Alabama Securities Commission

Annual Report

Fiscal Year Ending September 30, 2013

The mission of the Alabama Securities Commission is to protect investors from securities fraud and preserve legitimate capital markets in Alabama.

ALABAMA SECURITIES COMMISSION (ASC)
ANNUAL REPORT FY 2011
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Prepared and submitted pursuant to *Code of Alabama, 1975*, § 8-6-53(d).

MISSION & OVERVIEW

The Alabama Securities Commission (ASC) endeavors to protect Alabama citizens from deceptive and illegal practices associated with offers, sales and purchases of securities in Alabama. In order to meet this goal, the ASC carries out three important functions: registration, enforcement and education, and strives to continually refine and strengthen its role as a staunch advocate for Alabama's "main street" investors. By protecting Alabama's investors the ASC preserves and encourages legitimate capital markets in the state.

The ASC's efforts to shape investor protection legislation at both the state and national levels help sustain investor confidence by promoting efficient regulatory policy, controlling fraudulent practices through stringent enforcement and promoting financial literacy, investor education and fraud prevention awareness to all Alabama citizens.

The ASC administers and enforces the Alabama Securities Act, Sale of Checks Act, and Pre-Issuance Procedures for Industrial Revenues Bonds. These laws empower the ASC to exercise jurisdiction over securities offered, issued and sold in Alabama or to Alabama residents, including the registration of certain securities, the granting of specific exemptions from registration of securities and securities transactions and the denial, suspension and revocation of registration or licensing. The ASC helps foster legitimate capital opportunities for businesses and industries throughout Alabama in the following ways:

- By requiring the registration of securities prior to their public sale;
- By requiring the registration of dealers, agents, investment advisors, investment advisor representatives and by regulating their activities;
- By providing civil remedies for violations of the Act; and
- By providing administrative, civil and criminal penalties for those who participate in the unlawful or fraudulent sale of securities.
- By providing a series of exemptions to cover situations where, because of the nature of the security or the characteristics of the transaction, registration is not deemed to be necessary in the public interest or for the protecttion of investors.

The Alabama Securities Commission is committed to providing the strongest possible investor protection and will continue to apply all its resources and expertise to ensure fair and transparent markets for Alabama investors and to continue to aggressively enforce applicable laws for the protection of investors as the source of capital for the creation and continued development of Alabama's capital markets.

MISSION

The mission of the Alabama Securities Commission (ASC) is to protect investors from securities fraud and preserve legitimate capital markets in Alabama.

ASC STATUTORY AUTHORITY

ASC STATUTORY AUTHORITY

The Commission is responsible for administering and enforcing the laws of State of Alabama relative to:

Sec. 8-6-1, *et seq.* - Securities Act No. 740
(1969 Regular Session) and as amended

Sec. 8-6-110, *et seq.* - Industrial Revenue Bonds Act
No. 586 (1978 Regular Session)

Sec. 8-7-1, *et seq.* - Sale of Checks Act No. 177
(1961 Special Session)

The Commission's authority extends to **any activity involving the issuance, offering, sale, and other related transactions involving securities made within, into, or from the State of Alabama.**

The purpose of the Securities Act is to protect investors from fraud and to preserve legitimate capital markets. The accomplishment of these objectives is legislatively provided for in five different ways by:

Requiring the registration or the specific exemption from registration of securities prior to their public or private offer of sale;

Requiring the licensing of Broker/Dealers and salesmen and regulation of their activities;

Requiring the licensing of Investment Advisers and Investment Adviser Representatives and regulation of their activities;

Providing certain civil remedies to purchasers of securities sold in violation of the Acts; and

Providing administrative, civil, and criminal penalties for those who participate in the unlawful sale of securities.

Through its legislative mandate, the Commission and its staff assist Alabama businesses during capital formation and protects Alabama issuers, businesses, and residents from fraudulent securities transactions. The Commission does not recommend or endorse broker/dealer firms, salesmen, investment adviser firms, representatives, or the purchase of any securities, nor does it pass upon the accuracy or completeness of any prospectus, private placement memorandum or sales literature.

ASC PURPOSE

The Alabama Securities Commission (the "Commission") administers and enforces the following Alabama statutes: THE ALABAMA SECURITIES ACT, including the Sale of Checks Act and the Pre-Issuance Procedures for Industrial Revenue Bonds. The Commission is comprised of seven Commissioners, consisting of the Attorney General, the Superintendent of Banks, the Commissioner of Insurance, two State Bar Association licensed attorneys and two Certified Public Accountants.

The Commission is functionally divided into the following seven divisions: (1) Directorate; (2) Legal; (3) Accounting/Personnel; (4) Data Systems; (5) Education and Public Affairs; (6) Enforcement; (7) Registration/Examinations.

The function of the Commission and its staff is to regulate the sale of securities and the securities industry in Alabama. The Commission's jurisdiction encompasses all securities offered, issued or sold within or into, Alabama or to Alabama residents. The Securities Act requires the registration of all securities offered for sale in Alabama unless there is an applicable exemption. The Securities Act provides a series of exemptions to cover situations where, because of the nature of the security or the characteristics of the transaction, registration is not deemed to be necessary in the public interest or for the protection of investors.

With regard to the responsibility for regulating the securities industry in Alabama, the Commission maintains as its primary objective the encouragement of investor protection and confidence in the investment industry. In this respect, all persons who propose to act as broker-dealers, agents (registered representatives), investment advisers or associated persons (investment adviser representatives) must be licensed by the Commission prior to engaging in such activities.

The Sale of Checks Act requires the filing of an application and issuance of a license before engaging in the business of selling, issuing or dispensing checks or receiving money as an agent for obligors for the purpose of paying obligor's bills, invoices or accounts (money transmitters), including debt management and credit consolidation programs.

The Commission's functions also include pre-clearance of industrial revenue bonds, the investigations of alleged violations of the provisions of the above-referenced statutes together with the initiation of administrative, civil and criminal proceedings and case referrals to other agencies where appropriate.

The primary purpose of the regulatory responsibilities and objectives described above is to protect the public from fraudulent practices in connection with the offer, sale, and purchase of securities in Alabama while encouraging, at the same time, the financing of legitimate business and industry in the state.

ASC COMMISSION

The Alabama Securities Commission members are the Attorney General, the State Superintendent of Banks, the State Insurance Commissioner (by virtue of their offices). Also, two attorneys and two certified public accountants are appointed by the Governor from lists of nominees submitted by the Alabama Bar Association and the Alabama Society of Certified Public Accountants and confirmed by the Senate. The Commission maintains oversight, provides policy guidance and establishes rules for the performance of its functions and the accomplishment of its purpose. The members of the Commission during Fiscal Year 2013 were:

ACTIVE

JAMES L. HART, Chairman	Certified Public Accountant Birmingham, Alabama	12/10 - Present
LUTHER STRANGE Member	Attorney General Montgomery, Alabama	01/11 - Present
JOHN D. HARRISON, Member	Superintendent of Banking Montgomery, Alabama	02/05 - Present
JIM L. RIDLING, Member	Commissioner of Insurance Montgomery, Alabama	09/08 - Present
EVERETTE A. PRICE, Jr. Member	Attorney at Law Birmingham, Alabama	05/12 - Present
MARLENE M. McCain Member	Certified Public Accountant Birmingham, Alabama	05/12 - Present
S. DAGNAL ROWE, SR., Member	Attorney at Law Huntsville, Alabama	Appointed by Governor 08/19

PAST

ANDREW P. CAMPBELL, Member	Attorney at Law Birmingham, Alabama	05/08 - 07/13

ASC PERSONNEL (FY 2013)

ASC PERSONNEL

Directorate

Joseph P. Borg, Director
Edwin L. Reed, Deputy Director, Administration
Stephen P. Feaga, Deputy Director, Enforcement
Christie A. Rhodes, Executive Assistant II
Myra N. Lamar, Admin. Support Asst. II
Hayley R. Long, Clerical Aide

Legal Division

Gregory M. Biggs, Attorney IV
Amanda L. Senn, Deputy Attorney General
Leslie D. Worrell, Attorney III
Kimathy J. Booher, Legal Research Asst.
Shana T. Proctor, Legal Research Assistant
Michael B. Lee, Student Aide

Accounting/Personnel Division

Renee S. Sanders, Accounting Manager
Gwendolyn Lover, Account Clerk

Data Systems Division

David E. Gilmore, IT Systems Specialist
Stephen E. Brantley, Jr., IT Operations Tech.

Education and Public Affairs Division

Daniel G. Lord, Training Specialist II
Clint L. Niemeyer, Public Information Specialist

Enforcement Division

Ricky G. Locklar, Sr. Special Agent
Manager/Enforcement

Kimberly S. Lewis, Sr. Special Agent
Manager/Administrative

Charles A. Traywick, Special Agent
Michael L. Gantt, Special Agent
Jerry T. Hankins, Sr., Special Agent
Paul A. Gugliotta, Special Agent
Charles G. Harrison, Special Agent
Steven R. Jones, Special Agent
Robert W. Sharp, Special Agent
Michael D. Wilkerson, Special Agent
Rossie L. Peters, Special Agent
Charles R. James, Jr., Special Agent
Anita F. Wilkerson, Executive Secretary
Carrie L. Springer, ASA III
Christina M. Pate, ASA II
Martha J. Thomas, ASA II

John M. Foley, Sr. Special Agent;
Manager/Enforcement (Retired)

Registration Division

Lisa M. Tolar, Manager
Department of Licensing and Registration

Marvernitha B. Kyles, Securities Analyst
LaShonda D. Moultrie, Securities Analyst
Sandra D. Smith, Securities Analyst
Tina M. Tell, Securities Analyst
Ashlee B. Gould, Securities Analyst
Timothy W. Adams, Securities Analyst
Sonya C. Daniels, ASA II
Mary G. Rollan, ASA III
Patricia J. Wilson, ASA III

Rena H. Davis, Manager
Department of Auditing and Examinations

Marilyn D. Bullard, Securities Analyst
Lauren W. Hitt, Securities Analyst
Spencer D. Lee, Securities Analyst
Joshua M. Lacy, Securities Analyst
Thomas H. DeBardelaben, Securities Analyst
Sarah J. Pike, ASA II

ALABAMA SECURITIES COMMISSION
REGULATORY SERVICES PROGRAM

ASC APPROPRIATIONS

APPROPRIATION DESCRIPTION

The Commission is self-funding and self-sustaining; assists Alabama businesses during capital formation; and protects Alabama's issuers, businesses and residents from fraudulent securities transactions. The Commission does not recommend or endorse broker-dealer firms, salesmen, investment adviser firms, representatives or the purchase of any securities; nor does it pass upon the accuracy or completeness of any prospectus, private placement memorandum or sales literature. The Commission does, however, bring administrative, civil, and criminal actions including receiverships, the issuance of warrants, preparation of indictments, and conducts trials when necessary. Extensive examinations and investigations are conducted by Commission personnel, including multi-jurisdictional investigations and joint cases with Federal, state and local law enforcement or regulatory agencies.

FUND 374: Sale of Checks Fund. The Sale of Checks Act requires the filing of an application and issuance of a license before engaging in the business of selling, issuing, or dispensing checks or receiving money as an agent for obligors for the purpose of paying obligors bills, invoices or accounts. Section 8-7-1, *et seq*., Sale of Checks Act No. 177 authorizes the Commission to accept applications, conduct investigations with respect to said applications, require bond and conduct examinations as necessary.

FUND 375: Securities Commission Fund. The Commission is responsible for administering and enforcing laws of the State of Alabama relative to the Alabama Securities Act, § 8-6-1, *et seq*., Securities Act No. 740. The purpose of the Act is to protect investors from fraud and to preserve legitimate capital markets. These objectives are accomplished legislatively by: (1) requiring the registration or the specific exemption from registration of securities prior to their public or private offer of sale; (2) requiring the licensing of dealers, agents, investment advisers and investment adviser representatives and regulating their activities; (3) requiring Reg. D filing notices under the Securities Acts of 1933; (4) requiring the filing of mutual funds and certain other specialized securities offerings through exemption; and, (5) providing civil remedies for violations of the Act and providing administrative, civil and criminal penalties for those who violate the Act.

FUND 376: Industrial Revenue Bond Notification Fund. The Alabama Securities Commission acts as a pre-clearance check on certain industrial revenue bonds as provided for under Section 8-6-110, *et seq*., Industrial Revenue Bonds Act No. 586. The Commission reviews and analyzes filings made prior to sale of said bonds to investors and issues appropriate No Stop Orders.

NOTE: The Commission has generated significant revenues for the General Fund (see chart at bottom of page 12).

Notification	Generally available for seasoned issuers and requires limited disclosure.	$40 filing fee + registration fee of 1/10 of 1% of the aggregate offering price of the securities offered in this state. Registration fee not to exceed $1000	*§ 8-6-8(d) Code of Alabama, 1975*
Coordination	Registered statement has been filed in connection with the same offering. State filing in conjunction with SEC filing.	$40 filing fee + registration fee of 1/10 of 1% of the aggregate offering price of the securities offered in this state. Registration fee not to exceed $1500 nor be less than $100	§ 8-6-8(d) Code of Alabama, 1975
Qualification	Any other security.	$40 filing fee + registration fee of 1/10 of 1% of the aggregate offering price of the securities offered in this state. Registration fee not to exceed $1500 nor be less than $100	§ 8-6-8(d) Code of Alabama, 1975
Open End Management Company	Face amount certificate company or Unit Investment Trust registering indefinite amount	$100 filing fee + $1,500 registration fee	§8-6-8(d) Code of Alabama, 1975
Exemption	Securities not required to be registered by virtue of exemption under federal, state, or provincial statutes.		
Limited Offerings	(1) Alabama ULOE	$150	§ 8-6-11(a)(14)(m)(4), Code of Alabama,1975
	(2) Regulation D filing under Rules 505 and 506	$300	§ 8-6-11(c), Code of Alabama, 1975 Commission Rule 830-X-6-.11(1)(a)(3)(iv)
	(3) Expansion Order filing to increase the number of purchasers in a limited offering that has already been exempted from registration.	$300	§ 8-6-11(c), Code of Alabama, 1975
	(4) For sale up to 25 Alabama purchasers in 12 months. Extension of the term up to 12 months	$300 $300	Commission Rule 830-X-6-.12(1)(d)(iv) Commission Rule 830-X-6-.12(1)(d)(iv)

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ASC FEE SCHEDULE

Mutual Fund Exemption	Registration exemptions for Open-End Management Investment Company: Total assets less than or equal to $25 million: Total assets greater than $25 million, less than $100 million: Total assets greater than $100 million: Unit Investment Trusts:	 $350 $700 $1,200 $200	§ 8-6-10(11)(b)(2), Code of Alabama, 1975 § 8-6-10(11)(b)(2), Code of Alabama, 1975
IDB	Industrial Revenue Bonds are municipal bonds issued for purpose of constructing facilities.	1/20 of 1% of principal amount of described bonds. No less than $25, but not to exceed $1,000	§ 8-6-115, Code of Alabama, 1975
Sale of Checks	Sale of any check, draft, money order, or other instrument for transmission or payment of money. (1)Investigative fee for initial application (2) Registration fee for principal office (3) Additional location and agents in the state	 $250 $250 $5 per office not to exceed $250. (Max registration fee $500, exclusive of investigative fee)	§ 8-7-6, Code of Alabama, 1975 § 8-7-9, Code of Alabama, 1975
Opinions	Interpretations	$150	§ 8-6-29, Code of Alabama, 1975
Agent	Any individual, other than a dealer, who represents a dealer or issuer in effecting or attempting to effect sales of securities.	$60	§ 8-6-3(h), Code of Alabama, 1975
Dealer	Any person engaged in the business of effecting transactions in securities for the account of others or for his own account.	$250	§ 8-6-3(h), Code of Alabama, 1975

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Investment Adviser	Any person who, for compensation, engages in the business of advising others, either directly or through publications or writings, as to the value of securities or as to the advisability of investing in, purchasing, or selling securities, or who, for compensation and as a part of a regular business, issues or promulgates analyses or reports concerning securities.	$250	§ 8-6-3(h), Code of Alabama, 1975
Investment Adviser Representative	Any partner, officer, director of or other individual employed by or associated with an investment adviser, except clerical or ministerial personnel, who (a) makes recommendations or renders advice regarding securities; (b) manages accounts or portfolios of clients; (c) determines which recommendations or advice regarding securities should be given; (d) solicits, offers or negotiates for the sale of or sells investment advisory services; and (e) supervises employees who perform any of the foregoing.	$60	§ 8-6-3(h), Code of Alabama, 1975
Administrative Assessment	Fee imposed upon any person who violates any provision of the article or rule or order issued under the article.	Not to exceed $5,000 for each act or omission. Total assessment not to exceed $50,000	§ 8-6-19(j)(2), Code of Alabama, 1975
Investigative Examinations	Investigative costs for examinations of violations of any provision of the article or violations of any rule.	Actual costs of investigation	§ 8-6-19(k)(1), Code of Alabama, 1975

ASC Statistical Summary from FY 2013

ASC STATISTICS

- ASC total staff – **51** (includes 6 attorneys, 12 special agents, and 13 securities analysts)
- Registrations and exemptions issued - **145,910**
- Onsite examinations/audits - **53**
- Complaints and corporate inquiries received - **293**
- Industrial Revenue Bonds reviewed - **$176,305,000**
- Administrative Orders issued - **30**
- Administrative Order respondents - **81**
- Restitution ordered to victims - **$15,113,540**
- Rescissions paid to investors - **$14,200,000**
- Public warnings issued - **20**
- Indictments (12) and arrest warrants (2) obtained - **14**
- Convictions - **15**
- Arrests made - **10**
- Years incarceration ordered - **107**
- Individuals awaiting grand jury action, arrest or trial - **27**
- Contributed to State General Fund - **$11,316,842**
- Public presentations on wise and safe investing - **75**
- Alabamians receiving educational presentations - **4,382**

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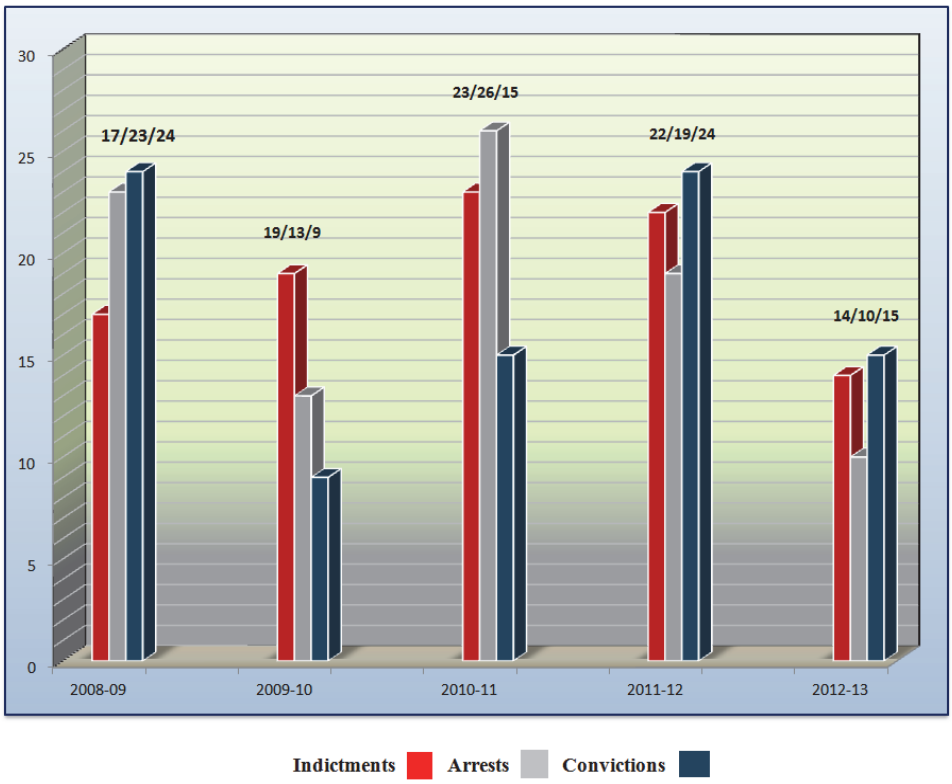
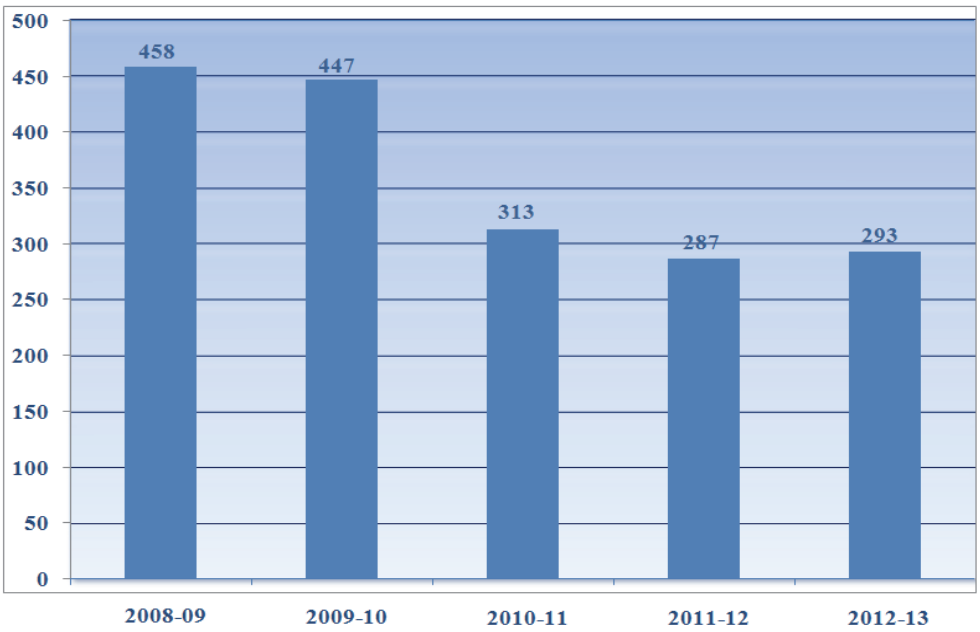
Indictments, Arrests and Convictions

Fiscal Years 2008-09 to 2012-13



Complaints and Corporate Inquiries

Fiscal Years 2008-09 - 2012-13



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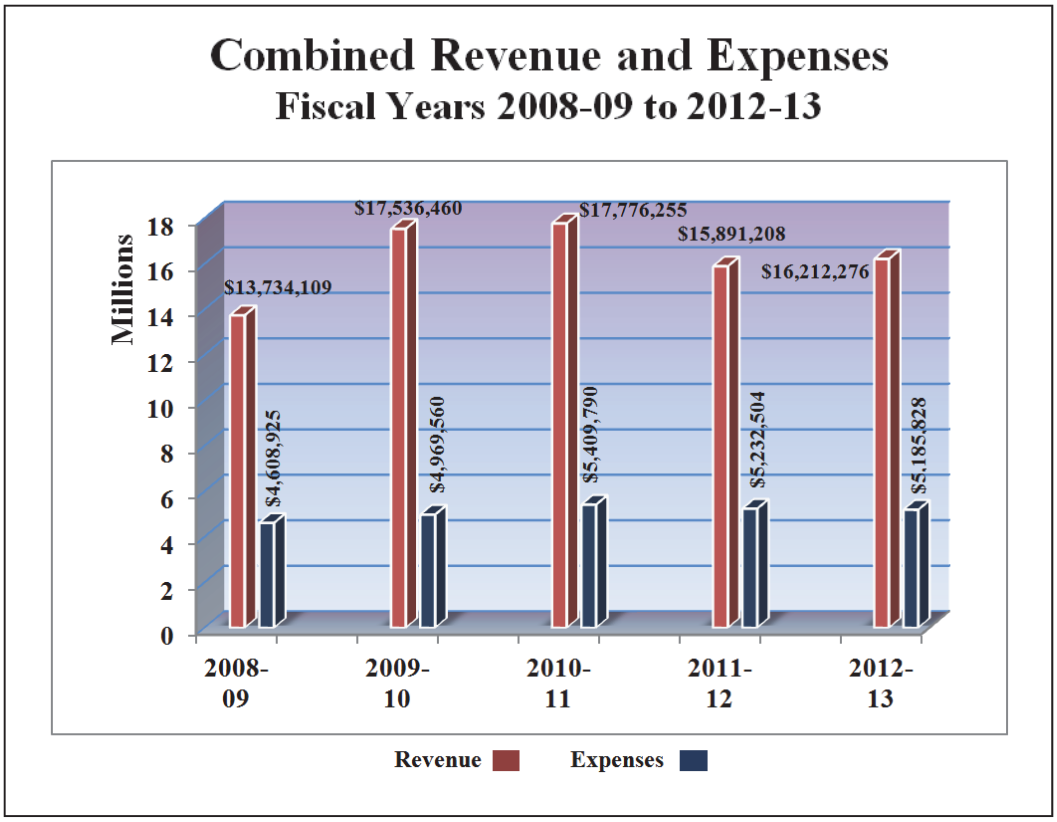

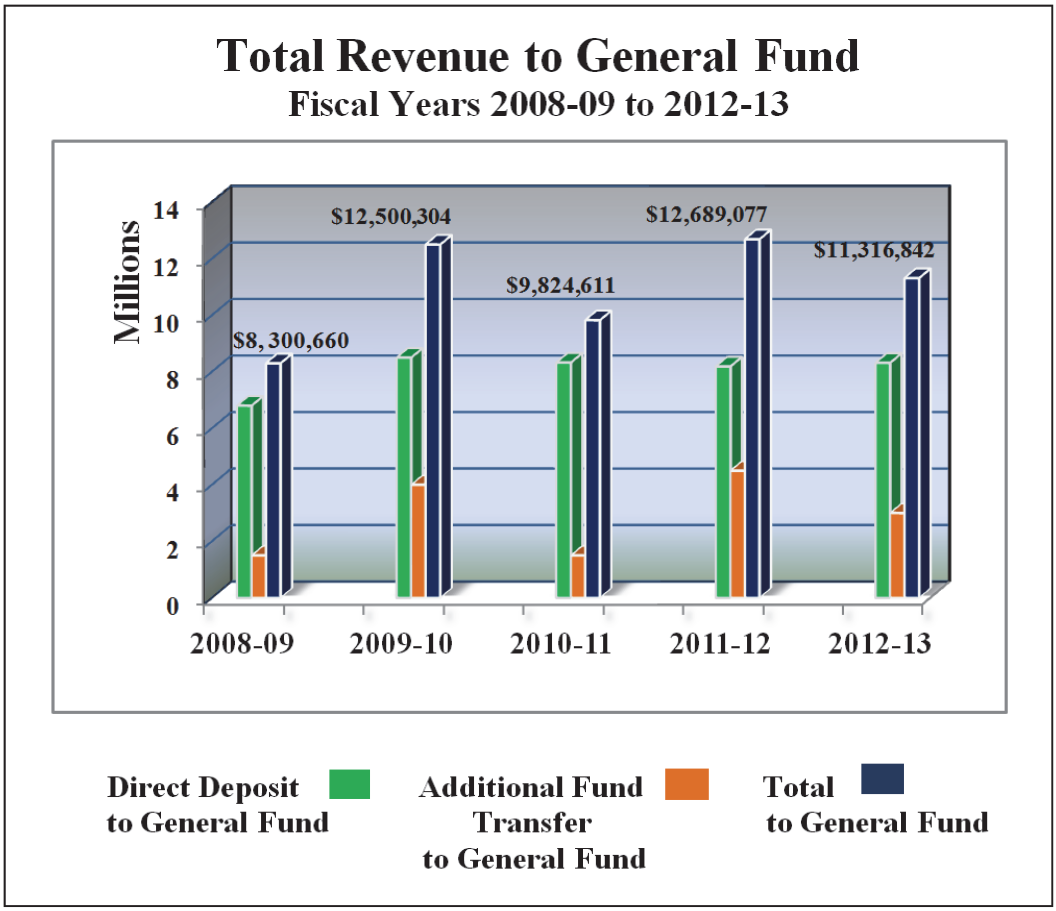

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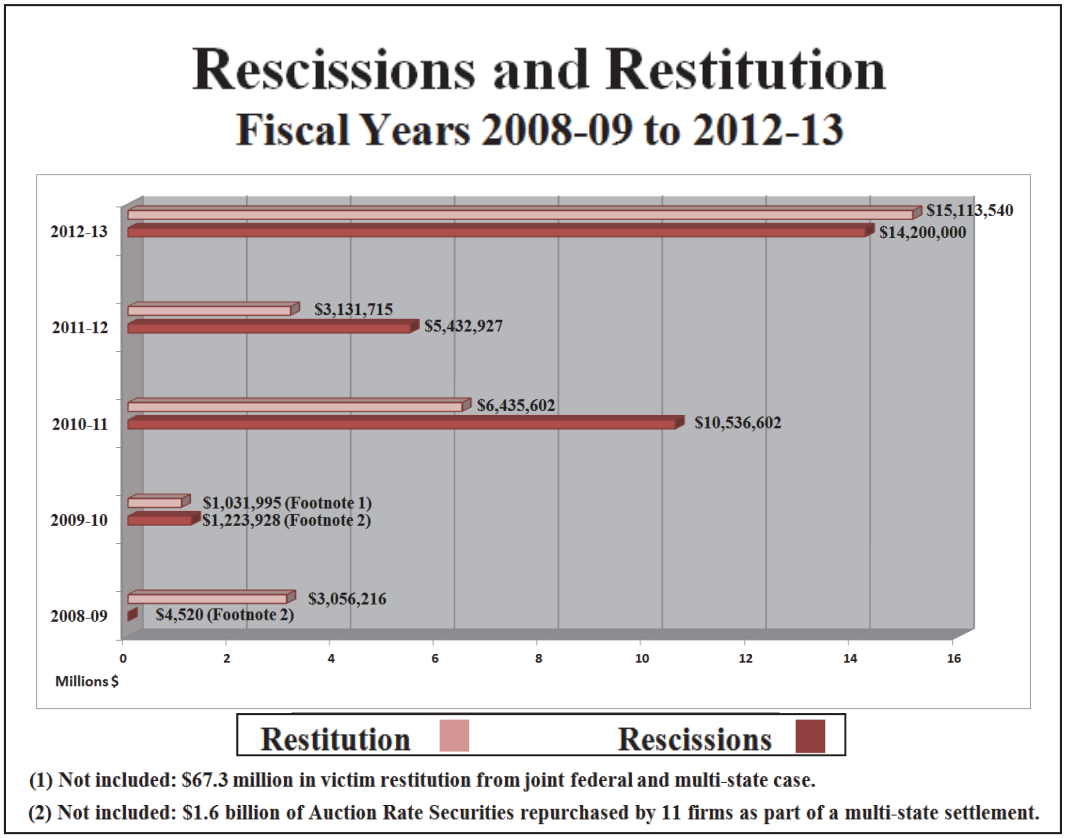

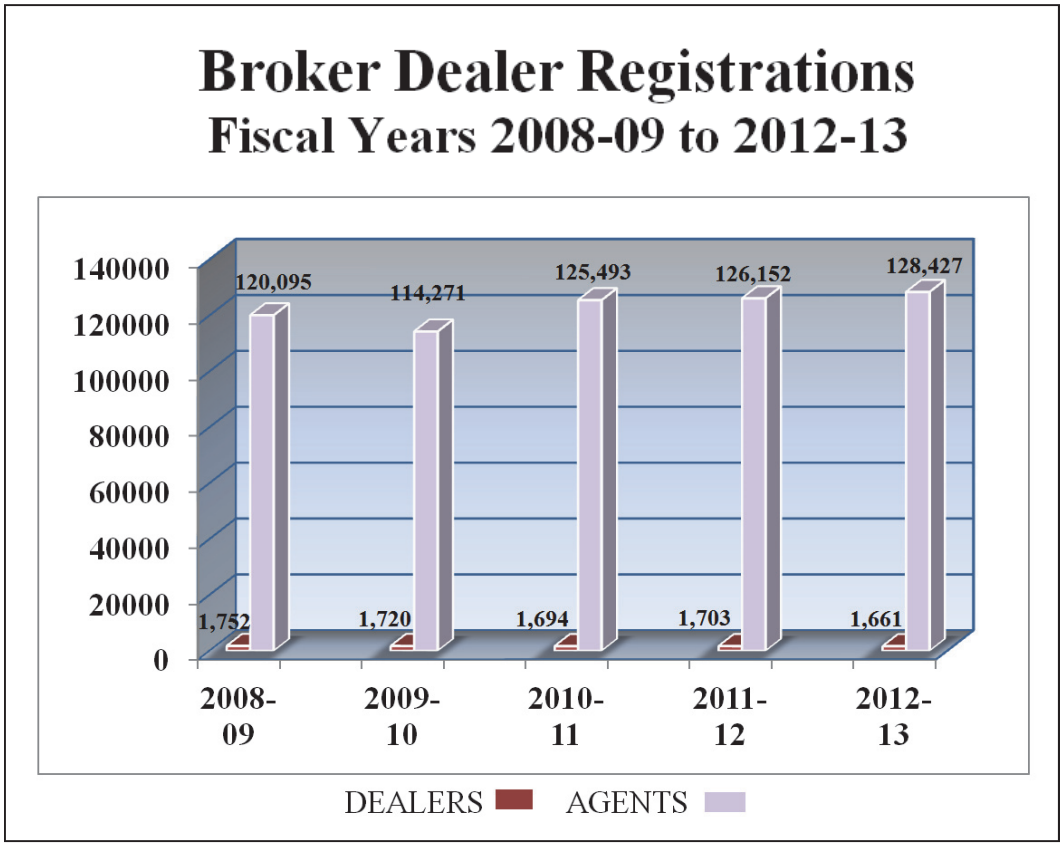

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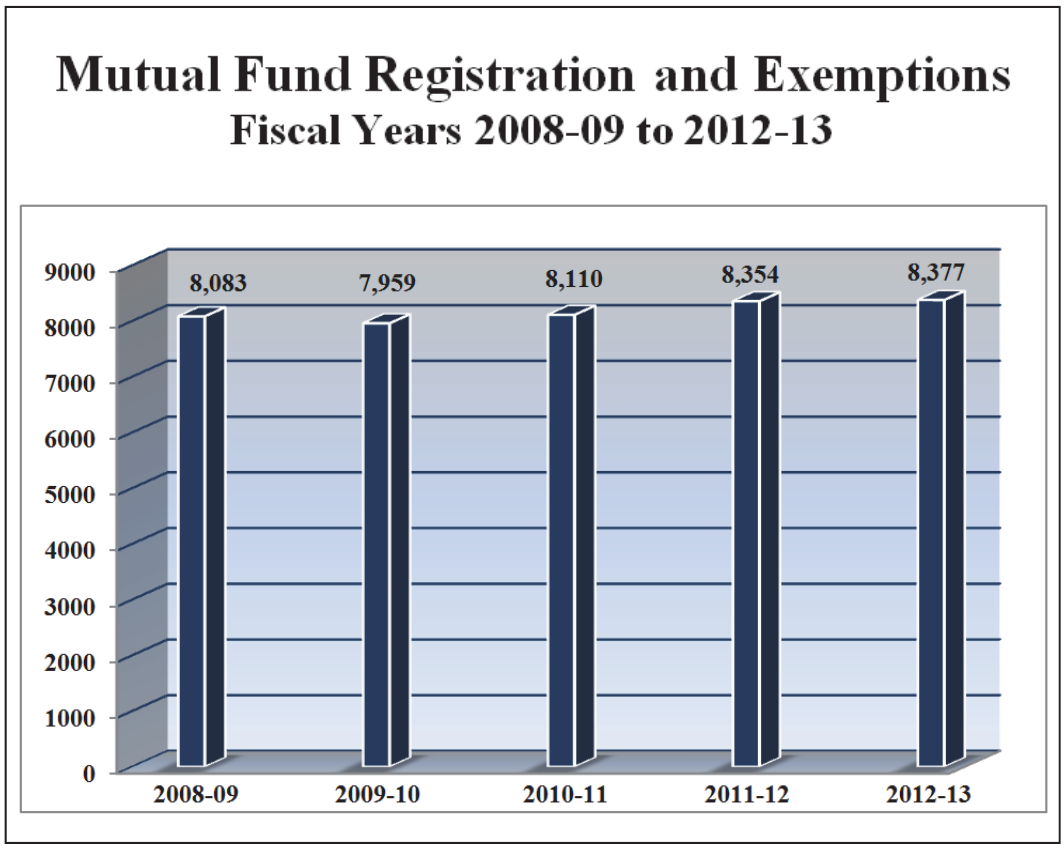
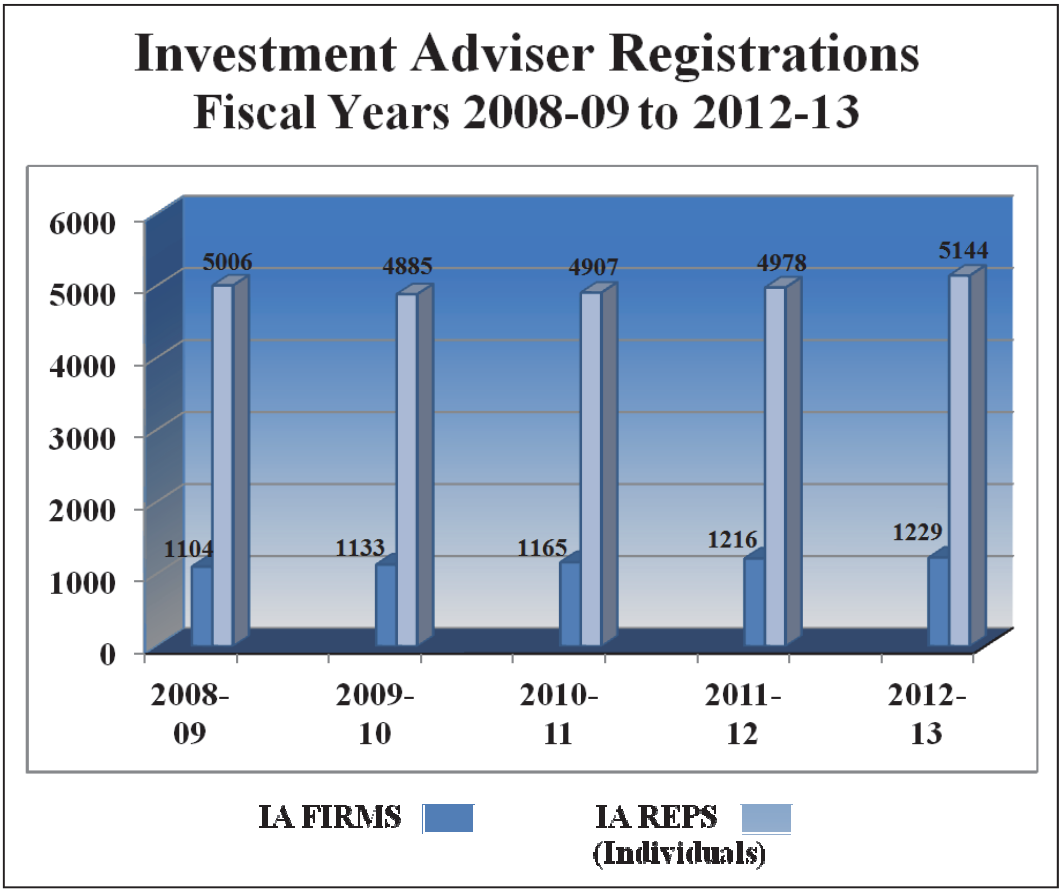
ASC STATISTICS





FINANCIAL STATEMENT

FISCAL YEAR 2013

Agency Revenues

Authority		
§ 8-6-3(h)	Investment Advisers & Representatives Broker-Dealers & Representatives	$ 8,846,760
§ 8-6-8	Securities Registration	77,226
§ 8-6-11	Exemptions	172,500
§ 8-6-19	Administrative Assessments/Investigative Executions	128,696
§ 8-6-10(11)(b)(2)	Mutual Fund Exemptions	6,897,400
§ 8-6-29	Opinions	1,350
§ 8-6-115	Industrial Revenue Bonds	8,000
§§ 8-7-6; 8-7-9	Sale of Checks	46,475
	Miscellaneous Revenues	33,869
	TOTAL REVENUES	$ 16,212,276

To General Fund	$ 8,316,842
To Sale of Checks Fund	46,475
To Securities Commission Fund	7,840,959
To Industrial Revenue Fund	8,000
TOTAL	$ 16,212,276

Expenditures

Personnel Costs	$ 2,851,095
Employee Benefits	921,482
Travel (In-State)	38,180
Travel (Out of State)	65,926
Repairs & Maintenance	1,913
Rentals & Leases	737,972
Utilities & Communications	39,299
Professional Services	159,249
Supplies, Materials & Operating Expenses	192,395
Transportation Equipment Operations	51,378
Grants and Benefits	23
Transportation Equipment Purchases	117,027
Other Equipment Purchases	9,889
TOTAL	$ 5,185,828
Additional Transfer to State General Fund	$ 3,000,000
TOTAL EXPENDITURES	$ 8,185,828
TOTAL TO GENERAL FUND FOR FISCAL YEAR 2013	$11,316,842

ASC ENFORCEMENT ACTIVITY

Alabama Securities Commission
Enforcement Division

Enforcement Activity

Corporate Inquiries Opened	186
Corporate Inquiries Closed	177
Investigations Opened - "I"	40
Investigations Closed – "I"	40
Investigations Opened - "S"	67
Investigations Closed – "S"	66
Administrative Actions	30
Administrative Action Respondents	81
Receiverships Appointed	0
Rescission Offers Obtained	0
Indictments/Warrants Obtained	14
Arrests Made	10
Convictions Obtained	15
Public Warnings Issued	20
Referrals to Other Agencies	29

Administrative Orders Issued

A comparative summary of the Enforcement Division's Fiscal Year 2013 activities are shown on the following chart:

TYPE OF ORDER ISSUED	RESPONDENTS	ORDERS
Cease and Desist	62	15
Consent	16	12
Show Cause	0	0
Vacate	0	0
Permanent Bar	3	3
TOTALS:	81	30

REGISTRATIONS & EXEMPTIONS

STATISTICAL SUMMARY

10/01/2012 - 09/30/2013

	Application Filed	Application Approved	Renewal Processed	Application Withdrawn	Application Terminated
Broker/Dealer	99	103	1558	11	116
Broker/Dealer Agent	n/a	25936	128427	629	23807
Eleemosynary Financing Exemption	22	18	0	1	2
Exempt Consent	0	0	0	0	0
Expansion Order	0	0	0	0	0
Industrial Revenue Bond	9	9	0	0	0
Investment Adviser - Federal	101	96	978	0	47
Investment Adviser - State Registered*	30	23	132	7	15
Investment Adviser Representative	n/a	1135	5144	41	950
Limited Offering	588	553	0	3	36
Mutual Fund Exemptions	1850	1850	6527	0	283
Registration by Coordination	51	42	0	12	32
Registration by Qualification	1	1	0	1	0
Registration by Notification	0	0	0	0	0
Restricted Agent	62	60	259	6	40
Sale of Checks Vendor	14	10	120	0	8

NOTE: The total number of registrations and exemptions issued in Fiscal Year 2013 was 145,910

* Federal law change in assets under management required that some advisers transition to state-registered from federal registration during 2012.

INDUSTRIAL REVENUE BONDS

INDUSTRIAL REVENUE BONDS
FY 2012-2013

LESSEE	FEE CHARGED	DATE ISSUED	AMOUNT OF ISSUE
Mead Westvaco Coated Board Project (The Industrial Development Board of the City of Phenix City Alabama Environmental Improvement Revenue Refunding Bonds Series 2012A)	$1,000.00	10-1-12	$57,850,000.00
Sikorsky Aircraft Corporation (The Industrial Development Board of the City of Troy)	$1,000.00	11-13-12	$2,500,000.00
Bama Oaks Retirement LLC Project II (Medical Clinic Board of the City of Mobile)	$1,000.00	11-20-12	$5,150,000.00
Sanoh America, Inc. Industrial Development Board of the City of Scottsboro, AL (Industrial Development Bonds, Series 2012)	$1,000.00	11-26-12	$7,750,000.00
Mead Westvaco Coated Board Project (Industrial Development Board of the City of Phenix City, Alabama Environmental Improvement Revenue Refunding Bonds Series 2012B)	$1,000.00	11-26-12	$57,850,000.00
Vulcan, Inc. (The Industrial Development Board of the City of Foley, Alabama)	$1,000.00	02-02-13	$9,000,000.00
Vulcan, Inc. (The Industrial Development Board of the City of Foley, Alabama)	$1,000.00	08-08-13	$14,095,000.00
Gordon Jensen Healthcare Assoc. Project (Series 2013A, Taxable Series 2013B) (Medical Clinic Board of the City of Mobile)	$1,000.00	08-21-13	$8,610,000.00
Prystup Packaging Products, Inc. (Prystup Packaging Project Series 2013) (The Industrial Development Board of the Town of Livingston)	$1,000.00	09-25-13	$13,500,000.00
TOTALS:	**$9,000.00**		**$176,305,000.00**

Director's Commentary

Joseph P. Borg, Director

ASC Protecting Alabamians and Providing Revenue to the State Through Education, Registration and Enforcement

Central to the Alabama Securities Commission's mission is its goal of protecting Alabama citizens (individuals, small business, corporations, endowments), in all walks of life from deceptive and illegal practices associated with offers, sales and purchases of securities and securities-related services in Alabama. To achieve our mission of protecting investors from securities fraud and preserving and encouraging legitimate capital markets in Alabama, the ASC performs three critical functions: registration, enforcement and education. These functions, carried out with the discipline and professionalism of our dedicated staff, continually reinforces our role as a steadfast advocate for Alabama's citizens and "main street" investors.

In FY 2013 ASC returned **$11,316,842** to the General Fund. This fiscal year, the demand for services increased with a slow recovery from the economic downturn that impacted capital markets. ASC maintains a high level of efficiency by applying proven management techniques, efficient performance of duties, effective use of available technologies and adherence to stringent budget guidelines.

The ASC is sensitive to the financial concerns and long-term financial security of Alabama citizens, whether individuals or small businesses, and must act quickly and decisively when misleading or illegal practices undermine their confidence in our financial markets. When Alabama securities laws are believed to have been broken, the **ASC's Enforcement Division** takes the lead in conducting complex investigations in response to complaints or evidence of alleged securities fraud.

Twelve highly-trained and experienced veteran investigators (Special Agents), use their more than **300** years of combined law enforcement experience to collect and analyze large quantities of complex information ranging from paper records to sophisticated electronic data.

Special Agents closely examine investor complaints concerning suspicious, deceptive, unsuitable and/or illegal investment offerings within, into or from Alabama, as well as the sale of fraudulent and unregistered investment products. Special Agents coordinate their investigations with the Commission's Legal Division, and local, state and federal authorities to thoroughly examine complaints, analyze financial transactions and bring legal action against any person or business entity suspected of being in violation of the Alabama Securities Act and/or applicable federal laws.

The strong efforts and expertise of the Enforcement Division, during the past five years, resulted in an average of **19** criminal indictments each FY for the violation of laws regulating the securities

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industry. In FY 2013 the Division's hard work resulted in more than **$15,113,540** in victim restitution from prosecuted cases; **10** arrests; **15** convictions; and helped secure **107** years of incarceration for defendants found in violation of laws regulating the securities industry.

The Commission maintains one of the highest rates of success in convictions in the nation as reported by the Wall Street Journal, CNN, Forbes, Birmingham News and other prominent sources.

Early in this FY, beginning November 5, 2012, Alabama investors begin receiving **5,837** checks totaling over **$14,200,000** from the Morgan Keegan States' Fund settlement. This was a result of a previous ASC Enforcement Division investigation which led to a five-state settlement with Morgan Keegan. The companies were ordered to pay **$200 million** by two $100 million distributions (FY 2012 and FY 2014), establishing independently administered funds for the benefit of investors nationally who had lost money. Alabama investors are expected to receive additional distributions in FY 2014.

The Alabama Securities Act requires the registration of securities with the ASC prior to their public offering and sale; and, requires the registration, or specific exemption from registration, of broker-dealer firms, their agents, investment adviser firms and their representatives and money transmitters. The **Registration Division** is charged with the initial and ongoing registration process for individuals and firms who market and sell securities and financial services to Alabama citizens. Any person or company that offers and/or sells securities within, into or from Alabama must be registered with the ASC in order to conduct business legally. In FY 2013, **145,910** registrations, licenses and exemptions were issued by the Registration Division. The Registration Division is also responsible for the processing of fees associated with applications and renewals, which allows the ASC to remain self-funding and generates funds for the General Fund.

The **Auditing and Examination Division** is responsible for conducting a full schedule of onsite routine and for-cause examinations. Every three years, division auditors examine each of the state-regulated investment advisers domiciled in Alabama, while continuing to audit broker-dealers, their branch offices, and sale of checks agents on a for-cause basis. The audit program identifies serious securities violations, as well as potential weaknesses in sales practices, in order to help strengthen these businesses' compliance programs and to protect Alabama investors. The division also conducts limited joint audits with other states for complex audits and enforcement investigations. In Fiscal Year 2013, the Auditing and Examination Division conducted **53** audits, with **15** of these being for-cause examinations driven by investigations, customer complaints or licensing issues.

The Commission firmly believes that investor education and fraud prevention training can help shield our citizens from being victimized by financial criminals. The **Education and Public Affairs Division** conducts an average of **70** events annually for Alabama citizens, as well as for social, civic and professional groups throughout our state. During FY 2013, the Division conducted 75 events that provided direct outreach and instruction to **4,382** citizens, ranging in age from high schools students to senior retirees. During FY 2013, the Division helped acquire approximately **$60,000** in grant money from the Investor Protection Trust. These funds helped provide personal finance and investor education events for teachers and students in grades 7-12, as well as for senior Alabamians concerned with the protection of their life savings and making informed investment decisions. See ASC Education Corner, pages 23-31.

ASC's Division Functions and Accomplishments

The **Legal Division** is comprised of six highly-skilled and dedicated attorneys who are ably assisted by two full-time paralegals. The Legal Division possesses almost 100 years' combined legal and prosecutorial experience and is responsible for investigating and prosecuting fraudulent and illegal actions by individuals and companies in the offering and sale of securities within, into or from the State of Alabama; or, any related activities in violation of the Alabama Securities Act and associated statutes. The ASC Legal Division prosecutes administrative, civil and criminal actions brought by the Commission and renders legal opinions and no-action letters related to issues of law persuant to the Alabama Securities Act. The division also acts as in-house legal counsel for all legal issues concerning the daily operations of the Commission staff, including investigations and personnel issues, and acts as liaison with other government agencies when legal matters of common interest arise. The legal staff works closely with district attorneys throughout Alabama to assist in the investigation and prosecution of white-collar crime and has an excellent prosecution record. ASC attorneys consult with other states on legal issues involving overlapping jurisdictions and aids federal prosecutors, the U.S. Securities and Exchange Commission, the Financial Industry Regulatory Authority and others to assure that Alabama's main street investors are afforded maximum protection from investment fraud.

The **Accounting and Personnel Division** is charged with effecting the continued smooth operation of the agency's fiscal and employee-related requirements. The division provides for the overall sound financial operation of the agency, including preparation of the annual budget and operations plan, supervising the gathering and maintenance of all financial records and reports, assuring propriety of agency expenditures and budgetary controls, maintenance of personnel and payroll records and being accountable for all physical inventory. The division cooperates with the Examiners of Public Accounts to ensure the Commission is in strict fiscal compliance with the Code of Alabama. Historically, the division has received a perfect "Property Inventory" audit and constantly strives to make certain that the Commission's property and monetary resources are used and maintained for greatest benefit of Alabama citizens.

The **Information Technology (IT) Division** plays a crucial role in the efficient provision and management of the Commission's electronic data requirements. Division personnel work diligently to provide streamlined, results-driven methods for the secure utilization and storage of sensitive information and the maintenance of the agency's computer hardware and software systems including constant information exchange with national databases covering more than 660,000 financial professionals and firms through the national Central Registration Depository (CRD) and Investment Adviser Registration Depository (IARD).

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ASC's Division Functions and Accomplishments *(Continued)*

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Dan Lord
Manager

ASC EDUCATION CORNER

Promoting Investor Protection Through Seminars and Free Materials

ASC's Education and Public Affairs Division strives to provide timely and relevant information to help educate and protect Alabama citizens so they can make safer and more informed investment decisions. Please contact this office to schedule a free training presentation or high school field trip, and for free information concerning topics such as saving, proper use of credit, understanding financial products, investing and financial fraud prevention.

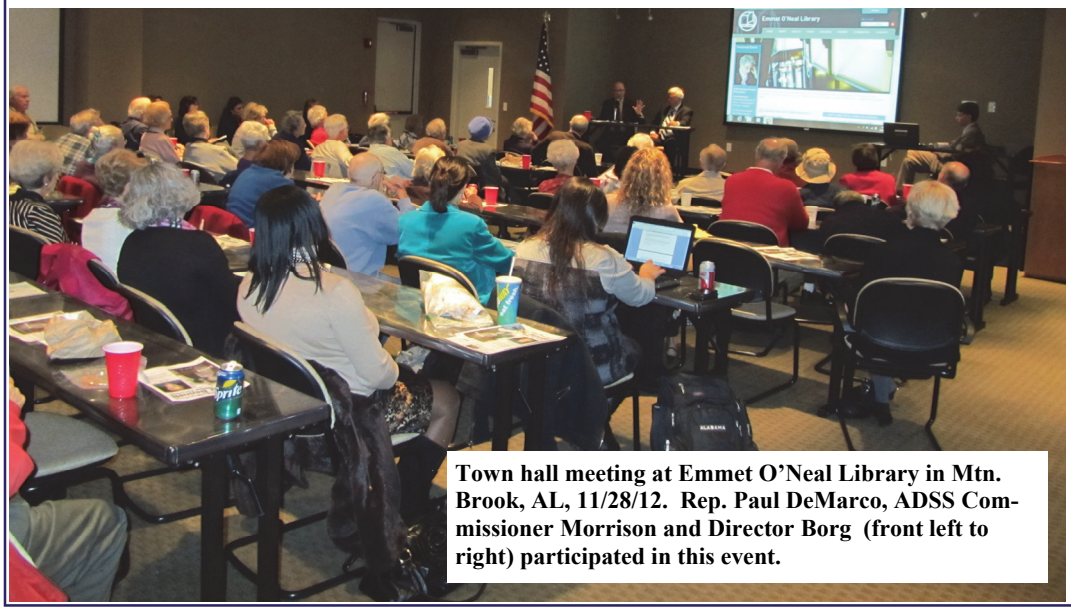
Clint Niemeyer, Public Affairs Specialist

Investor Education and Fraud Prevention Outreach for Senior Alabamians

During FY 2013, ASC's Education and Public Affairs Division continued its successful and informative outreach program. This popular program promoted effective financial, investor, and fraud protection education to teens, working adults and seniors. Extra effort was put forth during this fiscal year to provide investor and fraud prevention education to citizens ages 50 and above. Seniors in the United States and Alabama are prime targets for financial fraud as they hold an estimated $14 trillion in assets. The ASC has joined with the Alabama Attorney General's Office, the Alabama Department of Senior Services, the Department of Human Resources, and many other state agencies, to conduct outreach events throughout Alabama and to help draft and promote the passage of new legislation to protect Senior Alabamians against financial and other types of abuse. The ASC is the champion of Alabama's main street investor and our education program helps expose deceptive and illegal practices by promoting financial literacy and by the development of the discipline necessary to recognize and thwart tactics used by con artists to victimize our citizens. The Education and Public Affairs Division sets a high bar for the development and delivery of practicable, insightful information that serves as a first line of defense against financial crimes that can devastate senior Alabamians' long-term financial independence. The following paragraphs illustrate the division's continued close collaboration with senior advocacy groups, law enforcement and others to promote investor education and fraud prevention during the past fiscal year.

ASC's Education and Public Affairs Division partnerships to reach working adults and seniors

Alabama Department of Senior Services' (ADSS): The ASC partnered with the ADSS and its statewide network of Area Agencies on Aging to reach hundreds of seniors and provide timely, relevant presentations and printed materials to help them protect themselves from financial fraud and make informed investment decisions. ASC, as a member of the Interagency Council for the Prevention of Elder Abuse, helped promote the World Elder Abuse Awareness campaign starting in June 2013. The ASC helped acquire an Investor Protection Trust grant of to support three events in Dothan, Gadsden, and Birmingham. A total of 453 individuals attended the three events. *(Continued on next page)*



Town hall meeting at Emmet O'Neal Library in Mtn. Brook, AL, 11/28/12. Rep. Paul DeMarco, ADSS Commissioner Morrison and Director Borg (front left to right) participated in this event.

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Investor Education and Fraud Prevention Outreach Program

Alabama Cooperative Extension System (ACES): ASC teamed with ACES to continue hosting Estate Planning Seminars for Alabama citizens who are nearing retirement or who have previously retired. The ASC worked with the Investor Protection Trust to help ACES acquire a grant to support six seminars that included speakers from ASC who shared valuable information about unsuitable investment "opportunities," how investment fraud begins, factors involved in making informed financial decisions, and the warning signs of scams, among others.

Marshall County Extension Office in Guntersville , AL on May 14, 2013

Better Business Bureau of North Alabama: For the past ten years, ASC has enjoyed a close and active relationship with the Better Business Bureau (BBB) of North Alabama which has helped protect Alabamians from all types of financial fraud. During this period, ASC personnel participated in the North Alabama BBB's "Scam Jam" Fraud Summits held throughout North Alabama. BBB marketing efforts attracted working adults and retirees to attend seminars and learn about the latest issues that could affect their financial security. To help defray the cost of these events the ASC assisted BBB of North Alabama to apply for and receive grants from the Investor Protection Trust in Washington, D.C. In FY 2013 over 380 citizens attended Scam Jam events held in Decatur, Rainsville and Huntsville.

Scam Jams were organized around expert panels consisting of representatives from the BBB and the Alabama Securities Commission; and agencies like the Alabama Attorney General Consumer Affairs Division, the U.S. Postal Inspection Service, local financial institutions, local law enforcement agencies, and others. Representatives of each agency spoke to audience members about their respective responsibilities and how their agencies worked cooperatively to combat consumer fraud and other financial crimes that target Alabama's citizens. Topics included insightful observations by panel members about offers of potentially unsuitable investment "opportunities," frauds associated with natural disasters, the warning signs of bogus investment schemes, how financial fraud takes place, suspicious and illegal offerings through the U.S. mail, among many others. Audience members had opportunities to ask specific questions to panel members about issues of particular importance and how best to thwart illegal tactics used by con artists to attempt to victimize them, either in person, via phone or through social media. Panel representatives also provided, free of charge, a wealth of printed educational material for consumers' reference and use.

Over 200 attendees at the Central United Methodist Church in Decatur, AL on May 9 , 2013

ASC's close relationship with the staff at the Better Business Bureau (BBB) of North Alabama has increased the reporting of suspected financial fraud activities. Some of the BBB inquiries resulted in official investigations, which led to the prosecution of criminals by regulators or law enforcement officials.

ARSEA/APEAL: The Alabama Retired State Employees Association (ARSEA) and the Alabama Public Employees' Advocacy League (APEAL) is a 20,000 member statewide organization representing state, county and municipal retirees and employees spread across Alabama's 67 counties.

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During FY 2013, the Alabama Securities Commission continued its close association with ARSEA/APEAL by attending and speaking at 17 events reaching hundreds of members in the organization's 20 districts throughout Alabama. The ASC worked with the Investor Protection Trust to help ARSEA/APEAL acquire a grant to defray the cost of these events.

Members characteristically have built significant savings, pensions, investments and other personal financial assets throughout their years of government service. Recognizing that investor education is the most effective means to help strengthen members' resistance to possible financial victimization that could threaten their retirement nest eggs, ARSEA/APEAL, with the help of ASC, embarked upon an ambitious investor education and fraud prevention outreach program. The objective of the program was to enhance ARSEA/APEAL senior members' overall financial knowledge so that they are better able to maximize their retirement resources by making informed financial decisions, successfully recognizing and avoiding predatory investment scams and are able to invest their money wisely and safely.

Personnel from ASC's Education and Public Affairs Division spoke to ARSEA/APEAL members about the issues that that could affect their retirement plans, including why retirees are targeted by financial con artists, how financial fraud begins, how financial criminals influence their intended victims and the best ways to recognize, avoid and combat investment scams. ASC staff also provided insightful and informative

ARSEA/APEAL District Meeting in Selma, AL, April 1, 2013

printed material concerning the most persistent investor threats, distributed IPT/Kiplinger publications and instructed attendees on the best ways to investigate the reliability of any investment opportunity or the person offering it by contacting the ASC before they spend their hard-earned money.

The ARSEA/APEAL and ASC Investor Education and Fraud Prevention Outreach Program has received excellent responses from ARSEA/APEAL members who are now more involved in reporting suspected fraud, requesting free background checks, credentials and registration status of financial professionals with whom they may conduct business.

2013 Senior Expo: ASC participated in the Jackson County Senior Expo at the Goose Pond Civic Center near Scottsboro. This popular event hosts over 900 seniors from across north Alabama to observe and inquire about the numerous products, services and information resources tailored to them from various professional service providers. ASC Education and Public Affairs Division personnel were on-site to greet and answer individuals' questions and to distribute important personal finance, investor education and fraud prevention materials to hundreds of seniors throughout the day-long event.

ASC Military Outreach Programs and Special Website Area

Director Borg says, "Inquiries from any military personnel, in any status (active, reserve, guard or veterans), or from their dependents, will get our immediate attention to help provide information or to investigate complaints and concerns as necessary."

ASC staff have the experience to understand financial challenges of the military community. Nine ASC staff members have a total of over 160 years (combined) of honorable service in the United States military to protect the freedom of the United States; some supported or deployed during recent U.S. defense initiatives. The Deputy Director of Enforcement was a Staff Judge Advocate with more than 30 years experience in military law. The Manager of Education and Public Affairs has more than 20 years experience in the administration of military education programs and one Special Agent was a U.S. Army Reserve Command Sergeant Major who deployed to the middle east and oversaw the welfare of thousands of troops. All others have varied experience in a variety of military fields of expertise.

ASC has a special website area for military and their dependents: "Protect Alabama Troops" (PATS) was launched June 16, 2009 and is an information-based resource, accessible on ASC's web page, www.asc.alabama.gov. The site consists of appropriate, practical news, tips and advice for Alabama's active-duty, guard and reserve military, as well as retired military and veterans. The site is specifically designed to assist them and their family members to make informed investment decisions and avoid becoming victims of financial fraud before, during and after deployment and in the transition to retired military or civilian life.

ASC provides investor education seminars and free information: Upon request, the ASC will provide free financial education seminars, emphasizing safe and wise investing, to any military installation/unit in Alabama. Top-notch personal finance and investor education materials published by Kiplinger's Personal Finance, the Lightbulb Press, Inc., and ASC, were made available to anyone affiliated with the military in Alabama.

Military personnel and their dependants are invited to call on ASC: All military personnel and their dependents who are considering investment opportunities are encouraged to contact the ASC, toll-free, 1-800-222-1253, with inquiries about the registration status of financial products, licensing requirements for those individuals or companies offering or selling financial products or services to military families in Alabama, to lodge a complaint, to report suspected fraud or to receive consumer information.

ASC Contributions to Middle/High School Students and Teachers

Youth and Student Programs: The ASC's Education Office is an active member of the Alabama Jump$tart Coalition, the Alabama Council on Economic Education, partners with the Alabama Cooperative Extension System and works with other business, government and nonprofit agencies to promote financial literacy programs aimed at public and private middle, high school, and college students. ASC offers two professionally developed financial literacy publications to state educators for classroom use. "Basics of Savings and Investing," is a teaching guide used in various business, math and social studies classes in grades 7-12. Additionally, high school economics teachers can obtain "Personal Finance in the Economics Classroom" to augment financial literacy instruction.

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Investor Education and Fraud Prevention Outreach Program

ASC Field Trips: High School students and teachers from all over Alabama are welcome to visit the Commission at no cost other than to provide their own transportation and lunch. Typical field trips last about four hours and include more than two hours of investor education and information about how ASC regulates the securities industry in Alabama. Also, ASC can schedule a tour of the Capitol, upon request, so students can learn more about the Alabama legislative process. High School teachers may call 1-800-222-1253 and ask for the Education and Public Affairs Division to schedule a tailor-made field trip.

REELTOWN HIGH SCHOOL CAREER TECHNICAL STUDENTS (MAY 7, 2013)

Alabama Jump$tart Coalition: The "Day of Financial Literacy" luncheon was hosted by the Alabama Jump$tart Coalition (AJC) at the BJCC in Birmingham, August 8, 2013, during the Alabama Association of Career and Technical Education Conference (AACTE). The guest speaker at the luncheon was Mrs. Laura Levine, President and CEO, National Jump$tart Coalition, Washington, D.C. More than 250 teachers benefited from free financial education curricula and resource materials for Alabama Classrooms. ASC assisted the AJC to receive a grant from the Investor Protection Trust to help support this large event; also, Alabama businesses provided generous financial contributions.

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STEM Entrepreneurship Academy (SEA) at the University of Alabama (UA): The former Capstone Entrepreneurship Camp made the transition to the STEM Entrepreneurship Academy. Seventeen students and two teachers, representing six schools in six counties, attended a camp on The UA campus to prepare for a year-around program. SEA will include classroom sessions building business concepts around a "Go Green" Campaign and an interactive blog with UA faculty and staff to facilitate student research and engagement. Camp participants continued to receive exposure to entrepreneurship sessions led by UA faculty and staff, but the camp expansion included a focus on science, engineering and technology initiatives. An additional strong component of the camp was provided by a Alabama Securities Commission presentation on Saving and Investing. The SEA Camp was held on June 16-20, 2013 with school programs beginning fall, 2013.

ASC Professional Training Programs

Upon request, ASC provides training to a number of professional organizations including enforcement agencies. Many of these presentations qualify for continued professional education credit. Also, ASC staff is involved in national education initiatives to identify and prosecute financial crime and implement programs to empower citizens to make safe and wise investment decisions.

On July 30, 2013 ASC staff conducted seminars for 30 white collar crime detectives and enforcement officials at the Federal Reserve in Birmingham, AL per invitation of Brandon K. Falls, District Attorney for the 10th Judicial Circuit, Jefferson County, AL. ASC Deputy Director Steve Feaga provided detailed information from securities fraud case studies that led to prosecution and convictions for violation of the Alabama Securities Act and other laws with an emphasis on ASC resources available to help enforcement officials identify, investigate, report and prosecute financial crime. ASC Education and Public Affairs Manager Dan Lord provided information concerning ASC services available to educate citizens to protect themselves from financial fraud, how to check out financial professionals, and how to report suspected financial fraud.

On November 12, 2012 ASC staff conducted seminars for 18 area police officers and enforcement officials at the Gardendale, AL Civic Center. ASC Deputy Attorney General Amanda Senn, Senior Special Agent Kim Lewis and Education and Public Affairs Manager Dan Lord provided valuable information to enhance the abilities of white collar crime experts to identify possible securities fraud schemes, the proper procedures for 1st reporting, and how ASC can provide expertise and assistance to prosecute financial crime.

ASC's Close Partnership with National White Collar Crime Center (NW3C)

In September 2013, the Alabama Securities Commission enhanced its long term relationship with the National White Collar Crime Center (NW3C) by launching an ongoing training program at its facilities in Montgomery, Alabama for law enforcement professionals from Alabama and other states.

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Investor Education and Fraud Prevention Outreach Program

For more than three decades, NW3C, headquartered in Fairmont, West Virginia, has provided a nationwide support system for law enforcement and regulatory agencies involved in the investigation, prosecution and prevention of economic and high-tech crime. To accomplish this mission, NW3C has become a leader in providing training in computer forensics, cybercrime investigations, financial crime investigations and intelligence analysis to law enforcement agencies around the country. NW3C's training assists law enforcement by providing the skills and knowledge needed to prepare them to address the crimes of the 21st Century.

ASC Director, Joseph Borg, currently serves as a Non-Regional Director on NW3C's Board of Directors. The Alabama Securities Commission's association with NW3C promotes the use of changing technologies to enhance investigative abilities that lead to the prosecution of white-collar criminals.

ASC personnel, including investigators, attorneys, securities analysts and financial auditors from the agency's Enforcement, Legal and Registration/Auditing Divisions, gained timely and beneficial knowledge on diverse subjects such as Financial Investigation Practical Skills, Computer Skills for Law Enforcement, Social Media Investigations, and Cyber Investigation, among others. Also, training was provided to Alabama Attorney General investigators, Alabama Bureau of Investigation (ABI) analysts, as well as police officers and investigators from four states (Oregon, Texas, Florida, Georgia) and Washington, D.C.

ASC EDUCATION AND PUBLIC AFFAIRS DIVISION (ED & PA)

Investor Education Presentations/Events/Meetings
(Fiscal Year 2013, from 10/1/12 - 9/30/13)

9/23/13	Montgomery, AL at Eastdale Estates	15	Senor citizens at independent living facility
9/13/13	Monroeville, AL - Cooperative Extension Sys. Office	70	Senor citizens from the local community
9/12/13	New Brockton, AL at the Cooperative Extension	70	Senor citizens from the local community
9/11/13	Des Moines, IA at Embassy Suites Conf. Center	100	Grant funded investor educator's conference
8/28/13	Marion, AL at the Lincoln Knight Museum	25	Perry County Chapter of the AL. Education Retirees Assn.
8/27/13	Lafayette, AL at the city library	33	Senior citizens from the surrounding area, partner with ACES
8/27/13	Fairhope, AL at the Rock Creek Country Club	25	Eastern Shore Sertoma Club
8/10/13	Birmingham, AL at Our Lady of Sorrows, Catholic Church	50	Certified training for professional nurses and caregivers
8/9/13	Orlando, Fl at the Annual CSA Training Conference	100	By invitation to speak at Certified Senior Advisors' conference
8/9/13	Birmingham, AL at the Hoover City Center	140	Senior citizens from community, with Rep. DeMarco & ADSS
8/8/13	Birmingham, AL at the BJCC (Teacher's Conf)	284	Luncheon outreach event for business teachers, with Jump$tart
8/8/13	Birmingham, AL at the BJCC (Teacher's Conf)	30	Seminar to implement personal finance into classroom
8/6/13	Weogufka, AL at the Weogufka Center	50	Senior citizens from the surrounding area, partner with ACES
7/30/13	Birmingham, AL at the Federal Reserve	30	Certified training for enforcement officials - mainly detectives
7/23/13	Tuscaloosa, AL at the University of Alabama	20	Preparing high school teachers to implement investor education
6/28/13	Vestavia, AL at the Civic Center	220	Senior citizens, partner with ACES, ADSS and Council on Aging
6/26/13	Montgomery, AL at the AUM Tech Center	17	Basics of Investigations for student summer camp
6/20/13	Jasper, AL at the Walker County Extension Office	38	Senior citizens from the surrounding area, partner with ACES
6/19/13	Gadsden, AL at the Senior Activities Center	200	Senior citizens, partner with ADSS and Council on Aging
6/18/13	Tuscaloosa, AL at the University of Alabama	30	High school students attending youth summer camp
6/18/13	Dothan, AL at Troy University Campus	60	Senior citizens, partner with ADSS and Council on Aging

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Investor Education and Fraud Prevention Outreach Program

Date	Place	#	Audience Type
6/13/13	Huntsville, AL at the Dept. of Human Resources Center	100	Senior citizens from community - North AL BBB Fraud Summit
5/23/13	Opelika, AL at the Health Resource Center	65	Lee-Russell Council on Governments, Seniors and Caregivers
5/15/13	Rainsville, AL at the Tomas Bevill Senior Enrichment Ctr.	85	Senior citizens from community - North AL BBB Fraud Summit
5/14/13	Guntersville, AL at the Marshall County Extension office	55	Senior citizens from the surrounding area, partner with ACES
5/10/13	Dadeville, AL at the Creekside Lodge on Lake Martin	35	ARSEA District Meetings - Seniors from surrounding areas
5/9/13	Decatur, AL at Central United Methodist Church	200	Senior citizens - North AL BBB Fraud Summit
5/7/13	Eutaw, AL at the Greene County Board of Education	15	Teachers grades 7-12 - provide training and curricula
5/7/13	Alabama Securities Commission, Montgomery, AL	25	Reeltown School Business Student field trip
5/3/13	Homewood, AL Library	60	ARSEA District Meetings - Seniors from surrounding areas
4/30/13	Scottsboro, AL at the Jackson County Extension Office	25	Senior citizens from the surrounding community
4/29/13	DeKalb County at the Senior Center	25	ARSEA District Meetings - Seniors from surrounding areas
4/25/13	San Diego, CA the Dept. of Corporations	5	Funded by NASAA to develop investor education programs
4/26/13	San Diego, CA the Dept. of Corporations	5	Funded by IPT to implement AL Investor Edu. In the workplace
4/22/13	Northport, AL at the Civic Cntr.	70	ARSEA District Meetings - Seniors from surrounding areas
4/18/13	Union Springs, at the Bullock County High School	71	High school students - joint event with AL Cooperative Ext. Sys.
4/15/13	Dothan, AL at the Southeast Alabama Medical Center	50	ARSEA District Meetings - Seniors from surrounding areas
4/12/13	Montgomery, AL at the Arrowhead Country Club	80	ARSEA District Meetings - Seniors from surrounding areas
4/9/13	Decatur, AL at Central United Methodist Church	75	Morgan County Education Retirees Association
4/8/13	Monroeville, AL at the Community House	20	ARSEA District Meetings - Seniors from surrounding areas
4/1/13	Selma, AL at the Carl C. Morgan Convention Center	28	ARSEA District Meetings - Seniors from surrounding areas
3/29/13	Montgomery, AL at the Alabama Securities Commission	22	Tarrant High School Business Student field trip
3/26/13	Birmingham, AL at the Southside Library	20	Residents from the surrounding neighborhood
3/25/13	Mobile, AL at the VIA Enrichment Center	50	ARSEA District Meetings - Seniors from surrounding areas
3/22/13	Robertsdale, AL PZK Civic Center	20	ARSEA District Meetings - Seniors from surrounding areas
3/19/13	Alabama Securities Commission, Montgomery, AL	20	Auburn High School Business Student field trip
3/18/13	Talladega, AL, Spring St. Community Cntr.	45	ARSEA District Meetings - Seniors from surrounding areas
3/14/13	Wetumpka, AL at the Civic Center	200	Senior Medical Patrol (SMP) Fraud Conference for area seniors
3/11/13	Huntsville, AL at the Dept. of Rehab. Services	35	ARSEA District Meetings - Seniors from surrounding areas
3/8/13	Wetumpka, AL at the Civic Center	50	ARSEA District Meetings - Seniors from surrounding areas
3/4/13	Muscle Shoals, AL at the Cypress Lake Country Club	38	ARSEA District Meetings - Seniors from surrounding areas
3/1/13	Eutaw, AL at the Cooperative Extension System facility	25	ARSEA District Meetings - Seniors from surrounding areas
2/28/13	Opelika, AL at the Saugahatchee Country Club	45	Kiwanis Club members from the surrounding area
2/25/13	Hamilton, AL at the Econo Lodge Restaurant	38	ARSEA District Meetings - Seniors from surrounding areas
2/21/13	Gadsden, AL at the Gadsden State Community College	28	Teachers grades 7-12 - provide training and curricula
2/18/13	Troy, AL at Sister's Restaurant	40	ARSEA District Meetings - Seniors from surrounding areas
1/24/13	Scottsboro, AL at the Goosepond Convention Center	500	Senior Expo event - displayed and talked with attendees
1/23/13	Livingston, AL - University of West Alabama	41	Partner with ACEE to train teachers from West Alabama
1/14/13	Birmingham, AL at the Avondale Regional Library	6	Library staff - discussion of available resources for libraries
1/14/13	Birmingham, AL at the Eastwood Branch Library	5	Library staff - discussion of available resources for libraries
12/13/12	Montgomery, AL at the Alabama Bar Association	4	Legal professionals to discuss possible training program

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Investor Education and Fraud Prevention Outreach Program

Date	Place	#	Audience Type
12/12/12	Montgomery, AL at Virginia College	12	Teach Business Ethics class and meet with faculty
12/11/12	Montgomery, AL at the Alabama Securities Commission	20	Host Elder Justice Council Meeting
12/10/12	Birmingham, AL at the Heardmont Senior Center	70	Seniors to introduce new elder protection legislation
12/7/12	Montgomery, AL at the RSA Plaza Terrace	18	Members of the Montgomery Lions club
12/4/12	Montgomery, AL at the Alabama Securities Commission	5	Webinar to launch Education in the Workplace program
11/28/12	Mountain Brook, AL at the Emmet O'Neal Library	75	Town hall with ADSS & Rep. DeMarco with seniors
11/28/12	Livingston, AL - University of West Alabama	67	Teachers (grades 7-12) - with AL. Council on Econ. Edu.
11/14/12	Montgomery, AL at the Alabama Center for Commerce	20	Members of the Certified Fraud Examiners
11/14/12	Gardendale, AL at the Civic Center	18	Train area police officers and enforcement officials
11/2-3/12	Kansas City, MO at the annual NASAA training conf.	70	Presentation of investor education learning games
10/19/12	Eufaula, AL at the Carnegie Library	30	Senior citizens - partner with Cooperative Extension System
10/17/12	Montgomery, AL at the Wynlakes Country Club	18	National Association of Insurance and Financial Advisors
10/11/12	Dauphin Island, AL at the Sea Lab	8	Partner with the Chief of Police to inform island residents
10/9/12	Dadeville, AL at Uncle Nick's Smokehouse Restaurant	18	Members of the local Lions Club

DURING FISCAL YEAR 2013 THE ALABAMA SECURITIES COMMISSON CONDUCTED **75** INVESTOR EDUCATION AND FRAUD PREVENTION OUTREACH SEMINARS OR MEETINGS REACHING **4,382** CITIZENS.

North American Securities Administrators Association
ASC Involvement During FY 2013

The Commission continues its membership with the North American Securities Administrators Association (NASAA). NASAA is the oldest international organization devoted to investor protection. NASAA is a voluntary association whose membership consists of 67 state, provincial, and territorial securities administrators in the 50 states, the District of Columbia, Puerto Rico, the U.S. Virgin Islands, Canada, and Mexico.

As a NASAA member, the Commission joins other securities administrators in the promotion of programs focusing on investor education, information sharing, and cooperative enforcement efforts; and, in promoting uniformity of state securities requirements and other actions necessary for effective state and federal securities regulation.

The ASC director was elected to serve on the Board of Directors, September 2013; served as Chair of the International Committee until September 2013; and remains a member of the Uniform Securities Act Committee for NASAA. He served as NASAA President from September 2001 thru September 2002 and again from September 2006 thru September 2007. He served for thirteen years as a member of the Board of Directors and held previous positions with NASAA to include Chair of Enforcement, Treasurer, and Ombudsman.

ASC staff members have participated in committees and project groups, comprised of regulatory counterparts from other states and countries, to develop policy guidelines and to consider issues of financial education, registration, licensing, litigation and enforcement.

NASAA programs are carried out through its various committees and project groups. During FY 2013, ASC staff served on, or participated in, the following: International, Uniform Securities Act, Investor Outreach, Corporate Finance Direct Participation Programs Policy, NASAA Internet Fraud Investigations and Broker-Dealer Operations.

The Commission intends to continue active participation on various NASAA committees, which, in coordination with the SEC, FINRA, NASDAQ, NYSE, industry representatives, the accounting and legal professions, and other related groups, have promulgated national uniform standards and guidelines. The adoption of these uniform policies alleviate burdens on those sectors of the securities industry by eliminating duplicative examination and registration requirements, thus reducing the amount of time, money, effort, and paperwork required, and achieving less costly and more effective regulation of the industry. Such guidelines apply to the following types of securities activities and filings: licensing, registration, audits, oil and gas, real estate, real estate investment trusts, commodity pools, equipment leasing, health care facilities programs, offerings on the Internet, and others.

ENFORCEMENT HEADLINE SUMMARIES FROM FISCAL YEAR 2013 (Alphabetical by County)

To read complete articles and more go to: **www.asc.alabama.gov**

Baldwin County

Baldwin County Man Ordered to Pay $2.02 Million in Restitution to Victims of Advance-Fee Loan Scam (Dec. 19, 2012) Richard James Tucker, a Baldwin County resident, was ordered by Presiding Circuit Court Judge James H. Reid, Jr. to pay $2,020,594 in restitution to multiple victims of an advance loan-fee scam. On May 23, 2012, after a weeklong trial, Tucker was found guilty on 13 counts involving criminal activities associated with Synergy Finance Group, LLC, a Robertsdale, Alabama company. Tucker was sentenced to 12 years, split to serve 24 months, on nine counts of Fraud in Connection with the Sale of Securities and on two counts of Theft of Property, 1st Degree. The Court also sentenced Tucker to eight years, split to serve 18 months, on one count each of Conspiracy to Commit Securities Fraud and Sale of an Unregistered Security. All sentences will run concurrently and Tucker is presently serving his sentences at the Alabama Department of Corrections, Loxley Work Release Camp. Tucker was also ordered to pay court costs associated with his trial. The ASC petitioned the Court to compel Tucker, once released on parole, to submit sworn quarterly financial statements with the Court to determine his sources of income. The motion was upheld. An investigation by ASC Enforcement Division agents revealed that Tucker, together with four other men, operated an advance-fee loan business, self-described as a "multi-billion dollar loan brokerage." The scheme solicited investment money from U.S. and foreign investors seeking large, non-collateralized loans which involved unlawful securities transactions. ASC records showed that none of the men nor Synergy Finance Group, LLC were registered to offer and/or sell securities within, into or from Alabama, as required by the Alabama Securities Act.

Choctaw County

Florida, Utah Men Enter Guilty Pleas to Securities Violations in Choctaw County, Alabama (Dec. 14, 2012) Patrick Michael Daleiden, formerly of Satellite Beach, Florida, and Bruce J. Mabey, formerly of Salt Lake City, Utah, each pled guilty to one count of Securities Fraud involving a complex scheme to defraud multiple Alabama investors. On Dec. 10, 2012, Presiding Choctaw County Circuit Court Judge Gaines C. McCorquodale, sentenced each man to a 6-year sentence that will run concurrent with their upcoming federal sentences to be imposed by U.S. District Judge Kristi Dubose of the Southern District of Alabama on December 19, 2012. With the latest sentencing in Choctaw County, and previously in Madison County, Daleiden and Mabey have been ordered to pay $1,475,000 jointly in restitution to Alabama victims. Once Daleiden and Mabey are sentenced in federal court, each will have three felony convictions. If either commit any additional felony offenses, they would be subject to the Alabama Habitual Offender Act, which would enhance their punishment. After both men's guilty pleas in Choctaw County they were returned to the custody of U.S. Marshals to face their final U.S. District Court sentences.

Coffee County

Man Who Fled to Philippines Receives Additional Sentence for Securities Violations (Jan. 14, 2013) On Jan. 7, 2013, Scott Alan Frye, formerly from Knoxville, TN, pled guilty to ten counts of Fraud in Connection with the Sale of Securities before presiding Circuit Court Judge Teresa Petelos. Frye was sentenced to 25 years imprisonment and ordered to pay more than $1.1 million restitution to 19 victims in

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Alabama and throughout the southeastern U.S. Frye is currently serving a 20-year sentence related to previous securities violation convictions in Coffee County, prosecuted by the ASC's Legal Division and Coffee County District Attorney, Tom Anderson and will serve his latest sentence concurrently with the Coffee County sentence. An ASC Enforcement Division investigation begun in 2003 led to Frye being indicted by Grand Juries in Coffee and Jefferson Counties in Dec., 2005 and Jan., 2006. Prior to the indictments being served, Frye fled to the Philippines and eluded capture until Oct., 2009. He was arrested in Manila by Philippine authorities based on outstanding felony warrants obtained by the ASC. This resulted in his deportation to Los Angeles, then to his subsequent extradition from California in Mar., 2010 to Coffee County, Alabama. Evidence uncovered during the investigation indicated that, in the Coffee County case, Frye obtained access to deferred compensation accounts of Century 21 agents and used that access to take out loans against the victims' accounts. The money was purportedly used to purchase notes in a land development project referred to as Ecclesia Development. The Century 21 agents had no knowledge of Frye's actions or of the purchase of the notes. In the Jefferson County cases, Frye had been indicted with co-defendant Michael Von Kanel for selling fraudulent investments in a number of companies and using the victims' investment funds for his personal use. Overall, the schemes operated by Frye and Von Kanel illegally obtained more than $3.7 million from more than 50 investors in multiple states. Frye was previously barred from the securities industry in 1996 by the U.S. Securities and Exchange Commission for fraud and selling unregistered securities involving a fictitious company in Puerto Rico. Von Kanel pled guilty to securities fraud charges in Coffee and Jefferson Counties in 2007. Sentences in both jurisdictions were combined, with Von Kanel being sentenced to ten years incarceration, spilt to serve three years, and ordered to pay restitution.

Cullman County

Florida Man Sentenced in Cullman County for Securities Fraud (May 14, 2013) On May 13, 2013, James Leonard Craft of Century, Florida was sentenced by Circuit Court Judge Gregory A. Nicholas to a 10-year sentence, split to serve three years, the first 90 days in jail, to be released with the opportunity to pay $185,000 in restitution to his victims. If Craft fails to pay the restitution as ordered, he will serve the remainder of his sentence in the custody of the Alabama Department of Corrections. On August 13, 2012, Craft pled guilty to a single count of Engaging in a Scheme or Artifice to Defraud in connection with the Sale of Securities, a Class C Felony, punishable by not less than one year nor more than ten years in prison, with a fine of not more than twice the loss to the victims. An investigation by ASC Enforcement Division agents disclosed that Craft solicited funds from investors to purportedly purchase wood products from South America to be resold to U.S. distributors for the production of railroad crossties and other products. In 2010, the ASC issued Craft and his company, Century Lumber & Land, LLC, headquartered in Century, Florida, a Cease and Desist Order after an attempt was made to solicit money from Alabama investors in at least three counties, including Cullman, Etowah and Shelby Counties. In his testimony to the Court, Craft admitted that he intended on using investors' funds for personal reasons while simultaneously making a fraudulent pitch that the investors' money was to be used to purchase wood products. ASC records revealed that neither Craft nor his business was registered to conduct securities business in Alabama as required by law. In September, 2011, Craft was arrested by Santa Rosa County, Florida authorities and extradited to Etowah County, Alabama to face charges. Crafts' arrest stemmed from a Fall 2011 term of the Etowah County Grand Jury which indicted him for alleged illegal securities activities associated with his company. Indictments against Craft were also returned in Cullman and Shelby Counties and all charges were subsequently combined and adjudicated in Cullman County.

Cullman County Man Arrested in Florida for Securities Violations (Nov. 30, 2012) Jerry Gibbs Carter, a Cullman County resident, was arrested in West Palm Beach Florida, Nov. 13, 2012, by agents of the U.S. Marshal's Service Florida Regional Fugitive Task Force, Ft. Lauderdale, with assistance from the Gulf Coast Regional Fugitive Task Force. Carter was being sought in connection with indictments returned by the January, 2011 Cullman County Grand Jury charging him with six counts of Fraud in Connection with the Sale of Securities; and one count each of Sale of Unregistered Securities and Sale of Securities by an Unregistered Agent.

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The charges against Carter are the result of an ASC Enforcement Division investigation into complaints filed by three Alabama investors. The investigation revealed that Carter allegedly solicited investments to help fund a chain of car wash and auto maintenance facilities to be located throughout the United States. In connection with the investigation, Maxine Gibbs Young, a Blount County, Alabama resident and Carter's cousin, was indicted by the same Cullman County Grand Jury for one count of Fraud in Connection with the Sale of Securities. Young surrendered to Cullman County Sheriff's Department officials on Jan. 24, 2011 and was subsequently released on bond. No trial date for either Carter or Young has been set. In addition to the U.S. Marshal's Service Regional Fugitive Tasks Forces, The Commission received valuable assistance in this investigation from the Tennessee Attorney General's Office and the West Palm Beach, Florida Police Department.

Houston County

DOTHAN MAN SENTENCED TO 90 MONTHS FOR SECURITIES FRAUD SCHEME

(Aug. 5, 2013) Edward Lincoln Forehand of Dothan, Alabama, was sentenced today to 90 months on his convictions for securities fraud, mail fraud, wire fraud, and money laundering, announced the U.S. Attorney's Office for the Middle District of Alabama and the Alabama Securities Commission (ASC). Between 2006 and November 2009, Forehand, used the business name "USA Marketing," to solicit investments from people, mainly in South Alabama and the Florida Panhandle. Forehand told investors that he had a relationship with an individual, Vicky Yeager. Yeager had a business, Elite Marketing ("Elite"), which had agreements with colleges and universities to sell them cookware. Forehand solicited investments in Elite from his victims. He promised the victims extraordinarily high rates of return on their investment in Elite (up to 700%). Rather than sending all of the investors' money to Elite, Forehand used large amounts of the money to pay prior investors and to buy property and other items for himself. In particular, during the period from 2006 to November 2009, Forehand received $6.2 million from investors but only sent $1,605,790 to Elite. Meanwhile, Forehand promised to pay out to investors over $19 million. Forehand also failed to disclose that in August 2009, six checks from Elite to USA Marketing totaling $600,000 bounced, that Elite never made good on the checks, and that from that point forward, Forehand stopped sending any investor money to Elite. Forehand also concealed Yeager's true identity and the fact that Yeager had two prior criminal convictions for fraudulent conduct.

Jefferson County

Birmingham Physician Sentenced for Securities Violations (August 22, 2013) On Thursday, Aug. 22, 2013, before Jefferson County Circuit Court Judge Tracie Todd, Dr. Scott William Naley, a Birmingham area physician, was sentenced to 20 years in prison, split to serve five years in the state penitentiary to be followed by five years' probation for the fraudulent sale of securities to several Alabama investors. He was also ordered to pay $961,600 restitution to nine victims in Jefferson, Shelby, Montgomery and Marshall Counties. Naley pled guilty on May 29, 2013 to Fraud in Connection with the Sale of Securities, more specifically described as employing a scheme or artifice to defraud. An April, 2012 Jefferson County Grand Jury indicted Naley for violations of the Alabama Securities Act and he was subsequently arrested by the U.S. Marshal's Gulf Coast Regional Fugitive Task Force in May, 2012. ASC Director, Joseph Borg said, "We hope that the efforts of the Alabama Securities Commission, the Jefferson County District Attorney's Office and the sentence imposed on Scott Naley by Judge Tracie Todd sends a loud and clear message to other fraudsters and scammers out there that this type of conduct will be thoroughly investigated and swiftly punished. We simply cannot, and will not, tolerate people taking advantage of positions of trust and responsibility to steal from persons who have every right and need to be able to rely on them."

Birmingham Area Physician Pleads Guilty to Securities Fraud in Jefferson County Circuit Court (May 29, 2013) Dr. Scott William Naley, a Birmingham physician, pled guilty before Jefferson County Circuit Court Judge Tracie Todd to a single count of Fraud in Connection with the Sale of Securities, more specifically described as employing a scheme or artifice to defraud. The plea was the result of an April, 2012 Jefferson County Grand Jury indictment charging Naley with violations of the Alabama Securities Act and his subsequent arrest by the U.S. Marshal's Gulf Coast Regional Fugitive Task Force in May, 2012. In addition to his guilty plea, Naley will be

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required to pay $961,600 in restitution to nine victims in Jefferson, Shelby, Montgomery and Marshall Counties. Naley agreed to make full restitution to victims and understands that the State recommends that he receive a 10-year prison sentence to be served with the Alabama Department of Corrections. ASC's investigation revealed that Naley obtained money from fellow medical doctors by issuing unregistered promissory notes. Naley's scheme involved falsely representing to the investors that their funds would be used to execute stock options that he purportedly owned in a publically-traded medical company known as Animated Dissection of Anatomy for Medicine Corporation ("ADAM"). Naley represented that he could buy stock options at less than their publically-traded value. He told victims he had purchased all the options he could afford to buy and offered his victims the opportunity to exercise the other options which would have purportedly allowed them to realize an instant profit. The victims, most of whom were colleagues of Naley, agreed to buy the excess stock options. ASC's investigation revealed that Naley did not have rights to purchase stock options in the company ADAM and used investor funds for unrelated purposes. The investigation also revealed that ADAM had no idea that Naley was using their company name to perpetrate a fraudulent scheme. Further, ASC records revealed that Naley was not registered to offer and/or sell securities in Alabama, as required by law.

Texas Man Arrested for Alleged Violations of Alabama Securities Act (April 19, 2013) Chinagozi Nwankwo, whose last known residence was Spring, Texas, was arrested for alleged illegal investment activities. Nwankwo was arrested March 1, 2013 by the Ferris, Texas Police Department on outstanding warrants from Jefferson County, Alabama. He waived extradition to Alabama and is being held by the Jefferson County Sheriff's Department on a $120,000 bond. An August, 2012 Jefferson County Grand Jury returned a four-count indictment against Nwankwo charging him with one count each of Sale of Unregistered Securities and Sale of Securities by an Unregistered Agent. He was also charged with two counts of Fraud in Connection With the Sale of Securities. All charges are the result of an ASC Enforcement Division investigation into complaints filed by an Alabama investor and a Nevada investor. Director Borg said that the ASC received valuable assistance from, and commends, the Ferris, Texas Police Department, the Ellis County, Texas Sheriff's Department, the U.S. Marshals Service Fugitive Task Force and the Jefferson County, Alabama Sheriff's Department for their assistance with Nwankwo's apprehension.

Jefferson County Woman Pleads Guilty to Securities Act Violation (Apr. 11, 2013) Deborah Faye Escott Lumpkin, of Jefferson County, pled guilty in Circuit Court to a single count of Fraud in Connection with the Sale of Securities, more specifically described as employing a scheme, device or artifice to defraud. Jefferson County Circuit Court Judge Tommy Nail accepted Lumpkin's plea and sentenced her to three years' incarceration, split to serve one year, with two years of supervised probation to be served up front. The Court ordered Lumpkin to make monthly restitution payments in the amount of $2,000 to the victim and ordered that the full amount must be paid during Lumpkin's two-year probationary period. Lumpkin was initially arrested Feb. 28, 2011 by Jefferson County law enforcement authorities after an ASC Enforcement Division investigation led to a February, 2011 Jefferson County Grand Jury indictment. The indictment alleged that, beginning in July 2003, Lumpkin, acting as president of Birmingham-based Helping Hands Development, LLC, defrauded a Michigan investor of $50,000 in connection with the proposed development of Senior Villas, a low-income housing project that was to be constructed in Birmingham. The ASC investigation revealed that Lumpkin failed to utilize investor funds as represented to the victim. ASC records revealed that neither Lumpkin nor her company was registered with the ASC to be able to conduct securities business in Alabama, as required by the Alabama Securities Act.

Hoover Man Gets Ten Years for Securities Fraud Scheme (Jan. 23, 2013) On Jan. 17, 2013, before Jefferson County Circuit Court Judge Tommy Nail, Spero X. Vourliotis of Birmingham was sentenced to serve 10 years in prison and ordered to pay $5,335,576 in restitution to 26 victims who lost money related to the offering and sale of investments through self-described investment clubs identified as The Cornerstone Investment Group, The Capstone Group and the Tri-Stone Group. The sentence was handed down after Vourliotis pled guilty in September 2012 to one felony count of Securities Fraud, more specifically described as Employing a Device, Scheme or Artifice to Defraud. Probation was denied and Vourliotis was remanded into custody to begin serving his prison sentence. An investigation by the ASC's Enforcement Division led to a February 2012 indictment against Vourliotis

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by a Jefferson County Grand Jury, charging that he operated a Ponzi scheme, wherein initial investors, many of whom were from Hoover, AL, were paid from capital derived from subsequent investors rather than from actual earned profits. The indictment charged that Vourliotis, acting in a management capacity, formed the Cornerstone Investment Group to pool investor capital to facilitate investments. Vourliotis hid investment losses and produced fraudulent account statements to conceal investor losses. ASC records indicated that neither Vourliotis nor the companies he represented were registered with the Commission to conduct securities business in Alabama, as required by the Alabama Securities Act. Co-defendant Carey Michael Billingsley of Rockford, Alabama, a former associate of Vourliotis, pled guilty to one felony count of Sale of Unregistered Securities in Jefferson County Circuit Court. On Nov. 5, 2012, Judge Nail sentenced Billingsley to two years in prison but suspended the sentence and placed Billingsley under three years probation. The Court ordered Billingsley to pay $350,000 in restitution to 8 investors he helped recruit into the scheme. At sentencing, Billingsley paid $50,000 of the total and will be required to pay the remaining $300,000 by June 1, 2013. Additionally, ruling on an ASC motion, the Court permanently barred Billingsley from engaging in the sale of securities. Vourliotis has also been permanently barred from engaging in the sale of securities.

Massachusetts Man Arrested In Jefferson County for Securities Act Violations (Jan. 7, 2013) Sean H. McKinney, a Boston, Massachusetts resident, was arrested for violations of the Alabama Securities Act. McKinney turned himself in to the Jefferson County Sheriff's Department on Jan, 3, 2013 based on outstanding warrants. McKinney was charged with one count each of Sale of an Unregistered Security, Sale of Securities by an Unregistered Agent and Theft of Property by Deception, 1st Degree; and two counts of Fraud in Connection with the Sale of Securities. All charges are the result of a Nov., 2012 Jefferson County Grand Jury indictment. McKinney was subsequently released on a $20,000 bond. A trial date has not been set. An ASC Enforcement Division investigation revealed that, on or about April April, 2010, McKinney allegedly offered and sold unregistered securities, in the form of investment contracts, to an Alabama investor without being properly registered with the ASC to conduct securities business in Alabama.

Lee County

Lee County Man Pleads Guilty to Securities Fraud Charges (Aug. 23, 2013) John David Stroud, a resident of Auburn, Alabama, pleaded guilty to Investment Fraud, for engaging in a scheme to defraud 12 investors by making misrepresentations about the use of investor funds. Lee County Circuit Court Judge Jacob A. Walker III accepted the plea agreement, which included a sentence recommendation by the state of Alabama Securities Commission and the District Attorney's Office, of 10 years to be served in the state penitentiary and an agreement that restitution of $2.1 million be paid to the victims. The case was presented by Alabama Securities Commission prosecutors Amanda Senn and Steve Feaga. The case was investigated by Senior Special Agent Kim Lewis and other agents in the Enforcement Division at ASC in close cooperation with District Attorney Treese and his staff. In May, 2012 a Lee County Grand Jury, indicted Stroud on seven counts of investment fraud, two counts of securities fraud, two counts of failing to register with the Alabama Securities Commission, and ten counts of theft by deception. The charges stemmed from Stroud's involvement as the owner/operator of Stroud Capital and his affiliated entities; Stroud Development Group, Stroud Capital Management, LLC, Stroud Capital Fund, LP, TS Capital Partners, LLC, TS Capital Fund, LP, and TS Capital General Partners, LLC. The companies were organized by Stroud for the purpose of accepting investor funds to trade in commodity futures and off exchange foreign currency contracts (forex). The ASC Enforcement Division investigation, along with information received from the Commodities Futures Trading Commission and the National Futures Association, as well as complaints received from investors revealed that Stroud received approximately $5.2 million from victims between 2008 and 2012. Stroud convinced these individuals to invest with him by representing to be a successful commodities trader. A former financial advisor, Stroud was able to use his credentials to mislead investors into believing he was a trustworthy custodian of their investment funds. Many of the victims borrowed from their retirement savings in order to invest with Stroud.

Lee County Man Denied Probation After Guilty Plea to Securities Charges (Dec. 10, 2012) on Dec. 5, 2012, Thomas Washington Campbell, III, of Salem, Alabama, was sentenced to serve two years' incarceration by Lee

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County Circuit Court Judge Christopher J. Hughes after pleading guilty on Oct. 3, 2012 to one felony count of Sale of Unregistered Securities. Campbell petitioned the court for probation which was denied by Judge Hughes. The Court also ordered Campbell to pay $15,284 in restitution to victims. Information obtained during an ASC Enforcement Division investigation determined that since 2005, Campbell, acting as President and CEO of TCA Investment Group, Ltd., operated an advance fee loan scheme wherein he sought victims needing financing for projects who had previously been unsuccessful with securing financing through traditional means. Campbell convinced the victims to invest by making untrue claims about his previous business successes and his ability to secure financing for his clients. Investors were told that their money was being used for processing and other fees related to securing third-party financing and that the fees would be refunded if such financing was unsuccessful. Campbell's victims did not receive the promised financing and none of the fees collected were refunded as promised. Campbell misrepresented his knowledge, experience, licensing and means to secure financing to his victims. Campbell, his company, and the securities he offered were not registered in Alabama, as required by the Alabama Securities Act.

Lee County Man Pleads Guilty to Securities Fraud (Oct. 5, 2012) on Oct. 3, 2012, Thomas Washington Campbell, III, a Salem, Alabama resident, pled guilty to a single count of Sale of Unregistered Securities and was sentenced to two years' incarceration before Circuit Court Judge Chris Hughes. An ASC Enforcement Division investigation determined that since approximately 2005, Campbell, acting as President and Chief Executive Officer of TCA Investment Group, Ltd., fraudulently obtained approximately $48,000 from more than 50 victims by representing that he could secure funding for investors seeking alternative financing for real estate development, business projects and other ventures. The scheme that Campbell ran helped fund the operation of an advance fee loan business wherein he sought out victims online who had been unsuccessful in financing their own projects through traditional means. Campbell convinced individuals to invest by making fraudulent claims of his previous business successes and his ability to secure financing for his clients. Investors were led to believe that their money was being used for processing and other fees related to securing third party financing and that said fees would be refunded if financing was unsuccessful. The investigation showed that victims who had been approved for financing did not receive any funds from Campbell and that neither Campbell nor his company are registered to conduct securities business in Alabama, as required by law. The investigation also determined that Campbell allegedly misrepresented to his victims his knowledge, experience, licensing and means to secure financing for them.

Madison County

Florida, Utah and Alabama Men Pled Guilty to Securities Violations in Madison County, Alabama (Dec. 3, 2012) Patrick Michael Daleiden, formerly of Satellite Beach, Florida, and Bruce J. Mabey, formerly a Salt Lake City, Utah resident each pled guilty to one count of securities fraud on Nov. 27, 2012. Presiding Judge William K. Bell, Madison County Circuit Court, sentenced Daleiden and Mabey (each) to a 6 year sentence that will run concurrent with the federal time to be determined and imposed by US District Judge Kristi Dubose of the Southern District of Alabama in December. With sentencing in Madison County and pending sentences in Choctaw County, Daleiden and Mabey have been ordered to pay $1,475,000 jointly in restitution to Alabama victims. Upon their entry of guilty pleas in Madison County the Madison County Sheriff will deliver them to Choctaw County jail for further sentencing. Thereafter, they are to be returned to the federal custody of the US Marshals to face their final sentences with the US District Court, Southern District of Alabama. Also involved in this scam in Choctaw County, Alabama, Matthew Arnold Gibson a Madison County resident, pled guilty to three counts of Sale of Unregistered Securities before Madison County Circuit Judge Dennis E. O'Dell on Nov. 28, 2012 the day after Daleiden and Mabey pled guilty. Gibson was sentenced to one year and one day on each count, to run concurrently. The Court suspended the sentence, placed Gibson on probation for five years and ordered him to pay restitution totaling $150,000 to several Alabama investors.

Montgomery County **Montgomery County Man Arrested for Securities Act Violations** (July 19, 2013) Reuben Max Burrow, formerly of Abilene, Texas, was arrested July 15, 2013 in Montgomery by Montgomery County Sheriff's deputies and Alabama Securities Commission Enforcement Division agents. Burrow was arrested based on indictments handed down by the April, 2013 term of the Tuscaloosa County Grand Jury and outstanding

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warrants from Tuscaloosa County. Charges against Burrow include Sale of Unregistered Securities and Conspiracy to Commit Securities Fraud, and Conspiracy to Sell Unregistered Securities and Conspiracy to Sell Securities as an Unregistered Agent. Based on a complaint filed with the ASC by an Alabama investor, between Oct., 2004 and Sep., 2011, Burrow allegedly offered and sold shares of stock in a company he represented, Nevada Precious Metals, Inc., a State of Nevada incorporated company. An ASC Enforcement Division investigation revealed that Burrow was not registered with the ASC to legally offer and/or sell stock shares, as required by the Alabama Securities Act. Further, it was revealed that Nevada Precious Metals, Inc. also was not registered with the ASC, as required by law.

Alabama Securities Commission Issues Cease and Desist Order for British-Based Profitable Sunrise (Mar.14, 2013) The Alabama Securities Commission (ASC) announced that the agency has issued a Cease and Desist Order for a Birmingham, England-based company known as "Profitable Sunrise." The company has allegedly attempted to sell unregistered investment contracts in several other states and Canadian provinces. The Alabama Cease and Desist Order specifies that the company immediately halt further offers or sales of any security within, into, or from the State of Alabama. The Cease and Desist Order lists Roman Novak and Radoslav Novak as officers of Inter Reef, Ltd., doing business as Profitable Sunrise, a company headquartered in the United Kingdom. The Order also lists Melton McClanahan and Adam York as agents of the company. An investigation of the company's actions revealed that the men allegedly promoted at least five different "investment plans" through a website used to promote Profitable Sunrise investment program and disseminate information to potential investors regarding the company's various investment opportunities. Such investment opportunities allegedly offered return rates ranging from 1.6% per business day to 2.7% per business day for periods of from between 180 to 240 business days. Investors were told that their money would be used to fund short-term, "risk-free" loans to businesses and that "all funds deposited with us are insured against loss" by a leading investment bank. Further investigation showed that victims had been instructed to wire money to financial institutions in Eastern Europe, including one bank identified as being in the Czech Republic. ASC records indicate that none of the company officers or agents named in the Order, nor the company they represent, are registered to conduct securities business in Alabama, as required by the Alabama Securities Act.

Former California Resident Arrested in Mexico on Fugitive Warrant; Faces Extradition to Alabama to Face Charges Related to Securities Act Violations (Dec. 19, 2012) Frederick Tayton Dencer, formerly of Tarzana, California, was arrested and taken into custody on Dec. 14, 2012 in Los Angeles, California by U.S. Marshals after being detained and deported by Mexican authorities based on outstanding warrants from Montgomery County, Alabama. Dencer is being held in the Los Angeles Police Department Metro Detention Center awaiting an extradition hearing scheduled for Jan. 3, 2013. Dencer was initially arrested Oct. 13, 2010 on charges related to his former business, Polymer Global Holdings, Inc. Based on an ASC Enforcement Division investigation, a 19-count indictment was returned against Dencer by a Sept., 2010 Montgomery County Grand Jury, alleging seven counts of Sale of Unregistered Securities; three counts of Sale of Securities by an Unregistered Agent; and nine counts of Fraud in Connection with the Sale of Securities. On Nov. 10, 2010, Dencer turned himself in to Montgomery County law enforcement authorities and was subsequently released on a $100,000 cash bond. According to court records, Dencer was to appear in Montgomery County Circuit Court on Feb. 27, 2012 to answer the charges but failed to appear in court. On Feb. 28, 2012, Presiding Montgomery County Circuit Court Judge Johnny Hardwick revoked Dencer's bond and issued an Alias Warrant for Dencer's immediate arrest for failure to appear. Dencer has reportedly been residing in Mexico since his release on bond in 2010. ASC began the process of locating Dencer and contacting appropriate authorities to have Dencer brought back to the United States. The 2010 Grand Jury indictment alleged that, between 2005 and 2008, Dencer, through his company, offered and sold promissory notes, put contracts and shares of his company's stock, valued collectively at approximately $650,000, to an Alabama investor. The indictment further alleged that Dencer, acting as president of Polymer Global Holdings, Inc., failed to repay the notes and put contracts to the investor as promised and further misled the investor by failing to disclose that neither he, his company nor the investments he offered and sold were registered with the ASC as required by the Alabama Securities Act. ASC records indicated that Dencer was not registered with the agency to legally conduct securities

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business within or into Alabama and there is no record of registration for the securities allegedly offered and sold. The ASC would like to thank the U.S. Department of Justice, Criminal Division; U.S. Marshals Service; Gulf Coast Regional Fugitive Task Force; U.S. Embassy Attaché Office, Mexico City; and the Mexican Immigration Service for their valuable assistance in this case.

Shelby County

Former Shelby County Man, Previously Arrested for Securities Violations, Has Bond Revoked (Dec. 4, 2012) Lysle John Fleming, previously from Shelby County and convicted of securities fraud in 2009, had his bond revoked during a Nov. 27, 2012 bond revocation hearing in Shelby County Circuit Court. The bond revocation ruling was based on new charges filed against Fleming in Jefferson County and unrelated to an earlier ASC investigation that led to a Jan., 2012 Shelby County Grand Jury indictment against him. That indictment alleged two counts each of Sale of Unregistered Securities and Sale of Securities by an Unregistered Agent. Additionally, the indictment charged Fleming with three counts of Fraud in Connection with the Sale of Securities, as well as a single count of Theft by Deception, 1st Degree. Fleming had been released on $100,000 bond for the alleged securities violations, but with the new charges against him, he will remain incarcerated in the Shelby County jail until trial in early 2013. The 2012 indictment against Fleming alleged that he committed securities fraud by soliciting funds from an Alabama investor by offering the investor an opportunity to take part in an off-shore investment opportunity that would purportedly garner swift and significant returns. The investment opportunity allegedly involved the offer and sale of unregistered promissory notes and/or investment contracts valued at approximately $430,000. In addition to the sale of unregistered securities and not being registered with the ASC to conduct securities business in Alabama, the 2012 indictment also alleged that Fleming made misleading statements and failed to disclose material facts to the investor, specifically that he had a previous conviction for securities violations in Shelby County in 2009, was ordered to pay victim restitution and was still on probation for that conviction at the time the most recent securities charges were filed against him.

(Continued on next page)

ALABAMA
Securities Commission
Joseph P. Borg, Director

ASC SPECIAL HEADLINES

NEWS RELEASES FROM FY 2013

Announcements, commentaries and investor alerts.
To read these articles and more go to:
www.asc.alabama.gov

06/17/2013 - Alabama Securities Commission Cautions Investors to be Wary of Speculative Energy investments

06/17/2013 - What are the Common ways Energy investment Products may be Offered?

05/28/2013 - Alabama Securities Commission Announces Restitution Payments to Victims of Advance-Fee Loan Scam Related to Synergy Finance Group, LLC

05/20/2013 - Alabama Securities Commission Releases Report on Investment Adviser Switch

04/02/2013 - Alabama Securities Commission Issues Investor Advisory on Private Placement Offerings.

04/02/2013 - Are You An Informed Investor - Private Placement Offerings

03/05/2013 - Alabama Investors Cautioned About Possible Fraud Tied to Foreign-based Unregistered Investment Contracts.

03/28/2013 - Securities Commission announces Grant Funded Financial Education Programs for Alabama Employees .

03/05/2013 - Alabama Investors Cautioned About Possible Fraud Tied to Foreign-based Unregistered Investment Contracts.

11/06/2012 - Alabamians Begin Receiving 5,837 Checks Totaling Over $14,200,000.00 from Morgan Keegan States' Fund Settlement.

10/31/2012 - Alabama Securities Commission Warns Investors to Watch for Sandy-Related Schemes.

ASC PERSONNEL IN THE NEWS

08/19/2013 - Alabama Securities Commission (ASC) announces the return of former Commissioner Hon. S. Dagnal Rowe, who received Governor Bentley's Letter of Appointment on August 19th to replace Commissioner Andrew P. Campbell whose term had expired.

02/26/2013 - Joseph P. Borg, Director of the Alabama Securities Commission (ASC), announced today that the Commission has promoted Kim S. Lewis to Senior Special Agent (SSA) for the Enforcement Division to replace recently retired SSA Michael Foley.

04/11/2013 - United Nations Commission on International Trade Law Invites Alabama Securities Director to Attend Meeting of Experts on International Commercial Fraud in Vienna (UNO City), Austria.

11/07/2012 - **Fairmont, WV** On October 15, 2012 the National White Collar Crime Center (NW3C) Board of Directors elected Joseph Borg, Director of the Alabama Securities Commission (ASC), as a Non-Regional Director on the Board. Since becoming Director of the Alabama Securities Commission in 1994, Borg has gained national prominence in closing down microcap stock brokerage firms and criminally prosecuting investment crooks.

10/02/2012 - Alabama Securities Commissioner, James L. Hart, has been elected to serve as Chairman by a unanimous vote of fellow ASC Commissioners. Hart is currently serving a four-year term as a member of the Commission that ends December 8, 2014.

EXAMPLES OF ASC NATIONAL NEWS COVERAGE

IAWEEK
A publication of IAWatch

January 21, 2013

State regulator's long arm of the law reaches around the globe

It's a long way from the Philippines to a jail cell in Alabama but **Scott Alan Frye** knows the journey well. "We work with our embassy" in foreign countries and the embassy staff reaches out to the local police, says **Alabama Securities Commission** Director **Joseph Borg**.

MarketWatch
THE WALL STREET JOURNAL.

2% returns a day? Run away Commentary: If it sounds too good to be true, it's probably a "HYIP"

By Chuck Jaffe, MarketWatch March 29, 2013, 7:05 a.m. EDT

"There are a lot of these programs, and we would go after every single one of them, but we don't hear about them," says Joseph Borg, state securities administrator in Alabama.

(Continued on next page)

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EVERETTE A. PRICE, Jr.
Attorney at Law

MARLENE M. McCAIN
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ALABAMA SECURITIES COMMISSION MEETING
December 9, 2012

The Alabama Securities Commission held a meeting on December 9, 2012 at 10:00 a.m. which was conducted in the conference room located in the Alabama Securities Commission offices on the 2nd Floor of the Center for Commerce Building, 401 Adams Avenue, Montgomery, Alabama. Notice of the time and place of this meeting was published in the Montgomery Advertiser, Birmingham, News/Post Herald, Huntsville Times, Mobile Register and the Secretary of State.

Commission Members Present:

Hon. James Hart, CPA
Hon. Kevin Turner (Representing the Attorney General)
Hon. Everette Price, Jr., Attorney at Law

Hon Reyn Norman (Representing Insurance Commission) (Non-Voting)
Hon. Elizabeth Bressler (Representing Banking Commission) (Non-Voting)

Commission Members Absent:

Hon. John Harrison (Banking Commissioner)
Hon. Jim Ridling (Insurance Commissioner)
Hon. Marlene McCain, CPA
Hon. Andrew Campbell, Attorney at Law

Staff Members Present Were:

Joseph P. Borg, Director
Stephen Feaga, Deputy Director Enforcement
Christie Rhodes, Executive Assistant

Guests:

Ms. Peggy Rossmanith (Student, Insurance)

The meeting was called to order at 10:05 p.m. by Mr. Hart, Chairman and the Chair notes that there is a quorum present and a motion was made by Mr. Price to approve the meeting agenda and was seconded by Mr. Turner. The motion carried unanimously. Mr. Hart then asked for a motion to approve the minutes of the previous meeting held on September 25, 2012. The motion was made by Mr. Price and seconded by Mr. Turner. The motion carried unanimously.

At this time, the monthly report was discussed by Director Borg. Director Borg reported on Commission revenues, expenses and personnel. Borg continued on through the Registration Division, Enforcement Division, Data Systems and Education and Training activities of the monthly report. After the report was given, Director Borg informed the Commission that Special Agent Kim Lewis had been promoted to Senior Special Agent in the vacancy left by the retirement of J. Michael Foley. SA Lewis introduced himself to the Commission and gave a brief description of his past employment history prior to and including his service to the ASC.

Director Borg then spoke to the Commission concerning a proposed order regarding the implementation of certain performance fees. At the conclusion of the discussion, a motion was made by Commissioner Price to adopt the Order and was seconded by Mr. Turner and the Order was officially adopted.

Director Borg then advised the Commission that pending litigation and confidential enforcement matters needed to be discussed. Accordingly, Mr. Turner (a licensed attorney in Alabama), certified that one of the exceptions of the Open Meetings Act applies, in that pending litigation will be discussed and at this time. Mr. Turner moved to go into Executive Session. Said motion was seconded by Mr. Price and the meeting went into Executive Session at 10:50 a.m. after a unanimous vote of all present Commissioners.

At 11:25 a.m., the open meeting was reconvened and the Executive Session ended by motion of Mr. Turner and seconded by Mr. Price and a unanimous vote by all present

Commissioners. Each Commissioner that was present at the beginning of the Executive Session was present when the Executive Session ended at 11:25 a.m.

The final meeting item was a motion to pay expenses for the Commissioners. Motion was made by Mr. Price and seconded by Mr. Turner. The motion carried unanimously. Motion to Adjourn was then made by Mr. Turner and seconded by Mr. Hart and was unanimously carried. The meeting adjourned at 11:26 a.m.

JAMES HART
CHAIRMAN

JOSEPH P. BORG
DIRECTOR

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Attorney at Law

EVERETTE A. PRICE, Jr.
Attorney at Law

MARLENE M. McCAIN
Certified Public Accountant

ALABAMA SECURITIES COMMISSION MEETING
March 13, 2013

The Alabama Securities Commission held a meeting on March 13, 2013 at 10:00 a.m. in the main conference room of the Alabama Securities Commission offices, 2nd Floor of the Center for Commerce Building, 401 Adams Avenue, Montgomery, Alabama. Notice of the time and place of this meeting was published in the Montgomery Advertiser, Birmingham, News/Post Herald, Huntsville Times, Mobile Register and the Secretary of State.

Commission Members Present:

Hon. James Hart, CPA - Chairman
Hon. Kevin Turner (Representing the Attorney General)
Hon. John Harrison (Banking Commissioner)
Hon Reyn Norman (Representing Insurance Commission) (Non-Voting)
Hon. Marlene McCain, CPA

Commission Members Absent:

Hon. Everette Price, Jr., Attorney at Law
Hon. Jim Ridling (Insurance Commissioner)
Hon. Andrew Campbell, Attorney at Law

Staff Members Present Were:

Joseph P. Borg, Director
Edwin Reed, Deputy Director, Administration
Christie Rhodes, Executive Assistant

The meeting was called to order at 10:05 p.m. by Mr. Hart, Chairman and the Chair notes that there is a quorum present and a motion was made by Mr. Turner to approve the meeting

agenda and seconded by Mr. Harrison. The motion carried unanimously. Mr. Hart then asked for a motion to approve the minutes of the previous meeting held on December 9, 2012. The motion was made by Ms. McCain and seconded by Mr. Turner. The motion carried unanimously.

At this time, the monthly report was discussed by Director Borg. Director Borg reported on Commission revenues, expenses and personnel. Borg continued on through the Registration Division, Enforcement Division, Data Systems and Education and Training activities of the monthly report. After the report was given, Director Borg informed the Commission about some education initiatives the ASC has planned with members of the Legislature. There was also a brief discussion on various legislative bills of interest to the ASC, including the current status of discussion with the Governor's Office, Senate and House leadership concerning ASC's budget for 2014. The ASC IT Department delivered (transfer) 3 labtops, which were replaced as per ASC equipment schedule, to the Alabama Legislature. Discussion also included the receipt of an IPT (Investor Protection Trust) grant for 500 slots for on-line investor education training which availabiity is being communicated to Alabama businesses for their employees. Director Borg also informed the Commission that he has been invited to resume his position as a U.S. delegate to the United Nations Committee on International Trade and Law. The Director informed the Commission about certain pending and completed administrative and criminal cases. No Executive Session was necessary for this discussion as all cases were a matter of public record. The Director also discussed a recent Public Warning involving an overseas investment being marketed in Alabama and separately a company allegedly conducting gold mining operations in Alabama.

The final meeting item was a motion to pay expenses for the Commissioners. Motion was made by Mr. Harrison and seconded by Mr. Turner. The motion carried unanimously.

Motion to Adjourn was then made by Mr. Turner and seconded by Mr. Harrison and was unanimously carried. The meeting adjourned at 10:30 a.m.

JAMES HART
CHAIRMAN

JOSEPH P. BORG
DIRECTOR

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Attorney at Law

EVERETTE A. PRICE, Jr.
Attorney at Law

MARLENE M. McCAIN
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ALABAMA SECURITIES COMMISSION MEETING
June 19, 2013

The Alabama Securities Commission held a meeting on June 19, 2013 at 10:30 a.m. in the main conference room of the Alabama Securities Commission offices, 2nd Floor of the Center for Commerce Building, 401 Adams Avenue, Montgomery, Alabama. Notice of the time and place of this meeting was published in the Montgomery Advertiser, Birmingham, News/Post Herald, Huntsville Times, Mobile Register and the Secretary of State.

Commission Members Present:

Hon. James Hart, CPA - Chairman
Hon. Jim Ridling (Insurance Commissioner)
Hon Reyn Norman (Representing Insurance Commission) (Non-Voting)
Hon. Marlene McCain, CPA
Hon. Everette Price, Jr., Attorney at Law

Commission Members Absent:

Hon. Kevin Turner (Representing the Attorney General)
Hon. John Harrison (Banking Commissioner)
Hon. Andrew Campbell, Attorney at Law

Staff Members Present:

Joseph P. Borg, Director
Edwin Reed, Deputy Director, Administration
Steve Feaga, Deputy Director, Enforcement
Christie Rhodes, Executive Assistant

The meeting was called to order at 10:32 a.m. by Commissioner Hart, Chairman and the Chair notes that there is a quorum present and a motion was made by Commissioner Price to

approve the meeting agenda and seconded by Commissioner McCain. The motion carried unanimously. Commissioner Hart then asked for a motion to approve the minutes of the previous meeting held on March 13, 2013. The motion was made by Commissioner McCain and seconded by Commissioner Price. The motion carried unanimously.

At this time, the monthly report was discussed by Director Borg. Director Borg reported on Commission revenues, expenses and personnel. Director Borg discussed the ASC budget for the coming year. The Commissioners were advised about the Governor's request to dip into the Commission's cash reserves. Borg related to the Commission the discussions and compromise made between the legislature, the Governor's office and the ASC. Borg continued on through the Registration Division, Enforcement Division, Data Systems and Education and Training activities of the monthly report.

After the report was given, Director Borg informed the Commission concerning Hon. Dag Rowe's reappointment to the Commission upon the expiration of Commissioner Campbell's term and his subsequent resignation.

Director Borg also informed the Commission about the Fleet Management's plan to consolidate state vehicles. At this time, the ASC has been notified by the Governor's office that it will be exempt from any such action.

The Commissioners were informed that the final Annual Report had been delivered to them in their meeting notebooks.

Director Borg then advised the Commission that pending litigation and confidential enforcement matters needed to be discussed. Accordingly, Deputy Director Reed (a licensed attorney in Alabama), certified that one of the exceptions of the Open Meetings Act applies, in that pending litigation will be discussed and at this time. Commissioner Price moved to go into Executive Session. Said motion was seconded by Commissioner Ridling and the meeting went into Executive Session at 11:24 a.m. after a unanimous vote of all present Commissioners.

At 11:31 a.m., the open meeting was reconvened and the Executive Session ended by motion of Commissioner Price and seconded by Commissioner McCain and a unanimous vote by all present Commissioners. Each Commissioner that was present at the beginning of the Executive Session was present when the Executive Session ended at 11:31 a.m.

The final meeting item was a motion to pay expenses for the Commissioners. Motion was made by Commissioner Ridling and seconded by Commissioner Price. The motion carried unanimously. Motion to Adjourn was then made by Commissioner Ridling and seconded by Commissioner Price and was unanimously carried. The meeting adjourned at 11:40 a.m.

JAMES HART
CHAIRMAN

JOSEPH P. BORG
DIRECTOR

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ANDREW P. CAMPBELL
Attorney at Law

EVERETTE A. PRICE, Jr.
Attorney at Law

MARLENE M. McCAIN
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ALABAMA SECURITIES COMMISSION MEETING
September 9, 2013

The Alabama Securities Commission held a meeting on September 9, 2013 at 10:30 a.m. in the main conference room of the Alabama Securities Commission offices, 2nd Floor of the Center for Commerce Building, 401 Adams Avenue, Montgomery, Alabama. Notice of the time and place of this meeting was published with the Secretary of State.

Commission Members Present:

Hon. James Hart, CPA - Chairman
Hon. Jim Ridling (Insurance Commissioner)
Hon. John Harrison (Banking Commissioner)
Hon. Marlene McCain, CPA
Hon. Everette Price, Jr., Attorney at Law
Hon. Dag Rowe, Attorney at Law

Commission Members Absent:

Hon. Kevin Turner (Representing the Attorney General)

Staff Members Present:

Joseph P. Borg, Director
Edwin Reed, Deputy Director, Administration
Steve Feaga, Deputy Director, Enforcement
Christie Rhodes, Executive Assistant

The meeting was called to order at 10:32 a.m. by Commissioner Hart, Chairman and the Chair notes that there is a quorum present. Chairman Hart welcomes new Commissioner, Dag Rowe. Commissioner Rowe is back on the Commission for a second term and was welcomed

back. A motion was made by Commissioner Price to approve the meeting agenda and seconded by Commissioner Ridling. The motion carried unanimously. Commissioner Hart then asked for a motion to approve the minutes of the previous meeting held on March 13, 2013. The motion was made by Commissioner McCain and seconded by Commissioner Price. The motion carried unanimously.

At this time, the monthly report was discussed by Director Borg. Director Borg reported on Commission revenues, expenses and personnel. Director Borg discussed the Accounting Department report, the Registration Division statistics and Enforcement Division cases. Data Systems is working on a small glitch in the Blue Express system for mutual fund filings. Dan Lord, Public Affairs Manager presented to the Commissioners an overview of the ASC's Education and Training activities.

After the Monthly Report, Director Borg informed the Commissioners on the upcoming "crowdfunding" issue and submitted a draft proposal for a new statutory exemption. Discussion on the subject ensued and the Commissioners were asked to review the proposal and to address any questions or comments concerning the proposed proposal in the coming weeks.

Director Borg then advised the Commission that pending litigation and confidential enforcement matters needed to be discussed. Accordingly, Deputy Director Reed (a licensed attorney in Alabama), certified that one of the exceptions of the Open Meetings Act applies, in that pending litigation will be discussed and at this time. Commissioner Price moved to go into Executive Session. Said motion was seconded by Commissioner McCain and the meeting went into Executive Session at 11:40 a.m. after a unanimous vote of all present Commissioners.

At 11:51 a.m., the open meeting was reconvened and the Executive Session ended by motion of Commissioner Price and seconded by Commissioner McCain and a unanimous vote by all present Commissioners. Each Commissioner that was present at the beginning of the Executive Session was present when the Executive Session ended at 11:51 a.m.

The final meeting item was a motion to pay expenses for the Commissioners. Motion was made by Commissioner Ridling and seconded by Commissioner Harrison. The motion carried unanimously. Motion to Adjourn was then made by Commissioner Price and seconded by Commissioner McCain and was unanimously carried. The meeting adjourned at 11:52 a.m.

JAMES HART
CHAIRMAN

JOSEPH P. BORG
DIRECTOR

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S. DAGNAL ROWE
Attorney at Law

THE ASC MISSION IS TO PROTECT INVESTORS FROM SECURITIES FRAUD AND PRESERVE LEGITIMATE CAPITAL MARKETS IN ALABAMA.

Visit the ASC website at www.asc.alabama.gov to protect yourself from securities fraud and to learn how to make an informed investment decision.

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