

STATE OF MICHIGAN  
DEPARTMENT OF LICENSING & REGULATORY AFFAIRS  
OFFICE OF FINANCIAL AND INSURANCE REGULATION

Before the Commissioner of the Office of Financial and Insurance Regulation

In the matter of:

Case Nos.

Terry Lee Madison

Securities EC #10-7795

Insurance EC #10-11046

Respondent.

\_\_\_\_\_ /

ORDER

I.  
RECITALS

WHEREAS, the Office of Financial and Insurance Regulation (OFIR) conducted an investigation of Terry Lee Madison (Respondent) and determined that he offered and sold unregistered securities to Michigan residents as defined in Section 401 of the Michigan Uniform Securities Act of 1964, 1964 PA 265, as amended, (the "MUSA"), MCL 451.801; and,

WHEREAS, OFIR also administers and regulates the Michigan Insurance Code (the Code), 1956 PA 218, as amended, MCL 500.100 *et seq.*, and determined that Respondent demonstrated incompetence in the business of insurance when he offered and sold the unregistered securities product to insurance clients in violation of the Code; and,

WHEREAS, Respondent was served with notice and afforded an opportunity for a hearing pursuant to the Administrative Procedures Act of 1969, 1969 PA 306, as amended, MCL 24.201 *et seq.*, ("APA"); and,

WHEREAS, on April 11, 2011, Respondent entered into an Order (April Order) with OFIR to resolve the investigation relating to offers and sales of unregistered securities to insurance clients, and as a result civil penalties and fines were imposed against Respondent; and,

WHEREAS, the April Order stated that if Respondent failed to comply with the Order, OFIR may vacate the Order, at its sole discretion, upon 10 days' notice to the Respondent without opportunity for administrative hearing.

WHEREAS, the Respondent has not complied with the April Order. OFIR has not received payment of the civil penalty and fines. On January 5, 2012, OFIR notified Respondent of its intent to vacate the April Order; and,

WHEREAS, Respondent admits the following Findings of Fact and Conclusions of Law, and agrees to resolve these matters through this Order (the Order) in order to avoid protracted and expensive proceedings; and,

WHEREAS, Respondent, as evidenced by the authorized signatures on the to the Order below, admits the jurisdiction of OFIR, voluntarily s to the entry of this Order and elects to permanently waive any right to a hearing and appeal under the APA, MUSA and the Code with respect to this Order;

NOW, THEREFORE, the Chief Deputy Commissioner of OFIR, as authorized under the APA, MUSA and the Code hereby enters this Order:

## II. FINDINGS OF FACT

1. American Benefit Concepts, Inc. (herein "ABC") is a Michigan corporation whose principal place of business is located in Kalamazoo. ABC is a Michigan licensed insurance resident producer agency with qualifications to transact business in Accident, Health, Life, and Variable Annuities.
  2. Respondent Terry Lee Madison is a Michigan resident who is also a licensed resident producer agent with qualifications to transact business in Accident, Health, Life, and Variable Annuities. During the relevant time period, he was associated with ABC as an independent contractor to sell insurance products on behalf of ABC.
  3. In October 2010, OFIR issued an Order to Cease and Desist against Respondent ordering him to stop offering and selling unregistered securities in the State of Michigan in violation of MUSA.
  4. OFIR's investigation of the Respondent's business activities showed that in 2008 the Respondent was effectuating the purchase and sale of Diversified Lending Group ("DLG") securities.
  5. Respondent offered and sold DLG securities to four (4) Michigan residents. His sales totaled approximately \$232,435 and he received commissions totaling approximately \$5,810 in connection with the sale of the securities.
  6. Respondent failed to conduct a thorough due diligence review of DLG's securities. Respondent failed to contact OFIR to determine whether the securities had been registered or exempt, and did not determine if he needed to be licensed to sell securities.
  7. OFIR staff conducted a search of its records and FINRA's databases to determine whether Respondent was registered to sell securities in the state of Michigan. No such registration records were found for the relevant time period.
  8. Because of Respondent's conduct, Michigan residents have suffered substantial financial losses.
  9. On April 11, 2011, Respondent entered into a Consent Order with OFIR where he agreed to make certain payments and disclosures. No payments were ever made.
-

**III.  
CONCLUSIONS OF LAW**

1. The DLG investments sold to Michigan residents are securities, as defined by Section 401(z) of MUSA, MCL 451.801(z) and must be registered as required by Section 301 of MUSA, MCL 451.701.
2. DLG securities were not registered or exempt from registration in the state of Michigan.
3. When Respondent offered and sold DLG securities to Michigan residents, he was acting as their securities agent, and therefore he should have been registered as a securities agent with OFIR as required by Section 201(a), MCL 451.601(a).
4. Respondent was not properly registered as a securities agent as required by MUSA to offer and sell securities in the state of Michigan.
5. As a result of the conduct described above, the Respondent violated Sections 201 and 301 of MUSA.
6. As a result of the conduct described above, the Respondent demonstrated incompetence, and violated Section 1239(1)(h) of the Code, by offering and selling an unlawful securities product to insurance clients, and did so without conducting a thorough due diligence review.
7. Pursuant to Section 1239(1)(h) of the Code, it was appropriate to impose civil penalties against the Respondent in April 2011. He had caused financial harm to insurance clients due to his failure to conduct a thorough due diligence review of DLG, DLAH, DGF securities. When his conduct became the subject of an enforcement action, he agreed to take advantage of the opportunity to informally resolve the matter with OFIR staff and later failed to honor the terms of the agreement by paying the civil penalties and fines imposed.
8. Section 1244(2) of the Code allows the Commissioner to reopen and alter, modify, or set aside, an order issued, if, in the opinion of the Commissioner, conditions of fact or of law have changed to require that action.
9. In the present matter, the facts have changed. Respondent has failed to comply with the Consent Order.

**IV.  
ORDER**

**THEREFORE, IT IS HEREBY ORDERED:**

1. The Respondent shall immediately **CEASE AND DESIST** from engaging in the business of insurance in the state of Michigan.

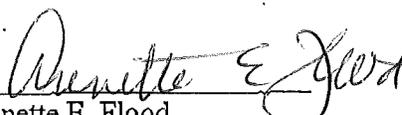
---

2. The Respondent's insurance producer license is **REVOKED**, System ID No. 0080569.

3. The Order entered and issued on April 11, 2011, against Respondent is **SET ASIDE**.
4. The Order to Cease and Desist entered and issued on October 15, 2010, against Respondent is amended to strike Article II, paragraph 4.
5. Nothing herein shall preclude the state of Michigan, its departments, agencies, boards, commissions, authorities, political subdivisions and corporations (collectively, "State Entities"), from asserting any claims, causes of action, or applications for compensatory, nominal and/or punitive damages, administrative, civil, criminal, or injunctive relief against Respondent in connection with subsequent actions or conduct deemed in violation of the Insurance Code.
6. This Order and any dispute related thereto shall be construed and enforced in accordance with, and governed by, the laws of the state of Michigan without regard to any choice of law principles.

THE OFFICE OF FINANCIAL AND  
INSURANCE REGULATION

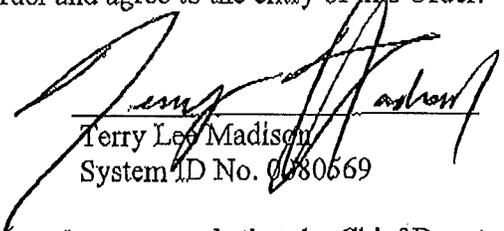
Dated this 24<sup>th</sup> day of May, 2012

  
Annette E. Flood  
Chief Deputy Commissioner

V.  
STIPULATION

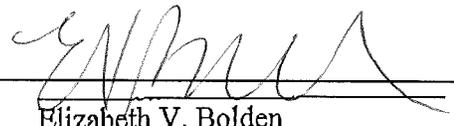
I have read and understand the Order above. I agree that the Chief Deputy Commissioner has jurisdiction and authority to issue this Order pursuant to the securities and insurance laws of this State. I waive the right to a hearing in this matter if this Order is issued. I understand that this Stipulation and Order will be presented to the Chief Deputy Commissioner for approval and the Chief Deputy Commissioner may or may not issue this Order. I waive any objection to the Commissioner deciding this case following a hearing in the event the Order is not approved. I admit the facts set forth in the above Order and agree to the entry of this Order.

Dated: 5-21-2012

  
Terry Lee Madison  
System ID No. 0080669

The OFIR staff approves this Stipulation and recommends that the Chief Deputy Commissioner issue the above Order.

Dated: May 23, 2012

  
Elizabeth V. Bolden  
OFIR Staff Attorney