

STATE OF WASHINGTON
DEPARTMENT OF FINANCIAL INSTITUTIONS
SECURITIES DIVISION

IN THE MATTER OF DETERMINING) Order No. S-02-343-03-SC01
Whether there has been a violation of the)
Securities Act of Washington by:) STATEMENT OF CHARGES AND NOTICE
) OF INTENT TO ENTER AN ORDER TO
Family First Advanced Estate Planning;) CEASE AND DESIST, TO IMPOSE FINES
Family First Insurance Services; Robert John) AND TO SUSPEND OR REVOKE A
Mikhail; Thomas Craig Harman) SECURITIES SALESPERSON
) REGISTRATION
Respondents)

THE STATE OF WASHINGTON TO: Family First Advanced Estate Planning
Family First Insurance Services
Robert John Mikhail
Thomas Craig Harman

STATEMENT OF CHARGES

Please take notice that the Securities Administrator of the State of Washington has reason to believe that Respondents, Family First Advanced Estate Planning; Family First Insurance Services; Robert John Mikhail; and Thomas Craig Harman, have each violated the Securities Act of Washington and that their violations justify the entry of an order of the Securities Administrator under RCW 21.20.390 against each to cease and desist from such violations, to impose fines pursuant to RCW 21.20.395 and to suspend and revoke a securities salesperson registration pursuant to RCW 21.20.110. The Securities Administrator finds as follows:

TENTATIVE FINDINGS OF FACT

I. RESPONDENTS

1. Family First Advanced Estate Planning is a California corporation with its principal place of business at 20121 Ventura Boulevard in Woodland Hills, California. During 2002, Family First Advanced Estate Planning had a regional office at 402 S. 333rd Street in Federal

STATEMENT OF CHARGES

DEPARTMENT OF FINANCIAL INSTITUTIONS
Securities Division
PO Box 9033
Olympia, WA 98507-9033
360-902-8760

1 Way, Washington and was in the business of selling group legal services plans and living trusts
2 to Washington residents.

3 2. Family First Insurance Services is a California corporation with its principal place of
4 business at 20121 Ventura Boulevard in Woodland Hills, California. During 2002, Family First
5 Insurance Services had a regional office at 402 S. 333rd Street in Federal Way, Washington and
6 was in the business of selling insurance annuities to Washington residents.

7 Family First Insurance Services is an affiliate of Family First Advanced Estate Planning
8 and the companies were sometimes referred to, either collectively or individually, as “Family
9 First.” Both companies are subsidiaries of American Investors Life Insurance Company, Inc.

10 3. Robert John Mikhail (“Mikhail”) was a regional sales manager for Family First
11 Advanced Estate Planning and Family First Insurance Services during 2002. From 1996 through
12 2001, Robert John Mikhail was a registered securities salesperson in California. Mikhail was
13 never licensed as an attorney.

14 4. Thomas Craig Harman (“Harman”) was a Washington sales agent for Family First
15 Advanced Estate Planning and Family First Insurance Services during 2002. From 1995 through
16 2001, Thomas Craig Harman was a registered securities salesperson in Washington. From July
17 2003 until the date of this order, Thomas Craig Harman was a registered securities salesperson in
18 Washington.

19 II. RESPONDENTS EMPLOYED A SCHEME TO DEFRAUD ELDERLY VICTIMS

20 During 2002, Respondents employed a scheme to defraud trusting elderly victims by
21 pretending to give them expert legal and estate planning advice and by recommending the sale of
22 their securities in order to earn high commissions on the sale of annuities.

1 The Family First Advanced Estate Planning mission statement expresses the company's
2 purported commitment to its clients: "Concerned, knowledgeable services is what Family First
3 is all about. We're experts who love what we do and we welcome every client into our family."
4 However, the concern for clients was deceptive. Instead of providing expert services that were
5 in the clients' best interests and that followed the clients' wishes, Family First and its agents
6 manipulated clients to sell products and to earn sales commissions and failed to give clients
7 expert advice.

8 The Family First clients were trusting elderly individuals. As described in Family First
9 training materials, Family First clients are "seniors who will put their life in your hands within an
10 hour of knowing them." Family First and its agents took advantage of its elderly clients by
11 pretending to be experts in estate planning and legal matters and by arranging the sale of client
12 securities to facilitate the sale of high-commission annuities.

13 III. FAMILY FIRST ADVANCED ESTATE PLANNING TARGETED SENIOR CITIZENS
14 FOR THE SALE OF GROUP LEGAL SERVICES AND LIVING TRUSTS AND GATHERED
15 INFORMATION FOR THE SALE OF ANNUITIES

16 Family First's scheme to defraud began with the mailing of postcards to Washington
17 senior citizens. Next, someone representing Family First would call and schedule in-home
18 appointments with prospective clients. The purpose of the initial appointments was supposedly
19 to offer and sell annual memberships in a group legal services plan and to offer and sell living
20 trusts. However, Family First sales agents also sought to establish a personal relationship with
21 elderly clients and to collect personal financial information that could be used for the sale of
22 annuities.

23 Family First Advanced Estate Planning agents pretended they were providing clients with
24 high-quality, professional legal services. However, the clients did not receive any personalized

1 advice from attorneys. The agents offered and sold annual memberships in a group legal
2 services plan, but they did not give their clients a detailed description of the plan's coverage or
3 costs or a list of the Washington attorneys who participated in the plan.

4 Family First Advanced Estate Planning agents also offered and sold living trusts. The
5 agents stressed the need to avoid a lengthy and expensive probate process, even though
6 Washington, unlike California, has a relatively simple probate process. Clients who purchased
7 the living trusts did not receive customized legal advice and did not meet with an attorney to
8 review their particular needs. Instead, they received standard-form living trust documents
9 prepared by an attorney in California.

10 Family First Advanced Estate Planning sales agents would gather financial information
11 from living trust clients, including a list of client assets and their approximate value. The sales
12 agent might also make copies of information to substantiate the value of the assets, such as bank
13 or brokerage account statements and real property tax statements. The sales agents would then
14 submit the information to Family First Advanced Estate Planning, who would share the
15 information with Family First Insurance Services.

16 **IV. FAMILY FIRST AGENTS CONVINCED THEIR CLIENTS TO SET UP CHARITABLE**
17 **REMAINDER TRUSTS, SELL THEIR SECURITIES AND BUY HIGH-COMMISSION**
18 **ANNUITIES**

19 When a client's living trust documents were completed, a Family First sales agent would
20 deliver the documents to the client and have the documents witnessed and notarized. If the client
21 had available assets, a Family First Insurance Services agent would try to sell the client a single
22 premium deferred annuity. Family First Insurance Services and its agents earned approximately
23 9.25% commissions on the sale of the annuities, which was a high commission for that type of
24 insurance product, given the ages of the victims named in this order. If the client had significant

STATEMENT OF CHARGES

1 securities holdings that needed to be liquidated to purchase the annuity, a Family First Insurance
2 Services sales agent sometimes recommended that the client establish a charitable remainder
3 unitrust, presumably to avoid any capital gains tax on the sale of the securities.

4 V. VICTIM #1: "MR. C"

5 "Mr. C" was an 80-year-old Washington resident who lived alone. Mr. C had
6 Parkinson's disease and was in poor health during July and August 2002, when many of his
7 Family First transactions took place. Mr. C attended a family dinner for Father's Day in June
8 2002. Between that time and mid-August 2002, Mr. C lost between twenty and thirty pounds.
9 Mr. C was admitted to the hospital sometime around August 13, 2002 for an emergency blood
10 transfusion.

11 VI. LIVING TRUST FOR MR. C

12 In February 2002, Thomas Craig Harman sold Mr. C a group legal services membership
13 and a living trust for \$1,495, as described in paragraph III. In the process, Harman gathered
14 information showing that Mr. C had approximately \$1.8 million worth of assets. In April 2002,
15 Harman and Robert John Mikhail delivered the living trust documents to Mr. C.

16 VII. CHARITABLE REMAINDER UNITRUST FOR MR. C

17 In May 2002, Mikhail and Harman recommended that Mr. C establish a \$1,000,000
18 charitable remainder trust funded by an American Investors annuity. Mikhail told Mr. C that by
19 having a charitable remainder trust, Mr. C could save at least \$500,000 in taxes. Mr. C did not
20 receive any independent legal, financial or tax advice. Mr. C later told his daughter that an
21 attorney named Robert had advised him about setting up the charitable remainder trust.

22 In June 2002, Mikhail met with Mr. C and completed an application for a charitable
23 remainder unitrust. Mr. C paid \$2,500 for the trust agreement. The trust would supposedly

1 provide 6% annual payments, payable monthly, to Mr. C throughout his lifetime and then to his
2 beneficiaries for a period of twenty years. At the end of that time, any remaining assets were
3 supposed to be divided equally between the American Cancer Society and the American Heart
4 Association. Mikhail also completed an application for a single premium American Investors
5 2000 *Plus* deferred annuity to fund the charitable remainder trust.

6 VIII. SALE OF SECURITIES FOR MR. C

7 In July, 2002, Mikhail and Harman again met with Mr. C. Mikhail dictated a securities
8 account transfer authorization letter that was handwritten by Harman. The letter authorized the
9 transfer of securities from Mr. C's existing securities accounts at local branch offices of Edward
10 Jones and Salomon Smith Barney to a new securities account with CapStone Investments, a
11 securities broker-dealer in San Diego, California. Mr. C. did not know anyone at CapStone
12 Investments, but he transferred his securities accounts based on the recommendations of Mikhail
13 and Harman.

14 Later that month, Mikhail notarized Mr. C's signature on a charitable remainder unitrust
15 document, including an attachment with a list of stocks and bonds that were supposed to become
16 part of the charitable remainder trust. In early August 2002, Mikhail again met with Mr. C and
17 prepared a list of securities that would be sold to purchase the \$1,000,000 single premium
18 annuity. At Mikhail's instruction, Mr. C called and read the list over the telephone to a
19 representative of CapStone Investments.

20 On August 6, 2002, CapStone Investments sold stocks and bonds totaling approximately
21 \$900,000 for Mr. C's charitable remainder trust securities account. The account also had liquid
22 assets of more than \$100,000. However, due to the intervention of an attorney representing Mr.

1 C, the proceeds were never transferred to American Investors and the \$1,000,000 single premium
2 deferred annuity was never purchased.

3 If the annuity had been sold as planned, Family First Insurance Services would have
4 earned sales commissions of approximately \$46,000. Mikhail would have earned sales
5 commissions of approximately \$27,000 and Harman would have earned sales commissions of
6 approximately \$9,000.

7 IX. MR. C DID NOT WANT TO LEAVE HIS ASSETS TO CHARITY

8 Mr. C advised Harman, Mikhail, Family First Advanced Estate Planning and Family First
9 Insurance Services that he had five children and that he wanted to leave his entire estate to his
10 five children in equal shares. Mr. C had no significant connections to any charitable
11 organization and he did not want to leave his assets to charity.

12 X. DECEPTIONS AND OMISSIONS IN CONNECTION WITH THE SALE OF
13 SECURITIES AND THE PURCHASE OF AN ANNUITY FOR MR. C

14 By transferring Mr. C's securities portfolio to CapStone Investments, a California
15 securities brokerage firm with whom Mr. C had no personal relationship, Respondents knew that
16 no securities salesperson would personally review the suitability of Mr. C's securities sales.
17 CapStone Investments had a pattern of liquidating securities holdings for Family First clients.
18 No one disclosed to Mr. C that CapStone Investments had a pattern of liquidating securities
19 holdings for Family First clients. No one disclosed to Mr. C that Family First Advanced Estate
20 Planning and Family First Insurance Services were affiliates of American Investors Life
21 Insurance Company, Inc., the insurance company that would issue the annuity. No one disclosed
22 to Mr. C that Family First Insurance Services and its sales agents would receive more than 9%
23 sales commissions for the sale of the annuity, which was about twice the usual sales commission

1 for that type of insurance, given the age of the insured. No one disclosed to Mr. C that the
2 purchase of a tax-deferred annuity by a charitable remainder unitrust, a tax-exempt entity, would
3 not maximize his income.

4 XI. RESPONDENTS FAILED TO DISCLOSE THAT MR. C MIGHT HAVE TO PAY
5 CAPITAL GAINS TAX ON THE SALE OF HIS SECURITIES

6 No one disclosed to Mr. C that if he failed to meet the legal requirements for establishing
7 a charitable remainder unitrust, he would have to pay capital gains tax on the sale of his
8 securities, which in Mr. C's case would have resulted in a tax of approximately \$32,000.

9 One requirement is that the charitable remainder unitrust needs to be administered by a
10 competent trustee. Mr. C was appointed as the trustee of his own charitable remainder unitrust,
11 but Mr. C did not understand his obligation to prepare and file annual trust tax returns, to
12 calculate the yearly value of the trust and to make the trust distributions required by his
13 charitable remainder unitrust agreement.

14 Another requirement is that the annuity contract funding the charitable remainder trust
15 must be able to make the payments required by the trust. No one disclosed to Mr. C that the
16 American Investors 2000 *Plus* annuity did not guarantee the distributions required by his
17 charitable remainder unitrust agreement.

18 The agreement required 6% annual trust distributions, payable monthly throughout Mr.
19 C's lifetime and for twenty years thereafter, with a remainder interest payable to charity. The
20 annuity had a minimum guaranteed return of 6% per year for the first two years, but only 3% per
21 year thereafter. The annuity also had a default guaranteed benefit period of ten years or the
22 lifetime of Mr. C, whichever was greater. The payments from the annuity did not start until at
23 least at least five years after the date the policy was issued. Using the default provisions, if Mr.

1 C died after the ten-year minimum guaranteed benefit period, there would be no death benefit
2 payable to his children or to charity.

3 XII. VICTIM #2: "MS. G"

4 "Ms. G" was a 79-year-old Washington resident who lived alone. Ms. G was easily
5 confused and could not understand her transactions involving Family First and Mikhail. For
6 example, she believed that Mikhail would invest her funds in a "secret account" at Bank of
7 America, where her money was originally invested, that would pay her tax-free interest of
8 \$20,000 per month. According to a client referral form completed by Mikhail, Ms. G had a
9 "sensitivity rating" of 4 on a scale of 1 to 5, where 5 means that the investor needs to have
10 someone with a power of attorney to make decisions for them.

11 XIII. LIVING TRUST FOR MS. G

12 In January, 2002, a Family First Advanced Estate Planning agent sold Ms. G a group
13 legal services membership and a living trust for \$1,295, as described in paragraph III. In that
14 process, the agent gathered information showing that Ms. G received monthly payments from a
15 trust established by her deceased husband.

16 XIV. CHARITABLE REMAINDER UNITRUST FOR MS. G

17 In April 2002, Mikhail delivered Ms. G's living trust documents. Mikhail found that Ms.
18 G had total assets of approximately \$1.6 million and liquid assets of approximately \$1.4 million.
19 Mikhail recommended that Ms. G establish a charitable remainder trust and liquidate her
20 securities account with Bank of America to purchase an American Investors annuity. Ms. G did
21 not receive any independent legal, financial or tax advice.

22 In June 2002, Mikhail completed an application for a charitable remainder unitrust that
23 would provide 6% annual payments to Ms. G throughout her lifetime and thereafter to her

1 beneficiaries for a period of twenty years. The trust was supposed to have an initial value of
2 approximately \$1.4 million, so the initial annual payment would be approximately \$84,000, or
3 \$7,000 per month, not the \$20,000 per month that Ms. G expected. Ms. G paid \$2,500 for the
4 charitable remainder trust agreement.

5 In July 2002, Mikhail delivered the charitable remainder trust document to Ms G. and
6 notarized her signature on the document. The document provided that the remainder interest in
7 the trust would go to The American Wildlife Federation, an apparently non-existent charitable
8 organization.

9 XV. SALE OF SECURITIES FOR MS. G

10 Mikhail recommended that Ms. G sign paperwork authorizing the transfer of her
11 securities account from a local branch office of Bank of America to CapStone Investments, a
12 securities broker-dealer in San Diego, California. Ms. G did not know anyone at CapStone
13 Investments, but at the recommendation of Mikhail, she signed forms authorizing the transfer of
14 her securities account to CapStone Investments.

15 At Mikhail's direction, Ms. G called CapStone Investments and asked them to sell all of
16 her stocks and bonds. During July and August 2002, CapStone Investments sold approximately
17 \$930,000 worth of securities for Ms. G's charitable remainder trust securities account. The sales
18 proceeds were then combined with other funds in the account to purchase a \$1,304,234 check
19 dated August 21, 2002 and payable to American Investors. On August 23, 2002, American
20 Investors issued a \$1,304,234 single premium deferred annuity for the Ms. G CRT. Family First
21 Insurance Services earned a total sales commission of approximately \$120,000 for the sale of the
22 annuity and Mikhail earned a sales commission of approximately \$48,000, or 40% of the total
23 commission.

1 XVI. MS. G DID NOT WANT TO LEAVE HER ASSETS TO CHARITY

2 Ms. G advised Mikhail, Family First Advanced Estate Planning and Family First
3 Insurance Services that she wanted to leave her entire estate to her children. Ms. G had no
4 significant connections to any charitable organization and she did not want to leave her assets to
5 charity. The American Wildlife Federation, the charity designated in Ms. G's charitable
6 remainder unitrust document, is not registered with the Internal Revenue Service and does not
7 appear to exist.

8 XVII. DECEPTIONS AND OMISSIONS IN CONNECTION WITH THE SALE OF
9 SECURITIES AND THE PURCHASE OF AN ANNUITY FOR MS. G

10 By transferring Ms. G's securities portfolio to CapStone Investments, a California
11 securities brokerage firm with whom Ms. G had no personal relationship, Respondents knew that
12 no securities salesperson would personally review the suitability of Ms. G's securities sales.
13 CapStone Investments had a pattern of liquidating securities holdings for Family First clients.
14 No one disclosed to Ms. G that CapStone Investments had a pattern of liquidating securities
15 holdings for Family First clients. No one disclosed to Ms. G that Family First Advanced Estate
16 Planning and Family First Insurance Services were affiliates of American Investors Life
17 Insurance Company, Inc., the insurance company issuing the annuity. No one disclosed to Ms. G
18 that Family First Insurance Services and its sales agents would receive more than 9% sales
19 commissions for the sale of the annuity, which was about twice the usual sales commission,
20 given the age of the insured. No one disclosed to Ms. G that the purchase of a tax-deferred
21 annuity by a charitable remainder unitrust, a tax-exempt entity, would not maximize her income.
22 No one disclosed to Ms. G that she should maintain a reserve fund of liquid assets to pay for
23 sudden medical expenses, hospitalization, nursing home care or other emergencies.

1 XVIII. RESPONDENTS FAILED TO DISCLOSE THAT MS. G MIGHT HAVE TO PAY
2 CAPITAL GAINS TAX ON THE SALE OF HER SECURITIES

3 No one disclosed to Ms. G that if she failed to meet the legal requirements for
4 establishing a charitable remainder unitrust, she would have to pay capital gains tax on the sale
5 of her securities, which in Ms. G's case would have resulted in a tax of approximately \$32,000.

6 One requirement is that the trust must be administered by a competent trustee. Ms. G
7 was appointed as the trustee of her own charitable remainder unitrust, but she did not understand
8 or have the ability to fulfill the obligations of a trustee. Ms. G did not understand how to prepare
9 and file annual trust tax returns, to calculate the yearly value of the trust, and to make the trust
10 distributions required by her charitable remainder unitrust agreement.

11 Another requirement is that the annuity funding the charitable remainder trust must be
12 able to make the payments required by the trust. No one disclosed to Ms. G that the American
13 Investors 2000 *Plus* annuity contract did not guarantee the distributions required by her
14 charitable remainder unitrust agreement.

15 The agreement required 6% annual trust distributions, payable monthly throughout Ms.
16 G's lifetime and for twenty years thereafter, with a remainder interest payable to charity. The
17 annuity had a minimum guaranteed return of 6% per year for the first two years, but only 3% per
18 year thereafter. The annuity also had a default guaranteed benefit period of ten years or the
19 lifetime of Ms. G, whichever was greater. The payments from the annuity did not start until at
20 least five years after the date the policy was issued. Using the default provisions, if Ms. G died
21 after the ten-year minimum guaranteed benefit period, there would be no death benefit payable to
22 her children or to charity.

1 XIX. VICTIM #3: "MR. P"

2 Mr. P was an 82-year-old Washington resident who lived alone. Mr. P was a retired
3 telephone repairman with no legal or financial training or expertise. According to a client
4 referral form completed by Mikhail, Mr. P had a "sensitivity rating" of 3 on a scale of 1 to 5,
5 where 5 means that the investor needs to have someone with a power of attorney to make
6 decisions for them.

7 XX. CHARITABLE REMAINDER UNITRUST FOR MR. P

8 Mr. P and his wife had established a living trust prior to his wife's death in October 2000.
9 In June 2002, Mikhail met with Mr. P and found that he had a net worth of approximately
10 \$900,000 and liquid assets of approximately \$600,000. Without determining the basis of his
11 securities, or the effect of his wife's death and the prior living trust agreement, Mikhail
12 recommended that Mr. P establish a charitable remainder unitrust and purchase an American
13 Investors annuity to fund the trust. Mikhail completed an application for a charitable remainder
14 unitrust and Mr. P paid \$2,500 for the trust agreement.

15 The trust would supposedly provide 6% annual payments, payable monthly, to Mr. P
16 throughout his lifetime and then to his beneficiaries for a period of twenty years. At the end of
17 that time, any remaining assets were supposed to be divided equally between the American
18 Cancer Society and the American Heart Association. Mikhail also completed an application for
19 a single premium American Investors 2000 *Plus* deferred annuity to fund the charitable
20 remainder trust.

1 XXI. SALE OF SECURITIES FOR MR. P

2 In July 2002, Mikhail notarized Mr. P’s signature on a charitable remainder unitrust
3 agreement. The agreement included a list of securities that were used to fund the trust. Mikhail
4 recommended that Mr. P transfer the securities to CapStone Investments. Although Mr. P did
5 not know anyone at CapStone Investments, he transferred his securities account to Capstone
6 Investments based on the recommendation of Mikhail.

7 During July 2002, CapStone Investments sold approximately \$400,000 worth of stocks
8 and other securities for Mr. P’s charitable remainder trust securities account. The sales proceeds
9 were then combined with other funds in the account to purchase a \$456,000 check dated August
10 13, 2002 and payable to American Investors. On August 15, 2002, American Investors issued a
11 \$456,000 single premium deferred annuity for the Mr. P Trust. Family First Insurance Services
12 earned a total sales commission of approximately \$42,180 for the sale of the annuity and Mikhail
13 earned a sales commission of approximately \$16,870, or 40% of the total commission.

14 XXII. MR. P DID NOT WANT TO LEAVE HIS ASSETS TO CHARITY

15 Mr. P advised Mikhail and Family First that he had two children and that he wanted to
16 leave his entire estate to his two children in equal shares. Mr. P had no significant connections to
17 any charitable organization and he did not want to leave his assets to charity.

18 XXIII. DECEPTIONS AND OMISSIONS IN CONNECTION WITH THE SALE OF
19 SECURITIES AND THE PURCHASE OF AN ANNUITY FOR MR. P

20 By transferring Mr. P’s securities portfolio to CapStone Investments, a California
21 securities brokerage firm with whom Mr. P had no personal relationship, Family First and
22 Mikhail knew that no securities salesperson would personally review the suitability of Mr. P’s
23 securities sales. CapStone Investments had a pattern of liquidating securities holdings for

1 Family First clients. No one disclosed to Mr. P that CapStone Investments had a pattern of
2 liquidating securities holdings for Family First clients. No one disclosed to Mr. P that Family
3 First Advanced Estate Planning and Family First Insurance Services were affiliates of American
4 Investors Life Insurance Company, Inc., the insurance company issuing the annuity. No one
5 disclosed to Mr. P that Family First Insurance Services and its sales agents would receive more
6 than 9% sales commissions for the sale of the annuity, which was about twice the usual sales
7 commission for that type of insurance, given the age of the insured. No one disclosed to Mr. P
8 that the purchase of a tax-deferred annuity by a charitable remainder unitrust, a tax-exempt
9 entity, would not maximize his income.

10 **XXIV. DECEPTIONS AND OMISSIONS IN CONNECTION WITH THE SALE OF**
11 **THE CHARITABLE REMAINDER UNITRUST AND SECURITIES FOR MR. P**

12 When offering and selling the charitable remainder unitrust to Mr. P, no one disclosed to
13 Mr. P that his net worth was less than the federal estate tax exemption amount of \$1,000,000
14 during 2002. Consequently, he did not need a charitable remainder trust to protect his assets
15 from estate tax. Furthermore, no one disclosed to Mr. P that by selling his securities within a
16 charitable remainder trust, Mr. P would be unable to deduct a net capital loss of approximately
17 \$225,000.

18 Based upon the Tentative Findings of Fact, the following Conclusions of Law are made:

19 **CONCLUSIONS OF LAW**

20 **I.**

21 The sale of stocks and bonds described in paragraphs VIII, XV and XXI of the Tentative
22 Findings of Fact above constitutes the sale of a security, as defined in RCW 21.20.005(10) and
23 (12).

1 II.

2 As described in paragraphs I through XXIV of the Tentative Findings of Fact, in
3 connection with the sale of securities, Family First Advanced Estate Planning, Family First
4 Insurance Services and Robert John Mikhail each employed a device, scheme or artifice to
5 defraud, in violation of RCW 21.20.010(1).

6 III.

7 As described in paragraphs I through XXIV of the Tentative Findings of Fact, in
8 connection with the sale of securities, Family First Advanced Estate Planning, Family First
9 Insurance Services and Robert John Mikhail each engaged in an act, practice or course of
10 business that operated as a fraud or deceit, in violation of RCW 21.20.010(3).

11 IV.

12 As described in paragraphs I through XI of the Tentative Findings of Fact, in connection
13 with the sale of securities, Thomas Craig Harman employed a device, scheme or artifice to
14 defraud, in violation of RCW 21.20.010(1).

15 V.

16 As described in paragraphs I through XI of the Tentative Findings of Fact, in
17 connection with the sale of securities, Thomas Craig Harman engaged in an act, practice or
18 course of business that operated as a fraud or deceit, in violation of RCW 21.20.010(3).

19 VI.

20 As described in paragraphs X and XI, XVII and XVIII, and XXIII and XXIV of the
21 Tentative Findings of Fact, in connection with the sale of securities, Family First Advanced
22 Estate Planning, Family First Insurance Services and Robert John Mikhail each omitted to state
23

1 material facts necessary in order to make the statements made, in the light of the circumstances
2 under which they were, not misleading, in violation of RCW 21.20.010(2).

3 VII.

4 As described in paragraphs X and XI of the Tentative Findings of Fact, in connection
5 with the sale of securities, Thomas Craig Harman omitted to state material facts necessary in
6 order to make the statements made, in the light of the circumstances under which they were
7 made, not misleading, in violation of RCW 21.20.010(2).

8 VIII.

9 As described in paragraphs I through XI of the Tentative Findings of Fact, Thomas Craig
10 Harman has willfully violated or willfully failed to comply with the Securities Act of
11 Washington, in violation of RCW 21.20.110(1)(b).

12 **NOTICE OF INTENT TO ORDER RESPONDENTS TO CEASE AND DESIST**

13 Pursuant to RCW 21.20.390, and based upon the Tentative Findings of Fact and
14 Conclusions of Law, the Securities Administrator intends to order that Family First Advanced
15 Estate Planning, Family First Insurance Services, Robert John Mikhail and Thomas Craig
16 Harman and their agents and employees shall each cease and desist from violations of RCW
17 21.20.010.

18 **NOTICE OF INTENT TO IMPOSE FINES**

19 Pursuant to RCW 21.20.395, and based upon the Tentative Findings of Fact and
20 Conclusions of Law, the Securities Administrator intends to order that Family First Advanced
21 Estate Planning, Family First Insurance Services and Robert John Mikhail shall each be liable for
22 and pay a fine of \$15,000 and Thomas Craig Harman shall be liable for and pay a fine of \$5,000.

1 **NOTICE OF INTENT TO SUSPEND OR REVOKE REGISTRATION**

2 Pursuant to RCW 21.20.110(1), and based upon the above Tentative Findings of Fact and
3 Conclusions of Law, the Securities Administrator intends to order that the securities salesperson
4 registration of Thomas Craig Harman shall be suspended or revoked.

5 **AUTHORITY AND PROCEDURE**

6 This Statement of Charges is entered pursuant to the provisions of RCW 21.20.110, RCW
7 21.20.390 and RCW 21.20.395 and is subject to the provisions of RCW 21.20.120 and Chapter
8 34.05 RCW. The respondents, Family First Advanced Estate Planning; Family First Insurance
9 Services; Robert John Mikhail; and Thomas Craig Harman may each make a written request for
10 a hearing as set forth in the NOTICE OF OPPORTUNITY TO DEFEND AND OPPORTUNITY
11 FOR HEARING accompanying this order.

12 If a respondent fails to make a timely hearing request, the Securities Administrator
13 intends to adopt the above Tentative Findings of Fact and Conclusions of Law as final and enter
14 a permanent order against that respondent to cease and desist from violations of the Securities
15 Act and may suspend or revoke a securities salesperson registration. The Securities
16 Administrator may also file a certified copy of the order in Superior Court and proceed to collect
17 the fine sought against that respondent in accordance with RCW 21.20.395.

18 Dated this 29th day of October, 2004

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21 Michael E. Stevenson
22 Securities Administrator

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Approved by:



Martin Cordell
Chief of Enforcement

Presented by:



Janet So
Financial Legal Examiner