



STATE OF MISSOURI
OFFICE OF SECRETARY OF STATE

IN THE MATTER OF:)
)
ADOMANI, INC.; and)
JAMES L. REYNOLDS,) Case No. AP-20-09
)
Respondents.)

CONSENT ORDER

SUMMARY OF ENFORCEMENT SECTION’S ALLEGATIONS

1. The Enforcement Section of the Missouri Securities Division of the Office of Secretary of State (“**Enforcement Section**”), through Enforcement Counsel Douglas M. Jacoby, alleges that between January 2015 and November 2015 (“**Relevant Period**”), Respondents issued \$186,500 in unregistered, non-exempt securities in the State of Missouri to at least four (4) individual Missouri resident investors (each, an “**MR**”; collectively, “**MRs**”).
2. Respondents and the Enforcement Section desire to settle the allegations and the matters raised by the Enforcement Section relating to the Respondents’ alleged violations of Sections 409.3-301, RSMo. (2016).¹

CONSENT TO JURISDICTION

3. Respondents and the Enforcement Section stipulate and agree that the Missouri Commissioner of Securities (“**Commissioner**”) has jurisdiction over Respondents and these matters pursuant to the Missouri Securities Act of 2003, Chapter 409, *et seq.*
4. Respondents and the Enforcement Section stipulate and agree that the Commissioner has authority to enter this Order pursuant to Section 409.6-604(h) which provides:

“The commissioner is authorized to issue administrative consent orders in the settlement of any proceeding in the public interest under this act.”

¹ Unless otherwise noted, all statutory references are to the 2016 Revised Statutes of Missouri.

WAIVER AND EXCEPTION

5. Respondents waive Respondents' rights to a hearing with respect to this matter.
6. Respondents waive any rights that Respondents may have to seek judicial review or otherwise challenge or contest the terms and conditions of this Order. Respondents specifically forever release and hold harmless the Missouri Office of Secretary of State, Secretary of State, Commissioner of Securities, and their respective representatives and agents from any and all liability and claims arising out of, pertaining to, or relating to this matter.
7. Respondents stipulate and agree with the Enforcement Section that, should the facts contained herein prove to be false or incomplete in a material way, the Enforcement Section reserves the right to pursue any and all legal or administrative remedies at its disposal.
8. Respondents specifically and voluntarily waive any rights to claim that they are unable to pay, now or at any time hereafter, any debt for restitution, disgorgement, civil penalty or other amount imposed in this Order.

CONSENT TO COMMISSIONER'S ORDER

9. Respondents and the Enforcement Section stipulate and agree to the issuance of this Order without further proceedings in this matter, agreeing to be fully bound by the terms and conditions specified herein.
10. Respondents hereby accept and consent to the entry of this Order, without admitting or denying the Commissioner's Findings of Fact, Conclusions of Law, and Order as set forth below, solely for the purposes of resolving this proceeding, without any adjudication of any issue of law or fact, and any proceeding that may be brought to enforce the terms of this Order.
11. Respondents agree not to take any action or to make or permit to be made any public statement creating the impression that this Order is without factual basis. Nothing in this paragraph affects Respondents' (a) testimonial obligations; (b) right to take legal or factual position in defense of litigation or in defense of other legal proceedings in which the Commissioner is not a party; or (c) right to make public statements that are factual.
12. Respondents agree that Respondents are not the prevailing party in this action since the parties have reached a good faith settlement.

COMMISSIONER'S FINDINGS OF FACT, CONCLUSIONS OF LAW, AND ORDER

I. FINDINGS OF FACT

Respondents and Related Parties

13. Adomani, Inc. (“**Adomani**”) is a Delaware corporation with a primary place of business at 4740 Green River Road, Suite 106, Corona, CA 92880. During the Relevant Period, Adomani’s principal business involved manufacturing kits for converting gas engines to electric and hybrid engines.
14. James L. Reynolds (“**Reynolds**”) is a seventy-four-year-old Fountain Valley, California resident and chief executive officer of Adomani during the Relevant Period.
15. Retire Happy, LLC (“**Retire Happy**”) is a limited liability company organized in the state of Nevada since January 18, 2012. The last known address is 4840 W. University Ave, A-1, Las Vegas, NV 89103.
16. Review of Central Registration Depository records indicates that, during the Relevant Period, Retire Happy was not registered or exempt from registration in Missouri or Nevada as a broker-dealer or investment adviser.
17. Provident Trust Group, LLC (“**Provident**”), is a Nevada limited liability company with a principal place of business at 8880 W. Sunset Rd, Suite 250, Las Vegas, Nevada 89148. Provident provides administration, asset custody and related services for self-directed retirement accounts.

Violative Conduct

Section 409.3-301

Selling Unregistered, Non-Exempt Securities

18. In early 2015, Adomani engaged Retire Happy to raise working capital for Adomani through the issuance of 9% unsecured promissory notes with a 24-month maturity (“**Adomani Notes**”). The engagement was memorialized in a Finder’s Fee Agreement (the “**Finder’s Fee Agreement**”) executed between the parties on January 2, 2015.
19. According to the terms of the Finder’s Fee Agreement, in exchange for Retire Happy identifying \$1 million in funding for Adomani, Respondents agreed to pay Retire Happy ten percent (10%) of the gross dollar amount raised through the sale of Adomani Notes. Further, the Finder’s Fee Agreement stated that “[t]he lenders which [Retire Happy] will introduce to [Adomani] will be named and listed by signed copies of the Promissory Note *provided by [Adomani]*” (emphasis added). Finally, a prominent representation appears in the Finder’s Fee Agreement stating that Retire Happy “is not a licensed securities dealer” and that the Finder’s Fee Agreement is “not intended for the purpose of buying, selling or trading securities.”

20. The Adomani Notes are securities as defined in Section 409.1-102(28).
21. A check of the records maintained by the Commissioner indicates that at all times relevant to this matter, there was no registration, granted exemption, or notice filing indicating status as a “federal covered security” for the Adomani Notes purchased by MRs.
22. Despite language in the Finder’s Fee Agreement to the contrary, Retire Happy engaged in activities far beyond its defined role of simply introducing prospective purchasers of the Adomani Notes to Respondents.
23. Retire Happy produced the Adomani Note document from a template promissory note document of unknown origin. Although Retire Happy shared a copy of the template promissory document with Respondents for their review prior to initiating any offers or sales, Retire Happy made it clear to Respondents that the language of the document was not to be altered, modified or amended. Respondents were only allowed to elect whether interest on the Adomani Note was to be calculated daily, monthly or annually, and the timing of the interest and principal payments to the investor. To make the election, Respondents placed a checkmark next to the appropriate selection. From that point forward, the terms and conditions of the Adomani Note were fixed.
24. Retire Happy also played the primary role in facilitating the execution of Adomani Notes – maintaining, within the control of Retire Happy at Retire Happy’s office, prepared electronic promissory note forms of the Adomani Notes that were electronically pre-signed by Respondent Reynolds, and onto which Retire Happy employees only had to fill-in an MR’s name and Provident account title and number, the investment amount, and date before sending the form for execution to an MR via email, instructing the MR as to where on the form to sign – without any involvement or participation of Respondents in the transactional process.
25. Respondent Reynold’s signature appears on behalf of Adomani on all the Adomani Notes purchased by the MRs in this matter.
26. Once the Adomani Note was executed by the MR and returned to Retire Happy, Retire Happy coordinated with custodian Provident – the financial institution that held the investor’s self-directed retirement account from which the investment amount was to be transmitted to Respondents and into which the purchased Adomani Note was to be booked and thereafter held in custody – to confirm that all required payments were made by the investor (to Respondents) and Respondents (to Retire Happy). Retire Happy would provide a copy of the fully executed Adomani Note to Provident, the MR and the Respondents.
27. Retire Happy only disclosed names and email addresses for each MR to Respondents. Retire Happy did not disclose any additional contact information to Respondents.
28. In total, Adomani raised approximately \$5.15 million in working capital from the sale of 127 Adomani Notes through Retire Happy using the process describe above.

29. Respondents relied upon Retire Happy pursuant to the Finder’s Fee Agreement to find and communicate with prospective lenders, and therefore did not:
- a. meet with or communicate with any MRs so as to afford the MRs the opportunity to conduct investor due diligence;
 - b. directly or indirectly through Retire Happy or any other third party, provide the MRs with a prospectus, an offering memorandum or similar offering document;
 - c. directly or indirectly through Retire Happy or any other third party, provide the MRs with a current copy of Adomani’s financials;
 - d. directly or indirectly through Retire Happy or any other third party, disclose or explain to the MRs the risks inherent in investing in the Adomani Notes; or
 - e. directly or indirectly through Retire Happy or any other third party, disclose to the MRs that the Adomani Notes were not registered or exempt from registration in the State of Missouri.
30. As per the Agreement, in compensation for Retire Happy’s capital raising efforts, Respondents paid Retire Happy \$517,450.
31. At no time prior to the purchase of the Adomani Notes by the MRs or thereafter did Respondents, directly or indirectly through Retire Happy or any other third party, disclose to the MRs the transaction-based compensation Respondents paid Retire Happy as a result of the MRs’ purchases of the Adomani Notes.
32. The following table summarizes information regarding the four MRs and their investments in Adomani Notes:

Investor	Date of Investment	Age of Investor on Date of Investment	Amount Invested
MR1	6/24/2015	60	\$10,000
MR2	4/10/2015	65	\$50,500
MR3	9/22/2015	74	\$49,000
MR4	10/2/2015	56	\$77,000

33. Adomani paid the interest on the Adomani Notes in full to the MRs – in each case, as interest payments came due each month, sending lump sum amounts to Provident, who would then allocate the interest to the appropriate self-directed retirement accounts of the MRs. At maturity, all MRs received from Adomani the return of their original principal amount invested. Thus, no MRs suffered any investment losses or damages as a result of the conduct described herein.

II. CONCLUSIONS OF LAW

34. **THE COMMISSIONER CONCLUDES** that the Adomani Notes are securities as defined in Section 409.1-102(28).
35. **THE COMMISSIONER CONCLUDES** Respondents sold unregistered, non-exempt securities in the State of Missouri in violation of Section 409.3-301.
36. **THE COMMISSIONER CONCLUDES** that the violations above are sufficient to issue an order in accordance with Section 409.6-604.
37. The Commissioner, after consideration of the stipulations set forth above and on consent of the Respondents and the Enforcement Section, finds and concludes that the Commissioner has jurisdiction over Respondents in this matter and that the following order is in the public interest, necessary for the protection of public investors, and consistent with the purposes intended by Chapter 409.

III. ORDER

NOW, THEREFORE, it is hereby ordered that:

38. Respondents, their respective agents, employees and servants, and all other persons participating in the above-described alleged violations with knowledge of this Order are permanently enjoined and restrained from engaging in violations of Section 409.3-301.
39. Respondents shall pay, jointly and severally, to the Missouri Secretary of State's Investor Education and Protection Fund the sum of \$9,000. This amount shall be payable to the Missouri Secretary of State's Investor Education and Protection Fund. This amount shall be sent to the Missouri Securities Division at 600 W. Main Street, Jefferson City, Missouri 65101 within thirty days of this Order. This amount will be suspended upon Respondents' timely in-full payment of the costs of the investigation as described herein.
40. Respondents shall pay, jointly and severally, to the Missouri Secretary of State's Investor Education and Protection Fund the sum of \$2,500 toward the costs of this investigation. This amount shall be payable to the Missouri Secretary of State's Investor Education and Protection Fund. This amount shall be sent to the Missouri Securities Division at 600 W. Main Street, Jefferson City, Missouri 65101 within thirty days of this Order.
41. Respondents shall pay their own costs and attorneys' fees with respect to this matter.

SO ORDERED:

WITNESS MY HAND AND OFFICIAL SEAL OF MY OFFICE AT JEFFERSON CITY,
MISSOURI THIS 1st DAY OF ~~JUNE~~ July, 2020.



JOHN R. ASHCROFT
SECRETARY OF STATE

David M. Minnick
DAVID M. MINNICK
COMMISSIONER OF SECURITIES

Consented to by:
MISSOURI SECURITIES DIVISION

[Signature]
Douglas M. Jacoby
Enforcement Counsel

ADOMANI, INC.

By [Signature]

Title

JAMES L. REYNOLDS

By [Signature]

Title