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SECURITIES DIVISION

COMMONWEALTH OF MASSACHUSETTS
OFFICE OF THE SECRETARY OF THE COMMONWEALTH
SECURITIES DIVISION
ONE ASHBURTON PLACE, ROOM 1701
BOSTON, MASSACHUSETTS 02108

IN THE MATTER OF:)	
)	ADMINISTRATIVE
PRINCIPLE PROFITS ASSET MANAGEMENT)	COMPLAINT
)	
& DANIEL A. MCKENNA)	DOCKET NO. E-2010-0082
)	

I. PRELIMINARY STATEMENT

The Enforcement Section of the Massachusetts Securities Division of the Office of the Secretary of the Commonwealth (the "Enforcement Section" and the "Division," respectively) files this complaint (the "Complaint") in order to commence an adjudicatory proceeding against the above named Respondents Principle Profits Asset Management, Inc. ("Principle Profits") and Daniel A. McKenna ("McKenna") for violations of MASS. GEN. LAWS ch. 110A, the Massachusetts Uniform Securities Act (the "Act"), and 950 MASS. CODE REGS. 10.00 *et seq.*, (the "Regulations"). The Complaint is focused on a course of conduct over a seventeen year period in which the Respondents sold their own investment advisory clients worthless Principle Profits stock and entered borrowing arrangements with various Principle Profits clients. The conduct was in breach of the fiduciary duty owed to the clients by Respondents. Respondents violated the act by engaging in fraud in connection with the offer, sale, or purchase of securities; by engaging in fraud in connection with the rendering of investment advice; by having willfully violated or willfully failed to comply with provisions of the Act and the Regulations; by engaging in

unethical or dishonest conduct or practices in the securities business; and by engaging in the offer and sale of unregistered securities in the Commonwealth.

The Enforcement Section seeks an Order: 1) requiring Respondents Principle Profits Asset Management, Inc. and Daniel A. McKenna to permanently cease and desist from further conduct in violation of the Act and Regulations in the Commonwealth; 2) requiring Principle Profits Asset Management, Inc. and Daniel A. McKenna to provide an accounting of all proceeds which were received as a result of the alleged wrongdoing; 3) requiring Principle Profits Asset Management, Inc. and Daniel A. McKenna to offer rescission to and fairly compensate investors for those losses attributable to the alleged wrongdoing; 4) requiring Principle Profits Asset Management, Inc. and Daniel A. McKenna to disgorge all profits and other direct or indirect remuneration received from the alleged wrongdoing; 5) revoking Principle Profits Asset Management, Inc.'s and Daniel A. McKenna's respective registrations as an investment adviser and an investment adviser representative; 6) imposing an administrative fine on Principle Profits Asset Management, Inc. and Daniel A. McKenna in such amount and upon such terms and conditions as the Director or Presiding Officer may determine; and 7) taking any such further actions which may be in the public interest and necessary and appropriate for the protection of Massachusetts investors.

II. SUMMARY

This Complaint addresses how Daniel McKenna, a state registered investment adviser representative, defrauded his investment advisory clients, breached their trust, and engaged in a pattern of conduct that created a gross conflict of interest. Specifically, McKenna repeatedly advised clients to purchase stock in and loan money to the fledgling

investment adviser firm that he runs and withdraws an ad hoc discretionary salary from.¹ The firm balance sheets indicate that the firm, "Principle Profits," operated at a loss for over fifteen straight years prior to turning a nominal profit of approximately \$1,500 in 2010. In total, firm balance sheets indicate that the firm has had an operating loss of over \$900,000 since its inception. Yet, from 1993 to the present, McKenna advised over twenty clients and individuals to purchase \$1,042,875 of worthless shares in the firm. The money paid for the shares was placed in Principle Profits accounts that McKenna used to make hundreds of thousands of dollars worth of salary distributions to himself. McKenna also solicited clients to loan over \$100,000 to Principle Profits. McKenna testified under oath before the Division that the loans do not have any repayment dates and, in some cases, do not require any interest to be paid. McKenna has failed to provide any return to the holders of Principle Profits stock and has not paid back the vast majority of the money loaned to Principle Profits.

Clients of Principle Profits entrusted essential life savings to the firm for investment in and management of third-party investments such as mutual funds and publicly traded equities. Specifically, Principle Profits and McKenna represent that they invest in socially responsible companies. Ultimately, McKenna instead advised many financially unsophisticated investors to liquidate such holdings to purchase stock in Principle Profits, his own one-man investment adviser firm. When doing so, McKenna failed to adequately advise clients of the extreme increase in risk involved in moving funds from widely traded investments to private stock in an unprofitable, one person operation. Indeed, in many instances he advised clients that they would see returns in a short period of time while failing to disclose that the company had never been profitable.

¹ McKenna also sold shares of the firm to non-advisory clients and took loans from non-advisory clients.

Despite providing this advice, McKenna recently could not even explain to Division personnel how any stockholder would actually achieve a return on Principle Profits stock even if the firm was to be profitable. In some instances he advised clients to invest more than half of their portfolio value in high risk Principle Profits stock. Indeed, McKenna advised a widow who was a client of Principle Profits to use \$13,350 of the approximately \$25,000 of savings she had with Principle Profits to purchase shares in the firm. Instead of putting his clients' interests first, McKenna preyed on his unsophisticated clients, convincing them to hand their money over to the very entity that he withdrew his salary from. His clients are now left without the over 1.2 million dollars that he took from them through the issuance of worthless stock and unreturned loans.

III. JURISDICTION AND AUTHORITY

1. The Massachusetts Securities Division is a division of the Office of the Secretary of the Commonwealth with jurisdiction over matters relating to securities, as provided for by the Act. The Act authorizes the Division to regulate: 1) the offers, sales, and purchases of securities; 2) those persons engaged in the business of effecting transactions in securities for the account of others or for their own account; and 3) those persons transacting business as investment advisers within the Commonwealth.
2. The Division brings this action pursuant to the enforcement authority conferred upon it by sections 204 and 407A of the Act and MASS. GEN. LAWS ch. 30A, wherein the Division has the authority to conduct an adjudicatory proceeding to enforce the provisions of the Act and all Regulations and rules promulgated thereunder.

3. This proceeding is brought in accordance with sections 101, 102, 204, 301, 404 and 407A of the Act and its Regulations. Specifically, the acts and practices constituting violations occurred within the Commonwealth of Massachusetts.
4. The Division specifically reserves the right to amend this Complaint and/or bring additional administrative complaints to reflect information developed during the current and ongoing investigation.

IV. RELEVANT TIME PERIOD

5. Except as otherwise expressly stated, the conduct described herein occurred during the approximate time period of January 1, 1993 to date (the "Relevant Time Period").

V. RESPONDENTS

6. Principle Profits Asset Management, Inc. ("Principle Profits") is a corporation organized in the Commonwealth of Massachusetts on January 1, 1993. Principle Profits is an investment adviser registered in the Commonwealth of Massachusetts and assigned Investment Adviser Registration Depository number 133286. Principle Profits' primary business address is 256 North Pleasant Street, Suite #5, Amherst, MA 01002.
7. Daniel Albert McKenna ("McKenna") is an individual with a last known principal place of residence at 231 Plumtree Road, Sunderland, MA 01375. On Principle Profits' Form ADV disclosure, McKenna is listed as a 75% or more owner of Principle Profits. McKenna is also an investment adviser representative registered with the Commonwealth of Massachusetts and assigned Central Registration Depository number 1289933.

VI. ALLEGATIONS OF FACT

Background

8. Principle Profits has been in the business of offering investment advice and asset management services for a fee since the firm opened in 1993.
9. Principle Profits has discretionary authority over the assets that it manages for its clients who pay either an hourly fee or a percentage of assets under management fee for the services.
10. Principle Profits presently has over 100 clients with over \$18,000,000 in assets under management.
11. McKenna has been the only individual employed by Principle Profits to provide investment advice during the Relevant Time Period.
12. McKenna has been the only individual registered with the Commonwealth of Massachusetts as an investment adviser representative of Principle Profits during the Relevant Time Period.
13. McKenna has managed the firm's business operations since the firm opened in 1993.
14. McKenna holds the title of President of Principle Profits.
15. Upon information and belief, Principle Profits has never employed more than three individuals at the same time, including McKenna.
16. McKenna compensates himself through discretionary ad hoc withdrawals from the Principle Profits bank account.
17. Upon information and believe, McKenna collected hundreds of thousands of dollars worth of compensation during the Relevant Time Period in connection with his management of Principle Profits.

18. Upon information and belief, the firm has generated at least \$100,000 in fees each year for the last five years.
19. McKenna maintains that Principle Profits was not profitable each year from 1993 through 2009.
20. During the Relevant Time Period, McKenna collected \$1,042,875 dollars for Principle Profits and himself by selling shares in Principle Profits to individuals.
21. Upon information and belief, the money collected from Principle Profits stock sales went into Principle Profits' bank account to be used at McKenna's discretion including withdrawal for his own income.
22. Of the \$1,042,875 collected from twenty-nine individuals, McKenna collected \$973,875 of that from twenty-two individuals who were clients of Principle Profits.
23. McKenna as President of Principle Profits sold each share for prices between approximately \$500 and \$1,500.
24. In some instances, McKenna as President of Principle Profits sold shares on the same day or within months of one another for prices that varied considerably, in some cases by as much as \$500 per share.
25. According to McKenna, share prices were reduced for existing investors and for investors making larger investments.
26. At all times during the relevant time period, the shares had minimal, if any, market or intrinsic value.
27. As of 2009, Principle Profits' balance sheet indicated that the firm had operated at a loss of over \$900,000 since its inception.

28. As of 2009, Principle Profits' balance sheet indicated that stockholders' equity in the firm was negative \$162,356.13.
29. Principle Profits has never issued a dividend or any type of return on the shares.
30. Principle Profits has refused to redeem or buy back shares from investors.
31. Investing in Principle Profits involved an extremely high degree of risk during the Relevant Time Period.
32. The offering of Principle Profits shares was never registered with the Division or with the Securities and Exchange Commission.
33. Under McKenna's management, Principle Profits also borrowed at least \$150,000 in loans for Principle Profits which he took from individuals.
34. Under McKenna's management, Principle Profits borrowed at least \$100,000 of the \$150,000 in loans for Principle Profits from at least seven individuals who were clients of Principle Profits.
35. McKenna maintains that these loans are open-ended and do not have a date on which Principle Profits is required to pay back principal.
36. McKenna also maintains that some of the loans do not require Principle Profits to pay any interest.
37. Despite repeated demands from a former client and his representatives, Principle Profits has not paid back a loan of \$9,000 that Principle Profits took from that former client in 1996. By the terms of the loan document, the loan was to be paid from the future proceeds of the sale of stock.

Collection of Money from Clients

38. Prior to opening Principle Profits in 1993, McKenna was employed as a financial advisor and insurance salesman with Monarch Securities and Mimlic Sales Corporation.
39. Starting in approximately 1992, McKenna began soliciting clients whose accounts he serviced, to invest in Principle Profits, a new firm that McKenna was starting up.
40. Once McKenna opened up Principle Profits in January of 1993, he convinced many of his former employer's clients to transfer their assets to Principle Profits for asset management services.
41. McKenna sold approximately \$170,000 worth of shares to clients and individuals that are dated 1/2/93.
42. McKenna continued soliciting and selling shares to clients and sold shares to clients every year through 2009 with the exception of 2006 and 2007.
43. In many instances McKenna advised existing clients to liquidate existing holdings in investments such as mutual funds, publicly traded stocks and insurance products that he managed for them so that they could purchase shares in Principle Profits.
44. In many instances, McKenna's clients have spent considerable portions of their investable assets in purchasing Principle Profits stock.
45. In at least one instance, McKenna's clients have spent more money purchasing stock in Principle Profits and loaning money to Principle Profits than they have remaining in their Principle Profits asset management accounts.
46. McKenna convinced a client and widow to spend \$13,350 of the approximately only \$25,000 worth of investable assets she owned to purchase shares of Principle Profits.

47. McKenna requested and took loans from many of the same clients that purchased shares.
48. When discussing Principle Profits with investors and prospective investors, McKenna represented to investors that the firm was doing well.
49. McKenna assured many investors that they would achieve a return on their investment in just a few years.
50. McKenna did not discuss the high risk of loss associated with a private offering such as the one Principle Profits was conducting.
51. McKenna did not discuss the drastic increase in risk that investors who liquidated traditional investments such as mutual funds and publicly traded equities to purchase Principle Profits stock were taking.
52. McKenna did not tell investors that, according to company balance sheets, Principle Profits had never turned a profit.
53. Subscription agreements used by McKenna and Principle Profits indicate that the company had only a limited financial history when the company actually had years of unsuccessful financial history data.
54. McKenna coercively solicited earlier investors to purchase additional shares or loan additional money by indicating that their initial investment might be lost if additional investments were not collected.
55. In many instances, McKenna solicited investors for small loans and stock purchases of under \$5,000 on an ongoing basis citing a need for capital.
56. McKenna did not inform existing stockholders that their shares had a negative equity value on firm balance sheets when he solicited them for additional share purchases.

57. In multiple documents distributed to investors, McKenna represented that he had spoken with executives of mutual funds about hiring Principle Profits as a sub-advisor.
58. McKenna testified under oath before the Division that he never had "officially" talked to a mutual fund about managing it and never had an in person meeting with any employees of a mutual fund regarding hiring Principle Profits as an advisor.
59. Importantly, McKenna also failed to adequately advise clients and prospective Principle Profits investors of the extreme conflict of interest associated with his solicitation of them to purchase stock in a company from which he withdrew a discretionary ad hoc salary.

Principle Profits Clients Solicited by McKenna

60. The clients of Principle Profits that McKenna solicited to invest in the firm had limited knowledge and expertise regarding investing.
61. The clients of Principle Profits relied on McKenna to make investment decisions and offer investment advice that were in the client's best interest.
62. One Principle Profits client and investor represented to the Division that he purchased Principle Profits stock because of the "umbrella of trust" that he had with McKenna in connection with being an investment advisory client of Principle Profits and McKenna.
63. Many Principle Profits clients purchased shares at McKenna's urging, even though they have no idea how or in what form they would achieve a return on the stock purchase if the company was actually to be successful.

64. In fact, in recent testimony before the Division, McKenna himself could not explain how or in what way investors would achieve a return if Principle Profits was successful.
65. When asked what investors got in return for the money used to purchase shares, McKenna testified: "A pretty certificate suitable for framing. A piece of paper."
66. Despite the high risk nature of investing in Principle Profits, the clients of Principle Profits that McKenna solicited to buy shares in the firm were not individuals with aggressive investment goals.
67. The clients of Principle Profits that McKenna solicited to buy shares in the firm were not looking for high risk investments.
68. Many Principle Profits investors were individuals of limited means who could not afford to lose money that they needed for retirement income.
69. Many Principle Profits investors rely on social security and were planning on relying on social security for retirement needs when McKenna advised them to purchase shares.
70. The purchase of shares in Principle Profits was not an appropriate investment for the Principle Profits clients that McKenna solicited based on the investors' background, financial condition, investment goals and risk tolerance.
71. Many Principal Profits investors have no idea what their Principal Profits shares are worth.
72. Many Principal Profits investors mistakenly believe that the shares have substantial value when the firm balance sheets actually indicate that stockholders' equity in 2009 was negative \$162,356.13.

False Form ADV Filed with the Division

73. As an investment adviser registered in the Commonwealth, Principle Profits is required to file a Form ADV at least annually, detailing any changes in its advisory business.
74. Principle Profits last completed Form ADV Part 1, including Schedule A, on March 30, 2011 (the "2010 Form ADV filing").
75. On information and belief, McKenna filed or otherwise caused to be filed with the Division the 2010 Form ADV filing.
76. On information and belief, McKenna filed or otherwise caused to be filed with the Division each and every annual Form ADV update since Principle Profits' registration as an investment adviser became effective in 1993.
77. The 2010 Form ADV filing indicates McKenna is a 75% owner of Principle Profits.
78. As of the time of the 2010 Form ADV filing, McKenna was in fact a minority shareholder in Principle Profits and has been for many years.
79. Schedule A to Form ADV Part 1 requires an investment adviser to disclose all direct owners of the investment adviser. If the investment adviser is a corporation, the adviser is required to disclose all shareholders with a five percent or greater ownership interest in the firm.
80. The 2010 Form ADV filing states, by the absence of any disclosure of the other shareholders, that McKenna was the only individual with an ownership interest in Principle Profits of over five percent.

81. As of the time of the 2010 Form ADV filing, McKenna was in fact one of six shareholders with a five percent or greater interest in Principle Profits. Many of those five percent or greater shareholders were clients of the firm.

82. Many similar Form ADV filings on behalf of Principle Profits were filed by McKenna from 1993 to 2010. None of the filings made over the last decade disclosed the existence of other shareholders of Principle Profits.

83. These Form ADV filings also failed to properly disclose the other directors and executive officers of Principle Profits.

VII. VIOLATIONS OF LAW

Count I – Violation of Mass. Gen. Laws ch. 110A, § 101 by Respondent Principle Profits

84. Section 101 of the Act provides:

It is unlawful for any person, in connection with the offer, sale, or purchase of any security, directly or indirectly

(1) to employ any device, scheme, or artifice to defraud,

(2) to make any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they are made, not misleading, or

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

85. The Division herein re-alleges and restates the allegations and facts set forth in paragraphs 1 through 83 above.

86. The conduct of Respondent Principle Profits, as described above, constitutes violations of MASS. GEN. LAWS ch. 110A, § 101.

Count II – Violation of Mass. Gen. Laws ch. 110A, § 101 by Respondent McKenna

87. Section 101 of the Act provides:

It is unlawful for any person, in connection with the offer, sale, or purchase of any security, directly or indirectly

(1) to employ any device, scheme, or artifice to defraud,

(2) to make any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they are made, not misleading, or

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

88. The Division herein re-alleges and restates the allegations and facts set forth in paragraphs 1 through 83 above.

89. The conduct of Respondent Daniel A. McKenna, as described above, constitutes violations of MASS. GEN. LAWS ch., § 101.

Count III – Violation of Mass. Gen. Laws ch. 110A, § 102 by Respondent Principle Profits

90. Section 102 of the Act provides:

It is unlawful for any person who receives, directly or indirectly, any consideration from another person primarily for advising the other person as to the value of securities or their purchase or sale, whether through the issuance of analyses or reports or otherwise

(1) to employ any device, scheme, or artifice to defraud the other person, or

(2) to engage in any act, practice, or course of business which operates or would operate as a fraud or deceit upon the other person.

91. The Division herein re-alleges and restates the allegations and facts set forth in paragraphs 1 through 83 above.

92. The conduct of Respondent Principle Profits, as described above, constitutes violations of MASS. GEN. LAWS ch. 110A, § 102.

Count IV – Violation of Mass. Gen. Laws ch. 110A, § 102 by Respondent McKenna

93. Section 102 of the Act provides:

It is unlawful for any person who receives, directly or indirectly, any consideration from another person primarily for advising the other person as to the value of securities or their purchase or sale, whether through the issuance of analyses or reports or otherwise

(1) to employ any device, scheme, or artifice to defraud the other person, or

(2) to engage in any act, practice, or course of business which operates or would operate as a fraud or deceit upon the other person.

94. The Division herein re-alleges and restates the allegations and facts set forth in paragraphs 1 through 83 above.

95. The conduct of Daniel A. McKenna, as described above, constitutes violations of MASS. GEN. LAWS ch. 110A, § 102.

**Count V – Violation of Mass. Gen. Laws ch. 110A, § 204(a)(2)(B) by Respondent
Principle Profits**

96. Section 204(a)(2)(B) of the Act provides in pertinent part:

(a) The secretary may by order impose an administrative fine or censure or deny, suspend, or revoke any registration or take any other appropriate action if he finds (1) that the order is in the public interest and (2) that the applicant or registrant or, in the case of a broker-dealer or investment adviser, any partner, officer, or director, any person occupying a similar status or performing similar functions, or any person directly or indirectly controlling the broker-dealer or investment adviser:—

(B) has willfully violated or willfully failed to comply with any provision of this chapter or a predecessor chapter or any rule or order under this chapter or a predecessor chapter.

97. The Division herein re-alleges and restates the allegations and facts set forth in paragraphs 1 through 83 above.

98. The conduct of Respondent Principle Profits, as described above, constitutes violations of MASS. GEN. LAWS ch. 110A, § 204(a)(2)(B).

Count VI – Violation of Mass. Gen. Laws ch. 110A, § 204(a)(2)(B) by Respondent McKenna

99. Section 204(a)(2)(B) of the Act provides in pertinent part:

(a) The secretary may by order impose an administrative fine or censure or deny, suspend, or revoke any registration or take any other appropriate action if he finds (1) that the order is in the public interest and (2) that the applicant or registrant or, in the case of a broker-dealer or investment adviser, any partner, officer, or director, any person occupying a similar status or performing similar functions, or any person directly or indirectly controlling the broker-dealer or investment adviser:–

(B) has willfully violated or willfully failed to comply with any provision of this chapter or a predecessor chapter or any rule or order under this chapter or a predecessor chapter.

100. The Division herein re-alleges and restates the allegations and facts set forth in paragraphs 1 through 83 above.

101. The conduct of Respondent Daniel A. McKenna, as described above, constitutes violations of MASS. GEN. LAWS ch. 110A, § 204(a)(2)(B).

Count VII – Violation of Mass. Gen. Laws ch. 110A, § 204(a)(2)(G) by Respondent Principle Profits

102. Section 204(a)(2)(G) of the Act provides in pertinent part:

(a) The secretary may by order impose an administrative fine or censure or deny, suspend, or revoke any registration or take any other appropriate action if he finds (1) that the order is in the public interest and (2) that the applicant or registrant or, in the case of a broker-dealer or investment adviser, any partner, officer, or director, any person occupying a similar status or performing similar functions, or any person directly or indirectly controlling the broker-dealer or investment adviser:–

(G) has engaged in any unethical or dishonest conduct or practices in the securities, commodities or insurance business;

103. Without limiting the generality of the foregoing, 950 MASS. CODE REGS.

12.205(9)(c) defines dishonest or unethical practices in the securities industry to include:

(1) Recommending to a client to whom investment supervisory, management or consulting services are provided the purchase, sale or exchange of any security without reasonable grounds to believe that the recommendation is suitable for the client on the basis of information furnished by the client after reasonable inquiry concerning the client's overall portfolio, investment objectives, financial situation and needs, investment experience and any other information known or acquired by the adviser after reasonable examination of the client's records as may be provided to the adviser.

(6) Borrowing money or securities from a client unless the adviser is a broker-dealer or the client is a broker-dealer, an affiliate of the adviser, a family member or a financial institution engaged in the business of loaning funds or securities.

(11) Failing to disclose to a client in writing before rendering investment advice any material conflict of interest relating to the adviser, its representatives, or any of its employees, which could reasonably be expected to influence or impair the rendering of unbiased or objective advice

104. The Division herein re-alleges and restates the allegations and facts set forth in paragraphs 1 through 83 above.

105. The conduct of Respondent Principle Profits, as described above, constitutes violations of MASS. GEN. LAWS ch. 110A, § 204(a)(2)(G).

Count VIII – Violation of Mass. Gen. Laws ch. 110A, § 204(a)(2)(G) by Respondent McKenna

106. Section 204(a)(2)(G) of the Act provides in pertinent part:

(a) The secretary may by order impose an administrative fine or censure or deny, suspend, or revoke any registration or take any other appropriate action if he finds (1) that the order is in the public interest and (2) that the

applicant or registrant or, in the case of a broker-dealer or investment adviser, any partner, officer, or director, any person occupying a similar status or performing similar functions, or any person directly or indirectly controlling the broker-dealer or investment adviser:—

...
(G) has engaged in any unethical or dishonest conduct or practices in the securities, commodities or insurance business;

107. Without limiting the generality of the foregoing, 950 MASS. CODE REGS.

12.205(9)(c) defines dishonest or unethical practices in the securities industry to include:

(1) Recommending to a client to whom investment supervisory, management or consulting services are provided the purchase, sale or exchange of any security without reasonable grounds to believe that the recommendation is suitable for the client on the basis of information furnished by the client after reasonable inquiry concerning the client's overall portfolio, investment objectives, financial situation and needs, investment experience and any other information known or acquired by the adviser after reasonable examination of the client's records as may be provided to the adviser.

(6) Borrowing money or securities from a client unless the adviser is a broker-dealer or the client is a broker-dealer, an affiliate of the adviser, a family member or a financial institution engaged in the business of loaning funds or securities.

(11) Failing to disclose to a client in writing before rendering investment advice any material conflict of interest relating to the adviser, its representatives, or any of its employees, which could reasonably be expected to influence or impair the rendering of unbiased or objective advice

108. The Division herein re-alleges and restates the allegations and facts set forth in paragraphs 1 through 83 above.

109. The conduct of Respondent Daniel A. McKenna, as described above, constitutes violations of MASS. GEN. LAWS ch. 110A, § 204(a)(2)(G).

Count IX – Violation of Mass. Gen. Laws ch. 110A, § 204(a)(2)(H) by Respondent Principle Profits

110. Section 204(a)(2)(H) of the Act provides in pertinent part:

(a) The secretary may by order impose an administrative fine or censure or deny, suspend, or revoke any registration or take any other appropriate action if he finds (1) that the order is in the public interest and (2) that the applicant or registrant or, in the case of a broker-dealer or investment adviser, any partner, officer, or director, any person occupying a similar status or performing similar functions, or any person directly or indirectly controlling the broker-dealer or investment adviser:–

...

(H) is insolvent, either in the sense that his liabilities exceed his assets or in the sense that he cannot meet his obligations as they mature; . . .

111. The Division herein re-alleges and restates the allegations and facts set forth in paragraphs 1 through 83 above.

112. The conduct of Respondent Principle Profits, as described above, constitutes violations of MASS. GEN. LAWS ch. 110A, § 204(a)(2)(H).

Count X – Violation of Mass. Gen. Laws ch. 110A, § 301 by Respondent Principle Profits

113. Section 301 of the Act provides in pertinent part:

It is unlawful for any person to offer or sell any security in the commonwealth unless: -

- (1) the security is registered under this chapter;
- (2) the security or transaction is exempted under section 402; or
- (3) the security is a federal covered security.

114. The Division herein re-alleges and restates the allegations and facts set forth in paragraphs 1 through 83 above.

115. The conduct of Respondent Principle Profits, as described above, constitutes violations of MASS. GEN. LAWS ch. 110A, § 301.

Count XI – Violation of Mass. Gen. Laws ch. 110A, § 301 by Respondent McKenna

116. Section 301 of the Act provides in pertinent part:

It is unlawful for any person to offer or sell any security in the commonwealth unless: -

- (1) the security is registered under this chapter;
- (2) the security or transaction is exempted under section 402; or
- (3) the security is a federal covered security.

117. The Division herein re-alleges and restates the allegations and facts set forth in paragraphs 1 through 83 above.

118. The conduct of Respondent Daniel A. McKenna, as described above, constitutes violations of MASS. GEN. LAWS ch. 110A, § 301.

Count XII – Violation of Mass. Gen. Laws ch. 110A, § 404 by Respondent Principle Profits

119. Section 404 of the Act provides:

It is unlawful for any person to make or cause to be made, in any document filed with the secretary or in any proceeding under this chapter, any statement which is, at the time and in the light of the circumstances under which it is made, false or misleading in any material respect.

120. The Division herein re-alleges and restates the allegations and facts set forth in paragraphs 1 through 83 above.

121. The conduct of Respondent Principle Profits as described above constitutes violations of MASS. GEN. LAWS ch. 110A, § 404.

Count XIII – Violation of Mass. Gen. Laws ch. 110A, § 404 by Respondent McKenna

122. Section 404 of the Act provides:

It is unlawful for any person to make or cause to be made, in any document filed with the secretary or in any proceeding under this chapter, any statement which is, at the time and in the light of the circumstances under which it is made, false or misleading in any material respect.

123. The Division herein re-alleges and restates the allegations and facts set forth in paragraphs 1 through 83 above.
124. The conduct of Daniel A. McKenna as described above constitutes violations of MASS. GEN. LAWS ch. 110A, § 404.

VIII. STATUTORY BASIS FOR RELIEF

125. Section 407A of the Act entitled "Violations; Cease and Desist Orders; Costs" provides in pertinent part:
- (a) If the secretary determines, after notice and opportunity for hearing, that any person has engaged in or is about to engage in any act or practice constituting a violation of any provision of this chapter or any rule or order issued thereunder, he may order such person to cease and desist from such unlawful act or practice and may take such affirmative action, including the imposition of an administrative fine, the issuance of an order for an accounting, disgorgement or rescission or any other such relief as in his judgment may be necessary to carry out the purposes of [the Act].
126. The Enforcement Section herein re-alleges and restates the facts and allegations set forth in paragraphs 1 through 83 above.
127. Respondent Principle Profits Asset Management, Inc., directly and indirectly, engaged in the acts, practices, and courses of business set forth in the Administrative Complaint above, and it is the Enforcement Section's belief that Respondent Principle Profits Asset Management, Inc. will continue to engage in acts and practices similar in subject and purpose which constitute violations of sections 101, 102, 204, 301 and 404 of the Act if not ordered to cease and desist.

128. Respondent Daniel A. McKenna, directly and indirectly, engaged in the acts, practices, and courses of business set forth in the Administrative Complaint above, and it is the Enforcement Section's belief that Respondent Daniel A. McKenna will continue to engage in acts and practices similar in subject and purpose which constitute violations of sections 101, 102, 204, 301 and 404 of the Act if not ordered to cease and desist.

IX. PUBLIC INTEREST

For any and all of the reasons set forth above, it is in the public interest and will protect Massachusetts investors to enter an Order: 1) requiring Respondents Principle Profits Asset Management, Inc. and Daniel A. McKenna to permanently cease and desist from further conduct in violation of the Act and Regulations in the Commonwealth; 2) requiring Principle Profits Asset Management, Inc. and Daniel A. McKenna to provide an accounting of all proceeds which were received as a result of the alleged wrongdoing; 3) requiring Principle Profits Asset Management, Inc. and Daniel A. McKenna to offer rescission to and fairly compensate investors for those losses attributable to the alleged wrongdoing; 4) requiring Principle Profits Asset Management, Inc. and Daniel A. McKenna to disgorge all profits and other direct or indirect remuneration received from the alleged wrongdoing; 5) revoking Principle Profits Asset Management, Inc.'s and Daniel A. McKenna's respective registrations as an investment adviser and an investment adviser representative; 6) imposing an administrative fine on Principle Profits Asset Management, Inc. and Daniel A. McKenna in such amount and upon such terms and conditions as the Director or Presiding Officer may determine; and 7) taking any such

further actions which may be in the public interest and necessary and appropriate for the protection of Massachusetts investors.

X. RELIEF REQUESTED

Wherefore, the Enforcement Section of the Division requests that the Director or Presiding Officer take the following actions:

- A. Find that all the sanctions and remedies as detailed herein are in the public interest and necessary for the protection of Massachusetts investors;
- B. Find as fact the allegations set forth in paragraphs 1 through 83 inclusive, of the Complaint;
- C. Order Respondents Principle Profits Asset Management, Inc. and Daniel A. McKenna to permanently cease and desist from further conduct in violation of the Act and Regulations in the Commonwealth;
- D. Order Respondents Principle Profits Asset Management, Inc. and Daniel A. McKenna to provide an accounting of all proceeds which were received as a result of the alleged wrongdoing;
- E. Order Respondents Principle Profits Asset Management, Inc. and Daniel A. McKenna to offer rescission to and fairly compensate investors for those losses attributable to the alleged wrongdoing;
- F. Order Respondents Principle Profits Asset Management, Inc. and Daniel A. McKenna to disgorge all profits and other direct or indirect remuneration received from the alleged wrongdoing;

- G. Revoke Respondents Principle Profits Asset Management, Inc.'s and Daniel A. McKenna's respective registrations as an investment adviser and an investment adviser representative;
- H. Impose an administrative fine on Respondents Principle Profits Asset Management, Inc. and Daniel A. McKenna in such amount and upon such terms and conditions as the Director or Presiding Officer may determine; and
- I. Take any such further actions which may be in the public interest and necessary and appropriate for the protection of Massachusetts investors.

**MASSACHUSETTS SECURITIES DIVISION
ENFORCEMENT SECTION**

By and through its attorneys,

A handwritten signature in black ink, appearing to be 'K. Morris', written over a horizontal line.

Kevin Morris, Esq.

Gregory R. Abram, Esq.

Patrick Ahearn, Chief of Enforcement

Massachusetts Securities Division

One Ashburton Place, Room 1701

Boston, Massachusetts 02108

(617) 727-3548 Telephone

(617) 248-0177 Facsimile

Dated: December 14, 2011