo has incurred damages in an amount to be determined at trial, but not less than \$50,000.00.

**THIRD CAUSE OF ACTION – Unjust Enrichment**

[28] Plaintiff realleges and reincorporates by reference paragraphs 1 through 27 above as though fully set forth herein.

[29] AdvisorNet has benefitted and been enriched by the percentage of Ms. Welo's gross commissions it received.

[30] Ms. Welo has been impoverished by, among other things, AdvisorNet's failure to provide proper and necessary OSJ services to Ms. Welo.

[31] There is no justification for AdvisorNet's enrichment and Ms. Welo's impoverishment.

[32] As a direct and proximate result of AdvisorNet's unjust enrichment, Ms. Welo has suffered damages in an amount to be proven at trial, but not less than \$50,000.00.

**FOURTH CAUSE OF ACTION – Declaratory Judgment**

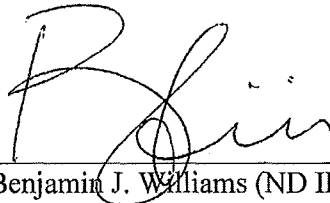
[33] Pursuant to Chapter 32-23 of the North Dakota Century Code, Ms. Welo is entitled to a declaratory judgment that AdvisorNet is not covered or released by the release agreement entered between Cetera and Ms. Welo in the previous FINRA arbitration between Cetera and Ms. Welo.

[34] **WHEREFORE**, Plaintiff respectfully requests relief as follows:

1. For damages for negligence, breach of contract, and/or unjust enrichment in an amount to be proven at trial, but not less than \$50,000.00;

2. For a declaration that AdvisorNet is not covered or released by the release agreement entered between Cetera and Ms. Welo in the previous FINRA arbitration between Cetera and Ms. Welo;
3. For pre- and post-judgment interest at the maximum rate allowed by law;
4. For costs and disbursement, and attorneys' fees, if allowable, incurred in connection with this matter; and
5. For such further relief as the Court deems just, equitable and proper under the circumstances of this case.

Dated this 14th day of November 2019.



Benjamin J. Williams (ND ID # 06945)  
KENNELLY BUSINESS LAW  
313 NP Avenue  
Fargo, ND 58102  
Telephone: 701-478-4900  
Fax: 701-478-4330  
ben@kennellybusinesslaw.com  
*ATTORNEYS FOR PLAINTIFF*