

**BEFORE THE COMMISSIONER OF COMMERCE AND INSURANCE  
FOR THE STATE OF TENNESSEE**

<b>TENNESSEE SECURITIES DIVISION,</b>	)	
<b>Petitioner,</b>	)	
	)	
v.	)	No.
	)	
<b>ROBERT CARL BEAVER, individually, and</b>	)	
<b>d/b/a/</b>	)	
<b>BEAVER INSURANCE AGENCY,</b>	)	
<b>Respondents.</b>	)	

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**ORDER TO CEASE AND DESIST**

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This Order issues as a result of a Petition and its exhibits attached hereto filed by the Tennessee Securities Division of the Department of Commerce and Insurance and is predicated upon the following Findings of Fact and Conclusions of Law:

**FINDINGS OF FACT**

1. The Tennessee Securities Act of 1980, as amended, Tenn. Code Ann. §§ 48-2-101, *et seq.*, assigns the responsibility for administration of the Act to the Commissioner of Commerce and Insurance (“Commissioner”). The Petitioner, the Tennessee Securities Division (“Division”), is the lawful agent through which the Commissioner administers the Act, and is authorized to bring this action for the protection of investors and the public. The Division’s official residence and place of business is in Nashville, Davidson County, Tennessee.

2. Robert Carl Beaver (“Beaver”) is a citizen and resident of the state of Tennessee whose address is located at 514 Dunlap Street, Paris, Tennessee 38242. Beaver possesses a license to sell insurance from the Tennessee Insurance Division (“Insurance Division”), such license being

1976. Beaver has never been registered with the Division as a broker-dealer, investment adviser or agent thereof.

3. Beaver Insurance Agency ("BIA") is a business entity with its principal place of business located at P.O. Box 1307, Paris, Tennessee 38242. BIA has never been registered with the Division as a broker-dealer, investment adviser or agent thereof.

4. Currently, Beaver is operating an investment contract and/or promissory note scheme wherein he solicits funds from investors in return for promises of returns of twenty (20) to twenty-five (25) percent interest for a twelve (12) to eighteen (18) month period. Beaver has admitted in testimony before the Division that he has not used the funds that he has received from his investors to participate in any specific investments but has instead held the funds for any investment opportunity in which he wishes to participate. Beaver has also stated that he has held such funds in the checking account that he uses to pay the expenses of BIA and that he has used such funds for his personal use as well.

5. On or about March 7, 2001, the Division received a complaint from a Tennessee resident regarding the sale of high interest rate promissory notes ("HIPNs") by Beaver and BIA which guaranteed interest payments of eighteen percent to twenty percent (18-20%) per annum as a return on principal loaned to Beaver and BIA.

6. On or about August 28, 2001, the Division conducted a investigative interview ("Interview") in which Beaver was directed to appear pursuant to a *subpoena ad testificandum and duces tecum*. (A copy of the Interview transcript is attached hereto and marked as Exhibit 1).

7. Beaver offered investments to Lorene Bridges ("Bridges") that would pay a return of twenty percent (20%) over a two (2) year period. Beaver represented to Bridges he could provide a better rate of return on the principal invested by Bridges than she could obtain through investing her money in a certificate of deposit.

8. Beaver prepared a schedule for Bridges ("Bridges Schedule") of interest payments due to Bridges over a twenty-four (24) month period, beginning on June 1, 2000 and ending on May 1, 2002. (A copy of the Bridges Schedule is attached hereto and marked as Exhibit 2). The Bridges Schedule indicates that Beaver promised Bridges a twenty percent (20%) rate of return on her initial investment of forty-three thousand seven hundred dollars (\$43,700.00) by Bridges.

9. Beaver intended to use the principal from Bridges to invest in a real estate venture with an unnamed person ("Partner #1"), who would act as Beaver's partner. Beaver stated that Bridges did not know the identity of Partner #1 or the type of investment that her principal was used to finance.

10. Beaver placed Bridges' investment in his business checking account that he used for BIA. Beaver part of Bridges' investment to pay for his personal expenses. Beaver did not have a contract with Partner #1 regarding the investment of Bridges funds by Beaver and Partner #1.

11. In addition, Beaver offered to make an investment for James and Brenda Wimberly (hereinafter collectively referred to as the "Wimberlys) on which he would pay eighteen percent (18%) interest. Beaver received eighteen thousand nine hundred dollars (\$18,900.000) from the Wimberlys as their principal for the investment.

12. Beaver prepared a schedule for the Wimberlys ("Wimberly Schedule") of interest payments due to the Wimberlys over a twelve (12) month period, beginning on February 26, 2001 and ending on January 26, 2002. (A copy of the Wimberly Schedule is attached hereto and marked as Exhibit 3).

13. The handwriting on the Wimberly Schedule has been identified by Beaver as his own handwriting. The Wimberly Schedule indicates that Beaver would pay the Wimberlys eighteen percent (18%) interest on their investment of eighteen thousand nine hundred dollars (\$18,900.00). Beaver represented to the Wimberlys that he would invest their investment in automobiles purchased at an auction which Beaver and his partner, James McKinney ("McKinney"), then intended to resell at a profit at a later time.

14. Beaver placed the Wimberlys' principal into the checking account he maintained for BIA and his personal expenses. Beaver then used some of the Wimberlys' principal to pay off a personal loan on a Jeep he owned and to pay the expenses of BIA. Beaver failed to make any investments with the Wimberlys' principal of eighteen thousand nine hundred dollars (\$18,900.00).

15. Beaver offered to make an investment for Virginia Bunton ("Bunton"). Beaver prepared a schedule for Bunton ("Bunton Schedule") which indicated that Bunton had given Beaver eight thousand one hundred dollars (\$8,100.00) and that Beaver had promised to pay Bunton eighteen percent (18%) interest on her investment beginning on July 6, 2000 and ending on June 6, 2001. Beaver did not invest Bunton's principal in any investment, but placed the funds from Bunton into the checking account he maintained for himself and BIA.

16. On or about December 11, 2001, the Division served a *subpoena duces tecum* issued by the Commissioner on December 7, 2001, upon the custodian of records for Perry, McCain and Boyd ("PMB") which sought certain records from PMB relating to the Division's investigation of Beaver and BIA. (A copy of the *subpoena* is attached hereto and marked as Exhibit 5).

17. On or about December 18, 2001, the Division received a letter from Lynn McCain ("McCain"), a partner in PMB, who stated that was producing "the complete file" on Beaver that PMB had in its possession and that he had enclosed records of "computer-generated amortization schedules" which detailed Beaver's transactions with various individuals. (A copy of the letter and records produced by PMB is attached hereto and marked as collective Exhibit 6). McCain stated in his letter to the Division that Beaver would "give [PMB] handwritten information to prepare the amortization schedules" and that PMB prepared the schedules as instructed by Beaver.

18. The documents produced by PMB ("PMB Documents") indicate that Beaver offered investments similar to those described in ¶ 7-19 above to eight (8) individuals in 2001.

19. On or about September 10, 2001 Beaver instructed PMB to prepare an amortization schedule ("Jeter Schedule") for Jewel Jeter ("Jeter") due to the fact that Jeter had invested thirty thousand dollars (\$30,000.00) with Beaver. Beaver was to pay an interest rate of twenty-five percent (25%) on Jeter's investment with Beaver, and was to receive monthly interest payments from Beaver beginning on October 10, 2001 and ending on September 10, 2002, under the terms of the Jeter Schedule.

20. On or about October 2, 2001, Beaver instructed PMB to prepare an amortization schedule ("Armijo Schedule") for Nancy R. Armijo ("Armijo") due to the fact that Armijo had invested forty thousand dollars (\$40,000.00) with Beaver. Beaver was to pay Armijo an interest rate of twenty-five percent (25%) on her investment with Beaver, and was to receive monthly interest payments from Beaver beginning on October 2, 2001 and ending on October 2, 2002, under the terms of the Armijo Schedule.

21. On or about October 9, 2001, Beaver instructed PMB to prepare an amortization schedule ("B. Bunton Schedule") for Bill Bunton ("B. Bunton") due to the fact that B. Bunton had invested thirty-eight thousand dollars (\$38,000.00) with Beaver on October 9, 2001. Beaver was to pay B. Bunton an interest rate of twenty-two percent (22%) on his investment with Beaver, and was to receive monthly interest payments from Beaver beginning on November 9, 2001 and ending on October 9, 2002, under the terms of the B. Bunton Schedule.

22. On or about October 9, 2001, Beaver instructed PMB to prepare an amortization schedule ("Bunton Schedule #2") for Bunton due to the fact that Bunton has invested ten thousand five hundred dollars (\$10,500.00) with Beaver on October 9, 2001. Beaver was to pay Bunton an interest rate of twenty-three percent (23%) interest on her investment with Beaver, and was to receive monthly interest payments from Beaver beginning on November 9, 2001 and ending on October 9, 2002, under the terms of the Bunton Schedule #2.

23. On or about October 10, 2001, Beaver instructed PMB to prepare an amortization schedule ("Wimberly Schedule #2") for the Wimberlys due to the fact that the Wimberlys had invested sixteen thousand five hundred dollars (\$16,500.00) with Beaver on October 10, 2001. Beaver was to pay the Wimberlys an interest rate of twenty percent (20%) on their investment

with Beaver, and were to receive monthly interest payments from Beaver beginning on November 10, 2001 and ending on October 10, 2002, under the terms of the Wimberly Schedule #2.

24. On or about October 10, 2001, Beaver instructed PMB to prepare an amortization schedule ("Wimberly Schedule #3") for the Wimberlys due to the fact that the Wimberlys invested twenty-two thousand dollars (\$22,000.00) with Beaver on October 10, 2001. Beaver was to pay the Wimberlys an interest rate of twenty percent (20%) on their investment with Beaver, and were to receive monthly interest payments from Beaver beginning on November 10, 2001 and ending on October 10, 2002, under the terms of the Wimberly Schedule #3.

25. On or about October 11, 2001, Beaver instructed PMB to prepare an amortization schedule ("J. Wimberly Schedule") for John A. Wimberly ("J. Wimberly") due to the fact that J. Wimberly invested eleven thousand dollars (\$11,000.00) with Beaver on October 11, 2001. Beaver was to pay Wimberly an interest rate of eighteen percent (18%) on his investment with Beaver, and was to receive monthly interest payments from Beaver beginning on November 11, 2001 and ending on April 11, 2003, under the terms of the J. Wimberly Schedule.

26. On or about October 30, 2001, Beaver instructed PMB to prepare an amortization schedule ("Dowdy Schedule") for the Clara Dowdy ("Dowdy") due to the fact that Dowdy invested eleven thousand five hundred dollars (\$11,500.00) with Beaver on October 30, 2001. Beaver was to pay Dowdy an interest rate of twenty percent (20%) interest on her investment with Beaver, and was to receive monthly interest payments from Beaver beginning on November 30, 2001 and ending on October 31, 2002, under the terms of the Dowdy Schedule.

27. On or about November 23, 2001, the Division served a *subpoena duces tecum* ("CB Subpoena") on the custodian of records for Commercial Bank & Trust Company ("CB"), located in Paris, Tennessee. (A copy of the CB Subpoena is attached hereto and marked as Exhibit 7). The CB Subpoena was served after compliance with the requirements of the Financial Records Privacy Act, at Tenn. Code Ann. § 45-10-106.

28. Pursuant to the CB Subpoena, CB produced records of the checking account for BIA and Beaver ("BIA Account") from January 1, 1996 to November 23, 2001. Spreadsheets of these records ("CB Records") were prepared by the Division which demonstrate the activity in the BIA account from 1996 to 2001. (Copies of the spreadsheets are attached hereto and marked collectively as Exhibit 8).

29. In 1996, Beaver deposited two hundred thousand ninety-nine thousand six hundred thirty dollars and thirteen cents (\$299,630.13) in the BIA Account and withdrew one hundred thirty-six thousand seven hundred seventy-eight dollars and thirteen cents (\$136,778.13) was withdrawn from the BIA Account.

30. In 1997, Beaver deposited three hundred seventy-three thousand five hundred six dollars and eighty cents (\$373,506.80) in the BIA Account and withdrew three hundred seventy-one thousand five hundred forty-eight dollars and seventy cents (\$371,548.70).

31. In 1998, Beaver deposited four hundred fifty-nine thousand eight hundred fifty-one dollars and fourteen cents (\$459,851.14) in the BIA Account by Beaver and withdrew hundred seventy-three thousand seven hundred nineteen dollars and seventy-seven cents (\$373,719.77).

32. In 1999, Beaver deposited four hundred twenty-one thousand six hundred fifty-eight dollars and thirty-four cents (\$421,658.34) in the BIA Account and withdrew four hundred ninety-seven thousand eight hundred eighty-three dollars and seventy-two cents (\$497,883.72).

33. In 2000, Beaver deposited seven hundred thirty-nine thousand five hundred fifty-seven dollars and twelve cents (\$739,557.12) in the BIA Account and withdrew six hundred eighty-three thousand six hundred fifty-two dollars and eighty cents (\$683,652.80).

34. In 2001, Beaver deposited nine hundred thousand forty-one dollars and sixty-eight cents (\$900,041.68) in the BIA Account and withdrew nine hundred nine thousand eighty-eight dollars and thirty-nine cents (\$909,088.39).

35. From May 2001 through November 2001, a number of individuals gave checks to Beaver for amounts ranging from one thousand dollars (\$1,000.00) to one hundred thirty-five thousand dollars (\$135,000.00). Based upon information and belief, these checks do not correspond to premium payments for any insurance policies submitted by Beaver and/or BIA. Further, several of the checks correspond to payments made to Beaver for the above-mentioned purchases of promissory notes by the investors of Beaver described herein.

36. On or about April 30, 2002, the Division received documents from the Insurance Division ("Beaver Ins. Documents") which indicate that Beaver has only written four (4) insurance policies to date, with three of those policies being written in 1999. (Copies of the Beaver Ins. Documents are attached hereto and marked as Exhibit 9).

37. In the Interview, Beaver stated that he had reported an annual income of thirty-six thousand dollars (\$36,000.00) to the Internal Revenue Service for his 2000 income tax statement.

Exhibit 1 at 44.

38. On or about May 6, 2002, the Division received documents from PMB ("PMB Documents #2") which indicate that Beaver has requested PMB to prepare a number of amortization schedules for investments offered to certain individuals by Beaver during 2002. (Copies of these documents are attached hereto and collectively marked as Exhibit 10).

39. On or about May 23, 2002, the Division received documents from PMB ("PMB Documents #3") which indicated that Beaver has requested PMB to prepare three (3) additional schedules for investments offered to certain individuals by Beaver during 2002. (Copies of these documents are attached hereto and collectively marked as Exhibit 11).

40. On or about January 15, 2002, Bridges invested twenty-seven thousand five hundred dollars (\$27,500.00) with Beaver in return for eighteen (18) monthly interest payments at an interest rate of twenty-five percent (25%). These payments from Beaver to Bridges were to begin on February 15, 2002 and end on July 15, 2003.

41. On or about February 11, 2002, Bridges invested an additional thirty-three thousand dollars (\$33,000.00) with Beaver in return for fourteen (14) monthly interest payments at an interest rate of twenty-five percent (25%). These payments from Beaver to Bridges were to begin on March 11, 2002.

42. On or about March 14, 2002, Bridges invested an additional eighteen thousand nine hundred thirty dollars (\$18,930.00) with Beaver in return for eighteen (18) monthly interest payments at an interest rate of twenty-five percent (25%). These payments from Beaver to Bridges were to begin on April 14, 2002.

43. On or about May 7, 2002, Bridges invested an additional sixteen thousand dollars (\$16,000.00) with Beaver in return for eighteen (18) monthly interest payments at an interest rate of twenty percent (20%). These payments from Beaver to Bridges were to begin on June 7, 2002 and end on November 7, 2003.

44. On or about January 11, 2002, Bunton invested twelve thousand one hundred dollars (\$12,100.00) with Beaver in return for twelve (12) monthly interest payments at an interest rate of twenty-five percent (25%). These payments from Beaver to Bunton were to begin on February 11, 2002 and end on February 11, 2003.

45. On or about March 14, 2002, Bunton invested an additional three thousand sixty dollars (\$3,060.00) with Beaver in return for twelve (12) monthly interest payments at an interest rate of twenty-two percent (22%). These payments from Beaver to Bunton were to begin on April 14, 2002 and end on February 11, 2003.

46. On or about March 14, 2002, B. Bunton invested eleven thousand four hundred fifty dollars (\$11,450.00) with Beaver in return for twelve (12) monthly interest payments at an interest rate of twenty-two percent (22%). These payments from Beaver to Bunton were to begin on April 14, 2002.

47. On or about January 17, 2002, Betty Nixon ("Nixon") invested twenty thousand dollars (\$20,000.00) with Beaver in return for twelve (12) monthly interest payments at an interest rate of twenty percent (20%). These payments from Beaver to Nixon were to begin on January 17, 2002 and end on February 17, 2003.

48. On or about May 15, 2002, Nixon invested an additional ten thousand two hundred dollars (\$10,200.00) with Beaver in return for twelve (12) monthly interest payments at an interest rate of twenty percent (20%). These payments from Beaver to Nixon were to begin on June 15, 2002 and end on May 15, 2003.

49. On or about January 30, 2002, Edward Liss ("Liss") invested seventy-seven thousand dollars (\$77,000.00) with Beaver in return for eighteen (18) monthly interest payments at an interest rate of twenty percent (20%). These payments from Beaver to Liss were to begin on March 1, 2002.

50. On or about January 30, 2002, Edward Liss ("Liss") invested an additional eighty thousand dollars (\$80,000.00) with Beaver in return for eighteen (18) monthly interest payments at an interest rate of twenty-one percent (21%). These payments from Beaver to Liss were to begin on March 1, 2002.

51. On or about February 7, 2002, Jeter invested sixty-five thousand dollars (\$65,000.00) with Beaver in return for twelve (12) monthly interest payments at an interest rate of twenty-five percent (25%). These payments from Beaver to Jeter were to begin on March 7, 2002.

52. On or about February 7, 2002, Jeter invested an additional eighteen thousand dollars (\$18,000.00) with Beaver in return for twelve (12) monthly interest payments at an interest rate of twenty-five percent (25%). These payments from Beaver to Jeter were to begin on March 7, 2002.

53. On or about April 4, 2002, Jeter invested an additional seventeen thousand five hundred dollars (\$17,500.00) with Beaver in return for twelve (12) monthly interest payments at an interest rate of twenty-five percent (25%). These payments from Beaver to Jeter were to begin on May 4, 2002.

54. On or about February 14, 2002, Kate Rainey ("Rainey") invested twenty thousand dollars (\$20,000.00) with Beaver in return for twelve (12) monthly interest payments at an interest rate of twenty-four percent (24%). These payments from Beaver to Rainey were to begin on March 14, 2002.

55. On or about March 14, 2002, Rainey invested an additional seven thousand five hundred dollars (\$7,500.00) with Beaver in return for twelve (12) monthly interest payments at an interest rate of twenty-four percent (24%). These payments from Beaver to Rainey were to begin on April 14, 2002.

56. On or about March 14, 2002, Rainey invested an additional ten thousand two hundred dollars (\$10,200.00) with Beaver in return for twelve (12) monthly interest payments at an interest rate of twenty percent (20%). These payments from Beaver to Rainey were to begin on June 14, 2002 and end on May 14, 2003.

57. On or about February 15, 2002, James McClure ("McClure") invested five thousand five hundred dollars (\$5,500.00) with Beaver in return for twelve (12) monthly interest payments at an interest rate of twenty-five percent (25%). These payments from Beaver to McClure were to begin on March 15, 2002.

58. On or about February 15, 2002, McClure invested an additional eight thousand six hundred twenty-five dollars (\$8,625.00) with Beaver in return for twelve (12) monthly interest payments at an interest rate of twenty-five percent (25%). These payments from Beaver to McClure were to begin on March 15, 2002.

59. On or about February 22, 2002, J. Wimberly invested sixteen thousand eight hundred dollars (\$16,800.00) with Beaver in return for eighteen (18) monthly interest payments at an interest rate of twenty percent (20%). These payments from Beaver to J. Wimberly were to begin on March 22, 2002.

60. On or about April 10, 2002, J. Wimberly invested an additional forty-eight thousand one hundred dollars (\$48,100.00) with Beaver in return for eighteen (18) monthly interest payments at an interest rate of twenty percent (20%). These payments from Beaver to J. Wimberly were to begin on May 10, 2002.

61. On or about April 6, 2002, Billy Wimberly ("B. Wimberly") and Peggy Wimberly ("P. Wimberly") invested twenty-two thousand dollars (\$22,000.00) with Beaver in return for twelve (12) monthly interest payments at an interest rate of twenty percent (20%). These payments from Beaver to B. Wimberly and P. Wimberly were to begin on May 6, 2002.

62. On or about April 10, 2002, J. Wimberly invested forty-eight thousand one hundred dollars (\$48,100.00) with Beaver in return for eighteen (18) monthly interest payments at an interest rate of twenty percent (20%). These payments from Beaver to J. Wimberly were to begin on May 10, 2002.

63. On or about April 23, 2002, Gene Wimberly ("G. Wimberly") invested twenty-five thousand dollars (\$25,000.00) with Beaver in return for eighteen (18) monthly interest payments at an interest rate of twenty percent (20%). These payments from Beaver to G. Wimberly were to begin on May 23, 2002.

64. Upon information and belief, Beaver is continuing to (1) act as an unregistered broker-dealer in violation of the Act; (2) is continuing to offer unregistered securities in violation of the Act; and (3) is continuing to misrepresent and/or make material omissions of fact in connection with the sale of such unregistered securities.

#### CONCLUSIONS OF LAW

65. Tenn. Code Ann. § 48-2-104 provides that:

(a) It is unlawful for any person to sell any security in this state unless:

- (1) It is registered under this part;
- (2) The security or transaction is exempted under § 48-2-103; or
- (3) The security is a covered security.

(b) The [C]ommissioner may, after notice and opportunity for a hearing under the Uniform Administrative Procedures Act, compiled in title 4, chapter 5, impose a civil penalty against any person found to be in violation of this section, or any regulation, rule or order adopted or issued under this section, in an amount not to exceed ten thousand dollars (\$10,000) per violation.

66. Tennessee Code Annotated § 48-2-102(3) defines a "broker-dealer" as any person engaged in the business of effecting transactions in securities for the account of others, or any person engaged in the business of buying or selling securities issued by one (1) or more other persons for such person's own account and as part of a regular business rather than in connection with such person's investment activities.

67. Tennessee Code Annotated § 48-2-102(2) defines an "agent" as any individual, other than a broker-dealer, who represents a broker-dealer in effecting or attempting to effect purchases or sales of securities from, in or into this state.

68. Tennessee Code Annotated § 48-2-109(a) provides, in pertinent part, that:

(a) It is unlawful for any person to transact business from or in this state as a broker-dealer or agent unless such person is registered as a broker-dealer or agent under this part.

...

(e) The commissioner may, after notice and an opportunity for a hearing under the Uniform Administrative Procedures Act, compiled in title 4, chapter 5, impose a fine against any person found to be in violation of this section, or any regulation, rule or order adopted or issued under this section, in an amount not to exceed ten thousand dollars (\$10,000) per violation.

69. Tennessee Code Annotated § 48-2-121(a) provides that it is unlawful for any person, in connection with the offer, sale or purchase of any security in this state, directly or indirectly, to employ any device, scheme, or artifice to defraud, make any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they are made, not misleading, or engage in any act, practice or course of business which operates or would operate as a fraud or deceit upon any person.

70. Based upon the Findings of Fact, the Respondent has violated and is violating Tennessee Code Annotated § 48-2-104(a) by selling unregistered securities which are not subject to an exemption and which are not covered securities, as defined in the Act.

71. Based upon the Findings of Fact, the Respondent has violated and is violating Tennessee Code Annotated § 48-2-109(a) by acting as an unregistered broker-dealer.

72. Based upon the Findings of Fact, the Respondent has violated and is violating Tennessee Code Annotated § 48-2-121(a) by making material misrepresentations and omissions of facts in the offer and sale of securities.

73. Based upon the Findings of Fact, the Commissioner concludes that the Respondent has violated and is continuing to violate the Act, specifically at Tenn. Code Ann. §§ 48-2-104, 109, and 121, as set forth above.

74. Tennessee Code Annotated § 48-2-116 provides that the Commissioner may make, promulgate, amend, and rescind such Orders as are necessary to carry out the provisions of the Tennessee Securities Act of 1980, as amended, and that such Order is in the public interest, necessary for the protection of investors, and consistent with the purposes fairly intended by the policy and provisions of the Act.

75. Tennessee Code Annotated § 48-2-116(e)(2) provides that no Order may be entered without (1) prior notice to affected parties unless the Commissioner determines that prior notice would not be in the public interest and would be detrimental to the protection of investors, (2) an opportunity for a hearing before the Commissioner, and (3) written Findings of Fact and Conclusions of Law.

76. Based upon the Findings of Fact and Conclusions of Law described herein, it would not be in the public interest and it would be detrimental to the protection of investors if prior notice of this Order were given to affected party.

**NOW, THEREFORE**, in consideration of the foregoing, it is **ORDERED** that:

1. The Respondents shall comply with all provisions of the Act.

2. The Respondents shall cease and desist in further conduct as a broker-dealer, investment adviser or agent thereof from, in, or into the State of Tennessee until such time as he is effectively registered with the Division to engage in such activity.

3. The Respondents shall cease and desist in further offerings and sales of securities from, in or into the State of Tennessee until such time as he has complied with all registration requirements under the Act and the rules and regulations promulgated thereunder.

4. The Respondents shall cease and desist further use of any device, scheme, or artifice to defraud, make any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they are made, not misleading, or engage in any act, practice or course of business which operates or would operate as a fraud or deceit upon any person in the offer and/or sale of a security from, in or into this State.

5. The Respondents shall, in light of the Respondent's violations of the Act, pay a three hundred fifty thousand dollar (\$350,000.00) civil penalty to the Division for his thirty-five (35) respective violations of Tenn. Code Ann. §§ 48-2-104(a) and 109(a).

6. All persons in any way assisting, aiding, or helping any of the aforementioned Respondents in any of the aforementioned violations of the Act shall cease and desist from all such activities in violation of the Act.

This Order is not intended to prohibit any lawful conduct in which the Respondents might be engaged.

Entry of this Order shall not in any way restrict the Tennessee Securities Division or the Commissioner of Commerce and Insurance from taking further action with respect to these or other possible violations by the Respondents of the Act or any of the Rules promulgated thereunder.

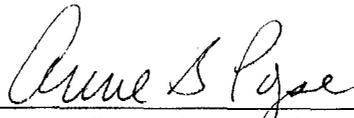
*This Order shall become a **Final Order** thirty (30) days from the date of its entry, unless written notification requesting a hearing is made by the parties within the thirty (30) day period.*

You are advised that you have the right to a hearing as to all matters raised in this Order. If you wish to exercise your right to a hearing, please notify:

**DAPHNE D. SMITH  
ASSISTANT COMMISSIONER FOR SECURITIES  
STATE OF TENNESSEE, DEPARTMENT OF COMMERCE AND INSURANCE  
DAVY CROCKETT TOWER, SUITE 680  
500 JAMES ROBERTSON PARKWAY  
NASHVILLE, TENNESSEE 37243**

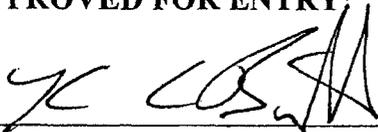
Such request must be received within thirty (30) days of the date of entry of this Order.

ENTERED this the 21<sup>st</sup> day of August, 2002.



\_\_\_\_\_  
Anne B. Pope, Commissioner  
Department of Commerce and Insurance

**APPROVED FOR ENTRY:**



\_\_\_\_\_  
Kevin C. Bartels (BPR# 020618)  
John F. Morris (BPR# 019144)  
Staff Attorneys  
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Nashville, Tennessee 37243-0569  
615 741 2199