



Attorney General Doug Peterson

News Release

FOR IMMEDIATE RELEASE
May 26, 2016

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Nebraska Attorney General Doug Peterson today announced a June 6th court hearing on the appointment of a receiver for Omaha-based investment advisor firms BWM Advisors, LLC, and Bonnett Financial Services, LLC. The firms, which do business under the name Bonnett Wealth Management, and their President, Jerome P. "Joe" Bonnett, recently had nearly \$47.5 million in assets under management and are the subject of an ongoing investigation by the Nebraska Department of Banking and Finance.

The Attorney General's Office last week filed a complaint in Douglas County District Court alleging various violations of the Nebraska Securities Act by Bonnett and his firms. The complaint requested an injunction to prevent securities violations and a court-appointed receiver to take control of and account for the firms' assets. In an emergency hearing held Friday, the court entered a temporary restraining order and an asset freeze to protect client funds.

The hearing on the State's request for a receiver will be held on Monday, June 6, 2016, at 1:15 PM, before District Judge Duane Dougherty in Courtroom #503 of the Douglas County Courthouse. The Notice of Hearing is attached hereto.

The case is pending in Douglas County District Court and is titled *State of Nebraska ex rel Mark Quandahl, Director of Banking and Finance, v. BWM Advisors LLC, Bonnett Financial Services LLC, and Jerome P. Bonnett*, Case No. CIC 16C 4196. The State's complaint and the emergency restraining and asset freeze orders are attached hereto.

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IN THE DISTRICT COURT OF DOUGLAS COUNTY, NEBRASKA

STATE OF NEBRASKA ex rel. MARK QUANDAHL, Director of Banking and Finance of the State of Nebraska,

Plaintiff,

v.

BWM ADVISORS, LLC (d/b/a BONNETT WEALTH MANAGEMENT), a Nebraska limited liability company; BONNETT FINANCIAL SERVICES, Inc. (d/b/a BONNETT WEALTH MANAGEMENT); JEROME P. BONNETT, JR. (a/k/a JOE BONNETT), Individually and in his corporate and representative capacity,

Defendants.

Case No. CI-16-4196

**NOTICE OF HEARING ON
PLAINTIFF'S APPLICATION FOR
APPOINTMENT OF RECEIVER**

TO THE DEFENDANTS, THEIR ATTORNEYS, AND ALL OTHER PARTIES AFFECTED BY THE APPOINTMENT OF A RECEIVER:

Pursuant to Neb. Rev. Stat. §§ 8-1116 and 25-1081 *et seq.*, Plaintiff State of Nebraska ex rel. Mark Quandahl, Director of Banking and Finance of the State of Nebraska, in Plaintiff's Complaint filed in this Court on May 18, 2016, applied for an order appointing a receiver for all assets held by or under the control of Defendants BWM ADVISORS, LLC (d/b/a BONNETT WEALTH MANAGEMENT), BONNETT FINANCIAL SERVICES, LLC (d/b/a BONNETT WEALTH MANAGEMENT), and JEROME P. BONNETT (a/k/a JOE BONNETT).

PLEASE TAKE NOTICE that a hearing will be held on the Plaintiff's application for the appointment of a receiver before the Honorable Duane C. Dougherty in the District Court of Douglas County, Nebraska, on **Monday, June 6, 2016, at 1:15 p.m.**, or as soon thereafter as the matter may be heard. Said hearing will take place in **Courtroom #503 (Fifth Floor) of the Douglas County Courthouse, located at 1701 Farnam Street, Omaha, Nebraska 68183.**

Submitted May 26, 2016.

STATE OF NEBRASKA ex rel. MARK QUANDAHL, Director of Banking and Finance of the State of Nebraska, Plaintiff.

By: DOUGLAS J. PETERSON, NE #18146
Attorney General of Nebraska

By: s/ David A. Lopez
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Attorneys for Plaintiff.

CERTIFICATE OF SERVICE

I hereby certify that the notice provisions of Neb. Rev. Stat. § 25-1082 have been fulfilled as follows:

On May 26, 2016, the foregoing Notice was served on Defendants' attorneys by email and first-class U.S. mail at the following addresses:

Clarence Mock
JOHNSON & MOCK, PC LLO
PO BOX 62
Oakland, NE 68045
cmock@johnsonandmock.com

Adam Sipple
JOHNSON & MOCK, PC LLO
9900 Nicholas Street, Suite 225
Omaha, NE 68114
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Denise Frost
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9900 Nicholas Street, Suite 225
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Additionally, on May 26, 2016, the foregoing Notice was served by first-class U.S. mail on all known clients of the Defendants and all known terminated clients since 2012. The foregoing Notice was also served by first-class U.S. mail on all financial institutions known by the Nebraska Department of Banking and Finance to be in the custody of any of Defendants' accounts.

By: s/ David A. Lopez

Certificate of Service

I hereby certify that on Thursday, May 26, 2016 I provided a true and correct copy of the Notice-Hearing to the following:

Quandahl,Mark,,Director represented by Ryan S. Post (Bar Number: 24714) service method: Electronic Service to ryan.post@nebraska.gov

Bonnett Financial Services Inc service method: First Class Mail

State of Nebraska ex rel. represented by Ryan S. Post (Bar Number: 24714) service method: Electronic Service to ryan.post@nebraska.gov

BWM Advisors LLC service method: First Class Mail

Bonnett,Jerome,P,Jr. service method: First Class Mail

Signature: /s/ David A. Lopez (Bar Number: 24947)

IN THE DISTRICT COURT OF DOUGLAS COUNTY, NEBRASKA

STATE OF NEBRASKA ex rel. MARK QUANDAHL, Director of Banking and Finance of the State of Nebraska,

Plaintiff,

v.

BWM ADVISORS, LLC (d/b/a BONNETT WEALTH MANAGEMENT), a Nebraska limited liability company; BONNETT FINANCIAL SERVICES, Inc. (d/b/a BONNETT WEALTH MANAGEMENT); JEROME P. BONNETT, JR. (a/k/a JOE BONNETT), Individually and in his corporate and representative capacity,

Defendants.

Case No. CI-16-_____

COMPLAINT FOR INJUNCTIVE AND OTHER RELIEF

INTRODUCTION

Plaintiff, State of Nebraska ex rel. Mark Quandahl, Director of Banking and Finance of the State of Nebraska, by and through counsel, pursuant to Neb. Rev. Stat. §§ 8-1116 and 25-1081 *et seq.*, seeks an order from this Court restraining and enjoining Defendants and persons acting in concert with them from any further act or practice in violation of the Securities Act of Nebraska, Neb. Rev. Stat. §§ 8-1101 *et seq.* (the “Act”). For the protection of the Defendants’ clients and to prevent the diversion or dissipation of investor funds, Plaintiff further seeks an order freezing any and all assets under the ownership, direction, custody or control of Defendants until all assets have been properly accounted and appointing a receiver for BWM ADVISORS, LLC, an investment advisor doing business in Nebraska as BONNETT WEALTH

MANAGEMENT and BONNETT FINANCIAL SERVICES, INC., also doing business as BONNETT WEALTH MANAGEMENT.

In support of this Complaint, Plaintiff alleges the following:

THE PARTIES

1. Plaintiff is the Director of Banking and Finance of the State of Nebraska and in that capacity is charged with administering the Act, pursuant to Neb. Rev. Stat. § 8-1120.
2. Defendant BWM Advisors, LLC, (d/b/a Bonnett Wealth Management) (“BWM Advisors”), at all relevant times herein, is an investment advisor as defined in Neb. Rev. Stat. § 8-1101(7), with its last known principal place of business located at 14710 West Dodge Road, Suite 203, Omaha, Douglas County, Nebraska, 68154. BWM is registered as an investment adviser firm the Nebraska Department of Banking and Finance (the “Department”), with a Central Registration Depository/Investment Advisor Registration Depository (“CRD”) number of 159407.
3. Defendant Bonnett Financial Services, Inc. (d/b/a Bonnett Wealth Management) (“BFS”) is a dissolved Nebraska corporation. BFS was incorporated on May 18, 1994, and was administratively dissolved by the Nebraska Secretary of State on April 16, 2016, for failing to file the 2016 annual report and pay the occupation tax. Bonnett is the sole officer of BFS. BFS has never been registered with the Department in any capacity.
4. Defendant Jerome P. Bonnett, Jr. (a/k/a Joe Bonnett) (“Bonnett”) is an individual residing, on information and belief, at 3614 South 94th Street, Omaha, Douglas County, Nebraska 68124. Bonnett is a Certified Financial Planner and Certified Financial Consultant and is President and registered agent of BWM. Bonnett is registered with the Department as an investment advisor representative with a CRD number of 2143822.

5. Hereinafter, BWM Advisors, BFS, and Bonnett will be collectively referred to as “BWM.”
6. On information and belief, BWM manages approximately 83 accounts totaling approximately \$47.5 million in assets under management.

JURISDICTION AND VENUE

7. The Court has jurisdiction over this action pursuant to Neb. Rev. Stat. § 8-1116.
8. The Court has personal jurisdiction over the Defendants and venue is proper because the Defendants’ acts and transactions constituting the violations of the Act occurred in Douglas County, Nebraska. In addition, BWM’s principal and registered office is located in Douglas County, Nebraska. In addition, Bonnett is a resident of Douglas County, Nebraska.

FACTUAL ALLEGATIONS

9. On June 22, 2015, the Department commenced a routine investment advisor examination of BWM. During the examination, substantial co-mingling of assets between BWM, BFS, and Bonnett was discovered. Commissions were received directly into Bonnett’s personal bank accounts, and then money was transferred between BWM, BFS, and Bonnett.
10. On March 14, 2016, the Department received a complaint from an attorney, R.G., on behalf of his client, H.B. H.B. was a client of Bonnett, BFS, and BWM. The complaint alleged that Bonnett had failed to provide requested information regarding a purported annuity that H.B. and her late husband, D.B., had purchased.
11. R.G.’s complaint included a copy of an email dated December 16, 2015, in which Bonnett forwarded a copy of a purported annuity for D.B. and H.B. issued February 15, 2007. The annuity was purportedly issued by Woodmen

Accident and Life Insurance Company of Lincoln, Nebraska, which is now known as Assurity Life Insurance Company (“Assurity”).

12. Bonnett informed R.G. that H.B. could elect to receive the proceeds of the annuity as (1) a lump sum of \$335,638.22, (2) five annual payments estimated to be \$73,146, or (3) substantially equal portions over H.B.’s life expectancy.
13. Bonnett also provided R.G. with a spreadsheet which purported to be an accounting for H.B.’s account. According to the spreadsheet, H.B. and D.B. had made the following payments for the Assurity annuity:

February 13, 2007	\$50,000.00
June 7, 2007	\$60,000.00
October 21, 2008	\$30,000.00
October 29, 2008	\$40,000.00
April 6, 2010	\$35,000.00
July 22, 2010	\$15,000.00
Total	\$230,000.00

14. After receiving the information from Bonnett, H.B.’s accountant filed a “Notice of Death” form with Assurity. Assurity received the claim on December 21, 2015.
15. On January 8, Bonnett contacted a representative of Assurity and told her to disregard the death claim, that he had contacted H.B.’s CPA, and that the death claim would be filed with the correct company. Assurity then sent a letter to H.B.’s CPA confirming that there was no annuity contact with Assurity.
16. Contrary to the claim in his January 8, 2016 email, Bonnett had not contacted H.B.’s accountant. R.G. sent several letters and emails to Bonnett seeking clarification as to the identity of the annuity company. Bonnett never provided the requested information.

17. On March 8, 2016, Bonnett hand delivered to H.B. a printout showing the payments that H.B. and D.B. had made for the annuity, and a distribution schedule showing that the annuity would be distributed in five equal annual payments of \$73,506.72 beginning on March 7, 2016, and continuing until March 7, 2020. Bonnett also provided H.B. with a printout from H.B.'s account with Charles Schwab showing that a wire transfer in the amount of \$73,506.72 had been posted to her Charles Schwab account on March 7, 2016.
18. The documents Bonnett provided to H.B. did not identify the annuity company. Further, H.B. had never signed any document to elect to receive the annuity payments in five annual installments.
19. Upon receipt of the complaint, the Department, with the assistance of the Nebraska Department of Insurance, commenced an investigation into the allegations raised in the complaint. Charles Schwab informed R.G. that the wire had been received from "Gretna State Bank", which is now known as Pinnacle Bank. The Department had information from its 2015 examination which confirmed that BFS and BWM had accounts at Pinnacle Bank.
20. The Department obtained bank account records from Pinnacle Bank for BWM, BFS, and Hickory Street Apartments, LLC ("Hickory"), another entity owned by Bonnett. The March 31, 2016 bank statement for BFS showed that \$73,506.72 had been wired to Charles Schwab for the benefit of D.B. and H.B.'s account on March 7, 2016.
21. The bank records show that there was no corresponding deposit into BFS' account from any annuity company. Instead, on March 1, 2016, Bonnett deposited a check from "DMF" in the amount of \$400,000.00 into BFS' account. Prior to this deposit, the balance in BFS's account was \$276.16, and no other deposits were made between March 1, 2016, and March 7, 2016.

- Thus, the payment to H.B. was almost exclusively derived from the funds received from DMF.
22. Based upon the address on the check, the Department was able to trace this check to R.F. and D.F., a married couple. R.F. and D.F. are clients of Bonnett and BWM.
 23. Assurity independently informed the Nebraska Department of Insurance that it had no record of any annuity policy for D.B. and H.B.
 24. The checks that H.B. and D.B. gave Bonnett for the purchase of the purported Assurity annuity were payable to “Bonnett Wealth Management” and were deposited into BFS’s accounts at First Westroads Bank. The Department has confirmed for the first five checks, that after Bonnett deposited the checks, he would write checks payable to “Joe Bonnett” for virtually all of the proceeds, and either cash such checks or deposit them into Bonnett’s personal accounts at Wells Fargo Bank. The Department is in the process of obtaining information related to the last check in July of 2010.
 25. On April 12, 2016, Bonnett met with R.G., H.B., and H.B.’s son. At the meeting, he provided a spreadsheet with the dates of the checks he had received, an amortization schedule in which he calculated the amount of repayment with interest, and a proposed repayment schedules. In the notes written by Bonnett attached to the spreadsheet, he acknowledged that the “annuity does not exist (sic).”

Loans

26. As stated in the foregoing paragraphs, the funds Bonnett used to repay H.B. were obtained from R.F. and D.F.
27. An investigator with the Nebraska Department of Insurance interviewed R.F. and D.F. on April 20, 2016. R.F. indicated to the investigator that Bonnett had approached him about “tax issues” that Bonnett was having. Bonnett

- wanted to know if he could borrow money from R.F. and D.F. to take care of the tax issue. R.F. indicated that he issued a check to Bonnett in the amount of \$400,000.00 which was the amount that Bonnett requested. No paperwork was prepared for the loan. The statement about the “tax issues” was partially true as Bonnett did issue a check to the United States Department of Treasury after receiving the loan from R.F. and D.F.
28. As part of the Department’s investigation, the Department learned that on or about October 28, 2015, R.I.C. had received a distribution of \$50,000.00 from its Charles Schwab account. The check from Charles Schwab was endorsed by W.R., President of R.I.C., and made payable to Joe Bonnett. Bonnett deposited the check into his bank account at Great Southern Bank on November 2, 2015.
29. R.I.C. is an investment advisory client of BWM and Bonnett.
30. On March 4, 2016, Bonnett wired \$51,000.00 of the proceeds from loan from R.F. and D.F. to Charles Schwab for the benefit of R.I.C. The wire was to the same account from which R.I.C. had taken the distribution on October 28, 2015. It appears that the purpose of Bonnett’s March 4, 2016, wire transfer was to repay R.I.C. with interest for the money it had received four months previously.
31. On October 28, 2015, W.R. had received a \$100,000.00 distribution from his individual Charles Schwab account. The check from Schwab was endorsed by W.R. and made payable to Bonnett. Bonnett deposited the check into the same bank account at Great Southern Bank on November 2, 2015. The Department has been unable to locate any evidence that this obligation has been repaid to W.R.
32. W.R. is an investment advisory client of BWM and Bonnett.

33. Based upon the evidence reviewed to date, it appears that Bonnett has borrowed \$550,000.00 from his clients since October 2015, and \$500,000.00 of that debt remains outstanding.

Other clients

34. The Department has commenced an investigation into Bonnett's handling of client accounts. As of the date of this filing, there is a substantial amount of client funds that appear to be unaccounted for, specifically as follows:

a. R.S.

- i. R.S. is an investment advisory client of Bonnett and BWM.
- ii. On May 23, 2008, R.S. wrote a check in the amount of \$70,000.00 payable to Bonnett Wealth Management. Bonnett deposited the check into BFS' account at First Westroads Bank on May 27, 2008. Between May 23, 2008, and June 29, 2008, Bonnett wrote over \$68,000.00 in checks payable to himself and deposited into his personal accounts at Wells Fargo Bank. The only source of those funds was the check received from R.S.
- iii. On July 21, 2008, R.S. wrote a check in the amount of \$80,000.00 payable to Bonnett Wealth Management. Bonnett deposited the check into BFS' account at First Westroads Bank on July 22, 2008. Between July 21, 2008, and August 12, 2008, Bonnett wrote over \$79,000.00 in checks payable to himself and deposited into his personal accounts at Wells Fargo Bank. The only source of those funds was the check received from R.S.
- iv. On December 5, 2008, R.S. wrote a check in the amount of \$30,000.00 payable to Bonnett Wealth Management. Bonnett deposited the check into BFS' account at First Westroads Bank on December 5, 2008. At the time that Bonnett deposited the

check, he was overdrawn by \$2981.85. Between December 5, 2008, and December 22, 2008, Bonnett wrote \$26,900 in checks payable to himself and deposited into his personal accounts at Wells Fargo Bank. The only source of those funds was the check received from R.S.

- v. On May 15, 2009, R.S. wrote a check in the amount of \$50,000.00 payable to Bonnett Wealth Management. Bonnett deposited the check into BFS' account at First Westroads Bank on May 15, 2009. Between May 15, 2009, and June 29, 2009, Bonnett wrote \$49,000 in checks payable to himself and either cashed the checks or deposited them into his personal accounts at Wells Fargo Bank. The only source of those funds was the check received from R.S.
- vi. On June 29, 2009, R.S. wrote two checks, each for \$25,000.00, payable to Bonnett Wealth Management. Bonnett deposited one check into BFS' account at First Westroads Bank on June 30, 2009, and the other check into the same account on July 7, 2009. Between June 29, 2009, and July 22, 2009, Bonnett wrote \$49,500 in checks payable to himself and either cashed the checks or deposited them into his personal accounts at Wells Fargo Bank. Except for \$210.00 in other deposits, the sole source of those funds was the check received from R.S.
- vii. On May 6, 2010, R.S. wrote a check in the amount of \$60,000.00 payable to Bonnett Wealth Management. Bonnett deposited the check into BFS' account at First Westroads Bank on May 6, 2010. On information and belief, at the time that he made the deposit, Bonnett was kiting checks between Wells Fargo Bank

and First Westroads Bank such that \$10,000 of that check covered his outstanding kite. Between May 6, 2010, and May 17, 2010, Bonnett wrote two checks to clients, \$25,000 to R.K. as described below, and \$5873.32 to W.R. He also wrote checks to himself for a total of \$16,700.00, withdrew \$5,447.81 in cash. During that time, Bonnett had deposited an additional \$3,028.92 into the account, leaving a balance of \$37.35 on May 17, 2010.

- viii. After depositing the checks into BFS' bank account at First Westroads Bank, Bonnett would write checks for vast majority of the amount received from that account payable to himself, and either cash the checks or deposit them into his personal account at Wells Fargo Bank.
- ix. On information and belief, none of the proceeds appear to have been used to purchase any investment product for R.S.
- x. On information and belief, no money has been repaid to R.S. As of the date of this affidavit, it appears that the total amount of R.S.'s funds that are unaccounted for is \$340,000.00.

b. R.K. and G.K.

- i. R.K. and G.K. are investment advisory clients of Bonnett and BWM.
- ii. On November 2, 2007, R.K. signed a check payable to Bonnett Financial in the amount of \$150,000.00. Bonnett deposited the check into BFS' account at First Westroads Bank on November 7, 2007. At the time that this check was deposited, the account had a balance of \$24.17. From November 4, 2007 to February 20, 2008 Bonnett wrote checks from BFS' account payable to

- himself in the amount of \$147,700.00 and deposited those checks into his personal bank account at Wells Fargo Bank.
- iii. The memo line on the check from R.K. stated “Medical Capital”. Medical Capital Holdings, Inc. (“Med Cap”) was an issuer who conducted multiple offerings from 2003-08. The Department has confirmed that Bonnett sold Med Cap securities to a number of his clients.
 - iv. No record exists that any of the funds given by R.K. and G.K. in November 2007 were actually used to purchase Med Cap securities. Those funds appear to have been converted to Bonnett’s personal use.
 - v. On February 7, 2012, Bonnett received \$70,205.00 from R.K. and G.K. via a wire transfer received into Bonnett’s personal bank account at American National Bank. After receiving the funds, Bonnett transferred \$25,000 into his business accounts, and ultimately the funds were dissipated. Bonnett paid \$34,053.13 to American Express. On information and belief, none of the funds were used to purchase any investment product.
 - vi. On March 8, 2014, R.K. wrote a check in the amount of \$45,379.89 payable to Bonnett individually. Bonnett deposited the check into his personal account at Great Southern Bank on March 13, 2014. Between March 13, 2014 and March 21, 2014, Bonnett paid \$25,674.21 to American Express; \$6,100 to SP Servicing for a mortgage payment; and \$6,000.00 to Chase. In addition, \$6,840.81 was automatically deducted from the account to pay a Great Southern Bank business loan for an

entity that Bonnett and other individuals, some of whom were clients, had formed to operate a restaurant.

- vii. The memo line on the March 8th check also stated “Medical Capital.” None of the money was used to purchase any securities offered by Med Cap; in fact, it was impossible for such funds to be used to purchase Med Cap securities as the United States Securities and Exchange Commission had obtained an injunction and receivership against Med Cap in 2009.
- viii. In 2010, Bonnett wrote several checks to R.K. totaling \$63,099.02. The Department has yet to determine the basis for such payments. \$25,000 of the payments to R.K. came directly from R.S.’s investment on May 6, 2010.
- ix. From 2007-2014, R.K. and G.K. sent \$266,184.89 to Bonnett, and Bonnett had sent \$63,099.02 back to R.K. Therefore, the total amount of R.K. and G.K.’s funds that are unaccounted for is at least \$203,085.87.

c. R.K.2.

- i. R.K.2. is an investment advisory client of Bonnett and BWM.
- ii. On April 30, 2006, R.K.2. wrote a check payable to Bonnett Wealth Management in the amount of \$16,000.00. The memo line on the check stated “2005/2006 IRA. “
- iii. Bonnett deposited the check into BFS’ account on May 30, 2006. On May 30, 2006, Bonnett wrote two checks payable to himself in the total amount of \$15,000.00 and deposited such checks into his personal account at Wells Fargo Bank. The remaining \$1,000.00 was also transferred into Bonnett’s personal accounts on June 12, 2006.

- iv. On information and belief, none of the money provided by R.K.2. appears to have been used to make any investment in an IRA account. Instead, it was transferred into Bonnett's personal accounts. It appears that the total amount of R.K.2.'s funds that are unaccounted for is \$16,000.00
- d. C.U. and G.U.
- i. C.U. and G.U. are former investment advisory clients of Bonnett and BWM. C.U. and G.U. terminated their relationship with Bonnett and BWM in December 2013. According to information supplied by Bonnett during the Departments' examination, C.U. and G.U. wanted to use a financial professional located closer to their home.
 - ii. On March 12, 2007, C.U. wrote a check payable to Bonnett Wealth Management in the amount of \$47,300.00. Bonnett deposited the check into BFS' account at First Westroads Bank. The same day he wrote a check payable to himself in the amount of \$45,000.00 and deposited it into his Wells Fargo Bank account. The remaining funds were transferred to his Wells Fargo Bank accounts in April 2007.
 - iii. On January 26, 2010, C.U. wrote a check payable to Bonnett Wealth Management in the amount of \$75,000.00. Bonnett deposited the check into BFS' account at First Westroads Bank. Bonnett subsequently wrote \$32,000 in checks to himself that he either cashed or placed into his Wells Fargo Bank account. Bonnett wired \$40,000 to another client.
 - iv. On August 10, 2010, G.U. wrote a check payable to Bonnett Wealth Management in the amount of \$30,000.00 Bonnett

deposited the check into BFS' account at First Westroads Bank. Bonnett immediately wrote a check payable to himself in the amount of \$28,000. On information and belief, at the time of this transaction, Bonnett was engaged in a check-kiting scheme between accounts at Pinnacle Bank, First Westroads Bank, and Wells Fargo Bank, and the funds appear to have been used to satisfy outstanding checks written as part of the kite.

- v. On information and belief, none of the money provided by C.U. and G.U. was used to purchase any investment products.
- vi. On information and belief, no money has been repaid to C.U. and G.U. The total amount of C.U. and G.U.'s funds that are unaccounted for is \$152,000.00.

e. Other Transactions

- i. The Department has identified \$166,903.78 in other large transfers into BFS' bank accounts. None of the funds were used to purchase any securities products, but were instead subsequently transferred to Bonnett's personal bank accounts. The Department is in the process of determining whether the transfers were from clients of Bonnett.

35. Based upon the information received by the Department, Bonnett has received \$400,000 from investment advisory clients in loans (R.F. and D.F.); \$150,000 in apparent loans (W.R. and R.I.C.); and \$1,004,484.89 in confirmed client transactions for a total of \$1,549,484.89. While Bonnett has made \$187,602.74 in payments to clients, there remains over \$1,350,000 that is unaccounted for.

36. The Department's investigation into this matter is ongoing.

VIOLATIONS OF THE SECURITIES ACT

37. It appears to Plaintiff that Defendants have engaged or are about to engage in acts or practices constituting violations of the Act, including, but not limited to, the following:

- a. Defendants borrowed money or securities from a client, which client was not a broker-dealer, not an affiliate of any Defendant, and not a financial institution engaged in the business of loaning funds or securities, in violation of 48 Neb. Admin. Code, Ch. 12 § 005.06 and Neb. Rev. Stat. § 8-1102(2)(d).
- b. Defendants, in connection with the offer, sale or purchase of a security, directly or indirectly employed a device, scheme, or artifice to defraud Defendants' clients and others, in violation of Neb. Rev. Stat. § 8-1102(1)(a).
- c. Defendants, in connection with the offer, sale or purchase of a security, directly or indirectly made one or more untrue statements of material fact and/or omitted to state one or more material facts in order to make the statements made, in the light of the circumstances under which they were made, not misleading, in violation of Neb. Rev. Stat. § 8-1102(1)(b).
- d. Defendants, in connection with the offer, sale or purchase of a security, directly or indirectly engaged in acts, practices, and a course of business which operated as a fraud or deceit on any person, including Defendants' clients and others, in violation of Neb. Rev. Stat. § 8-1102(1)(c).
- e. Defendants received consideration from other persons primarily for advising such other persons as to the value of securities or their purchase or sale, whether through the issuance of analyses or reports

or otherwise, and employed any device, scheme, or artifice to defraud Defendants' clients and others, in violation of Neb. Rev. Stat. § 8-1102(2)(a).

f. Defendants received consideration from other persons primarily for advising such other persons as to the value of securities or their purchase or sale, whether through the issuance of analyses or reports or otherwise, and engaged in acts, practices, and a course of business which operated as a fraud or deceit on any person, including Defendants' clients and others, in violation of Neb. Rev. Stat. § 8-1102(2)(b).

g. Defendants received consideration from other persons primarily for advising such other persons as to the value of securities or their purchase or sale, whether through the issuance of analyses or reports or otherwise, and engaged in dishonest or unethical practices as the Director of Banking and Finance has defined by rule, regulation, or order, in violation of Neb. Rev. Stat. § 8-1102(2)(d).

38. As alleged, it appears to Plaintiff that Defendants have engaged or are about to engage in acts or practices constituting violations of the Act. These violations give rise to Plaintiff's authority to bring this action to enjoin Defendants' unlawful acts or practices, enforce Defendants' compliance with the Act and all rules or orders under the Act, to seek an order freezing the Defendants' assets, to seek an order requiring an accounting, and the appointment of a receiver to take charge and control of Defendants' property and provide an accounting to determine the extent of the misuse or diversion of Defendants' clients' funds. Neb. Rev. Stat. § 8-1116.

RELIEF REQUESTED

39. Pursuant to Neb. Rev. Stat. § 8-1116, upon a proper showing by Plaintiff, this Court may issue a permanent or temporary injunction, restraining order, or writ of mandamus, and may appoint a receiver or conservator for the defendant's assets. Pursuant to the same provision, upon a proper showing by Plaintiff, the court may invoke its equitable powers under the law and issue an order of rescission, restitution, or disgorgement, an order freezing assets, an order requiring an accounting, or a writ of attachment or writ of general or specific execution, directed to any person who has engaged in or is engaging in any act constituting a violation of any provision of the Act, any rule and regulation adopted and promulgated under the Act, or any order of the Director of Banking and Finance issued thereunder. In seeking such relief, Plaintiff may not be required to post a bond.
40. Plaintiff requests the Court issue a permanent injunction restraining and enjoining Defendants from violating the Securities Act of Nebraska, Neb. Rev. Stat. §§ 8-1101 *et seq.*, and any regulation, rule, or order promulgated pursuant thereto.
41. Plaintiff requests this Court enter an order freezing any and all assets held by or under the ownership, direction, custody, or control of the Defendants until Defendants' client funds have been accounted for, subject to the continuing jurisdiction, direction and supervision of this Court. Such asset freeze should specifically apply to any and all accounts held by or under the control of Defendants, wherever located, including, but not limited to, the Pinnacle Bank accounts named and numbered:
42. Plaintiff requests this Court enter an order appointing a receiver of all assets held by or under the control of Defendants, including, but not limited to,

proceeds of business activities, business premises, books, records, and real and personal property and order that an accounting be made.

43. Plaintiff requests this Court enter an order requiring Defendants to disgorge all ill-gotten profits or proceeds they received as a result of the acts and/or courses of conduct complained of herein, with prejudgment interest.

WHEREFORE, Plaintiff respectfully requests this Court grant the relief requested herein and all other proper relief consistent with Neb. Rev. Stat. § 8-1116.

Submitted May 18, 2016.

**STATE OF NEBRASKA ex rel. MARK
QUANDAHL, Director of Banking and Finance
of the State of Nebraska, Plaintiff.**

By: DOUGLAS J. PETERSON, NE #18146
Attorney General of Nebraska

By: s/ David A. Lopez
David A. Lopez, NE #24947
Ryan S. Post, NE #24714
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Attorneys for Plaintiff.



IN THE DISTRICT COURT OF DOUGLAS COUNTY, NEBRASKA

STATE OF NEBRASKA ex rel. MARK QUANDAHL, Director of Banking and Finance of the State of Nebraska,

Plaintiff,

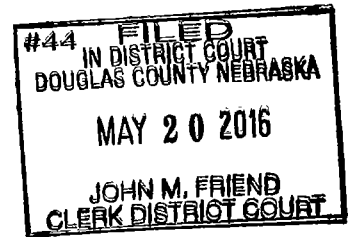
v.

BWM ADVISORS, LLC (d/b/a BONNETT WEALTH MANAGEMENT), a Nebraska limited liability company; BONNETT FINANCIAL SERVICES, Inc. (d/b/a BONNETT WEALTH MANAGEMENT); JEROME P. BONNETT, JR. (a/k/a JOE BONNETT), Individually and in his corporate and representative capacity,

Defendants.

Case No. CI-16-4196

ORDER ON EMERGENCY MOTION FOR TEMPORARY RESTRAINING ORDER AND ASSET FREEZE



Plaintiff State of Nebraska ex rel. Mark Quandahl, Director of Banking and Finance of the State of Nebraska ("Plaintiff"), has made an emergency motion for an Order: (1) temporarily restraining and enjoining BWM Advisors, LLC (d/b/a Bonnett Wealth Management), Bonnett Financial Services, LLC (d/b/a Bonnett Wealth Management), and Jerome P. Bonnett, Jr. (a/k/a Joe Bonnett) (collectively "Defendants") from undertaking any act or practice in violation of the Securities Act of Nebraska; (2) preventing the destruction or alteration of any documents or records of the Defendants; and (3) freezing Defendants' assets.

The Court has considered the Complaint in this action, the Affidavit of Michael Cameron; and the Plaintiff's Motion for Temporary Restraining Order and Asset Freeze. The Court held an emergency telephonic hearing on May 20, 2016, at which David A. Lopez and Ryan S. Post, Assistant Attorneys General, appeared for Plaintiff and Clarence

E. Mock appeared for Defendants. Based on the foregoing, the Court makes the following findings:

1. This Court has jurisdiction over the subject matter of this action and over Defendants.
2. Plaintiff has made a sufficient and proper showing in support of the relief granted herein, as required by Neb. Rev. Stat. §§ 25-1063 through 25-1080 (governing the issuance of temporary injunctions and restraining orders), and 8-1116 (governing injunctive and other remedies available under the Securities Act of Nebraska), by evidence establishing a *prima facie* case that Defendants, and each of them, directly or indirectly, have engaged in and, unless restrained and enjoined by order of this Court, will continue to engage in acts, practices, and courses of business constituting violations of the Securities Act of Nebraska, Neb. Rev. Stat. §§ 8-1101 *et seq.* (the "Act").
3. There is good cause to believe that, unless restrained and enjoined by order of this Court, Defendants may alter or destroy documents and records relevant to this action.
4. Pursuant to Neb. Rev. Stat. § 25-1063, the Court specifically finds there is a likelihood of great or irreparable injury to investors or clients unless this order is issued. The Complaint noted above indicates numerous violations of the Act and, among other things, that significant sums of investor or client funds appear to have been illegally converted to the Defendants' personal use, that Defendants have fraudulently altered investor or client records and made material

misrepresentations of fact to clients, and that Defendants were or are engaged in a check-kiting scheme.

5. Based on these and other facts alleged by Plaintiff, there is good cause to believe that Defendants will dispose of, dissipate, or remove investor or client funds and assets from the jurisdiction of the Court. Such dissipation of investor or client funds and assets would constitute great or irreparable harm to investors or clients. To avoid such harm, it is appropriate for the Court to issue this Temporary Restraining Order ("Order").
6. Pursuant to Neb. Rev. Stat. § 8-1116, Plaintiff is not required to post a bond.
7. Counsel for Defendants have reviewed this proposed Order and each Defendant, without admitting or denying any of Plaintiff's allegations, has consented to the immediate entry of this Order.

NOW, THEREFORE, IT IS ORDERED, ADJUDGED, AND DECREED that the Motion for Temporary Restraining Order and Asset Freeze is granted as follows:

I. Temporary Injunction and Restraining Order Precluding Violation of the Act

8. Defendants, their officer, agents, servants, employees, attorneys, successors-in-interest, and those persons in active concert or participation with them who receive actual notice of this Order by personal service, service upon counsel, or otherwise, and each of them, shall be and hereby are temporarily restrained and enjoined, pending entry of a final judgment in this action, from violating, directly or indirectly, any provision of the Securities Act of Nebraska, Neb. Rev. Stat. §§ 8-1101 *et seq.*, including, but not limited to, the fraudulent and other prohibited practices

enumerated under Neb. Rev. Stat. § 8-1102, and any rule, regulation, or order promulgated or issued under the Act.

II. Restraint from Destruction or Alteration of Records

9. Defendants, their officer, agents, servants, employees, attorneys, successors-in-interest, and those persons in active concert or participation with them who receive actual notice of this Order by personal service, service upon counsel, or otherwise, and each of them, are hereby restrained from destroying, mutilating, concealing, altering, or disposing of any document or other record or data referring or relating in any manner to (1) the acts, practices, and transactions described in the Complaint in this action; (2) communications between or among Defendants and their agents; and (3) funds or other assets that any of the Defendants have received from investors or any client.

III. Asset Freeze

10. Defendants, their officer, agents, servants, employees, attorneys, successors-in-interest, and those persons in active concert or participation with them who receive actual notice of this Order by personal service, service upon counsel, or otherwise, and each of them, shall hold and retain within their control, and otherwise prevent any disposition, transfer, pledge, encumbrance, assignment, dissipation, concealment or other disposal whatsoever, by themselves or any person or entity under their direct or indirect control, of any funds or assets, in their name, for their benefit, or under their control.
11. Any institution or person or entity holding any funds, accounts or other assets in the name, for the benefit, or under the control of Defendants, or where these

Defendants are signatories or have signing authority, and which received actual notice of this Order by personal service or otherwise, shall hold and retain within its control and prohibit the withdrawal, removal, transfer, or other disposal of any funds or other assets in the name, for the benefit, or under the control of the Defendants, except as provided herein.

12. Defendants, their officer, agents, servants, employees, attorneys, successors-in-interest, and those persons in active concert or participation with them who receive actual notice of this Order by personal service, service upon counsel, or otherwise, and each of them, shall refrain from soliciting, accepting, taking control of, and/or depositing in any financial institution additional funds from actual or potential investors or clients.

13. Defendant Jerome P. Bonnett, or his wife Susan Bonnett, shall be entitled to withdraw a total of \$10,000.00 (ten thousand dollars) per month, for May and June 2016, from American National Bank, account number ending in 6567, for reasonable living expenses. Bonnett shall provide an accounting to Plaintiff's counsel of record within seven (7) days after the close of the month of the disposition and use of these funds.

14. If Defendants request additional reasonable living expenses going forward, they may apply to the Court for additional relief, with seven days prior notice to Plaintiff's counsel of record. Prior to making such application, Defendants will provide a sworn accounting to Plaintiff of all assets and liabilities they claim are relevant to their application, updating as necessary any prior accounting, and all expenses that they claim are reasonable and necessary. Plaintiff also will have the

opportunity to take an asset deposition prior to such application. The Court shall determine Defendants' applications upon written submissions of the parties, or by hearing, which may be conducted telephonically.

SO ORDERED this 20th day of May, 2016.



J. RUSSELL DERR
District Judge

[Faint handwritten notes or scribbles]