



**TENTATIVE FINDINGS OF FACT**

**I. RESPONDENTS**

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

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

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

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

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

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

G. C. JOHN CANNON (“CANNON”) was Executive Vice President of SEPG and President of 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 H. NEIL T. ADKINS (“ADKINS”) owned and controlled all of the corporate entities listed above at  
4 all times relevant to this order. Adkins is not currently registered as a securities salesperson or broker-dealer in  
5 the State of Washington and has not previously been so registered.

## 6 7 II. NATURE OF THE OFFERINGS

8 The following Findings of Fact relate to the offer and sale of bonds issued by Senior Estate Planning  
9 Group, American National Security, American National Safety, Research Safety Industries, American National  
10 Security Monitoring, and Executive Search. Each of these corporations was owned and controlled by Neil T.  
11 Adkins throughout the period during which bonds were offered. Adkins personally sold bonds issued by each  
12 of the six corporations; Cannon sold a majority of the Senior Estate Planning Group bonds. In total, Adkins  
13 and Cannon sold approximately \$4,300,000 worth of securities to about 40 investors. All of the investors were  
14 clients of Senior Estate Planning Group (see discussion below).

### 15 A. SENIOR ESTATE PLANNING GROUP, INC.

#### 16 1. COMPANY BACKGROUND

17 Senior Estate Planning Group was incorporated on January 31, 1991. Its business consists of providing  
18 financial and estate planning services to senior citizens. Through its subsidiary companies, SEPG offers clients  
19 life insurance, long term care insurance, and annuity products. It also refers clients to attorneys and certified  
20 public accountants for the preparation of estate planning documents.  
21

22 SEPG conducts its business through commissioned sales agents. These individuals typically arrange to  
23 meet with senior citizens in their homes. During their visits, the sales representatives discuss the client’s

1 financial situation and offer to sell them a variety of products and services. Clients are encouraged to purchase  
2 a package of items which generally consists of a revocable living trust, various insurance policies, and one or  
3 more annuity contracts. After the sale, agents stay in contact with the client by periodically reviewing their  
4 financial situation and offering to assist with the management of their assets.

5 These activities were the subject of an investigation by the Office of the Attorney General. Responding  
6 to numerous complaints, the Attorney General initiated a consumer protection investigation pursuant to RCW  
7 19.86 and determined that Senior Estate Services (a company related to SEPG) and Neil T. Adkins had engaged  
8 in questionable sales practices related to revocable living trusts. Adkins settled this matter by signing an  
9 Assurance of Discontinuance which was entered by the King County Superior Court on February 27, 1996.

10 **2. SEPG BOND OFFERING #1**

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

15 a. Non-compliance with terms of the exemption

16 i. *Suitability determination*

17 To qualify for an exemption from registration, the SEPG bond offering was required to meet certain  
18 legal conditions. First, if the bonds were sold to anyone who was not an “accredited investor” as that term is  
19 defined in WAC 460-44A-501, SEPG and its agents were required to investigate and reasonably believe that  
20 either (1) the bonds were suitable for the investor based upon the investor’s other security holdings, financial  
21 situation, and needs, or (2) the investor was capable of evaluating the merits and risks of the proposed  
22 investment in light of the investor’s knowledge and experience. WAC 460-44A-504(3)(d).  
23

1 As noted above, Adkins and Cannon offered the SEPG bonds only to SEPG clients. Most of the clients  
2 who purchased the bonds lacked sufficient income and/or net worth to qualify as accredited investors. All  
3 purchasers were senior citizens and many of them lived on fixed monthly incomes. Adkins and Cannon  
4 ignored these facts, however, and sold SEPG bonds without regard to whether they were suitable for investors  
5 based upon their age, financial situation, and future needs. This practice continued throughout each of the  
6 offerings described below.

7 Many of the people who purchased SEPG bonds lacked the knowledge and experience necessary to  
8 understand the risks associated with this investment. These individuals generally had little or no experience  
9 choosing among different investment products. Most owned a modest portfolio of annuity contracts and were  
10 receiving fixed monthly payments before they were encouraged to surrender their annuities and purchase  
11 bonds. These investors often based their decision to change investments upon recommendations from Adkins  
12 and Cannon. Some individuals have stated that they purchased the bonds with no knowledge of the company  
13 which issued them because they trusted Adkins and Cannon to act in their best interest.

14 Based upon the Securities Division's investigation, the SEPG bonds were not suitable investments for  
15 the individuals to whom they were offered nor did these individuals have the knowledge and experience  
16 necessary to evaluate the risks associated with such investments. Consequently, SEPG failed to comply with  
17 the terms of the exemption claimed.

18 *ii. Limitation on aggregate offering price*

19 In addition to the suitability requirement, the law limits the amount of securities that can be sold  
20 pursuant to exemption. WAC 460-44A-504 provides that the aggregate sales price of an offering cannot  
21 exceed \$500,000 in a twelve month period. Between April 4, 1996 and November 20, 1996, Adkins and  
22 Cannon combined to sell at least \$600,000 worth of SEPG bonds. As a result, SEPG failed to comply with the  
23 terms of the exemption claimed.

1                    b. Misrepresentations and omissions in the offering document

2                    As part of the sales transaction, Adkins and Cannon gave some investors an offering document and  
3                    required them to sign an agreement stating that their decision to purchase the bonds was based upon the  
4                    information it contained. The offering document was a thick, official-looking publication approximately one-  
5                    half of which was written as a legal contract. Most investors signed the agreement although not all of them  
6                    received a copy of the offering document.

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

12                   Although it contains many statements about SEPG's future prospects, the offering document does not  
13                   provide investors with basic information about the company's operating history. SEPG was incorporated in  
14                   1991. The results of its operations for that year are not known. However, according to tax documents, the  
15                   company sustained losses in both 1992 and 1994. SEPG did not file a federal tax return for 1995 until  
16                   September 28, 1998. For the year 1995, SEPG had taxable income of only \$32,583. The offering document  
17                   does not disclose this history of losses and nominal earnings.

18                   The offering document fails to provide investors with information about SEPG's financial condition.  
19                   It does not contain financial statements prepared in accordance with generally accepted accounting principles.  
20                   A balance sheet is included, however, which indicates that the company's net worth was \$471,000. This figure  
21                   is misleading. The statement improperly classifies "Stock Holder Equity" as an asset of the corporation and  
22                   leads potential investors to believe that the company was financially sound. In fact, SEPG's liabilities  
23                   exceeded its assets at the end of 1994 and it had retained earnings of only \$27,183 at the close of 1995.

1 The offering document also misrepresents SEPG's accounting and reporting practices. It indicates that  
2 the company is audited annually by independent accountants and that SEPG provides bondholders with a series  
3 of detailed reports describing its business activities and financial condition. According to the offering  
4 document, all bondholders receive the following items: (1) a quarterly report showing receipt and disbursement  
5 of revenue, (2) an audited balance sheet, income statement, and statement of cash flows, (3) an independent  
6 appraisal of the fair market value of the corporation and its outstanding bonds, and (4) a report reconciling the  
7 financial information contained in the company's annual report with information received for federal and state  
8 tax returns. According to Adkins, these audits were never conducted and the bondholder reports were never  
9 prepared. However, over the entire offering period, neither Adkins nor Cannon disclosed this fact to investors.

10 Notwithstanding its true financial condition, the offering document indicates that the SEPG bonds are  
11 safe investments. Repayment of principal is supposedly guaranteed even if the company is unable to satisfy its  
12 other obligations. According to the offering document, the SEPG bonds were backed by long-term U.S.  
13 Government Treasuries which would be used to repay investors if necessary. These representations are also  
14 false and misleading. At no time did SEPG own U.S. Treasuries in an amount sufficient to guarantee the return  
15 of bondholder principal. SEPG did purchase U.S. Treasuries for its own account. However, the total face  
16 value of the bonds it purchased was approximately \$170,000 to cover total sales of approximately \$2,400,000  
17 worth of its own bonds. Moreover, investors had no claim to these securities because the company did not  
18 assign ownership to them.

19 Finally, 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. However, it fails to provide investors with material information  
21 about Adkins' background and other business ventures. Investors were not informed that Adkins had  
22 previously filed for bankruptcy protection. They were not told that the Internal Revenue Service placed a large  
23 tax lien on Adkins' residence for failure to pay income taxes. The offering document does not reveal that  
24 Adkins had been sued by at least one insurance company, nor does it inform investors of the Assurance of

1 Discontinuance Adkins entered into with the Office of the Attorney General. Finally, the offering document  
2 fails to disclose the large losses that Adkins' other company, American National Security, sustained in 1994  
3 and 1995. These losses totaled \$93,957 and \$212,531 respectively in the two years immediately preceding the  
4 SEPG bond offering.

5 c. Misrepresentations and omissions in connection with the sale

6 During their sales visits, Adkins and Cannon misrepresented facts and withheld information from their  
7 clients in an effort to induce them to purchase SEPG bonds. The investor accounts which appear below  
8 illustrate these practices.

9 Mr. O was a client of Senior Estate Planning Group when it began issuing bonds. In 1996, he was 71  
10 years old and lived with his wife. Mr. O had retired from employment at the Boeing Company and Mrs. O did  
11 not work outside of the home.

12 When he first met Neil Adkins, Mr. O's life savings were invested in a single IRA account opened  
13 through a stock broker. He had no experience with bonds or other types of investments. However, Mr. O  
14 wanted to find a better performing, less risky place to invest his life savings.

15 Mr. O discussed this situation with Neil Adkins during one of Adkins' sales visits. Adkins  
16 recommended that Mr. O invest in annuity contracts available through SEPG. Mr. O acted upon Adkins'  
17 advice and later removed funds from his IRA and purchased annuities from Bankers United Life Assurance  
18 Company and American Life & Casualty Company. Adkins and SEPG assisted Mr. O with the transfer of his  
19 funds and earned a commission on the sale of the annuity contracts.

20 After the sale, Adkins visited Mr. O periodically to discuss financial matters and the status of his  
21 investments. During one of these visits, Adkins mentioned that he was selling bonds issued by his own  
22 companies and encouraged Mr. O to consider buying these bonds and adding them to his portfolio. Adkins  
23 presented Mr. O with a worksheet comparing a \$100,000 investment in Bankers United annuities with

1 \$100,000 invested in bonds issued by his companies. According to the worksheet, Mr. O would realize a  
2 \$6,000 yearly gain by moving his investment from Bankers United to Adkins' corporate bonds.

3 Adkins warned Mr. O that Bankers United was experiencing financial problems and that it might not be  
4 a safe investment for the future. He provided a crude balance sheet showing that the insurance company owned  
5 a substantial amount of "junk bonds" and that it would become insolvent if these bonds defaulted. After  
6 discussing the matter with Adkins, Mr. O decided to remove funds from his Bankers United annuity and use  
7 them to purchase bonds issued by Adkins' companies.

8 Adkins' representations about Bankers United Life Assurance Company were completely untrue.  
9 Bankers United has been registered to do business as an insurance company in the Washington since 1964 and  
10 has met the state's solvency requirements at all times. It currently has more than 3 billion dollars in assets and  
11 is rated AAA by Standard & Poor's Insurance Rating Services. However, Adkins presented a very different  
12 picture of the company's financial situation to Mr. O.

13 On August 8, 1996, Mr. O purchased a Senior Estate Planning Group bond from Neil Adkins for  
14 \$25,000. He made the purchase with funds withdrawn from his Bankers United annuity. Adkins gave Mr. O a  
15 bond certificate which indicated that the bond would pay 12% interest and that it would mature in five years.  
16 Mr. O placed the SEPG bond into a retirement account at Seafirst Investment Services.

17 Over a period of approximately one and one half years, Mr. O purchased additional bonds issued by  
18 Adkins' companies. These investments total approximately \$150,000 and represent a substantial portion of his  
19 life savings. Mr. O purchased the bonds based upon his trust in Adkins and the information Adkins provided to  
20 him. He has since received at least two account statements indicating that his investments are safe and  
21 increasing in value.

1           **3.   SEPG BOND OFFERING #2**

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

6           a.   Non-compliance with terms of the exemption

7                   i.   *Suitability determination*

8           SEPG's second bond offering was subject to the same suitability requirements as its first offering. In  
9 all sales to non-accredited investors, SEPG and its sales agents must have inquired and reasonably believed that  
10 (1) the bonds were suitable for the investor based upon the investor's other security holdings, financial  
11 situation, and needs, or (2) the investor was capable of evaluating the merits and risks of the proposed  
12 investment in light of the investor's knowledge and experience. WAC 460-44A-505(2)(c).

13           Adkins and Cannon continued to sell SEPG bonds to the same group of investors using the same sales  
14 techniques as in the first offering. They visited clients in their homes and encouraged them to purchase SEPG  
15 bonds with any available funds. The sales were made without regard to the client's age, financial situation,  
16 other security holdings, future needs, or investment experience. As a result, Adkins and Cannon failed to  
17 comply with the terms of the claimed exemption.

18                   ii.   *Required documents*

19           SEPG and its agents were also required to provide non-accredited investors with detailed information  
20 about the company before selling them securities. WAC 460-44A-502 requires issuers claiming an exemption  
21 pursuant to WAC 460-44A-505 to provide non-accredited investors with specific financial and non-financial  
22 information, including: an account of the risk factors associated with the company, a list of the company's  
23 information, including: an account of the risk factors associated with the company, a list of the company's

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1 main competitors and the basis upon which competition will occur, a specific description of the marketing  
2 strategies the company will employ and the timing and size of the results that are necessary for the company to  
3 be profitable, an account of the principal properties (real estate, plant and equipment, etc) that the company  
4 owns, an indication of whether the company is having or anticipates having any cash flow or liquidity  
5 problems, and a list of any litigation or administrative action against the company. In addition, SEPG was  
6 required to provide the following financial information: an audited balance sheet dated within 120 days of the  
7 start of the offering, and, for each of the two preceding years, statements of income, cash flows, and changes in  
8 stockholder's equity. SEPG was required to prepare these items in accordance with generally accepted  
9 accounting principles and to keep them updated with interim statements as of the end of the company's most  
10 recent fiscal quarter.

11 Although a majority of the people who purchased SEPG bonds were non-accredited investors, none of  
12 them received the financial and non-financial information described above. Some investors received no  
13 disclosure information whatsoever. Other investors relied upon the representations contained in SEPG's  
14 offering document.

15 b. Misrepresentations and omissions in the offering document

16 Adkins and Cannon used an offering document in connection with SEPG's second bond offering which  
17 was substantially similar to the document used in its first offering. Like its predecessor, the 505 offering  
18 document indicates that SEPG was selling bonds in an effort to raise capital with which to expand its business.  
19 It does not mention the first bond offering, however, nor does it explain how the proceeds from that offering  
20 were actually used. Instead, the 505 offering document simply reiterates that the company needs money in  
21 order to take advantage of future growth opportunities.

22 The 505 offering document lacks information about SEPG's financial situation. Like the first offering  
23 document, the 505 offering document does not disclose SEPG's history of losses and nominal earnings and

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1 does not contain financial statements prepared in accordance with generally accepted accounting principles.

2 The 505 offering document does, however, contain a "Profit & Loss" statement that was not included  
3 in first offering document. This statement purports to show the results of the company's business activities  
4 from January 1, 1996 through December 31, 1996. According to the statement, SEPG generated income of  
5 \$1,525,529.57 and realized a profit of \$172,990.08 from its operations. However, like the balance sheet  
6 discussed above, these figures are misleading. The statement improperly characterizes \$468,527.17 in proceeds  
7 from the sale of bonds as income to the corporation. It also incorrectly characterizes loan items totaling  
8 \$33,683.73 as income to the corporation. When these errors are corrected, the statement indicates that SEPG  
9 actually lost about \$330,000 in 1996. This fact was not disclosed to investors.

10 The 505 offering document includes the same misrepresentations about SEPG's audit practices,  
11 reporting standards, and ability to guarantee repayment of bondholder principal as discussed above. As  
12 indicated, SEPG was never audited and the company never prepared the detailed reports it promised that  
13 bondholders would receive. Also, the company never owned sufficient U.S. Government Treasuries to secure  
14 the repayment of bondholder principal. In fact, SEPG liquidated the majority of its government bonds on April  
15 15, 1997 and closed its brokerage account on October 27, 1998.

16 Finally, the 505 offering document also omits material information about Adkins' background and  
17 other business ventures. It does not inform investors of his prior bankruptcy, tax lien, lawsuits, or questionable  
18 sales practices. The fact that AN Security sustained significant (and contemporaneous) losses is not disclosed  
19 to investors.

20 c. Misrepresentations and omissions in connection with the sale

21 Mr. and Mrs. C participated in SEPG's second bond offering. The Cs became clients of SEPG in 1994  
22 when they hired the company to create a revocable living trust. Following its creation, the Cs funded their trust  
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1 by purchasing several annuities from representatives of SEPG. This money represented a substantial part of  
2 their life savings.

3 In January of 1998, the Cs received a telephone call from John Cannon. Cannon identified himself as  
4 vice president of Senior Estate Planning Group and told the Cs that he needed to meet with them to review their  
5 annuity investments. According to Cannon, one of the insurance companies where the Cs had an annuity,  
6 Bankers United, was going out of business and their investment would no longer be safe. At that time, Mr. and  
7 Mrs. C were both 74 years old and retired. They were scared by Cannon's suggestion that their savings were in  
8 jeopardy.

9 When Cannon met with the Cs, he made a number of misrepresentations about himself and SEPG.  
10 Cannon claimed that he was a Certified Financial Planner and therefore qualified to advise the Cs about their  
11 financial affairs. This representation was false as Cannon was neither a certified financial planner nor licensed  
12 as an investment adviser. Cannon told the Cs that other SEPG clients were withdrawing their money from  
13 Bankers United and placing it into a "safer and better" investment and that they should do the same. The  
14 investment Cannon referred to was SEPG bonds.

15 Cannon told the Cs that SEPG was a nationwide insurance agency with numerous branch offices. He  
16 showed them a list of addresses for the company's branch offices. Cannon claimed that SEPG owned a law  
17 firm and brokerage house and that its business was thriving. In fact, SEPG did not own a law firm and did not  
18 employ any attorneys. Cannon also gave the Cs a color brochure which contained a picture of a skyscraper  
19 with the words "CORPORATE HEADQUARTERS" printed next to it. The Cs were led to believe that SEPG  
20 owned the entire building. In fact, the company only rented only a small portion of the building.

21 The Cs expressed concern about purchasing Senior Estate Planning Group bonds with their retirement  
22 savings. Cannon assured them that the bonds were completely safe and guaranteed. He explained that SEPG's  
23 bonds were like government bonds and that they were guaranteed by a mechanism similar to the FDIC.  
24 Cannon gave the Cs an information sheet which indicated that the SEPG bonds were "BACKED BY '0'

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1 COUPON GOVERNMENT BONDS” and told them that they could move their savings into SEPG bonds  
2 without incurring any penalties.

3 Based upon this information, the Cs withdrew money from their Bankers United annuity and used it to  
4 purchase bonds issued by Senior Estate Planning Group. On January 27, 1998, they delivered a cashier’s check  
5 for \$100,000 to John Cannon in payment for their bond. After receiving their check, Cannon gave the Cs a  
6 copy of the SEPG prospectus. They later received a bond certificate with a stated rate of interest of 12% and a  
7 term of five years.

8 Following the sale, the Cs discovered that Cannon’s promise of a penalty-free transfer of their  
9 investment was false. They incurred surrender charges of almost \$10,000 in connection with the withdrawal of  
10 their funds. The Cs also learned that SEPG did not own the skyscraper pictured in the advertisement. They  
11 began to question a number of things that Cannon had told them and eventually hired an attorney in an attempt  
12 to recover their money.

13 The Cs’ decision to purchase SEPG bonds was based entirely upon Cannon’s representations about the  
14 company and their existing investments. They believed that SEPG was a profitable business and that Bankers  
15 United Life Assurance Company was in danger of failing. Neither of these statements was true. Banker United  
16 Life has conducted business in Washington since 1964 and has met the state’s solvency requirements at all  
17 times. SEPG, on the other hand, had a history of losses and nominal earnings. Cannon led the Cs to believe  
18 that SEPG bonds were safe investments and that their money was guaranteed against loss. However, as  
19 previously noted, SEPG never owned a sufficient quantity of U.S. Government bonds to guarantee repayment  
20 of bondholder principal. In fact, SEPG had sold most of its U.S. Government bonds before the Cs made their  
21 investment.

22 **4. SUMMARY OF SEPG BOND OFFERINGS**

23 Over a period of approximately two years, Adkins and Cannon sold a total of at least \$2,400,000 worth

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1 of SEPG bonds to 22 different investors. Many of these bonds are currently outstanding and have accrued  
2 significant amounts of unpaid interest.

3 **B. AMERICAN NATIONAL SECURITY, INC.**

4 **1. COMPANY BACKGROUND**

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

10 American National Security, Inc. was dissolved by the Office of the Secretary of State on June 22,  
11 1998. At present, the company has no employees and does not offer any products or services. According to  
12 Adkins, American National Security sustained operating losses before it ceased to conduct business.

13 **2. AN SECURITY BOND OFFERING #1**

14 On March 31, 1994, Neil Adkins sent a Notice of Claim of Exemption to the Securities Division on  
15 behalf of American National Security, Inc. The Notice indicated that AN Security planned to conduct a bond  
16 offering pursuant to RCW 21.20.320 and WAC 460-44A-504 and that the aggregate offering amount would be  
17 \$175,000. This filing was assigned the number E-18598.

18 a. Non-compliance with terms of the exemption

19 i. *Suitability determination*

20 The AN Security bond offering was subject to the same suitability requirements as the offerings  
21 previously discussed. As with the other offerings, Adkins sold AN Security bonds to his clients without regard  
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1 to their age, financial situation, other security holdings, or investment experience. As a result, AN Security  
2 failed to comply with the terms of its claimed exemption.

3 b. Misrepresentations and omissions in the offering document

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

9 In addition to having extraordinary sales growth, the company was supposed to be profitable from the  
10 outset. According to the offering document, AN Security anticipated profits of \$300,000 during its first year of  
11 operation and, by its fifth year, the company's earnings would be \$1,500,000 per year. The offering document  
12 also indicates that AN Security was planning to go public and would double in size during its first five years.

13 There is no factual basis to support these claims. The offering document does not contain financial  
14 statements nor does it disclose that AN Security was a development stage company with no proven ability to  
15 generate sales or profits. Instead, it contains a significant amount of irrelevant information (such as magazine  
16 articles about crime and profiles of other businesses) in an apparent attempt to lend credence to its other  
17 representations.

18 The offering document states that American National Security will be run by Neil Adkins and that  
19 Adkins has founded two other businesses. However, it does not mention that Adkins had no prior experience  
20 running a security business or that his other companies had a history of losses. The fact that Adkins had filed  
21 for bankruptcy protection, that he had been sued in connection with his other businesses, or that he had entered  
22 into an Assurance of Discontinuance relating to his sales practice was not disclosed to investors. Investors  
23

1 were not aware that Adkins had failed to pay personal income taxes or that, as a result, a tax lien was placed on  
2 his house.

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

8 c. Misrepresentations and omissions in connection with the sale

9 Mr. and Mrs. F were clients of Senior Estate Planning Group. From 1969 to 1994, they worked as  
10 ranch hands in Ellensburg, Washington. Mr. F cared for animals and crops and repaired machinery. Mrs. F  
11 cleaned houses to supplement their income.

12 In 1992, the ranch owner died and left the Fs a life estate in the ranch and its properties in recognition  
13 of their years of devoted service. The Fs lived on the ranch until it was sold and they were forced to leave.  
14 When the ranch was sold in 1994, the Fs were paid \$240,000 for their interest in the property.

15 Having received a lump sum payment, the Fs were uncertain about what they should do with their  
16 money. They had worked their entire lives and had accumulated virtually no property or savings. The Fs had  
17 no investment experience whatsoever. Neither Mr. F nor Mrs. F had ever owned a bank account much less  
18 stocks or bonds. However, they felt that they needed to do something to protect their windfall.

19 In 1993, the Fs saw a television commercial for Senior Estate Planning Group. They decided to call  
20 and inquire about its services. A few days later, Neil Adkins came to their home. The Fs explained their  
21 situation to Adkins and told him that they wanted someone to manage their money. Adkins stated that he was  
22 in the business of managing other people's money. He then advised the Fs that they needed a revocable living  
23 trust and pour-over will. The Fs promptly purchased these products.

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1 After their trust was created, Adkins told the Fs that they should invest in annuities from insurance  
2 companies. The Fs understood that these were safe investments and that they would receive \$750 per month.  
3 They purchased two contracts from Adkins and arranged for the payments to be deposited directly into a bank  
4 account. The Fs used this money to pay their living expenses.

5 In June of 1994, the Fs contacted Adkins and asked if he could arrange things so that they would  
6 receive more monthly income. Adkins told the Fs that they should change investments and put some of their  
7 money into bonds issued by American National Security. According to Adkins, these bonds were guaranteed to  
8 pay 10% interest and the Fs would receive monthly payments. Adkins claimed that the AN Security bonds  
9 would provide more income than their annuities with no additional risk. He also assured the Fs that they could  
10 withdraw their money at any time.

11 Based upon their trust in Adkins, the Fs agreed to buy the bond. They felt that everything would be  
12 fine because Adkins was taking care of them. On June 13, 1994, the Fs withdrew \$30,000 from their American  
13 Life annuity and used it to purchase an American National Security bond from Adkins. Mr. F was 65 years old  
14 and Mrs. F was 59 years old at that time.

15 Adkins said nothing about the company which issued the bond but did provide the Fs with a American  
16 National Security prospectus. The Fs, however, could not read or understand it and Adkins made no effort to  
17 educate them about their investment.

18 Over time, the Fs' financial situation deteriorated. They were unable to pay their bills and needed more  
19 monthly income. Once again, they contacted Neil Adkins for assistance. Adkins recommended that the Fs  
20 purchase additional AN Security bonds. On June 1, 1996, the Fs withdrew \$40,000 from their annuities and  
21 purchased a second AN Security bond from Adkins. This bond stated that it would pay 12% interest and  
22 mature in three years.

23 Adkins told the Fs that their second bond was no different than their first. He did not inform them that,  
24 by that time, AN Security had lost significant amounts of money or that it had completely failed to meet its

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1 sales and profit projections. According to tax documents, American National Security, Inc. sustained losses of  
2 \$93,957 in 1994 and \$212,531 in 1995. Adkins also failed to inform the Fs that the company had not filed a tax  
3 return for 1994 or 1995 as of their second investment.

4 Despite repeated assurances about the safety of the bonds, AN Security frequently missed interest  
5 payments or failed to make them in a timely manner. As a result, the Fs' account was often overdrawn and  
6 they incurred substantial bank charges. The Fs discussed the situation with a representative from their bank and  
7 discovered that Adkins had not arranged for an automatic deposit of funds as promised. Instead, Adkins was  
8 making the payments himself. Representatives from the bank began calling Adkins to request that he make the  
9 interest payment so that the Fs' account would not become overdrawn. Adkins refused to accept these calls or  
10 was unavailable a majority of the time.

11 The Fs' financial situation continued to worsen. They again turned to Adkins for help. Adkins told the  
12 Fs that they should file bankruptcy. The Fs took Adkins' advice and sought bankruptcy protection. A trustee  
13 was assigned to their case and, upon reviewing their assets, discovered that the Fs' bonds were due and  
14 payable. The trustee demanded immediate payment from Adkins but has been unable to recover Fs' principal  
15 investment.

16 **3. AN SECURITY BOND OFFERING #2**

17 On September 1, 1995, Neil Adkins sent a second Notice of Claim of Exemption to the Securities  
18 Division on behalf of American National Security, Inc. The Notice indicated that AN Security planned to  
19 conduct a bond offering pursuant to RCW 21.20.320 and WAC 460-44A-504 and that the aggregate offering  
20 amount would be \$250,000. This filing was assigned the number E-19961.

21 AN Security's second bond offering was conducted in the same manner as its first offering. In his  
22 continuing effort to obtain funding, Adkins sold bonds to the same group of investors, used the same offering  
23 document, and made the same misrepresentations and omissions to investors. (The Fs participated in both

offerings. See, discussion above). He failed to correct the misrepresentations contained in the first offering document and did not supply omitted information to investors during the second bond offering. As with the other bond offerings, Adkins sold AN Security bonds without regard to the purchaser's age, financial situation, other security holdings, or investment experience.

**4. SUMMARY OF AN SECURITY BOND OFFERINGS**

Between 1994 and 1996, Adkins sold approximately \$412,000 worth of American National Security bonds to at least seven different investors. On June 22, 1998, the company was dissolved by the Secretary of State and its account with the Washington State Department of Revenue was closed. AN Security currently has bonds outstanding that require interest payments of approximately \$1,500 per month. Since the company ceased to conduct business, Adkins has been making these payments from his personal sales commissions. He has not disclosed the source of the payments to investors.

C. AMERICAN NATIONAL SAFETY

**1. COMPANY BACKGROUND**

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

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

**2. AN SAFETY BOND OFFERING #1**

On May 30, 1997, Neil Adkins sent a Notice of Claim of Exemption to the Securities Division on

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1 behalf of American National Safety, Inc. The Notice indicated that AN Safety planned to conduct a bond  
2 offering pursuant to RCW 21.20.320 and WAC 460-44A-504. This filing was assigned the number E-21635.

3 a. Non-compliance with terms of the exemption

4 i. *Suitability determination*

5 The AN Safety bond offering was subject to the same suitability requirements as the offerings already  
6 discussed. As with the other bond offerings, Adkins sold AN Safety bonds to his clients without regard to their  
7 age, financial situation, other security holdings, or investment experience. As a result, AN Safety failed to  
8 comply with the terms of its claimed exemption.

9 ii. *Notice filing*

10 In addition to the suitability requirement, AN Safety was required to file a notice of its proposed  
11 offering no later than ten business days before the receipt of consideration or delivery of a signed subscription  
12 agreement. WAC 460-44A-503(1)(a)(i)(D). Adkins made approximately four sales of American National  
13 Safety bonds in advance of the company's filing date. Consequently, AN Safety failed to comply with the  
14 terms of its exemption.

15 b. Misrepresentations and omissions in the offering document

16 Adkins used substantially the same offering document in connection with the sale of AN Safety bonds  
17 as he used with the Senior Estate Planning Group offerings. The AN Safety offering document indicates that  
18 the company would be audited annually by independent accountants, that detailed financial reports would be  
19 prepared and provided to bondholders, and that repayment of bondholder principal was guaranteed by U.S.  
20 Government Treasuries.

1 As with the other bond offerings, these statements were false and misleading. AN Safety was never  
2 audited and the reports promised to bondholders were never prepared. Also, AN Safety never owned any  
3 government bonds which could have secured the repayment of bondholder principal.

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

7 Finally, the AN Safety contains includes fraudulent and misleading sales projections. A pro forma is  
8 included with the offering document which indicates that American National Safety expected to generate  
9 monthly profits of \$29,500 on sales of 400 units during its first year of operations. These figures are offered  
10 without any basis in fact and are contrary to actual business experience. As noted above, Adkins had already  
11 attempted to conduct substantially the same business with AN Security. AN Security sustained significant  
12 operating losses and failed to meet its sales and profit projections. However, notwithstanding this prior failed  
13 attempt, the offering document leads AN Safety investors to believe that the company will be profitable almost  
14 from the start of its operations.

15 c. Misrepresentations and omissions in connection with the sale

16 On the same date that he purchased an SEPG bond, Mr. O also purchased an American National Safety  
17 bond from Neil Adkins. He used \$25,000 from his Bankers United annuity to make the purchase and placed  
18 the bond into his IRA account with Seafirst Investment Services. The interest rate stated on the bond certificate  
19 is 12%. No maturity date is indicated.

20 The events leading up to Mr. O's investment in AN Safety have already been described. As with other  
21 AN Safety investors, Adkins misrepresented and omitted material information about himself and the company  
22 to Mr. O. Adkins did not tell Mr. O that AN Safety had existed for just three months at the time of the sale. He  
23 did not provide Mr. O with a business plan for AN Safety or any financial statements for the company. Finally,

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1 Adkins did not tell Mr. O that his other security business, American National Security, had experienced losses  
2 of more than \$300,000 in the two preceding years.

3 **3. AN SAFETY BOND OFFERING #2**

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

9 On November 18, 1999, the Securities Division requested additional information from American  
10 National Safety. AN Safety was directed to provide a Report of Sales and a copy of the offering material used  
11 in connection with the sale of its bonds. However, neither Adkins nor AN Safety has complied with the  
12 Securities Division's request for information. Failure to provide the items requested in a timely manner is  
13 grounds for denial or revocation of AN Safety's exemption. WAC 460-44A-503(2).

14 **4. SUMMARY OF AN SAFETY BOND OFFERINGS**

15 Adkins sold approximately \$600,000 worth of AN Safety bonds. Sales began in 1996 and continued  
16 through September 25, 1998. On November 30, 1997, AN Safety closed its account with the Washington State  
17 Department of Revenue and has paid no taxes since that time. The company was dissolved by the Secretary of  
18 State on August 24, 1998. AN Safety currently has bonds outstanding which require interest payments of  
19 approximately \$2,000 per month. Since the company ceased to conduct business, Adkins has been making  
20 these payments from his personal sales commissions and has not disclosed this fact to investors.

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1 D. RESEARCH SAFETY INDUSTRIES, INC.

2 **1. COMPANY BACKGROUND**

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

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

13 **2. RSI BOND OFFERING #1**

14 On May 30, 1997, Neil Adkins filed a Notice of Claim of Exemption with the Securities Division on  
15 behalf of Research Safety Industries, Inc. The Notice indicated that RSI planned to conduct a bond offering  
16 pursuant to RCW 21.20.320 and WAC 460-44A-504 and that the aggregate offering amount would be  
17 \$500,000. This filing was assigned the number E-21636.

18 a. Non-compliance with terms of the exemption

19 i. *Suitability determination*

20 The RSI bond offering was subject to the same suitability requirements as the offerings already  
21 discussed. As with the other bond offerings, Adkins sold RSI bonds to his clients without regard to their age,  
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1 financial situation, other security holdings, or investment experience. As a result, RSI failed to comply with the  
2 terms of its claimed exemption.

3 *ii. Notice filing*

4 RSI was also required to file a notice of the proposed offering no later than ten business days before the  
5 receipt of consideration or delivery of a signed subscription agreement. WAC 460-44A-503(1)(a)(i)(D).  
6 However, Adkins made approximately six sales in advance of RSI's filing date. As a result, RSI failed to  
7 comply with the conditions of the exemption claimed.

8 **b. Misrepresentations and omissions in the offering document**

9 Adkins used substantially the same offering document in connection with the sale of RSI bonds as he  
10 used with the Senior Estate Planning Group offerings. The RSI offering document indicates that the company  
11 would be audited annually by independent accountants, that detailed financial reports would be prepared and  
12 provided to bondholders, and that repayment of bondholder principal was guaranteed by U.S. Government  
13 Treasuries.

14 As with the other bond offerings, these statements were false and misleading. RSI was never audited  
15 and the reports promised to bondholders were never prepared. Also, RSI never owned any government bonds  
16 which could have secured the repayment of bondholder principal.

17 The RSI offering document also omitted material information about Neil Adkins' background and  
18 other business ventures. Investors are not informed of his prior bankruptcy, tax lien, lawsuits, or questionable  
19 sales practices.

20 **c. Misrepresentations and omissions in connection with the sale**

21 Ms. N was a client of Senior Estate Planning Group at the time of RSI's exemption filing. As with  
22 other SEPG clients, Adkins had assisted Ms. N with the creation of a living trust and had sold her various  
23

1 annuity products. Adkins also persuaded Ms. N to purchase a number of bonds issued by his corporations.  
2 Over a two year period, it appears that Ms. N purchased about ten bonds from Adkins at a cost of  
3 approximately \$450,000.

4 On November 22, 1996, Ms. N purchased a Research Safety Industries bond from Adkins for \$15,000.  
5 At that time, she was 74 years old and retired. Adkins would typically meet with Ms. N in her home and offer  
6 to sell her different investments. Occasionally, he would provide written information about the proposed  
7 investment. Ms. N was not concerned with the details of the particular transaction because she trusted that  
8 Adkins was acting in her best interest. Ms. N did, however, inform Adkins that safety was her primary  
9 investment objective and that she was not comfortable with the level of risk associated with the stock market.

10 Adkins initially sold annuity products to Ms. N and then systematically moved a large portion of her  
11 money into his corporate bonds. Ms. N is not certain what investments she currently owns. She believes that  
12 she still has some annuities which, together with her corporate bonds, represent the majority of retirement  
13 savings.

14 A count of the certificates in her possession shows that Ms. N purchased at least four RSI bonds for a  
15 total of approximately \$165,000. All of these bonds were issued prior to Adkins' filing with the Securities  
16 Division. The issue dates and amounts are as follows: (1) November 1, 1996 - \$15,000, (2) December 31,  
17 1996 - \$50,000, (3) March 1, 1997 - \$50,000, and (4) April 1, 1997 - \$50,000. Upon reviewing these  
18 documents with a representative of the Securities Division, Ms. N observed that the bond issued on November  
19 1, 1996 has matured. She does not, however, believe that Adkins has repaid her principal.

20 **3. RSI BOND OFFERING #2**

21 On October 10, 1997, Neil Adkins filed a second Notice of Claim of Exemption with the Securities  
22 Division on behalf of Research Safety Industries, Inc. The Notice indicated that RSI planned to conduct a bond

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1 offering pursuant to RCW 21.20.320 and WAC 460-44A-504 and that the aggregate offering amount would be  
2 \$500,000. This filing was assigned the number E-21983.

3 a. Non-compliance with terms of the exemption

4 i. *Suitability determination*

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6 The second RSI bond offering was subject to the same suitability requirements as the offerings already  
7 discussed. As with the other bond offerings, Adkins sold RSI bonds to his clients without regard to their age,  
8 financial situation, other security holdings, or investment experience. As a result, RSI failed to comply with the  
9 terms of its claimed exemption.

10 ii. *Limitation on aggregate offering price*

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

16 Adkins exceeded the sales limit imposed by law. As previously noted, WAC 460-44A-504 limits the  
17 amount of securities which can be sold to not more than \$500,000 in a twelve month period. Between May 1,  
18 1997 and April 30, 1998, Adkins sold approximately \$680,000 worth of RSI bonds. As a result, RSI failed to  
19 comply with the conditions of the exemption claimed.

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21 b. Misrepresentations and omissions in the offering document

22 Adkins used the same offering document in connection with both RSI bond offerings. (See, RSI Bond  
23 Offering #1 for specific misrepresentations and omissions).

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1 c. Misrepresentations and omissions in connection with the sale

2 Mr. E was client of Senior Estate Planning Group at the time of Adkins' second RSI filing. In 1998, he  
3 was 81 years old and retired. Before retiring, Mr. E had worked as a pilot for Pan American airlines.

4 Mr. E had only limited investment experience. While a pilot, he purchased two annuities through the  
5 airline's retirement plan. These investments represented Mr. E's life savings and he held them in an account  
6 with Prudential for many years. Mr. E later sold both of his annuities and transferred the proceeds to a  
7 managed stock account.

8 Following the transfer of his account, Mr. E and his wife saw an advertisement for Senior Estate  
9 Planning Group in the local newspaper. They contacted SEPG and later met with Adkins in their home.  
10 Adkins arranged to have a living trust created for the Es. He also convinced them to liquidate their stocks and  
11 use the proceeds to purchase annuities. The Es followed Adkins' advice and used their life savings to purchase  
12 two annuities. The value of these investments was approximately \$285,000.

13 Around March of 1998, Adkins visited Mr. E and suggested that he purchase a bond issued by  
14 Research Safety Industries. According to Adkins, Mr. E could earn 12% interest with the bond and "would get  
15 more investment for his money" than with the annuities he already owned. Adkins told Mr. E that he could  
16 take care of everything.

17 On March 12, 1998, Mr. E purchased a Research Safety Industries bond from Adkins. It appears that  
18 he withdrew funds from his annuity, deposited them to his checking account, and then issued a personal check  
19 to Research Safety Industries in the amount of \$47,768.93. Mr. E recalls that Adkins provided all of the  
20 instructions necessary to complete the transaction.

21 Mr. E did not receive an offering circular or other documentation in connection with the purchase of  
22 the RSI bond. He did not know exactly where the interest payments would come from. Adkins told Mr. E that  
23 he would combine the interest payments from the bond with Mr. E's remaining annuity payment and deposit

1 the sum into his bank account. However, after reviewing the situation with a representative from the Securities  
2 Division, Mr. E discovered that Adkins was not making the interest payments as promised.

3 **4. RSI BOND OFFERING #3**

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

9 On November 18, 1999, the Securities Division requested additional information from RSI. RSI was  
10 directed to provide a Report of Sales and a copy of the offering material used in connection with the sale of its  
11 bonds. However, neither Adkins nor RSI has provided the requested information. Failure to provide the items  
12 requested in a timely manner is grounds for denial or revocation of RSI's exemption. WAC 460-44A-503(2).

13 **5. SUMMARY OF RSI BOND OFFERINGS**

14 Beginning in 1996 and continuing through November 1, 1998, Adkins sold more than \$800,000 worth  
15 of RSI bonds to at least twelve different investors. The company was dissolved by the Secretary of State on  
16 April 26, 1999 and is no longer conducting business. RSI has bonds outstanding which require interest  
17 payments of approximately \$1,500 per month. Since the company went out of business, Adkins has been  
18 making these payments from his personal sales commissions and has not disclosed the source of the payments  
19 to investors.

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E. AMERICAN NATIONAL SECURITY MONITORING, INC.

**1. COMPANY BACKGROUND**

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

**2. BOND OFFERING**

AN Security Monitoring issued bonds to at least one investor. On July 1, 1995, Mr. and Mrs. H purchased a bond issued by "SPRINT MONITORING / ANS MONITORING" from Neil Adkins for \$103,000. In statements to the Securities Division, Adkins subsequently indicated that Sprint Monitoring was a vendor to his companies and that he was not in any way involved with the company. According to Adkins, the Hs' bond was actually issued by American National Security Monitoring, Inc. However, American National Security Monitoring was not incorporated at the time Adkins sold the bond to the Hs.

**3. REGISTRATION STATUS**

The AN Security Monitoring bonds were not registered pursuant to the Securities Act of Washington and no claim of exemption was filed with the Securities Division on behalf of the company.

F. EXECUTIVE SEARCH, INC.

**1. COMPANY BACKGROUND**

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

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**2. BOND OFFERING**

ESI sold bonds to at least two investors in a total amount of at least \$65,000. Adkins sold an ESI bond to Ms. S on December 18, 1998. At that time, Ms. S was 95 years old and lived alone. She required the assistance of others to carry out her day to day activities. Approximately four months after the sale, Ms. S was admitted to a nursing home by her relatives and now suffers from severe memory loss. It is doubtful that Ms. S could understand anything about the transaction Adkins initiated.

**3. REGISTRATION STATUS**

The ESI bonds were not registered pursuant to the Securities Act of Washington and no claim of exemption was filed with the Securities Division on behalf of the company.

**III. PATTERN OF ABUSE OF EXEMPTIONS**

The Securities Administrator finds that Neil T. Adkins and C. John Cannon have engaged in a pattern of fraud and abuse involving the exemptions from registration contained in RCW 21.20.320. The Securities Administrator further finds that Respondents' continuing efforts to sell securities in the manner described above represents a threat to the investing public.

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

**CONCLUSIONS OF LAW**

**I. OFFER AND SALE OF SECURITIES**

A. The offer and/or sale of the corporate bonds from each of the six companies described above constitutes the offer and/or sale of a security as defined in RCW 21.20.005(10) and (12).

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II. FRAUD

A. Neil T. Adkins, Senior Estate Planning Group, American National Security, American National Safety, Research Safety Industries, American National Security Monitoring, and Executive Search have each violated RCW 21.20.010 in connection with the sale of bonds by misrepresenting facts and omitting facts necessary in order to make their statements, in light of the circumstances in which they were made, not misleading.

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

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

III. UNREGISTERED SECURITIES

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

IV. UNREGISTERED SALES AGENTS

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

SUMMARY ORDER TO CEASE AND  
DESIST AND ORDER SUSPENDING  
EXEMPTIONS

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

4 V. EMERGENCY

5 Based upon the foregoing, the Securities Administrator finds that an emergency exists, that  
6 Respondents' continuing violations of RCW 21.20.010, RCW 21.20.040, and RCW 21.20.140, and the  
7 availability of exemptions under RCW 21.20.320 constitutes a threat to the investing public. The Securities  
8 Administrator further finds that summary orders to cease and desist from these violations and summary  
9 withdrawal of the availability of the exemptions under RCW 21.20.320(1), (9), (11), and (17) is necessary in  
10 the public interest.

11 **SUMMARY ORDER**

12 Based on the foregoing, NOW, THEREFORE, IT IS HEREBY SUMMARILY ORDERED that  
13 Respondents, their agents, and employees each cease and desist from offering and/or selling securities in  
14 violation of RCW 21.20.140, the registration section of the Securities Act of Washington.

15  
16 It is further SUMMARILY ORDERED that Adkins and Cannon each cease and desist from offering  
17 and/or selling securities in violation of RCW 21.20.040, the salesperson registration section of the Securities  
18 Act of Washington.

19 It is further SUMMARILY ORDERED that Respondents, their agents, and employees each cease and  
20 desist from violation of RCW 21.20.010, the anti-fraud section of the Securities Act.

21  
22 It is further SUMMARILY ORDERED that offers and sales of securities under E-19960, E-21186, E-  
23 18598, E-19961, E-21635, E-24728, E-21636, E-21983, and E-24727 are hereby suspended.

24 SUMMARY ORDER TO CEASE AND 3  
25 DESIST AND ORDER SUSPENDING 3  
26 EXEMPTIONS

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1 It is further SUMMARILY ORDERED that, based upon repeated violation of RCW 21.20.010 and a  
2 pattern of non-compliance with the conditions of exemptions claimed, the availability of the exemptions from  
3 registration contained in RCW 21.20.320(1), (9), (11), and (17) are hereby withdrawn from Neil T. Adkins, C.  
4 John Cannon, Senior Estate Planning Group, American National Security, American National Security  
5 Monitoring, American National Safety, Research Safety Industries, and Executive Search.

6 **AUTHORITY AND PROCEDURE**

7 This Order is entered pursuant to RCW 21.20.325 and RCW 21.20.390 and is subject to the provisions  
8 of Chapter 34.05 RCW. Respondents may each make a written request for a hearing as set forth in the  
9 NOTICE OF OPPORTUNITY TO DEFEND AND OPPORTUNITY FOR HEARING accompanying this  
10 order.

11 If a respondent does not request a hearing, the Securities Administrator intends to adopt the Tentative  
12 Findings of Fact and Conclusions of Law set forth above as final as to that respondent. This Summary Order to  
13 Cease and Desist will become permanent and exemptions under RCW 21.20.320(1), (9), (11), and (17) will be  
14 revoked as to each respondent that does not request a hearing.

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

16  
17 DATED this \_\_\_\_\_ day of March, 2000.

18  
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21 \_\_\_\_\_  
22 DEBORAH R. BORTNER  
23 Securities Administrator

24 SUMMARY ORDER TO CEASE AND  
25 DESIST AND ORDER SUSPENDING  
26 EXEMPTIONS

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Presented by:

Approved By:

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Steven Raney  
Securities Examiner

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Michael E. Stevenson  
Chief of Compliance

SUMMARY ORDER TO CEASE AND DESIST AND ORDER SUSPENDING EXEMPTIONS 3 5

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