

STATE OF ILLINOIS
SECRETARY OF STATE
SECURITIES DEPARTMENT

IN THE MATTER OF: SENIOR FINANCIAL STRATEGIES, INC.)
D/B/A PINNACLE INVESTMENT ADVISERS)
THOMAS N. COOPER AND)
SUSAN B. COOPER)

) File No. 0800064
)
)

Notice of Hearing

TO THE RESPONDENTS: Senior Financial Strategies, Inc.
D/B/A Pinnacle Investment Advisors
Thomas N. Cooper
Susan B. Cooper
c/o Tom Kelty
Kelty Law Office
P.O. Box 2243
Springfield, Ill 62705

You are hereby notified that pursuant to Section 11.F of the Illinois Securities Law of 1953, [815 ILCS 5/1 et seq.] (the "Act") and 14 Ill. Adm. Code 130, Subpart K, a public hearing will be held at 300 W. Jefferson St., Suite 300A, Springfield, Illinois 62702, on the 16th Day of December, 2009 at the hour of 10:00 a.m., or as soon thereafter as counsel may be heard, before Jon K. Ellis, or such other duly designated Hearing Officer of the Secretary of State.

Said hearing will be held to determine whether an Order should be entered against Senior Financial Strategies, Inc. D/B/A Pinnacle Investment Advisers ("Senior Financial Strategies") which revokes or suspends its Investment Adviser registration and or revokes or suspends the Investment Adviser Representative registrations of Susan B. Cooper and/or Thomas N. Cooper. Additionally, said hearing will be held to determine whether an order which prohibits Senior Financial Strategies, Thomas N. Cooper and Susan B. Cooper from offering or selling securities in the State of Illinois and granting such other relief as may be authorized under the Act including but not limited to imposition

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of a monetary fine in the maximum amount pursuant to Section 11 of the Act, payable within ten (10) days of the entry of the Order.

The grounds for such proposed action are as follows:

1. Senior Financial Strategies is an Investment Adviser registered in Illinois from March 22, 2004 to the present. It is also licensed to sell insurance in the State of Illinois.
2. Senior Financial Strategies has offices located in Bradley, Champaign, Normal and Peoria, Illinois.
3. Thomas N. Cooper is an Investment Adviser Representative registered in Illinois from March 22, 2004 to the present. He is also licensed in Illinois as an insurance agent to sell Life and Accidental & Health insurance.
4. Susan B. Cooper is an Investment Adviser Representative registered in Illinois from March 22, 2004 to the present. She is also licensed in Illinois as an insurance agent to sell Life, Accidental & Health and Casualty insurance and Variable Contracts.
5. Senior Financial Strategies is also an Illinois Corporation incorporated in August 28, 2000. Senior Financial Strategies is currently not in good standing for failure to file its required annual report and pay an annual franchise tax for the Year 2009 with the Illinois Secretary of State.
6. Beginning as early as 2006, Senior Financial Strategies, Thomas N. Cooper and Susan B. Cooper (the "Respondents") advertised retirement planning seminars held at local hotels, restaurants and other venues offering free dinners and other meals. The seminars were advertised through direct mail, newspaper and radio ads.
7. Some advertisements stated that attendees would learn how to: "Avoid the nursing home spend down" (See Exhibit 1)

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8. On the Respondents' web site, pinnacleinvestmentadvisers.com, and materials provided to their clients and prospective clients the Respondents stated that they are fiduciaries and further stated: "As Fiduciaries, we:
 1. Put the client's best interests first.
 2. Act with the utmost due care and in good faith.
 3. Do not mislead clients.
 4. Provide full and fair disclosure of all material facts.
 5. Disclose and fairly manage all conflicts of interest." (See Exhibit 2)
9. Additionally the webs site stated: "Cost/Savings benefit--We save clients significant annual fees. Fees for services are fully disclosed at all times. There are no hidden fees and no surprises--ever! We also are able to help clients manage their taxes and save." (See Exhibit 2)
10. As of February 2008 the Respondents had over 600 investment advisory clients.
11. On or about January 15, 2008, the Department received a complaint from GK and DK, Illinois resident clients of the Respondents alleging that the Respondents had through negligent advice caused the complainants to lose over \$31,000 in insurance death benefits.
12. GK and DK, husband and wife, became clients of the Respondents through an 'Engagement Letter' signed in September 2006. The Respondents agreed to provide portfolio review services which would include recommendations of changes to the portfolio. GK and DK agreed to pay \$250 for these services.
13. As part of the Portfolio review, the Respondents prepared and provided to GK and DK a 'Plan of Action; and a 'Before and After Summary' of their financial portfolio. The Plan of Action recommended a partial surrender of funds from a Lincoln Benefit Life variable annuity held in an IRA by GK to purchase an EquiTrust Financial Services Equity Indexed Annuity ("EIA"). It also recommended to "Leave \$1,000 in LBL to hold \$30,000 of Life Insurance." (See Exhibit 3)
14. On or about October 1, 2006, the Respondents prepared documents signed by GK to withdraw \$50,000 from GK's

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Lincoln Benefit Life Variable Annuity and mailed the same to Lincoln Benefit Life for processing. The withdrawal was a partial withdrawal leaving funds remaining in the Lincoln Benefit Life Variable Annuity.

15. The \$50,000 withdrawal incurred a surrender penalty of \$1,138.33 because it was before the surrender period on the Lincoln Benefit Life variable annuity. The remaining balance of \$48,861.67 was transferred to an EquiTrust Financial Services EIA sold by the Respondents and for which they received a commission of \$3,519.22.
16. However, rather than retaining a death benefit value of \$20,000 with Lincoln Benefit Life, GK lost approximately \$46,000 of death benefit value solely due to the Respondents' recommendation to withdraw funds from his Lincoln Benefit Life variable annuity.
17. On or about February 25-29, 2008 and June 9 and 10, 2008, the Department conducted two compliance audits of the Respondents pursuant to Section 11 of the Act.
18. Additionally, the Department took the sworn testimony of Thomas N. Cooper and Susan B. Cooper and subpoenaed documents from two insurance companies and Senior Financial Strategies.
19. During its audit and investigation, the Department discovered that from February 2008 through June 2008, the Respondents sold 65 Equity Indexed Annuities issued by Aviva USA (Also known as Amerus Life Insurance Company). The Aviva USA EIA recommended by the Respondents was a new financial product which had been approved in February 2008 for sale in Illinois. Also during this time period, the Respondents earned \$426,281 in commissions solely for the sale of these products.
20. The Department further investigated fifteen transactions involving the purchase of the Aviva USA EIA by clients of the Respondents. In all fifteen transactions, funds to purchase the Aviva USA EIA came from the liquidation of another annuity previously sold to the client by the Respondents. Due to the fact that the previously sold annuity had not been held for the required period, each sale was subject to an early withdrawal/surrender penalty.

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21. For these fifteen transactions examined by the Department, the total surrender penalties incurred by the Respondents' clients were \$108,147.33.
22. Four transactions are illustrative of the fraudulent nature of the investment advice that the Respondents provided to their clients.
23. JL was a 74 year old Illinois resident who became a client of the Respondents. As part of their investment advice, the Respondents recommended to JL that he completely withdraw/surrender an American Equity Investment Life Insurance Company ("American Equity") EIA that had been previously recommended and sold to him by the Respondents.
24. In approximately December 2007, the Respondents prepared and transmitted documents signed by JL that liquidated his American Equity EIA and transferred the money to purchase a new EIA issued by Aviva USA. Due to the fact that the American Equity EIA had not been held for the required period of time, JL suffered a surrender penalty of \$17,890.84. (See Exhibit 4)
25. RC was a 72 year old Illinois resident who became an investment advisory client of the Respondents in January of 2002. As part of their investment advice, the Respondents recommended to RC that she completely withdraw an American Equity EIA that had been previously recommended and sold to her by the Respondents.
26. In approximately March 2008, the Respondents prepared and transmitted documents signed by RC that liquidated her American Equity EIA and transferred the money to purchase a new EIA issued by Aviva USA. Due to the fact that the American Equity EIA had not been held for the required period of time, RC suffered a surrender penalty of \$16,072.90. (See Exhibit 5)
27. DD and JD were 74 and 70 years old, husband and wife, Illinois residents who became investment advisory clients of the Respondents. As part of their investment advice, the Respondents recommended to DD and JD that they completely withdraw funds from two Allianz Life Insurance Company of North America ("Allianz Life") Equity Indexed Annuities that had been previously recommended and sold to them by the Respondents.

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28. In approximately March 2008, the Respondents prepared and transmitted documents signed by DD and JD that liquidated their Allianz Life Equity Indexed Annuities and transferred the money to purchase two new Equity Indexed Annuities issued by Aviva USA. Due to the fact that the Allianz Life Equity Indexed Annuities had not been held for the required period of time, DD and JD suffered combined surrender penalties of \$16,313.09.
29. In order to induce their clients to accept their recommendations to withdraw/surrender their existing annuities and transfer the funds to an Aviva USA EIA, the Respondents made the following misrepresentations to their clients:
30. Representing to clients that the value of the Aviva USA EIA after one year would increase by a 4% interest rate when in fact this was not a current annuity contract value (cash value) but rather an "Income Account Value" that could only be received if an income rider was purchase for the annuity and could not be received as a lump sum payout but rather only as a limited withdrawal per year of a percentage of the total Income Account Value. (See Exhibit 6)
31. Representing to clients that investing in an Aviva USA EIA would protect their invested assets from Medicare spend down provisions.
32. Representing to clients that the Aviva USA was a better investment over their current annuity because it would allow a surrender penalty free withdrawal of up to 20% per year. However, the 20% withdrawal was only allowed if no withdrawal had been made the year before. This made the 20% penalty free withdrawal similar to each client's existing annuity which allowed up to a 10% penalty free withdrawal each year.
33. Rule 853 of the Rules and Regulations Under the Illinois Securities Law of 1953, 14 Admin Code 130.100 et seq. the Rules provides: "Effecting or causing to be effected by or for any client's account, any transaction or 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 adviser or its representatives effecting such transaction or causing

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the transactions to be effected that is fraudulent, deceptive or manipulative."

34. That by virtue of the foregoing, the Respondents have violated sections 12.A, F, G, H, I and J of the Act.
35. That by virtue of the foregoing, the Respondents' registrations are subject to suspensions or revocations pursuant to Section 8.E.1(b), (f), (g) and (m) of the Act.
36. That Section 11.E(2) of the Act provides, inter alia, that if the Secretary of State shall find that any person has violated subsections F, G, H, I or J 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.
37. 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 an order of censure or a fine as provided by rule, regulation or order not to exceed \$10,000.00 for each violation of the Act.
38. That by virtue of the foregoing, the Respondents are subject to a fine of up to \$10,000.00 per violation, an order of censure an order which permanently prohibits the Respondents from offering or selling securities in the State of Illinois and an order that suspends or revokes their investment adviser and/or investment adviser representative registrations in the State of Illinois.

You are further notified that you are required pursuant to Section 130.1104 of the Rules and Regulations (14 Ill. Adm. Code 130) (the "Rules"), to file an answer to the allegations outlined above or a Special Appearance pursuant to Section 130.1107 of the Rules, or other responsive pleading within thirty days of the receipt of this notice. Your failure to do so within the prescribed time shall be deemed an admission of the allegations contained in the Notice of Hearing and waives your right to a hearing.

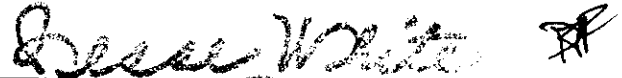
Furthermore, you may be represented by legal counsel; may present evidence; may cross-examine witnesses and otherwise participate. A failure to so appear shall constitute default.

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Delivery of notice to the designated representative of any Respondent constitutes service upon such Respondents.

Dated this 21st day of October, 2009.



Jesse White
Jesse White
Secretary of State
State of Illinois

Attorney for the Secretary of State:
David Finnigan
Illinois Securities Department
300 W. Jefferson St. Suite 300A
Springfield, Illinois 62702
Telephone: (217) 785-4947

Hearing Officer:
Jon K. Ellis
1035 S. 2nd St.
Springfield, Illinois 62704
217-528-6835
Fax 217-528-6837



Presented by: Pinnacle Investment Advisers
809 Detweiler Dr. Suite 818, Peoria, IL 61615

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Join us for the most informative retirement workshop you've ever attended

- Make market volatility work for you
- Create tax-efficient income
- Avoid nursing home spend down
- Retirement: Your plan or the IRS's
- 5 IRA distribution rules you must know
- Impact of recent tax rulings
- To ROTH or not to ROTH

These workshops fill very quickly so reserve your seats today. Please call now to reserve your place (phones answered 24 hours a day) 1-800-458-7692. Guests and Spouses Welcome! Financial Professionals charged \$2,500 cash at the door.

Tom and Susan Cooper, owners of Pinnacle Investment Advisers, were both born in Illinois and met at Wheaton College. The couple settled in Central Illinois in 1967, shortly after Tom returned from Vietnam. They have two children and two grandchildren. Though continuing education and research take up much of their free time, Tom is a casual golfer, and Susan serves as a Bible Study discussion leader and enjoys hobbies and crafts.

<u>Dinner</u> Tuesday Feb., 19, 2008 4:00 pm	or	<u>Lunch</u> Wednesday Feb., 27, 2008 10:30 am	Embassy Suites East Peoria 100 Conference Center Dr. East Peoria, IL 61611
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Seating is limited. Please call now to reserve your seat!
1-800-458-7692

SECRETARY OF STATE
EXHIBIT NUMBER 1

Approved
[Signature]
office manager
8-21-08



"Helping You Make Retirement a Richer Experience."

Home Who We Are What We Do Meet the Owners Meet Our Staff Offices

Main Directory

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Date / Time

Tuesday, 14 October 2008,
12:00:00

Who is Pinnacle Investment Advisers?



Pinnacle Investment Advisers is an **independent** Registered Investment Adviser. This means that we are held to a higher standard, a **Fiduciary Standard**. Being a fiduciary means always acting in the best interests of the client. Brokers do not have this responsibility, but WE do. We take this role very

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EXHIBIT NUMBER 2

seriously, making sure to understand multiple aspects of our clients lives, so that we can be sure to address those needs thoroughly.

Because we are **independent**, Pinnacle Investment Advisers is able to offer its clients a number of services and access to many different investment opportunities. These include written retirement or investment plans, income plans, customized portfolios, and estate planning. We give clients access to a variety of Securities, Annuities, and Insurance products.

At Pinnacle Investment Advisers, we take pride in getting know each and every client. To us you are more than just a name and an account number.

• **Fiduciary**

Registered Investment Advisers must maintain a transparent "client first" relationship. At Pinnacle Investment Advisers Susan and Tom Cooper create financial plans with real solutions that achieve client needs, goals, and objectives. We are true advisers, not product-pushing salespeople.

As Fiduciaries, we:

1. Put the client's best interests first.
2. Act with the utmost due care and in good faith.
3. Do not mislead clients.
4. Provide full and fair disclosure of all material facts.
5. Disclose and fairly manage all conflicts of interest.

• **Independent**

As an independent Registered Investment Adviser, Pinnacle Investment Advisers is an excellent source for unbiased financial advice.

• **Integrity**

Pinnacle Investment Advisers is one of only four financial advising firms in Central Illinois to receive

National Ethics Bureau approval.

• **Cost/Savings benefit**

We save clients significant annual fees. Fees for services are fully disclosed at all times. There are no hidden fees and no surprises –ever! We also are able to help clients manage their taxes and save.

• **Clients say they like us because:**

- We provide peace of mind
- We stay in touch
- We follow through and call back
- We provide personalized service
- We educate and inform, holding over 100 educational workshops in the last 7years

• **Our cutting edge planning strategies:**

- Enhance tax-efficient income
- Preserve principal
- Maximize and preserve gains
- Minimize taxes

• **Staff continuing education and training**

We average 20 days per year out of town for specialized training, research and education.

• **Financial Protection**

Volatile world economic conditions coupled with longer life expectancies require customized financial plans during retirement. At Pinnacle Investment Advisers, we believe our primary purpose is managing risk. We know that not losing money is the key to maintaining wealth. Therefore, keeping what you have is most important. We also understand that your money must grow and be available when you want or need it. Our state of the art retirement portfolios simultaneously grow and protect client wealth using a variety of risk management strategies.



Senior Financial Strategies

Plan of Action

Prepared for: [REDACTED]

Prepared By: Tom Cooper

Numbers are based on the statements we were given. The numbers are less cost to move and estimated taxes.

1. [REDACTED] Roth IRA:

- From Wells Fargo, Prudential and Van Kampen to F&G:

2. [REDACTED] IRA:

- From Oppenheimer, Prudential to Allianz: \$ 10%=
\$

3. [REDACTED] IRA:

- From American Funds and Oppenheimer to Allianz: \$ + 10%=
\$

4. Joint NQ:

- From DWS and Citigroup to Genworth: \$
- From Hartford and Nationwide to Money Guard WWW: \$ (still pending)

5. [REDACTED] IRA VA:

- From LBL to Equitrust: \$ + 10% \$ still pending)
- Leave \$1000 in LBL to hold \$30,000 of Life Insurance

6. Keep:

- CDs: \$
- [REDACTED] Bond: \$

SECRETARY OF STATE

EXHIBIT NUMBER 3

As of November 22, 2006



December 22, 2007

Agent Copy

THOMAS N COOPER
2009 FOX DR STE B
CHAMPAIGN, IL 61820

Sent to: [REDACTED]
[REDACTED]
[REDACTED]

RE: Contract #: [REDACTED] Notification of Surrender Penalty
Owner(s): [REDACTED]

Dear [REDACTED]

We recently received your request to surrender your annuity contract with American Equity. You are a valued customer and we want to take this opportunity to discuss the consequences of surrendering your contract. After reviewing the facts, many customers find that a transfer to a new annuity is not right for them and that their American Equity contract offers many attractive benefits. Before we proceed with your surrender request, please consider the following:

1. As of today, your accumulated contract value is **\$143,023.59**. If you surrendered this contract today, we would deduct a surrender charge of **\$17,890.84** for a net payout of **\$125,132.75**. Your annuity contract will not incur surrender charges after September 02, 2016. Have you discussed these charges and dollar amounts with your agent?
2. What are the new surrender charges on the annuity contract your agent is proposing to you? Has your agent discussed these new surrender charges with you?
3. Your American Equity contract has benefits such as penalty-free withdrawals, annuitization, penalty-free death benefits and tax deferral. Have you reviewed these benefits with your agent and compared them to the proposed contract?

Please call one of our Client Relations Representatives toll free at (866) 357-0401 to discuss the above points and any other questions you may have. **If it is still your desire to surrender this contract, please complete each section of the enclosed Withdrawal/Surrender Request Form and Annuity Contract Release Form. In order to process your request, American Equity requires ORIGINAL completed forms. If completed forms are NOT received within 30 days of the date of this letter, we will assume you no longer wish to complete the surrender.**

Sincerely,

Client Relations

00932

SECRETARY OF STATE

EXHIBIT NUMBER 4



INSURANCE MARKETING
STANDARDS ASSOCIATION

March 06, 2008

[REDACTED]

Re: Annuity Contract No. 124493

Dear [REDACTED]

As requested, your annuity contract has been terminated and a check in the amount of \$82,289.52 was mailed to Amerus Life Insurance Company. The following is a breakdown of the surrender values as of March 06, 2008:

Gross Surrender Value	\$98,362.42
Less Surrender Penalty	\$16,072.90
Net Check Amount	\$82,289.52

Your new contract should have a free look period which gives you the opportunity to review the contract. The free look period allows anywhere from 10 to 20 days after issuance to cancel without penalty if you wish. If you find the new contract does not illustrate as your agent presented it, and you choose to cancel, American Equity will allow a penalty free reinstatement within 60 days of this letter.

If you would like to reinstate your American Equity contract we ask that you please contact our Client Relations Department toll free at **1-866-357-0401**. Please remember we must receive your request within 60 days to fully reinstate your contract.

We appreciate the opportunity to have been of service to you and look forward to working with you in the future.

Sincerely,

Dion Shultz
Annuity Service Technician

SUER

SECRETARY OF STATE
EXHIBIT NUMBER 5

Owner	
Owner's Age	73
Company	AE
Policy Date	7/23/2002
Policy #	
Tax Status	Roth
Premium to date	\$ 5,900.00
Current Value	\$ 6,643.73
Free Amount Available	\$ 664.37
W/D's taken in last 12 months/ Date:	
Total W/D's Taken	
Surrender Value	\$ 5,647.18
5% Bonus	\$ 5,929.54
Additional 5% on Income Line	\$ 6,226.02
First year @ 4% Guaranteed	\$ 6,475.06
Total Ending Value	\$ 6,475.06
Total Cost/ Gain	\$ (168.67)
Total Cost/Gain Rate	-2.54%

Owner	
Owner's Age	73
Company	AE
Policy Date	9/2/2004
Policy #	
Tax Status	IRA
Premium to date	\$ 139,067.01
Current Value	\$ 142,872.71
Free Amount Available	\$ 8,747.05
W/D's taken in last 12 months/ Date:	Nov 07 \$6,066.80
Total W/D's Taken	\$ 17,386.96
Surrender Value	\$ 124,999.98
5% Bonus	\$ 131,249.98
Additional 5% on Income Line	\$ 137,812.48
First year @ 4% Guaranteed	\$ 143,324.98
Total Ending Value	\$ 143,324.98
Total Cost/ Gain	\$ 452.27
Total Cost/Gain Rate	0.32%

WLOUE

SECRETARY OF STATE
EXHIBIT NUMBER 6

00881

All values are estimated on current available data. Actual values may differ.

12/4/2007