BEFORE THE DIRECTOR OF THE DEPARTMENT OF CONSUMER AND BUSINESS SERVICES DIVISION OF FINANCE AND CORPORATE SECURITIES OF THE STATE OF OREGON

In the Matter of: **FIRST FINANCIAL PLANNERS, INC.; FFP SECURITIES, INC.; FFP ADVISORY SERVICES, INC.,** Respondents.	**No. A- 00-0007** **ORDER TO CEASE AND DESIST** **AND** **STIPULATIONS AND CONSENT TO ENTRY OF ORDER BY RESPONDENTS FIRST FINANCIAL PLANNERS, INC.; FFP SECURITIES, INC.; FFP ADVISORY SERVICES, INC.**

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WHEREAS, the Director of the Department of Consumer and Business Services for the State of Oregon (hereafter the "Director"), acting by and pursuant to the authority of Oregon Securities Law, Chapter 59 of the Oregon Revised Statutes (hereinafter cited as ORS Chapter 59), and other applicable authority, has a pending investigation into certain business activities conducted by the above named Respondents **FIRST FINANCIAL PLANNERS, INC.; FFP SECURITIES, INC.; and FFP ADVISORY SERVICES, INC.**

WHEREAS, Respondents (hereafter referred to as "FFP"), without admitting or denying the allegations by the Director, want to avoid the time and expense of further investigation and an action by or before the Director and desire to obtain disposition of the above captioned matter as to FFP without invoking any rights to a hearing before the Director.

WHEREAS, FFP has acknowledged fully reading and understanding the contents of this **ORDER TO CEASE AND DESIST AND STIPULATIONS AND CONSENT TO ENTRY OF ORDER BY ALL RESPONDENTS** (hereafter referred to as the "Order") and has waived any right to a hearing with respect to this matter and to challenge or appeal this Order.

WHEREAS, FFP has consented to the jurisdiction of the Director for the purpose of this Order and the issuance thereof.

NOW, THEREFORE, the Director hereby makes the following Findings of Fact and Conclusions of Law, which FFP neither admits nor denies, and issues the following Order, to which FFP has consented, as is evidenced by the signature of FFP's officers on the Stipulations and Consent to Entry of Order attached hereto and incorporated herein.

FINDINGS OF FACT

The Director **FINDS** that:

1. First Financial Planners, Inc. is a Missouri corporation and the parent company of FFP Securities, Inc., a registered broker-dealer, and FFP Advisory Services, Inc., a registered investment advisory firm. First Financial Planners, FFP Securities and FFP Advisory Services (collectively, "FFP") have a home office address of 15455 Conway Road, Chesterfield, Missouri 63017-2022.

2. Roy Monroe Henry was the President, Chairman of the Board, Chief Executive Officer and majority shareholder of First Financial Planners. Henry is a Missouri-registered securities agent and was President of FFP Securities. Henry is a registered investment adviser representative and was President of FFP

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Advisory Services. Henry has an address of 2031 Kehrsboro Drive, Chesterfield, Missouri 63005.

3. As of March 8, 1999, FFP was registered to sell securities in all fifty states. FFP's sales force includes 755 registered agents.

4. Between March 8-17, 1999, state securities examiners from Missouri, Illinois and South Dakota conducted an unannounced examination of books and records at FFP's home office. In conjunction with the home office examination of FFP, thirty-four other states conducted examinations of FFP branch offices in their respective jurisdictions (hereinafter, the "Multi-State Examination").

5. The Multi State Examination revealed that FFP has engaged in dishonest or unethical practices in the securities business including, among other things, failing to adequately disclose risks to clients and failing to adequately supervise FFP's agents, adviser representatives, and employees in that FFP failed to establish sufficient supervisory procedures or to enforce existing supervisory procedures. The Multi State Examination resulted in a proposed Multi State Agreement.

6. In September, 1995, FFP began offering and selling FFP proprietary notes identified as subordinated note offerings A, B, C, D and E.

7. The stated purpose of Note A was to raise $4,000,000 for "the purchase of the corporate headquarters building."

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8. The stated purpose of Note B was to raise $4,000,000 for "the formation or purchase of a trust company."

9. The stated purpose of Note C was to raise $4,000,000 in order to "form a family of mutual funds that would specialize in acquiring other mutual funds."

10. The stated purpose of Note D was to raise $4,000,000 in order to "acquire a seat on a major securities exchange."

11. The stated purpose of Note E was to raise $4,000,000 to "develop a nationwide discount brokerage service."

12. At the time of sale, each of the above-mentioned FFP notes paid an annual rate of return of 11%, had a duration of ten years from the date of issuance and was unsecured.

13. FFP received an 8% commission on the sale of each of the interests in the above-mentioned notes.

14. FFP arbitrarily determined that each subordinated note offering would require exactly four million dollars.

15. Two Oregon residents invested in the subordinated note offerings; a Fairview, Oregon resident invested fifty thousand dollars ($50,000.00) on January 29, 1998 while a Harrisburg, Oregon resident invested ten thousand dollars

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($10,000.00) on June 4, 1998.

16. Before the respective offerings, FFP failed to adequately research and determine the requirements necessary to form or purchase a trust company (Note B) or to acquire an exchange seat (Note D).

17. The funds raised to form or purchase a trust company and to acquire an exchange seat were not used to complete either project, but instead were used for other FFP corporate expenses.

18. Moody's Investors Service, a ratings system for bond issuers, defines investment grade obligations as those rated "Baa" or higher. Obligations rated "Ba" or lower are considered speculative grade obligations. Moody's defines obligations rated "Ba" or lower as those obligations which are judged to have speculative elements and whose future cannot be well-assured. The protection of interest and principal payments is often moderate, at best, and these obligations are not well protected over the future of the obligation.

19. At the time of sale, the above-mentioned FFP notes were not investment-grade securities in that these notes were unsecured, paid a higher than market rate of interest and were the obligation of FFP, which had operating losses in 1996, 1997 and 1998 in excess of $600,000 annually.

20. FFP did not disclose to investors at the time of sale that the above-mentioned note offerings carried more risk than investment grade securities and were speculative in nature.

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21. Since the onset of the Multi-State Examination, FFP has taken steps to enhance FFP's management and compliance structure by, among other things:

(A) Hiring an in-house general counsel;

(B) Hiring additional compliance officers;

(C Retaining the services of a securities law firm to conduct an examination of FFP's compliance department;

(D) Retaining a securities compliance expert for an extended term of consultation to work with and enhance FFP's compliance department;

(E) Retaining independent certified public accountants to effectuate a comprehensive audit of all private securities products issued by FFP.

CONCLUSIONS OF LAW

The Director, based upon the findings of fact above, **CONCLUDES** that:

1. The Respondents are in violation of ORS 59.205 (2) in that FFP has engaged in dishonest, fraudulent, unfair, unethical or illegal practices or conduct in connection with the sale of a security.

2. The Respondents are in violation of ORS 59.205 (13) in that FFP has failed, reasonably to supervise the salespersons or investment adviser representatives in connection with the sale of a security.

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ORDER

NOW, THEREFORE, THE DIRECTOR ORDERS that:

1. Respondents shall **CEASE AND DESIST** from offering, selling, and transferring, directly or indirectly, any of the above described securities, or any other security, in or from the State of Oregon or to Oregon residents, in violation of ORS Chapter 59, Oregon Administrative Rules Chapter 441, or any other provision of the Oregon Securities Law.

2. For a period of no less than two years from the date of this Order, Respondents shall hire and retain an in-house general counsel to enhance and maintain FFP's compliance and supervisory procedures.

3. Respondents shall hire and maintain such additional compliance officers as are necessary to establish and enforce adequate compliance and supervisory procedures.

4. For a period of no less than two years from the date of this Order, Respondents shall hire and retain the services of a law firm to conduct an examination of FFP's Compliance Department and make such recommendations as are necessary to enhance and improve FFP's compliance and supervisory procedures.

5. For a period of no less than two years from the date of this Order, Respondents shall hire and retain a securities compliance expert to work with and

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enhance FFP's Compliance Department.

6. For a period of no less than two years from the date of this Order, Respondents shall hire and retain independent certified public accountants to effectuate a comprehensive audit of all private securities products issued by FFP.

7. Upon execution of this Order, Respondents shall establish a Subordinated Note Reserve Fund ("SNRF"), the purpose of which is to ensure that all investors receive payment in full of all principal and interest due them. The SNRF is to serve as a sinking fund for the FFP Subordinated Notes and the contributions and assignments thereto may not be used for any other purpose. The SNRF shall remain in full force and effect at all times there remains a holder of an FFP Subordinated Note whose Note remains outstanding. Furthermore, Respondents shall implement certain management changes; effectuate certain monthly Subordinated Note Reserve Fund and Note Interest Reserve Account ("NIRA") contributions and otherwise prospectively act in accordance with and pursuant to the terms and conditions of the Multi State Agreement.

8. This Order represents the complete and final resolution of, and discharge of any basis for any civil or administrative proceeding by the Director against FFP for violations arising as a result of or in connection with any actions or omissions by FFP, its officers, directors, shareholders, predecessors, subsidiaries and/or any of its associated or affiliated persons or entities, past and present; provided, however, this release does not apply to facts not known by the Director or not otherwise provided by FFP to the Multi-State Examination participants or the Director as of the date of this Order; provided, further, that this release does not

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apply to the sales practices of an individual in relation to soliciting investors' trades or accounts.

9. This Order, except as to the parties hereto, does not limit or create any person's private remedies against FFP or others, or FFP or others' defenses thereto.

10. Except as expressly provided in this Order, nothing herein is intended to or shall be construed to have created, compromised, settled, or adjudicated by claim, causes of action, or right of any person, other than as between the Director and FFP in accordance with this Order.

11. Execution of this Order by the Director is without prejudice to the right of the Director to take enforcement action against FFP if the Director determines that FFP has not strictly complied with any of the terms and conditions set forth herein.

Dated this 11th day of February, ~~1999~~ 2000 at Salem, Oregon.

MICHAEL GREENFIELD, DIRECTOR
DEPARTMENT OF CONSUMER & BUSINESS SERVICES
STATE OF OREGON

APPROVED AS TO FORM:

_____ Dated:_____
ALBERT S. WATKINS
Attorney for Respondents

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David T. Weiss

Dated: 2-11-00

David T. Weiss
Securities Compliance Officer
Division of Finance and Corporate Securities
Department of Consumer and Business Services
State of Oregon

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STIPULATIONS AND CONSENT TO ENTRY OF ORDER BY RESPONDENTS FIRST FINANCIAL PLANNERS, INC., FFP SECURITIES, INC., AND FFP ADVISORY SERVICES, INC.

I, **ROBERT RODERMUND, PRESIDENT, FIRST FINANCIAL PLANNERS, INC**, having been duly sworn, hereby state the following:

1. I **CONSENT** to the jurisdiction of the Director of the Department of Consumer and Business Services, State of Oregon (hereafter referred to as the "Director") for the purpose of the issuance and entry by the Director of the **ORDER TO CEASE AND DESIST** (hereafter referred to as the "Order") stated above.

2. I **HAVE THE AUTHORITY** to act on behalf of and bind Respondents **FIRST FINANCIAL PLANNERS, INC., FFP SECURITIES, INC., AND FFP ADVISORY SERVICES, INC**(hereafter referred to as "FFP")

3. I **HAVE FULLY READ AND UNDERSTOOD** the contents of the Order and hereby **CONSENT,** voluntarily and without any force or duress, to the issuance and entry of the Order without admitting or denying the Findings of Fact and Conclusions of Law stated therein.

4. I **ACKNOWLEDGE** having been fully advised of the right to a hearing and hereby **WAIVE** any such right and all rights to challenge or appeal the Order. I **AGREE** to pay all attorney fees and costs incurred by the Director in any proceeding for enforcement of the Order and on any appeal thereof.

5. I **REPRESENT** and **WARRANT** that I have identified to the Director all of the investors who purchased subordinated note offerings from FFP that were residents of the State of Oregon as of their date of purchase.

6. I **REPRESENT** and **WARRANT** that FFP will fully comply with the terms of the Order and this Stipulation and Consent to Entry of Order, and that neither I, nor any agent or representative of FFP, will effect securities transactions in Oregon or with Oregon residents unless and until such activities are in full compliance with the Order, ORS Chapter 59, Chapter 441 of Oregon Administrative Rules (hereafter cited as "OAR Chapter 441"), and every other applicable provision of Oregon Securities Law.

7. I **ACKNOWLEDGE** and **UNDERSTAND** that a violation of the Order will potentially subject FFP to other action by the Director.

8. I further **ACKNOWLEDGE** and **UNDERSTAND** that issuance of the Order in no way limits or prevents the Director from taking action or seeking sanctions or remedies which may be available to the Director under Oregon law against any other party or against FFP and/or me for conduct or actions not covered by this Order or to enforce the Order.

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9. I further **ACKNOWLEDGE** and **UNDERSTAND** that this Order and Stipulation and Consent to Entry of Order is a public document.

Dated: 2/7/00

ROBERT RODERMUND
PRESIDENT
FIRST FINANCIAL PLANNERS, INC.

State of Missouri) ss.

County of St Louis)

SUBSCRIBED AND SWORN TO voluntarily before me this 7th day of February, 1999, 2000, by ROBERT RODERMUND, an individual.

Deborah G. Manning

Deborah G. Manning (Print)

" NOTARY SEAL "
Deborah G. Manning, Notary Public
St. Charles County, State of Missouri
My Commission Expires 8/20/2001

Notary Public for the State of Missouri

My commission expires: Aug. 20, 2001

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