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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:

Neil T. Adkins,
C. John Cannon,
Senior Estate Planning Group, Inc.,
American National Security, Inc.,
American National Security Monitoring, Inc.,
American National Safety, Inc.,
Research Safety Industries, Inc.,
Executive Search, Inc.

Respondents.

SDO - 31 - 02

CONSENT ORDER

Case No. 97-04-0215

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I. INTRODUCTION

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The Securities Division, Department of Financial Institutions, State of Washington, and Respondents Neil T. Adkins, C. John Cannon, Senior Estate Planning Group, Inc., American National Security, Inc., American National Security Monitoring, Inc., American National Safety, Inc., Research Safety Industries, Inc., and Executive Search, Inc. do hereby agree to this Consent Order in settlement of the above captioned matter.

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II. PROCEDURAL HISTORY

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On March 14, 2000, the Securities Administrator of the State of Washington issued Summary Order to Cease and Desist and Order Suspending Exemptions SDO-30-00. On December 21, 2001, the Securities Administrator issued Amended Summary Order to Cease and Desist, Order Suspending Exemptions, and Notice of Intent to Impose Fines SDO-30-00, hereinafter referred to as the "Amended Summary Order."

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CONSENT ORDER

Page 1 of
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DEPARTMENT OF FINANCIAL INSTITUTIONS
Securities Division
P.O. Box 9033
Olympia, WA 98507-9033

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1 Without admitting to the following Findings of Fact, Respondents acknowledge that there is sufficient
2 evidence to find the Findings of Fact as set forth below:

3 **III. FINDINGS OF FACT**

4 **RESPONDENTS**

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6 3.1 SENIOR ESTATE PLANNING GROUP, INC (“SEPG”) is a Washington corporation. Its
7 principal place of business is located at 10900 NE 8th Street, Suite 210, Bellevue, Washington 98033.

8 3.2 AMERICAN NATIONAL SECURITY, INC (“AN Security”) was a Washington corporation
9 until its dissolution on June 22, 1998. AN Security conducted business at 14711 NE 29th Place, Suite 204,
10 Bellevue, Washington 98007.

11 3.3 AMERICAN NATIONAL SECURITY MONITORING, INC. (“AN Security Monitoring”)
12 was a Washington corporation until its dissolution on November 4, 1996. AN Security Monitoring conducted
13 business at 14711 NE 29th Place, Suite 204, Bellevue, Washington 98007.

14 3.4 AMERICAN NATIONAL SAFETY, INC. (“AN Safety”) was a Washington corporation until
15 its final dissolution on August 24, 1998. AN Safety conducted business at 14711 NE 29th Place, Suite 204,
16 Bellevue, Washington 98007.

17 3.5 RESEARCH SAFETY INDUSTRIES, INC. (“RSI”) was a Washington corporation until its
18 dissolution on April 26, 1999. RSI conducted business at 33505 13th Place South, #A, Federal Way,
19 Washington 98003.

20 3.6 EXECUTIVE SEARCH, INC. (“ESI”) was a Washington corporation until its dissolution on
21 December 31, 1997. ESI conducted business at 13240 Northup Way, #22-B, Bellevue, Washington 98005.

22 3.7 C. JOHN CANNON (“CANNON”) was Executive Vice President of SEPG and President of
23 Senior Estate Legal Services, Senior Life Protection, and Senior Care Group (SEPG’s subsidiary corporations)

1 at all times relevant to this order. Cannon is not currently registered as a securities salesperson or broker-dealer
2 in the State of Washington and has not previously been so registered.

3 3.8 NEIL T. ADKINS (“ADKINS”) owned and controlled all of the corporate entities listed above
4 at all times relevant to this order. Adkins is not currently registered as a securities salesperson or broker-dealer
5 in the State of Washington and has not previously been so registered.

6 **COMPANY BACKGROUND**

7 **SENIOR ESTATE PLANNING GROUP, INC.**

8 3.9 Senior Estate Planning Group was incorporated on January 31, 1991. Its business consists of
9 providing financial and estate planning services to senior citizens. Through its subsidiary companies, SEPG
10 offers clients life insurance, long term care insurance, and annuity products. It also refers clients to attorneys
11 and certified public accountants for the preparation of estate planning documents.

12 3.10 SEPG conducts its business through commissioned sales agents. These individuals typically
13 arrange to meet with senior citizens in their homes. During their visits, the sales representatives discuss the
14 client’s financial situation and offer to sell them a variety of products and services. Clients are encouraged to
15 purchase a package of items which generally consists of a revocable living trust, various insurance policies, and
16 one or more annuity contracts. After the sale, agents stay in contact with the client by periodically reviewing
17 their financial situation and offering to assist with the management of their assets.

18 3.11 The Attorney General initiated a consumer protection investigation pursuant to RCW 19.86
19 and determined that Senior Estate Services (a company related to SEPG) and Neil T. Adkins had engaged in
20 questionable sales practices related to revocable living trusts. Adkins settled this matter by signing an
21 Assurance of Discontinuance which was entered by the King County Superior Court on February 27, 1996.

AMERICAN NATIONAL SECURITY, INC.

1 3.12 American National Security, Inc. was incorporated on March 16, 1994. Although its Articles
2 of Incorporation indicate that the company was formed to do business as an insurance agency, AN Security
3 actually attempted to sell high-end residential alarm systems. The company employed telemarketers to
4 generate sales leads and arrange in-home sales visits. Company representatives would then meet with
5 homeowners and attempt to sell them alarm systems and other security products.

6 3.13 American National Security, Inc. was dissolved by the Office of the Secretary of State on June
7 22, 1998. At present, the company has no employees and does not offer any products or services. According to
8 Adkins, American National Security sustained operating losses before it ceased to conduct business.

AMERICAN NATIONAL SAFETY

9
10 3.14 American National Safety, Inc. was incorporated on May 10, 1996. Its purpose was to sell
11 residential security systems. According to Adkins, AN Safety's business was similar to that of AN Security,
12 except that AN Safety offered a less expensive product and generated its sales leads through direct mail
13 advertising instead of using telemarketers.

14 3.15 American National Safety, Inc. was dissolved by the Office of the Secretary of State on
15 December 5, 1996. It was reinstated on April 21, 1997 and dissolved again on August 24, 1998. AN Safety is
16 not currently conducting business. It has no employees and is not selling products or services at this time.

RESEARCH SAFETY INDUSTRIES, INC.

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18 3.16 Research Safety Industries, Inc. was incorporated on January 24, 1977 by Robert L. Butts.
19 RSI was owned by Butts and his wife until September 24, 1996. On that date, the Butts' sold the company to
20 Neil Adkins and AN Security for \$10,250. The transaction was structured as a stock purchase. AN Security
21 purchased the Butts' corporate stock and received RSI's customer lists. Adkins later purchased the RSI stock
22 from AN Security. Notwithstanding this arrangement, Adkins claims that there is no relationship between
23 these two companies.

1 3.17 RSI was dissolved by the Office of the Secretary of State on April 26, 1999. At this time, the
2 company has no employees and does not sell any products or services. Adkins has testified that RSI is now in
3 an idle state awaiting recommendations from a team of experts he plans to assemble for the purpose of saving
4 the company.

5 AMERICAN NATIONAL SECURITY MONITORING, INC.

6 3.18 American National Security Monitoring, Inc. was incorporated on April 18, 1996. This
7 company was apparently a subsidiary of American National Security, Inc. and was intended to provide alarm
8 monitoring services to its parent company. AN Security Monitoring was dissolved by the Office of the
9 Secretary of State on November 4, 1996. The company is currently inactive.

10 EXECUTIVE SEARCH, INC.

11 3.19 Executive Search, Inc. was incorporated on December 18, 1996. Its purpose was to locate
12 sales agents for insurance companies. ESI was dissolved by the Office of the Secretary of State on December
13 31, 1997. According to Adkins, ESI is still conducting business in some unspecified manner.

14 COMPANY BOND OFFERINGS

15 3.20 The following Findings of Fact relate to the offer and sale of bonds issued by Senior Estate
16 Planning Group, American National Security, American National Safety, Research Safety Industries, American
17 National Security Monitoring, and Executive Search. Each of these corporations was owned and controlled by
18 Neil T. Adkins throughout the period during which bonds were offered. Adkins personally sold bonds issued
19 by each of the six corporations; Cannon sold a majority of the Senior Estate Planning Group bonds. Adkins
20 and Cannon sold at least \$4,300,000 worth of securities to about 40 investors. All of the investors were clients
21 of Senior Estate Planning Group.

SEPG BOND OFFERINGS

1
2 3.21 On September 1, 1995, Neil Adkins sent a Notice of Claim of Exemption to the Securities
3 Division on behalf of Senior Estate Planning Group, Inc. The Notice indicated that SEPG planned to sell bonds
4 to residents of Washington state pursuant to the exemption contained in RCW 21.20.320(9) and WAC 460-
5 44A-504. The filing was assigned the number E-19960 and became effective immediately.

6 3.22 At least some of the clients who purchased the bonds lacked sufficient income and/or net
7 worth to qualify as accredited investors. At least some of the purchasers were senior citizens and many of
8 them lived on fixed monthly incomes. Adkins and Cannon sold SEPG bonds without conducting an adequate
9 assessment as to whether they were suitable for investors based upon their age, financial situation, and future
10 needs. Many of the people who purchased SEPG bonds lacked the knowledge and experience necessary to
11 understand the risks associated with this investment. These individuals generally had little or no experience
12 choosing among different investment products. Most owned a modest portfolio of annuity contracts and were
13 receiving fixed monthly payments before they were encouraged to surrender their annuities and purchase
14 bonds. These investors often based their decision to change investments upon recommendations from Adkins
15 and Cannon.

16 3.23 WAC 460-44A-504 provides that the aggregate sales price of an offering cannot exceed
17 \$500,000 in a twelve month period. Between April 4, 1996 and November 20, 1996, Adkins and Cannon
18 combined to sell at least \$600,000 worth of SEPG bonds.

19 3.24 The offering document indicates that SEPG was selling bonds to raise capital with which to
20 develop a national estate planning organization. As the parent company, SEPG expected to profit from an
21 increase in the sales activity of its subsidiaries. According to the offering document, the company planned to
22 open several branch offices, hire a national sales force, and position itself to become the nation's top-selling
23 long-term care insurance agency.

1 3.25 The offering document does not provide investors with basic information about the company's
2 operating history, such as the company's losses in both 1992 and 1994, and 1995 taxable income of \$32,583.

3 3.26 The offering document does not contain financial statements prepared in accordance with
4 generally accepted accounting principles. A balance sheet is included which indicates that the company's net
5 worth was \$471,000. The statement improperly classifies "Stock Holder Equity" as an asset of the corporation
6 and gives the impression that the company was financially sound. SEPG's liabilities exceeded its assets at the
7 end of 1994 and it had retained earnings of \$27,183 at the close of 1995.

8 3.27 The offering document indicates that the company is audited annually by independent
9 accountants and that SEPG provides bondholders with a series of detailed reports describing its business
10 activities and financial condition. These audits were not conducted and the bondholder reports were not
11 prepared. Over the entire offering period, Adkins and Cannon did not disclose this fact to investors.

12 3.28 The offering document indicates that the SEPG bonds are safe investments and that repayment
13 of principal is guaranteed even if the company is unable to satisfy its other obligations. According to the
14 offering document, the SEPG bonds were backed by long-term U.S. Government Treasuries which would be
15 used to repay investors if necessary. At no time did SEPG own U.S. Treasuries in an amount sufficient to
16 guarantee the return of bondholder principal. SEPG did purchase U.S. Treasuries for its own account. The
17 total face value of the bonds it purchased was approximately \$170,000 to cover total sales of approximately
18 \$2,400,000 worth of its own bonds.

19 3.29 The offering document indicates that the SEPG's success depends in large part upon the skill
20 and ability of its key officer, Neil Adkins. It does not provide investors with material information about
21 Adkins' background and other business ventures such as: that Adkins had previously filed for bankruptcy
22 protection, that the Internal Revenue Service placed a large tax lien on Adkins' residence for failure to pay
23 income taxes, that Adkins had been sued by an insurance company, that Adkins entered into an Assurance of
24 Discontinuance with the Office of the Attorney General, and that Adkins' other company, American National

1 Security, sustained in 1994 and 1995 losses totaling \$93,957 and \$212,531 respectively in the two years
2 immediately preceding the SEPG bond offering.

3 3.30 During sales visits, Adkins and Cannon misrepresented facts and omitted to state material
4 information in an effort to induce their clients to purchase SEPG bonds. The investor accounts which appear
5 below and in paragraph 3.37 illustrates these practices: Adkins presented a client with a worksheet comparing a
6 \$100,000 investment in one of the client's annuities with \$100,000 invested in bonds issued by his companies.
7 According to the worksheet, the client would realize a \$6,000 yearly gain by moving his investment from the
8 annuity to Adkins' corporate bonds. Adkins warned the client that the insurance company from whom the
9 annuity was purchased was experiencing financial problems and that the annuity might not be a safe investment
10 for the future. Adkins provided a crude balance sheet showing that the insurance company owned a substantial
11 amount of "junk bonds" and that it would become insolvent if these bonds defaulted. After discussing the
12 matter with Adkins, the client removed funds from his annuity and used them to purchase bonds issued by
13 Adkins' companies. The insurance company has been registered to do business as an insurance company in
14 the Washington since 1964 and has met the state's solvency requirements at all times. It currently has more
15 than 3 billion dollars in assets and is rated AAA by Standard & Poor's Insurance Rating Services. The client
16 purchased a Senior Estate Planning Group bond from Neil Adkins for \$25,000 and made the purchase with
17 funds withdrawn from his annuity. Adkins gave the client a bond certificate which indicated that the bond
18 would pay 12% interest and that it would mature in five years. Over a period of approximately one and one
19 half years, the client purchased additional bonds issued by Adkins' companies. These investments total
20 approximately \$150,000 and represent a substantial portion of his life savings.

21 3.31 On December 23, 1996, Neil T. Adkins made a second filing with the Securities Division on
22 behalf of Senior Estate Planning Group, Inc. This notice filing indicated that SEPG planned to conduct a bond
23 offering pursuant to the Securities Act of 1933, Regulation D, Rule 505 and WAC 460-44A-505 and that the
24 aggregate offering amount would be \$5,000,000. The filing was assigned the number E-21186. Adkins and

1 Cannon continued to sell SEPG bonds to the same group of investors using the same sales techniques as in the
2 first offering. They visited clients in their homes and encouraged them to purchase SEPG bonds with any
3 available funds. The sales were made without regard to the suitability of the investment for the clients.

4 3.32 None of the non-accredited investors regarding the offerings described in paragraph 3.31
5 received the required financial and non-financial information specified in WAC 460-44A-502.

6 3.33 Adkins and Cannon used an offering document in connection with SEPG's second bond
7 offering which was substantially similar to the document used in its first offering. Like its predecessor, the
8 offering document indicates that SEPG was selling bonds in an effort to raise capital with which to expand its
9 business. The offering document does not mention the first bond offering, and does not explain how the
10 proceeds from that offering were actually used. The offering document reiterates the company's need for
11 money in order to take advantage of future growth opportunities.

12 3.34 The offering document does not contain information about SEPG's financial situation and
13 does not disclose SEPG's history of losses and nominal earnings and does not contain financial statements
14 prepared in accordance with generally accepted accounting principles.

15 3.35 The offering document does contain a "Profit & Loss" statement. This statement purports to
16 show the results of the company's business activities from January 1, 1996 through December 31, 1996.
17 According to the statement, SEPG generated income of \$1,525,529.57 and realized a profit of \$172,990.08
18 from its operations. The statement improperly characterizes \$468,527.17 in proceeds from the sale of bonds
19 as income to the corporation. It also incorrectly characterizes loan items totaling \$33,683.73 as income to the
20 corporation. When these errors are corrected, the statement indicates that SEPG actually lost about \$330,000 in
21 1996.

22 3.36 The offering document includes the same information about SEPG's audit practices, reporting
23 standards, and ability to guarantee repayment of bondholder principal as stated in paragraphs 3.27 and 3.28.
24 SEPG was never audited and the company never prepared the detailed reports it promised that bondholders

1 would receive. Also, the company never owned sufficient U.S. Government Treasuries to secure the repayment
2 of bondholder principal. SEPG liquidated the majority of its government bonds on April 15, 1997 and closed
3 its brokerage account on October 27, 1998. The offering document omits material information about Adkins'
4 background and other business ventures as stated in paragraph 3.29.

5 3.37 John Cannon told two clients that one of the insurance companies where these clients had an
6 annuity was going out of business and their investment would no longer be safe. Cannon claimed that he was a
7 Certified Financial Planner and therefore qualified to advise the clients about their financial affairs. Cannon is
8 neither a certified financial planner nor licensed as an investment adviser. Cannon told the clients that other
9 SEPG clients were withdrawing their money from their annuities, were placing their funds into a "safer and
10 better" investment, and that they should do the same. Cannon told the clients that SEPG was a nationwide
11 insurance agency with numerous branch offices. He showed them a list of addresses for the company's branch
12 offices. Cannon claimed that SEPG owned a law firm and brokerage house and that its business was thriving.
13 SEPG did not own a law firm and did not employ any attorneys. Cannon also gave the clients a color brochure
14 which contained a picture of a skyscraper with the words "CORPORATE HEADQUARTERS" printed next to
15 it. The company only rented only a small portion of the building. Cannon assured the clients that the bonds
16 were completely safe and guaranteed. He explained that SEPG's bonds were like government bonds and that
17 they were guaranteed by a mechanism similar to the FDIC. Cannon gave the clients an information sheet
18 which indicated that the SEPG bonds were "BACKED BY '0' COUPON GOVERNMENT BONDS" and told
19 them that they could move their savings into SEPG bonds without incurring any penalties. Based upon this
20 information, the clients withdrew money from their annuity (\$100,000) and used it to purchase bonds issued by
21 Senior Estate Planning Group. They later received a bond certificate with a stated rate of interest of 12% and a
22 term of five years. They incurred surrender charges of almost \$10,000 in connection with the withdrawal of
23 their funds.

24 3.38 Over a period of approximately two years, Adkins and Cannon sold a total of at least

1 \$2,400,000 worth of SEPG bonds to 22 different investors.

2 AN SECURITY BOND OFFERINGS

3 3.39 On March 31, 1994, Neil Adkins sent a Notice of Claim of Exemption to the Securities
4 Division on behalf of American National Security, Inc. The Notice indicated that AN Security planned to
5 conduct a bond offering pursuant to RCW 21.20.320 and WAC 460-44A-504 and that the aggregate offering
6 amount would be \$175,000. This filing was assigned the number E-18598. The AN Security bond offering
7 was subject to the same suitability requirements as the offerings previously discussed. As with the other
8 offerings, Adkins sold AN Security bonds to his clients without regard to suitability of the investment for the
9 clients.

10 3.40 Adkins used an offering document in connection with the sale American National Security
11 bonds which contains a number of representations about the company and its operations. It states that AN
12 Security is a full service security company which is expected to grow rapidly over a five year period. The
13 offering document contains the following sales projections for AN Security: \$1,500,000 in Year 1, \$3,000,000
14 in Year 2, \$4,500,000 in Year 3, \$6,000,000 in Year 4, and \$8,000,000 in Year 5.

15 3.41 According to the offering document, AN Security anticipated profits of \$300,000 during its
16 first year of operation and, by its fifth year, the company's earnings would be \$1,500,000 per year. The
17 offering document also indicates that AN Security was planning to go public and would double in size during
18 its first five years. The offering document does not contain financial statements nor does it disclose that AN
19 Security was a development stage company with no proven ability to generate sales or profits.

20 3.42 The offering document states that American National Security will be run by Neil Adkins and
21 that Adkins has founded two other businesses. It does not mention that Adkins had no prior experience running
22 a security business. It does not contain the information listed in paragraph 3.29.

1 3.43 The AN Security prospectus makes claims about the safety of investor funds similar to those
2 contained in the SEPG offering documents. It includes a worksheet outlining a \$25,000 investment in the
3 company's bonds which shows that bondholder principal is secured by an equal amount of U.S. Government
4 bonds. American National Security, Inc. never owned or acquired any U.S. Government securities and
5 bondholder principal was never guaranteed by these instruments.

6 3.44 During sales visits, Adkins misrepresented facts and omitted to state material information in
7 an effort to induce their clients to purchase AN Security bonds. The investor account which appears below
8 illustrates these practices: Two of Adkins' clients had no investment experience whatsoever. The clients
9 explained their situation to Adkins and told him that they wanted someone to manage their money. He then
10 advised the clients that they needed a revocable living trust and pour-over will. The clients promptly purchased
11 these products. After their trust was created, Adkins told the clients that they should invest in annuities from
12 insurance companies. The clients understood that these were safe investments and that they would receive
13 \$750 per month. They purchased two contracts from Adkins and arranged for the payments to be deposited
14 directly into a bank account. The clients used this money to pay their living expenses. In June of 1994, the
15 clients contacted Adkins and asked if he could arrange things so that they would receive more monthly income.
16 Adkins told the clients that they should change investments and put some of their money into bonds issued by
17 American National Security. According to Adkins, these bonds were guaranteed to pay 10% interest and the
18 clients would receive monthly payments. Adkins claimed that the AN Security bonds would provide more
19 income than their annuities with no additional risk. He also assured the clients that they could withdraw their
20 money at any time. On June 13, 1994, the clients withdrew \$30,000 from their American Life annuity and used
21 it to purchase an American National Security bond from Adkins. Adkins said nothing about the company
22 which issued the bond but did provide the clients with a American National Security prospectus. The clients,
23 however, could not read or understand it and Adkins made no effort to educate them about their investment. On
24 June 1, 1996, the clients withdrew \$40,000 from their annuities and purchased a second AN Security bond from

1 Adkins. This bond stated that it would pay 12% interest and mature in three years. He did not inform them
2 that, by that time, AN Security had lost significant amounts of money or that it had completely failed to meet its
3 sales and profit projections.

4 3.45 On September 1, 1995, Neil Adkins sent a second Notice of Claim of Exemption to the
5 Securities Division on behalf of American National Security, Inc. The Notice indicated that AN Security
6 planned to conduct a bond offering pursuant to RCW 21.20.320 and WAC 460-44A-504 and that the aggregate
7 offering amount would be \$250,000. This filing was assigned the number E-19961. AN Security's second
8 bond offering was conducted in the same manner as its first offering. In his continuing effort to obtain funding,
9 Adkins sold bonds to the same group of investors, used the same offering document, and made the same
10 misrepresentations and omissions to investors. He failed to correct the misrepresentations contained in the first
11 offering document and did not supply omitted information to investors during the second bond offering. As
12 with the other bond offerings, Adkins sold AN Security bonds without regard to the suitability of the
13 investment for the clients.

14 3.46 Between 1994 and 1996, Adkins sold approximately \$412,000 worth of American National
15 Security bonds to at least seven different investors. On June 22, 1998, the company was dissolved by the
16 Secretary of State and its account with the Washington State Department of Revenue was closed.

17 AN SAFETY BOND OFFERINGS

18 3.47 On May 30, 1997, Neil Adkins sent a Notice of Claim of Exemption to the Securities Division
19 on behalf of American National Safety, Inc. The Notice indicated that AN Safety planned to conduct a bond
20 offering pursuant to RCW 21.20.320 and WAC 460-44A-504. This filing was assigned the number E-21635.
21 The AN Safety bond offering was subject to the same suitability requirements as the offerings already
22 discussed. As with the other bond offerings, Adkins sold AN Safety bonds to his clients without regard to the
23 suitability of the investment for the clients.

1 3.48 In addition to the suitability requirement, AN Safety was required by WAC 460-44A-
2 503(1)(a)(i)(D) to file a notice of its proposed offering no later than ten business days before the receipt of
3 consideration or delivery of a signed subscription agreement. Adkins made at least four sales of American
4 National Safety bonds in advance of the company's filing date.

5 3.49 Adkins used substantially the same offering document in connection with the sale of AN
6 Safety bonds as he used with the Senior Estate Planning Group offerings. The AN Safety offering document
7 indicates that the company would be audited annually by independent accountants, that detailed financial
8 reports would be prepared and provided to bondholders, and that repayment of bondholder principal was
9 guaranteed by U.S. Government Treasuries. AN Safety was never audited and the reports promised to
10 bondholders were never prepared. Also, AN Safety never owned any government bonds which could have
11 secured the repayment of bondholder principal.

12 3.50 The AN Safety offering document also omitted material information about Neil Adkins'
13 background and other business ventures. It does not inform investors of his prior bankruptcy, tax lien, lawsuits,
14 or questionable sales practices.

15 3.51 The AN Safety offering document contains a pro forma which indicates that American
16 National Safety expected to generate monthly profits of \$29,500 on sales of 400 units during its first year of
17 operations. These figures are offered without any basis in fact and are contrary to actual business experience.
18 Adkins had already attempted to conduct substantially the same business with AN Security. AN Security
19 sustained significant operating losses and failed to meet its sales and profit projections.

20 3.52 During sales visits, Adkins misrepresented facts and omitted to state material information in
21 an effort to induce their clients to purchase AN Safety bonds. The investor account which appears below
22 illustrates these practices: A client purchased an American National Safety bond from Neil Adkins using
23 \$25,000 from an annuity. The interest rate stated on the bond certificate is 12%. No maturity date is indicated.
24 Adkins did not tell the client that AN Safety had existed for just three months at the time of the sale. He did not

1 provide the client with a business plan for AN Safety or any financial statements for the company. Finally,
2 Adkins did not tell the client that his other security business, American National Security, had experienced
3 losses of more than \$300,000 in the two preceding years.

4 3.53 On November 12, 1999, Neil T. Adkins made a second filing with the Securities Division on
5 behalf of American National Safety, Inc. In this filing, Adkins requested approval for a securities offering
6 pursuant to the Securities Act of 1933, Regulation D, Rule 505 and WAC 460-44A-505. The filing indicated
7 that American National Safety would offer bonds in the aggregate amount of \$3,000,000 and that \$649,068
8 worth of securities had already been sold. This filing was assigned the number E-24728.

9 3.54 On November 18, 1999, the Securities Division requested additional information from
10 American National Safety. AN Safety was directed to provide a Report of Sales and a copy of the offering
11 material used in connection with the sale of its bonds. Neither Adkins nor AN Safety adequately complied
12 with the Securities Division's request for information.

13 3.55 Adkins sold approximately \$600,000 worth of AN Safety bonds. Sales began in 1996 and
14 continued through September 25, 1998. On November 30, 1997, AN Safety closed its account with the
15 Washington State Department of Revenue and has paid no taxes since that time. The company was dissolved
16 by the Secretary of State on August 24, 1998.

17 RSI BOND OFFERINGS

18 3.56 On May 30, 1997, Neil Adkins filed a Notice of Claim of Exemption with the Securities
19 Division on behalf of Research Safety Industries, Inc. The Notice indicated that RSI planned to conduct a bond
20 offering pursuant to RCW 21.20.320 and WAC 460-44A-504 and that the aggregate offering amount would be
21 \$500,000. This filing was assigned the number E-21636. The RSI bond offering was subject to the same
22 suitability requirements as the offerings already discussed. As with the other bond offerings, Adkins sold RSI
23 bonds to his clients without regard to the suitability of the investment for the clients.

1 3.57 RSI was also required by WAC 460-44A-503(1)(a)(i)(D) to file a notice of the proposed
2 offering no later than ten business days before the receipt of consideration or delivery of a signed subscription
3 agreement. However, Adkins made approximately six sales in advance of RSI's filing date.

4 3.58 Adkins used substantially the same offering document in connection with the sale of RSI
5 bonds as he used with the Senior Estate Planning Group offerings. The RSI offering document indicates that
6 the company would be audited annually by independent accountants, that detailed financial reports would be
7 prepared and provided to bondholders, and that repayment of bondholder principal was guaranteed by U.S.
8 Government Treasuries. RSI was never audited and the reports promised to bondholders were never prepared.
9 RSI never owned any government bonds which could have secured the repayment of bondholder principal.

10 3.59 The RSI offering document also omitted material information about Neil Adkins' background
11 and other business ventures. Investors are not informed of his prior bankruptcy, tax lien, lawsuits, or the
12 Assurance of Discontinuance with the Office of the Attorney General relating to the sale of revocable living
13 trusts.

14 3.60 During sales visits, Adkins misrepresented facts and omitted to state material information in
15 an effort to induce their clients to purchase RSI bonds. The investor accounts which appear below and in
16 paragraph 3.65 illustrates these practices: Adkins assisted another client with the creation of a living trust and
17 had sold her various annuity products. Adkins also persuaded this client to purchase a number of bonds issued
18 by his corporations. Over a two year period, it appears that the client purchased about ten bonds from Adkins
19 at a cost of approximately \$450,000.

20 3.61 On October 10, 1997, Neil Adkins filed a second Notice of Claim of Exemption with the
21 Securities Division on behalf of Research Safety Industries, Inc. The Notice indicated that RSI planned to
22 conduct a bond offering pursuant to RCW 21.20.320 and WAC 460-44A-504 and that the aggregate offering
23 amount would be \$500,000. This filing was assigned the number E-21983. The second RSI bond offering was

1 subject to the same suitability requirements as the offerings already discussed. As with the other bond
2 offerings, Adkins sold RSI bonds to his clients without regard to the suitability of the investment for the clients.

3 3.62 RSI's second offering was made pursuant to the same plan of financing as its first offering.
4 RSI offered bonds to the same group of investors in exchange for the same type of consideration in both
5 offerings. Investor funds were deposited to the same group of bank accounts and used in the same manner in
6 both offerings. Less than four months elapsed between the filings. Based upon these facts, both of RSI's
7 filings are treated as a single offering under WAC 460-44A-502(1).

8 3.63 As previously noted, WAC 460-44A-504 limits the amount of securities which can be sold to
9 not more than \$500,000 in a twelve month period. Between May 1, 1997 and April 30, 1998, Adkins sold
10 approximately \$680,000 worth of RSI bonds.

11 3.64 Adkins used the same offering document in connection with both RSI bond offerings. (See
12 paragraphs 3.58 and 3.59).

13 3.65 Adkins arranged to have a living trust created for two clients and convinced them to liquidate
14 their stocks and use the proceeds to purchase annuities. The value of these investments was approximately
15 \$285,000. Adkins later visited the clients and suggested that they purchase a bond issued by Research Safety
16 Industries. According to Adkins, the clients could earn 12% interest with the bond and "would get more
17 investment for his money" than with the annuities he already owned. The clients purchased a Research Safety
18 Industries bond from Adkins. The clients did not receive an offering circular or other documentation in
19 connection with the purchase of the RSI bond.

20 3.66 On November 12, 1999, Neil T. Adkins made a third filing with the Securities Division on
21 behalf of Research Safety Industries, Inc. In this filing, Adkins requested approval for a securities offering
22 pursuant to the Securities Act of 1933, Regulation D, Rule 505 and WAC 460-44A-505. The notice indicated
23 that Research Safety Industries would offer bonds in the aggregate amount of \$3,000,000 and that \$808,305
24 worth of securities had already been sold. This filing was assigned the number E-24727.

1 4.3 Neil T. Adkins has violated RCW 21.20.010 by engaging in a pattern of conduct involving the
2 issuance of securities pursuant to claims of exemption which tended to operate as a fraud upon investors.

3 4.4 C. John Cannon and Senior Estate Planning Group have each violated RCW 21.20.010 in
4 connection with the sale of bonds by misrepresenting facts and omitting facts necessary in order to make their
5 statements, in light of the circumstances in which they were made, not misleading.

6 4.5 The offer and/or sale of corporate bonds issued by Senior Estate Planning Group, American
7 National Security, American National Safety, Research Safety Industries, American National Security
8 Monitoring, and Executive Search violated RCW 21.20.140 because sales were made while no valid
9 registration and no valid claim of exemption for such offers and/or sales existed.

10 4.6 Neil T. Adkins has violated RCW 21.20.040 by offering and/or selling the corporate bonds
11 issued each of the six corporate respondents while not registered as a securities salesperson or broker-dealer in
12 the state of Washington.

13 4.7 C. John Cannon has violated RCW 21.20.040 by offering and/or selling the corporate bonds
14 issued by Senior Estate Planning Group, Inc. while not registered as a securities salesperson or broker-dealer in
15 the state of Washington.

16
17 **V. CONSENT ORDER**

18 Based on the foregoing:

19 5.1 It is AGREED AND ORDERED that Respondents, their agents, and employees shall each
20 cease and desist from offering and/or selling securities in violation of RCW 21.20.140, the registration section
21 of the Securities Act of Washington.
22

1 5.2 It is further AGREED AND ORDERED that Respondents Adkins and Cannon shall each
2 cease and desist from offering and/or selling securities, including variable annuity contracts, in violation of
3 RCW 21.20.040, the salesperson registration section of the Securities Act of Washington.

4 5.3 It is further AGREED AND ORDERED that Respondents, their agents, and employees shall
5 each cease and desist from violation of RCW 21.20.010, the anti-fraud section of the Securities Act.

6 5.4 It is further AGREED AND ORDERED that Respondents Adkins and Cannon shall each not
7 make application for nor be granted a securities salesperson or investment adviser representative license for a
8 period of seven (7) years from the date of entry of this Order by the Securities Administrator.

9 5.5 It is further AGREED AND ORDERED that offers and sales of securities under E-19960, E-
10 21186, E-18598, E-19961, E-21635, E-24728, E-21636, E-21983, and E-24727, which have been suspended
11 since the issuance of SDO-30-00 on March 14, 2000, are hereby revoked as of the date of entry of this Order by
12 the Securities Administrator.

13 5.6 It is further AGREED AND ORDERED that, based upon repeated violation of RCW
14 21.20.010 and a pattern of non-compliance with the conditions of exemptions claimed, the availability of the
15 exemptions from registration contained in RCW 21.20.320(1), (9), (11), and (17), which have been withdrawn
16 from Neil T. Adkins, C. John Cannon, Senior Estate Planning Group, American National Security, American
17 National Security Monitoring, American National Safety, Research Safety Industries, and Executive Search
18 since the issuance of SDO-30-00 on March 14, 2000, are hereby revoked as of the date of entry of this Order by
19 the Securities Administrator.

20 5.7 It is further AGREED AND ORDERED that Respondents, their agents, and employees,
21 affiliates, and successors, each shall disclose the existence of this Order in any prospectus or offering circular to
22 be used in conjunction with the offer and sale of any security in the state of Washington.
23

1 5.8 It is further AGREED that Respondents shall reimburse the Securities Division Twenty
2 Thousand Dollars (\$20,000) for its costs incurred in its investigation of this matter. Said payment shall be
3 made to the Division prior to the entry of this Order. In the event of a violation of this Order, the Division will
4 seek enforcement of this Order pursuant to RCW 21.20.395.

5 5.9 It is further AGREED AND ORDERED that, based on the above Findings of Fact and
6 Conclusions of Law, that Respondent Adkins shall be subject to a fine in the amount of Eighty Thousand
7 Dollars (\$80,000), with the entire amount suspended based on future compliance with this Order. In the event
8 of a violation of this Order, the Division will seek enforcement of the Order pursuant to RCW 21.20.395.

9 5.10 It is further AGREED that the Securities Division has jurisdiction to enter this Order.

10 5.11 It is further AGREED AND ORDERED that in consideration of the agreements set forth in
11 this Consent Order, Respondents each waive their right to a hearing in this matter, and each waive their right to
12 judicial review of this Order pursuant to RCW 21.20.440.

13 **WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.**

14
15 SIGNED this _____ day of _____, 2002.

16 Respondent:

17 SENIOR ESTATE PLANNING GROUP, INC.

18
19 Signed By _____
20 C. John Cannon, President

21 Respondents:

22 AMERICAN NATIONAL SECURITY, INC., AMERICAN NATIONAL SECURITY MONITORING, INC.,
23 AMERICAN NATIONAL SAFETY, INC., RESEARCH SAFETY INDUSTRIES, INC., AMERICAN
24 NATIONAL SECURITY MONITORING, INC., AND EXECUTIVE SEARCH, INC.

1 Signed By _____
2 Neil Adkins, President (of all above referenced Respondent corporations)

3
4 _____
5 Respondent NEIL ADKINS, individually

6 _____
7 Respondent C. JOHN CANNON, individually

8 -----
9 **THIS ORDER ENTERED THIS 1st DAY OF May, 2002 BY:**

10 

11 _____
12 DEBORAH R. BORTNER
13 Securities Administrator

14 Approved by:

Presented by:

15 _____
16 Michael E. Stevenson
17 Chief of Enforcement

18 _____
19 Suzanne Sarason
20 Senior Enforcement Attorney