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**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:

DWIGHT CLIFFORD PETERSON
Respondent

SDO - 026 - 02

SUMMARY ORDER TO CEASE AND DESIST
AND NOTICE OF INTENT TO IMPOSE FINE

Case No. 01-10-410

7 THE STATE OF WASHINGTON TO: DWIGHT CLIFFORD PETERSON

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STATEMENT OF CHARGES

10 Please take notice that the Securities Administrator of the State of Washington has reason to believe
11 that Respondent, Dwight Clifford Peterson, has violated the Securities Act of Washington and that his
12 violations justify the entry of an order of the Securities Administrator under RCW 21.20.390 to cease and
13 desist from such violations. The Securities Administrator finds that delay in ordering the Respondent to
14 cease and desist from such violations would be hazardous to investors and to the public and that a Summary
15 Order to Cease and Desist should be entered immediately. The Securities Administrator finds as follows:

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TENTATIVE FINDINGS OF FACT

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I. Respondent

20 Respondent, Dwight Clifford Peterson ("Peterson"), is a Washington resident who is currently
21 employed and has been employed by Advanced Biometrics, Inc. ("ABI"), a Washington corporation, since
22 1997. Peterson is a co-founder, Director and Vice President of ABI, a company that is supposed to be in the
23 business of manufacturing and marketing two different products that scan human blood vessels for
identification: a time and attendance log (ChronoLog) and an access control unit (KeyFree).

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SUMMARY ORDER TO CEASE AND
DESIST AND NOTICE OF INTENT TO
IMPOSE FINE

II. Sales of Respondent's ABI Stock

From 1999 through 2001, Peterson has offered and sold more than \$50,000 worth of his own ABI stock to approximately 30 investors, many of whom are Washington residents. The stock has been sold at arbitrary prices per share. When offering and selling the stock, Peterson has failed to disclose material and significant information about the investment. He has failed to give investors written information about ABI. He has failed to give investors financial statements for ABI. He has failed to disclose the amount of money that the company needed for product development, testing, manufacturing and marketing; the amount of financing required to continue operating the company; the accumulated losses of the company; the capital structure of the corporation; the competition that the company faced; the technological changes required to mass market the company's products; the problems that the company had with product distribution; and the general and particularized risks of the investment.

III. Sales of Personal Promissory Notes Secured by Respondent's ABI Stock

During 2001 and 2002, Peterson has offered and sold approximately \$600,000 worth of personal promissory notes purportedly secured by shares of Respondent's ABI stock to approximately 100 investors. Many of the transactions have taken place in Washington and involve Washington residents. When offering and selling the secured notes, Peterson has failed to disclose significant information about the notes and the purported security for the notes. Peterson has failed to give investors his personal financial statement. He has failed to give investors disclosure documents about ABI. He has failed to give investors financial statements for ABI. He has failed to disclose the amount of money that the company needed for product development, testing, manufacturing and marketing; the amount of financing required to continue operating the company; the accumulated losses of the company; the capital structure of the corporation; the competition that the company faced; the technological changes required to mass market the company's

1 products; the problems that the company had with product distribution; and the general and particularized
2 risks of the investment.

3 **IV. Unregistered Securities**

4 Peterson's offering of ABI stock and his offering of personal promissory notes have never been
5 registered with the Washington Securities Division.

6 **V. Unregistered Broker-Dealer or Securities Salesperson**

7 Peterson has never been registered as a securities broker-dealer or a securities salesperson in the
8 State of Washington.

9 **VI. Threat to the Investing Public**

10 Peterson has continued to sell personal promissory notes purportedly secured by shares of his
11 ABI stock even after being notified that he was under investigation by the Securities Division. The
12 Securities Administrator finds that Peterson's continued offering of investments in the manner described
13 in the Tentative Findings of Fact presents a threat to the investing public.

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

15 **CONCLUSIONS OF LAW**

16 **I.**

17 As described above, the offer and sale of Respondent's ABI stock and the offer and sale of personal
18 promissory notes secured by Respondent's ABI stock each constitute the offer and sale of a security as
19 defined in RCW 21.20.005(10) and (12).
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II.

The offer and sale of said securities by Respondent in the State of Washington violated RCW 21.20.140 because the offering of those securities was not registered under the Securities Act of Washington.

III.

The offer and sale of said securities by Respondent in the State of Washington violated RCW 21.20.040 because Peterson was not registered as a securities broker-dealer or a securities salesperson in Washington.

IV.

Respondent violated RCW 21.20.010 in connection with the offer and sale of the above-referenced securities in the State of Washington by omitting material facts necessary in order to make his statements, in light of the circumstances in which they were made, not misleading.

EMERGENCY

The Securities Administrator finds that an emergency exists, that Respondent's continued violations of RCW 21.20.010, RCW 21.20.040, and RCW 21.20.140 constitute a threat to the investing public, and that a summary order to cease and desist from those violations is in the public interest and necessary for the protection of the investing public.

SUMMARY ORDER

Based upon the foregoing, NOW, THEREFORE, IT IS HEREBY SUMMARILY ORDERED That Dwight Clifford Peterson and his agents and employees shall each cease and desist from offering or selling securities in any manner in violation of RCW 21.20.140, the securities registration section of the Securities Act of Washington.

SUMMARY ORDER TO CEASE AND
DESIST AND NOTICE OF INTENT TO
IMPOSE FINE

1 It is further SUMMARILY ORDERED that Dwight Clifford Peterson and his agents and
2 employees shall each cease and desist from offering or selling securities in any manner in violation of
3 RCW 21.20.040, the broker-dealer and securities salesperson registration section of the Securities Act
4 of Washington.

5 It is further SUMMARILY ORDERED that Dwight Clifford Peterson and his agents and
6 employees shall each cease and desist from offering or selling securities in any manner in violation of
7 RCW 21.20.010, the anti-fraud section of the Securities Act of Washington.

8 **NOTICE OF INTENT TO IMPOSE FINE**

9 Based upon repeated offers and sales of unregistered securities by an unregistered broker-dealer
10 or securities salesperson and based upon the misrepresentations or omissions contained in those offers
11 and sales as described in the foregoing Tentative Findings of Fact and Conclusions of Law, the Securities
12 Administrator finds that there have been knowing or reckless violations of the Securities Act that justify
13 the imposition of a fine pursuant to RCW 21.20.395. Therefore, the Securities Administrator intends to
14 order the Respondent to pay a fine of \$50,000.
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16 **AUTHORITY AND PROCEDURE**

17 This Order is entered pursuant to the provisions of RCW 21.20.390 and RCW 21.20.395 and is
18 subject to the provisions of the Administrative Procedures Act, Chapter 34.05 RCW. The respondent
19 may make a written request for a hearing as set forth in the NOTICE OF OPPORTUNITY TO DEFEND
20 AND OPPORTUNITY FOR HEARING accompanying this order.

21 If the respondent fails to request a hearing, the Securities Administrator intends to adopt the above
22 Tentative Findings of Fact and Conclusions of Law and enter a Final Order to Cease and Desist against
23 the respondent and impose the fine sought in this order.

24 SUMMARY ORDER TO CEASE AND
25 DESIST AND NOTICE OF INTENT TO
26 IMPOSE FINE

CONTINUING INVESTIGATION

The Securities Division is continuing to investigate the offer and sale of ABI stock by Respondent to determine whether there have been other violations of the Securities Act that have occurred in connection with Respondent's offer and sale of ABI stock.

WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.

DATED this 28th day of March, 2002.



DEBORAH R. BORTNER
Securities Administrator

Presented by:

Janet So
Financial Legal Examiner

Approved by:

Michael E. Stevenson
Chief of Enforcement