

II.

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the “Offer”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over him and the subject matter of these proceedings, and the findings contained in Section III.4 below, which are admitted, Respondent consents to the entry of this Order Instituting Administrative Proceedings Pursuant to Rule 102(e) of the Commission’s Rules of Practice, Making Findings, and Imposing Remedial Sanctions (“Order”), as set forth below.

III.

On the basis of this Order and Respondent’s Offer, the Commission finds that:

1. Adams, age 46, is and has been a certified public accountant licensed to practice in the State of Indiana. From 1996 to September 2002, Adams was Chief Accounting Officer, Treasurer, and Senior Vice President of Conseco, Inc. (“Conseco”). From June 1998 to July 2002, Adams was Chief Accounting Officer for Conseco Finance Corporation (“Conseco Finance”), f/k/a Green Tree Financial Corporation, a wholly owned subsidiary of Conseco during this period.

2. At all relevant times, Conseco was a financial services holding company, incorporated in Indiana, with its principal place of business in Carmel, Indiana. Conseco’s business consisted of two segments: (i) insurance and fee-based businesses (such as mutual funds), and (ii) finance operations. Conseco’s finance operations were conducted through Conseco Finance, with Conseco including Conseco Finance’s financial results in its consolidated financial statements. Conseco’s common stock was registered with the Commission pursuant to Section 12(b) of the Securities Exchange Act of 1934 (“Exchange Act”), and traded on the New York Stock Exchange.

3. At all relevant times, Conseco Finance was a Delaware corporation with its principal place of business in Saint Paul, Minnesota. Conseco Finance was a diversified financial services company with operations that originated, purchased, sold and serviced consumer and commercial loans throughout the United States. At all relevant times, certain of Conseco Finance’s securities were registered with the Commission pursuant to Section 12(b) of the Exchange Act.

4. On March 10, 2004, the Commission filed a complaint against Adams and co-defendant Rollin M. Dick in Securities and Exchange Commission v. Rollin M. Dick and James S. Adams, Case No. 1:04-CV-0457 SEB-VSS in the United States District Court for the Southern District of Indiana. On August 30, 2005, the Commission filed an amended complaint against Adams and Dick in this action. On July 3, 2006, the court entered a Final Judgment permanently enjoining Adams, by consent, from future violations of Section 17(a) of the Securities Act of 1933, Section 10(b) and 13(b)(5) of the Exchange Act and Exchange Act Rules 10b-5, 13b2-1 and 13b2-

2, and from aiding and abetting violations of Sections 10(b), 13(a), 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act and Exchange Act Rules 10b-5, 12b-20 and 13a-13. The Judgment also ordered Adams to pay \$90,000 as a civil money penalty, and barred Adams for a period of five years following the date of entry of the Final Judgment, from acting as an officer or director of any issuer that has a class of securities registered pursuant to Section 12 of the Exchange Act [15 U.S.C. § 78l] or that is required to file reports pursuant to section 15(d) of the Exchange Act.

5. The Commission's amended complaint alleged, among other things, that from March 1999 through February 2000, Conseco and Conseco Finance made false and misleading statements about their earnings in filings made with the Commission and in public statements announcing their earnings, overstating their financial results by hundreds of millions of dollars. The complaint alleged that this massive overstatement occurred primarily because Dick and Adams conducted a fraudulent scheme to avoid huge write-downs of certain assets held by Conseco Finance known as interest-only securities, and corresponding charges to earnings, through the use of improper accounting techniques in violation of United States Generally Accepted Accounting Principles. The complaint also alleged that Dick and Adams made a variety of improper and unsupported "top-side" adjustments to Conseco Finance's books and records at the end of the first three quarters of 1999 to further inflate Conseco and Conseco Finance's earnings for these quarters in order to meet Wall Street's analysts' consensus earnings targets. Further, the complaint alleged that Conseco and Conseco Finance, under Dick and Adams' direction, failed to maintain a system of internal accounting controls sufficient to prevent these and other material misstatements in their financial statements, and that Dick and Adams were responsible for and took advantage of this failure to maintain adequate controls. Finally, the complaint alleged that Dick and Adams made misrepresentations to Conseco and Conseco Finance's auditors in management representation letters.

IV.

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanction agreed to in Respondent Adams' Offer.

Accordingly, it is hereby ORDERED, effective immediately, that:

A. Adams is suspended from appearing or practicing before the Commission as an accountant.

B. After five years from the date of this order, Respondent may request that the Commission consider his reinstatement by submitting an application (attention: Office of the Chief Accountant) to resume appearing or practicing before the Commission as:

1. a preparer or reviewer, or a person responsible for the preparation or review, of any public company's financial statements that are filed with the Commission. Such an application must satisfy the Commission that Respondent's work in his practice before the Commission will be reviewed either by the independent audit committee of the public company

for which he works or in some other acceptable manner, as long as he practices before the Commission in this capacity; and/or

2. an independent accountant. Such an application must satisfy the Commission that:

(a) Respondent, or the public accounting firm with which he is associated, is registered with the Public Company Accounting Oversight Board (“Board”) in accordance with the Sarbanes-Oxley Act of 2002, and such registration continues to be effective;

(b) Respondent, or the registered public accounting firm with which he is associated, has been inspected by the Board and that inspection did not identify any criticisms of or potential defects in the respondent’s or the firm’s quality control system that would indicate that the respondent will not receive appropriate supervision

(c) Respondent has resolved all disciplinary issues with the Board, and has complied with all terms and conditions of any sanctions imposed by the Board (other than reinstatement by the Commission); and

(d) Respondent acknowledges his responsibility, as long as Respondent appears or practices before the Commission as an independent accountant, to comply with all requirements of the Commission and the Board, including, but not limited to, all requirements relating to registration, inspections, concurring partner reviews and quality control standards.

C. The Commission will consider an application by Respondent to resume appearing or practicing before the Commission provided that his state CPA license is current and he has resolved all other disciplinary issues with the applicable state boards of accountancy. However, if state licensure is dependant on reinstatement by the Commission, the Commission will consider an application on its other merits. The Commission’s review may include consideration of, in addition to the matters referenced above, any other matters relating to Respondent’s character, integrity, professional conduct, or qualifications to appear or practice before the Commission.

By the Commission.

Nancy M. Morris
Secretary