

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

IN THE MATTER OF:

GARY J. MARTEL,
d/b/a MARTEL FINANCIAL GROUP,
MARTEL FINANCIAL SERVICES AND
MFG FUNDING.

Docket No. 2012-0049

2012 JUN 12 PM 12:17
SECURITIES DIVISION

ADMINISTRATIVE COMPLAINT

I. PRELIMINARY STATEMENT

The Enforcement Section ("Enforcement Section") of the Massachusetts Securities Division of the Office of the Secretary of the Commonwealth ("Division") files this administrative complaint ("Complaint") in order to commence an adjudicatory proceeding against Gary J. Martel ("Martel"), the Martel Financial Group, Martel Financial Services and MFG Funding (collectively, the "Respondents") for violating MASS. GEN. LAWS ch. 110A, the Massachusetts Uniform Securities Act ("Act"), and 950 MASS. CODE REGS. 10.00 *et seq.* ("Regulations"). The Complaint alleges that Respondents failed to register and acted as broker-dealers or as investment advisers and investment adviser representatives in violation of the Act and the Regulations. The Complaint further alleges that Respondents effectuated the offer and sale of unregistered securities in violation of the Act and its related Regulations.

The Enforcement Section seeks an Order: (a) requiring Respondents to temporarily cease and desist from acting as unregistered broker-dealers or as investment advisers and investment adviser representatives; (b) requiring Respondents to temporarily

cease and desist from effectuating the offer and sale of unregistered securities in the Commonwealth until and unless the securities are properly registered or sold pursuant to an exemption from registration under the Act; (c) requiring Respondents, after notice and opportunity for hearing, to permanently cease and desist from acting as unregistered broker-dealers or investment advisers and investment adviser representatives; (d) requiring Respondents, after notice and opportunity for hearing, to permanently cease and desist from effectuating the offer and sale of unregistered securities in the Commonwealth until and unless the securities are properly registered or sold pursuant to an exemption from Registration under the Act; (e) requiring Respondents to provide an accounting of all proceeds that 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; (f) requiring Respondents to disgorge all proceeds and other direct or indirect remuneration received from the alleged wrongdoing; (g) requiring Respondents to pay an administrative fine in an amount and upon such terms and conditions as the Director or Hearing Officer may determine; (h) barring Respondents from acting as or being associated with any Massachusetts-registered broker-dealer; (i) barring Respondents from acting as or being associated with any Massachusetts-registered investment adviser or investment adviser representative; and (j) requesting the Director or Hearing Officer to take such further action against the Respondents as may be deemed just and appropriate for the protection of investors.

II. SUMMARY

The Division initiated its investigation into the Respondents' unregistered investment-related activities after receiving complaints from several distressed Massachusetts-based investors. Upon receiving these complaints, the Division dispatched members of its Enforcement Section to Martel's Chelsea office in an attempt to serve Martel with a subpoena and gather more information about his business. Within several hours of the Division's attempt to meet with Martel, the Division received two letters from Martel's counsel. The first letter from Martel's counsel states, in part: "Mr. Martel has been self-employed since December of 2009 . . . We have been requested by Mr. Martel to report to your office that he is unable to make payments due some 40 customers who purchased various forms of investment vehicles from him . . . A complete tally is in the works, but it appears that the losses may be well into seven-figures." The second letter from Martel's counsel states, in part: "Mr. Martel and the firms have ceased operations and are in the process of assessing their assets and liabilities with a view toward liquidation. For that reason, there are currently no funds available for distribution."

The Division believes that Martel created at least three separate entities known as the Martel Financial Group, Martel Financial Services and MFG Funding. Through these unregistered entities, Martel lured unsuspecting investors into his investment scheme through promises of high returns on safe, principal-protected investments. According to victims, Martel described his investments as short-term callable bonds that guaranteed high interest rates every ninety (90) days. However, the majority of known victims never received any interest payments, but rather were credited for earned interest on their next

periodic account statements prepared by Martel. In instances in which known victims requested interest or principal payments, Martel repeatedly conjured up one excuse after another for not being able to pay his investors. Martel's manipulative tactics included citing purported health issues, invoking his faith and blaming his bank for technical errors. As more investors demanded their investments to be returned, Martel's widespread scam began to unravel until eventually Martel stopped returning their calls and hired counsel.

The Division asserts that during the past six years, as Martel swindled one investor after another, Martel engaged in repeated acts of unregistered activity involving unregistered securities. For these reasons, the Division today files an administrative complaint on behalf of the Commonwealth.

III. JURISDICTION AND AUTHORITY

1. The Massachusetts Securities Division is a division of the Office of the Secretary of the Commonwealth with jurisdiction over matters relating to securities as provided for by the Act. The Act authorizes the Division to regulate: (1) the offers, sales and purchases of securities; (2) those individuals offering and/or selling securities within the Commonwealth; and (3) those individuals transacting business as broker-dealers or acting 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 related rules and regulations promulgated thereunder.

3. This proceeding is brought in accordance with Sections 201, 301 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 May 23, 2001 to date ("Relevant Time Period").

V. RESPONDENT

6. Gary Jerome Martel ("Martel") is a natural person with a last known address of 295 Washington Avenue, #1, Chelsea, Massachusetts 02150. Martel is the founder of the Martel Financial Group, Martel Financial Services and MFG Funding. Martel is not currently registered with the Division, but has an Individual Central Registration Depository ("CRD") Number of 1237719. According to the CRD, Martel was registered with United Securities Alliance, Inc. from May 23, 2001 to February 28, 2007, and with Royal Alliance Associates, Inc. from March 1, 2007 to December 14, 2009.

VI. RELATED PARTIES

7. Martel Financial Group is an entity with offices located at 100 Unicorn Park Drive, Suite 200, Woburn, Massachusetts 01801 and 295 Washington Avenue, Chelsea, Massachusetts 02150. Upon information and belief, Gary Jerome Martel is the sole owner of the Martel Financial Group. Upon information and belief, the Martel Financial

Group has not filed articles of organization in Massachusetts. Upon information and belief, the Martel Financial Group has never held a registration in Massachusetts as a broker-dealer, an investment adviser, or in any other capacity in the securities business. Upon information and belief, the Martel Financial Group has never filed an application for the registration of, or notice of exemption for, securities to be offered in Massachusetts.

8. Martel Financial Services is an entity with a principal place of business at 295 Washington Avenue, Chelsea, Massachusetts 02150. Upon information and belief, Gary Jerome Martel is the sole owner of Martel Financial Services. Upon information and belief, Martel Financial Services has not filed articles of organization in Massachusetts. Upon information and belief, Martel Financial Services has never held a registration in Massachusetts as a broker-dealer, an investment adviser, or in any other capacity in the securities business. Upon information and belief, Martel Financial Services has never filed an application for the registration of, or notice of exemption for, securities to be offered in Massachusetts.

9. MFG Funding is an entity with a principal place of business at 295 Washington Avenue, Chelsea, Massachusetts 02150. Upon information and belief, Gary Jerome Martel is the sole owner of MFG Funding. Upon information and belief, MFG Funding has not filed articles of organization in Massachusetts. Upon information and belief, MFG Funding has never held a registration in Massachusetts as a broker-dealer, an investment adviser, or in any other capacity in the securities business. Upon information and belief, MFG Funding has never filed an application for registration of, or notice of exemption for, securities to be offered in Massachusetts.

VII. FACTS AND ALLEGATIONS

A. INTRODUCTION

10. The Division initiated its investigation into the Respondents' unregistered investment-related activities after receiving complaints from several distressed Massachusetts-based investors.

11. Upon receiving these complaints, the Division dispatched members of its Enforcement Section to Martel's Chelsea office in an attempt to serve Martel with a subpoena and gather more information about his business.

12. Within several hours of the Division's attempt to meet with Martel, the Division received two letters from Martel's counsel indicating that Martel has ceased operations and is in the process of assessing client losses.

13. The first letter from Martel's counsel states, in part: "Mr. Martel has been self-employed since December of 2009. Prior to that time, he was employed as a securities salesperson by broker/dealers Royal Alliance and World Marketing Alliance." The letter further states, in part: "We have been requested by Mr. Martel to report to your office that he is unable to make payments due some 40 customers who purchased various forms of investment vehicles from him . . . A complete tally is in the works, but it appears that the losses may be well into seven-figures."

14. The second letter from Martel's counsel states, in part: "Mr. Martel and the firms have ceased operations and are in the process of assessing their assets and liabilities with a view toward liquidation. For that reason, there are currently no funds available for distribution."

15. At this point in the Division's investigation, there is information suggesting that Martel's scheme involved more than forty (40) investors and resulted in potential losses in excess of one million dollars.

B. GARY J. MARTEL BACKGROUND

16. Martel is a natural person with a last known address of 295 Washington Avenue, #1, Chelsea, Massachusetts 02150.

17. Martel is not currently registered with the Division, but has an Individual CRD Number of 1237719.

18. Martel was registered as a broker-dealer agent with United Securities Alliance, Inc. from May 23, 2001 to February 28, 2007.

19. Martel next was registered as a broker-dealer agent with Royal Alliance Associates, Inc. from March 1, 2007 to December 14, 2009.

20. Beginning in December of 2009, Martel worked exclusively through the Martel Financial Group, Martel Financial Services and MFG Funding. However, Martel's CRD information indicates that the Martel Financial Group has been in existence since 2005.

21. Upon information and belief, Martel has never filed articles of organization for the Martel Financial Group, Martel Financial Services or MFG Funding.

22. Upon information and belief, the Martel Financial Group, Martel Financial Services and MFG Funding have never held registrations in Massachusetts as broker-dealers, investment advisers, or in any other capacity in the securities business.

23. Upon information and belief, the Martel Financial Group, Martel Financial Services and MFG Funding have never filed applications for the registration of, or notice of exemption for, securities to be offered in Massachusetts.

24. Martel offered and sold various forms of investment vehicles to at least forty (40) investors through the Martel Financial Group, Martel Financial Services and MFG Funding.

25. Upon information and belief, investors who purchased various forms of investment vehicles through Martel, the Martel Financial Group, Martel Financial Services or MFG Funding have sustained losses in excess of one million dollars.

C. INVESTOR COMPLAINTS TO THE DIVISION

INVESTOR ONE

26. Investor One is a resident of Braintree, Massachusetts.

27. Investor One represented to the Division that he first met Martel in or around 2004.

28. During their initial meetings, Investor One and Martel discussed various financial investments.

29. Martel assisted Investor One in rolling over a 401(k) and on a mortgage-related issue.

30. In or around 2004, Investor One invested approximately eighty thousand dollars (\$80,000.00) with Martel through the Martel Financial Group.

31. From approximately 2004 to 2011, Martel represented to Investor One that Investor One's funds were invested in real estate investment trusts ("REITS") earning twelve percent (12%) interest per year.

32. In the past several years, Martel also represented to Investor One that some of Investor One's funds were invested in direct yield bond investments.

33. Martel prepared and transmitted quarterly account statements to Investor One over the course of Investor One's investment.

34. In or around early 2012, Investor One requested to withdraw twenty thousand dollars (\$20,000.00) from the direct yield bond investments that he had purchased through Martel and the Martel Financial Group.

35. Investor One experienced a three-month delay in obtaining a check from Martel and the Martel Financial Group. When Investor One attempted to deposit Martel's check, the check bounced.

36. Martel explained to Investor One that the reason that the check bounced was because Martel's bank was experiencing technical problems.

37. Investor One experienced another three-month delay in obtaining a second check from Martel and the Martel Financial Group. When Investor One attempted to deposit Martel's second check, the second check bounced as well.

INVESTORS TWO AND THREE

38. Investors Two and Three are a retired, married couple and residents of Maynard, Massachusetts.

39. Investors Two and Three represented to the Division that they first met Martel through a friend who was also invested with Martel.

40. During their initial meetings, Investors Two and Three informed Martel that they were looking for a safe product that would pay an income stream of about twelve hundred dollars (\$1,200.00) a month to supplement their retirement.

41. Investors Two and Three indicated that Martel recommended a bond that paid 5.875% interest.

42. On or around October 1, 2007, Investors Two and Three made an initial investment of thirty thousand dollars (\$30,000.00) with Martel through the Martel Financial Group.

43. On or around November 29, 2007, Investors Two and Three made an additional investment of twenty thousand dollars (\$20,000.00) with Martel through the Martel Financial Group.

44. On or around February 16, 2011, Investors Two and Three made another investment of fifty thousand dollars (\$50,000.00) with Martel through the Martel Financial Group.

45. Between 2007 and 2012, Investors Two and Three invested approximately one-hundred-and-thirteen-thousand dollars (\$113,000.00) total with Martel through the Martel Financial Group.

46. Martel prepared and transmitted periodic account statements to Investors Two and Three over the course of their investments.

47. In Investor Two and Three's account statements, Martel represented to them that their funds were invested in some form of fixed income corporate bond earning 5.875% interest on their investment.

48. Through late 2011, Investors Two and Three indicated that they had not experienced any issues with their investments and received regular interest payments from MFG Funding to their checking account.

49. On or around January 17, 2012, Investors Two and Three sent Martel an e-mail stating that Investors Two and Three had stopped receiving their regular deposits from Martel and MFG Funding.

50. In their e-mail to Martel, Investors Two and Three asked: "Have I lost all my money by investing it with you or what?"

51. On the same date, January 17, 2012, Martel responded in an e-mail to Investors Two and Three: "... **You have not lost any money in the least!**"

52. In the same January 17, 2012 e-mail, Martel also states:

I have two physical checks at my desk (as I mentioned before) and one automatic that was posted from your account with MFGF to your Middlesex account on the 14th but with the holiday it will not post until probably tomorrow. Your account here has been credited interest for the 2 month that it did not get moved over to your checking account with these physical checks, so that you would rightfully get interest for your troubles. I will mail directly to you the two checks if you would not mind deposit [sic] them.

53. On or around January 24, 2012, Investors Two and Three sent Martel a follow-up e-mail reading, in part: "Gary, On Tue Jan 17th [sic] I sent you an e-mail stating that you could send me the 2 check [sic] you had on your desk and that I would deposet [sic] them. I still have not received them and now it is time for my Jan. check to come"

54. On or around January 27, 2012, Martel responded in an e-mail to Investors Two and Three that Martel had his assistant:

1. Credit your account \$ 148.50 for lost interest from November.
2. Stop any further attempts at getting the AHC bank deposit system to work
3. Put the monthly distribution on direct mail to your home address on the 10th of each month.
4. Cut 3 new checks for Nov/Dec/Jan made out to [Investor Two]
5. Express Mail Overnight from the Postal Service to arrive on February 1st

55. On or around February 15, 2012, Martel sent another e-mail to Investors Two and Three regarding the status of their monthly check. In his e-mail Martel stated, in part:

“Hello [Investors Two and Three]. Following up to let you know your monthly check has been processed and sent today via regular mail.”

56. Over the course of March and April, Investors Two and Three exchanged several e-mail communications with Martel regarding the status of their monthly checks.

57. On or around May 3, 2012, Investors Two and Three sent Martel an e-mail, asking: “What is happening with the check? I don’t understand why there is so much trouble. I guess maybe I will have to withdraw the money from your account and put it in the bank where I have access to it. Please get back to me.”

58. On the same date, May 3, 2012, Martel responded in an e-mail to Investors Two and Three stating, in part: “Hello [Investors Two and Three,] Just intercepted message from cell phone. The replacement check went out Wednesday (took just a bit to stop pay on the other and get another prepared). I mailed it personally and verified everything to be accurate! Should see it in a day or two”

59. On or around May 13, 2012, Investors Two and Three sent Martel an e-mail regarding the status of several outstanding checks. In their e-mail to Martel, Investors Two and Three state, in part: “I think this has gone on long enough . . . If I don’t hear from you telling me that you will deliver me a check for the amount I have with you I will have to take legal action.”

60. On or around May 24, 2012, Martel responded in an e-mail to Investors Two and Three. In his e-mail, Martel stated, in part: “Hi [Investors Two and Three.] Appologies [sic] for so long in getting back to you. **I have seen your name on my telepad but cannot receive the actual messages but I know what they must say**” (Emphasis added).

INVESTOR FOUR

INVESTOR FOUR'S EMPLOYMENT WITH MARTEL

61. Investor Four is Martel's former administrative assistant and a resident of Lowell, Massachusetts.

62. Investor Four indicated to the Division that she started working for Martel in 2007 after being introduced to Martel through a job placement program.

63. Investor Four also indicated to the Division that her job-related duties included answering the telephone and performing some limited book-keeping for Martel.

64. As a part of her limited book-keeping duties, Investor Four indicated that she never had access to client accounts and only paid bills covering basic operational expenses such as utilities.

65. Investor Four further indicated to the Division that Martel instructed her not to open any securities-related materials because she did not have a "special securities clearance."

66. Between 2007 and 2012, Investor Four exchanged numerous e-mails with Martel in which she informed Martel of unpaid bills and over-drafted accounts.

INVESTOR FOUR'S INVESTMENTS WITH MARTEL

67. Investor Four informed the Division that soon after starting her new job with Martel, Martel assisted her in purchasing life insurance and in refinancing her home.

68. Investor Four also informed the Division that soon after starting her new job with Martel, Martel also sold her notes that were purportedly linked to some form of callable bond.

69. Investor Four indicated that Martel never provided her with any sales literature or offering documents for the callable bonds, but that Martel assured her that there was no risk to her principal.

70. Upon information and belief, Investor Four invested approximately one-hundred-and-thirteen-thousand, five-hundred-and-fifty dollars and forty-seven cents (\$113,550.47) with Martel and the Martel Financial Group.

71. Upon information and belief, Investor Four's \$113,550.47 investment with Martel consisted of at least three separate accounts located at the Martel Financial Group.

72. Investor Four made repeated requests to Martel to mail her distribution checks because she needed money for personal expenses.

73. In response to Investor Four's repeated requests for distribution checks, Martel delayed for months citing to a host of reasons including health issues and bank errors.

74. On or around May 4, 2012, Martel finally sent a lump sum check to Investor Four in the amount of one-hundred-and-sixteen-thousand dollars (\$116,000.00).

75. On or around May 5, 2012, Martel's check to Investor Four bounced due to "Not Sufficient Funds" in Martel's account.

INVESTOR FOUR'S FRIENDS' AND FAMILY'S INVESTMENTS WITH MARTEL

76. Between 2008 and 2012, Investor Four's sister and brother-in-law ("Investors Five and Six") and mother ("Investor Seven") invested over four hundred thousand dollars (\$400,000.00) total with Martel and the Martel Financial Group.

77. Upon information and belief, Investor Four's sister, brother-in-law and mother made repeated requests to Martel regarding the status of distribution checks from their investment accounts.

78. Upon information and belief, Investor Four made numerous inquiries to Martel regarding the status of her family's distribution checks.

79. In response to Investor Four's repeated inquiries, Martel delayed for months citing to a host of excuses including purported health issues and bank errors.

80. Upon information and belief, Investor Four's sister, brother-in-law and mother are still owed hundreds of thousands of dollars from Martel.

81. Upon information and belief, Martel also encouraged Investor Four on several occasions to reach out to anyone that would be interested in investing with Martel.

82. On or around April 6, 2012, Martel sent an e-mail to Investor Four with a fifteen page Facebook IPO presentation attached to the e-mail. In his e-mail, Martel asked Investor Four to forward the presentation to anyone whom Investor Four thought might be interested in investing in a pooled investment vehicle for Facebook.

83. In his April 6, 2012 e-mail to Investor Four, Martel stated, in part:

Thank you for passing on to those that may find it of ine [*sic*] As you know I am not promoting the Facebook stock, but am facilitating a mechanism (pool) to make it possible to create a large enough ticket that the broker will take and pay good attention to in hopes of getting in on the IPO . . . The disclaimer at the end would not really pass muster are [*sic*] relieve me of any of the very strict disclosures that would have to be made on every page and in its entirety as a formal presentation piece. It has not been approved by anyone other than myself as it was intended only for a conceptual presentation. So keep it close to the vest and please let anyone you know that you have confidence in that this was sent to you personally by request to help you get a visual of what I was speaking of on the phone. Will look forward to a quick chat to fill in any blanks for you. All the best. Gary.

INVESTORS FIVE AND SIX

84. Investors Five and Six are Investor Four's sister and brother-in-law, respectively, and residents of Lowell, Massachusetts.

85. Upon information and belief, beginning in 2008 Investors Five and Six invested approximately one-hundred-and-twenty-thousand dollars (\$120,000.00) with Martel and the Martel Financial Group.

86. Upon information and belief, Investor Five and Six's \$120,000.00 investment with Martel consisted of at least four separate accounts located at the Martel Financial Group.

INVESTORS FIVE AND SIX'S FIRST ACCOUNT

87. On or around August 8, 2008, Investors Five and Six made her first investment with Martel and the Martel Financial Group in the amount of thirty thousand dollars (\$30,000.00) ("First Account").

88. On or around April 13, 2009, Investors Five and Six invested an additional twenty thousand dollars (\$20,000.00) in the First Account.

89. On or around February 1, 2011, Investors Five and Six invested another ten thousand dollars (\$10,000.00) in the First Account.

90. Over the course of the investment, Martel prepared and transmitted periodic account statements to Investors Five and Six for their First Account.

91. In the account statements for Investors Five and Six's First Account, Martel represented that their funds were invested in some form of fixed income investment product earning 3.875% interest on their investment.

92. Between 2008 and 2009, Investors Five and Six were credited with numerous interest payments totaling approximately thirty-three thousand, one-hundred-and-forty-four dollars and sixty-eight cents (\$33,144.68).

93. Between 2008 and 2009, Investors Five and Six received three interest payments from MFG Funding totaling approximately two thousand, seven-hundred-and-thirty-eight dollars and thirty-three cents (\$2,738.33).

94. On or around May 1, 2012, Investors Five and Six received a partial liquidation from MFG Funding totaling approximately thirty thousand, one-hundred-and-thirty-five dollars and forty-five cents (\$30,135.45). Currently, a balance of approximately sixty thousand, two-hundred-and-seventy dollars and ninety cents (\$60,270.90) is unaccounted for in Investor Five and Six's First Account.

INVESTORS FIVE AND SIX'S SECOND ACCOUNT

95. On or around June 30, 2009, Investors Five and Six made their second investment with Martel and the Martel Financial Group in the amount of fifteen thousand dollars (\$15,000.00) ("Second Account").

96. Over the course of the investment, Martel prepared and transmitted periodic account statements to Investors Five and Six for their Second Account.

97. In the account statements for Investors Five and Six's Second Account, Martel represented that their funds were invested in some form of fixed income investment vehicle earning 3.875% interest on their investment.

98. In 2009, Investors Five and Six are credited with two interest payments totaling approximately one thousand, one-hundred-and-sixty-two dollars and fifty cents (\$1,162.50).

99. On or around June 30, 2010, Martel transferred what appears to be an erroneous amount of seventeen thousand, four-hundred-and-fifteen dollars and ten cents (\$17,415.10) out of Investors Five and Six's Second Account and into what is identified below as their Fourth Account.

INVESTORS FIVE AND SIX'S THIRD ACCOUNT

100. On or around July 21, 2010, Investors Five and Six made their third investment with Martel and the Martel Financial Group in the amount of five thousand dollars (\$5,000.00) ("Third Account").

101. On or around September 1, 2009, Investors Five and Six invested an additional five thousand dollars (\$5,000.00) in the Third Account.

102. On or around April 7, 2010, Investors Five and Six invested another ten thousand dollars (\$10,000.00) in the Third Account.

103. Over the course of the investment, Martel prepared and transmitted periodic account statements to Investors Five and Six for their Third Account.

104. In the account statements for Investors Five and Six's Third Account, Martel represented that their funds were invested in some form of fixed income investment vehicle earning 4.125% interest on their investment.

105. Between 2009 and 2010, Investors Five and Six are credited with four interest payments totaling approximately two thousand and eighteen dollars and ninety-four cents (\$2,018.94).

106. On or around June 30, 2012, Martel transferred twenty-two thousand and eighteen dollars and ninety-four cents (\$22,018.94) out of Investors Five and Six's Third Account and into what is identified below as their Fourth Account.

INVESTORS FIVE AND SIX'S FOURTH ACCOUNT

107. On or around May 11, 2010, Investors Five and Six made their fourth investment with Martel and the Martel Financial Group in the amount of five thousand dollars (\$5,000.00) ("Fourth Account").

108. On or around June 17, 2010, Investors Five and Six invested an additional ten thousand dollars (\$10,000.00) in the Fourth Account.

109. On or around June 30, 2010, Martel transferred what appears to be an erroneous amount of seventeen thousand, four-hundred-and-fifteen dollars and ten cents (\$17,415.10) out of Investor Five and Six's Second Account, and twenty-two thousand and eighteen dollars and ninety-four cents (\$22,018.94) out of Investor Five and Six's Third Account into their Fourth Account.

110. On or around February 1, 2012, Investors Five and Six invested another ten thousand dollars (\$10,000.00) in their Fourth Account.

111. Over the course of the investment, Martel prepared and transmitted periodic account statements to Investors Five and Six for their Fourth Account.

112. In the account statements for Investor Five and Six's Fourth Account, Martel represented that their funds were invested in some form of fixed income investment vehicle earning 4.875% interest on their investment.

113. Between 2010 and 2012, Investors Five and Six are credited with seven interest payments totaling approximately nineteen thousand, five-hundred-and-forty-four dollars and sixteen cents (\$19,544.16) in their Fourth Account.

114. The total amount of interest payments that Investors Five and Six are credited with across their four accounts is approximately twenty-eight thousand and seventy-two dollars and fourteen cents (\$28,072.14).

115. On or around May 1, 2012, Investors Five and Six received a partial liquidation from MFG Funding totaling approximately twenty-nine thousand, three-hundred-and-fifty-seven dollars and thirty-eight cents (\$29,357.38). Currently, a balance of approximately fifty-eight thousand, seven-hundred-and-fourteen dollars and seventy-six cents (\$58,714.76) is unaccounted for in Investors Five and Six's Fourth Account.

116. To date, the total amount of unaccounted funds in Investors Five and Six's four accounts is approximately one-hundred-and-eighteen thousand, nine-hundred-and-eighty-five dollars and sixty-six cents (\$118,985.66).

INVESTOR SEVEN

117. Investor Seven is Investor Four and Five's mother and a resident of Lowell, Massachusetts.

118. Upon information and belief, beginning in 2008 Investor Seven invested approximately two-hundred-and-forty-seven thousand dollars (\$247,000.00) with Martel and the Martel Financial Group.

119. Upon information and belief, Investor Seven's \$247,000.00 investment with Martel consisted of at least five separate accounts located at the Martel Financial Group.

INVESTOR SEVEN'S FIRST ACCOUNT

120. On or around February 26, 2008, Investor Seven made her first investment with Martel and the Martel Financial Group in the amount of fifty thousand dollars (\$50,000.00) ("First Account").

121. Over the course of the investment, Martel prepared and transmitted periodic account statements to Investor Seven for Investor Seven's First Account.

122. In the account statements for Investor Seven's First Account, Martel represented that Investor Seven's funds were invested in some form of fixed income corporate bond earning 4.065% interest on her investment.

123. Between 2008 and 2012, Investor Seven received regular interest payments from MFG Funding totaling approximately thirty thousand, two-hundred-and-sixty-one dollars and sixty-seven cents (\$30,261.67).

124. On or around April 30, 2012, Investor Seven received a partial liquidation from MFG Funding totaling approximately sixteen thousand six-hundred-and-sixty-seven dollars (\$16,667.00). Currently, a balance of approximately thirty-three thousand, three hundred-and-thirty-three dollars (\$33,333.00) is unaccounted for in Investor Seven's First Account.

INVESTOR SEVEN'S SECOND ACCOUNT

125. On or around September 4, 2008, Investor Seven made her second investment with Martel and the Martel Financial Group in the amount of twenty-five thousand dollars (\$25,000.00) ("Second Account").

126. On or around October 15, 2008, Investor Seven invested an additional twenty-five thousand dollars (\$25,000.00) in the Second Account.

127. Over the course of the investment, Martel prepared and transmitted periodic account statements to Investor Seven for Investor Seven's Second Account.

128. In the account statements for Investor Seven's Second Account, Martel represented that Investor Seven's funds were invested in some form of fixed income corporate bond earning 3.875% interest on her investment.

129. Between 2008 and 2012, Investor Seven received regular interest payments from MFG Funding totaling approximately twenty-four thousand, nine-hundred-and-eighty-seven dollars and fifty-seven cents (\$24,987.57).

130. On or around April 30, 2012, Investor Seven received a partial liquidation from MFG Funding totaling approximately sixteen thousand, six-hundred-and-sixty-seven dollars (\$16,667.00). Currently, a balance of approximately thirty-three thousand, three-hundred-and-thirty-three dollars (\$33,333.00) is unaccounted for in Investor Seven's Second Account.

INVESTOR SEVEN'S THIRD ACCOUNT

131. On or around November 17, 2008, Investor Seven made her third investment with Martel through the Martel Financial Group in the amount of twenty-five thousand dollars (\$25,000.00) ("Third Account").

132. On or around December 11, 2008, Investor Seven invested an additional twenty-five thousand dollars (\$25,000.00) in the Third Account.

133. Over the course of the investment, Martel prepared and transmitted periodic account statements to Investor Seven for Investor Seven's Third Account.

134. In the account statement for Investor Seven's Third Account, Martel represented that Investor Seven's funds were invested in some form of fixed income corporate bond earning 4.125% interest on her investment.

135. Between 2008 and 2012, Investor Seven received regular interest payments from MFG Funding totaling approximately twenty-four thousand, four-hundred-and-fifty-three dollars and eight cents (\$24,453.08).

136. On or around April 30, 2012, Investor Seven received a partial liquidation from MFG Funding totaling approximately sixteen thousand, six-hundred-and-sixty-seven dollars (\$16,667.00). Currently, a balance of approximately thirty-three thousand, three hundred-and-thirty-three dollars (\$33,333.00) is unaccounted for in Investor Seven's Third Account.

INVESTOR SEVEN'S FOURTH ACCOUNT

137. On or around July 21, 2009, Investor Seven made her fourth investment with Martel and the Martel Financial Group in the amount of fifty thousand dollars (\$50,000.00) ("Fourth Account").

138. Over the course of the investment, Martel prepared and transmitted periodic account statements to Investor Seven for Investor Seven's Fourth Account.

139. In the account statements for Investor Seven's Fourth Account, Martel represented that Investor Seven's funds were invested in some form of fixed income investment product earning 4.125% interest on her investment.

140. Between 2009 and 2012, Investor Seven received regular interest payments from MFG Funding totaling approximately twenty-two thousand, six-hundred-and-eighty-seven dollars and fifty cents (\$22,687.50).

141. On or around April 30, 2012, Investor Seven received a partial liquidation from MFG Funding totaling approximately sixteen thousand, six-hundred-and-sixty-seven dollars (\$16,667.00). Currently, a balance of approximately thirty-three thousand, three

hundred-and-thirty-three dollars (\$33,333.00) is unaccounted for in Investor Seven's Fourth Account.

INVESTOR SEVEN'S FIFTH ACCOUNT

142. On or around May 11, 2010, Investor Seven made her fifth investment with Martel and the Martel Financial Group in the amount of thirty-five thousand dollars (\$35,000.00) ("Fifth Account").

143. On or around June 17, 2010, Investor Seven invested an additional twelve thousand dollars (\$12,000.00) in the Fifth Account.

144. Over the course of the investment, Martel prepared and transmitted periodic account statements to Investor Seven for Investor Seven's Fifth Account.

145. In the account statements for Investor Seven's Fifth Account, Martel represented that Investor Seven's funds were invested in some form of fixed income investment product earning 4.875% on her investment.

146. Between 2010 and 2012, Investor Seven received regular interest payments from MFG Funding totaling approximately fifteen thousand, seven-hundred-and-ninety dollars and eighty-seven cents (\$15,790.87).

147. On or around April 30, 2012, Investor Seven received a partial liquidation from MFG Funding totaling approximately fifteen thousand, six-hundred-and-sixty-seven dollars (\$15,667.00). Currently, a balance of approximately thirty-one thousand, three-hundred-and-thirty-three dollars (\$31,333.00) is unaccounted for in Investor Seven's Fifth Account.

148. In two separate letters dated April 26, 2012, Martel represented to Investor Seven and her husband that he would issue two more liquidation checks over the course of the next two months.

149. To date, the total amount of unaccounted funds in Investor Seven's five accounts is approximately one-hundred-and-thirty-one-thousand, three-hundred-and-thirty-two dollars (\$131,332.00).

D. GARY J. MARTEL UNREGISTERED INVESTMENT ACTIVITIES

MARTEL UNREGISTERED BROKER-DEALER ACTIVITY

150. Between December 15, 2009 and the present, Martel, the Martel Financial Group, Martel Financial Services and MFG Funding were not registered as broker-dealers or broker-dealer agents with the Division, the Financial Industry Regulatory Authority ("FINRA"), or the United States Securities and Exchange Commission ("SEC").

151. Between December 15, 2009 and the present, Martel engaged in the business of effecting transactions in various forms of fixed income investment products for, among others, the accounts of Investors One through Seven.

152. Between December 15, 2009 and the present, the Martel Financial Group engaged in the business of effecting transactions in various forms of fixed income investment products for, among others, the accounts of Investors One through Seven.

153. Between December 15, 2009 and the present, Martel Financial Services engaged in the business of effecting transactions in various forms of investment products for, among others, the accounts of Investors One through Seven.

154. Between December 15, 2009 and the present, MFG Funding engaged in the business of effecting transactions in various forms of fixed income investment products for, among others, the accounts of Investors One through Seven.

MARTEL UNREGISTERED INVESTMENT ADVISER ACTIVITY

155. Between December 15, 2009 and the present, Martel, the Martel Financial Group, Martel Financial Services and MFG Funding were not registered as investment advisers or investment adviser representatives with the Division, FINRA, or the SEC.

156. Between December 15, 2009 and the present, Martel managed the accounts of, among others, Investors One through Seven by way of the Martel Financial Group, Martel Financial Services and MFG Funding.

157. Between December 15, 2009 and the present, Martel was compensated, either directly or indirectly, for managing and advising the accounts of, among others, Investors One through Seven by way of the Martel Financial Group, Martel Financial Services and MFG Funding.

158. Between December 15, 2009 and the present, Martel was associated with one or more separate entities that were required to be registered under the Act. During the same period of time, Martel: (1) made recommendations and rendered advice regarding securities; (2) managed accounts and portfolios for clients; (3) determined which recommendation or advice regarding securities should be given; and (4) solicited, offered and sold investment advisory services.

**MARTEL OFFER AND SALE OF UNREGISTERED
AND NON-EXEMPT SECURITIES**

159. Between December 15, 2009 and the present, Martel offered and sold callable bonds and other forms of fixed income investment products to Massachusetts residents.

160. Martel offered and sold callable bonds and other forms of fixed income investment products through in-person meetings and referrals from other investors.

161. Martel enticed investors with rates of returns ranging from 3.875% for the callable bonds to 12% for REITS.

162. Martel prepared and transmitted periodic account statements to investors on Martel Financial Group letterhead. The Martel Financial Group account statements contained such language as: "Purchase," "Income," "Interest Credit," "Fixed Income / Equivalents," "Bonds" and "PORTFOLIO VALUE."

163. The callable bonds and other forms of fixed income investment products that Martel offered and sold to investors are securities as defined under the Act and the Regulations.

164. The callable bonds and other forms of fixed income investment products that Martel offered and sold to investors are not registered under the Act.

165. The callable bonds and other forms of fixed income investment products that Martel offered and sold to investors are not exempted under Section 402 of the Act.

166. The callable bonds and fixed income investment products that Martel offered and sold to investors are not federally covered securities as defined in the Securities Act of 1933.

D. GARY J. MARTEL ON-THE-RECORD

167. On June 12, 2012, Martel appeared before the Division pursuant to a subpoena for on the record testimony and asserted his respective rights against self-incrimination under the Fifth Amendment to the U.S. Constitution and Article 12 of the Massachusetts Declaration of Rights.

168. When the Division asked Martel under oath if he had ever gone by any other name, Martel invoked his respective rights against self-incrimination under the Fifth Amendment to the U.S. Constitution and Article 12 of the Massachusetts Declaration of Rights.

169. When the Division asked Martel under oath if he had ever been disciplined by any government agency, regulatory agency, or self-regulatory organization that has jurisdiction over the securities industry, Martel invoked his respective rights against self-incrimination under the Fifth Amendment to the U.S. Constitution and Article 12 of the Massachusetts Declaration of Rights.

170. When the Division asked Martel under oath if he is currently registered in the securities industry as a registered representative of a broker-dealer or investment adviser, Martel invoked his respective rights against self-incrimination under the Fifth Amendment to the U.S. Constitution and Article 12 of the Massachusetts Declaration of Rights.

171. When the Division asked Martel under oath if any of his businesses were registered as broker-dealers, investment advisers, or any other capacity in the securities industry, Martel invoked his respective rights against self-incrimination under the Fifth Amendment to the U.S. Constitution and Article 12 of the Massachusetts Declaration of Rights.

172. When the Division asked Martel under oath if he or any of his businesses offered and/or sold any form of investment vehicle to any Massachusetts residents, Martel invoked his respective rights against self-incrimination under the Fifth Amendment to the U.S. Constitution and Article 12 of the Massachusetts Declaration of Rights.

173. When the Division asked Martel under oath if he ever filed any applications for the registration of, or notice of exemption for, securities to be offered in Massachusetts, Martel invoked his respective rights against self-incrimination under the Fifth Amendment to the U.S. Constitution and Article 12 of the Massachusetts Declaration of Rights.

174. When the Division asked Martel under oath if Investors One through Seven ever invested with Martel or any of his businesses, Martel invoked his respective rights against self-incrimination under the Fifth Amendment to the U.S. Constitution and Article 12 of the Massachusetts Declaration of Rights.

175. When the Division asked Martel under oath if he ever prepared account statements for Investors One through Seven, Martel invoked his respective rights against self-incrimination under the Fifth Amendment to the U.S. Constitution and Article 12 of the Massachusetts Declaration of Rights.

176. When the Division asked Martel under oath if Investors One through Seven are still owed money from Martel or any of his businesses, Martel invoked his respective rights against self-incrimination under the Fifth Amendment to the U.S. Constitution and Article 12 of the Massachusetts Declaration of Rights.

177. When the Division asked Martel under oath if any proceeds from investors' investments were used for personal expenses, Martel invoked his respective rights against self-incrimination under the Fifth Amendment to the U.S. Constitution and Article 12 of the Massachusetts Declaration of Rights.

178. When the Division asked Martel under oath if it was his intention to invoke his respective rights under the Fifth Amendment to the U.S. Constitution and Article 12 of

the Massachusetts Declaration of Rights for any question about his businesses and any investment vehicle offered and/or sold through those businesses, Martel stated in the affirmative.

VIII. VIOLATIONS OF THE MASSACHUSETTS UNIFORM SECURITIES ACT

A. Count 1: Violation of Section 201(a)

179. Section 201(a) of the Act provides, in pertinent part: "(a) 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."

MASS. GEN. LAWS ch. 110A, § 201(a).

180. The Division herein restates and re-alleges the facts and allegations set forth in paragraphs 1 through 178 above.

181. The conduct of the Respondent, as described above, constitutes a violation of MASS. GEN. LAWS ch. 110A, § 201(a).

B. Count 2: Violation of Section 201(b)

182. Section 201(b) of the Act provides, in pertinent part:

(b) It is unlawful for any broker-dealer or issuer to employ an agent unless the agent is registered. The registration of an agent is not effective during any period when he is not associated with a particular broker-dealer registered under this chapter or a particular issuer. When an agent begins or terminates a connection with a broker-dealer or issuer, or begins or terminates those activities which make him an agent, the agent as well as the broker-dealer or issuer shall promptly notify the secretary.

MASS. GEN. LAWS ch. 110A, § 201(b).

183. The Division herein restates and re-alleges the facts and allegations set forth in paragraphs 1 through 178 above.

184. The conduct of the Respondent, as described above, constitutes a violation of MASS. GEN. LAWS ch. 110A, § 201(b).

C. Count 3: Violation of Section 201(c)

185. 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. 110A, § 201(c).

186. The Division herein restates and re-alleges the facts and allegations set forth in paragraphs 1 through 178 above.

187. The conduct of the Respondent, as described above, constitutes a violation of MASS. GEN. LAWS ch. 110A, § 201(c).

D. Count 4: Violation of Section 201(d)(i)

188. 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. LAWS ch. 110A, §201(d)(i).

189. The Division herein restates and re-alleges the facts and allegations set forth in paragraphs 1 through 178 above.

190. The conduct of the Respondent, as described above, constitutes a violation of MASS. GEN. LAWS ch. 110A, § 201(d)(i).

E. Count 5: Violation of Section 301

191. 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.

MASS. GEN. LAWS ch. 110A, § 301.

192. The Division herein restates and re-alleges the facts and allegations set forth in paragraphs 1 through 178 above.

193. The conduct of the Respondent, as described above, constitutes a violation of MASS. GEN. LAWS ch. 110A, § 301.

IX. STATUTORY BASIS FOR SECURITIES DIVISION'S ACTION

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

- (a) If the secretary determines, after notice and opportunity for hearing, that any person has engaged in or is about to engage in any act or practice constituting a violation of any provision of this chapter or any rule or order issued thereunder, he may order such person to cease and desist from such unlawful act or practice and may take such affirmative action, including the imposition of an administrative fine, the issuance of an order for an accounting, disgorgement or rescission or any other such relief as in his judgment may be necessary to carry out the purposes of [the Act].

MASS. GEN. LAWS ch. 110A, § 407A(a).

195. The Division herein restates and re-alleges the facts and allegations set forth in paragraphs 1 through 178 above.

196. The conduct of the Respondent, as described above, constitutes a violation of MASS. GEN. LAWS ch. 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 enter an Order: (a) requiring Respondents to temporarily cease and desist from acting as unregistered broker-dealers or as investment advisers and investment adviser representatives; (b) requiring Respondents to temporarily cease and desist from effectuating the offer and sale of unregistered securities in the Commonwealth until and unless the securities are properly registered or sold pursuant to an exemption from registration under the Act; (c) requiring Respondents, after notice and opportunity for hearing, to permanently cease and desist from acting as unregistered broker-dealers or investment advisers and investment adviser representatives; (d) requiring Respondents, after notice and opportunity for hearing, to permanently cease and desist from effectuating the offer and sale of unregistered securities in the Commonwealth until and unless the securities are properly registered or sold pursuant to an exemption from registration under the Act; (e) requiring Respondents to provide an accounting of all proceeds that 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; (f) requiring Respondents to disgorge all proceeds and other direct or indirect remuneration received from the alleged wrongdoing; (g) requiring Respondents to pay an administrative fine in an amount and upon such terms and conditions as the Director or Hearing Officer may determine; (h) barring Respondents from acting as or being associated with any Massachusetts-registered broker-dealer; (i) barring Respondents from acting as or being associated with any Massachusetts-registered investment adviser or investment adviser representative; and (j) requesting the

Director or Hearing Officer to take such further action against the Respondents as 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 as fact all the allegations set forth in paragraphs 1 through 196, inclusive of the Complaint;

B. Find that all sanctions and remedies detailed herein are in the public interest and necessary for the protection of Massachusetts investors;

C. Issue a Cease and Desist Order against Respondents ordering Respondents to temporarily cease and desist from acting as unregistered broker-dealers or as investment advisers and investment adviser representatives and from effectuating the offer and sale of unregistered securities in the Commonwealth until and unless the securities are properly registered or sold pursuant to an exemption from registration under the Act;

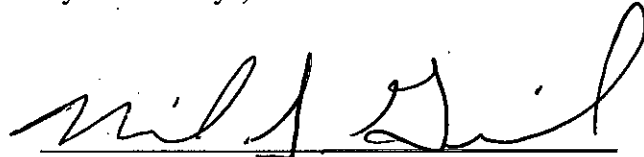
D. Enter a permanent Order against Respondents ordering Respondents to permanently cease and desist from acting as unregistered broker-dealers or investment advisers and investment adviser representatives and from effectuating the offer and sale of unregistered securities in the Commonwealth until and unless the securities are properly registered or sold pursuant to an exemption from registration under the Act;

E. Order Respondents to provide an accounting of all proceeds that 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;

- F. Order the Respondents to disgorge all proceeds and other direct or indirect remuneration received from the alleged wrongdoing;
- G. Impose an administrative fine on the Respondents in an amount and upon such terms and conditions as the Director or Hearing Officer may determine;
- H. Bar the Respondents from acting as or being associated with any Massachusetts-registered broker-dealer, investment adviser or investment adviser representative; and
- I. Take such further action against the Respondents as may be deemed just and appropriate for the protection of investors.

**MASSACHUSETTS SECURITIES DIVISION
ENFORCEMENT SECTION**

By its attorneys,



Michael S. Greenside, Esq.

Gregory M. Polin, Esq.

Elyse J. Boyle, Esq.

Nicholas J. Ordway, Esq.

Patrick J. Ahearn, Chief of Enforcement

Massachusetts Securities Division
One Ashburton Place, Room 1701
Boston, MA 02108
(617) 727-3548 (telephone)
(617) 248-0177 (facsimile)

Dated: June 12, 2012