

STATE OF ILLINOIS
SECRETARY OF STATE
SECURITIES DEPARTMENT

IN THE MATTER OF: JOHN EDWARD WATSON

)
) No. 1100218
)

CONSENT ORDER OF PROHIBITION, REVOCATION AND FINE

TO RESPONDENT: John Edward Watson
4507 Cove Road
Osage Beach, MO 65065

WHEREAS, Respondent John Edward Watson on the 28th day of May, 2014 executed a certain Stipulation to Enter Consent Order of Prohibition and Revocation (the "Stipulation"), which hereby is incorporated by reference herein.

WHEREAS, by means of the Stipulation, Respondent John Edward Watson has admitted to the jurisdiction of the Secretary of State and service of the Notice of Hearing of the Secretary of State, Securities Department, dated November 19, 2012 in this proceeding (the "Notice") and Respondent consented to the entry of this Consent Order of Prohibition and Revocation ("Consent Order").

WHEREAS, by means of the Stipulation, Respondent John Edward Watson, admitted the following allegations and acknowledged that the following allegations contained in the Notice shall be, and are, adopted as the Secretary of State's Findings of Fact:

1. Acknowledges that he has the right to be represented by an attorney but has decided to represent himself in this matter.
2. Acknowledges service upon him of the Notice of Hearing issued by the Secretary of State, Securities Department dated November 19, 2012 (the "Notice").
3. Admits to the jurisdiction of the Secretary of State over him and over the subject matter of this proceeding.
4. Waives compliance with the provisions of the Administrative Procedure Act [5 ILCS 100/10-5 *et seq.*] regarding contested cases pursuant to Section 25 thereof.
5. Waives any and all rights to hearing and post-hearing procedures otherwise available pursuant to the Illinois Securities Law of 1953 [815 ILCS 5] (the "Act").
6. Waives any right he may have to judicial review by any court by way of suit, appeal or extraordinary remedy resulting from the entry of the Consent Order.

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7. Admits the following allegations contained in the Notice of Hearing; and acknowledges that these allegations contained in the Notice of Hearing shall be adopted as the Secretary of State's Findings of Fact:
- a. That at all times relevant, except as stated below, Respondent John Edward Watson was registered as an Illinois registered salesperson and investment adviser representative through Securities America Advisors, Inc. ("Securities America") pursuant to Section 8 of the Illinois Securities Law 815 ILCS 5/1 *et seq.* (the "Act"); Respondent's salesperson and investment adviser registrations were terminated in Illinois on February 23, 2011;
 - b. That on or about August 25, 2011, the Central Registration Depository indicated that Securities America discharged Respondent John Edward Watson on February 18, 2011, for providing inaccurate information on client disclosure documents;
 - c. That on or about March 1, 2011, at least one Illinois resident received a correspondence ("Letter") from Respondent John Edward Watson which stated, ". . . I have decided to make a change that will allow me the freedom to spend more time with my family and more time to concentrate on servicing you, my clients of 20 years", that this correspondence stated further that "I will still be your advisor, you will continue to get the same products, planning, case design and hopefully even a higher level of service as we move forward" and that "in the next few weeks, you will be receiving paperwork from me that will allow me to move your accounts(without making any changes) to my new broker-dealer. I hope that you could get it back to us as soon as possible so that this transition can remain seamless."
 - d. That Respondent's Letter failed and omitted to disclose that Respondent was discharged from Securities America and/or failed and omitted to provide the reason for said discharge;
 - e. That subsequent to being discharged from Securities America and the termination of Respondent's salesperson and investment adviser representative registration in Illinois, Respondent John Edward Watson joined and became president of Osage Financial Group located at 4507 Cove Road, Osage Beach, Missouri;
 - f. That subsequent to being discharged from Securities America and the termination of Respondent's salesperson and investment adviser representative registration in Illinois and during the time Respondent was president of Osage Financial Group, Respondent sent correspondence to

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Illinois residents, which stated, "I am pleased to announce that the transition to my new firm is complete, and we can officially complete the process of bringing your accounts over so that I can continue to provide service and advice in the future", further stating that "I have included the necessary forms in this mailing that you will need to sign and return to me as soon as possible"; That said forms included a Change of Dealer Request for a change to Respondent's broker/dealer at the time and included references to specific securities and securities accounts; Furthermore, said correspondence failed to disclose that Respondent was discharged from Securities America and/or the reason for said discharge;

- g. That during a portion of the time (Feb 2011 to May 2011) that Respondent was president of Osage Financial Group, Respondent was not registered as a salesperson for the sale of securities in the State of Illinois;
- h. That each of the products offered for sale is a security as that term is defined pursuant to Section 2.1. of the Illinois Securities Law of 1953 [815 ILCS 5/1 et seq.] (the "Act");
- i. That Section 5 of the Act provides, *inter alia*, that all securities except those exempt under Section 3 of the Act or those offered and sold in transactions exempt under Section 4 of the Act shall be registered with the Secretary of State prior to their offer or sale in the State of Illinois;
- j. That Section 12.A of the Act provides, *inter alia*, that it shall be a violation of the Act for any person to offer or sell securities except in accordance with the provisions of the Act;
- k. That Section 12.C of the Act provides, *inter alia*, that it shall be a violation of the Act for any person to act as a dealer, salesperson and/or investment adviser representative unless registered as such, where such registration is required;
- l. That Section 12.D of the Act provides, *inter alia*, that it shall be a violation of the Act for any person to fail to file with the Secretary of State any document or application required to be filed under the provision of the Act;
- m. That Section 8.E.1(g) of the Act states, *inter alia*, that subject to the provisions of subsection F of Section 11 of the Act, the registration of a salesperson or investment adviser representative may be suspended or revoked if the Secretary of State finds that the salesperson or investor adviser representative has violated any of the provisions of this Act;

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- n. That during the time that Respondent John Edward Watson sent the aforesaid correspondence to Illinois residents, Respondent acted as a dealer, salesperson, and/or investment adviser of securities while not being registered as such;
- o. That by virtue of the foregoing, Respondent John Edward Watson has violated Sections 12.A, 12.C, and 12.D, of the Act;
- p. That Section 11.E(2) of the Act provides, *inter alia*, that if the Secretary of State shall find that any person has violated subsection A, C, and/or D of Section 12 of the Act, the Secretary of State may by written order prohibit the person from offering or selling any securities in this State;
- q. That Section 11.E(3) of the Act provides, *inter alia*, that if the Secretary of State shall find that any person is engaging or has engaged in the business of selling or offering for sale securities as a dealer or salesperson without prior thereto and at the time thereof having complied with the registration or notice filing requirements of this Act, the Secretary of State may by written order prohibit the person from offering or selling any securities in this State;
- r. That Section 11.E(4) of the Act provides, *inter alia*, that if the Secretary of State, after finding that any provision of the Act has been violated, may impose a fine as provided by rule, regulation or order not to exceed \$10,000.00 for each violation of the Act, as well as the costs of investigation and reasonable expenses;
- s. By virtue of the foregoing, Respondent John Edward Watson is subject to a fine of up to \$10,000.00 per violation, costs of investigation, reasonable expenses, an order of censure, an order which permanently prohibits the Respondent from offering or selling securities in the State of Illinois as well as an order which suspends or revokes his salesperson registration in the State of Illinois;

WHEREAS, by means of the Stipulation, Respondent John Edward Watson acknowledged that the following shall be, and are, adopted as the Secretary of State's Conclusions of Law:

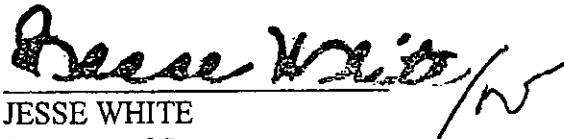
Respondent John Edward Watson violated sections 12.A, 12.C and 12.D of the Act.

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NOW THEREFORE IT IS HEREBY ORDERED THAT: pursuant to the authority granted by Section 11.E of the Act, **John Edward Watson**, is **PROHIBITED** from offering or selling securities in or from the State of Illinois until further Order of the Secretary of State; and his registration to sell securities or offer securities for sale in or from the State of Illinois is **REVOKED** until further Order of the Secretary of State; and Respondent is **FINED** in the amount of \$1,500.00 payable immediately to the Securities Department, Illinois Secretary of State.

Dated: This 30th day of MAY 2014.

A handwritten signature in black ink that reads "Jesse White" with a stylized flourish at the end.

JESSE WHITE
Secretary of State
State of Illinois

Attorney for the Secretary of State:
James J. Tierney
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