

**STATE OF NEBRASKA**  
**Department of Banking & Finance**

In the Matter of: )  
)  
BWM Advisors LLC )  
d/b/a Bonnett Wealth Management )  
14710 West Dodge Road, Suite 203 )  
Omaha, Nebraska, )  
)  
Bonnett Financial Services, Inc. )  
d/b/a Bonnet Wealth Management )  
14710 West Dodge Road, Suite 203 )  
Omaha, Nebraska, and )  
)  
Jerome P. Bonnett, Jr. )  
President, BWM Advisors LLC )  
14710 West Dodge Road, Suite 203 )  
Omaha, Nebraska, )

EMERGENCY ORDER

THIS MATTER comes on for consideration pursuant to the authority granted to the Nebraska Department of Banking and Finance (“Department”) by Neb. Rev. Stat. § 8-1103 (Reissue 2012) and Neb. Rev. Stat. § 8-1,134 (Reissue 2012).

1. BWM Advisors LLC, d/b/a Bonnet Wealth Management, 14710 West Dodge Road, Suite 203, Omaha, Nebraska (“BWM”), is registered as an investment adviser under the Securities Act of Nebraska, Neb. Rev. Stat. §§ 8-1101 to 8-1123 (Reissue 2012; Cum. Supp. 2014; Supp. 2015) (“the Act”), and is subject to the jurisdiction of the Department. BWM’s Central Registration Depository (“CRD”) Number is 159407.

2. Bonnett Financial Services, Inc., d/b/a Bonnet Wealth Management, 14710 West Dodge Road, Suite 203, Omaha, Nebraska (“BFS”), is an affiliate of BWM. BFS functions as

the financial arm of BWM. Bonnett and BWM have established accounts in financial institutions under the BFS' name which are controlled by Jerome P. Bonnett, Jr.

3. Jerome P. Bonnett, Jr. ("Bonnett") is registered as an investment advisor representative of BWM under the Act and is subject to the jurisdiction of the Department. Bonnett's CRD Number is 2143822.

4. Bonnett is President, sole owner, managing member, and policy dominant of BWM. Bonnett is President, sole shareholder, and policy dominant of BFS. Bonnett refers to himself, and is known, as "Joe" Bonnett.

5. References in this Emergency Order to clients of Bonnett and/or BWM will be by way of initials, in order to protect the privacy of such clients. Bonnett and BWM know or should know the identity of these clients. If Bonnett or BWM is unable to ascertain the identity of any of these persons, the Department will provide the identity of such persons upon receipt of a written request to the Director of the Department.

#### HB Complaint

6. 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.

7. 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").

8. 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 \$73,146.00 or (3) substantially equal portions over H.B.'s life expectancy.

9. 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

10. 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.

11. On January 8, 2016, 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 contract with Assurity.

12. 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.

13. 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.

14. 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.

15. 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.

16. 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.

17. 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' 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.

18. 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.

19. Assurity independently informed the Nebraska Department of Insurance that it had no record of any annuity policy for D.B. and H.B.

20. 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’ 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.

21. 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 schedule. In the notes written by Bonnett attached to the spreadsheet, he acknowledged that the “annuity does not exist (sic).”

#### Loans

22. As stated in the foregoing paragraphs, the funds Bonnett used to repay H.B. were obtained from R.F. and D.F.

23. 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.

24. 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.

25. R.I.C. is an investment advisory client of BWM and Bonnett.

26. On March 4, 2016, Bonnett wired \$51,000.00 of the proceeds from the 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.

27. On October 28, 2015, W.R. had received a \$100,000.00 distribution from his individual Charles Schwab account. The check from Charles 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.

28. W.R. is an investment advisory client of BWM and Bonnett.

29. 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

30. 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 \$2,981.85. Between December 5, 2008 and December 22, 2008, Bonnett wrote \$26,900.00 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.

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 \$49,000.00 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 \$49,500.00 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 \$10,000.00 of that check covered his outstanding kite. Between May 6, 2010 and May 17, 2010, Bonnett wrote two checks to clients, \$25,000.00 to R.K. as described below, and \$5,873.32 to W.R. He also wrote checks to himself for a total of \$16,700.00 and 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 accounts 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 order, 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 accounts 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 \$25,000.00 into his business accounts, and ultimately the funds were dissipated. Bonnett paid \$34,053.13 to American Express. 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; \$6,100.00 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 8, 2014 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. \$25,000.00 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 accounts 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 Department's 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 accounts. 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 \$32,000.00 in checks to himself that he either cashed or placed into his Wells Fargo Bank accounts. Bonnett wired \$40,000.00 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 \$28,000.00. On information and belief, at the time of this transaction, Bonnett was engaged in check kiting 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 \$152,300.00.

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.

f. Based upon the information received by the Department, Bonnett has received \$400,000.00 from investment advisory clients in loans (R.F. and D.F.); \$150,000.00 in apparent loans (W.R. and R.I.C.); and \$1,004,484.89 in confirmed client transactions for a total of \$1,554,484.89. While Bonnett has made \$187,602.74 in payments to clients, there remains over \$1,350,000.00 that is unaccounted for.

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

32. Based on its investigation findings to date, the Director concludes that Bonnett Wealth Management, by and through Jerome P. Bonnett, Jr., has employed devices, schemes, and artifices to defraud investment adviser clients; has engaged in acts, practices, and a course of business which has operated, and will continue to operate as a fraud or deceit upon clients and potential clients; has engaged in dishonest and unethical practices in the securities business; has willfully violated the Act and rules adopted thereunder, including 48 NAC 7 and 48 NAC 12; is conducting its business in a manner detrimental to the interests of the investment adviser clients of BWM; and no longer meets the requirements of Neb. Rev. Stat. § 8-1103 (Reissue 2012) to act as an investment adviser under the Act.

33. Based on its investigation findings to date, the Director concludes that entry of an Order is in the public interest under the Act.

34. Based on the investigation findings to date, and the conclusions set forth above, the Director concludes that an emergency exists requiring immediate action by the Department and that an Emergency Order should be entered directed to Bonnett Wealth Management and to

Jerome P. Bonnett, Jr. in order to protect the interests of the investment adviser clients of Bonnett Wealth Management and Jerome P. Bonnett, Jr.

IT IS THEREFORE ORDERED THAT:

1. The Investment Adviser Representative Registration of Jerome P. Bonnett, Jr. is hereby summarily revoked.

2. The Investment Adviser Registration of BWM Advisors LLC, d/b/a Bonnett Wealth Management, is hereby summarily suspended.

3. Jerome P. Bonnett, Jr.'s authority to act as a limited liability company member and manager of Bonnett Wealth Management is hereby summarily suspended.

4. Jerome P. Bonnett, Jr. shall not act, or attempt to act, in any capacity for BMW Advisors or Bonnett Financial Services, including acting as an officer, member, manager, employee, agent, shareholder, or owner, whether in a paid or unpaid status. This paragraph shall not be construed to mean that Bonnett may not cooperate with the Department or any other regulatory agency having jurisdiction over any facet of the business of BMW Advisors or Bonnett Financial Services in the investigation of these matters.

5. This Emergency Order is effective immediately.

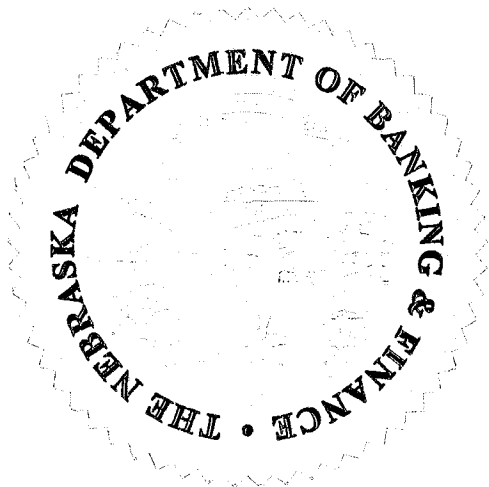
6. This Emergency Order shall be served on Jerome P. Bonnett, Jr. and on Bonnett Wealth Management and Bonnett Financial Services, Inc.

7. Any person affected by this Emergency Order may make written application to the Director of the Department for a hearing on this matter, and such hearing will be held as soon as possible and not later than ten days after such application, unless by consent of the affected person, or the Director or his designee in the matter sets a later date for good cause shown.

8. The provisions of this Emergency Order will remain effective and enforceable until such time as any provisions of this Emergency Order shall have been modified, revoked, terminated, or set aside.

DATED this 18 day of May, 2016.

**STATE OF NEBRASKA  
DEPARTMENT OF BANKING AND FINANCE**



By: Mark Quandahl  
Mark Quandahl, Director

1526 K Street, Suite 300  
Lincoln, Nebraska 68508  
(402) 471-2171