STATE OF MAINE
BUREAU OF BANKING
SECURITIES DIVISION

In Re:	
Michael L. Hancock	SUMMARY ORDER TO CEASE AND DESIST Case ? 00-013

ALLEGATIONS, FINDINGS OF FACT AND CONCLUSIONS OF LAW

1. Michael L. Hancock, a resident of Falmouth Maine, established the Jeremiah Financial Group, Inc. on May 10, 1999 and served as President and Chief Executive Officer of that corporation until March 15, 2000. Jeremiah Financial Group, Inc., is a Maine corporation with a principle place of business located at 32 Tandberg Trail, Suite 2, Windham, Maine.

2. Mr. Hancock was licensed as a securities sales representative from August 17, 1993 until November 18, 1999 for NLBS Advisors, Inc., a broker-dealer located in Waterville, Maine.

3. Mr. Hancock was licensed as a securities sales representative from November 19, 1999 until May 1, 2000 for Royal Alliance Associates, Inc., a broker-dealer with its principle place of business in New York. Mr. Hancock has not been employed by a broker dealer since his termination from Royal Alliance Associates, Inc on May 1, 2000. Consequently, from May 1, 2000 up to the date of this order, Mr. Hancock has not been licensed to transact business as a securities sales representative.

4. During the Summer of 1999 Ms. A contacted Mr. Hancock in order to seek his assistance in investing moneys she received from an inheritance. According to Ms. A, Mr. Hancock

proposed that she invest the money in Jeremiah Financial Group where her investment would be pooled with that of other investors. On October 1, 1999 Ms. A wrote a check payable to Michael Hancock with a memo referencing Jeremiah Financial Group in the amount of $4,000. The only documentation that Ms. A received regarding the investment was a brochure relating to the Washington Mutual Investors Fund and a brochure relating to the Fidelity Advisors Fund.

5. On February 18, 2000 the Maine Securities Division received an anonymous call from a Maine attorney, on behalf of a client who was concerned regarding a client's investment. The attorney explained that his client who had given between $50,000-60,000 to be invested in a certificate of deposit in August of 1999. He went on to explain that the client never received any documentation regarding the investment, and that the investment was not returned on its maturity date. The attorney further asserted that when the sales representative was questioned regarding this investment that he admitted having used the money to cover a debt. The sales representative then promised to return the client's money. The attorney explained that the client is a Christian, as the sales representative represented himself to be a Christian the client did not want to get the sales representative in trouble. Consequently, the client wished to remain anonymous.

6. On February 28, 2000 the Maine Securities Division received notice that Mr. Hancock had, during the week ending February 18, 2000, engaged in several attempts to cash large checks from his accounts which contained insufficient funds.

7. The Maine Securities Division reported the check cashing activity to Mr. Hancock's then broker-dealer, Royal Alliance Associates, Inc. Royal Alliance agreed to conduct an examination of Hancock's office. Royal Alliance visited Mr. Hancock on March 1, 2000. Mr. Hancock explained to the Royal Alliance representatives that he had been accepted for a loan with a local bank. Mr. Hancock further alleged, that he thought he would receive the money from the bank loan in time to cover the checks that he was writing. The Division then provided Royal Alliance with the additional information regarding the anonymous caller with the CD. Royal Alliance representatives returned to conduct a more thorough exam on March 9, 2000. While there, they noted a transaction that appeared to be that of the anonymous phone caller. It was a $56,000 personal check to

a Ms. B. Mr. Hancock explained to the examiner that he used that check to pay back a loan that a client had made to him.

8. The Maine Securities Division contacted Ms. B's attorney, on March 21, 2000. At that time the attorney confirmed that his call on February 18, 2000 had been related to his client Ms. B. The attorney repeated that Ms. B had been led to believe that she was investing in a certificate of deposit with Mr. Hancock. The attorney stated that she did not make a loan to Mr. Hancock.

9. Mr. Hancock was terminated by Royal Alliance Associates for his alleged acceptance of a loan from a client, which constituted a violation of that firm's policies. Mr. Hancock was terminated on May 1, 2000. The termination of Mr. Hancock's employment terminated his license to act as a sales representative in Maine.

10. The Maine Securities Division conducted an investigative deposition of Mr. Hancock pursuant to a subpoena on May 16, 2000. During the deposition Mr. Hancock asserted that the $56,000 transaction was a loan from Ms. B. Mr. Hancock declined to answer three separate questions relating to this transaction on the basis of his 5th Amendment right against self-incrimination. The three questions that Mr. Hancock declined to answer related to whether Ms. B knew that it was a loan and whether she gave her permission for such a loan, when the transaction changed from being a certificate of deposit to a loan and what Mr. Hancock did with the money.

11. On December 20, 1999, Mr. C provided Mr. Hancock with a check for $10,000 For Mr. Hancock to make an investment for him in an annuity. Mr. C paid for his investment with a check that was payable to Mr. C and endorsed to Mr. Hancock. Mr. Hancock never provided Mr. C any receipt for this investment. Mr. C never received a copy of the annuity that he allegedly invested in. Mr. C made several inquiries to Mr. Hancock requesting documentation for his investment. In April of 2000 Mr. Hancock told Mr. C that there had been an accounting error at the annuity firm. Mr. Hancock told Mr. C that his money was in his account, but that there was still some error. Subsequently, Mr. C contacted the annuity firm and was advised that there was no record of any investment by Mr. C. On, or about, July 4, 2000 Mr. Hancock told Mr. C that he would write him a check for $10,000. As of the date of this order Mr. Hancock has not done so.

12. On January 27, 2000, Mr. D met with Mr. Hancock at Jeremiah Financial Group's location in Windham, Maine. At that time Mr. D agreed to invest $17,000 in a variable annuity. Mr. Hancock directed Mr. D to make the $17,000 check payable to Jeremiah Financial Group. Mr. D so completed the check and handed it to Mr. Hancock on January 27, 2000. Mr. E made several inquiries to Mr. Hancock requesting documentation of his investment. In May of 2000, nearly four months after giving Mr. Hancock $17,000, Mr. Hancock advised Mr. D that he had just made the investment. Mr. Hancock explained that it is typical to wait until the market has improved before making such investments. Mr. Hancock advised Mr. D that he would receive material in the mail about the investment. In July, Mr. D still had not received anything from Mr. Hancock. At that time Mr. D again called Mr. Hancock. Mr. Hancock again advised Mr. D that he would send the material. Mr. D has never received anything from Mr. Hancock aside from the paperwork he was provided on January 27,2000. Mr. D called the annuity firm where Mr. Hancock allegedly invested Mr. E's Money on September 11, 2000. Mr. D was informed that there has never been an account at that company in his name, nor in the name of his children.

13. In Late March of 2000 Mr. Hancock recommended that Mr. and Mrs. E switch an annuity policy they had with annuity company A to annuity company B. The policy at annuity company A had not yet reached maturity. The value of the annuity at annuity company A at the time of the transfer was approximately $209,000. The surrender value of the annuity company a policy at the time of the transfer was approximately $170,000. Mr. and Mrs. E suffered an approximate $39,000 penalty for this premature transfer. In August of 2000, Mr. Hancock recommended that Mr. and Mrs. E again switch a portion of their annuity investment from annuity company B to an investment in Jeremiah Financial Group. Mr. Hancock recommended that Mr. and Mrs. E withdraw $80,000 from their annuity company B annuity, which they did on August 8, 2000. This transaction resulted in an early withdrawal penalty to Mr. And Mrs. E in the amount of approximately $35,000. Mr. And Mrs. E received a check from annuity company B in the amount of $80,000. Mrs. E endorsed this check, making it payable to Jeremiah Financial. She did this at Mr. Hancock's direction and personally handed this check to Mr. Hancock. Mr. Hancock deposited this check in an account at the Portland Regional Federal Credit Union. Mr. Hancock used this account at the Portland Regional Federal Credit Union to pay for groceries, veterinary bills and other apparent personal expenses. Mr. And Mrs. E

have never received any material evidencing their purported investment in Jeremiah Financial.

14. On August 1, 2000 Mr. F met with Mr. Hancock in order to invest money in a Roth IRA for his minor child. Mr. F wrote a check in the amount of $1,275.62. Mr. F made the check payable to Jeremiah Financial Group at Mr. Hancock's direction and handed the check to Mr. Hancock. Mr. Hancock deposited this check into the same Portland Regional Federal Credit Union checking account as Ms. E. As stated above, Mr. Hancock used this account at the Portland Regional Federal Credit Union to pay for groceries, veterinary bills and other apparent personal expenses. Mr. F has not received any material evidencing any investment having been made in a Roth IRA.

15. Mr. G and his wife met with Mr. Hancock in early August of 2000. During that meeting they advised Mr. Hancock that they had $20,000 they wished to invest and mentioned that they had been interested in a particular mutual fund but that fund was closed. On August 24, 2000, Mr. Hancock went to the home of Mr. and Mrs. G. Mr. Hancock told Mr. and Mrs. G that he could still make an investment in the fund they had discussed earlier. Mr. Hancock directed Mr. G to make the check payable to the Jeremiah Financial, the Jeremiah Financial Group or the Jeremiah Company. Mr. G provided Mr. Hancock with a check for $20,000. Mr. Hancock then instructed him that there must be two separate checks written, each in the amount of $10,000. Mr. Hancock explained that this would allow him to make the investment in the fund even though it was closed. Mr. G asserted that he then wrote two separate checks in the amount of $10,000 each to one of the three Jeremiah names noted above. Mr. Hancock explained that he would make the investment in two stages, the first being on the following Monday in the amount of $10,000 and the second in the amount of $10,000 sometime within the next ten days to two weeks. Mr. G was unable to find the original check that he wrote in the amount of $20,000. He originally assumed that Mr. Hancock must have taken it and destroyed it. On September 11, 2000, Mr. G spoke with Mr. H, a former colleague of Mr. Hancock, and as a result became concerned that Mr. Hancock may not have made the investment in the mutual fund as agreed. Mr. G contacted the fund on the same date and was advised that no investment had yet been made on behalf of the Mr. and Mrs. G. Mr. G then contacted his bank and learned that one of the three checks, one for $10,000, had been cashed on August 28, 2000. Mr. G requested that his bank stop payment on the remaining check for $10,000 check and the original check for $20,000.

16. Pursuant to 32 M.R.S.A. §10201(1) (1999), it is unlawful to directly or indirectly employ any device, scheme or artifice to defraud in connection with the offer, sale or purchase of any security.

17. By fraudulently inducing clients to provide him with money for purported investments which moneys were not used for investments described, Mr. Hancock has violated 32 M.R.S.A. §10201(1) (1999).

18. Pursuant to 32 M.R.S.A. §10201(2) (1999), it is unlawful to directly or indirectly make any untrue statement of material fact or omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they are made, not misleading in connection with the offer, sale or purchase of any security.

19. By making untrue statements of material fact to clients in order to induce them to make purported investments with him, Mr. Hancock has violated 32 M.R.S.A. §10201(2) (1999).

20. Pursuant to 32 M.R.S.A. §10301(1) (1999), it is unlawful for any person to transact business in this State as a sales representative unless licensed or exempt from licensing under this Act.

21. By soliciting and transacting business in this State and selling interests in the Jeremiah Financial Group , Mr. Hancock transacted business as an unlicensed sales representative, in violation of 32 M.R.S.A. §10301(1) (1999).

22. Pursuant to 32 M.R.S.A. §10401 (1999), a person may not offer or sell any security in this State unless the security is registered under this Act, or the security or transaction is exempt under this Act or the security is a federal covered security.

23. By offering and selling unregistered securities in the State of Maine, Mr. Hancock has violated 32 M.R.S.A. §10401 (1999).

24. The interests in the Jeremiah Financial Group are securities within the meaning of 32 M.R.S.A. §10501(18) (Supp. 1999).

25. Pursuant to 32 M.R.S.A. §10602(1) and (1)(A) (1999), the Securities Administrator may issue a cease and desist order if she determines that the public interest or the protection of investors so requires, and believes that any person has engaged, is engaging or is about to engage in any act or practice constituting a violation of any provision of the Act.

26. For the reasons stated above, the Securities Administrator reasonably believes that Michael L. Hancock has engaged, is engaging and is about to engage in acts and practices that constitute violations of the Revised Maine Securities Act, and has determined that the public interest or the protection of investors requires the issuance of a cease and desist order.

ORDER

NOW, THEREFORE, it is ORDERED that Michael L. Hancock immediately CEASE and DESIST from violating any provision of the Revised Maine Securities Act.

Pursuant to 32 M.R.S.A. §10708(1) (1999), this Order is entered without prior notice or hearing. Any person named in the Order has thirty (30) days from receipt of this Order to file a written request for a hearing on the matter with the Securities Administrator. The hearing will be scheduled to commence within fifteen (15) calendar days after the receipt of the written request.

If the Securities Administrator does not receive a written request for a hearing within the time specified, the Order will become permanent and the person(s) named in the order will be deemed to have waived all rights to a hearing. Pursuant to 5 M.R.S.A. §11001 *et seq.*, a party may obtain a judicial review of final agency action in Kennebec County Superior Court by filing a petition in accordance with 5 M.R.S.A. §11001 *et seq.*, and Rule 80C of the Maine Rules of Civil Procedure, "Review of Final Agency Action," within thirty (30) days after receipt of notice thereof.

September 13, 2000 — *Christine A. Bruenn*

Dated

Christine A. Bruenn
Securities Administrator