

**STATE OF ILLINOIS  
SECRETARY OF STATE  
SECURITIES DEPARTMENT**

**IN THE MATTER OF: GEORGE ANDREW  
WATSON d/b/a WATSON FINANCIAL  
ASSOCIATES.**

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)  
) **Case No. 0700485**  
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**TO RESPONDENT:**           GEORGE ANDREW WATSON  
  (CRD # 4012561)  
  1560 N. SANDBURG TERRACE  
  #2315  
  CHICAGO, ILLINOIS 60610

**CONSENT ORDER**

WHEREAS, on March 20, 2009, a Notice of Hearing was Filed against George Andrew Watson d/b/a Watson Financial Associates ("Respondent").

WHEREAS, Respondents seeks closure of this Administrative Action without incurring the costs and time of a public hearing, and therefore, have agreed to certain undertakings detailed below.

WHEREAS, Respondent, on the 20<sup>th</sup> day of September, 2009, executed a certain Stipulation to Enter Consent Order (the "Stipulation"), which hereby is incorporated by reference herein.

WHEREAS, Respondent has admitted to the jurisdiction of the Secretary of State in this matter and Respondent has consented to the entry of this Consent Order ("Consent Order").

WHEREAS, the Respondent acknowledges, without admitting or denying the truth thereof, that the following allegations shall be adopted as the Secretary of State's Findings of Fact:

1. George Andrew Watson (Respondent "Watson") is an individual whose last known residential address is 1560 North Sandburg Terrace, suite #2315, Chicago, Illinois 60610.

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2. From January of 2005 through June of 2008 Watson was an Investment Advisor Representative for USA Wealth Management, LLC., a federally covered Investment Advisory Firm. Watson's registration is recorded by the Centralized Registration Depository ("CRD"), maintained as a cooperative venture by the State regulatory agencies and a non-governmental, self-regulating securities industry organization, as registrant number 4012561.
3. Watson's registration reported that he did business as an investment advisor representative of USA Wealth Management, operating out of the 7366 North Lincoln Street, suite #305, in Lincolnwood, Illinois office.
4. Watson also does insurance business as Watson Financial Associates, (Respondent "WFA") which is an unincorporated entity controlled by Watson and operating from 444 Skokie Boulevard in Wilmette, Illinois, as well as 7366 N. Lincoln Street address, the location of the USA Wealth Management office.
5. WFA is not registered to offer or sell securities, or provide investment advisory services, in the State of Illinois, nor is WFA incorporated in Illinois or registered as a foreign entity doing business in or from Illinois.
6. Respondent Watson, through WFA, used targeted mailings inviting recipients to attend a seminar promising beneficial financial planning and tax advice.
7. "Investor" is a resident of Illinois who, at the time of the activities described below, was age seventy-five (75).
8. In late December of 2003 Investor, having received one of Respondent's mailings, attended Respondent's seminar.
9. Investor met with Watson after the seminar and informed Watson of Investor's financial situation, including that Investor was caring for her spouse who was receiving costly medical care.
10. Watson told Investor that the purchase of an Allianz 5% Bonus PowerDex Elite equity indexed annuity ("Allianz Annuity") could provide the additional financial security Investor required.
11. Investor had already purchased two annuities several years ago, both which had matured. Watson recommended Investor to exchange one existing annuity for the Allianz Annuity, commonly referred to as "switching" annuities
12. At the time that Watson recommended Investor to switch annuities, the original annuity had no surrender penalty and provided approximately one hundred and forty-five thousand dollars (\$145,000.00) in insurance coverage.

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13. Investor's original annuity was switched into the new Allianz Annuity.
14. However, the Allianz Annuity sold to Investor would not provide the liquidity Investor needed to help pay for her spouse's medical care, and because the annuity had a fifteen year (15) accumulation period any withdrawals beyond the allowed 10% per year would result in charges against the account in the form of partial surrender penalties.
15. The 10% penalty-free annual withdrawal did not provide enough liquidity of Investor's money to provide the additional financial security Investor needed in light of the spouse's medical care costs.
16. Because of Investor's need for liquidity, the recommendation to switch Investor's original annuity into the Allianz 5% Bonus PowerDex Elite Annuity was without a reasonable basis.
17. During the course of the investigation it was also found that Respondent Watson failed to update his Web CRD Form U4 Disclosure.
18. CRD registrations are, for the most part, public information and provide information beyond the registrant's name, address and employer.
19. A registrant's CRD profile will also provide information on the disciplinary history of the registrant, customer complaints filed against the registrant, as well as certain civil and regulatory actions that have been filed against the registrant.
20. It is the responsibility of the registrant to update the information of his or her CRD profile by truthfully answering Disclosure Questions presented on a registrant's Form U4.
21. Watson was a respondent in an Illinois Attorney Registration and Disciplinary Commission ("Commission") action in 2004.
22. Disclosure question 14.F. of the CRD Form U4 asks:

"Have you ever had an authorization to act as an attorney, accountant, or federal contractor that was revoked or suspended?"
23. Watson failed to update his registration to answer Disclosure 14.F in the affirmative.
24. The activities described in paragraphs nine through thirteen (9-13), above, constitute the activities of an Investment Advisor as defined in Section 2.11 of the Act.

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25. Section 12.A of the Act provides it shall be a violation of the provisions of this Act for any person to offer or sell any security except in accordance with the provisions of this Act.
26. Rule 130.853 of the Rules and Regulations Under The Illinois Securities Law of 1953 states in pertinent part that effecting or causing to be effected by or for any client's account, any transactions of purchase or sale which are excessive in size or frequency or unsuitable in view of the financial resources and character of the account, shall constitute an act, practice, or course of business on the part of the registered investment advisor or its representative effecting such transactions or causing the transactions to be a violation of Section 12.F of the Act.
27. Section 12.F of the Act provides that it shall be a violation of the provisions of the Act for any person to engage in any transaction, practice or course of business in connection with the sale or purchase of securities which works or tends to work a fraud or deceit upon the purchaser or seller thereof.
28. Section 12.E of the Act provides that it shall be a violation of the provisions of this Act for any person to make, or cause to be made, in any application, report or document filed under this Act or any rule or regulation made by the Secretary of State pursuant to this Act, any statement which is false or misleading with respect to any material fact.

WHEREAS, Respondent has acknowledged, without admitting or denying the averments, that the following shall be adopted as the Secretary of State's Conclusions of Law:

1. Respondent did not have a reasonable basis in recommending the Fixed Annuity with limited liquidity to Investor, in violation of Section 12.F of the Act.
2. Respondent failed to update his CRD Form U4 Disclosure, in violation of Section 12.E of the Act.

WHEREAS, Respondent Watson has agreed to cause rescission of the Allianz 5% Bonus PowerDex Elite equity indexed annuity sold to Investor.

WHEREAS, Respondent Watson has agreed to withhold from registering as a salesperson of securities, or as an investment advisor representative, in the State of Illinois for a period of no less than six (6) months from the entry of this Consent Order.

WHEREAS, Respondent Watson has agreed to pay the sum of five hundred dollars (\$500.00) as a statutory fine.

WHEREAS, the Secretary of State, by and through his duly authorized representative, has determined that this matter may be dismissed without further proceedings.

NOW THEREFORE IT SHALL BE AND IS HEREBY ORDERED THAT:

- 1) Respondent George Andrew Watson shall cause the rescission of the Allianz 5% Bonus PowerDex Elite equity indexed annuity sold to Investor within thirty (30) days of the entry of this Consent Order.
- 2) Respondent George Andrew Watson shall not register as a salesperson of securities or as an investment advisor representative in the State of Illinois for a period of not less than six months (6) from the entry of this Consent Order.
- 3) Respondent George Andrew Watson shall pay the sum of five hundred dollars (\$500.00) as a statutory fine, payable by certified or cashiers check to the Illinois Secretary of State, Securities Audit and Enforcement Fund within thirty (30) days of the entry of this Consent Order.
- 4) The formal hearing, as it pertains to Respondent George Andrew Watson scheduled on this matter is hereby dismissed without further proceedings.

ENTERED: This 24<sup>th</sup> day of September, 2009.



JESSE WHITE  
Secretary of State  
State of Illinois

**NOTICE:** Failure to comply with the terms of this Order shall be a violation of Section 12.D of the ACT. Any person or entity that fails to comply with the terms of this Order of the Secretary of State, having knowledge of the existence of this Order, shall be guilty of a Class 4 felony for each offense.

**This is a final order subject to administrative review pursuant to the Administrative Review Law [735 ILCS 5/3-101 et seq.] and the Rules and Regulations of the Act (14 Ill. Admin. Code, Ch. 1 Sec. 130.1123). Any action for judicial review must be commenced within thirty-five (35) days from the date a copy of this Order is served upon the party seeking review.**

Attorney for the Department:  
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