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**BEFORE THE ARIZONA CORPORATION COMMISSION**

Arizona Corporation Commission
DOCKETED

MAY 01 2002

DOCKETED BY

WILLIAM A. MUNDELL
Chairman
JIM IRVIN
Commissioner
MARC SPITZER
Commissioner

In the matter of

RICHARD DEAN CARRINGTON
a/k/a Richard Dean Frank
d/b/a Carrington Estate Planning Services
d/b/a Carrington Investment Services
7600 East Doubletree Ranch Road, Ste. 130
Scottsdale, AZ 85258

ROBERT WITT
a/k/a Harry Robert Witt
7600 East Doubletree Ranch Road, Ste. 130
Scottsdale, AZ 85258,

Respondents.

DOCKET NO. S-03215A-01-0000

DECISION NO. 64786

**ORDER TO CEASE AND DESIST, ORDER FOR PAYMENT, ORDER FOR ADMINISTRATIVE PENALTIES AND CONSENT TO SAME BY: RICHARD DEAN CARRINGTON**

RICHARD DEAN CARRINGTON elects to permanently waive any right to a hearing and appeal under Articles 11 and 12 of the Securities Act of Arizona, A.R.S. § 44-1801 *et seq.* ("Securities Act") with respect to this Order To Cease And Desist, Order for Payment, Order for Administrative Penalties and Consent to Same ("Order"). RICHARD DEAN CARRINGTON admits the jurisdiction of the Arizona Corporation Commission ("Commission"); neither admits nor denies the Findings of Fact and Conclusions of Law contained in this Order; and consents to the entry of this Order by the Commission.

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6. The brochure stated that based on the estimated life expectancy, CARRINGTON would determine a "fair amount" to pay for the policy. According to CARRINGTON, the amount paid to the insured would be as high as 88% of the face amount for policies when the estimated life expectancy of the insured was low, such as 6 to 12 months.

7. The brochure stated that CARRINGTON would purchase and own the policy. CARRINGTON would then sell the death benefits of the policy to a group of investors at a higher price than CARRINGTON paid to acquire the policy. CARRINGTON thus received a profit on the transaction up front. CARRINGTON would assign an irrevocable right to the benefits of the policy to the investors. Investors would receive a return on their investment when the policy "matured," that is, upon the death of the insured. The brochure stated that investors would be helping somebody "who *really* needs the help." The investor would be providing a "humanitarian service." The brochure also stated, "It's truly an investment you can feel good about."

8. The brochure stated that CARRINGTON imposed "legal standards" on policies it purchased, including that the policies must be beyond the two-year "contestability" period. The brochure included no explanation of "contestability". In fact, most insurance companies include a contract provision allowing the insurance company to cancel a policy within two years of purchase (the "contestability period"), if the policy application has been found to be fraudulent or otherwise subject to cancellation. Policies that are within the contestability period carry high risks to investors due to potential cancellation.

9. The brochure stated that policies would be purchased from insurance companies whose rating was "A" or better according to the industry's leading insurance rating firms. CARRINGTON would place funds in escrow for payment of premiums and would instruct the escrow company to keep premiums current. According to CARRINGTON, the money to pay continuing premiums would be withheld from the amount paid to the insured person to buy the policy.

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# I.

## FINDINGS OF FACT

1. RICHARD DEAN CARRINGTON ("CARRINGTON"), whose last known business address was 7600 East Doubletree Ranch Road, Suite 130, Scottsdale, AZ 85258, was at all relevant times the owner and operator of Carrington Estate Planning Services ("CEPS"). CARRINGTON has also done business as Carrington Investment Services ("CIS"), represented as a "division" of CEPS.

2. From on or around January 1995 to the present, CARRINGTON offered and sold viatical settlement contracts and investment contracts within or from Arizona. CARRINGTON originally conducted business at 2266 South Dobson Road, Mesa, AZ. Around December 1999, CARRINGTON opened an office at the above Scottsdale address.

3. CARRINGTON solicited investors in Arizona and other states through newspaper and radio advertising. The ads offered investors an opportunity to earn "12-18% returns" with "no risk to principal." The ads stated that the opportunity provided for a "short term" of "6-24 months," with tax advantages and qualification for IRA accounts.

4. Investors who inquired about the program received a brochure explaining the investment ("the brochure"). The brochure presented CARRINGTON and his businesses as "Viatical Settlement Specialists." The brochure stated that the investment opportunity involved the purchase of the right to benefits from the policies of terminally ill individuals, who sold their policies to CEPS at a discount.

5. The brochure stated that terminally ill insured individuals had contacted CARRINGTON expressing a desire to sell their life insurance policies. CARRINGTON would be granted access to the individual's medical records. CARRINGTON would then determine the life expectancy of the insured based on the insured's own physician's estimate, and based on an independent physician review obtained by CARRINGTON.

10. The brochure stated that CARRINGTON's fees were paid by the insured person, thus there were "no loads or commissions applied to Viatical Settlements."

11. The brochure stated that returns of 10 to 20% could be earned "safely."

12. The brochure stated that CARRINGTON usually purchased policies from AIDS patients, because there was "a high degree of accuracy in projecting the life expectancy of a terminally ill AIDS sufferer."

13. Individuals who decided to invest were given a one-page "Policy Purchase Agreement" ("the Agreement") to sign. The Agreement stated that the investor was to make a check out to Arizona Escrow and Financial Corporation ("Arizona Escrow"). Investors were told that funds would be pooled at Arizona Escrow until CARRINGTON found a policy to purchase for the benefit of investors. Investors were not told how long CARRINGTON would maintain an account at Arizona Escrow before a policy would be purchased.

14. The Agreement stated that CARRINGTON would provide to the investor medical and other pertinent information on "the applicants for Viatical Funding" prior to the investor's purchase of a policy. In fact, investors were given only sample information, with no specifics on actual policies that they might evaluate for purchase.

15. The Agreement stated that an attached addendum labeled "Attachment A" would provide investors with a "policy breakdown" and the percent of interest acquired. In fact, no Attachment A was given to investors until after CARRINGTON had used their money to purchase a policy. At that time, the investor found out how many other investors were on the same policy, as well as the interests of each. While CARRINGTON initially provided investors with other investor names and addresses on each policy after the policy was funded, he later began to white out all names so that investors had no way of knowing or contacting other investors who held a portion of the same benefits as the investor.

16. Investors were told that either CARRINGTON or Arizona Escrow would own the policy, while the investor would be named as an irrevocable beneficiary, entitled to receive a pro rata portion of the face value upon death of the insured.

17. Investors were provided with no background or financial information on CEPS or its "division", CIS. Investors were given no basis for projections that the "rate of return varies from 11 – 26%."

18. The ultimate return to investors was a *fixed* amount based on maturity of the policy. However, the ultimate *annual rate* of return to an investor was significantly dependent on CARRINGTON's ability to accurately determine life expectancy in selecting a policy.

19. The brochure stated that CARRINGTON took several steps to "insure" that the predicted life expectancy was as accurate as possible, including obtaining both an attending and secondary physician opinion on life expectancy. However, CARRINGTON failed to provide investors with any information that would allow them to verify that such reviews had been done.

20. Investors were asked to sign an "Agency Agreement and Special Power of Attorney" ("POA") once they decided to invest. The POA required CARRINGTON to purchase policies that were beyond the contestability period from insurance companies with a rating of "A" or better.

21. In or around mid-1996, the national news media announced breakthroughs in the treatment of AIDS, with the advent of protease inhibitors. Deaths from AIDS began to drop substantially. As other "cocktail" medicines entered the market, many AIDS patients, whose medical diagnoses had previously reflected "full blown AIDS," began to see their health improve to levels that made the prospect of survival beyond earlier predicted time periods not only a possibility, but a reality. As a result, life expectancy became highly difficult to predict.

22. The life expectancy of an AIDS patient formed the fundamental basis for calculation of an investor's expected annual rate of return. As life expectancy became highly speculative, so the projections of annual returns to investors became highly speculative.

23. CARRINGTON continued to provide a written brochure to potential investors that failed to reflect the risk to investors that medical breakthroughs might make determination of life expectancy highly unreliable. In fact, CARRINGTON utilized sample "case histories" in the brochure to demonstrate the calculation of annual return to investors. The samples were all based on death of the insured occurring before the predicted life expectancy had expired. The samples reflected annual returns to investors of 21% to 88%. The brochure continued to state, "there is no hope of survival for current Full Blown Aids [sic] patients."

24. In May 1997, the Commission ordered CARRINGTON, along with other agents, to temporarily cease and desist from the sale of promissory notes, another product offered along with viatical settlement contracts. From May 1997 to the present, CARRINGTON failed to tell investors that CARRINGTON had been subject to the cease and desist order.

25. In October 1997, an article appeared in the business section of the Mesa Tribune newspaper ("the article"), an Arizona daily newspaper of wide circulation. The article was titled "Viatical Settlements Catch On." The article featured CARRINGTON's viatical business and quoted CARRINGTON several times. In the article, CARRINGTON described viatical settlement contracts with statements such as "a win-win situation," "Our clients are very happy," and "95 percent of the time, when a policy matures, they reinvest into a new insurance policy." CARRINGTON stated in the article that his business had "more than 3500 clients who [had] invested in viatical settlements." In fact, by the date of the article, CARRINGTON had sold viaticals to approximately 330 investors. Many of those investors had purchased policies based on CARRINGTON's life expectancy predictions, which had turned out to be inaccurate.

26. CARRINGTON copied the article and included it in future mailings to potential investors. However, CARRINGTON removed sections of the article that quoted the Arizona Department of Insurance and the Arizona Securities Division warning about the safety and honesty of viatical investments.

27. In February 1998, the temporary order issued against CARRINGTON in May of 1997 became final. CARRINGTON and several agents were fined $10,000. CARRINGTON did not tell future investors about the fine or about his sale of unregistered promissory notes.

28. In or around the end of 1997 through the beginning of 1999, CARRINGTON engaged in a practice known as "clean-sheeting" in the insurance industry. CARRINGTON located AIDS patients who were willing to apply for life insurance policies that could then be sold to CARRINGTON. CARRINGTON entered into an agreement with the AIDS patient whereby the patient would apply for a policy. The face value of the policy was below $100,000, generally an amount that would not trigger a requirement for a medical exam before the policy could be issued.

29. CARRINGTON paid each AIDS patient a nominal amount for the fraudulent policies, usually 10% of the face value. Some AIDS patients applied to several different insurance companies in order to sell multiple policies to CARRINGTON. The policies were contestable for a period of two years.

30. Within a short time after CARRINGTON purchased the "clean-sheeted" policies, CARRINGTON sold the policy benefits to investors as viatical settlement contracts. Because CARRINGTON had paid such a small amount to purchase the policies, CARRINGTON realized a substantial profit in re-selling the policy benefits to investors. However, CARRINGTON continued to tell investors that the insured received a fair amount for the policy allowing the insured to "live out their life free of monetary concerns." CARRINGTON did not tell investors the amount of profit that CARRINGTON made on sale of the "clean-sheeted" policies.

31. CARRINGTON did not tell investors that they were placed in "clean-sheeted" policies that had been obtained with CARRINGTON's knowledge. CARRINGTON did not tell investors that CARRINGTON had paid to the insured only a small portion of the value of the policy, thus there was little or no humanitarian act performed for the financial assistance to the AIDS patient. CARRINGTON included the term "contestable" in some purchase agreements and

other forms signed by the investors, but investors were not told the meaning of the term, nor explained the specific risks involved.

32. Many insurance companies discovered the fraudulent policy applications within the two-year contestability period. The insurance companies cancelled the policies returning premiums paid to CARRINGTON. CARRINGTON kept the returned premiums and the profits from the original sale of the contestable policies to investors. Investors were left with no investment in the policy.

33. CARRINGTON sent letters to investors telling them that their policies had been cancelled. CARRINGTON did not return investor funds nor allow investors to rescind their investment. CARRINGTON instead placed investors into other policies. Some of these policies had already been sold to earlier investors and the estimated life expectancy had been told to those investors in order to establish profits on the policy. CARRINGTON provided some new investors with the same estimated life expectancy that had already been running for earlier investors.

34. CARRINGTON provided some investors with information that they would be credited for the fact that their policy had been cancelled with an interest payment that would then be applied to a new policy purchase price. Other investors were given no interest credit.

35. In late 1998 through some time in 2000, CARRINGTON began using a revised offering brochure to solicit viatical investments ("the new brochure"). In the new brochure, CARRINGTON continued to promote viaticals as offering "high returns" with "low risk." CARRINGTON added new categories to the investment options including "senior settlements" (policies from persons over 65 years old) and life insurance policies on other terminal illnesses, such as cancer and Lou Gehrig's disease. The new brochure offered "rates of return" at between 26% and 100%. The new brochure stated that policies would be purchased from insureds whose insurance company was rated "B" or better.

36. At the time that the new brochure began to be utilized, CARRINGTON's track record in the business of viaticals had produced results far below the expectations given to

investors. CARRINGTON's predictions of life expectancy had proven to be very inaccurate. For instance, by the end of 1998, only one out of every five policies sold to investors had matured within the predicted life expectancy. CARRINGTON did not disclose this information in the new brochure.

37. The new brochure offered investors an opportunity to invest in viatical settlements through "The Contestable Program." It stated that investing in contestable policies would provide investors with "substantially higher returns" with "some additional risk if the insured should pass away before the end of the two-year Contestable period." The new brochure stated that the Contestable Program "has become extremely popular." CARRINGTON did not tell investors that CARRINGTON had engaged in paying AIDS patients to obtain insurance policies that CARRINGTON would then purchase at a deep discount and re-sell to investors during the contestable period.

38. CARRINGTON provided a letter to investors in contestable policies asking that they not contact the insurance company about their purchase. CARRINGTON failed to tell investors the reason CARRINGTON did not want them to contact the insurance company.

39. The new brochure continued to assure investors that policies purchased by CARRINGTON were from individuals in "the late stages of their disease" where there was "no hope of survival." The life expectancies offered ranged from one to five years, with a higher "fixed return" for longer time periods.

40. By the end of 1998, CARRINGTON had sold fractional interests in over 300 policies to at least 440 investors. Two-thirds of those investors were still waiting for policies that had failed to mature by the life expectancy as estimated by CARRINGTON. The new brochure continued to promote the viatical settlement investment as providing "an exceptional rate of return." The new brochure did not disclose that CEPS' viatical program had failed to provide timely returns to investors and that a majority of investors were still waiting for any return at all.

41. Investors were told that they would receive regular updates on the condition of the insured, however, many investors have received no updates, and if investors called for an update, they received a standard letter stating that the condition of the insured was "as good as could be expected under the circumstances." In fact, CARRINGTON failed to tell investors that in many cases, the condition of the insured had improved substantially, such that the life expectancy given to investors was no longer accurate.

42. The new brochure no longer provided that the investor would be assigned a beneficial interest in a policy. Instead, CARRINGTON would be the owner of the policy, and Arizona Escrow would become the beneficiary. Upon maturity, Arizona Escrow would receive the face value and distribute it to investors pro rata. Thus, investors were wholly reliant on a contractual agreement between CARRINGTON and Arizona Escrow. Investors held no equity interest in a policy, nor did they have any ability to get information from any insurance company about the policy, without being a named owner or beneficiary. Investors were not told of this risk.

43. In October 1999, the Securities Division and the Attorney General's Office issued subpoenas for testimony and documents to CARRINGTON d/b/a CEPS under the Securities Act and the Consumer Fraud Act. CARRINGTON challenged the subpoenas, but ultimately was ordered to produce records to the Attorney General in March 2000. After further delay, CARRINGTON was found in contempt in December 2000 and given three days to produce the records.

44. In August 2000 new Arizona statutes took effect providing for an exemption from registration for the sale of viatical settlement contracts. The statutes required that certain information be filed with the Commission before viatical settlement contracts could be sold within or from Arizona. CARRINGTON had employed a lobbyist to participate in the legislative process leading to the new viatical laws. After the new law took effect, CARRINGTON did not file for an exemption to allow CARRINGTON to sell viatical settlement contracts within or from Arizona. CARRINGTON continued to offer and sell viatical settlement contracts within and from Arizona.

45. CARRINGTON has continued to offer and sell viatical settlement contracts up to the present, without providing investors with material facts, including CARRINGTON's historical and continuing failure to produce results as represented to investors.

46. Since 1995 up to October of 2000, approximately 638 investors paid CARRINGTON over $29,000,000 in approximately 378 policies. Only around half of that amount was spent on the purchase of policies. Additional funds were used for payment of premiums and payment of the insured's broker representative.

47. As of October 2000, only 52 of the 378 policies sold had matured on or before CARRINGTON's estimated life expectancy. Further, only 123 policies out of 378 sold had ever matured at all. At least 33 policies were cancelled because of clean-sheeting, litigation, or other reasons. More than 250 investors had been waiting as long as three years or more for the maturity of policies that were estimated to be 12 month policies. Many of those investors had been told in the offering brochure that "it is uncommon for an insured to live beyond their determined life expectancy."

48. In connection with the offer or sale of securities within or from Arizona, CARRINGTON directly or indirectly: (i) employed a device, scheme or artifice to defraud; (ii) made untrue statements of material fact or omitted to state material facts which were necessary in order to make the statements made not misleading in light of the circumstances under which they were made; or (iii) engaged in transactions, practices or courses of business which operated or would operate as a fraud or deceit upon offerees and investors. The above conduct includes, but is not limited to, the following:

a) CARRINGTON represented life expectancy as a reliable basis for determining investor returns, when in fact, a majority of CARRINGTON's estimates of life expectancy were inaccurate.

b) CARRINGTON represented that investors would pay no "loads, fees, or commissions," because such amounts would be paid by the insured, when in fact, commissions, fees and loads were paid from investor money.

c) CARRINGTON failed to tell investors in contestable policies that CARRINGTON had solicited terminally ill patients to purchase life insurance for resale to CARRINGTON, thus subjecting investors to a high risk of cancellation.

d) CARRINGTON failed to tell investors that if an insurance company cancelled a contestable policy, investors would receive no reimbursement; however, CARRINGTON, as owner of the policy, would receive reimbursement of all premiums paid with investor money, along with the profits he had already realized in the initial sale of the policy to investors.

e) CARRINGTON represented that CARRINGTON would conduct a separate medical evaluation of the insured; however, CARRINGTON failed to provide investors with any information that would allow them to verify the source and independence of any medical evaluation, the existence of such evaluation, or the accuracy of the medical condition as stated on the application for insurance.

f) CARRINGTON failed to provide investors with an accurate track record, including CARRINGTON's failure to produce timely returns in the viatical investment program.

g) CARRINGTON sold fractional investments in the same policy on the same insured during a span of several months. In each sale CARRINGTON told investors that the life expectancy of the insured was the same. CARRINGTON did not tell later investors that earlier investors in the same policy had been given the same life expectancy estimates.

h) CARRINGTON misrepresented the investment in the brochure as "absolutely safe"; CARRINGTON stated in the new brochure that there was "some degree of risk"; however, CARRINGTON failed to specify several risks, including but not limited to:

i. the risk that the investor would be wholly dependent on the continuing economic viability of CARRINGTON for funding and payment of insurance premiums, and for monitoring of the investment;

ii. the risk that medical advisors may have misdiagnosed or miscalculated the extent and gravity of an insured's condition;

iii. the risk that the insured may have provided misleading information to medical personnel;

iv. the risk that new medical developments may significantly impact life expectancy with a corresponding detrimental effect on profits;

v. the risk that certain policies, such as group policies, may be subject to change, and may not provide returns as promised;

vi. the risk that third party providers or brokers of policies or medical evaluations may not provide accurate information;

vii. the risk that the insured person, having received payment for the policy, may fail to keep up continued contacts with CARRINGTON, and may even become impossible to locate;

viii. the risk that the investment may not be suitable for persons who have a need for a regular income from their investments; and

ix. the risk that an investment made with IRA funds may require mandatory withdrawals before the investment itself matures, thereby causing tax issues for the investor.

i) CARRINGTON failed to disclose specific costs paid by investors as "acquisition costs" of the policy, including how much was paid to the insured for purchase of the policy, the amount allocated for future premium payments, the amounts paid in fees and commissions, and the profit to CARRINGTON.

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j) CARRINGTON failed to tell investors who invested after the fact that CARRINGTON had been ordered by the Arizona Corporation Commission in May 1997 to cease and desist in the sale of unregistered securities, specifically promissory notes. Further, CARRINGTON failed to tell investors that a final Order to Cease and Desist was entered on February 9, 1998, finding that CARRINGTON had sold notes in violation of the securities laws totaling $1,875,102.

## II.

## CONCLUSIONS OF LAW

1. The Commission has jurisdiction over this matter pursuant to Article XV of the Arizona Constitution and the Securities Act.

2. CARRINGTON offered or sold securities within or from Arizona, within the meaning of A.R.S. §§ 44-1801(15), 44-1801(21), and 44-1801(26).

3. CARRINGTON violated A.R.S. § 44-1841 by offering or selling securities that were neither registered nor exempt from registration.

4. CARRINGTON violated A.R.S. § 44-1842 by offering or selling securities while neither registered as a dealer or salesman nor exempt from registration.

5. CARRINGTON violated A.R.S. § 44-1991 by (a) employing a device, scheme or artifice to defraud, (b) making untrue statements or misleading omissions of material facts, and (c) engaging in transactions, practices or courses of business which operate or would operate as a fraud or deceit.

6. CARRINGTON's conduct is grounds for a cease and desist order pursuant to A.R.S. § 44-2032.

7. CARRINGTON's conduct is grounds for an order of restitution pursuant to A.R.S. § 44-2032.

8. CARRINGTON's conduct is grounds for administrative penalties under A.R.S. § 44-2036.

## III.

## ORDER

THEREFORE, on the basis of the Findings of Fact, Conclusions of Law, and CARRINGTON's consent to the entry of this Order, the Commission finds that the following relief is appropriate, in the public interest, and necessary for the protection of investors:

IT IS ORDERED, pursuant to A.R.S. § 44-2032, that CARRINGTON, and any of CARRINGTON's affiliates, agents, employees, successors and assigns, permanently cease and desist from violating the Securities Act.

IT IS FURTHER ORDERED that CARRINGTON shall relinquish ownership in all viatical policies by assigning ownership to Arizona Escrow and Financial Corporation, for the benefit of investors. Investors, as separate policy groups, shall have control over whether or not to continue to utilize Arizona Escrow and Financial Corporation to administer the policies.

IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2032, that CARRINGTON shall make payment on behalf of investors shown on the records of the Commission in the amount of $500,000, to be applied pro rata to the outstanding premium payments due on policies related to the investors' viatical settlement contracts. Payment shall be made in installments as follows: $50,000 on the date of this Order, $75,000 six months from the date of this Order, and in increments of $75,000 every six months thereafter until paid in full. Payment shall be made by cashier's check or money order payable to the "State of Arizona" to be remitted to Arizona Escrow and Financial Corporation, or any other investor group or agency later designated to administer premium payments, pro rata on behalf of investors.

IT IS FURTHER ORDERED that if CARRINGTON does not comply with this order of payment, CARRINGTON shall be deemed in default and shall pay the amount of one million, five hundred thousand dollars ($1,500,000) to be applied to any outstanding premium payments. The amount shall accrue interest at the statutory rate of 10% per annum. Any amounts collected on the above amount shall be remitted to Arizona Escrow and Financial Corporation, or any other

investor group or agency later designated to administer premium payments, pro rata on behalf of investors. If the amount collected results in excess collected funds, due to the full maturity and payout on all policies, such excess amounts shall revert to the state of Arizona as an additional penalty pursuant to A.R.S. § 44-2036, for deposit in the general fund. For the purposes of this Order, a bankruptcy filing by CARRINGTON shall be an act of default on CARRINGTON's payment obligations.

IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2036, that CARRINGTON shall pay an administrative penalty in the amount of $50,000. Payment shall be made in full by cashier's check or money order, payable to the "State of Arizona." The administrative penalty shall be subordinate to any other payment obligations ordered herein and shall become immediately due and payable only after those payments have been paid in full, or upon default in payments due under this Order. Upon full payment of the $500,000 ordered above, the penalty shall be reduced to $25,000.

IT IS FURTHER ORDERED that this Order shall become effective immediately.

BY ORDER OF THE ARIZONA CORPORATION COMMISSION

| CHAIRMAN | DISSENT<br>COMMISSIONER | COMMISSIONER |
|---|---|---|

IN WITNESS WHEREOF, I, BRIAN C. McNEIL, Executive Secretary of the Arizona Corporation Commission, have hereunto set my hand and caused the official seal of the Commission to be affixed at the Capitol, in the City of Phoenix, this 1ST day of MAY, 2002.

for BCM

BRIAN C. McNEIL
Executive Secretary

DISSENT

This document is available in alternative formats by contacting Shelly M. Hood, Executive Assistant to the Executive Secretary, voice phone number 602-542-3931, E-mail shood@cc.state.az.us.
(sf)

## CONSENT TO ENTRY OF ORDER

1. RICHARD DEAN CARRINGTON ("CARRINGTON") admits the jurisdiction of the Commission over the subject matter of this proceeding. CARRINGTON acknowledges that he has been fully advised of his right to a hearing to present evidence and call witnesses and CARRINGTON knowingly and voluntarily waives any and all rights to a hearing before the Commission and all other rights otherwise available under Article 11 of the Securities Act and Title 14 of the Arizona Administrative Code. CARRINGTON acknowledges that this Order to Cease and Desist, Order for Payment, Order for Administrative Penalties and Consent to Same ("Order") constitutes a valid final order of the Commission.

2. CARRINGTON knowingly and voluntarily waives any right under Article 12 of the Securities Act to judicial review by any court by way of suit, appeal, or extraordinary relief resulting from the entry of this Order.

3. CARRINGTON acknowledges and agrees that this Order is entered into freely and voluntarily and that no promise was made or coercion used to induce such entry.

4. CARRINGTON acknowledges that he has been represented by counsel in this matter, he has reviewed this Order with his attorney and understands all terms it contains.

5. CARRINGTON neither admits nor denies the Findings of Fact and Conclusions of Law contained in this Order.

6. By consenting to the entry of this Order, CARRINGTON agrees not to take any action or to make, or permit to be made, any public statement denying, directly or indirectly, any Finding of Fact or Conclusion of Law in this Order or creating the impression that this Order is without factual basis. However, nothing in this Order will in any way limit CARRINGTON's ability to conduct himself, or to take any contrary position of fact or law, in any subsequent litigation in which the Commission is not a party. CARRINGTON will undertake steps necessary to assure that all of his agents and employees understand and comply with this agreement.

7. While this Order settles this administrative matter between CARRINGTON and the Commission, CARRINGTON understands that this Order does not preclude the Commission from instituting other administrative proceedings based on violations that are not addressed by this Order.

8. CARRINGTON understands that this Order does not preclude the Commission from referring this matter to any governmental agency for administrative, civil, or criminal proceedings that may be related to the matters addressed by this Order.

9. CARRINGTON understands that this Order does not preclude any other agency or officer of the state of Arizona or its subdivisions from instituting administrative, civil or criminal proceedings that may be related to matters addressed by this Order.

10. CARRINGTON agrees that he will not apply to the state of Arizona for registration as a securities dealer or salesman or for licensure as an investment adviser or investment adviser representative, or file for any exemption from registration until such time as all payments under this Order are paid in full.

11. CARRINGTON agrees that he will not exercise any control over any entity that offers or sells securities or provides investment advisory services, within or from Arizona, until such time as all payments under this Order are paid in full.

12. CARRINGTON agrees that until payments under this Order are paid in full, CARRINGTON will notify the Director of the Securities Division within 30 days of any change in home address or any change in CARRINGTON's ability to pay amounts due under this Order.

13. CARRINGTON understands that default shall render him liable to the Commission for its costs of collection and interest at the maximum legal rate.

14. CARRINGTON agrees that he will continue to cooperate with the Securities Division including, but not limited to, providing complete and accurate testimony at any hearing in this matter and cooperating with the state of Arizona in any related investigation or any other matters arising from the activities described in this Order.

15. CARRINGTON consents to the entry of this Order and agrees to be fully bound by its terms and conditions. If CARRINGTON breaches any provision of this Order, the Commission may vacate this Order and restore this case to its active docket.

16. CARRINGTON represents that he is entering into this Order as an individual, and as principal and owner of Carrington Estate Planning Services and Carrington Investment Services.

RICHARD DEAN CARRINGTON

SUBSCRIBED AND SWORN TO BEFORE me this 12th day of February, 2002.

NOTARY PUBLIC

My Commission Expires:

Notary Public State of Arizona
Maricopa County
Gary J Kirst
Expires September 10, 2004