



**The Commonwealth of Massachusetts**  
William Francis Galvin, Secretary of the Commonwealth  
Securities Division

January 23, 2014

**VIA HAND DELIVERY**

Massachusetts Securities Division  
Attn: Peter Cassidy, Esq., Clerk to the Presiding Officer  
One Ashburton Place, Room 1701  
Boston, MA 02108

**RE: In the Matter of Gerald William Nannen and Senior Financial Advisors, Inc.  
(Docket No. 2013-0063)**

Dear Sir:

Enclosed for filing please find the following submissions in connection with the above referenced matter:

1. Administrative Complaint;
2. Notice of Adjudicatory Proceeding; and
3. Certificate of Service.

Please forward these filings to the Presiding Officer for his/her review and consideration.  
Thank you for your attention to this matter.

Respectfully,

A handwritten signature in black ink, appearing to read "Elyse J. Boyle".

Elyse J. Boyle, Esq.  
Enforcement Section

Enclosures.

Cc: Per accompanying Certificate of Service

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

---

IN THE MATTER OF: )

GERALD WILLIAM NANNEN & )  
SENIOR FINANCIAL ADVISORS, INC., )

Respondents. )

---

Docket No. 2013-0063

**NOTICE OF ADJUDICATORY PROCEEDING**

Please take notice that William Francis Galvin, Secretary of the Commonwealth, by his Enforcement Section of the Securities Division (respectively, the "Enforcement Section" and "Division") seeks an Order: 1) requiring Respondents to permanently cease and desist from further conduct in violation of the Act and Regulations in the Commonwealth; 2) requiring Respondents to provide an accounting of all proceeds which were received as a result of the alleged wrongdoing, and to offer rescission to and fairly compensate investors for those losses attributable to the alleged wrongdoing; 3) requiring Respondents to disgorge all profits and other direct or indirect remuneration received from the alleged wrongdoing; 4) censuring Respondents; 5) revoking the Respondents' respective registrations as an investment adviser and an investment adviser representative; 6) permanently barring the association or registration of the Respondent Nannen with any broker-dealer, issuer of securities, or investment adviser in the Commonwealth; 7) imposing an administrative fine on Respondents in such amount and upon such terms and conditions as the Director or Presiding Officer may determine; and 8) taking any such further actions which may be necessary or appropriate in the public interest for the protection of Massachusetts investors.

Respondents have the right to request an adjudicatory hearing at which they may show good cause why such an order and sanctions should not be entered. The adjudicatory proceeding is governed by Massachusetts General Laws, Chapter 110A and by the Rules set forth in Title 950 of the Code of Massachusetts Regulations beginning at Section 10.00.

The matters of fact and law in the proceeding are set forth in the Administrative Complaint, a copy of which is filed and served herewith.

In accordance with 950 Mass. Code Regs. 10.06(e), Respondents must file an answer to each allegation set forth in the Administrative Complaint within twenty-one (21) days after service upon Respondents. A Respondent who fails to file a timely answer may be deemed to be in default, and the allegations of the Administrative Complaint may thereupon be accepted as true and the proceedings determined against the defaulting party by issuance of a final order.

**WILLIAM FRANCIS GALVIN  
SECRETARY OF THE COMMONWEALTH**



\_\_\_\_\_  
Diane Young-Spitzer  
Associate Director  
Massachusetts Securities Division  
One Ashburton Place, Room 1701  
Boston, Massachusetts 02108

Dated: January 1, 2014

**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 COMPLAINT
	)	
GERALD WILLIAM NANNEN &	)	
SENIOR FINANCIAL ADVISORS, INC.,	)	
	)	Docket No. 2013-0063
Respondents.	)	

---

**I. PRELIMINARY STATEMENT**

The Enforcement Section of the Massachusetts Securities Division of the Office of the Secretary of the Commonwealth (hereinafter the "Enforcement Section" and the "Division," respectively) files this administrative complaint (hereinafter the "Complaint") in order to commence an adjudicatory proceeding against the above-named Respondents, Gerald William Nannen and Senior Financial Advisors, Inc., for violations of MASS. GEN. LAWS ch. I JOA, the Massachusetts Uniform Securities Act (hereinafter the "Act") and 950 MASS. CODE REGS. 10.00 *et seq.*, (hereinafter the "Regulations"). The Complaint alleges that Gerald William Nannen and Senior Financial Advisors, Inc. (hereinafter collectively the "Respondents") engaged in fraudulent as well as dishonest and unethical business practices as an investment adviser and investment adviser representative in the Commonwealth of Massachusetts in violation of the Act and Regulations.

The Enforcement Section seeks an Order: 1) requiring Respondents to permanently cease and desist from further conduct in violation of the Act and Regulations in the Commonwealth; 2) requiring Respondents to provide an accounting of all proceeds which were received as a result of the alleged wrongdoing, and to offer rescission to and fairly compensate investors for those losses attributable to the alleged wrongdoing; 3) requiring Respondents to disgorge all profits and other

direct or indirect remuneration received from the alleged wrongdoing; 4) censuring Respondents; 5) revoking the Respondents' respective registrations as an investment adviser and an investment adviser representative; 6) permanently barring the association or registration of the Respondent Nannen with any broker-dealer, issuer of securities, or investment adviser in the Commonwealth; 7) imposing an administrative fine on Respondents in such amount and upon such terms and conditions as the Director or Presiding Officer may determine; and 8) taking any such further actions which may be necessary or appropriate in the public interest for the protection of Massachusetts investors.

## II. SUMMARY

Senior Financial Advisors, Inc. ("SFA") has been registered with the Massachusetts Securities Division since 2003. Gerald William Nannen ("Nannen") is the sole investment adviser representative of SFA, as well as the President, Treasurer, Secretary, and Director of SFA. This Administrative Complaint ("Complaint") describes how Nannen and SFA engaged in fraudulent and unregistered activities, as well as dishonest and unethical business practices, by: (1) borrowing over \$90,000 from an advisory client; (2) issuing unregistered securities -in the form of promissory notes; (3) failing to disclose a material conflict of interest of referring advisory clients to invest in oil and gas joint ventures in which he had a proprietary interest and from which he received compensation; (4) acting as an unregistered broker-dealer effecting the sales of interests in oil and gas joint ventures and a profit-sharing investment; (5) making false filings with regulators; and (6) failing to disclose personal liens and judgments to regulators.

One of Nannen's advisory clients, Client I, in Massachusetts received approximately \$1 million from a lawsuit settlement. Soon after the settlement, beginning in 2007, Nannen asked for and received loans of money from Client I. In August 2007, when Client I was 69 years old,

Nannen borrowed \$35,000 from Client I and gave him a promissory note in return that promised fifteen percent annual interest. Nannen testified to the Enforcement Section that he intended to use this money for marketing his insurance business and a multi-level marketing company. In November 2007, Nannen borrowed an additional \$25,000 from Client I in exchange for a promissory note that promised fifty percent annual interest. In September 2009, Nannen borrowed another \$7,708.61 from Client I. In March 2010, Nannen borrowed \$25,000 from Client I in exchange for another promissory note. Within one month of depositing Client I's \$25,000 check, Nannen made checks payable to himself for over \$10,000, made rent payments for his office space, and made payments to Chase and Capital One. By borrowing money from an investment advisory client, Nannen engaged in dishonest and unethical conduct in violation of the Act and Regulations. In addition, the promissory notes Nannen issued to Client I were not registered as securities with the Massachusetts Securities Division.

Nannen also failed to disclose in writing a material conflict of interest by referring numerous advisory clients to invest in oil and gas joint ventures managed by a Texas-based entity named Riverstone Resources, Ltd. ("Riverstone Resources"). Beginning in approximately December 2007, Nannen referred at least eight Massachusetts advisory clients to collectively invest over \$400,000 in oil and gas joint ventures managed by Riverstone Resources. One of these advisory clients was Client I, from whom Nannen had personally borrowed over \$90,000. Nannen referred Client I to invest over \$200,000 in at least ten oil and gas joint ventures managed by Riverstone Resources. In exchange for his advisory clients' investments in the oil and gas joint ventures, Nannen received proprietary interests and compensation from at least three oil well joint ventures. Nannen engaged in dishonest and unethical conduct in violation of the Act and Regulations by failing to disclose in writing his ownership interests and

Compensation from the oil and gas joint ventures that Nannen recommended to his advisory clients. In addition, Nannen's recommendations often oil and gas joint ventures to Client 1 were unsuitable recommendations.

Instead of disclosing in writing his ownership interests and compensation from the oil and gas joint venture sales in disclosure documents, Nannen made false filings with the Division in which he provided that he did not receive proprietary interests in securities he recommended to his clients and also that he did not receive sales interests from securities he recommended to his clients. Nannen also engaged in unregistered activity by acting as a broker-dealer in effecting sales of interests in the oil and gas joint ventures, as well as a profit-sharing investment.

Additionally, between December 5, 2006 and the present, Nannen failed to disclose to regulators at least ten financial incidents totaling \$92,972.00. Specifically, Nannen failed to disclose at least seven Massachusetts state tax liens totaling \$29,886.00, at least two U.S. Internal Revenue Service tax liens totaling \$42,213.00, and at least three civil judgments totaling \$26,986.00. Nannen was required to report these incidents to the Division by filing amendments to his Form U4 within ten business days after the circumstances requiring such notification. Nannen, however, failed to make such disclosures.

As a result of the actions described above, the Enforcement Section alleges that Nannen and Senior Financial Advisors violated Sections 101, 102, 201(a), 203,204,301 and 404 of the Act and corresponding Regulations. The Enforcement Section seeks certain penalties as a result of these violations, including the revocation of SFA's registration as an investment adviser and Nannen's registration as an investment adviser representative in Massachusetts.

### **III. JURISDICTION AND AUTHORITY**

1. As provided for by the Act, the Division is a division of the Office of the Secretary of the Commonwealth with jurisdiction over matters relating to securities. The Act authorizes the Division to regulate: 1) the offer, sale, 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 Section 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, 201(a), 203,204,301,404 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 August 20, 2007 through present (the "Relevant Time Period").

### **V. RESPONDENTS**

5. Gerald William Nannen (hereinafter "Nannen") is an individual with a last known principal place of residence at 263 Parker Street, East Longmeadow, Massachusetts 01028. Nannen is



currently assigned Central Registration Depository (hereinafter "CRD") number 1176317. /

Between July 23, 2003 and the present, Nannen .has been registered with the Division as an investment adviser representative of Senior Financial Advisors, Inc. in the Commonwealth of Massachusetts.

6. Senior Financial Advisors, Inc. (hereinafter "SF A") is a domestic for-profit corporation organized under the laws of the Commonwealth of Massachusetts on April 18, 2003. SFA has a last known principal place of business at 264 North Main Street, Suite 15, East Longmeadow, Massachusetts 01028. Nannen is the President, Treasurer, Secretary, and Director of SFA. SFA is currently assigned CRD number 126994. Between July 23, 2003 and the present, SFA has been registered with the Division as an investment adviser in the Commonwealth of Massachusetts.

## **VI. RELATED PARTIES**

7. Senior Financial Insurance Agency, Inc. (hereinafter "SFIA") is a domestic for-profit corporation organized under the laws of the Commonwealth of Massachusetts on August 8, 2001. SFIA has a last known principal place of business at 264 North Main Street, Suite 15, East Longmeadow, Massachusetts 01028. Nannen is the President, Treasurer, Secretary, and Director of SFIA.
8. Financial Independence, LLC (hereinafter "FI") was a domestic for-profit limited liability company organized under the laws of the Commonwealth of Massachusetts on January 9, 2009. FI has a last known principal place of business at 264 North Main Street, Suite 15, East Longmeadow, Massachusetts 01028. Nannen was the sole manager of FI. FI was dissolved on June 30, 2013.

9. Riverstone Resources, Ltd. (hereinafter "Riverstone Resources") is a company with a last-known principal place of business at 2591 Dallas Parkway, Suite 300, Frisco, Texas 75034. -Riverstone Resources has an effective date of registration with the Corporations Division of the Texas Secretary of State's Office of February 19, 2002.

## **VII. ALLEGATIONS OF FACT**

10. Between July 23, 2003 and the present, Nannen has been registered with the Division as an investment adviser representative of SFA in the Commonwealth of Massachusetts.
11. Between July 23, 2003 and the present, SFA has been registered with the Division as an investment adviser in the Commonwealth of Massachusetts.

### **A. NANNEN BORROWED MONEY FROM AN ADVISORY CLIENT**

#### **Advisory Relationship with Client 1**

12. Nannen testified to the Enforcement Section that he first met a Massachusetts resident ("Client 1") sometime between 2002 and 2004 at a retirement seminar that Nannen held for his insurance agency, SFIA. Nannen testified that Client 1 attended after receiving a direct mail solicitation from Nannen about the seminar.
13. Nannen testified to the Enforcement Section that he sold Client 1 an annuity through his insurance agency in approximately 2005, and another annuity following the first.
14. Client 1 granted Nannen, in his capacity as an investment adviser representative at SFA, a limited power of attorney for investment trading authorization in an account he held at TD Waterhouse (now TD Ameritrade) on November 17, 2004.
15. TD Ameritrade terminated Nannen's limited trading authorization from Client 1's account on April 22, 2010.

16. Client I granted Nannen, in his capacity as an investment adviser representative at SFA, a limited power of attorney for investment trading authorization in a second account he held at TD Waterhouse on February 20, 2006.
17. Nannen entered into a Wealth Management Agreement on behalf of SFA with Client I in 2006. Client I's Wealth Management Agreement provided that: "[t]his Wealth Management Agreement is entered into by and between, Senior Financial Advisors, Inc. ('Advisor'), a Massachusetts registered corporation and registered investment advisor; and [Client I] ('Client'), residing in the State of MA." (Emphasis in original).
18. The handwritten date of "12/15/06" appeared next to Client I's signature on the Wealth Management Agreement, with a handwritten notation above that which stated: "Eff. 10/1/06."
19. Client I's Wealth Management Agreement included a description of the services that SFA would provide to Client I: "[t]he Advisor will analyze the Client's financial goals and objectives to design a specific portfolio for the Client. In addition to these portfolio management services, the Advisor shall be available to provide guidance on general financial matters."
20. Client I's Wealth Management Agreement included a fee schedule as "Schedule A," which provided that Client I would pay a "Maximum Annual Fee" of 1.00 percent in consideration of SFA's services.

#### **Loans from Client 1 to Nannen**

21. In-2007, Client I received approximately \$1 million from a lawsuit settlement.
22. Nannen asked for and received loans of money from Client I, an investment advisory and insurance client, beginning in 2007.

23. Client I was 69 years old in August of 2007.

24. During testimony given to the Enforcement Section under oath, Nannen testified as follows:

Q: Have you personally ever issued any promissory notes to any clients of Senior Financial Advisors?

A: Yes..

Q: To whom?

A: [Client I].

Q: And you issued that promissory note in your individual capacity?

A: Initially, yes.

25. During testimony given to the Enforcement Section under oath, Nannen testified about the reason for the first promissory note:

... I was in need for my business for some capital and I asked if [Client I] could help, if he was interested in an investment, basically, in **lending me some money** to assist in marketing my business and he was amenable to that and we drew up a promissory note and that's what occurred.

(Emphasis added).

26. Nannen further testified to the Enforcement Section:

Q: And you just referenced you needed money or needed capital for your business?

A: Mm-hmm.

Q: What business were you referring to?

A: The insurance agency. I was doing seminars at the time and the marketing for the seminars was very expensive, so [Client I] was assisting with that.

### **August 20, 2007 Promissory Note**

27. On August 20, 2007, Client I wrote a check for \$35,000 to Nannen with "Promissory Note" written in the memorandum line.

28. On August 20, 2007, Nannen issued a promissory note in exchange for the \$35,000 from Client I ("August 20, 2007 Promissory Note").

29. Nannen testified to the Enforcement Section as follows:

Q: And could you tell me what the purpose of that first promissory note, the 35 thousand dollars was for?

A: You know, I'm guesstimating. It was business. I needed assistance with funding some of the seminars and also we had a business called Wealth Masters that I had gotten involved in that was a firm that provided financial and investment training to people who would get involved in the business and it was almost like a multi-level, but not exactly like it. I became an associate of Wealth Masters paid a fee to do that which was I think \$8,000.... It was to be able to recruit other people to the training, ultimately to teach them ways to invest safely, to manage their - to pay off credit and debt, you know, negative debt safely and efficiently and so forth. It was to teach people how to become financially independent. So that was part of the investment I believe, as well.

30..The August 20, 2007 Promissory Note provided that:

For value received, the undersigned Gerald W. Nannen (the 'Borrower'), at 263 Parker Street, East Longmeadow, Massachusetts 01028, promises to pay to the order of [Client 1], (the 'Lender'), at [Client 1's Massachusetts address], (or at such other place as the Lender may designate in writing) the sum of \$35,000:00 with interest from August 20, 2007, on the unpaid principal at the rate of 15.00% per annum.

31. The August 20, 2007 Promissory Note further provided that "[ u]npaid principal after the Due Date shown below shall accrue interest at a rate of 16.00% annually until paid." In addition, the August 20, 2007 Promissory Note stated that "[t]he unpaid principal and accrued interest shall be payable in quarterly installments of \$9,585.41, beginning on November 20, 2007, and continuing until August 20, 2008 (the 'Due Date'), at which time the remaining unpaid principal and interest shall be due in full."

32. On the August 20, 2007 Promissory Note, the "Due Date" of August 20, 2008 was crossed out and October 10, 2008 was handwritten on the document. Under Nannen's signature on the second page of the August 20, 2007 Promissory *note*, there is a handwritten note that states: "it is agreed that actual installments will be paid on or before (1) January 10, 2008, (2) April 10, 2008, (3) July 10, 2008 and last, (4) October 10, 2008."

33. On January 16, 2008, Nannen wrote a letter to Client 1 that stated, "enclosed is the first check #1957 for \$9,595.41, as repayment of the installment promissory note" we completed on August 20, 2007. There are three more to go." Nannen wrote a personal check to Client 1 dated January 10, 2008 for \$9,585.41 with a note in the memorandum line: "1<sup>st</sup> Install 8/20/07 Note."

**November 20, 2007 Promissory Note**

34. On November 20, 2007, Client 1 wrote a check for \$25,000 to Nannen with "Promissory Note" written in the memorandum line.

35. On November 20, 2007, Nannen issued a promissory note in exchange for \$25,000 from Client 1 ("November 20, 2007 Promissory Note").

36. Nannen testified to the Enforcement Section about the purpose of the second promissory note with Client 1:

Probably more of the same [as the first]. - Not having been successful enough with the first - very frankly it's hard to recall exactly the purposes other than to say to assist in trying to keep the business alive and to market what I do, and marketing is the direct mail to get either seminar clients, prospects, or people to come into the office to sit down and talk about a second opinion on their investments and, you know, some became clients. Whenever you do a mailing, it costs anywhere from 3 to \$5,000 to do a mailing. That would be probably what I had in mind, was a series of mailings over the subsequent months.

37. The November 20, 2007 Promissory Note provided that:

For value received, the undersigned Gerald W. Nannen (the 'Borrower'), at 263 Parker Street, East Longmeadow, Massachusetts 01028, promises to pay to the order of [Client I], (the 'Lender'), at [Client 1's Massachusetts address], (or at such other place as the Lender may designate in writing) the sum of \$25,000.00 with interest from January 20, 2008, on the unpaid principal at the rate of 50.00% per annum.

38. The November 20, 2007 Promissory Note further provided that, "[t]he unpaid principal and accrued interest shall be payable in monthly installments of \$2,689.63, beginning on February 20, 2008, and continuing until January 20, 2009, (the 'Due Date'), -at which time the retraining unpaid principal and interest shall be due in full."

39. On March 28, 2008, Nannen wrote a letter to Client 1 that stated:

I wanted to update you on the conversation we had when you were in my office last. We had agreed on a deferral of the first few monthly payments on the 2<sup>nd</sup> note, dated 11-20-2007, which initially was \$2,689.63 per month. We talked about deferring 2-3 payments to the end of the contract period. I propose that we defer 3 payments (February, March and April) to be due in February, March and April of 2009, with an extra \$250.00 of interest to be added to each at the time of payment. Thus, \$2689.63 plus \$250.00 equals \$2,939.63 due for each postponed month.

I also would like to request, in regard to the 1<sup>st</sup> note, dated 8-20-2007, that we defer the next payment due April 10, 2008, until January 10, 2009, with \$500.00 of added interest as an incentive. Thus, \$9,585.41 plus \$500.00 equals \$10,085.41 due for the deferred installment. This deferral will give me added time to build the flow of leads for the Wealth Masters business and thus build a steady monthly cash flow from it over the next 4-6 months.

40. At the erid of the March 28, 2008 letter to Client 1, Nannen requested Client 1 to sign the letter which was to "act[] as an addendum to the original notes."

#### **April 16, 2008 Promissory Note**

41. On April 16, 2008, Nannen issued a promissory note to Client\_ 1 for \$58,727.09 ("April 16, 2008 Promissory Note") which provided that:

For value received, the undersigned Gerald W. Nannen (the 'Borrower'), at 263 Parker Street, East Longmeadow, Massachusetts 01028, promises to pay to the order of [Client 1], (the 'Lender'), at [Client 1's Massachusetts address], (or at such other place as the Lender may designate in writing) the sum of \$58,727.09 with interest from April 12, 2008 on the unpaid principal at the rate of 12.00% per annum.

42. The April 16, 2008 Promissory Note further provided that "[t]he unpaid principal and accrued interest shall be payable in quarterly installments of \$4,675.31, beginning on July 12, 2008, and continuing until April 12, 2012, (the 'Due Date'), at which time the remaining unpaid principal and interest shall be due in full."
43. Under Nannen's signature on the second page of the April 16, 2008 Promissory Note, there is a handwritten note that states, "[t]his combined note replaces note dated August 20, 2007 - \$35,000, and note dated November 20, 2007 - \$25,000. These notes are no longer valid as of today." Below this handwritten note is a signature line and a signature of Client I's name.
44. On June 3, 2008, Nannen wrote a letter to Client I that stated:

I am requesting an additional deferral of the May and June payments on the 11-20-2007 note, to be paid in May and June 2009, with an additional \$250.00 per payment added to the \$2689.63 base monthly payment. I am still working actively with [name omitted] on internet advertising courses that will ultimately enable us to recruit many [Wealth Masters International] members as well as help us in recruiting insurance agents to sell mortgage life and disability insurance. I have another idea about perhaps re-structuring the two notes and combining them into one.

45. On June 13, 2008, Nannen wrote a handwritten letter to Client I that stated:

I am requesting your approval to combine the two promissory notes into one with an amortization payoff over 5 years. My goal would be to pay off the outstanding balance by April 12, 2010, but with the right if needed to payoff on April 12, 2013.

Here is where we stand:

Loan (Note #1) 35,000- Balance 4/12/08	\$26,727.09
- after one payment	<u>f.:":- -: -</u>
Loan (Note #2) 25,000 -	25,000.00
50% Interest on ½ year	+ 6,250.00
+ Bonus Interest for Hassle	<u>+ 750.00</u>
	32,000.00
	<u>+ 26,727.09</u>
As of April 12, 2008	\$58,727.09



New Note 58,727.09 @ 12% annual int. payable quarterly for 4 years-April 12,2008-April 12,2013. \$4675.31 per quarter-1<sup>st</sup> payment due July 12, 2008.

See Promissory Note dated 4/16/08

46. The June 13, 20\_08 letter to Client 1 further provided:

This new note will allow me to more surely meet the quarterly payments and allow me time to build my WMI/CC Pro<sup>1</sup> business, and my new National Agents Alliance Insurance Agency. . . I fully expect to be able to accelerate the payoff in the next 24-36 months. My goal is by this time next year, to be able to pay you my entire Jiffy Lube partnership<sup>2</sup> check each quarter - \$10,000+... . This will be good for both of us - as you will earn a good yield for a longer time.

### **March 16, 2009 Promissory Note**

47. On March 16, 2009, Nannen issued a promissory note to Client 1 for \$53,062.69 ("March 16, 2009 Promissory Note") which provided that:

FOR VALUE RECEIVED, [t]he Borrower promises to pay to [Client 1] at [Client 1's Massachusetts address], or at such address as may later be provided in writing to the Borrower, the principal sum of fifty-three thousand, sixty-two and sixty-nine hundredths (\$53,062.69) USD, with interest payable on the unpaid principal at the rate of 12.00 percent per annum, calculated yearly not in advance.

---

<sup>1</sup> Nannen testified to the Enforcement Section that: "WMI is Wealth Masters International that I referred to earlier and CC:: Pro is another like-kind business which is semi-multilevel, but they're really different. They're businesses that allow you to - the capability of attracting people who are looking to improve their financial, I would say, astuteness. You recruit people to see if they're interested in becoming a distributor, essentially, underneath you and they would then get education and training in financial matters. Both of those businesses are very similar in that extent. That's what those two are. I would get paid a fee for, you know, them getting involved."

<sup>2</sup> Nannen testified to the Enforcement Section that he invested in real estate tenancies-in-common for Jiffy Lube locations. With respect to this letter to Client I, Nannen stated: "[a]t that time, I was receiving about 10,000, 11,000 a quarter in income. Subsequently, one of the properties went vacant. This is after I arranged this quarterly payoff with [Client I] and I felt he was going to be paid off in a year. Essentially, what happened was - or a year and a half, something like that. Essentially what happened was, when the property went vacant, the second-we had two of them that I had a significant interest in. The second property's revenue was applied to the first because they were part of a common - tenant in common, partnership, so to speak. In other words, they were combined in one deal. So I went from receiving 40 some-odd thousand a year from that to receiving zero and being taxed on 20 some-odd thousand still from the one that's still an occupied Jiffy Lube. That still is the situation. This is several years hence. That threw the whole payoff idea in limbo. That's part of what led to the difficulty and subsequent note and so forth."

48. The March 16, 2009 Promissory Note further provided that "[t]his Note will be repaid in 8 Consecutive quarterly installments of interest only, equaling \$1591.88, on the twenty-fifth day of each calendar quarter, commencing on April 25, 2009 with the balance owing under this Note being paid at the end of its term."
49. Under Nannen's signature on the second page of the March **16**, 2009 Promissory Note, there is a handwritten note that reads, "[t]his note replaces promissory note written and signed on April 16, 2008. This becomes the only note between the parties." Below this handwritten note is a signature line and a signature of Client 1's name.
50. Unlike the prior promissory notes issued by Nannen to Client I, the March 16, 2009 Promissory Note provided that "[t]his . Note is secured by the following security (the 'Security'): Interest in ¼ unit owned by Gerald W. Nannen of North Edna #1 oil well purchased through Riverstone Resources, Ltd."
51. The March 16, 2009 Promissory Note included an addendum that provided, "I, Gerald W. Nannen, do offer my interest in Riverstone Resources, LTD. North Edna #1 JV oil and gas well as collateral for a personal loan made to me by [Client 1]. This offer is meant to be exercised only in the event of a default on the promissory note between the parties, dated March 16, 2009."
52. On April 6, 2009, Nannen wrote a personal check to Client I for \$1,591.88 with a note in the memorandum line: "Qtly Interest Note."
53. On August 6, 2009, Nannen wrote a personal check to Client I for \$1,591.88 with a note in the memorandum line: "July 25 Promissory Note."

### September 4, 2009 Promissory Note

54. On September 4, 2009, Client 1 wrote a check to Nannen for \$7,708.61 with a note in the memorandum line: "NOTE."
55. On September ( 2009, Nannen issued a promissory note to Client **1** for \$70,000 ("September 4, 2009 Promissory Note") which provided that:

FOR VALUE RECEIVED, the undersigned hereby jointly and severally promise [sic]to pay to the order of [Client **1**] the sum of One Thousand Dollars (\$1,000.00), together with interest thereon at the rate of 12% per annum on the unpaid balance." The September 4, 2009 Promissory Note further provided that "[i]nterest shall be repaid quarterly on the declining balance, and an additional \$1,000.00 principal shall be paid quarterly as well. First quarterly payment is due 01-10-2010.

56. The September 4, 2009 Promissory Note stated "[t]his note replaces Promissory Note dated March 16, 2009. This becomes the only Note between the parties." The signature line for Client 1 had a space for his name, followed by the word "Lender."
57. The September 4, 2009 Promissory Note provided that "[t]his note is secured by the following security (the 'Security'): Interest in ¼ Unit owned by Gerald W. Nannen in the North Edna #1, JV oil well purchased through Riverstone Resources, Ltd. of Frisco, Texas." The September 4, 2009 Promissory Note also provided that "[t]he borrower grants to [Client 1] a security interest until the note is paid in full, at which time said Security will be released. [Client I] will be listed as a lender on the title of the Security whether or not he elects to perfect the security interest in the Security."
58. The September 4, 2009 Promissory Note included an addendum that provided: "I, Gerald W. Nannen, do offer in my interest in Riverstone Resources, LTD. North Edna #1 JV oil and gas well as collateral for a **personal loan made to me by (Client 1)**. This offer is meant to be

exercised only in the event of a default on the promissory note between the parties, dated September 4, 2009." (Emphasis added).

#### **February 12, 2010 Amendment to September 4, 2009 Promissory Note**

59. On February 12, 2010, Nannen wrote a letter to Client 1 regarding "Addendum to Promissory Note Dated 9-4-2009." The letter provided: "[t]his letter is to confirm that we agreed to defer the \$3,100.00 of interest and principal that was due on or about 1-10-2010, until the April 10, 2010 due date for the next note installment, on the promissory note between us. I will owe at that time \$6,200.00 plus an extra \$250.00 as an incentive to defer payment until then."

#### **March 30, 2010 Promissory Note**

60. On March 30, 2010, Client I wrote a check to Nannen for \$25,000 with "Promissory Note" written in the memo line.

61. On March 30, 2010, Nannen issued a promissory note to Client I for \$114,450 ("March 30, 2010 Promissory Note") that provided: "FOR VALUE RECEIVED, the undersigned hereby jointly and severally promise to pay **to the** order of [Client I], the sum of One Hundred Fourteen Thousand Four Hundred Fifty Dollars (\$14,450), together with interest thereon at the rate of Zero% per annum on the unpaid balance, for the first 2 years. Then, interest of 5% annually, and payable quarterly shall be due."

62. The March 30, 2010 Promissory Note further provided:

No installment payments will be paid in the first two years, but rather \$26,904 in interest will immediately accrue to the balance owed upon signing of note and the full funds being received by Senior Financial Insurance Agency, Inc. (SFIA). This note will cancel a promissory note dated 9-4-2010 [sic] and amended on 2-12-2010, to Mr. Nannen, president of SFIA. **This note replaces all previous notes between Gerald Nannen or SFIA and [Client**

I]. Thus, a total of \$141,354 is due [Client I] when paid off, for

the additional loan of \$40,000. The extra \$26,904 due [Client I] is an interest incentive. The last of the \$40,000 is to be received from [Client I] on 5-31-2010, in the amount of \$15,000. After two years, 5% annual interest will be due [Client!], paid on a quarterly basis. If note is not paid off by 12-31-13, [Client I] has the right if desired to convert the note to 5450 shares of SFIA common stock at a minimum of \$21.00 per share Par value. If not, the note can be extended at 10% interest paid quarterly for another two years and then the note is due in full on or about 12-31-2015.

(Emphasis in original).

63. Nannen testified to the Enforcement Section about the SFIA common stock provision of the

March 30, 2010 Promissory Note:

Q: Mr. Nannen, just so that your testimony is clear, the shares are 5,450 shares of SFIA Common Stock at a minimum of \$21 per share par value?

A: *Mm-hmm:*

Q: That \$21 par value relates to the value of this note, correct?

A: I believe so. If I had a calculator, I would multiply it out and it would probably equal the note.

Q: So that has no relationship to actual assets held by SFIA or the actual worth of the company itself?•

A: Absolutely not.

64. The March 30, 2010 Promissory Note further provided that, "[s]uch collateral shall be Mr. Nannen's interest in the North Edna #1 JV, as well as any interests owned by Financial Independence, LLC (FI), which Mr. Nannen owns and which he herewith obligates on behalf of FI. Said collateral shall be released as note is paid off in full. Senior Financial [s]hall also apply for and keep in force a \$141,354 life insurance policy payable to [Client I], until the note is retired, as an additional incentive to make this loan."

65. The March 30, 2010 Promissory Note included two footnotes not previously included in the prior promissory notes between Nannen and Client I:

(l) Mr. Nannen discloses that there are potential conflicts of interest as he is the borrower and the adviser in this transaction.

(2) [Client I] acknowledges that he understands there is substantial risk involved in this transaction, and that he accepts the collateral offered, as well as the signature of Mr. Nannen as president of SFIA, which obligate SFIA as well as the other collateral.

66. The March 30, 2010 Promissory Note included a signature line for both SFIA and Financial Independence which Nannen both signed. All prior promissory notes were executed between Nannen individually and Client L. The signature line for Client I on the March 30, 2010 Promissory Note had a space for Client I's name, followed by the word "Lender."
67. On March 30, 2010, Nannen deposited Client I's \$25,000 check in an account for Senior Financial Insurance Agency. Within one month of depositing Client I's check, Nannen made checks payable to himself for over \$10,000. Nannen subsequently made rent payments for his office space, made payments to Chase and Capital One, and transferred money to his SFA account to pay for an annual corporations filing. In addition, Nannen bought a life insurance policy payable to Client I that is referenced in the March 30, 2010 Promissory Note.

**August 17, 2010 Promissory Note**

68. On August 17, 2010, Nannen issued a promissory note to Client I for \$99,450 ("August 17, 2010 Promissory Note") which provided:

FOR VALUE RECEIVED, the undersigned hereby jointly and severally promise to pay to the order of [Client I], the sum of Ninety-Nine Thousand Four Hundred Fifty Dollars (\$99,450), together with interest thereon at the rate of Zero% per annum on the unpaid balance, for the first 2 years. Then, interest of 5% annually, and payable quarterly shall be due.

69. The August 17, 2010 Promissory Note provided the following:

No installment payments will be paid in the first two years, but rather \$16,815 in interest will immediately accrue to the balance owed upon signing of note and the full funds being received by Senior Financial Insurance Agency, Inc. (SFIA)[.] This note will

cancel a promissory note dated 9-4-2009 and amended on 2-12-2010 and amended again on 3-30-2010, to Mr. Nannen, presiding of SFIA. **This note replaces all previous notes between Gerald Nannen or SFIA and [Client 1].** Thus, a total of \$116,265 is due [Client 1] when paid off, for the additional loan of \$25,000. The extra \$16,815 due [Client 1] is an interest incentive. After two years, 5% annual interest will be due [Client 1], paid on a quarterly basis. If note is not paid off by 12-31-13, [Client 1] has the right if desired to convert the note to 5536 shares of SFIA common stock at a minimum of \$21.00 per share Par value. If not, the note can be extended at 10% interest paid quarterly for another two years and then the note is due in full on or about 12-31-2015.

(Emphasis in original).

70. The August 17, 2010 Promissory\_Note further provided that, "[s]uch collateral shall be Mr. Nannen's interest in the North Edna #1 JV, as well as any interests owned by Financial Independence, LLC (FI), which Mr. Nannen owns and which he herewith obligates on behalf of FI. Said collateral shall be released as note is paid off in full. Senior Financial [s]hall also apply for and keep in force a \$1 I 6,625 life insurance policy payable to [Client 1], until the note is retired, as an additional incentive to make this loan."
71. The August 17, 2010 Promissory Note included a signature line for both SFIA and Financial Independence which Nannen both signed. The signature line for Client 1 had a space for his name, followed by the word "Lender."
72. The North Edna #I Joint Venture that Nannen referenced as collateral to the March 16, 2009 Promissory Note, September 4, 2009 Promissory Note, March 30, 2010 Promissory Note, and August 17, 2010 Promissory Note was an illiquid investment that made irregular distributions.

#### **Total Amount Nannen Borrowed From Client 1**

73. In total, Nannen borrowed \$92,708.61 from Client 1 during the Relevant Time Period.



## **Issuance of Unregistered Securities**

74. The promissory notes issued by Nannen to Client I were not registered as securities with the Massachusetts Securities Division.

## **B. CONFLICTS OF INTEREST**

### **Nannen's Sale of Oil and Gas Investments to Clients**

75. Nannen became involved in oil and gas investments during the mid-2000s. Nannen testified that he became involved when an individual hired by an entity named Riverstone Resources, Ltd. ("Riverstone Resources Contact I") called him after finding Nannen's name on a list of registered investment advisers in Massachusetts.

76. Riverstone Resources, Ltd. ("Riverstone Resources") is a Texas-based company. Its website provides: "[w]e are a Frisco, Texas based company that partners with many independent and public companies for the purpose of oil and gas exploration."

77. In 2006, Nannen personally invested \$10,000 in the North Edna #1 Joint Venture offered by Riverstone Resources. Nannen testified that he received distributions from his North Edna #1 Joint Venture investment "for a certain period and then [the distributions] petered out" due to equipment problems.

78. Nannen testified that there was "no promise of a return of principal" from his investment in the North Edna #1 Joint Venture, but that he received periodic distributions of varying amounts when the oil well performed well.

### **Nannen's Compensation From Riverstone Resources Oil and Gas Joint Ventures**

79. Nannen kept in contact with Riverstone Resources Contact 1 after his personal investment and eventually began recommending to his advisory clients, as well as individuals who were not advisory clients, to invest in other Riverstone Resources oil and gas joint ventures.

80. Riverstone Resources incentivized Nannen to sell investments in their oil and gas joint ventures by offering him complimentary interests in oil and gas joint ventures, as well as any payments made by those oil and gas joint ventures.

81. Nannen testified to the Enforcement Section that he received a "carried interest" in at least three joint ventures managed by Riverstone Resources:

Q: Did you receive any compensation from [Client 1's] investment in the South King's Bayou interest?

A: Not initially.

Q: Did you at some point receive compensation for that interest?

A: At some point I received what they called a carried interest, which means in the discussion or the parlance of oil and gas, I got a position in a future well that they would at some point assign to me: It was maybe more than a year later, but it ultimately was given.

Q: What portion of the interest did you receive? We talked about a full share, a half share before?

A: Yeah, I believe it was a quarter unit in a particular well.

Q: Where was this well located?

A: I think it's in the same - I think it's in Texas and it's called a Schiflet Number 1 well ....

82. Nannen further testified:

Q: Did you also receive a carried interest on a future well with respect to [Client 2]'s investment?

A: Actually, **it was not necessarily because of [Client 1]'s investment that I received the carried interest. It was a series of subsequent clients of mine that invested.** Collectively at some point the Schiflet was given to me as a carried-interest and there were two other wells that I got a carried interest, a quarter unit each, and that was that.

Q: What were those two wells?

A: I think Woodbine SH, H for horizontal well. Woodbine is W-O-O-D-B-I-N-E and then I think Woodbine 9H, or it could be 7H. I'm not sure which. They are all JVs, joint ventures.

(Emphasis added).

83. In a document that Nannen filed with the Enforcement Section during its investigation, Nannen represented that he "received compensation in connection with the Riverstone Resources, Ltd. JVs."
84. Nannen received compensation from Riverstone Resource's Schiflet IH Joint Venture in 2009, 2010, and 2011.
85. Nannen received compensation from Riverstone Resource's Woodbine SH Joint Venture in 2010 and 2011.
86. Nannen received compensation from Riverstone Resource's Woodbine 7H Joint Venture in 2010 and 2011.
87. Nannen failed to disclose to advisory clients in SFA's written disclosure documents the material conflict of interest that Riverstone Resources offered him complimentary interests and compensation by soliciting their investments.

#### **Client 1's Investment in Kings Bayou Joint Venture**

88. Nannen recommended Riverstone Resources oil and gas joint ventures to Client 1.
89. On December 20, 2007, Nannen wrote a letter to Riverstone Resources Contact I that stated, "I am so pleased that you called and I was able to offer [Client 1] a position in the half unit at Kings Bayou, J.V. in Louisiana. . . . Enclosed you will find a signed and completed Subscription Agreement and a check #1952 for \$22,000.00. I **appreciate the fact that you have indicated an offer to include me in a future producing well for bringing [Client 1] to you as a client.** I know that you will keep me informed in this regard as 2008 approaches. It is my hope that we can continue to work together in the years to come." (Emphasis added).

90. On June 30, 2008, Riverstone Resources Contact I sent an e-mail that stated: "**ATTN. ALL S. KINGS BAYOU PARTNERS:** Congratulations again on the drilling results. The rig is still on location, setting pipe (completing the well) as we speak. Please forward your completion funds to us at your earliest convenience.... Completion is \$14,000 per unit." (Emphasis in original).

91. On July 14, 2008, Riverstone Resources Contact I forwarded this e-mail to Nannen and wrote, "... looks like you may not have gotten this notice sent 2 weeks ago neither [Client 2] nor [Client I] have sent their funds because they didn't know about it! Sorry - please follow up with both of them for me. They each owe \$7k." Following this e-mail, Nannen sent a check dated July 16, 2008 from Client I for \$7,000 made payable to the Kings Bayou Joint Venture to Riverstone Resources Contact 1 with the memorandum line "completion check."

92. On October 21, 2009, Client I filled out a "Kings Bayou Joint Venture Ballot" that provided: "I elect to participate in the re-completion and gravel-pack of the Kings Bayou well. A check for my pro-rata share is enclosed." On October 21, 2009, Client I wrote a check to Kings Bayou Joint Venture for \$837.

#### **Client 1's Investment in Fryeburg #4 Joint Venture**

93. On August 11, 2008, Nannen sent Riverstone Resources Contact I a letter on SFA letterhead that enclosed a subscription agreement and check from Client 1 for \$12,500 for a half-unit investment of the Fryeburg #4 Joint Venture managed by Riverstone Resources.

94. On December 15, 2008, Riverstone Resources Contact I sent an e-mail that stated, "**ATTN. FRYEBURG #4 PARTNERS:** The drilling rig has been released after setting permanent casing all the down [sic] to total depth. Please help us get the well into production as quickly

as possible by sending your completion funds as this will serve as your official notice. \$11,000 is due for 1 Unit (or \$5500 for a½ Unit.)" On December 16, 2008, Nannen sent this e-mail with a handwritten note to Client 1 that stated, "[y]ou have ½ unit in Fryeburg #4 - so make a check out for \$5500. . . . Send this week. It looks right!" (Emphasis in original).

#### **Client 1's Investment in Miller IH Joint Venture**

95. On March 30, 2009, Client 1 entered into a subscription agreement for a½ unit investment of the Miller IH Joint Venture managed by Riverstone Resources for \$12,500.

96. On April 20, 2009, Riverstone Resources Contact J sent an update e-mail that stated, "ATTN. MILLER #IH PARTNERS: We're pleased to announce that drilling has reached total depth of over 14,000', including a 6123' lateral section. The completion phase has begun, so please forward your completion & equipment check in the amount of \$7000 per Unit of Investment."

#### **Client 1's Investment in Schiflet IH Joint Venture**

97. Client 1 entered into a subscription agreement for a ½ unit investment in the Schiflet IH Joint Venture managed by Riverstone Resources for \$17,000.

98. On June 3, 2009, Client 1 wrote a \$4,000 check made payable to Schiflet IH Joint Venture for "completion, ½ unit."

#### **Client 1's Investments in Woodbine SH, 6H, and 7H Joint Ventures**

99. On August 10, 2009, Riverstone Resources Contact 1 e-mailed Nannen: "I've attached Subscription Docs on all 4 projects. Again, the offer is if [Client 1] purchases ½ unit in each of the W[oodbine] 5, W[oodbine] 6, and W[oodbine] 7; [Riverstone Resources Contact 2]

will award him ¼ Unit pro-bono in the W[oodbine] 8. The only condition is that he pays all the drilling and testing up front - \$54K."

100. On August 11, 2009, Nannen wrote a handwritten letter on SFA letterhead with enclosed documents to Riverstone Resources Contact 1 that stated: "[h]ere are 3 sets of documents completed - 5-7H Woodbine, along with Ck# 2386 \$54,000 made out to Riverstone Resources, Ltd. to be re-allocated by you to ½ unit each in Woodbine 5-7H. By agreement, Riverstone is giving [Client 1] a carried interest of ¼ unit in Woodbine SH (document enclosed), as incentive to pay all 3 ½ units (5-7H) upfront, except for completion funds."

101. On February 15, 2010, Nannen sent a note and check to Riverstone Resources Contact 1: "[h]ere is [Client 1]'s check #2519 for \$4,000.00 for completion of Woodbine 7H JV."

#### **Client 1's Investment in Woodbine 11H Joint Venture**

102. On April 22, 2010, Nannen wrote a handwritten letter on SFA letterhead with enclosed documents to Riverstone Resources Contact 1 on behalf of Client 1 that stated: "[h]ere is subscription agreement for Woodbine 11H's last ½ unit. A check for \$25,000 #2573 is enclosed."

- 103. On November 4, 2010, Riverstone Resources sent an update letter to the Woodbine 11H

Joint Venture partners that stated in part:

The Woodbine 11H has been successfully drilled to a total measured depth of 16,979'. It has 9,090' of horizontal displacement which is the most of any other Woodbine well drilled in our acreage. In addition, we have designed a forty-one (41) stage fracturing simulation treatment which is more than all of our previous wells. We believe that it is in the best interest of the Joint Venture to move forward with this design even though it will require additional funds. . . . Please help me on this and return your proportionate share at your earliest convenience. This is in addition to the original completion cost of \$10,000 per unit.

104. The November 4, 2010 letter provided that Client I's interest in the Woodbine 1 IH Joint Venture required a \$7,050.00 check for his interest to continue.

105. Client I wrote a check to the Woodbine 11H Joint Venture on November 30, 2010 that Nannen sent to Riverstone Resources.

106. On December 8, 2010, Nannen sent a fax cover letter on SFA and SFIA letterhead to Riverstone Resources on behalf of Client I that noted, "[h]ere is signed additional frac[turing] form - \$7050.00."

### **Buy Out of Client I's Interests**

107. In April 2011, Client I's interests in Miller IH, Schiflet IH, Woodbine 5H, Woodbine 6H, Woodbine 7H, Woodbine 8H, and Woodbine 11H joint ventures were bought out.

### **Benton 1 Joint Venture**

108. On June 13, 2011, Nannen sent a letter on SFA letterhead with enclosed documents to Riverstone Resources Contact I on behalf of Client I's niece for an investment in the Benton 1 Joint Venture managed by Riverstone Resources. Nannen wrote: "[h]ere is sub[scription] agreement and check#139 for \$36,000 for I and ½ units. Please notice: the check is from Client I, but the J.V. interest is for [Client I's niece]. Her Woodbine checks had not arrived as of Saturday, so [Client I] helped out until checks arrive."

### **Client I's Investment in Woodbine 17H Joint Venture**

109. On August 24, 2011, Riverstone Resources Contact I e-mailed Nannen with the subject line "special situation." He wrote:

We've got a special situation I thought I would run by you first before anybody else:

Once in a great while, we're able to broker discounted Units in wells for a variety of reasons. In this case, I have a client that is transferring a Half Unit out of the Bakken #1 into the Woodbine

#17. His original position was actually a  $\frac{3}{4}$  Unit, so since I couldn't refund him on a  $\frac{1}{4}$  Unit of it, I was able to buy it at a discount to help him out.

Rather than keep it for ourselves, or price it higher, I'd like to see one of your active and supportive clients get the chance to buy it at a discount, especially if it encourages them to buy another portion from Riverstone (but not necessary.) You can sell this  $\frac{1}{4}$  Unit in the Woodbine #17 for \$11,000, which normally retails for \$12,000, saving someone \$1000..

Let me know if you're interested. I'll provide the buyer with an acknowledgment receipt upon receiving their funds, and will issue the assignment if interest when the time comes (usually after the well's funded or in production.) The buyer will have to make it payable to me personally, as I am brokering the position for my client.

110. On August 24, 2011, Nannen sent a letter with enclosed documents to Riverstone Resources Contact 1 on behalf of Client 1 and wrote: "[h]ere is (1) Sub Agreement  $\frac{1}{4}$  Unit Woodbine 17H JV (1) Check #2882 \$12,000.00 in full; (2) Also, (1)  $\frac{1}{4}$  Unit Purchase from [Riverstone Resources Contact I] at \$1,000.00 discount (1) Check #2883 \$1,000."
111. On August 25, 2011, Riverstone Resources Contact 1 wrote a letter to Client 1 that stated: "[t]his letter will acknowledge that I am in receipt of \$11,000 from you for the purchase of a  $\frac{1}{4}$  Unit ownership position currently owned by myself in the Woodbine 17 Joint Venture."
112. On February 1, 2013, Nannen e-mailed Riverstone Resources Contact 2 seeking an update on the Benton 1 Joint Venture and the Woodbine 17H Joint Venture. On February 6, 2013, Riverstone Resources Contact 2 wrote back to Nannen that Riverstone Resources Contact 1 was no longer with Riverstone Resources; that the Benton 1 Joint Venture had only produced marginally and would not be profitable; and that the Woodbine 17H Joint Venture



would require the building of a costly pipeline to produce gas which was not cost effective at that time.

113. A summary of Client 1's investments and completion costs for oil and gas joint ventures managed by Riverstone Resources is as follows:

<b>Client 1's Oil and Gas Investments and Costs</b>	
<b>NAME OF WELL</b>	<b>INVESTMENT AND COMPLETION COSTS</b>
Kings Bayou Joint Venture	\$22,000.00
Kings Bayou Joint Venture	\$7,000.00
Kings Bayou Joint Venture	\$837.00
Fryeburg #4 Joint Venture	\$12,500.00
Fryeburg #4 Joint Venture	\$5,500.00
Miller IH Joint Venture	\$12,500.00
Miller IH Joint Venture	\$3,500.00
Schiflet IH Joint Venture	\$17,000.00
Schiflet IH Joint Venture	\$4,000.00
Woodbine 5H Joint Venture	\$18,000.00
Woodbine 6H Joint Venture	\$18,000.00
Woodbine 7H Joint Venture	\$18,000.00
Woodbine 7H Joint Venture	\$4,000.00
Woodbine 11H Joint Venture	\$25,000.00
Woodbine 11H Joint Venture	\$7,050.00
Benton 1 Joint Venture	\$36,000.00
Woodbine 17H Joint Venture	\$12,000.00

Woodbine 17H Joint Venture	\$11,000.00
<b>TOTAL</b>	<b>\$233,887.00</b>

114. Nannen's recommendations to Client 1 to invest \$233,887 in illiquid and speculative Riverstone Resources oil and gas joint ventures were unsuitable based on Client 1's overall portfolio, investment objectives, as well as his financial situation and needs.

**Advisory Relationship With Client 2.**

115. Nannen entered into a Wealth Management Agreement on behalf of SFA with a Massachusetts resident (hereinafter "Client 2") in 2006. Client\_ 2's Wealth Management Agreement provided that: "[t]his Wealth Management Agreement is entered into by and between, Senior Financial Advisors, Inc. (' Advisor'), a Massachusetts registered corporation and registered investment advisor, and [Client 2] ('Client'), residing in the State of MA." (Emphasis in original).

116. The handwritten date of "11/21/06" appeared next to Client 2's signature on the Wealth Management Agreement.

117. Client 2's Wealth Management Agreement included a description of the services that SFA would provide to Client 2: "[t]he Advisor will analyze the Client's financial goals and objectives to design a specific portfolio for the Client. In addition to these portfolio management services, the Advisor shall be available to provide guidance on general financial matters."

118. Client 2's Wealth Management Agreement included a fee schedule as "Schedule A," which provided that Client 2 would pay a "Maximum Annual Fee\_" of 1.50 percent in consideration of SFA's services.

119. Nannen entered into a Financial Planning Agreement on behalf of SFA with Client 2 on July 29, 2009.

120. Client 2's Financial Planning Agreement provided that Nannen would provide hourly financial consulting at a rate of \$ 150 per hour.

121. Nannen recommended Riverstone Resources oil and gas joint ventures to Client 2.

**Client 2's Investment in Kings Bayou Joint Venture**

122. On February 28, 2008, through Nannen, Client 2 entered into a subscription agreement for a ½ unit investment in the Kings Bayou Joint Venture managed by Riverstone Resources for \$22,000.

**Client 2's Investment in Schiflet IH Joint Venture**

123. On May 18, 2009, through Nannen, Client 2 wrote a check for \$17,000 and entered into a subscription agreement for a ½ unit investment in the Schiflet IH Joint Venture managed by Riverstone Resources.

124. In June 2009, Client 2 paid \$4,000 in completion costs for the Schiflet IH Joint Venture.

**Client 2's Investment in Woodbine SH Joint Venture**

125. On October 8, 2009, Nannen wrote a note and enclosed documents to Riverstone Resources Contact 1 on behalf of Client 2 regarding the Woodbine 8H Joint Venture that stated: "[h]ere is sub agreement + check #5852 for \$12,000 for a full ¼ unit including completion funds." (Emphasis in original).

126. A summary of Client 2's investments and completion costs for oil and gas joint ventures managed by Riverstone Resources is as follows:

<b>Client 2's Oil and Gas Investments and Costs</b>	
<b>NAME OF WELL</b>	<b>INVESTMENT AND COMPLETION COSTS</b>
Kings Bayou Joint Venture	\$22,000.00
Schiflet 1H Joint Venture	\$17,000.00
Schiflet 1H Joint Venture	\$4,000.00
Woodbine SH Joint Venture	\$12,000.00
<b>TOTAL</b>	<b>\$55,000.00</b>

**Advisory Relationship With Client 3**

127. Nannen entered into a Wealth Management Agreement on behalf of SFA with a Massachusetts couple (hereinafter "Client 3") in 2005. Client 3's Wealth Management Agreement provided that: "[t]his Wealth Management Agreement is entered into by and between, Senior Financial Advisors, Inc. ('Advisor'), a Massachusetts registered corporation and registered investment advisor, and [Client 3] ('Client'), residing in the State of MA." (Emphasis in original).

128. The handwritten date of "2/15/05" appeared next to the signatures of Client 3 on the Wealth Management Agreement.

129. Client 3's Wealth Management Agreement included a description of the services that SFA would provide to Client 3: "[t]he Advisor will analyze the Client's financial goals and objectives to design a specific portfolio for the Client. In addition to these investment management services, the Advisor shall be available to provide guidance on general financial matters."

130. Client 3's Wealth Management Agreement included a fee schedule as "Schedule A," which provided that Client 3 would pay a "Maximum Annual Fee" of 1.25 percent in consideration of SFA's services.

131. Nannen recommended Riverstone Resources oil and gas joint ventures to Client 3.

#### **Client 3's Investment in Schiflet IH Joint Venture**

132. Through Nannen, Client 3 wrote a check for \$17,000 and entered into a subscription agreement for a ½ unit investment in the Schiflet IH Joint Venture managed by Riverstone Resources.

133. In June 2009, Client 3 paid \$4,000.00 in completion costs for the Schiflet IH Joint Venture.

#### **Client 3's Investment in Woodbine SH Joint Venture**

134. Through Nannen, Client 3 wrote a check for \$18,000 and entered into a subscription agreement for a ½ unit investment in the Woodbine SH Joint Venture managed by Riverstone Resources.

#### **Client 3's Investment in Woodbine Oil Development Joint Venture**

135. On June 4, 2010, Nannen wrote a note and enclosed documents to Riverstone Resources Contact 1 on behalf of Client 3 that stated, "[h]ere is subscription agreement on Woodbine Oil Development, J.V. + ck #3575 for \$20,000 for Deposit on ½ Unit. More to follow."

136. On February 23, 2011, Nannen wrote a note to Riverstone Resources Contact 1 on behalf of Client 3 that included a \$2,000 check from Client 3 for the completion costs of the Woodbine Oil Development Joint Venture.

### Client 3's Investment in Benton I Joint Venture

137. On June 13, 2011, Nannen wrote a note on SFA letterhead with enclosed documents to Riverstone Resources Contact I on behalf of Client 3 that stated, "[h]ere is check #3623 for \$12,000 ½ unit in Benton I JV+ Sub Agreement."
138. A summary of Client 3's investments and completion costs for oil and gas joint ventures managed by Riverstone Resources is as follows:

<b>Client 3's Oil and Gas Investments and Costs</b>	
<b>NAME OF WELL</b>	<b>INVESTMENT AND COMPLETION COSTS</b>
Schiflet I H Joint Venture ...	\$17,000.00
Schiflet I H Joint Venture	\$4,000.00
Woodbine 5H Joint Venture	\$18,000.00
Woodbine Oil Development Joint Venture	\$20,000.00
Woodbine Oil Development Joint Venture	\$2,000.00
Benton I Joint Venture	\$12,000.00
<b>TOTAL</b>	<b>\$73,000.00</b>

### Advisory Relationship With Client 4

139. Nannen entered into a Wealth Management Agreement on behalf of SFA with a Massachusetts resident (hereinafter "Client 4") in 2005. Client 4's Wealth Management Agreement provided that: "[t]his Wealth Management Agreement is entered into by and between, Senior Financial Advisors, Inc. ('Advisor'), a Massachusetts registered corporation and registered investment advisor, and [Client 4] ('Client'), residing in the State of MA." (Emphasis **in** original).

140. The handwritten date of "6/13/05" appeared next to Client 4's signature on the Wealth Management Agreement.

141. Client 4's Wealth Management Agreement included a description of the services that SFA would provide to Client 4: "[t]he Advisor will analyze the Client's financial goals and objectives to design a specific portfolio for the Client. In addition to these portfolio management services, the Advisor shall be available to provide guidance on general financial matters."

142. Client 4's Wealth Management Agreement included a fee schedule as "Schedule A," which provided that Client 4 would pay a "Maximum Annual Fee" of 1.25 percent in consideration of SFA's services.

143. Nannen recommended Riverstone Resources oil and gas joint ventures to Client 4.

#### **Client 4's Investment in Woodbine SH Joint Venture**

144. On October 5, 2009, Nannen sent a note and enclosed documents to Riverstone Resources Contact 1 on behalf of Client 4 for an investment in the Woodbine 8H Joint Venture that stated:

I am enclosing [Client 4]'s ¼ Unit Subscription Agreement in the above well, as well as his check #10068 for a \$9,000.00 deposit. **Since he is transferring funds from an annuity to his bank, it will take up to 10 days for the check to be good funds. We hope that since this is for Woodbine) SH, which will not be drilled for a couple of months, that the fund access will not be a concern for you. I will alert you when it is okay to deposit the check.** Let me know if there is a challenge. Thanks for the opportunity to invest client funds in this well.

(Emphasis added).

145. On April I, 2010, Nannen wrote a note to Riverstone Resources Contact I on behalf of Client 4 about the Woodbine SH Joint Venture that stated, "[h]ere is check #1183 for \$2000.00 which is the balance of ¼ unit for completion funds."

146. A summary of Client 4's investments and completion costs for oil and gas joint ventures managed by Riverstone Resources is as follows:

<b>Client 4's Oil and Gas Investments and Costs</b>	
<b>NAME OF WELL</b>	<b>INVESTMENT AND COMPLETION COSTS</b>
Woodbine SH Joint Venture	\$9,000.00
Woodbine SH Joint Venture	\$2,000.00
<b>TOTAL</b>	<b>\$11,000.00</b>

#### **Advisory Relationship With Client 5**

147. Nannen entered into a Wealth Management Agreement on behalf of SFA with a Massachusetts resident (hereinafter "Client 5") in 2005. Client S's Wealth Management Agreement provided that: "[t]his Wealth Management Agreement is entered into by and between, Senior Financial Advisors, Inc. (' Advisor'), a Massachusetts registered corporation and registered investment advisor, and [Client SJ ('Client'), residing in the State of MA." (Emphasis in original).

148. The handwritten date of "7/8/05" appeared next to Client S's signature on the Wealth Management Agreement.

149. Client S's Wealth Management Agreement included a description of the services that SFA would provide to Client 5: "[t]he Advisor will analyze the Client's financial goals and objectives to design a specific portfolio for the Client. In addition to these portfolio



management services, the Advisor shall be available to provide guidance on general financial matters."

150. Client S's Wealth Management Agreement included a fee schedule as "Schedule A," which provided that Client 5 would pay a "Maximum Annual Fee" of 1.25 percent in consideration of SFA's services.

15I. Nannen recommended Riverstone Resources oil and gas joint ventures to Client 6.

#### **Client S's Investment in Schiflet IH Joint Venture**

152. Through Nannen, Client 5 invested \$21,000 in a  $\frac{1}{2}$  unit of the Schiflet 1H Joint Venture.

153. In June 2009, Client 5 paid \$4,000 in completion costs for the Schiflet 1H Joint Venture.

#### **Client S's Investment in Woodbine SH Joint Venture**

154. On July 15, 2009, Client 5 wrote a check for \$9,000.00 for a  $\frac{1}{4}$  unit investment in the Woodbine SH Joint Venture managed by Riverstone Resources.

#### **Client S's Investment in Benton 1 Joint Venture**

155. On June 13, 2011, Nannen wrote a note to Riverstone Resources Contact 1 on SFA letterhead on behalf of Client 5 that stated, "[h]ere is  $\frac{1}{2}$  unit check #3503 for \$12,000 and subscription agreement" for the Benton 1 Joint Venture. The \$12,000 check included \$2,000 for completion costs for the Benton 1 Joint Venture.

#### **Client S's Investment in Woodbine 17H Joint Venture**

156. On October 4, 2011, Nannen wrote a note to Riverstone Resources Contact **1** on SFA letterhead on behalf of Client 5 that stated, "[h]ere is check #3541 for \$11,000.00 for complete discounted payment to you directly on  $\frac{1}{4}$  unit you bought from another investor at a discount. This represents a \$1,000.00 savings."

157. A summary of Client S's investments and completion costs for oil\_ and gas joint ventures managed by Riverstone Resources is as follows:

<b>Client S's Oil and Gas Investments and Costs</b>	
<b>NAME OF WELL</b>	<b>INVESTMENT AND COMPLETION COSTS</b>
Schiflet IH Joint Venture	- \$21,000.00
Schiflet IH Joint Venture	\$4,000.00
Woodbine SH Joint Venture	\$9,000.00
Benton I Joint Venture	\$12,000.00
Woodbine 17H Joint Venture	\$11,000.00
<b>TOTAL</b>	<b>\$57,000.00</b>

#### **Advisory Relationship With Client 6**

158. Nannen entered into a Financial Planning Agreement on behalf of SFA with a Massachusetts resident ("Client 6") on January 7, 2008.

159. Client 6's Financial Planning Agreement provided that Nannen would provide hourly financial consulting at a rate of \$150 per hour.

#### **Advisory Relationship With Client 7**

160. Nannen entered into a Financial Planning Agreement on behalf of SFA with a Massachusetts resident ("Client 7") on January 7, 2010.

161. Client 7's Financial Planning Agreement provided that Nannen would provide hourly financial consulting at a rate of \$ 150 per hour.

162. Nannen recommended Riverstone Resources oil and gas joint ventures to Clients 6 and 7.

### **Client 6 and 7's Investment in Woodbine IOH Joint Venture**

163. On January 13, 2010, Nannen wrote a note and enclosed documents to Riverstone Resources Contact I for a joint investment by a couple, Clients 6 and 7, that stated, "[h]ere is Woodbine IOH Subscription Agreement for ¼ unit-Also Ck# 1048 for full \$12,500." The \$12,500 check included \$2,500 for completion costs of the well managed by Riverstone Resources.

164. On October 6, 2010, Nannen wrote a note to Riverstone Resources Contact 1 on behalf of Clients 6 and 7 that stated, "[h]ere is check #3741 for \$3075.00 for the additional capital call on Woodbine IOH J.V."

### **Client 6 and 7's Investment in Bakken Birmingham 2H Joint Venture**

165. On January 10, 2011, Nannen sent a note to Riverstone Resources Contact 1 on behalf of Clients 6 and 7 for an investment in the Bakken Birmingham 2H Joint Venture managed by Riverstone Resources that stated, "[h]ere is subscription agreement and check #8211341 - [brokerage firm] for \$13,000 for 401k investment." The subscription agreement indicated that the investment was for Client 7's individual 401(k). The \$13,000 check included \$5,000 for completion costs of the well.

166. A summary of Client 6 and 7's investments and completion costs for oil and gas joint ventures managed by Riverstone Resources is as follows:

<b>Client 6 and 7's Oil and Gas Investments and Costs</b>	
<b>NAME OF WELL</b>	<b>INVESTMENT AND COMPLETION COSTS</b>
Woodbine JOH Joint Venture	\$12,500.00
Woodbine JOH Joint Venture	\$3,075.00
Bakken Birmingham 2H Joint Venture	\$13,000.00
<b>TOTAL</b>	<b>\$28,575.00</b>

### **Advisory Relationship With Client S**

167. Nannen was the investment adviser for a Massachusetts resident("Client 8") from at least July 17, 2007.

168. Nannen entered into a Financial Planning Agreement on behalf of SFA with Client 8 on January 3, 2010.

169. Client 8's Financial Planning Agreement provided that Nannen would provide hourly financial consulting at a rate of \$ 150 per hour.

170. Nannen recommended Riverstone Resources oil and gas joint ventures to Client 8.

### **Client S's Investment in Schiflet IH Joint Venture**

171. On May 18, 2009, Client 8 wrote a \$17,000 check for a ½ unit investment in the Schiflet IH Joint Venture managed by Riverstone Resources.

172. On June 4, 2009, Client 8 wrote a \$4,000 check to the Schiflet IH Joint Venture for completion costs of the well.

### **Client S's Investment in Woodbine Oil Development Joint Venture**

173. On July 2, 2010, Nannen, on behalf of Client 8, sent a note with a subscription agreement and a \$10,000 check to Riverstone Resources Contact 1 for Client 8's investment in the Woodbine Oil Development Joint Venture.

174. On January 7, 2013, Riverstone Resources sent an update letter about the Woodbine Oil Development Joint Venture to Client 8: "Based on the marginal performance of WBOD 'C'-well for the past several months, engineers have recommended the workover & recompletion of this well to improve the daily and cumulative oil production." The letter listed Client S's cost for the "workover and recompletion" of the well as \$150, which Client 8 sent to the Woodbine Oil Development Joint Venture in late January 2013.

175. A summary of Client S's investments and completion costs for oil and gas joint ventures managed by Riverstone Resources is as follows:

<b>Client 5's Oil and Gas Investments and Costs</b>	
<b>NAME OF WELL</b>	<b>INVESTMENT AND COMPLETION COSTS</b>
Schiflet 1H Joint Venture	\$17,000.00
Schiflet 1H Joint Venture	\$4,000.00
Woodbine Oil Development Joint Venture	\$10,000.00
Woodbine Oil Development Joint Venture	\$150.00
<b>TOTAL</b>	<b>\$31,150.00</b>

#### **SFA's False Disclosure Filings**

176. SFA did not file an annual update to or amend its Form ADV, Part 1 on FINRA's CRD system for 2007,

177. SFA did not file an annual update to or amend its Form ADV, Part I on FINRA's CRD system for 2008.

178. SFA did not file an annual update to or amend its Form ADV, Part 2 on FINRA's CRD system for 2007.

179. SFA did not file an annual update to or amend its Form ADV, Part 2 on FINRA's CRD system for 2008.
180. SFA did not file an annual update to or amend its Form ADV, Part 2 on FINRA's CRD system for 2009.
181. On March 29, 2010, Nannen, on behalf of SFA, filed a Form ADV, Part 1 annual amendment ("March 29, 2010 ADV Part 1") on FINRA's CRD system. In response to the question: "[d]o you or any related person recommend securities (or other investment products) to advisory clients in which you or any related person has some other proprietary (ownership) interest (other than those mentioned in Items 8.1(1) or (2))?", Nannen checked the box "No."
182. On March 31, 2011, Nannen, on behalf of SFA, filed a Form ADV, Part 1 annual amendment ("March 31, 2011 ADV Part 1") on FINRA's CRD system. In response to the question: "[d]o you or any related person recommend securities (or other investment products) to advisory clients in which you or any related person has some other proprietary\_ (ownership) interest (other than those mentioned in Items 8.1(1) or (2))?", Nannen checked the box "No."
183. On April 14, 2011 at 6:06 p.m., Nannen, on behalf of SFA, filed a Form ADV, Part 1 other-than-annual amendment ("April 14, 2011 ADV Part 1 (1)") on FINRA's CRD system. In response to the question: "[d]o you or any related person recommend securities (or other investment products) to advisory clients in which you or any related person has some other proprietary (ownership) interest (other than those mentioned in Items 8.1(1) or (2))?", Nannen checked the box "No."

184. On April 14, 2011 at 6:17 p.m., Nannen, on behalf of SFA, filed a Form ADV, Part 1 other-than-annual amendment (April 14, 2011 ADV Part 1 (2)) on FINRA's CRD system. In response to the question: "[d]o you or any related person recommend securities (or other investment products) to advisory clients in which you or any related person has some other proprietary (ownership) interest (other than those mentioned in Items 8.1(1) or (2))?", Nannen checked the box "No."

185. On March 7, 2012, Nannen, on behalf of SFA, filed a Form ADV, Part 1 annual amendment ("March 7, 2012 ADV Part 1") on FINRA's CRD system. In response to the question: "[d]o you or any related person recommend securities (or other investment products) to advisory clients in which you or any related person has some other proprietary (ownership) interest (other than those mentioned in Items 8.1(1) or (2))?", Nannen checked the box "No."

186. However, Nannen testified to the Enforcement Section that he received a "carried interest" in at least three of the joint ventures managed by Riverstone Resources:

Q: Did you receive any compensation from [Client 1's] investment in the South King's Bayou interest?

A: Not initially.

Q: Did you at some point receive compensation for that interest?

A: At some point I received what they called a carried interest, which means in the discussion or the parlance of oil and gas, I got a position in a future well that they would at some point assign to me. It was maybe more than a year later, but it ultimately was given.

Q: What portion of the interest did you receive? We talked about a full share, a half share before?

A: Yeah, I believe it was a quarter unit in a particular well.

Q: Where was this well located?

A: I think it's in the same - I think it's in Texas and it's called a - Schiflet Number 1 well ....

187. Nannen further testified:

Q: Did you also receive a carried interest on a future well with respect to [Client 2]'s investment?

A: Actually, it was not necessarily because of [Client 1]'s investment that I received the carried interest. It was a series of subsequent clients of mine that invested. Collectively at some point the Schiflet was given to me as a carried interest and there were two other wells that I got a carried interest, a quarter unit each, and that was that.

Q: What were those two wells?

A: I think Woodbine SH, H for horizontal well. Woodbine is W-O-O-D-B-I-N-E and then I think Woodbine 9H, or it could be 7H. I'm not sure which. They are all JV's joint ventures.

188. In response to the question in the March 29, 2010 ADV Part 1: "[d]o you or any related person recommend purchase or sale of securities to advisory clients for which you or any related person has any other sales interest (other than the receipt of sales commissions as a broker or registered representative of a broker-dealer)?", Nannen checked the response "No."
189. In response to the question in the March 31, 2011 ADV Part I: "[d]o you or any related person recommend purchase or sale of securities to advisory clients for which you or any related person has any other sales interest (other than the receipt of sales commissions as a broker or registered representative of a broker-dealer)?", Nannen checked the response "No."
190. On March 31, 2011, SFA filed a supplemental Form ADV, Part 2 ("March 31, 2011 ADV Part 2 Supplemental") on FINRA's CRD system. Under Item 5, Nannen wrote: "[ o]ther than work with Senior Financial Advisors, Inc. and any disclosures made in Items 2 and 4 above, Gerald W. Nannen receives no additional compensation related to outside business activities."
191. In response to the question in the April 14, 2011 ADV Part I (1): "[d]o you or any related person recommend purchase or sale of securities to advisory clients for which you or any related person has any other sales interest (other than the receipt of sales commissions as



a broker or registered representative of a broker-dealer)?", Nannen checked the response "No."

192. In response to the question in the April 14, 2011 ADV Part I (2): "[d]o you or any related person recommend purchase or sale of securities to advisory clients for which you or any related person has any other sales interest (other than the receipt of sales commissions as a broker or registered representative of a broker-dealer)?", Nannen checked the response "No."

193. On February!, 2012, SFA filed a Form ADV, Part 2A ("February!, 2012 ADV Part 2A") on FINRA's \_CRD system. This document provided that "Senior Financial Advisors does not accept compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds."

194. On February, 2012, SFA filed a Form ADV,\_ Part 2B ("February 1, 2012 ADV Part 2B") on FINRA's CRD system. Under Item 5, Nannen wrote: "[o]ther than work with Senior Financial Advisors, Inc. and any disclosures made in Items 2 and 4 above, Gerald W. Nannen receives no additional compensation related to outside business activities."

195. In response to the question in the March 7, 2012 ADV Part I: "[d]o you or any related person recommend purchase or sale of securities to advisory clients for which you or any related person has any other sales interest (other than the receipt of sales commissions as a broker or registered representative of a broker-dealer)?", Nannen checked the response "No."

196. On March 16, 2012, SFA filed a Form ADV, Part 2A ("March 16, 2012 ADV Part 2A") on FINRA's CRD system. This document provided that "Senior Financial Advisors does not accept compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds."

197. However, in a document that Nannen filed with the Enforcement Section during its investigation, Nannen represented that he "received compensation in connection with the Riverstone Resources, Ltd. JVs."

198. Nannen received compensation from the Schiflet IH Joint Venture in 2009, 2010, and 2011.

199. Nannen received compensation from the Woodbine SH Joint Venture in 2010 and 2011.

200. Nannen received compensation from the Woodbine 7H Joint Venture in 2010 and 2011.

### **C. UNREGISTERED BROKER-DEALER ACTIVITY**

201. During the Relevant Time Period, Nannen was not registered as a broker-dealer in the , Commonwealth of Massachusetts, which is defined in the Act as "any person engaged in the business of effecting transactions in securities\_ for the account of others or for his own account." The definition of "person" in the Act includes "an individual."

202. Nannen effected the sales of securities as an unregistered broker-dealer during the Relevant Time Period by selling interests in the Riverstone Resources oil and gas joint ventures to both advisory clients and individuals who were not advisory clients.

203. Nannen received selling remuneration from his sales of interests in the Riverstone Resources oil and gas joint ventures.

204. On April 6, 2009, Nannen also effected a sale of a security as an unregistered broker-dealer during the Relevant Time Period by facilitating the sale to Client I of a \$35,000 interest in a "profit sharing subscription agreement" issued by a company named No Borders Records.

205. In a document filed with the Enforcement Section during its investigation, Nannen stated that the No Borders Records "enterprise was not economically successful."

206. Nannen's recommendations to Client 1 to invest \$35,000 in an illiquid and speculative profit sharing agreement was unsuitable based on Client 1's overall portfolio, investment objectives, as well as his financial situation and needs.

**D. FAILURE TO DISCLOSE LIENS AND CIVIL JUDGMENTS ON FORM U4**

207. Form U4, Item 14M requires an investment adviser representative to disclose whether the applicant or registrant has any unsatisfied judgments or liens.

208. The Code of Massachusetts Regulations at 950 MASS. CODE REGS. 12.205(6)(a) provides the following in pertinent part:

If the information contained in ... Form U-4 or any representation or undertaking contained in any affidavit filed with the Division, changes in any respect ... an amendment shall be filed promptly with the Division.

209. The Code of Massachusetts Regulations at 950 MASS. CODE REGS. 12.205(6)(b) provides the following:

The registrant will have complied with the requirement of prompt notification if an amendment is filed with the Division in writing as soon as possible, but in no event more than ten business days after the registrant has knowledge of the circumstances requiring such notification.

210. On December 5, 2006, the Commonwealth of Massachusetts filed a tax lien against Nannen in the amount of \$6,493.00 which was subsequently released on January 26, 2009.

211. Nannen did not disclose on his Form U4 the \$6,493.00 state tax lien filed on December 5, 2006.

212. On February 6, 2008, Household Finance Corporation II obtained a civil judgment against Nannen in the amount of \$7,966.00 in Massachusetts District Court.<sup>3</sup>

213. Nannen did not disclose on his Form U4 the \$7,966.00 civil judgment obtained on February 6, 2008.

---

<sup>3</sup> See *Household Finance Corp. II v. Nannen*, No. 200743-CV-000661 (Mass. Dist. Ct. Palmer Div. Feb. 6, 2008).

214. On July 14, 2008, the Commonwealth of Massachusetts filed a tax lien against Nannen in the amount of-\$1,502.00 which was subsequently released on June 9, 2009.
215. Nannen did not disclose on his Form U4 the \$1,502.00 state tax lien filed on July 14, 2008.
216. On November 25, 2008, the U.S. Internal Revenue Service filed a tax lien against Nannen in the amount of\$19,319.00 which remains outstanding.
217. Nannen did not disclose on his Form U4 the \$19,319.00 federal tax lien filed on November 25, 2008.
218. On December 5, 2008, the Commonwealth of Massachusetts filed a tax lien against Nannen in the amount of \$3,561.00 which was subsequently released on April 4, 2010.
219. Nannen did not disclose on his Form U4 the \$3,561.00 state tax lien filed on December 5, 2008.
220. On March 2, 2009, Capital One Bank obtained a civil judgment against Nannen in the amount of \$4,317.00 in Massachusetts District Court.<sup>4</sup>
221. Nannen did not disclose on his Form U4 the \$4,317.00 civil judgment obtained on March 2, 2009.
222. On April 2, 2009, CACH LLC<sup>5</sup> obtained a civil judgment against Nannep in the amount of\$14,703.00 in Massachusetts District Court.<sup>6</sup>
223. Nannen did not disclose on his Form U4 the \$14,703.00 civil judgment obtained on April 2, 2009.
224. On July 12, 2009, the Commonwealth of Massachusetts filed a tax lien against Nannen in the amount of\$1,069.00 which was subsequently released on May 16, 2010.

---

<sup>4</sup> See *Capital One Bank v. Nannen*, No. 200843-CV-000794 (Mass. Dist. Ct. Palmer Div. Mar. 2, 2009).

<sup>5</sup> Upon information and belief, CACH LLC is a third-party debt collection agency.

<sup>6</sup> See *CACH LLC v. Nannen*, No. 200843-CV-000289 (Mass Dist. Ct. Palmer Div. Apr. 2, 2009).

225. Nannen did not disclose on his Form U4 the \$1,069.00 state tax lien filed on July 12, 2009.
226. On November 13, 2009, SFA and Nannen filed an amendment to Nannen's Form U4 which failed to disclose the outstanding November 25, 2008, December 5, 2008 and July 12, 2009 tax liens and the outstanding February 6, 2008, March 2, 2009 and April 2, 2009 civil judgments.
227. On March 12, 2011, SFA and Nannen filed an amendment to Nannen's Form U4 which failed to disclose the November 25, 2008 outstanding lien and the outstanding February 6, 2008, March 2, 2009 and April 2, 2009 civil judgments.
228. On July 10, 2012, the U.S. Internal Revenue Service filed a tax lien against Nannen in the amount of \$22,894.00 which remains outstanding.
229. Nannen did not disclose on his Form U4 the \$22,894.00 federal tax lien filed on July 10, 2012.
230. On April 16, 2013, the Commonwealth of Massachusetts filed a tax lien against Nannen in the amount of \$11,148.00 which remains outstanding.
231. Nannen did not disclose on his Form U4 the \$11,148.00 state tax lien filed on April 16, 2013.
232. On July 5, 2013, the Commonwealth of Massachusetts filed a tax lien against Nannen in the amount of \$2,774.00 which remains outstanding.
233. Nannen did not disclose on his Form U4 the \$2,774.00 state tax lien filed on July 5, 2013.
234. On October 21, 2013, the Commonwealth of Massachusetts filed a tax lien against Nannen in the amount of \$3,319.00 which remains outstanding.

235. Nannen did not disclose on his Form U4 the \$3,319.00 state tax lien filed on October 21, 2013.

236. Nannen testified to the Enforcement Section that he has outstanding state tax obligations and has outstanding credit card debt owed on at least four credit cards.

237. Nannen testified to the Enforcement Section about outstanding debt he owes to the federal government:

Q: And how about federally, are there any outstanding liens?

A: Oh, yes.

Q: Approximately how much is outstanding to date?

A: Well, liens filed is one thing, outstanding to the federal government is another. They haven't filed a lien for all of it. It's well over 100 thousand [dollars].

Q: And this is \$100,000 in federal income tax liability?

A: At least, more than that.

Q: What tax year federally does this liability go back to, this obligation refer back to?

A: I think the latest we've paid off is 2003. So I think it goes back to '04. So it's, you know, nine years or eight years.

## VIII. VIOLATIONS OF LAW

### Count I- Violations of MASS. GEN. LAWS ch. 110A, § 101

238. 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.

239. The Enforcement Section herein re-alleges and restates the allegations of fact set forth in paragraphs I through 237 above.

240. The conduct of Respondent Nannen as described above constitutes violations of MASS. GEN. LAWS ch. 110A, § 101.

241. The conduct of Respondent Senior Financial Advisors, Inc. as described above constitutes violations of MASS. GEN. LAWS ch. 110A, § 101.

**Count II- Violations of MASS. GEN. LAWS ch. 110A, § 102**

242. 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.

243. The Enforcement Section herein re-alleges and restates the allegations of fact set forth in paragraphs I through 237 above.

244. The conduct of Respondent Nannen as described above constitutes violations of MASS. GEN. LAWS ch. 110A, § 102.

245. The conduct of Respondent Senior Financial Advisors, Inc. as described above constitutes violations of MASS. GEN. LAWS ch. 110A, § 102.

**Count III - Violations of MASS. GEN. LAWS ch. 110A, § 201(a)**

246. Section 201(a) of the Act provides:

It is unlawful for any person to transact business in this commonwealth as a broker-dealer or agent unless he is registered under this chapter.

247. The Enforcement Section herein re-alleges and restates the allegations of fact set forth in paragraphs I through 237 above.
248. The conduct of Respondent Nannen as described above constitutes violations of MASS. GEN. LAWS ch. 1JOA, § 20I(a).

**Count IV - Violations of MASS. GEN. LAWS ch. 110A, § 203**

249. Section 203(d) of the Act provides:

If the information contained in any document filed with the secretary is or becomes inaccurate or incomplete in any material respect, the registrant or federal covered adviser shall file a correcting amendment promptly if the document is filed with respect to a registrant, or when the amendment is required to be filed with the Securities and Exchange Commission if the document is filed with respect to a federal covered adviser, unless notification of the correction has been given under subsection (b) of section 20I.

250. 950 MASS. CODE REGS. 12.205(6)<sup>7</sup> provides:

(a) If the information contained in Part I, Items 1, 2, 3, 4, 5, 8, 11, 13A, 13B, 14A and 14B of Form ADV, Form U-4 or any representation or undertaking contained in any affidavit filed with the Division, changes in any respect, or if the information contained in Part I, Items 9 and 10 and all items of Part II except Item 14 of Form ADV changes in any material respect, an amendment shall be filed promptly with the Division. If any changes occur in other items of Part I or II of the Form ADV, such changes shall be filed as amendments within 90 days of the end of the investment adviser's fiscal year. This requirement shall apply so long as the registration is effective.

(b) The registrant will have complied with the requirement of prompt notification if an amendment is filed with the Division in writing as soon as possible, but in no event more than ten business days after the registrant has knowledge of the circumstances requiring such notification.

(c) Filing an amendment to the Form U-4 of an investment adviser representative is within the supervisory responsibilities of the investment adviser. Each investment adviser must establish written procedures to ensure compliance with this provision.

---

<sup>7</sup> This citation refers to the Regulations in place during the Relevant Time Period. 950 MASS. CODE REGS 12.205(6) has since been updated with an effective date of January 3, 2014.



251. The Enforcement Section herein re-alleges and restates the allegations of fact set forth in paragraphs I through 237 above.

252. The conduct of Respondent Nannen as described above constitutes violations of MASS. GEN. LAWS ch. 110A, § 203.

253. The conduct of Respondent Senior Financial Advisors; Inc. as described above constitutes violations of MASS. GEN. LAWS ch. 110A, § 203.

**Count V - Violations of MASS. GEN. LAWS ch. 110A, § 204**

254. Section 204(a)(2)(G) of the Act provides:

(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 ....

255. 950 MASS. CODE REGS. 12.205(9)(c)(6) provides:

The following practices are a non-exhaustive list of practices by an adviser which shall be deemed "dishonest or unethical conduct or practices in the securities business" for purposes of M.G.L. c. 110A, § 204(a)(2)(G):

(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 unreasonable 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.

(8) Misrepresenting to any advisory client, or prospective advisory client, the qualifications of the adviser, its representatives or any employees, or misrepresenting the nature of the advisory services being offered or fees to be charged for such services, or omitting to state a material fact necessary to make the statements made regarding qualifications, services or fees, in the light of the circumstances under which they are made, not misleading.

(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 and objective advice including:

a. Compensation arrangements connected with advisory services to clients which are in addition to compensation from such clients for such services; and

b. Charging a client an advisory fee for rendering advice without disclosing that a commission or other remuneration for executing securities transactions pursuant to such advice will be received by the adviser, its representatives or its employees or that such advisory fee is being reduced by the amount of the commission or other remuneration earned by the adviser, its representatives or employees for the sale of securities to the client.

256. Section 204(a)(2)(H) of the Act provides:

(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; but the secretary may not enter an order against a broker-dealer under this clause without a finding of insolvency as to the broker-dealer[.]

257. The Enforcement Section herein re-alleges and restates the allegations of fact set forth in paragraphs I through 237 above.

258. The conduct of Respondent Nannen as described above constitutes violations of MASS. GEN. Laws ch. 110A, § 204.

259. The conduct of Respondent Senior Financial Advisors, Inc. as described above constitutes violations of MASS. GEN. Laws ch. 110A, § 204.

**Count VI- Violations of MASS. GEN. LAWS ch. HOA,§ 301**

260. Section 301 of the Act provides:

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.

261. The Enforcement Section herein re-alleges and restates the allegations of fact set forth in paragraphs I through 237 above.

262. The conduct of Respondent Nannen as described above constitutes violations of MASS. GEN. LAWS ch. 110A, § 301.

263. The conduct of Respondent Senior Financial Advisors, Inc. as described above constitutes violations of MASS. GEN. LAWS ch. 110A, § 301.

**Count VII - Violations of MASS. GEN. LAWS ch. HOA,§ 404**

264. 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.

265. The Enforcement Section herein re-alleges and restates the \_allegations of fact set forth in paragraphs I through 237 above.

266. The conduct of Respondent Nannen as described above constitutes violations of MASS. GEN. LAWS ch. I JOA,§ 404.

267. The conduct of Respondent Senior Financial Advisors, Inc. as described above constitutes violations of MASS. GEN. Laws ch. 110A, § 404.

### **IX. STATUTORY BASIS FOR RELIEF**

268. Section 407 A 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].

269. The Enforcement Section herein re-alleges and restates the allegations of fact set forth in paragraphs I through 237 above.

270. Respondent Nannen, directly and indirectly, engaged in the acts and practices set forth in the Complaint above, and it is the Enforcement Section's belief that Nannen will continue to engage in acts and practices similar in subject and purpose that constitute violations of Sections 101, 102, 201(a), 203, 204, 301 and 404 of the Act if not ordered to cease and desist.

271. Respondent Senior Financial Advisors; Inc., directly and indirectly, engaged in the acts and practices set forth in the Complaint above, and it is the Enforcement Section's belief that Senior Financial Advisors, Inc. will continue to engage in acts and practices similar in subject and purpose that constitute violations of Sections 101, 102, 203, 204; 301 and 404 of the Act if not ordered to cease and desist.

## **X. PUBLIC INTEREST**

For any and all of the reasons set forth above, the following relief is necessary and appropriate in the public interest and for the protection of investors and consistent with the purposes fairly intended by the policy and provisions of the Massachusetts Uniform Securities Act.

## **XI. RELIEF REQUESTED**

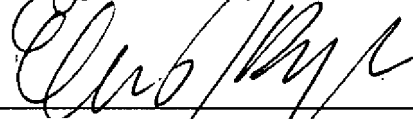
Wherefore, the Enforcement Section of the Division requests that the Director or Presiding Officer take the following actions:

- A. Find that all the sanctions and remedies as detailed herein are necessary and appropriate in the public interest and for the protection of investors and consistent with the purposes fairly intended by the policy and provisions of the Massachusetts Uniform Securities Act;
- B. Find as fact the allegations set forth in paragraphs I through 237 inclusive, of the Complaint;
- C. Require Respondents to permanently cease and desist from further conduct in violation of the Act and Regulations in the Commonwealth;
- D. Require Respondents to provide an accounting of all proceeds which were received as a result of the alleged wrongdoing, and to offer rescission to and fairly compensate investors for those losses attributable to the alleged wrongdoing;
- E. Require Respondents to disgorge all profits and other direct or indirect remuneration received from the alleged wrongdoing;
- F. Censure Respondents;
- G. Revoke the Respondents' respective registrations as an investment adviser and an investment adviser representative;

- H. Permanently bar the association or registration of the Respondent Nannen with any broker-dealer, issuer of securities, or investment adviser in the Commonwealth;
- I. Impose an administrative fine on Respondents in such amount and upon such terms and conditions as the Director or Presiding Officer may determine; and
- J. Take any such further actions that may be necessary or appropriate in the public interest for the protection of Massachusetts investors.

**MASSACHUSETTS SECURITIES DIVISION  
ENFORCEMENT SECTION**

By and through its attorneys)



---

Elyse J. Boyle, Enforcement Attorney  
Anthony M. Drenzek, Associate Chief  
Massachusetts Securities Division One  
Ashburton Place, Room 1701 Boston,  
Massachusetts 02108 Telephone: (617)  
727-3548 Facsimile: (617) 248-0177

Dated: January 23, 2014

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

\_\_\_\_\_  
IN THE MATTER OF: )  
)  
)

GERALD WILLIAM NANNEN & )  
SENIOR FINANCIAL ADVISORS, INC., )

Respondents. )  
\_\_\_\_\_)

Docket No. 2013-0063

**CERTIFICATE OF SERVICE**

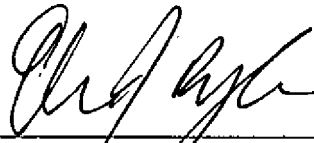
I hereby certify that I caused a true and accurate copy of the attached Administrative Complaint and Notice of Adjudicatory Proceeding to be submitted for service in the manner set out below:

Gerald William Nannen  
c/o Max J. Mahoney, Esq.  
Max J. Mahoney, LLC  
7 Central Street, Suite 226  
P.O. Box 176  
Arlington, MA 02476

*(via certified mail,  
return receipt  
requested, and courtesy  
copy via e-mail to  
mail@mjmahoney.com)*

Senior Financial Advisors, Inc.  
c/o Max J. Mahoney, Esq.  
Max J. Mahoney, LLC  
7 Central Street, Suite 226  
P.O. Box 176  
Arlington, MA 02476

*(via certified mail,  
return receipt  
requested, and courtesy  
copy via e-mail to  
mail@mjmahoney.com)*



\_\_\_\_\_  
Elyse J. Boyle, Esq.  
Enforcement Section

Dated: January 23, 2014