STATE OF WASHINGTON
DEPARTMENT OF FINANCIAL INSTITUTIONS
SECURITIES DIVISION

IN THE MATTER OF DETERMINING whether there has been a violation of the Securities Act of Washington by Metropolitan Investment Securities, Inc. securities salespersons: Gordon E. Adams; Suzanne T. Adams; Elizabeth Adams Armstrong; Ross E. Bruner; Steve F. Haug; Gary T. Hundeby; Lori L. Masterson; Ronald H. Mayfield; Michael H. McMillen; Theodore R. Metoyer; Lamar J. Miller; Annette O. Miller; Randal M. Saccomanno; Ronald J. Saccomanno; and Ryan S. Saccomanno, Respondents.	Order Number S-04-041-04-SC01 STATEMENT OF CHARGES AND NOTICE OF INTENT TO ENTER AN ORDER TO CEASE AND DESIST, REVOKE OR SUSPEND REGISTRATIONS, CENSURE, IMPOSE FINES, AND CHARGE COSTS

THE STATE OF WASHINGTON TO:

Gordon E. Adams, CRD # 1217255
Suzanne T. Adams, CRD # 1098129
Elizabeth Adams Armstrong, CRD # 2680556
Ross E. Bruner, CRD # 1208249
Steve F. Haug, CRD # 2624111
Gary T. Hundeby, CRD # 1305730
Lori L. Masterson, CRD # 2201909
Ronald H. Mayfield, CRD # 1315009
Michael H. McMillen, CRD # 2892013
Theodore R. Metoyer, CRD # 1324693
Lamar J. Miller, CRD # 1208293
Annette O. Miller, CRD # 1356859
Randal M. Saccomanno, CRD # 2507199
Ronald J. Saccomanno, CRD # 3030965
Ryan S. Saccomanno, CRD # 1997909

STATEMENT OF CHARGES

Please take notice that the Securities Administrator of the State of Washington has reason to believe that the Respondents, Gordon E. Adams, Suzanne T. Adams, Elizabeth Adams Armstrong, Ross

E. Bruner, Steve F. Haug, Gary T. Hundeby, Lori L. Masterson, Ronald H. Mayfield, Michael H. McMillen, Theodore R. Metoyer, Lamar J. Miller, Annette O. Miller, Randal M. Saccomanno, Ronald J. Saccomanno, and Ryan S. Saccomanno, have each violated the Securities Act of Washington. The Securities Administrator further believes those violations justify the revocation or suspension of the securities salesperson registrations and/or investment adviser representative registrations of Gordon E. Adams, Suzanne T. Adams, Ross E. Bruner, Steve F. Haug, Ronald H. Mayfield, Theodore R. Metoyer, Randal M. Saccomanno, Ronald J. Saccomanno, and Ryan S. Saccomanno, pursuant to RCW 21.20.110(1), as well as the entry of an order against each of those Respondents to cease and desist from such violations pursuant to RCW 21.20.390, imposing fines pursuant to RCW 21.20.110(1) and RCW 21.20.395, and charging costs pursuant to RCW 21.20.110(7) and RCW 21.20.390(5). The Securities Administrator further believes these violations justify the censure of Elizabeth Adams Armstrong, Gary T. Hundeby, Lori L. Masterson, Michael H. McMillen, Lamar J. Miller, and Annette O. Miller, as well as the entry of an order against those Respondents imposing fines pursuant to RCW 21.20.110(1). The Securities Administrator finds as follows:

TENTATIVE FINDINGS OF FACT

INTRODUCTION

1. Respondents made unsuitable recommendations to investors of Metropolitan Mortgage and Securities Co., Inc. ("Metropolitan") and Summit Securities, Inc. ("Summit") securities. Many of the Respondents also misled investors about the risks of these securities. These securities included Metropolitan debentures, Summit investment certificates, Metropolitan and Summit preferred stock, and Metropolitan and Summit notes (collectively "the proprietary products"). As the financial condition of Metropolitan and Summit deteriorated, the risk of the proprietary products increased. Despite these

increasing risks, from January 2001 through December 2003, Respondents sold proprietary products totaling over $162 million to investors. Many of these investors were elderly, financially unsophisticated, and had limited assets that were highly concentrated in the proprietary products. With Metropolitan and Summit's bankruptcy filings in 2004, thousands of investors in the Pacific Northwest are facing the loss of their life savings.

RESPONDENTS

2. Gordon E. Adams was registered with the Washington State Securities Division as a securities salesperson for Metropolitan Investment Securities, Inc. from June 1984 to December 2003. He currently resides in Walla Walla, Washington.

3. Suzanne T. Adams was registered with the Washington State Securities Division as a securities salesperson for Metropolitan Investment Securities, Inc. from October 1983 to December 2003. She currently resides in Walla Walla, Washington.

4. Elizabeth Adams Armstrong has been registered with the Washington State Securities Division as a securities salesperson for Pacific West Securities since December 2003. She was registered as a securities salesperson for Metropolitan Investment Securities, Inc. from November 1996 to December 2003. She currently resides in Beaverton, Oregon.

5. Ross E. Bruner has been registered with the Washington State Securities Division as a securities salesperson for APS Financial Corporation since August 1988. He was registered as a securities salesperson for Metropolitan Investment Securities, Inc. from June 1982 to December 2003. He currently resides in Woodinville, Washington.

6. Steve F. Haug has been registered with the Washington State Securities Division as an investment adviser representative for IMS Capital Management since December 2003. He was registered

as an investment adviser representative with Metropolitan Financial Services, Inc. from November 1999 to December 2003. He was registered as a securities salesperson for Metropolitan Investment Securities, Inc. from July 1996 to December 2003, and for Morgan Stanley DW Inc. from May 1995 to March 1996. He currently resides in Vancouver, Washington.

7. Gary T. Hundeby was registered with the Washington State Securities Division as a securities salesperson for Metropolitan Investment Securities, Inc. from September 1984 to December 2003. He currently resides in University Place, Washington.

8. Lori L. Masterson has been registered with the Washington State Securities Division as a securities salesperson for Kovack Securities, Inc. since December 2003. She was registered as a securities salesperson for Metropolitan Investment Securities, Inc. from December 1992 to December 2003. She currently resides in Greenacres, Washington.

9. Ronald H. Mayfield was registered with the Washington State Securities Division as a securities salesperson for Mutual Securities, Inc. from December 2003 to May 2004. He was registered as a securities salesperson for Metropolitan Investment Securities, Inc. from October 1984 to December 2003. He currently resides in Spokane, Washington.

10. Michael H. McMillen has been registered with the Washington State Securities Division as a securities salesperson for Mutual Securities, Inc. since December 2003. He was registered as a securities salesperson for Metropolitan Investment Securities, Inc. from May 1997 to December 2003. He currently resides in White Salmon, Washington.

11. Theodore R. Metoyer was registered with the Washington State Securities Division as a securities salesperson for Mutual Securities, Inc. from December 2003 to March 2004. He was registered

as a securities salesperson for Metropolitan Investment Securities, Inc. from November 1984 to December 2003. He currently resides in Spokane, Washington.

12. Lamar J. Miller has been registered with the Washington State Securities Division as a securities salesperson for Kovack Securities, Inc. since March 2004. He was registered as a securities salesperson for Crown Capital Securities, L.P. from November 2003 to March 2004, for Metropolitan Investment Securities, Inc. from October 1983 to July 1996, as well as February 2000 to November 2003, and for SunAmerica Securities, Inc. from July 1996 to February 2000. He currently resides in Veradale, Washington.

13. Annette O. Miller has been registered with the Washington State Securities Division as a securities salesperson for Kovack Securities, Inc. since March 2004. She was registered as a securities salesperson for Crown Capital Securities, L.P. from January 2004 to March 2004, for Metropolitan Investment Securities, Inc. from March 1985 to September 1998, as well as February 2000 to December 2003, and for SunAmerica Securities, Inc. from September 1998 to February 2000. She currently resides in Veradale, Washington.

14. Randal M. Saccomanno has been registered with the Washington State Securities Division as a securities salesperson for Pacific West Securities since December 2003. He was registered as a securities salesperson for Metropolitan Investment Securities, Inc. from June 1994 to December 2003. He currently resides in Deer Park, Washington.

15. Ronald J. Saccomanno has been registered with the Washington State Securities Division as a securities salesperson for Pacific West Securities since December 2003. He was registered as a securities salesperson for Metropolitan Investment Securities, Inc. from February 1998 to December 2003. He currently resides in Spokane, Washington.

16. Ryan S. Saccomanno has been registered with the Washington State Securities Division as a securities salesperson for Pacific West Securities since December 2003. He was registered as a securities salesperson for Metropolitan Investment Securities, Inc. from January 1990 to December 2003. He currently resides in Spokane, Washington.

OTHER ENTITIES

17. Metropolitan Mortgage and Securities Co., Inc. ("Metropolitan") was incorporated in the state of Washington in 1953 and headquartered in Spokane. Metropolitan was founded by C. Paul Sandifur, Sr. and his brother Charles H. Sandifur. C. Paul Sandifur, Jr. ("Sandifur") succeeded his father as Chief Executive Officer in 1991 and became Chairman of the Board of Directors in 1995. Sandifur, individually and as trustee for his family trust, is the controlling shareholder of Metropolitan. Metropolitan was in the business of acquiring, holding and selling receivables. In 2001, Metropolitan's primary business focus shifted from residential mortgage loan originations to commercial lending and property development. Metropolitan filed for bankruptcy protection under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Eastern District of Washington on February 4, 2004. At the time of the bankruptcy filing, over 10,000 investors owned approximately $358 million in debentures (including accrued interest) and several thousand investors owned preferred stock worth approximately $102 million.

18. Summit Securities, Inc. ("Summit") was incorporated in the state of Idaho in 1990. Summit is a wholly owned subsidiary of National Summit Corporation, which is owned by Sandifur. Summit was based in Spokane and shared its corporate headquarters with Metropolitan. Summit, like Metropolitan, was in the business of acquiring, holding and selling receivables. In 1997, Summit's primary business focus shifted from residential mortgage loan originations to commercial lending and

property development. Summit filed for bankruptcy protection under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Eastern District of Washington on February 4, 2004. At the time of the bankruptcy filing, over 3,600 investors owned approximately $113.6 million in investment certificates (including accrued interest) and several thousand investors owned preferred stock worth approximately $29 million.

19. Western United Life Assurance Company ("WULA") was incorporated in the state of Washington in 1963 and is Metropolitan's largest subsidiary. WULA's primary business activity is investing in receivables and other investments. WULA is principally funded by annuity contract sales and premiums from the sale of life insurance policies. The Office of the Insurance Commissioner ("OIC") was appointed the Statutory Receiver for WULA in Thurston County Superior Court by order of Judge Paula Casey on March 2, 2004. WULA is now operating under OIC's administrative supervision.

20. Metropolitan Investment Securities, Inc. ("MIS") was incorporated in the state of Washington in 1979. MIS became a wholly owned subsidiary of Summit in January 1995 when Summit acquired MIS from Metropolitan. Sandifur was the President of MIS. MIS was registered in the state of Washington as a broker-dealer from March 1979 until December 2003. MIS was the exclusive selling agent for the public securities offerings of Metropolitan and Summit. On October 20, 2003, the NASD entered into a settlement with MIS of its investigation of MIS's securities sales practices. The NASD alleged that MIS registered representatives engaged in fraudulent, deceptive and unethical practices in the sale of the Metropolitan and Summit securities, including making misleading, unfair and unbalanced sales presentations to investors and making unsuitable recommendations to investors. Pursuant to settlement, the NASD censured MIS, fined it $500,000, and ordered MIS to pay restitution of $2,882,010

to certain investors. MIS filed for bankruptcy protection under Chapter 7 of the Bankruptcy Code in the United States Bankruptcy Court for the Eastern District of Washington on February 4, 2004.

NATURE OF THE CONDUCT

Risks of the Proprietary Products

21. The Metropolitan debentures, Summit investment certificates, Metropolitan and Summit preferred stock, and Metropolitan and Summit notes (collectively "the proprietary products"), as unsecured investments, involved the significant risk that investors could lose some or all of their principal. The debentures, investment certificates, and notes were debt securities backed only by the credit of Metropolitan and Summit and were not secured by a lien on any specific property. They were not insured by the FDIC or any governmental agency. In addition, they were not liquid investments due to the absence of an established trading market. Metropolitan and Summit preferred stock involved greater risk than the debentures, investment certificates, and notes. The preferred stock offered an apparent ownership interest in the company that paid dividends at specified rates that were set on a periodic basis. The preferred stock was subordinate to each corporation's debt, including the debentures, investment certificates, and notes. There was no active trading market for the preferred stock at the time it was issued, nor did one develop. Despite these significant risks, Respondents offered and sold the proprietary products as virtually risk-free.

22. Starting in at least 2000, the risk that Metropolitan and Summit investors could lose their principal increased as the financial condition of the companies deteriorated. As disclosed in prospectuses and annual reports in the years leading up to the bankruptcies, both companies incurred losses, had insufficient earnings to cover their fixed charges, and were dependent on new offerings to pay existing investors. For the first time in its history, Metropolitan incurred net losses for the fiscal years ended

September 30, 2000 and 2001 of $7.6 million and $8.9 million, respectively. In 2002, Metropolitan reported a profit of $3.9 million before payment of preferred stock dividends. After dividend payments, Metropolitan reported a loss of $861,900. For the first quarter of fiscal year 2003, Metropolitan reported a loss of $2.6 million. For Metropolitan, earnings were insufficient to meet fixed charges and preferred stock dividends by approximately $0.8 million, $17.4 million, $40.2 million and $3.4 million for the years ended September 30, 1999, 2000, 2001 and 2002, respectively. Also for the first time in its history, Summit incurred a net loss of approximately $2.5 million for the fiscal year ended September 30, 2001. For Summit, earnings were insufficient to meet fixed charges and preferred stock dividends by approximately $7.6 million for the year ended September 30, 2001. As disclosed in the annual reports for Metropolitan and Summit in 2000, 2001 and 2002, the companies were, at least in part, dependent on new investments to pay principal and interest to existing investors. Despite the risks associated with the companies' financial losses, earnings shortfalls, and reliance on new investments, Respondents continued to offer and sell the proprietary products as virtually risk-free.

23. The risk that investors could lose their principal was exacerbated by preemption of the Washington State Securities Division from regulation of Metropolitan's securities offerings. By virtue of the listing of the Metropolitan notes on the Pacific Stock Exchange in January 2000, the Securities Division was preempted from enforcing its substantive registration requirements with regard to Metropolitan's debentures. In January 2002, the Metropolitan Preferred Stock Series E-7 was approved for listing on the American Stock Exchange. As with the debentures, the Securities Division was preempted from regulating the sale of Metropolitan preferred stock. Prior to preemption, Washington had restrained the growth of Metropolitan's outstanding debentures and preferred stock, which helped ensure the safety and soundness of the company. After preemption, there was a proliferation of

debenture sales. In fact, as disclosed in prospectuses and annual reports, Metropolitan increased its outstanding debentures from approximately $199 million as of September 30, 1999 to well over $300 million by the end of 2002. This caused an enormous financial strain on the company due to the increase in interest and principal payments associated with these securities. Despite the risk of the increasingly leveraged financial position of the companies, Respondents continued to offer and sell the proprietary products as virtually risk-free.

24. In addition to issuing more debt, Metropolitan made a significant change in business strategy in 2001 that further increased the risk of loss of principal for investors in the proprietary products. During the 1990s, Metropolitan had invested in the origination and securitization of residential mortgage loans. Beginning in 2001, Metropolitan began to focus on the origination of commercial real estate loans and commercial property development. These loans were made to borrowers unable to obtain conventional financing. As disclosed in the prospectuses for Metropolitan debentures and preferred stock, the shift away from the company's traditional business resulted in an earnings risk and potential lack of liquidity for the company. Despite the risk of shifting to a new and unproven business model, Respondents continued to offer and sell the proprietary products as virtually risk-free.

Sales Practices of MIS Representatives

25. While MIS marketed itself as a full-service brokerage firm selling mutual funds and general securities, the vast majority of MIS revenues were derived from the sale of the proprietary products. The proprietary products were sold exclusively by MIS securities salespersons (the "MIS representatives"). Pursuant to Washington law, NASD rules, and MIS policies and procedures, MIS representatives were required to assure that all sales of the proprietary products were suitable given an investor's financial situation and needs, investment objectives, and risk tolerance. In addition, MIS representatives were

required to make suitable recommendations of investments that were not unduly concentrated in one company or product in order to avoid the risks of an undiversified investment portfolio. Further, MIS representatives were required by MIS to certify the suitability of each recommendation through the use of a document called a subscription agreement, which recorded an investor's risk tolerance, investment objectives, and net worth. Despite their suitability obligations, Respondents made unsuitable recommendations that resulted in the over concentration of the limited assets of investors in the proprietary products.

26. Starting in the 1990s, MIS provided its registered representatives with guidelines prohibiting sales of the proprietary products in certain circumstances (the "MIS guidelines"). Under the MIS guidelines, an investor could invest no more than: (1) 20% of his or her total net worth[1] in Metropolitan and Summit preferred stock, (2) 30% of his or her total net worth in either Metropolitan or Summit, and (3) 40% of his or her total net worth in Metropolitan and Summit combined. The MIS guidelines prohibited investments in the proprietary products beyond these percentages. As illustrated below, Respondents frequently overstated the net worth of investors thereby inappropriately securing approval for transactions that would have otherwise been prohibited under the MIS guidelines.

Sales of the Proprietary Products by the Respondents

<u>Gordon E. & Suzanne T. Adams</u>

Background

27. Gordon E. Adams ("Gordon") associated with MIS in October 1983 and his wife, Suzanne T. Adams ("Suzanne"), associated with MIS in February 1983 (collectively "the Adamses"). Prior to

[1] Under MIS procedures, net worth did not include primary residence, furnishings, or primary automobile.

their association MIS, the Adamses had no experience selling securities. Gordon's prior work experience consisted of serving in the armed forces as an aircraft pilot and selling tractors for his family's tractor company. Suzanne's prior work experience consisted of working as a part-time sewing instructor.

28. While associated with MIS, the Adamses did business from their home in Walla Walla, Washington.

29. Upon joining MIS as independent contractors, the Adamses offered only Metropolitan debentures. After MIS became a full-service brokerage in the mid-1990s, the Adamses continued to sell primarily the proprietary products. As of August 2002, proprietary products accounted for at least three-quarters of their total income.

30. From January 1, 2001 through December 31, 2003 (hereinafter the "relevant time period"), the Adamses made approximately 1,634 sales of the proprietary products. These sales totaled approximately $18,377,000. According to the Adamses, 30% of their sales during the relevant time period were made to investors who had 20% or more of their net worth concentrated in the proprietary products.

Unsuitable Investment Recommendations and Falsifying of Account Information

31. The Adamses made unsuitable recommendations of the proprietary products to many investors. These investors were retired, living on a fixed income, seeking safety of their principal, and had a limited knowledge of investing. They were people of modest means, who had few or no other assets, and who were dependent upon their Metropolitan and Summit investments to sustain them in their retirement years, as illustrated by the three examples below.

32. In 2001 and 2002, the Adamses sold seven Metropolitan debentures totaling approximately $94,000 to a couple in their early 60s. Including these investments, this couple had approximately

$185,000 invested in the proprietary products. Their investment objective was to save for retirement and they believed they were being placed in an investment with almost no risk. The Adamses overstated the net worth of the couple on the subscription agreements by including the present value of the husband's future retirement benefits, falsely representing that the investments met the MIS guidelines. At the time of the investments, their net worth included the proceeds from the sale of their home, which were soon used to purchase another home. Excluding these sale proceeds, their Metropolitan investments represented approximately 65% of their net worth.

33. From 2000 through 2002, the Adamses sold six Metropolitan debentures with five year terms totaling $85,000 to a couple in their late 80s. The couple wanted a low risk, secure investment. In December 2000, the husband was living in a nursing home due to his deteriorating health. By April 2001, he returned home, but was bed-ridden. The couple intended for the Metropolitan investments to support his health care costs, due to the fact that they did not have long-term care insurance. Their Metropolitan investments represented almost 20% of their net worth. Their net worth was composed primarily of illiquid investments and the purchase of the Metropolitan debentures increased this lack of liquidity.

34. From April 2001 through August 2002, the Adamses sold five investments in the proprietary products totaling approximately $187,700 to a couple in their late 60s. These customers were seeking a low risk investment that offered safety of their principal. The funds for their investments came from retirement accounts. The Adamses overstated the net worth of the couple on the subscription agreement. In August 2001, when the couple decided to invest additional funds with Metropolitan, the Adamses recalculated the couple's estimated net worth from $197,000 to $531,000. The additional $330,000 was derived in part from including the present value of the husband's retirement pension. This

calculation assumed the husband would live for another 23 years, until age 90. In actuality, the couple's Metropolitan and Summit investments represented approximately 70% of their net worth.

Fraudulent Presentations

35. The Adamses made statements to investors regarding the proprietary products that were inconsistent with the risks of the investments, including the risk that investors could lose some or all of their principal (see above, "Risks of the Proprietary Products"). The Adamses emphasized only the safety and soundness of the investments during their presentations to investors. These presentations focused on apparently positive attributes of the proprietary products, including one or more of the following: Metropolitan and Summit having never missed a payment to investors; the length of time Metropolitan had been in business and the company's reputation in the Spokane community; the large asset base of Metropolitan, Summit and their subsidiaries; the companies' extensive real estate holdings; the high interest rates of the proprietary products; and that their family was personally invested in the proprietary products. By virtue of these presentations, investments that had significant risk were offered and sold by the Adamses as virtually risk-free.

<u>Ross E. Bruner</u>

Background

36. Ross E. Bruner ("Bruner") associated with MIS in June 1982. Prior to his association with MIS, Bruner had no experience selling securities. Bruner's prior work experience included being a real estate agent and working in sales for a construction equipment company.

37. While associated with MIS, Bruner did business from an office in Redmond, Washington.

38. From January 1, 2001 through December 31, 2003, Bruner made approximately 2,049 sales of the proprietary products. These sales totaled approximately $25,708,354. According to Bruner, 35%

of his sales during the relevant time period were made to investors who had 20% or more of their net worth concentrated in the proprietary products.

Unsuitable Investment Recommendations and Falsifying of Account Information

39. Bruner made unsuitable recommendations of the proprietary products to many investors. These investors were retired, living on a fixed income, seeking safety of their principal, and had a limited knowledge of investing. They were people of modest means, who had few or no other assets, and who were dependent upon their Metropolitan and Summit investments to sustain them in their retirement years, as illustrated by the three examples below.

40. In January 2003, Bruner sold a $10,000 debenture to a retired couple in their 70s. At the time of this investment, they had approximately $31,000 invested in Metropolitan debentures and $16,000 in Metropolitan preferred stock. The couple wanted a safe investment that supplemented their income. Bruner overstated the net worth of the couple on the subscription agreements. At the time of this investment, virtually their entire net worth, excluding their residence, was invested in the proprietary products.

41. In April 2003, Bruner sold three debentures totaling approximately $28,000 to a 69 year-old widow. Including these investments, she had approximately $85,000 invested in the proprietary products. Her investment objective was to save for retirement. At the time of this investment, approximately 40% of her net worth was invested in the proprietary products. Due to the Metropolitan and Summit bankruptcy, she was forced to defer her retirement because of the loss of income from her investments.

42. In April 2003, Bruner sold a $30,000 debenture with a five year term to a retired couple in their late 70s. The wife suffered from various health problems, including cancer, partial blindness, and

dementia. The couple wanted a secure investment. The couple had purchased WULA fixed annuities in the past and believed they were investing in another annuity. Bruner overstated the net worth of the couple on the subscription agreement by more than doubling their stated net worth, falsely representing that the investments met the MIS guidelines. The debenture comprised approximately one-quarter of their actual net worth, excluding their primary residence. Their net worth was composed almost entirely of illiquid investments and the purchase of the Metropolitan debenture increased this lack of liquidity.

Fraudulent Presentations

43. Bruner made statements to investors regarding the proprietary products that were inconsistent with the risks of the investments, including the risk that investors could lose some or all of their principal (see above, “Risks of the Proprietary Products”). Bruner emphasized only the safety and soundness of the investments during his presentations to investors. These presentations focused on apparently positive attributes of the proprietary products, including one or more of the following: Metropolitan and Summit having never missed a payment to investors; the length of time Metropolitan had been in business and the company’s reputation in the Spokane community; the large asset base of Metropolitan, Summit and their subsidiaries; the companies’ extensive real estate holdings; the high interest rates of the proprietary products; and that he was personally invested in the proprietary products. By virtue of these presentations, investments that had significant risk were offered and sold by Bruner as virtually risk-free.

Steve F. Haug

Background

44. Steve F. Haug ("Haug") became employed with MIS in their operations department in April 1996. In August 1998, Haug became a securities salesperson for MIS. With the exception of ten months spent as a broker at Dean Witter and college employment, Haug had virtually no prior work experience.

45. When Haug began to sell securities for MIS, he purchased a book of business from two Vancouver, Washington representatives who were retiring. This book of business included MIS clients who were located mostly in the Vancouver area. During the relevant time period, Haug did business from his home in Vancouver.

46. Haug sold the proprietary products almost exclusively. As of January 2003, proprietary product sales accounted for 100% of his total MIS income. Haug also held an insurance license and the only other source of income was selling a small number of fixed annuities through WULA.

47. From January 1, 2001 through December 31, 2003, Haug made approximately 1,466 sales of the proprietary products. These sales totaled approximately $20,205,201. According to Haug, 40% of his sales during the relevant time period were made to investors who had 20% or more of their net worth concentrated in the proprietary products.

Unsuitable Investment Recommendations and Falsifying of Account Information

48. Haug made unsuitable recommendations of the proprietary products to many investors. These investors were retired, living on a fixed income, seeking safety of their principal, and had a limited knowledge of investing. They were people of modest means, who had few or no other assets, and who were dependent upon their Metropolitan and Summit investments to sustain them in their retirement years, as illustrated by the three examples below.

49. In April and May 2001, Haug sold two Summit investment certificates totaling approximately $50,000 to a man in his late 50s with a low risk tolerance. The investor's investment objective was to save for his upcoming retirement. He had previously been invested in mutual funds and was seeking a safer, less volatile investment. Haug overstated the investor's net worth on the subscription agreements by almost $80,000. At the time of this investment, almost one-third of the investor's net worth was invested in Summit investment certificates.

50. In May 2002, Haug sold a $15,000 Metropolitan debenture to a retired couple in their late 70s. Including this investment, the couple had approximately $165,000 invested in the proprietary products. They were seeking a safe investment that would supplement their Social Security payments. Haug overstated the net worth of the couple on the subscription agreements by almost $450,000, falsely representing that the investments met the MIS guidelines. At the time of this investment, almost their entire net worth, excluding their residence, was invested in the proprietary products. When they stopped receiving interest payments on their investments due to the bankruptcy of Metropolitan, the couple was forced to take a reverse mortgage on their residence to generate monthly income.

51. In January 2001, Haug sold five Metropolitan debentures totaling $25,000 to a 77 year-old widow. Her investment objective was preservation of capital. She had limited investment experience and her only other investments were a small savings account and a savings bond. The maturity dates on the debentures varied from one to five years and her plan was to rely on the maturing debentures to supplement her modest savings. At the time of these investments, she had a net worth of approximately $65,000. Her Metropolitan debentures comprised almost 40% of her assets.

Fraudulent Presentations

52. Haug made statements to investors regarding the proprietary products that were inconsistent with the risks of the investments, including the risk that investors could lose some or all of their principal (see above, “Risks of the Proprietary Products”). Haug emphasized only the safety and soundness of the investments during his presentations to investors. These presentations focused on apparently positive attributes of the proprietary products, including one or more of the following: Metropolitan and Summit having never missed a payment to investors; the length of time Metropolitan had been in business and the company’s reputation in the Spokane community; the large asset base of Metropolitan, Summit and their subsidiaries; the companies’ extensive real estate holdings; the high interest rates of the proprietary products; and that he was personally invested in the proprietary products. By virtue of these presentations, investments that had significant risk were offered and sold by Haug as virtually risk-free.

Ronald H. Mayfield

Background

53. Ronald H. Mayfield (“Mayfield”) associated with MIS in October 1984. Prior to his association with MIS, Mayfield had no experience selling securities. Mayfield’s prior work experience was as a business representative for a labor union and as a mechanic.

54. Mayfield did business from Metropolitan’s headquarters in Spokane, Washington.

55. Upon joining MIS as an independent contractor, Mayfield offered only Metropolitan debentures. After MIS became a full-service brokerage in the mid-1990s, Mayfield continued to sell primarily the proprietary products.

56. According to Mayfield, from January 1, 2001 through December 31, 2003, he made approximately 218 sales of the proprietary products totaling close to $4,000,000 to investors who had over 20% of their net worth concentrated in the proprietary products.

Unsuitable Investment Recommendations and Falsifying of Account Information

57. Mayfield made unsuitable recommendations of the proprietary products to many investors. These investors were retired, living on a fixed income, seeking safety of their principal, and had a limited knowledge of investing. They were people of modest means, who had few or no other assets, and who were dependent upon their Metropolitan and Summit investments to sustain them in their retirement years, as illustrated by the three examples below.

58. In January 2002, Mayfield sold a Metropolitan debenture worth over $15,000 to a retired couple who were 70 and 64 years of age. Including this investment, the couple had approximately $180,000 invested in the proprietary products. The couple's primary investment objective was preservation of capital and they were relying on these investments to supplement their income. Mayfield overstated the net worth of the couple on the subscription agreement by at least $140,000, falsely representing that the investments met the MIS guidelines. Excluding their residence, over one-half of their net worth was invested in the proprietary products.

59. In April 2002, Mayfield sold a $5,000 Metropolitan debenture to a retired couple in their late 70s. Including this investment, the couple had approximately $127,000 invested in the proprietary products. Their primary investment objective was preservation of capital. They were seeking a low risk and secure investment to supplement their income. At the time of this investment, the couple had close to one-quarter of their net worth invested in the proprietary products.

60. In September 2002, Mayfield sold a $12,000 Metropolitan debenture to an 85 year-old widow who was living in a retirement home. Including this investment, she had approximately $30,000 invested in Metropolitan debentures. Her primary investment objective was preservation of capital and she did not want to put her investments at risk. Her previous investment experience was limited to certificates of deposit. Social Security payments were her primary source of income. Her only other asset consisted of the proceeds of the recent sale of her home. Over one-quarter of her net worth was invested in the Metropolitan debentures.

Fraudulent Presentations

61. Mayfield made statements to investors regarding the proprietary products that were inconsistent with the risks of the investments, including the risk that investors could lose some or all of their principal (see above, "Risks of the Proprietary Products"). Mayfield emphasized only the safety and soundness of the investments during his presentations to investors. These presentations focused on apparently positive attributes of the proprietary products, including one or more of the following: Metropolitan and Summit having never missed a payment to investors; the length of time Metropolitan had been in business and the company's reputation in the Spokane community; the large asset base of Metropolitan, Summit and their subsidiaries; the companies' extensive real estate holdings; the high interest rates of the proprietary products; and that he was personally invested in the proprietary products. By virtue of these presentations, investments that had significant risk were offered and sold by Mayfield as virtually risk-free.

Theodore R. Metoyer

Background

62. Theodore R. Metoyer ("Metoyer") associated with MIS in November 1984. Prior to his association with MIS, Metoyer had no experience selling securities. Metoyer's prior work experience included being a home delivery manager for a Spokane publishing company and a circulation manager for a publishing company in California.

63. Metoyer worked part-time at MIS from 1984 until approximately June 2000. During that time period, Metoyer had a few hundred clients. Metoyer began to work full-time as a MIS representative in June 2000. At that time, he purchased a book of business of approximately 800 clients from a representative who was retiring. He also purchased a book of business of approximately 400 clients from another representative who retired in 2002. Metoyer did business from Metropolitan's headquarters in Spokane, Washington.

64. From January 1, 2001 through December 31, 2003, Metoyer made approximately 2,624 sales of the proprietary products. These sales totaled approximately $35,800,000. According to Metoyer, almost 40% of his sales during the relevant time period were made to investors who had 20% or more of their net worth concentrated in the proprietary products.

Unsuitable Investment Recommendations and Falsifying of Account Information

65. Metoyer made unsuitable recommendations of the proprietary products to many investors. These investors were retired, living on a fixed income, seeking safety of their principal, and had a limited knowledge of investing. They were people of modest means, who had few or no other assets, and who were dependent upon their Metropolitan and Summit investments to sustain them in their retirement years, as illustrated by the three examples below.

66. In June 2002, Metoyer sold Metropolitan preferred stock worth over $38,000 to a couple who were 68 and 58 years of age. Including this investment, they had approximately $54,000 invested in Metropolitan preferred stock. The couple wanted a safe investment and did not want to lose any of their principal. They were seeking a liquid investment that was not subject to market volatility. Metoyer overstated the couple's net worth on the subscription agreement by quadrupling its value, falsely representing that the investments met the MIS guidelines. At the time of this investment, virtually their entire net worth, excluding their residence, was invested in Metropolitan preferred stock.

67. In March 2003, Metoyer sold three Metropolitan debentures totaling approximately $36,000 to a woman in her late fifties. Including this investment, she had approximately $60,000 invested in the proprietary products. Her investment objective was to save for retirement. She was seeking a safe investment that would avoid exposure to stock market volatility. At the time of this investment, almost two-thirds of her net worth was invested in the proprietary products.

68. In August 2002, Metoyer sold three Summit investment certificates totaling $30,000 to an 87 year-old widow. Including these investments, she had approximately $69,000 in Summit investment certificates. She relied on the monthly interest from these investments to pay her living expenses. Her only other source of income was a small Social Security payment. Metoyer overstated her net worth on the subscription agreements by tripling its value, falsely representing that the investments met the MIS guidelines. Virtually her entire net worth, excluding her residence, was invested in the Summit investment certificates. Due to the bankruptcy of Summit, her only remaining asset is her home and she is reliant on Social Security payments totaling approximately $5,000 per year to pay her living expenses.

69. In January 2003, Metoyer sold two Metropolitan debentures totaling $16,000 to an 80 year-old widow living in low-income government-subsidized housing. Her primary investment objective was

preservation of capital. She was seeking to supplement her modest Social Security payments, which was her only other source of income. Metoyer overstated her net worth on the subscription agreement by more than doubling its value, falsely representing that the investments met the MIS guidelines. At the time of this investment, over one-half of her net worth of $30,000 was invested in Metropolitan debentures.

Fraudulent Presentations

70. Metoyer made statements to investors regarding the proprietary products that were inconsistent with the risks of the investments, including the risk that investors could lose some or all of their principal (see above, "Risks of the Proprietary Products"). Metoyer emphasized only the safety and soundness of the investments during his presentations to investors. These presentations focused on apparently positive attributes of the proprietary products, including one or more of the following: Metropolitan and Summit having never missed a payment to investors; the length of time Metropolitan had been in business and the company's reputation in the Spokane community; the large asset base of Metropolitan, Summit and their subsidiaries; the companies' extensive real estate holdings; the high interest rates of the proprietary products; and that he was personally invested in the proprietary products. By virtue of these presentations, investments that had significant risk were offered and sold by Metoyer as virtually risk-free.

Randal M. Saccomanno

Background

71. Randal M. Saccomanno ("Randal") associated with MIS in June 1994. Prior to his association with MIS, Randal had no experience selling securities. Randal's prior work experience was as a warehouse manager for a grocery wholesaler and as a cook.

72. Randal did business from Metropolitan's headquarters in Spokane, Washington.

73. Despite the ability to offer a wide range of investments, Randal sold the proprietary products almost exclusively. As of August 2002, proprietary products accounted for approximately 95% of his total MIS income.

74. From January 1, 2001 through December 31, 2003, Randal made approximately 1,179 sales of the proprietary products. These sales totaled approximately $10,792,600. According to Randal, almost one-fifth of his sales during the relevant time period were made to investors who had 20% or more of their net worth concentrated in the proprietary products.

Unsuitable Investment Recommendations and Falsifying of Account Information

75. Randal made unsuitable recommendations of the proprietary products to many investors. These investors were retired, living on a fixed income, seeking safety of their principal, and had a limited knowledge of investing. They were people of modest means, who had few or no other assets, and who were dependent upon their Metropolitan and Summit investments to sustain them in their retirement years, as illustrated by the three examples below.

76. In April 2003, Randal recommended and sold two Metropolitan debentures totaling $52,000 to an 83 year-old widow. She wanted a stable and secure investment that would supplement her social security income. Prior to these investments, the customer had approximately $140,000 invested in the proprietary products. Including the 2003 investment, the customer had almost 50% of her net worth invested in Metropolitan and Summit.

77. In April 2002, Randal sold two Metropolitan debentures totaling approximately $35,000 to a 71 year-old retired woman who was living on a fixed income of approximately $23,000 per year. Including these investments, she had over $100,000 invested in Metropolitan debentures. Her primary

investment objective was preservation of capital. On her subscription agreement, Randal overstated her net worth by at least $65,000, falsely representing that the investments met the MIS guidelines. As of April 2002, her Metropolitan investments represented almost one-third of her net worth.

78. In December 2002, Randal sold a five-year Summit investment certificate in the amount of $20,000 to an 81 year-old widow. She was living on a fixed income of approximately $15,000 per year and had a low risk tolerance. After having experienced losses in a mutual fund, she was seeking a safe investment that would help supplement her limited income while protecting the value of her principal. Based on what Randal told her, she believed that a Summit investment certificate was the lowest risk investment that he could offer her. Her only liquid asset was a small savings account. Randal overstated her net worth on the subscription agreement, falsely representing that the investments met the MIS guidelines. In actuality, the Summit investment represented approximately 40% of her net worth.

Fraudulent Presentations

79. Randal made statements to investors regarding the proprietary products that were inconsistent with the risks of the investments, including the risk that investors could lose some or all of their principal (see above, “Risks of the Proprietary Products”). Randal emphasized only the safety and soundness of the investments during his presentations to investors. These presentations focused on apparently positive attributes of the proprietary products, including one or more of the following: Metropolitan and Summit having never missed a payment to investors; the length of time Metropolitan had been in business and the company’s reputation in the Spokane community; the large asset base of Metropolitan, Summit and their subsidiaries; the companies’ extensive real estate holdings; the high interest rates of the proprietary products; and that he and his family were personally invested in the

proprietary products. By virtue of these presentations, investments that had significant risk were offered and sold by Randal as virtually risk-free.

Ronald J. Saccomanno

Background

80. Ronald J. Saccomanno ("Ronald") associated with MIS in February 1998. Prior to his association with MIS, Ronald had no experience selling securities. Ronald's prior work experience was in the grocery industry as a warehouse manager and owning a restaurant.

81. Ronald did business from Metropolitan's headquarters in Spokane, Washington.

82. Despite the ability to offer a wide range of investments, Ronald sold the proprietary products almost exclusively. As of August 2002, proprietary products accounted for approximately 99% of his total MIS income.

83. From January 1, 2001 through December 31, 2003, Ronald made approximately 854 sales of the proprietary products. These sales totaled approximately $13,137,300. According to Ronald, almost one-quarter of his sales during the relevant time period were made to investors who had 20% or more of their net worth concentrated in the proprietary products.

Unsuitable Investment Recommendations and Falsifying of Account Information

84. Ronald made unsuitable recommendations of the proprietary products to many investors. These investors were retired, living on a fixed income, seeking safety of their principal, and had a limited knowledge of investing. They were people of modest means, who had few or no other assets, and who were dependent upon their Metropolitan and Summit investments to sustain them in their retirement years, as illustrated by the three examples below.

85. In August 2001, Ronald began to aggressively market Metropolitan investments to employees of Rosauers grocery stores. Due a change in ownership of Rosauers, employees were receiving cash distributions from their employee stock ownership plans (“ESOPs”) that they needed to invest in qualified retirement plans. Ronald attended a seminar that was put on by D.A. Davidson for Rosauers employees and distributed his business card. Ronald was not invited to this event by Rosauers and was present without the approval of Rosauers. He also went to Rosauers stores and sat in the break room to meet employees. Ronald attracted several Rosauers employees as clients. The Rosauers clients had limited investment experience and their ESOPs comprised the bulk of their assets. Many of these investors were seeking safety of their principal and wanted a low risk investment. Ronald recommended that many of these clients invest their entire ESOP into Metropolitan debentures. For example, Ronald sold two Metropolitan debentures totaling $87,000 to a Rosauers meat cutter. Ronald overstated the customer’s net worth by over $100,000, falsely representing that the investments met the MIS guidelines. In actuality, the Metropolitan debentures represented approximately 40% of his net worth.

86. In June 2000, Ronald sold a $40,000 Metropolitan debenture to a 70 year-old retired man whose wife was incapacitated due to a stroke.[2] One year later, Ronald sold the man another debenture in the amount of approximately $43,000. Both debentures were for a term of five years. The investor’s primary investment objective was preservation of capital. At the time of the second sale, he had approximately 35% of his net worth invested in Metropolitan.

87. In June 2002, Ronald sold a $5,000 Metropolitan debenture and a $15,000 Summit investment certificate to a 59 year-old unemployed disabled woman. She had a low risk tolerance and

[2] His wife subsequently died.

her investment objective was preservation of capital. She had no previous investment experience. The woman had recently inherited $75,000 from a relative and was relying on it to pay future living expenses. She had no other assets and her only source of income was a payment of $460 per month from the Veterans Administration. Ronald also sold this woman a $30,000 WULA fixed annuity. Her Metropolitan and Summit investments represented 27% of her net worth.

Fraudulent Presentations

88. Ronald made statements to investors regarding the proprietary products that were inconsistent with the risks of the investments, including the risk that investors could lose some or all of their principal (see above, "Risks of the Proprietary Products"). Ronald emphasized only the safety and soundness of the investments during his presentations to investors. These presentations focused on apparently positive attributes of the proprietary products, including one or more of the following: Metropolitan and Summit having never missed a payment to investors; the length of time Metropolitan had been in business and the company's reputation in the Spokane community; the large asset base of Metropolitan, Summit and their subsidiaries; the companies' extensive real estate holdings; the high interest rates of the proprietary products; and that he and his family were personally invested in the proprietary products. By virtue of these presentations, investments that had significant risk were offered and sold by Ronald as virtually risk-free.

Ryan S. Saccomanno

Background

89. Ryan S. Saccomanno ("Ryan") associated with MIS in November 1989. Prior to his association with MIS, Ryan had no experience selling securities. Ryan's prior work experience consisted of ten years with Safeway Stores Inc. in various positions, including cashier and produce clerk.

90. Ryan did business from Metropolitan's headquarters in Spokane, Washington.

91. Upon joining MIS as an independent contractor, Ryan offered only Metropolitan debentures. After MIS became a full-service brokerage in the mid-1990s, Ryan continued to sell the proprietary products almost exclusively. As of August 2002, proprietary products accounted for approximately 90-95% of his total MIS income.

92. From January 1, 2001 through December 31, 2003, Ryan made approximately 1,305 sales of the proprietary products. These sales totaled approximately $15,164,386. According to Ryan, almost one-half of his sales during the relevant time period were made to investors who had 20% or more of their net worth concentrated in the proprietary products.

Unsuitable Investment Recommendations and Falsifying of Account Information

93. Ryan made unsuitable recommendations of the proprietary products to many investors. These investors were retired, living on a fixed income, seeking safety of their principal, and had a limited knowledge of investing. They were people of modest means, who had few or no other assets, and who were dependent upon their Metropolitan and Summit investments to sustain them in their retirement years, as illustrated by the three examples below.

94. In July 2001, Ryan sold a Metropolitan debenture worth approximately $4,750 to a couple in their mid-50s. Including this investment, the couple had approximately $30,000 invested in Metropolitan. Their investment objective was to provide for retirement and they were seeking an investment that provided safety and capital preservation. The wife was unable to work due to health problems. Their other assets included a retirement account and certificates of deposit. Including the 2003 investment, the customers had approximately 30% of their net worth invested in Metropolitan.

95. In 2001 and 2002, Ryan sold six investments in Metropolitan debentures and Summit investment certificates totaling approximately $95,470 to a retired couple in their early 70s who were living on a fixed income. The customers wanted low risk, secure investments to supplement their Social Security payments. Ryan overstated their net worth by doubling its value, falsely representing that the investments met the MIS guidelines. In actuality, these investments represented approximately two-thirds of their net worth, excluding their home.

96. In October 2002, Ryan sold two Metropolitan debentures worth approximately $43,500 to an 85 year-old widow living on a fixed income of $7,000 per year. One debenture, approximately half of her investment, was for a term of two years and the other was for a term of five years. The customer was seeking a low risk investment that would provide safety of principal. She had previously been invested in a mutual fund and wanted an investment that was not subject to market volatility. She did not own a home. Her Metropolitan investments represented almost 30% of her net worth.

Fraudulent Presentations

97. Ryan made statements to investors regarding the proprietary products that were inconsistent with the risks of the investments, including the risk that investors could lose some or all of their principal (see above, "Risks of the Proprietary Products"). Ryan emphasized only the safety and soundness of the investments during his presentations to investors. These presentations focused on apparently positive attributes of the proprietary products, including one or more of the following: Metropolitan and Summit having never missed a payment to investors; the length of time Metropolitan had been in business and the company's reputation in the Spokane community; the large asset base of Metropolitan, Summit and their subsidiaries; the companies' extensive real estate holdings; the high interest rates of the proprietary products; and that he and his family were personally invested in the proprietary products. By virtue of

these presentations, investments that had significant risk were offered and sold by Ryan as virtually risk-free.

Elizabeth Adams Armstrong

98. Elizabeth Adams Armstrong ("Armstrong") associated with MIS in September 1995. Prior to her association with MIS, Armstrong had no experience selling securities.

99. Armstrong is the daughter of Gordon and Suzanne Adams. After joining MIS, Armstrong began to take over various accounts from her parents and shared in the commissions of the accounts of her parents. Many of the accounts she took over were those of customers who lived in Western Washington. While associated with MIS, Armstrong did business from her home in Beaverton, Oregon.

100. Upon joining MIS as an independent contractor, Armstrong offered the proprietary products almost exclusively. As of January 2003, proprietary products accounted for over 90% of her total MIS income. According to Armstrong, during the relevant time period, she made approximately 142 sales of the proprietary products totaling over $2,100,000 to investors who had over 20% of their net worth concentrated in the proprietary products.

101. Armstrong made unsuitable recommendations of the proprietary products to one or more investors. These investors were retired, living on a fixed income, seeking safety of their principal, and had a limited knowledge of investing. They were people of modest means, who had few or no other assets, and who were dependent upon their Metropolitan and Summit investments to sustain them in their retirement years, as illustrated by the example below.

102. In November 2002, Armstrong sold a Metropolitan debenture worth approximately $75,000 to a retired couple in their late 60s. Including this investment, the couple had approximately $170,000 invested in the proprietary products. The couple had an investment objective of preservation of capital

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and had a low risk tolerance. Their investments in the proprietary products comprised over 40% of their net worth.

<u>Gary T. Hundeby</u>

103. Gary T. Hundeby ("Hundeby") associated with MIS in September 1984. Prior to his association with MIS, Hundeby had no experience selling securities.

104. Hundeby did business from his home in University Place, Washington.

105. Upon joining MIS as an independent contractor, Hundeby offered only Metropolitan debentures. After MIS became a full-service brokerage in the mid-1990s, Hundeby continued to sell primarily the proprietary products. According to Hundeby, during the relevant time period, he made approximately 227 sales of the proprietary products totaling over $2,300,000 to investors who had over 20% of their net worth concentrated in the proprietary products.

106. Hundeby made unsuitable recommendations of the proprietary products to one or more investors. These investors were retired, living on a fixed income, seeking safety of their principal, and had a limited knowledge of investing. They were people of modest means, who had few or no other assets, and who were dependent upon their Metropolitan and Summit investments to sustain them in their retirement years, as illustrated by the example below.

107. In January 2003, Hundeby sold a $15,000 Summit investment certificate to a 69 year-old retired woman. Including these investments, she had approximately $150,000 invested in the proprietary products. She had an investment objective of preservation of capital. Her investments in the proprietary products comprised over 40% of her net worth.

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Lori L. Masterson

108. Lori L. Masterson ("Masterson") associated with MIS in approximately March 1987. Prior to her association with MIS, Masterson had no experience selling securities.

109. Masterson did business from Metropolitan's headquarters in Spokane, Washington.

110. Masterson primarily sold the proprietary products during her association with MIS. According to Masterson, during the relevant time period, she made approximately 125 sales of the proprietary products totaling almost $1,000,000 to investors who had over 20% of their net worth concentrated in the proprietary products.

111. Masterson made unsuitable recommendations of the proprietary products to one or more investors. These investors were retired, living on a fixed income, seeking safety of their principal, and had a limited knowledge of investing. They were people of modest means, who had few or no other assets, and who were dependent upon their Metropolitan and Summit investments to sustain them in their retirement years, as illustrated by the example below.

112. In January 2001, Masterson sold a $40,000 Summit investment certificate to a 70 year-old widow. She had a low risk tolerance and her investment objective was preservation of capital. She wanted to use her Summit investment to supplement her Social Security payments upon retiring. Her investment in Summit comprised almost 30% of her net worth.

Michael H. McMillen

113. Michael H. McMillen ("McMillen") associated with MIS in May 1997. Prior to his association with MIS, McMillen had no experience selling securities.

114. When McMillen began to sell securities for MIS, he purchased a book of business from two Vancouver, Washington representatives who were retiring. This book of business included MIS clients

who were located mostly in the White Salmon, Washington area. McMillen did business from his home in White Salmon.

115. McMillen primarily sold the proprietary products during his association with MIS. According to McMillen, during the relevant time period, he made approximately 223 sales of the proprietary products totaling almost $3,300,000 to investors who had over 20% of their net worth concentrated in the proprietary products.

116. McMillen made unsuitable recommendations of the proprietary products to one or more investors. These investors were retired, living on a fixed income, seeking safety of their principal, and had a limited knowledge of investing. They were people of modest means, who had few or no other assets, and who were dependent upon their Metropolitan and Summit investments to sustain them in their retirement years, as illustrated by the example below.

117. In February 2003, McMillen sold a $15,000 Metropolitan debenture and Metropolitan preferred stock worth $10,000 to a 76 year-old woman. Including these investments, she had approximately $50,000 invested in the proprietary products. She had a low risk tolerance and was seeking an investment that would supplement her retirement. McMillen overstated her net worth on her subscription agreement by approximately $100,000, falsely representing that the investments met the MIS guidelines. As of February 2003, her Metropolitan and Summit investments represented approximately one-half of her net worth.

<u>Lamar J. Miller and Annette O. Miller</u>

118. Lamar J. Miller associated with MIS in January 1979 and his wife, Annette O. Miller, associated with MIS in March 1985 (collectively "the Millers"). Prior to their association with MIS, the Millers had no experience selling securities.

119. During the relevant time period, the Millers did business from an office in Spokane, Washington.

120. Upon joining MIS as independent contractors, the Millers offered only Metropolitan debentures. After MIS became a full-service brokerage in the mid-1990s, the Millers continued to sell primarily the proprietary products. According to the Millers, during the relevant time period, they made approximately 517 sales of the proprietary products totaling over $10,400,000 to investors who had over 20% of their net worth concentrated in the proprietary products.

121. The Millers made unsuitable recommendations of the proprietary products to one or more investors. These investors were retired, living on a fixed income, seeking safety of their principal, and had a limited knowledge of investing. They were people of modest means, who had few or no other assets, and who were dependent upon their Metropolitan and Summit investments to sustain them in their retirement years, as illustrated by the example below.

122. In December 2001, the Millers sold a Metropolitan debenture totaling approximately $15,000 to a couple in their 60s. The husband had been retired for several years and was receiving disability payments. Their primary investment objective was preservation of capital. They were seeking a low risk investment and they were relying on their investment to fund their retirement. This investment represented approximately one-third of their net worth. The couple's remaining assets, excluding their home, totaled $35,000.

Based upon the above Tentative Findings of Fact, the following Conclusions of Law are made:

CONCLUSIONS OF LAW

1. The offer or sale of debentures, investment certificates, notes, and/or preferred stock constitutes the offer and sale of securities as defined by RCW 21.20.005(10) and (12).

2. Gordon E. Adams, Suzanne T. Adams, Elizabeth Adams Armstrong, Ross E. Bruner, Steve F. Haug, Gary T. Hundeby, Lori L. Masterson, Ronald H. Mayfield, Michael H. McMillen, Theodore R. Metoyer, Lamar J. Miller, Annette O. Miller, Randal M. Saccomanno, Ronald J. Saccomanno, and Ryan S. Saccomanno, as described above, recommended the purchase of securities to customers without reasonable grounds to believe that the transactions were suitable for such customers, in violation of RCW 21.20.702. Such practice is grounds for the revocation or suspension of their securities salesperson and/or investment adviser representative registrations, the imposition of a fine, and/or a censure, pursuant to RCW 21.20.110(1).

3. Gordon E. Adams, Suzanne T. Adams, Ross E. Bruner, Steve F. Haug, Ronald H. Mayfield, Theodore R. Metoyer, Randal M. Saccomanno, Ronald J. Saccomanno, and Ryan S. Saccomanno, as described above, in connection with the offer and sale of securities, made untrue statements of material fact or omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading, and/or engaged in an act, practice, or course of business which operated or would operate as a fraud or deceit upon investors, in violation of RCW 21.20.010. Such practice is grounds for the revocation or suspension of their securities salesperson registration and/or investment adviser representative registrations and for the imposition of a fine pursuant to RCW 21.20.110(1).

4. Gordon E. Adams, Suzanne T. Adams, Ross E. Bruner, Steve F. Haug, Ronald H. Mayfield, Theodore R. Metoyer, Randal M. Saccomanno, Ronald J. Saccomanno, and Ryan S. Saccomanno, as described above, engaged in one or more dishonest or unethical sales practices in the securities business, as defined by WAC 460-22B-090(3), by establishing or maintaining accounts containing fictitious information in order to execute transactions which would otherwise be prohibited. Such practice is

grounds for the revocation or suspension of their securities salesperson and/or investment adviser representative registrations and for the imposition of a fine pursuant to RCW 21.20.110(1).

NOTICE OF INTENT TO ORDER RESPONDENTS TO CEASE AND DESIST

Pursuant to RCW 21.20.390, and based upon the above Tentative Findings of Fact and Conclusions of Law, the Securities Administrator intends to order that Respondents Gordon E. Adams, Suzanne T. Adams, Ross E. Bruner, Steve F. Haug, Ronald H. Mayfield, Theodore R. Metoyer, Randal M. Saccomanno, Ronald J. Saccomanno, and Ryan S. Saccomanno permanently cease and desist from violations of RCW 21.20.010.

NOTICE OF INTENT TO REVOKE OR SUSPEND REGISTRATION

Pursuant to RCW 21.20.110(1), and based upon the above Tentative Findings of Fact and Conclusions of Law, the Securities Administrator intends to order that the salesperson and/or investment adviser representative registrations of Respondents Gordon E. Adams, Suzanne T. Adams, Ross E. Bruner, Steve F. Haug, Ronald H. Mayfield, Theodore R. Metoyer, Randal M. Saccomanno, Ronald J. Saccomanno, and Ryan S. Saccomanno be revoked or suspended.

NOTICE OF INTENT TO CENSURE

Pursuant to RCW 21.20.110(1), and based upon the above Tentative Findings of Fact and Conclusions of Law, the Securities Administrator intends to order that Respondents Elizabeth Adams Armstrong, Gary T. Hundeby, Lori L. Masterson, Michael H. McMillen, Lamar J. Miller, and Annette O. Miller be censured.

NOTICE OF INTENT TO IMPOSE FINES

Pursuant to RCW 21.20.110(1) and (4) and/or RCW 21.20.395, and based upon the above Tentative Findings of Fact and Conclusions of Law, the Securities Administrator intends to order that:

a. Respondents Gordon E. Adams and Suzanne T. Adams shall be jointly and severally liable for and pay a fine of $30,000;

b. Respondent Elizabeth Adams Armstrong shall be liable for and pay a fine of $10,000.

c. Respondent Ross E. Bruner shall be liable for and pay a fine of $30,000;

d. Respondent Steve F. Haug shall be liable for and pay a fine of $30,000;

e. Respondent Gary T. Hundeby shall be liable for and pay a fine of $10,000;

f. Respondent Lori L. Masterson shall be liable for and pay a fine of $10,000;

g. Respondent Ronald H. Mayfield shall be liable for and pay a fine of $30,000;

h. Respondent Michael H. McMillen shall be liable for and pay a fine of $10,000;

i. Respondent Theodore R. Metoyer shall be liable for and pay a fine of $30,000;

j. Respondents Lamar J. Miller and Annette O. Miller shall be jointly and severally liable for and pay a fine of $10,000;

k. Respondent Randal M. Saccomanno shall be liable for and pay a fine of $30,000;

l. Respondent Ronald J. Saccomanno shall be liable for and pay a fine of $30,000; and

m. Respondent Ryan S. Saccomanno shall be liable for and pay a fine of $30,000.

NOTICE OF INTENT TO CHARGE COSTS

Pursuant to RCW 21.20.110(7) and/or RCW 21.20.390(5), based upon the above Tentative Findings of Fact and Conclusions of Law, the Securities Administrator intends to order that Respondents Gordon E. Adams, Suzanne T. Adams, Elizabeth Adams Armstrong, Ross E. Bruner, Steve F. Haug, Gary T. Hundeby, Lori L. Masterson, Ronald H. Mayfield, Michael H. McMillen, Theodore R. Metoyer, Lamar J. Miller, Annette O. Miller, Randal M. Saccomanno, Ronald J. Saccomanno, and Ryan S.

Saccomanno shall be liable for and pay the costs, fees and other expenses incurred in the conduct of the administrative investigation and hearing of this matter.

AUTHORITY AND PROCEDURE

This Order is entered pursuant to the provisions of RCW 21.20.110, RCW 21.20.390, and RCW 21.20.395, and is subject to the provisions of RCW 21.20.120 and Chapter 34.05 RCW. The Respondents may make a written request for a hearing as set forth in the NOTICE OF OPPORTUNITY TO DEFEND AND OPPORTUNITY FOR HEARING accompanying this Order. If a Respondent does not request a hearing, the Securities Administrator intends to adopt the foregoing Tentative Findings of Fact and Conclusions of Law as final, and enter a permanent order against that Respondent revoking or suspending that Respondent's securities salesperson and/or investment adviser representative registration, imposing a fine, a censure, and/or charging costs, as described above with regard to that Respondent.

CONTINUING INVESTIGATION

The Securities Division is continuing to investigate this matter, including the practices of the Respondents, to determine the full extent of the violations of the Securities Act that may have occurred.

DATED AND ENTERED this 27th day of October, 2004.

Michael E. Stevenson

MICHAEL E. STEVENSON
Securities Administrator

Approved by:

Martin Cordell

Martin Cordell
Chief of Enforcement

Presented by:

Andrea Y. Sato
Enforcement Attorney

Chad C. Standifer
Enforcement Attorney

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