

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

IN THE MATTER OF:

John Patrick Horan
and
Horan Associates, Inc.,

Docket No. 2014-0060

. Respondents.

ADMINISTRATIVE COMPLAINT

I. PRELIMINARY STATEMENT

The Enforcement Section of the Massachusetts Securities Division of the Office of the Secretary of the Commonwealth (respectively, the "Enforcement Section" and the "Division") files this complaint (the "Complaint") in order to commence an adjudicatory proceeding against Respondents, John Patrick Horan ("Horan") and Horan Associates, Inc. ("Horan Associates") for violating MASS. GENLAWS ch. 110A, the Massachusetts Uniform Securities Act ("Act"), and 950 MASS. CODE REGS. 10.00 *et seq.* ("Regulations"). The Complaint is based upon Respondents' fraudulent conduct in the handling of elderly relatives' brokerage account by transferring the proceeds from the sale of securities to Horan's bank accounts for his personal use; and unregistered conduct by providing investment advice for a fee without proper registration in the Commonwealth as an investment adviser and investment adviser representative. Respondents used their position as tax advisors to gain trust from clients and family members to then exploit those relationships for personal gain through fraudulent activity.

The Enforcement Section seeks an order: (1) requiring Respondents to cease and desist from fraudulent activity in violation of the Act and Regulations; (2) requiring Respondents to permanently cease and desist from acting as an unregistered broker-dealer; unregistered broker-dealer agent, unregistered investment adviser, and unregistered investment adviser representative; (3) barring Respondents from acting as or being associated with any Massachusetts registered broker-dealer; broker-dealer agent, investment adviser, and investment adviser representative; (4) requiring Respondents to provide an accounting of all proceeds that were received as a result of the alleged wrongdoing, and to offer rescission and to fairly compensate victims for those losses attributable to the alleged wrongdoing; (5) requiring Respondents to disgorge all proceeds and other direct or indirect remuneration received from the alleged wrongdoing; and (6) requiring Respondents to pay an administrative fine in an amount and upon such terms and conditions as the Director or Hearing Officer may determine. In addition, the Enforcement Section requests that the Director or Hearing Officer take any and all other necessary action which may be deemed just and appropriate for the protection of investors.

II. SUMMARY

John Patrick Horan ("Horan") created a financial house of cards and as demands were made for return of principal, the house of cards fell down. Horan, an Easton, Massachusetts resident, is not registered with the Massachusetts Securities Division in any capacity to offer investment advice or effectuate securities transactions. Horan used his tax preparation business, Horan Associates, Inc. ("Horan Associates") located in South Easton, Massachusetts, as the foundation for his swindle. Horan preyed upon his elderly relatives by gaining their trust on the ground level from the family relationship and building up the first floor by preparing their taxes.

Horan's elderly relatives trusted the levels of relationship Horan built up with them and entrusted their savings and money for retirement to Horan for management.

Horan drew up an investment plan for the structure of the financial relationship. Horan's investment plan for his elderly relatives laid out that he would only buy U.S. treasuries and other government backed securities. In March 2010, the construction of the investment plan began with Horan's elderly relatives opening up a brokerage account with Fidelity and Horan holding a key to the account in the form of their Fidelity online user name and password. As a result of having the account holder's user name and password, Horan had unfettered access to his elderly relatives' Fidelity account. Additionally, Horan was in possession of his elderly relatives' personal confidential information, such as birthdate, social security number, and driver's license number, thereby enabling him to impersonate them when interacting with Fidelity. Horan's impersonation of his elderly relatives to Fidelity included communicating with Fidelity via an online chat session, speaking with Fidelity on the telephone, and integrating his bank account onto his elderly relatives' Fidelity account.

Horan's ability to attach his bank account to his elderly relatives' Fidelity account coupled with the user name and password allowed Horan to treat the elderly relatives' Fidelity account like his own personal piggy bank. Horan established a method of money transfer called an Electronic Funds Transfer ("EFT") from his elderly relatives' Fidelity account to Horan's personal bank account (also known as a third party money transfer). Horan was able to establish a third party money transfer via EFT despite Fidelity's prohibition on the practice. Horan, after logging into his elderly relatives' Fidelity account, could and did with a few clicks steal their money. Horan moved over \$61,500.00 of his elderly relatives' savings and retirement money to his own account.

While Horan pretended his elderly relative's money was going towards investments with his affiliated companies, Webdeals and Internet-Horizons, Horan used the money for his own personal expenses, spending money on groceries, restaurants, and casinos. Despite converting his elderly relatives' savings and retirement money for his own purposes, for nearly two years Horan built false walls of trust by providing his relatives positive updates about their purported investment. In February 2014, Horan's false walls began to show signs of instability when his elderly relatives asked for the return of their money that was invested with Horan. Horan made weak attempts to keep his family relatives at ease while delaying the inevitable. Over the course of several months in 2014, Horan made excuses to his elderly relatives why money could not be sent as promised, checks sent did not clear due to insufficient funds, and replacement funds were only half paid.

Horan felt his scheme had been exposed when Division subpoenas seeking investor information were received by Webdeals and Internet-Horizons. On September 26, 2014, Horan admitted to his elderly relatives that he lied to them, there was never any investment opportunity in Webdeals or Internet-Horizons, and that he used their money for his personal expenses (See Section VII, para. 90.) Horan and Horan Associates acted as unregistered investment advisers in Massachusetts and defrauded Horan's elderly relatives in violation of the Massachusetts Uniform Securities Act.

In at least one more instance, Horan engaged in unregistered investment advisory activity from the Commonwealth. Horan used personal confidential information to establish a Fidelity brokerage account and retained the user name and password. Horan offered investment advice in return for a quarterly \$125.00 fee from this victim and conducted trading in the victim's Fidelity

account. Horan and Horan Associates acted as unregistered investment advisers in violation of the Massachusetts Uniform Securities Act.

III. JURISDICTION AND AUTHORITY

1. The Massachusetts Securities Division is a Division of the Office of the Secretary of the Commonwealth with jurisdiction over matters relating to securities as provided for by the Act:

The Act authorizes the Division to regulate: 1) the offer, sale and purchase of securities; 2) those entities and individuals offering and/or selling securities within the Commonwealth; and 3) those entities and individuals transacting business as broker-dealers, broker-dealer agents, investment advisers, or investment adviser representatives 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, 201, and 407A of the Act and its related Regulations. Specifically, those acts and practices constituting violations of the Act occurred in 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 period of time between January 1, 2010 and present.

V. **RESPONDENTS**

6. John Patrick Horan ("Horan") is a natural person with a residential address of 9 DeJa Park Lane, North Easton, MA 02356. Horan is the founder of Horan Associates, Inc. with a last known business address of 859 Washington Street, South Easton, MA 02356. Horan has never been registered with the Division as a broker-dealer, broker-dealer agent, investment adviser, investment adviser representative, or issuer-agent.

7. Horan Associates, Inc. ("Horan Associates") is a Massachusetts corporation with a principal business address at 859 Washington Street, South Easton, MA 02356. Horan Associates' articles of organization were deemed filed with the Commonwealth of Massachusetts, Secretary of the Commonwealth, Corporations Division on June 1, 2012. Horan Associates' articles of organization indicate the business intended to engage in financial services and tax preparation. Horan is listed as the president, treasurer, and director of Horan Associates. Horan Associates has never held a registration in Massachusetts as a broker-dealer, an investment adviser, or in any other capacity in the securities business. Horan Associates has never filed an application for the registration or notice of exemption from registration of securities to be offered in Massachusetts. Horan Associates maintains a website located at <http://www.jhoranassociates.com/about-us/>.

VI. **RELATED PARTIES**

8. Intemet-Horizons Inc. ("Internet-Horizons") is a Massachusetts corporation with its principal place of business located at 859 Washington Street, South Easton, MA 02375. Internet-Horizons' articles of organization were deemed filed with the Commonwealth of Massachusetts, Secretary of the Conunonwealth, Corporations Division on August 22, 2012. Intemet-Horizons' articles of organization indicate the business intended to engage in internet

marketing and advertising. Horan is listed as the treasurer of Internet-Horizons. Internet-Horizons has never held a registration in Massachusetts as a broker-dealer, an investment adviser, or in any other capacity in the securities business. Internet-Horizons has never filed an application for the registration or notice of exemption from registration of securities to be offered in Massachusetts.

9. Webdeals, Inc. ("Webdeals") is a Massachusetts corporation with its principal place of business located at 859 Washington Street, South Easton, MA 02375. Webdeals' articles of organization were deemed filed with the Commonwealth of Massachusetts, Secretary of the Commonwealth, Corporations Division on February 4, 2011. Webdeals' articles of organization indicate the business intended to engage in internet advertising. Webdeals has never held a registration in Massachusetts as a broker-dealer, an investment adviser, or in any other capacity in the securities business. Webdeals has never filed an application for the registration or notice of exemption from registration of securities to be offered in Massachusetts.

VII. FACTS AND ALLEGATIONS

10. Horan and his company Horan Associates, Inc. engaged in fraudulent activity in connection with the offer and sale of securities.

11. Horan offered his elderly relatives an opportunity to invest in companies he was associated with, Webdeals and Internet-Horizons, and then share in the profits.

12. Instead of making the investments, Horan transferred more than \$61,500 from a Fidelity brokerage account he managed for elderly relatives to his own bank accounts. Horan used large sums of his elderly relatives' money for personal expenses at grocery stores, restaurants, and area casinos.

13. On September 26, 2014, Horan emailed his elderly relatives informing them of his fraudulent conduct.

A. Horan

14. Horan is a Massachusetts resident.

15. On October 30, 2003 Horan and his wife filed a Chapter 13 voluntary petition with the United States Bankruptcy Court for the District of Massachusetts.

16. Horan was not registered as an investment adviser or investment adviser representative in the Massachusetts.

17. Horan provided investment advice to natural persons.

18. Horan provided investment advice for direct compensation.

19. Horan provided investment advice for indirect compensation.

20. Horan committed fraud in the offer and sale of securities in Massachusetts.

21. Horan Associates is a Massachusetts corporation with its principal place of business located in South Easton, Massachusetts.

22. Horan Associates described its business in Massachusetts Corporations filings as one providing financial services and tax preparation.

23. Horan Associates was not registered in Massachusetts as an investment adviser or broker-dealer.

24. Horan Associates provided investment advice to natural persons.

25. Horan Associates provided investment advice for direct compensation.

26. Horan Associates provided investment advice for indirect compensation.

27. Horan dba Horan Associates maintained bank accounts at HarborOne Bank and Rockland Trust.

28. Horan's HarborOne December 2011 bank account statement for Horan dba Horan Associates reflected for 2011 that the bank account had been assessed \$768 in overdraft and returned items fees.

B. Webdeals and Intemet-Horizons

29. Webdeals is a Massachusetts corporation located in South Easton, Massachusetts.

30. Intemet-Horizons is a Massachusetts corporation located in South Easton, Massachusetts.

31. Horan Associates, Webdeals, and Intemet-Horizons are all located at 859 Washington Street, South Easton Massachusetts.

32. Upon infonnation and believe, neither Webdeals nor Intemet-Horizons offered securities or an opportunity to invest and share in the company profits.

33. On September 18, 2014, the Division sent subpoenas to both Webdeals and Intemet-Horizons seeking documents and information. Responses are due from both companies on October 2,2014.

C. Victims I and 2

2010

34. Victims 1 and 2 are a married couple, fonnerly of Massachusetts and currently residing in Florida. Victims 1 and 2 are often in Massachusetts visiting their children and grandchildren. Victims 1 and 2 have been trying to move back to Massachusetts but for the financial harm caused by Horan.

35. Victims 1 and 2 are related to Horan, whom they entrusted with the task of providing tax preparation services and financial advice.

36. Horan created a document "(Victims 1 and 2] Investment Plan" ("Investment Plan") that stated

I: Primary Investments will be taken from the government sector and will be US treasury bills, US treasury notes, US Treasury C.D. obligations. All investments of this nature will carry a minimum of a AA Moody rating[.]

A second type of investment will be from the government municipality sector and will be US government, state, and municipal bond offerings carrying a minimum of AA Mood rating[.]

2: Secondary investments will be taken from the government sector and will be Freddie [M]ae, Fannie [M]ae, or Freddie [M]ac offerings, from both the initial and secondary markets and will be notes or bonds carrying a minimum of AAA Moody rating.

3: The third type of investment will be, if needed, in the corporate fixed income market with issues that are designed for capital preservation. These issues will carry a AAA Moody rating.

4: There will be no investments in the Equity Market.

5: There will be no investments in the Junk Bond Market[.]

6: Investments in any additional markets will be determined upon the needs of the investment portfolio to help maintain the minimum standard investment growth percentage.

Initial investment will come from the Regions Bank certificate of deposit in the amount of eighteen thousand dollars, forty thousand dollars that will be pulled from the Regions Bank LOC [line of credit]. Continued funding will be from an automatic transfer of a base minimum amount set by the [Victims I and 2] to assure a steady and continued investment increase in the capital account.

The targeted rate of return is going to be 4%[.]

An investment account in Fidelity investments will be established and both Horan associates, [Victims I and 2], and whomever else they so desire, will have the account number and pass codes to access the account on line.

Beneficiaries will be stated in this account and they will be, and only be the following members of the [Victims I and 2] house hold, unless changed by a written and attested amendment to this plan. They are [redacted]

All statements, prospectuses, and trade sheets will be forwarded by mail to the [Victims I and 2] residence.. These documents can be switched to Horan Associates or whomever else they so desire.

Horan Associates is tasked with the weekly monitoring of the investment markets and reporting of any investment changes, or additional possibilities to the [Victims 1 and 2].

[Victims 1 and 2] has responsibility for the final decision regarding and current and future investments deemed appropriate ..

Horan Associates has the responsibility for the explanation of, in layman's terms, of any and all possibilities that have been identified, all current and future transactions that are being contemplated, and the effect those transactions may have on the investment account.

Horan Associates is expressly forbidden to make any investments on behalf of [Victims 1 and 2].

Horan Associates is expressly forbidden to make withdrawals from the investment account without the express permission of [Victim 1] and or [Victim 2].

37. Upon information and belief, Horan opened a joint brokerage account in the names of Victims 1 and 2 in March 2010 at Fidelity.

38. Upon information and belief, Horan opened Victims 1 and 2's brokerage account via www.fidelity.com and retained access to Victims 1 and 2's account by creating user name and password for the account.

39. As stated in the Investment Plan, Horan Associates would have the account number and pass codes to access Victims 1 and 2 Fidelity account online.

40. As stated in the Investment Plan, transfers were arranged from Victims 1 and 2's Regions bank account. Over the course of 22 months (April 2010 through January 2012), electronic funds transfer ("EFT") transferred approximately \$65,400 to Victims 1 and 2's Fidelity brokerage account.

41. Specifically, a transfer of \$30,000.00 was initiated on April 1, 2010 from Regions Bank and added to Victims 1 and 2's Fidelity account on April 5, 2010. Another transfer of \$30,000.00 was initiated on April 28, 2010 from Regions Bank and added to Victims 1 and 2's

Fidelity account on April 29, 2010. Also as stated in the Investment Plan, in June 2010, automatic transfers to the Fidelity account via Fidelity's EFT system were initiated .. From June 2010 through January 2012, \$300.00 was transferred from Regions Bank on a monthly basis (except for November 2011 and December 2011) to Victim 1 and 2's Fidelity account ("Regions EFTs"). The Regions EFTs for the June 2010 through January 2012 time period totaled \$5,400.00.

42. As stated in the Investment Plan, U.S. Treasuries were purchased in Victims 1 and 2's Fidelity Account in April 2010. Upon information and belief, Horan facilitated the purchase of the U.S. Treasuries via his online access to Victims 1 and 2's Fidelity account.

2010 Day Spa Investment

43. On November 3, 2010, Horan sold \$10,000.00 worth of securities to facilitate an investment by Victims 1 and 2 into a Massachusetts day spa.

44. Upon information and belief, on November 5, 2010 Horan communicated online and over the telephone with Fidelity posing as his elderly relative asking how to move money from Victims 1 and 2's Fidelity account to Victim 1's "nephew's" account.

45. Specifically, upon information and belief, on November 5, 2010 Horan engaged in a Fidelity.com "chat session" asking Fidelity how to set up an EFT from Victims 1 and 2's Fidelity account to Horan's bank account.

46. Specifically, Fidelity's notes of Horan's November 5, 2010 Fidelity.com chat session state:

I set up a bank account on the money transfer system and need to make sure that there are no issues since the account is my nephew[]' s that I intend to send \$\$ to as soon as it is open, I need to find out if we can get the account approved quickly.

47. Upon information and belief, on November 5, 2010 Horan called Fidelity asking how to move money from Victims 1 and 2's Fidelity account to Horan's bank account.

48. Specifically Fidelity's notes of Horan's November 5, 2010 phone call state

Customer needs money sent to his nephew's account to help him out with living expenses. He needs the money sent asap. Entered one-time wire xtrac for the customer, he will fax the request first thing

49. Fidelity.com states under its "Cash Management FAQs: Move Money" that for electronic funds transfers "at least one common name must match exactly between your Fidelity account and your bank account." Fidelity allows wires to be sent from a Fidelity brokerage account to a third party with proper documentation.

50. Victims 1 and 2 do not share a common name with Horan, nor are they joint bank account holders with Horan.

51. Upon information and belief, as a result of his November 5, 2010 telephone call to Fidelity, Horan received Fidelity wire paperwork and forwarded it to Victims 1 and 2 to process a \$10,000.00 wire withdrawal to Horan's bank account.

52. On November 7, 2010, Horan sent Victims 1 and 2 an email with the subject "Wire Authorization Sheet" stating in pertinent part:

I would like to discuss the project we spoke about.

I: With your permission, I have sold the securities that was identified *[sic]* and that transaction brought with it the interest that was due plus a realized capital gain of approximately \$800.00.

2: I have notified the other party about your agreement and terms and they were all agreed to.

3: I tried to set up an additional account on your portfolio to manage the transfer, but [F]idelity has stated that because you are not on that account as an owner, this type of set up is not allowed. (security reasons, it actually is a good safety feature!)

4: I spoke to fidelity wire room on your behalf and set up a one time wire transaction to transfer the funds to my account so I can fund the transaction I have attached a word document that has all of the information. This form needs to be signed and faxed back to me or directly to that fax number first thing Monday morning. If you wish to fax it back to me today, Sunday that is okay too!!, my fax # is [redacted] just me know which # and what time you plan on faxing it.

5: I have set up a time on Tuesday to bring all of the documentation down to the Salon and have the owner sign the paperwork, at that time, I will provide her with a cashiers check for the funds.

6: During the time you are up here [Massachusetts] at [C]hristmas, we will need to establish an account to enable me to put the funds back into your [F]idelity account via account transfer. This account will be in your name so the only thing I can do would be to deposit the funds into the account and then set up the transfer back to fidelity through the fidelity account. NO ONE would have access to withdraw any funds except for you. If this is not acceptable to you, then we can set up some form of funds transfer via a wire from my account into your fidelity account.

53. On November 8, 2010 a wire authorization signed by Victims 1 and 2 was processed for \$10,000.00 from Victims 1 and 2's Fidelity account to Horan's HarborOne bank account.

54. On November 8, 2010, Horan Associates purchased a \$10,000.00 cashier's check payable to a Massachusetts day spa. The memo on the cashier's check stated that it was for the "[Victims 1 and 2] Loan"

55. Upon information and believe, around April 2011, Horan established an EFT on Victims 1 and 2's Fidelity account to transfer funds to and from Horan's HarborOne account ("HarborOne EFT"). Horan established the HarborOne EFT via an online application on www.fidelity.com.

56. Fidelity does not allow third party EFT transactions, yet Horan was able to establish his own HarborOne bank account on Victims 1 and 2's Fidelity account. By doing so, Horan

facilitated third party EFT transactions. Victims 1 and 2 do not share a common name with Horan, nor are they joint bank account holders with Horan.

57. On April 29, 2011, Horan transferred \$336.75 from his HarborOne bank account to Victims 1 and 2's Fidelity account. Horan then transferred an additional \$200.00 from his bank account to Victims I and 2's Fidelity account on August 29, 2011 and \$191.88 on September 15, 2011.

Webdeals Investment

58. Horan represented to Victims 1 and 2 that Webdeals' principal owners were clients of Horan Associates and that Horan consulted on Webdeals business. In addition, Horan informed Victims I and 2 that Horan receives ten percent of Webdeals' profits and Victims 1 and 2 were eligible for five percent of Horan's total.

59. Horan represented in account summaries to Victims 1 and 2 that money transferred via the HarborOne EFT in 2011 was for an "outside investment" and on other account summaries noted that the "outside investment" was in Webdeals Inc.

60. Webdeals has never filed an application for the registration or notice of exemption from registration of securities to be offered in Massachusetts

61. In 2011, Horan used the HarborOne EFT to transfer a total of \$11,500.00 to his bank HarborOne bank account from Victims 1 and 2's Fidelity account. Horan initiated three HarborOne EFTs from Victims 1 and 2's Fidelity account to Horan's HarborOne bank account: July II, 2011, transferring \$4,500.00; September 15, 2011, transferring \$4,500.00; and September 22, 2011, transferring \$2,500.00.

62. Upon information and belief, in September 2011, Horan facilitated the sale of securities in Victims 1 and 2's account to have cash available for the \$4,500.00 and \$2,500.00 he transferred via the HarborOne EFT to his bank account.

63. Subsequent to the July 11, 2011 \$4,500.00 HarborOne EFT, Horan's HarborOne bank account reflects several withdrawals for restaurants, grocery stores, and a hair salon.

64. Subsequent to the September 15, 2011 \$4,500.00 HarborOne EFT and September 22, 2011 \$2,500.00 HarborOne EFT, Horan's HarborOne bank account reflects several withdrawals for restaurants (including a restaurant at Foxwoods in Connecticut), gas stations, retail stores, online marketplaces, and atm withdrawals at casinos (Foxwoods in Connecticut and Twin Rivers in Rhode Island).

65. Horan admitted to his elderly relatives that no money was invested in Webdeals and that he used their money for his personal expenses.

2012

66. Upon information and belief, in March 2012, Horan established an EFT on Victims 1 and 2's Fidelity account to transfer funds to and from Horan's Rockland Trust account ("Rockland Trust EFT"). Horan established the Rockland Trust EFT via an online application on www.fidelity.com.

67. Fidelity does not allow third party EFT transactions, yet Horan was able to establish his own Rockland Trust bank account on Victims 1 and 2's Fidelity account. By doing so, Horan facilitated third party EFT transactions.

68. The same day Horan established Victims 1 and 2's Rockland Trust EFT, Horan established an EFT from the same Rockland Trust account for his wife's Fidelity account.

69. Both Victims 1 and 2 and Horan's wife received correspondence from Fidelity noting the EFT feature had been established on their accounts. The letters are both dated March 26, 2014 and reflect the same last four digits for the Rockland Trust bank account number. Fidelity's records indicate that in fact, the same Rockland Trust bank account number was set up for both Victims 1 and 2 and Horan's wife. Victims 1 and 2 do not share a common name with Horan, nor are they joint bank account holders with Horan.

70. On March 26, 2012, Horan transferred \$11,008.00 and \$985.00 from his Rockland Trust account to Victims 1 and 2's Fidelity account.

71. Horan represented in account summaries to Victims 1 and 2 that the \$11,008.00 was a \$10,000.00 investment repayment of Webdeals and \$1,008 and \$985 were interest credits from the Webdeals investment.

Internet-Horizons Investment

72. Horan represented to Victims 1 and 2 that Internet-Horizons began in 2012 with four owners. After an Horan purportedly invested Victims 1 and 2 money into Internet-Horizons, Horan provided the following information, in part, regarding Internet-Horizons:

This company has two divisions, first is a Sequencing Engine Correlation Group which searches for companies who would like to have their position enhanced in Google Rankings. We then charge a fee each month to assist the company rank better in google on the web. ...

What is important in this company is that our lead programmer is the creator and patent holder of the Google technology platform infrastructure that Google is based on. Secondly, [h]is architecture is light years ahead of anyone else's so when we build our own Cyber Monday and Black Friday sites, they are not as labor intensive as anyone else.

I own 25% of this company, I will receive 20% of the profits. Each owner was required to put \$100,000 into this company to help fund the development that has

been going on for the past year and five months. We expect this to be the first year that we are able to profit from all of the work that has been put into this.

I have stated that your profit share of my 25% is 50% since you have been good enough to allow me to make decisions on your behalf and quite frankly, your funds were the only reason I was able to become an owner of this company. This was decided upon when I made the investment and I believe that at that time I did you tell you the profit ratios.

Please note that this company is being grown at a deliberate and slow pace to make sure that all of the bugs are worked out and that we have constant communications with the Google Platforms. This was established as a long term investment of four years and I can not get the funds out before then, that does not mean your funds are stuck, just that I would need to find additional funding for repayment.

73. Internet-Horizons has never filed an application for the registration or notice of exemption from registration of securities to be offered in Massachusetts.

74. The account summaries note that a total of \$43,500.00 was purportedly invested in Internet-Horizons in 2012 on behalf of Victims I and 2.

75. Despite only \$43,500.00 being designed for an Internet-Horizons investment, Horan withdrew a approximately \$53,591.60 from Victims I and 2 Fidelity account. Between July 2012 and September 2012, Horan initiated ten Rockland Trust EFTs, transferring approximately \$53,591.60 from Victims 1 and 2's Fidelity account to Horan's Rockland Trust bank account.

76. The following lists the ten transfers Horan initiated via the Rockland Trust EFT:

Date	Method of Transfer	From Acct	Name on To acct	TOAcct	Name on From Account	Debit/Credit
					John Horan, DBA Horan Associates	
6/13/2012	EFT .	Fidelity	Victims 1 and 2	Rockland Trust		(\$1,109.80)
					John Horan, DBA Horan Associates	
7/3/2012	EFT	Fidelity	Victims 1 and 2	Rockla nd Trust		(\$172.00)

7/16/2012	EFT	Fidelity	Victims 1 and 2	Rockland Trust	John Horan, DBA Horan Associates	(\$6,809.80)
7/24/2012*	EFT	Fidelity	Victims 1 and 2	Rockland Trust	John Horan, DBA Horan Associates	(\$5,000.00)
7/24/2012*	EFT	Fidelity	Victims 1 and 2	Rockland Trust	John Horan, DBA Horan Associates	(\$10,000.00)
8/1/2012*	EFT	Fidelity	Victims 1 and 2	Rockland Trust	John Horan, DBA Horan Associates	(\$7,500.00)
8/22/2012	EFT	Fidelity	Victims 1 and 2	Rockland Trust	John Horan, DBA Horan Associates	(\$4,000.00)
8/24/2012**	EFT	Fidelity	Victims 1 and 2	Rockland Trust	John Horan, DBA Horan Associates	(\$12,000.00)
8/30/2012	EFT	Fidelity	Victims 1 and 2	Rockland Trust	John Horan, DBA Horan Associates	(\$2,000.00)
9/19/2012*	EFT	Fidelity	Victims 1 and 2	Rockland Trust	John Horan, DBA Horan Associates	(\$5,000.00)
					TOTAL	(\$53,591.60)

*Horan's account summary for 2012 for Victims 1 and 2 reflect these transfers for outside investment in Internet-Horizons

** Horan's account summary for 2012 for Victims 1 and 2 relects \$6,000.00 for outside investment in Internet-Horizons and \$6,000.00 for outside investment in Webdeals

77. The account summaries for the non-Internet-Horizon related transfers noted that the Rockland Trust EFTs covered a funeral payment plan, a family member, bill payment, a "holding account" for "possible requests," and another investment in Webdeals.

78. Horan admitted to his elderly relatives that no money was invested in Internet-Horizons and that he used their money for his personal expenses.

79. During 2013, Horan provided Victims I and 2 with "Investment Updates" regarding the money Horan invested on their behalf. These updates provided summaries of the outside investments and money held in a "holding account." The Investment Updates did not indicate that the money Victims I and 2 entrusted to Horan was used for personal expenses.

80. The 2013 account summary reflects that money was only put into Victims I and 2 funeral prepayment.

81. In January 2014, Victims I and 2 communicated with Horan via email regarding their investments and sought a maturity date for the Webdeals investment. Horan informed Victims I and 2 via email that they were due \$1,300.00 on March 1, 2014 from Webdeals.

82. On January 29, 2014, Victims I and 2 made a demand to Horan that their money invested in Webdeals, Internet-Horizons, and a third company be returned to them.

83. In February 2014, Horan indicated that:

Webdeals & Internet-Horizons are private companies who made a request for private investments. I brought them to you because of the potential that I saw to increase your earnings. [The agreements that are in-place are private investment agreements between myself and those companies. We have an agreement between you and I that guarantees the payments no matter now the actual investment performs and guarantees the security of the principal.

84. On February 10, 2014, Victims I and 2 corresponded again with Horan asking for their money. Horan responded that he had a great vacation in Las Vegas and only went to the "strip" twice during the vacation for sightseeing and gambling for two hours. Horan summed up that he would take care of Victims I and 2 requests on February 11, 2014.

85. Horan sent Victims I and 2 a check for \$11,892.00 from his John Horan dba Horan Associates account at Rockland Trust noting that it was Victims I and 2 "2013 Holding Funds

Balance." Horan represented that the "holding account" was a trust account requiring two signatures for any withdrawal over \$1,000.00 and that he did not have access for any online processing.

86. In February 2014, Horan represented to Victims 1 and 2 that to return more of their funds, Horan would have to find investors to replace Victims 1 and 2s investments.

87. In February 2014, Horan sent Victims 1 and 2 additional checks that were predated as a method to return their funds to them. When Victims 1 and 2 presented the predated check to their bank on the date of the check, it was returned for not sufficient funds.

88. During March 2014, Horan made additional promises to pay Victims 1 and 2 their investments back that did not come to fruition. Horan sent Victims 1 and 2 a check for \$7,000.00 from his John Horan dba Horan Associates Rockland Trust account for which there were not sufficient funds to cover the payment to Victims 1 and 2.

89. In September 2014, Horan informed Victims 1 and 2 that he fraudulently stole their money and used their money for his own personal expenses. On September 26, 2014, Horan emailed Victims 1 and 2 admitting to his fraudulent conduct in the offer and sale of securities.

90. Horan wrote in his September 26, 2014 email to Victims 1 and 2:

[Victim 1 & Victim 2]:

Sorry about the lateness in getting the cash out to you. I put in the mail today 250.00 for this past Friday. I expect additional funds in over the weekend and should by next Wednesday have the funds cleared into my account so I call send you the next payment. As you know, I have requested a document to be drawn up regarding the funds used from your Fidelity Account to be paid off from the lawsuit. At this time, I have not heard back from my lawyer.

That is the only source of income besides my disability and accounting fees that I have coming to me at this point and I want to make sure that your *[sic]* covered ..

I don't know if you have been screening my calls because you actually did request intervention by the State or if you were just out, but please understand that it was

never my intent to harm either of you, I have been trying to get the funds back to you but my ability to manage on a daily basis has been bad for the past few years and I am really afraid of what is going to happen in the future. I know that you are not going to enjoy reading the rest of this e-mail.

I want you to know the truth now (which you have most likely already figured out). The funds you gave to me were never provided to either corporation. No one in the corporations even know about you. The funds were used to help pay my personal bills and to keep myself going after the accident. Yes, I lied to you and yes it has kept me up most nights and yes, I feel like a heel, and a [expletive].

Now some facts:

They are both real companies and yes, when I received payments from Webdeals from the first year, I provided you funds but there has been no funds since that first year. Anything that I stated to you about Internet Horizons regarding the company owners needing to put in capital was a complete lie. I am an owner, and they have been doing development but there was no funding requirements from any of us except to cover basic expenses. All of the other funds that have been paid to you have come directly from me. (some of the funds came from [Horan's wife] when I asked her to close her retirement account to help me pay bills for the company)[.]

I am telling you all of this now because I am afraid that whatever is happening with the state with those companies, I believe I am being investigated since I am the one who handled the funds and since it's the securities enforcement division and once the other partners realize that I have gotten the companies and by proxy them, in trouble, then the first thing that I expect to happen is for them to call for my resignation. I asked one of the partners to make the response to the State because I have not been able to even contemplate what they are looking for and I really don't know what is going to happen.

I want you to know, really know, that the money is going to come back to you. I will continue sending what I can each week but I don't know what is going to happen in the future. I will continue to send payments weekly and will strive to continue increasing the payments.

This letter has been prompted by several things, first, because I owe you the truth even if you never speak with me again. Second, because I don't know what is going to happen and lastly because I don't know if I can survive any more stress so I wanted to tell you all of this while I could.

John

Victims 3 and 4

91. Victims 3 and 4 are Florida residents who met Horan through Victims 1 and 2. Victim 3 entrusted the task of tax preparation and financial advice to Horan and Horan Associates.

92. Horan met with Victim 3 in March 2012 to prepare taxes.

93. Horan represented to Victim 3 that he did not have a license to trade securities, but did this for family and friends and would charge \$125.00 on a quarterly basis for trading services.

94. In June 2012, Horan met with Victim 3 and established a Fidelity joint account for Victims 3 and 4 on www.fidelity.com. Horan retained Victim 3's username and password to access the account. Horan facilitated the transfers from Victim 3's bank account to Fidelity to fund the account.

95. In June 2012, \$45,000.00 transferred to Victims 3 and 4's Fidelity account to be managed by Horan. In July 2012, \$5,000.00 transferred to Victims 3 and 4's Fidelity account to be managed by Horan.

96. Upon information and belief, after the account was funded, Horan purchased and sold securities in Victim 3's Fidelity account.

97. Victim 3 paid Horan for providing investment advice and purchasing and selling securities in his Fidelity account. Victim 3 paid Horan \$125.00 on September 30, 2012 with a check and another \$125.00 on February 13, 2013.

98. Victim 3 stopped paying Horan fees for investment advice when Horan stopped conducting activity in Victim 3's Fidelity account.

VIII. VIOLATIONS OF SECURITIES LAWS

A. COUNT I: VIOLATIONS OF ~ 101

1. 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 the 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.

2. The Division herein re-alleges and restates the allegations and facts set forth in paragraphs 1-98 above.

3. The conduct of Respondents, as described above, constitutes a violation of MASS. GEN. LAWS ch. 110A, § 101.

B. COUNT II: VIOLATIONS OF ~ 201(c)

4. Section 201(c) of the Act provides, in pertinent part: "(c) It is unlawful for any person to transact business in this commonwealth as an investment adviser or as an investment adviser representative unless he is so registered under this chapter." MASS. GEN. LAWS ch. II OA, § 201(c).

5. The Division herein restates and re-alleges the facts and allegations set forth in paragraphs 1 through 98 above.

6. The conduct of Respondents, as described above, constitutes a violation of MASS. GEN. LAWS ch. II OA, § 201(c).

C. COUNT III: VIOLATIONS OF ~ 201(d)

7. Section 201(d)(i) of the Act provides, in pertinent part:

(d) It is unlawful for: (i) any investment adviser required to be registered to employ an investment adviser representative unless the investment adviser representative is registered under this chapter, but the registration of an investment adviser representative shall not be effective during any period when he is not employed by an investment adviser registered under this chapter

MAss. GEN.LAWSch. 110A; POI(d)(i).

8. The Division herein restates and re-alleges the facts and allegations set forth in paragraphs 1 through 98 above.

9. The conduct of Respondents, as described above, constitutes a violation of MASS.GEN.LAWSch. 110A, § 201(d)(i).

IX. STATUTORY BASIS FOR DIVISION ACTION

Section 407A of the Act, entitled Violations, Cease and Desist Orders; Costs, provides the pertinent part:

(a) If the secretary determines, after notice and opportunity for a 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 affirmative action, including the imposition of an administrative fine, the issuance of an order for accounting, disgorgement or rescission or any other relief as in his judgment may be necessary to carry out the purposes of [the Act].

MAss. GEN.LAWSch. 110A, § 407A(a).

10. The Division herein restates and re-alleges the facts and allegations set forth in paragraphs 1 through 98 above.

11. The conduct of Respondents, as described above, constitutes a violation of MASS.GEN.LAWSch. 110A, § 407A.

X. PUBLIC INTEREST

For any and all of the reasons set forth above, it is in the public interest and will protect Massachusetts investors to: (1) require Respondents to cease and desist from fraudulent activity in violation of the Act and Regulations; (2) require Respondents to permanently cease and desist from acting as an unregistered broker-dealer; unregistered broker-dealer agent, unregistered

investment adviser, and unregistered investment adviser representative; (3) bar Respondents from acting as or being associated with any Massachusetts registered broker-dealer; broker-dealer agent, investment adviser, and investment adviser representative; (4) require Respondents to provide an accounting of all proceeds that were received as a result of the alleged wrongdoing, and to offer rescission and to fairly compensate victims for those losses attributable to the alleged wrongdoing; (5) require Respondents to disgorge all proceeds and other direct or indirect remuneration received from the alleged wrongdoing; and (6) require Respondents to pay an administrative fine in an amount and upon such terms and conditions as the Director or Hearing Officer may determine. In addition, the Enforcement Section requests that the Director or Hearing Officer take any and all other necessary action which may be deemed just and appropriate for the protection of investors.

XI. RELIEF REQUESTED

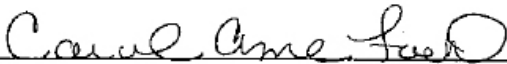
WHEREFORE, the Enforcement Section of the Division requests that the Director or Hearing Officer take the following actions:

- A. Find that all the sanctions and remedies detailed herein are in the public interest and necessary for the protection of Massachusetts investors;
- B. Find as fact the allegations set forth in paragraph 1-98, inclusive, of the Complaint;
- C. Order Respondents to cease and desist from fraudulent activity in violation of the Act and Regulations;
- D. Order Respondents to permanently cease and desist from acting as an unregistered broker-dealer; unregistered broker-dealer agent, unregistered investment adviser, and unregistered investment adviser representative;
- E. Bar Respondents from acting as or being associated with any Massachusetts registered

broker-dealer; broker-dealer agent, investment adviser, and investment adviser representative;

- F. Order Respondents to provide an accounting of all proceeds that were received as a result of the alleged wrongdoing, and to offer rescission and to fairly compensate victims for those losses attributable to the alleged wrongdoing;
- G. Order Respondents to disgorge all proceeds and other direct or indirect remuneration received from the alleged wrongdoing; and
- H. Order Respondents to pay an administrative fine in an amount and upon such terms and conditions as the Director or Hearing Officer may determine; and
- I. Take any and all other necessary action which may be deemed just and appropriate for the protection of investors.

**ENFORCEMENT SECTION
MASSACHUSETTS SECURITIES DIVISION**
By its attorneys,



Carol Anne Foehl, Associate Enforcement Chief,
Gregory M. Polin, Registration, Inspections,
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Dated: October, 2014