

**BEFORE THE COMMISSIONER OF COMMERCE AND INSURANCE
OF THE STATE OF TENNESSEE AT NASHVILLE**

TENNESSEE SECURITIES DIVISION,)	
Petitioner)	
)	Order No. 05-012
vs.)	
)	
JEFFERY L. WATT,)	
Respondent)	

CONSENT ORDER

The Tennessee Securities Division (“Division”) and Jeffery L. Watt, Respondent herein, agree to the entry of this Consent Order in accordance with Tenn. Code Ann. § 48-2-116 of the Tennessee Securities Act of 1980, as amended, Tenn. Code Ann. § 48-2-101, et seq. (“Act”), which states that the Commissioner of Commerce and Insurance (“Commissioner”) from time to time may make such orders as are necessary to carry out the provisions of the Act.

GENERAL STIPULATIONS

1. It is expressly understood that this Consent Order is subject to the Commissioner’s acceptance and has no force and effect until such acceptance is evidenced by the entry of the Commissioner.

2. This Consent Order is executed by the Respondent for the purpose of avoiding further administrative action with respect to this cause. Furthermore, should this Consent Order not be accepted by the Commissioner, it is agreed that presentation to and

consideration of this Consent Order by the Commissioner shall not unfairly or illegally prejudice the Commissioner from further participation or resolution of these proceedings.

3. Respondent fully understands that this Consent Order will in no way preclude additional proceedings by the Commissioner against the Respondent for acts or omissions not specifically addressed in this Consent Order for facts and/or omissions that do not arise from the facts or transactions herein addressed.

4. The Respondent fully understands that this Consent Order will in no way preclude additional proceedings by the Commissioner for the Department of Commerce and Insurance or any other state government representative against the Respondent for violations of law under other statutes, rules, or regulations of the State of Tennessee, which may arise out of the facts, acts, or omissions contained in the Findings of Fact and Conclusions of Law stated herein, or which may arise as a result of the execution of this Consent Order by the Respondent.

5. Respondent expressly waives all further procedural steps, and expressly waives all rights to seek judicial review of or to otherwise challenge or contest the validity of the Consent Order, the stipulations and imposition of discipline contained herein, and the consideration and entry of said Consent Order by the Commissioner.

FINDINGS OF FACT

1. The Tennessee Securities Act of 1980, as amended, Tenn. Code Ann. § 48-2-101, et seq. (the "Act"), places the responsibility for the administration of the Act on the Commissioner of Commerce and Insurance ("Commissioner"). The Division is the lawful

agent through which the Commissioner discharges this responsibility. Tenn. Code Ann. § 48-2-115.

2. Jeffery L. Watt ("Watt") (CRD#2582699) is a citizen and resident of Tennessee who maintains an address of 139 Gowan, P.O. Box 104, Medina, TN 38355. Watt is believed to be an employee, agent, officer, director, owner or other affiliated person of McCarn's Allstate Finance, Inc. ("MAF"). At relevant times herein, Watt was registered as an agent with the Division pursuant to the Act. At relevant times herein, Watt was a registered agent of William E. Hopkins & Associates, Inc. ("WEH&Assoc.") and/or Dominion Investor Services.

3. Watt learned about an investment opportunity in McCarn's Allstate Finance, Inc. ("MAF") during the course of his employment and association with William E. Hopkins ("Hopkins"). The MAF program was an investment opportunity involving the sale of high-interest promissory notes. The MAF program was marketed through companies called Partners Insurance Network and/or Partners Investment Network ("the Partners companies"). The Partners companies were run by Doug Cuthbert ("Cuthbert") and Rhonda Jenkins ("Jenkins"). From 1993 until October of 1998, the Partners companies were the exclusive marketing organization for the MAF program. Thereafter, investment transactions went directly through MAF.

4. The Partners companies would locate agents in various states for the purpose of having the agents sell MAF promissory notes. The local agents would complete an Application for Agent Enrollment. Cuthbert and Jenkins would fax or mail to the local agents the forms necessary to achieve investment in the MAF program, including

Agreements of Understanding, Application Forms, and brochures for use in making sales called "Your Partner in Money." Local agents would present the MAF program to clients, complete the necessary paperwork, and then forward the paperwork and investor monies to the Partners companies, and later to MAF itself, through the mail. Promissory notes from MAF would be sent to the investor evidencing the investment. Investors would also receive account statements through the mail.

5. The local agents were paid a commission on the sale of each high-interest promissory notes, as well as any renewals of a note. The commissions ranged from 2% to 10%. Watt began selling the MAF promissory notes 1999. Watt's commission was 4%.

6. In making sales presentations to customers, Watt used the materials sent to him from the Partners companies, including specifically, the brochure entitled "Your Partner in Money." The brochure represented that the investment opportunity was "safe" and "insured." The brochure guaranteed a fixed rate of interest of 9.00% APR.

7. The MAF high-interest promissory note program was the subject of significant regulatory action, including a cease and desist order from Florida in 1996, a cease and desist order and regulatory action from Arizona in 1997, an action in Pennsylvania in June of 2001, an action by Alabama in March of 1998, an action by Illinois in 1994, an action by Oklahoma in 1998, and an action by Virginia in 1997.

Sale to Betty Sue Brashier

8. Betty Sue Brashier is a citizen and resident of the State of Tennessee. Brashier became familiar with Hopkins and Watt at a seminar on insurance and investing that Hopkins put on at the Milan, TN library.

9. Brashier's husband had originally invested \$50,000.00 in the MAF program on or about February of 1997, but he passed away. On March 22, 2002, Brashier visited with Watt at the offices of WEH&Assoc. in Jackson, Tennessee regarding the MAF investment opportunity. Watt recommended that Brashier continue the investment in MAF and have the promissory note transferred into her name. Watt went over the sales materials, and on March 22, 2002, Brashier signed an Agreement of Understanding for the investment. Watt was listed as the "investment counselor." Watt expected to receive a commission on this transaction.

10. Brashier renewed the promissory notes in July of 2002 and October of 2002. Watt expected to receive commissions on the renewals. Due to the bankruptcy of MAF, it is believed that no commissions were actually received.

Sale to Joel Fields

11. Joel Fields is a citizen and resident of the State of Tennessee. Fields also became familiar with Hopkins and Watt at a seminar on insurance and investing that Hopkins put on at the Milan, TN library. Fields was a client of Hopkins and Watt prior to any investment in the MAF program. In May of 2000, Hopkins and Watt spoke with Fields regarding the investment opportunity through MAF. The meeting took place in at the WEH&Assoc. offices in Jackson, Tennessee.

12. Hopkins went over the MAF brochure, "Your Partner in Money." Fields was attracted to the high-interest rate on the note. On May 17, 2000, Fields invested \$79,000.00 in a MAF promissory note. Watt completed the paperwork for the investment, signing the Agreement of Understanding as the "investment counselor." Watt forwarded

the paperwork and investment monies via mail to MAF.

13. It is believed that Watt made approximately \$3,160.00 in commission related to Fields' initial investment.

Sale to Helen Cooley

14. Helen Cooley is a citizen and resident of the State of Tennessee. Cooley contacted Watt and set up an appointment to visit with him about investment opportunities. Cooley met with Hopkins and Watt. At the meeting, Cooley made arrangements for Hopkins to set up the Allen Trust.

15. At some time after the Allen Trust was established, Watt met with Cooley at the WEH&Assoc. offices in Jackson, Tennessee to discuss the MAF investment opportunity. Cooley originally invested in the MAF program through the Allen Trust. Watt and Hopkins went over the MAF brochure entitled "Your Partner in Money." On August 17, 1998, Cooley invested \$50,000.00 in a MAF promissory note. Watt completed the paperwork for the investment, signing the Agreement of Understanding as the "investment counselor." Hopkins forwarded the paperwork and investment monies via mail. The investment was later transferred to the name of Cooley herself.

16. It is believed that Watt made approximately \$2,000.00 in commission related to Cooley's initial investment. The note was renewed, and Watt made commission on each renewal.

Sale to Elizabeth Hailey

17. Elizabeth Hailey is a citizen and resident of the State of Tennessee.

18. On or about 1998, Watt spoke with Hailey about the MAF investment

opportunity at the WEH&Assoc. offices in Jackson, Tennessee. Watt went over the MAF brochure entitled "Your Partner in Money." In 1998, Hailey invested \$61,000.00 in a MAF promissory note. Watt completed the paperwork for the investment, signing the Agreement of Understanding as the "investment counselor." Hopkins forwarded the paperwork and investment monies via mail.

19. It is believed that Watt made approximately \$2,440.00 in commission related to Hailey's initial investment. The note was renewed, and Watt made commission on each renewal.

Sale to Robert James

20. Robert James is a citizen and resident of the State of Tennessee.

21. On or about July of 2002, Watt spoke with James at the WEH&Assoc. offices in Jackson, Tennessee regarding an investment opportunity in MAF. Watt went over the MAF brochure entitled "Your Partner in Money." In July of 2002, James invested \$125,000.00 in a MAF promissory note. Watt completed the paperwork for the investment, signing the Agreement of Understanding as the "investment counselor." Watt forwarded the paperwork and investment monies via mail.

22. Watt expected a commission related to the sale; however, none was received due to MAF's bankruptcy.

Sales to Bob Yoakum

23. Bob Yoakum is a citizen and resident of the State of Tennessee.

24. Yoakum contacted Watt regarding monies that he inherited, which monies he wanted to invest. Watt met with Yoakum in a restaurant in Brownsville, Haywood County,

Tennessee and spoke with him about the MAF investment opportunity. Watt went over the MAF brochure entitled "Your Partner in Money." In 1998, Yoakum invested \$100,000.00 in a MAF promissory note. Watt completed the paperwork for the investment, signing the Agreement of Understanding as the "investment counselor." Hopkins forwarded the paperwork and investment monies via mail.

25. It is believed that Watt made approximately \$4,000.00 in commission related to Cooley's initial investment. The note was renewed, and Watt made commission on each renewal.

Sale to Norman Spencer

26. Norman Spencer is a citizen and resident of the State of Tennessee.

27. In June of 2002, Watt met with Spencer at City Hall in Medina, Gibson County, Tennessee where Spencer asked Watt about the MAF investment opportunity. Watt went over the MAF brochure entitled "Your Partner in Money." On June 26, 2002, Spencer invested \$50,000.00 in a MAF promissory note. Watt completed the paperwork for the investment, signing the Agreement of Understanding as the "investment counselor." Watt forwarded the paperwork and investment monies via mail.

28. Although Watt expected commission related to this sale, none was received due to MAF's bankruptcy.

29. Watt had previously sold an MAF promissory note to Spencer on February 11, 1999 for \$50,000.00. This sale took place at the home of Spencer in Medina, Gibson County, Tennessee. Spencer suffered no loss as a result of Watt's first sale to Spencer.

Sale to Phillip Chandler

30. Phillip Chandler is a citizen and resident of the State of Tennessee.

31. Watt met with Chandler at the WEH&Assoc. offices in Jackson, Tennessee and spoke with him about the MAF investment opportunity. Watt went over the MAF brochure entitled "Your Partner in Money." In 1999, Chandler invested \$125,000.00 in a MAF promissory note. Watt completed the paperwork for the investment, signing the Agreement of Understanding as the "investment counselor." Hopkins forwarded the paperwork and investment monies via mail.

32. It is believed that Watt made approximately \$5,000.00 in commission related to Chandler's initial investment. The note was renewed, and Watt made commission on each renewal. Chandler later had Watt transfer his money into a different investment. Chandler suffered no loss as a result of his investment in the MAF program.

33. The MAF promissory notes are a security under the Act. At the time of all of the sales or offers to sell mentioned herein, the MAF promissory notes were not registered with the Division pursuant to the Act.

34. Watt did not inform the investors that the promissory notes were securities under the Act, and as such, they were required to be registered with the Division.

35. Watt did not inform the investors that MAF was the subject of Cease and Desist Orders and other regulatory actions from various states; nor did Watt inform investors that MAF was the subject of ongoing securities violations investigations.

36. Investigation revealed that Watt received at least \$20,000.00 in commissions related to sales and renewals of MAF investments. Although Watt executed various

settlement agreements in the form of promissory notes with certain investors, Watt has declared bankruptcy and he is no longer obligated to pay the settlement agreements.

37. Watt was the subject of an NASD investigation related to his sales of MAF notes. Without admitting or denying the allegations, Watt consented to the finding of the allegations and was fined \$5,000.00 and suspended from association with any NASD member in any capacity for 18 months. Additionally, Watt was ordered to disgorge profits in the amount of \$20,000.00, said monies to be paid in partial restitution to Watt's customers.

38. Watt offered to sell and sold MAF high-interest promissory notes to the above mentioned investors and purchasers of MAF promissory notes, which notes were securities under the Act and were required to be registered under the Act, at a time when the promissory notes were not registered with the Division pursuant to the Act.

39. At all times relevant to the facts stated herein, Watt maintained a Tennessee insurance license #740706. The status of said insurance license is "delinquent."

40. Watt currently maintains a Tennessee real estate license #240828.

CONCLUSIONS OF LAW

41. Pursuant to Tenn. Code Ann. §48-2-115(a), the responsibility for administration of the Act is upon the Commissioner. The Division is the lawful agent through which the Commissioner discharges this responsibility.

42. Tennessee Code Annotated §48-2-104(a) provides that it is unlawful for any person to sell any security in this state unless (1) it is registered, (2) the security or

transaction is exempted under Tenn. Code Ann. §48-2-103, or (3) the security is a covered security.

43. Tenn. Code Ann. § 48-2-121(a) states 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: (1) employ any device, scheme, or artifice to defraud; (2) 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 (3) engage in any act, practice, or course of business which operates or would operate as a fraud or deceit upon any person.

44. The averments in paragraphs two – thirty-eight of this Consent Order constitute practices by Jeffery L. Watt, which would provide grounds under Tenn. Code Ann. § 48-2-104 for the entry of an order of sanctions against Jeffery L. Watt.

45. The averments in paragraphs two – thirty-eight of this Consent Order constitute practices by Jeffery L. Watt, which would provide grounds under Tenn. Code Ann. § 48-2-121 for the entry of an order of sanctions against Jeffery L. Watt.

46. Tenn. Code Ann. § 56-6-112(a)(8) states, in pertinent part, that the Commissioner may place on probation, suspend, revoke, or refuse to issue or renew any license under this part if she finds that one holding a license to sell insurance has-used fraudulent, coercive, or dishonest practices, or demonstrated incompetence, untrustworthiness or financial irresponsibility in the conduct of business in this state or elsewhere.

47. Based upon the Findings of Fact cited above, the Commissioner concludes

that the actions of the Respondent were in violation of Tenn. Code Ann. § 56-6-112(a)(8), and provides grounds for the imposition of sanctions set forth under such section.

ORDER

NOW, THEREFORE, on the basis of the foregoing, and the Respondent's waiver of right to a hearing and appeal under the Tennessee Securities Act and Tennessee's Uniform Administrative Procedures Act, Tenn. Code Ann. § 4-5-101 et seq., and the Respondent's admission of jurisdiction of the Commissioner, the Commissioner finds that Respondent, Jeffery L. Watt, for the purpose of settling this matter, admits the matters herein, has agreed to the entry of this Order and that the following Order is appropriate, in the public interest and necessary for the protection of investors.

IT IS ORDERED, pursuant to Tennessee Code Annotated §48-2-116(a) of the Tennessee Securities Act that:

1. Respondent IS ORDERED AND AGREES to fully comply with the Tennessee Securities Act, as amended, and all rules promulgated thereunder.
2. Respondent IS ORDERED AND AGREES to permanently cease and desist in further conduct as a broker-dealer and/or agent of a broker-dealer from, into, or in the State of Tennessee.
3. Respondent IS ORDERED AND AGREES to permanently cease and desist offering to sell or selling securities from, into, or in the State of Tennessee.
4. Respondent IS ORDERED AND AGREES to permanently cease and desist from committing violations of the Tennessee Securities Act of 1980, as amended.

5. Respondent **IS ORDERED AND AGREES** that Respondent shall state on Form U-4 this action, pursuant to the instructions of said form and as required by the NASD, and file the appropriate Disclosure Reporting Page to disclose the details of this filed administrative action. Respondent **IS FURTHER ORDERED AND AGREES** that disclosure of the existence and terms of this Consent Order shall be disclosed in any offer to sell, private placement memoranda, or other sales tool which in any manner relates to the issuance, sale, or offer to sell a security.

6. Respondent **IS ORDERED AND AGREES** that Insurance License #740706 in the name of Jeffery L. Watt, which license is issued by the Department of Commerce and Insurance, is hereby **PERMANENTLY REVOKED**.

7. Respondent **IS ORDERED AND AGREES** to be permanently prohibited from applying for or seeking registration as a broker-dealer, agent of a broker-dealer, investment adviser, or investment adviser representative through the State of Tennessee, Department of Commerce and Insurance, Division of Securities. Any registration held by Respondent as related to any securities registration within the State of Tennessee, as related in any manner to CRD#2582699, is hereby **PERMANENTLY REVOKED**. Respondent is barred from transacting any securities business on behalf of others in, from, or into the State of Tennessee.

8. Respondent hereby **AGREES AND ACKNOWLEDGES AND IT IS ORDERED** that failure to comply with all of the requirements and prohibitions contained in this Order shall result in the denial of any application by Respondent for any registration

and/or licensure of any type, which registration and/or licensure is administered by the Division of Securities and/or the Department of Commerce and Insurance.

Execution of this Consent Order is due on or before March 14, 2005.

IT IS ORDERED that this Order represents the complete and final resolution of, and discharge with respect to all administrative and civil, claims, demands, actions and causes of action by the Securities Division against Jeffery L. Watt for violations of the Tennessee Securities Act of 1980, as amended, alleged to have occurred with respect to facts contained herein. Nothing herein may be construed as preventing a separate division or section of the Department of Commerce and Insurance or a separate entity of the State of Tennessee from taking other appropriate action against the Respondents based on the Findings of Fact and Conclusions of Law enumerated herein or the existence of this executed Consent Order.

This Consent Order is in the public interest and in the best interests of the parties, and represents a compromise and settlement of the controversy between the parties and is for settlement purposes only. By the signatures affixed below, Jeffery L. Watt affirmatively states that he has freely agreed to the entry of this Consent Order, that he waives the right to a hearing on the matters underlying this Consent Order and to a review of the Findings of Fact and Conclusions of Law contained herein, and that no threats or promises of any kind have been made by the Commissioner, the Division, or any agent or representative thereof. The parties, by signing this Consent Order, affirmatively state their agreement to be bound by the terms of this Consent Order and aver that no promises or offers relating to

the circumstances described herein, other than the terms of settlement set forth in this Consent Order, are binding upon them.

ENTERED this 5th day of April, 2005.

Paula A. Flowers

Paula A. Flowers, Commissioner
Department of Commerce and Insurance

APPROVED FOR ENTRY:

Jeffery L. Watt
Jeffery L. Watt, Individually

Daphne D. Smith

Daphne D. Smith,
Assistant Commissioner for Securities
Department of Commerce and Insurance

Michele K. Elliott

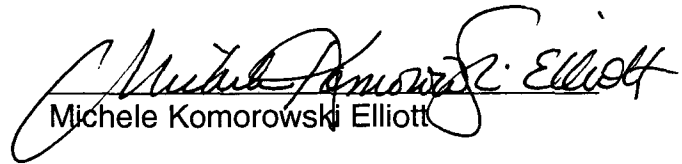
Michele K. Elliott (BPR#022618)
Staff Attorney
Department of Commerce and Insurance
500 James Robertson Parkway, Fifth Floor
Nashville, Tennessee 37243
(615) 741-2199

CERTIFICATE OF SERVICE

The undersigned hereby certifies that a true and correct copy of the final, executed Consent Order has been served in accordance with the Tennessee Rules of Civil Procedure via certified mail, return receipt requested and via regular mail to:

Jeff Watt
139 Gowan
Medina, TN 38355

this 8th day of April, 2005.


Michele Komorowski Elliott