

Serving, Protecting and
Informing Citizens of Alabama...

Mission

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



ANNUAL REPORT

Fiscal Year Ending
September 30, 2008

MISSION & OVERVIEW

The Alabama Securities Commission's (ASC) mission is 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.

The ASC strives, at both the state and national levels, to 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 Revenue Bonds. These laws empower the ASC to exercise jurisdiction over securities offered, issued and sold in Alabama 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, that are not exempt, prior to their public sale;
- By requiring the licensing of dealers, agents, investment advisors and investment advisor representatives and by regulating their activities;
- By providing civil remedies for violations of the Act;
- By providing administrative, civil and criminal penalties for those who participate in the unlawful sale of securities: and,
- By providing financial education and promoting financial literacy in Alabama.

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.



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	<u>Page</u>
Overview	
Statutory Authority	1
Purpose	2
ASC Commission	3
Personnel	4
Director's Commentary	5-6
Education and Public Affairs Annual Update	7-9
North American Securities Administrators Association	10-11
Appropriation Description	12
Fee Schedule	13-15
Alabama Securities Commission Statistics	16-19
Financial Statement/Revenues & Expenditures	20
Enforcement Division Activity	21
ASC Enforcement and Action Headlines	22-25
Special Headlines: Announcements, Commentaries, Alerts	26
ASC in National News Media	27
Registration and Exemption Activity	28
Industrial Revenue Bonds	29
Rules and Policies	30
Commission Meeting Minutes	Attached

Prepared and submitted pursuant to *Code of Alabama, 1975*, § 8-6-53(d).

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 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

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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 Attorneys and two Certified Public Accountants.

The Commission is functionally divided into the following six 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 in, or to, 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 character of the transaction, registration is not deemed to be necessary in the public interest or for the protection of investors.

With respect 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, including debt management of credit counseling services.

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 along 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 2007-2008 were:

ACTIVE

MARCUS J. WOLF Chairman	Certified Public Accountant Montgomery, Alabama	05/08 - Present
DANIEL C. HARDMAN, CPA Vice Chairman	Certified Public Accountant Birmingham, Alabama	03/02 - Present
TROY KING, ESQ., Member	Attorney General Montgomery, Alabama	03/04 - 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
ANDREW P. CAMPBELL, Member	Attorney at Law Birmingham, Alabama	05/08 - Present
S. DAGNAL ROWE, SR., Member	Attorney at Law Huntsville, Alabama	06/08 - Present

PAST

HAROLD B. KUSHNER, JR., Chairman	Attorney at Law Birmingham, Alabama	03/01 - 05/08
J. WRAY PEARCE, CPA, Vice Chairman	Certified Public Accountant Birmingham, Alabama	05/01 - 05/08
WALTER A. BELL, Member	Commissioner of Insurance Montgomery, Alabama	01/03 - 09/08
TYRONE C. MEANS, Member	Attorney at Law Montgomery, Alabama	05/01 - 06/08

ASC PERSONNEL

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Directorate

Joseph P. Borg, Director
Christie A. Rhodes, Executive Assistant II
Sarah J. Pike, Admin. Support Asst. II

Legal Division

J. Randall McNeill, Deputy Director
Jane L. Brannan, Attorney III
Edwin L. Reed, Attorney III
Leslie D. Worrell, Attorney I/II
Kimathy J. Booher, Legal Research Asst.
Marion D. Newcomb, Legal Research Asst.

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

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

Ricky G. Locklar, 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
Kimberly S. Lewis, Special Agent
Michael D. Wilkerson, Special Agent
Rossie L. Peters, Special Agent
Nelson D. Williams, Special Agent

Patrisa J. Elmore, Executive Secretary
Anita F. Wilkerson, ASA III
Dawn M. Matthews, ASA III
Carrie L. Springer, ASA II

Registration Division

Rena H. Davis, Registration
Manager; Examinations

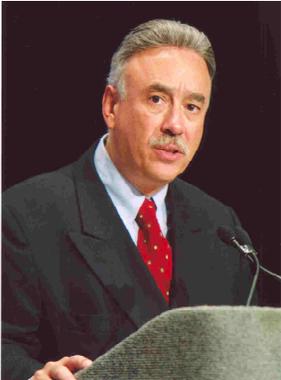
Marilyn D. Bullard, Securities Analyst
Marvernitha B. Kyles, Securities Analyst
Sandra D. Smith, Securities Analyst
Lauren W. Hitt, State Professional Trainee
Teri T. Johns, ASA III

Patricia J. Wilson, ASA II
Ashlee S. Brereton, ASA II

Lisa M. Tolar, Registration
Manager; Licensing

Spencer D. Lee, Securities Analyst
LaShonda D. Moultrie, Securities Analyst
Robert W. Sharp, Securities Analyst
Tina M. Tell, Securities Analyst
Mary G. Rollan, ASA II

ALABAMA SECURITIES COMMISSION



Joseph P. Borg

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

DIRECTOR'S COMMENTARY

The Alabama Securities Commission takes pride in serving the citizens of Alabama as the first line of defense against securities fraud and as a valuable resource for financial and fraud prevention education. During the past fiscal year, the ASC and its staff have acted vigorously to protect our citizens through aggressive but equitable enforcement of the Alabama Securities Act, through timely and efficient licensing, registration, examination and insightful education initiatives.

As the nation's financial industry emerges from the dark days and sobering events of the past year, the ASC, now, more than ever, is committed to be the strongest possible advocate for Alabama citizens to help protect them from financial fraud and to ensure their hard-earned dollars can be spent in fair and principled investment opportunities. The collective efficiency demonstrated by our Enforcement and Registration Divisions and the Office of General Counsel ensures stringent but reasonable requirements for financial professionals wishing to conduct business in Alabama and expedites the investigation of complaints from those who may have been victimized.

When appropriate, the ASC seeks punishment of, and restitution from, financial criminals who attempt to defraud our citizens (See Enforcement Headlines, starting on page 22). As evidenced by the chaotic events currently influencing financial markets, the problems of Wall Street have a disruptive effect on Main Street citizens here in Alabama and nationwide. The Commission's experience with local, state, national and international financial services issues uniquely qualifies us to support and sustain investor protection for all Alabamians. To this end, we have pledged to continue our close collaboration with agencies such as the Alabama Department of Education, the Alabama Jump\$tart Coalition and the Investor Protection Trust to deliver the most timely, appropriate and insightful personal financial education and outreach opportunities to all segments of our state's population.

Concurrently, our participation in the leadership of the North American Securities Administrators Association (NASAA) enables us to proactively address the concerns of Main Street investors and to seek a stronger, more comprehensive and efficient approach to financial reform and regulation so that the adversities of the past are not revisited on succeeding generations.

Given a deteriorated economy and increased consumer skepticism, fraudulent investment activities abound and older Americans are the primary targets for unscrupulous promoters and salespeople. In Alabama, the ASC strives to provide fraud prevention education to our senior citizens to help them make informed investment decisions that could safeguard their retirement assets. One such important education initiative focuses on "free lunch" investment seminars and other deceptive practices used by promoters to sell inappropriate or unsuitable investments to seniors. The Commission

(Continued on next page)

DIRECTOR'S COMMENTARY *(Continued)*

partnered with AARP to launch the Free Lunch Monitor Program in Alabama. The program instructs seniors how to determine if investment strategies and money managing techniques touted at free lunch events conform to securities laws and regulations and how to report exaggerated or misleading advertising claims and suspected investment fraud to regulatory authorities

The ASC, together with other state and provincial securities regulators, have extensive experience on the front lines of investor protection—experience that builds leadership on issues of real concern to Main Street investors. To further serve and protect our state's investors, the ASC fully supports a body of core principles for regulatory reform, proposed by NASAA, and developed to bring to light and correct the flaws inherent in the current financial regulatory structure. To best meet the needs of our investors, our financial markets and our economy, state and federal policymakers, as well as self-regulatory organizations, must work expeditiously to guarantee that financial regulation, first and foremost, serves the vital interests of individual investors. Building a collaborative, efficient and comprehensive system of financial services regulation designed to protect Main Street investors can be achieved by adhering to the following core principles of regulatory reform:

- Preserve and enhance collaboration between state and federal regulatory agencies in order to protect the integrity of the marketplace and to shield investors from fraud.
- Streamline the collaborative system through improved interagency communication and monitoring practices to detect risk in financial markets, share findings with one another and develop coordinated responses.
- Close regulatory gaps between market segments by subjecting all financial products, services and participants to consistent regulatory scrutiny.
- Hold all financial sectors to more stringent standards of accounting and conduct and use “principles” to complement regulations, not replace them.
- Toughen enforcement and increase punishment for those who violate securities laws and abuse consumers' trust.

The Alabama Securities Commission is fully committed to sustaining investor confidence that is crucial to the recovery and long-term prosperity of our capital markets. Success in this endeavor will require continued perseverance against illegal and unethical financial practices, continued promotion of investor protection legislation, supporting efficient, effective regulatory actions to keep pace with the dynamic changes taking place on the financial landscape, controlling fraudulent practices through aggressive enforcement and promoting and providing personal finance, investor, and fraud prevention education to the citizens of Alabama.

Investor Education and Fraud Prevention Outreach Program

Promoting Investor Protection Through Instruction and Preparation Education and Public Affairs Office

The ASC's Education Office serves a fundamental but indispensable service pursuant to the agency's mission to protect investors from securities fraud and to preserve legitimate capital markets in Alabama.

During the past year, ASC's Education Office has promoted personal finance, investor, and fraud prevention education to citizens throughout Alabama, representing almost every age group. Educational outreach was provided to three distinct target groups: high school through college youth, working adults in affinity groups and seniors 50 years of age and older. The following paragraphs describe outreach activities tailored by group to provide effective information and education opportunities.

Youth and Student Programs

The ASC's Education Office is an active member of the Alabama JumpStart Coalition and works with other business, government and nonprofit agencies to promote financial literacy programs geared toward public and



Hoover High School Financial Academy Visit ASC

private middle and high school 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.

High School students and teachers from all over Alabama visit the Commission at no cost other than to provide their own transportation and lunch. Typical field trips last about four hours and may include over two hours of personal finance, investor education, and information about how ASC regulates the securities industry in Alabama. High School teachers may call 1-800-222-1253 and ask for the Education and Public Affairs Office to schedule a tailor made field trip.

Affinity Group Programs

The ASC Education Office has enjoyed tremendous success in carrying the Commission's investor education and fraud prevention initiatives to affinity groups throughout the state. Affinity groups are business, civic, religious, fraternal or other stakeholder organizations with common interests or goals. These groups are typically comprised of working Alabamians who invest in securities, assume certain levels of financial risk and can become involved in investment ventures that may or may not be legitimate. Presentations were made to Chambers of Commerce, Alabama State employee organization members of ASEA or ARSEA, real estate investment clubs, attorneys, civic leaders, Rotary, Lions and Kiwanis Clubs, college business and finance students and instructors and Area Agency on Aging senior citizen service providers, among others.

Adult and Senior Citizens Programs

Adults and senior citizens, aged 50 and older, comprise the fastest growing segment of our state and national population and hold a majority of the personal wealth. The ASC, as part of its mission, strives to make certain that Alabama's senior investors do not fall prey to unscrupulous and illegal investment schemes. The ASC Education Office partnered with the Alabama Department of Senior Services, The Alabama Attorney General's office, the Alabama Cooperative Extension System (ACES), AARP Alabama and other agencies to conduct adult and senior citizen outreach events throughout Alabama to promote personal finance skills, investor education and fraud prevention. ASC provided highly qualified staff members to make presentations and offered free printed and electronic educational materials for Alabama citizens.

(Continued on next page)

Investor Education and Fraud Prevention Outreach Program

Summary of Key Investor Education Activities Record of Alabama Securities Commission Presentations (Fiscal Year 2008)

<u>Date</u>	<u>County</u>	<u>Place</u>	<u>#</u>	<u>Audience Type</u>
9/29/2008	MONTGOMERY	Montgomery, AL at the Commission	30	High School Students from Mobile, AL
9/26/2008	CLEBURN	Heflin, AL, Recreation Center	15	ACES Estate Planning seminar for seniors
9/25/2008	JEFFERSON	Bessemer, AL UAB Medical West	15	AARP & ASC - Seniors from the community
9/22/2008	MARSHALL	Guntersville, AL State Park Lodge	200	ARSEA senior members state wide
9/21/2008	MACON	Tuskegee, AL - Cooperative Ext Office	13	Rising Star Invest Club - seniors
9/12/2008	MARENGO	Demopolis, AL at the Sport Plex	18	ACES Estate Planning seminar for seniors
9/5/2008	ST. CLAIR	Odenville, AL -Bethel Baptist Church	60	ACES Estate Planning seminar for seniors
8/29/2008	DALE	Ozark Alabama	25	ACES Estate Planning seminar for seniors
8/22/2008	HALE	Greensboro, Alabama	35	ACES Estate Planning seminar for seniors
8/15/2008	RUSSELL	Phenix City, AL	97	ACES Estate Planning seminar for seniors
8/6/2008	SHELBY	Columbiana, AL	36	ACES Estate Planning seminar for seniors
8/5/2008	WALKER	Jasper, AL	15	AARP & ASC - Seniors from the community
7/24/2008	TUSCALOOSA	Tuscaloosa, AL partnered with AARP	24	AARP & ASC - Seniors from the community
7/22/2008	JEFFERSON	Birmingham, AL at BJCC, Bus Tech Teachers	450	Business Technical Teachers & Jump\$tart
7/15-16/08	MOBILE	Mobile, AL at the Renaissance Hotel	60	School teacher breakout seminars
7/14/2008	DALE	Dothan, AL at Troy University Campus with AARP	50	AARP & ASC - Seniors from the community
7/11/2008	WALKER	Jasper, AL	60	ACES Estate Planning seminar for seniors
7/9/2008	DEKALB	Ft. Payne, Western Sizzlin with AARP	6	AARP & ASC - Seniors from the community
6/23/2008	MONTGOMERY	Montgomery, AL at TrenholmTech	28	High School Students, Parents, Faculty
6/23/2008	MONTGOMERY	Montgomery, AL at the Commission	28	High School Students from Trenholm
6/19/2008	ELMORE	Millbrook, AL at the Civic Center	50	Millbrook Area Chamber of Commerce
6/11/2008	ETOWAH	Gadsden, AL - Senior Activity Building	130	ADSS-ASC Seniors from t community
6/6/2008	CHILTON	Clanton, AL - City Hall	35	ACES Estate Planning seminar for seniors
5/23/2008	PIKE	Pike County Economic Dev. Center	28	ACES Estate Planning seminar for seniors
5/17/2008		Sandestin, FL Alabama State Bar, Young Lawyers	30	Presentation to new lawyers
5/15/2008	ELMORE	Tallassee, AL at Talisi Hotel	50	Chamber of Commerce Leaders Elmore Cty
5/9/2008	CLAY	Lineville, AL at First United Methodist Church	18	ACES Estate Planning seminar for seniors
5/6-7/08	MADISON	Huntsville, AL - Senior Expo 2008 at Von Braun	1000	10,000 plus attended; spoke to 1,000
5/2/2008	BLOUNT	Oneonta, AL at Twin Oaks at Heritage	60	ACES Estate Planning seminar for seniors
4/26/2008	MONTGOMERY	Montgomery, AL at Madison Hotel	100	Seminar for Cont. Society, Inc. adults
4/23/2008	BARBOUR	Eufaula/Barbour County Chamber of Commerce	25	ACES Estate Planning seminar for seniors
4/22/2008	JEFFERSON	Birmingham, AL at St Lukes Church,	35	Seniors Organization at the church
4/19/2008	MONTGOMERY	Montgomery, AL - Southland Middle School	35	All ages from community and sororities
4/18/2008	JEFFERSON	Birmingham, AL at BJCC	80	FBLA High School students/teachers
4/9/2008	MONTGOMERY	Montgomery, AL at Gordon Persons Building	30	AL State Emp. Assn. chapter members
4/8/2008	CALHOUN	Oxford, AL - Oxford Civic Center	110	Calhoun/Cleburne/Talladega Cty seniors
4/4/2008	BALDWIN	Foley, AL - John Archer Agriculture Building	40	Seniors from Baldwin/Mobile Counties

(Continued on next page)

Investor Education and Fraud Prevention Outreach Program

Summary of Key Investor Education Activities *(Continued)*
 Record of Alabama Securities Commission Presentations
 (Fiscal Year 2008)

<u>Date</u>	<u>County</u>	<u>Place</u>	<u>#</u>	<u>Audience Type</u>
4/2-3/2008	JEFFERSON	Birmingham, AL at Winfrey Hotel	40	Alabama Gerontological Society conference
4/3/2008	JEFFERSON	Bessemer, AL at Public Library	35	Bessemer/West Jefferson AARP (seniors)
3/24/2008	TUSCALOOSA	Tuscaloosa, AL - Bryant Conf. Center	70	DECA State Conf. for high school students
3/21/2008	SUMTER	Livingston, AL at University of West Alabama	30	Seniors from Sumter County area
3/19/2008	CALHOUN	Glencoe, AL at N. Baptist Church	100	Students from Etowah Cty Schools
3/12/2008	MONTGOMERY	Montgomery, AL at RSA Plaza - Working Lunch	30	SEC Chair, NASAA, Ed Partners
3/11/2008	JEFFERSON	Birmingham, AL at Samford University	125	Business Students and Faculty
3/7/2008	BALDWON	Foley, AL at Civic Center	15	ACES Seniors from local community
3/4/2008	MADISON	Huntsville, AL at Heritage Club	35	Fin&Est Planning Council Huntsville
3/4/2008	JEFFERSON	Birmingham, AL at Vestavia Hills Country Club	25	Alabama Profit Sharing Council
2/28/2008	MADISON	Huntsville, AL Fin and Estate Planning Council	125	Fin Industry - BD, IA, Ins etc.
2/28/2008	JEFFERSON	Center Point, AL at court house	250	Partner with AG to reach seniors
2/27/2008	MONTGOMERY	Montgomery, AL at the Commission	16	High School students-Oak Mtn.
2/6/2008	BULLOCK	Union Springs, AL at Great S. Outdoors	35	ACES Estate Planning seminar for seniors
1/29/2008	CHEROKEE	Centre, AL at Church "The Rock"	175	ACES & ASC - 10th graders from 5 schools
1/29/2008	MONTGOMERY	Montgomery, AL at Shiloh Baptist Church	280	Partner with AG to reach seniors
1/28/2008	JEFFERSON	Homewood, AL - Senior Center	120	Real Estate Investment Club
1/28/2008	LIMESTONE	Athens, AL Senior Center	180	Partner with AG to reach seniors
1/25/2008	MOBILE	Mobile, AL	175	Partner with AG to reach seniors
1/15/2008	JEFFERSON	Birmingham, AL at the Harbert Center,	50	Rotarians (Rotarack Youth)
1/11/2008	CHAMERS	Valley, AL at Chamber's Library	67	ACES Estate Planning seminar for seniors
12/7/2007	MONTGOMERY	Montgomery, AL at RSA Plaza Terrace	30	Profession Auditor and Fin. Institution Club
12/4/2007	LEE	Auburn, AL - AARP Club Meeting	25	Adult citizens from local community
11/30/2007	ETOWAH	Gadsden, AL - Estate Planning/Investing	18	ACES Estate Planning seminar for seniors
11/19/2007	BALDWIN	Point Clear, AL - Alabama DA's Association	60	District Attorneys from Alabama
11/16/2007	MADISON	Huntsville, AL - Estate Planning/Investing	80	ACES Estate Planning seminar for seniors
11/16/2007	DALE	Ozark, AL at Senior Center	160	ADSS-ASC Senior Citizens
11/15/2007	BUTLER	Greenville, AL at First Baptist Church	80	ADSS-ASC Senior Citizens
11/14/2007	MONROE	Monroeville, AL at Vanity Fair Community House	60	ADSS-ASC Senior Citizens
11/13/2007	MOBILE	Mobile, AL at Tillman's Corner-Community Center	200	ADSS-ASC Senior Citizens
11/9/2007	MONTGOMERY	Montgomery, AL at RSA Plaza,	40	High School Field Trip from Dothan, AL
11/7/2007	CALHOUN	Anniston, AL	30	AARP & ASC - Seniors from the community
10/29/2007	HOUSTON	Dothan, AL at Flowers Hospital	70	Seniors - Partner with AG King's office
10/24/2007	MONTGOMERY	Montgomery, AL- ACES & AARP Inv Univ,	75	Partner with ACES & AARP—Seniors
10/19/2007	MOBILE	Mobile, AL at ASEA Annual Convention	400	Working and retired state employee's union
10/16/2007	MONTGOMERY	Montgomery, AL at RSA Plaza	40	High School Field Trip from Hoover, AL
10/2/2007	JACKSON	Scottsboro, AL - at new chapter meeting	25	AARP & ASC - Seniors from the community

TOTAL NUMBER OF EVENTS: 74

TOTAL NUMBER OF CITIZENS REACHED: 6492



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 programs relating to 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.

Joseph P. Borg became President-elect for NASAA in September 2005 and assumed the Presidency in September 2006 for a one-year term ending October 1, 2007. Borg's tenure as NASAA President marks his second term in the position and he is only the second two-term president of the organization in its 89-year history. Borg was first elected President of NASAA in 2001, completing his one-year term in October of 2002. During FY 2007-2008, Borg was reelected to NASAA's Board of Directors and is Chair of NASAA's International Committee.

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

The Alabama Securities Commission (ASC) is especially proud that in January, 2008, NASAA presented its highest Enforcement award to ASC's Senior Special Agent Rick Locklar for outstanding service to investors all across America.

NASAA programs are carried out through its various committees. During FY 2007-2008, ASC staff served on, or participated with, the following NASAA committees: Special Projects Development and Coordination, Affinity and Military Outreach, Investment Adviser Zones, and Litigation Forum.

The Commission intends to continue active participation on various NASAA committees, which, in coordination with the SEC, FINRA, NASDAQ and 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.

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NASAA Insight

The Voice of State & Provincial Securities Regulation

NASAA

Spring / 2008

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HEADLINE EXCERPTS—SAMPLE OF NASAA INVOLVEMENT

NASAA 2008 Public Policy Conference:

U.S. Sen. Reed Delivers Opening Address at NASAA Public Policy Conference



“Events of the past year have shown that market discipline cannot be a substitute for good, sound regulation and rules.”



SEC Chairman Cox:

“We’re Proud to be Your Partners”

NASAA, SEC & FINRA Set Next Steps to Protect Senior Investors

SPECIAL REPORT: A Pro-Investor Legislative Agenda

ALABAMA SECURITIES COMMISSION REGULATORY SERVICES PROGRAM

APPROPRIATION DESCRIPTION

The Alabama Securities Commission 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 advisors and investment advisor 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.

ASC FEE SCHEDULE

FILING	DEFINITION	FEE	AUTHORITY
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) <i>Code of Alabama, 1975</i>
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 \$1000	§ 8-6-8(d) <i>Code of Alabama, 1975</i>
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 \$1000	§ 8-6-8(d) <i>Code of Alabama, 1975</i>
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), <i>Code of Alabama, 1975</i>
	(2) Regulation D filing under Rules 505 and 506	\$250	§ 8-6-11(c), <i>Code of Alabama, 1975</i> 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.	\$250	§ 8-6-11(c), <i>Code of Alabama, 1975</i>
	(4) For sale up to 35 Alabama purchasers in 12 months.	\$250	Commission Rule 830-X-6-.12(1)(d)(iv)
	Extension of the term up to 12 months	\$150	Commission Rule 830-X-6-.12(1)(d)(iv)

ASC FEE SCHEDULE

FILING	DEFINITION	FEE	AUTHORITY
Mutual Fund Exemption	Registration exemptions for Open-End Management Investment Company:		§ 8-6-10(11)(b)(2), <i>Code of Alabama</i> , 1975
	Total assets less than or equal to \$25 million:	\$300+ \$40 new application fee	§ 8-6-10(11)(b)(2), <i>Code of Alabama</i> , 1975
	Total assets greater than \$25 million, less than \$100 million:	\$600+ \$40 new application fee	
	Total assets greater than \$100 million:	\$1,000+ \$40 new application fee	
	Unit Investment Trusts:	\$200 + \$40 new application fee	
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, <i>Code of Alabama</i> , 1975
Sale of Checks	Sale of any check, draft, money order, or other instrument for transmission or payment of money.		§ 8-7-6, <i>Code of Alabama</i> , 1975 § 8-7-9, <i>Code of Alabama</i> , 1975
	(1) Investigative fee for initial application	\$250	
	(2) Registration fee for principal office	\$250	
	(3) Additional location and agents in the state	\$5 (Max registration fee \$500, exclusive of investigative fee)	
Opinions	Interpretations	\$150	§ 8-6-29, <i>Code of Alabama</i> , 1975
Agent	Any individual, other than a dealer, who represents a dealer or issuer in effecting or attempting to effect sales of securities.	\$50	§ 8-6-3(h), <i>Code of Alabama</i> , 1975
Dealer	Any person engaged in the business of effecting transactions in securities for the account of others or for his own account.	\$200	§ 8-6-3(h), <i>Code of Alabama</i> , 1975
Investment Adviser	Any person who, for compensation, engages in the business of advising others, either directly or through publications or writings, as to	\$200	§ 8-6-3(h), <i>Code of Alabama</i> , 1975

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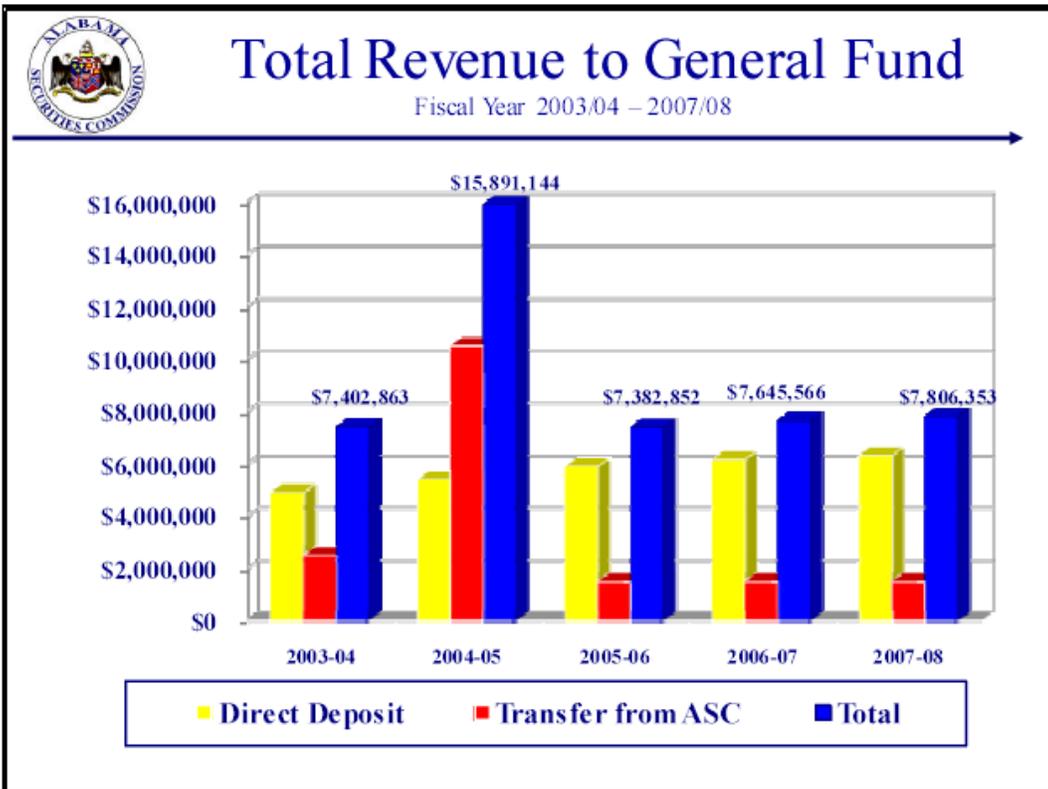
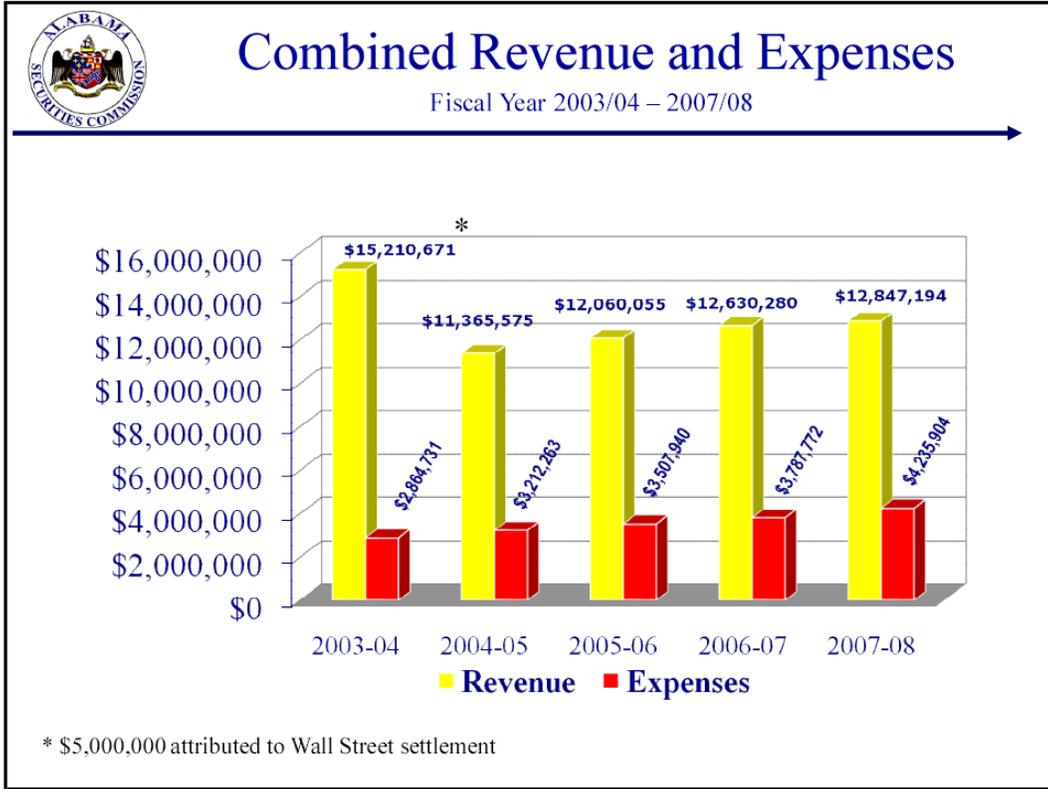
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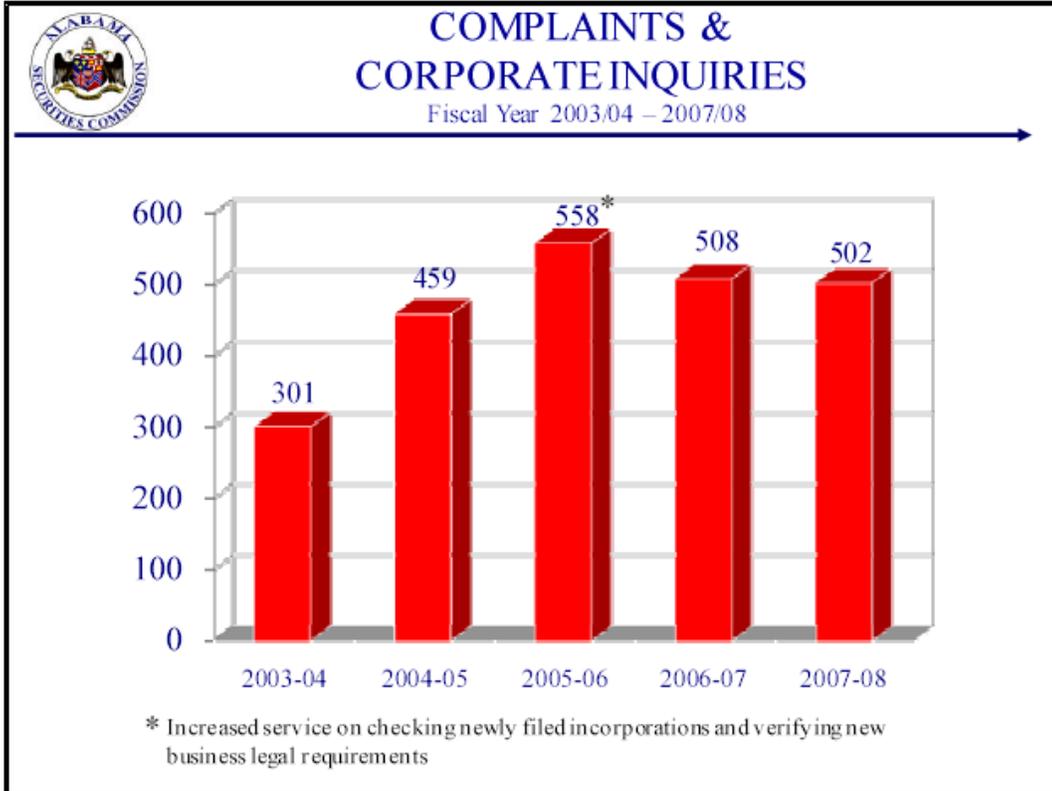
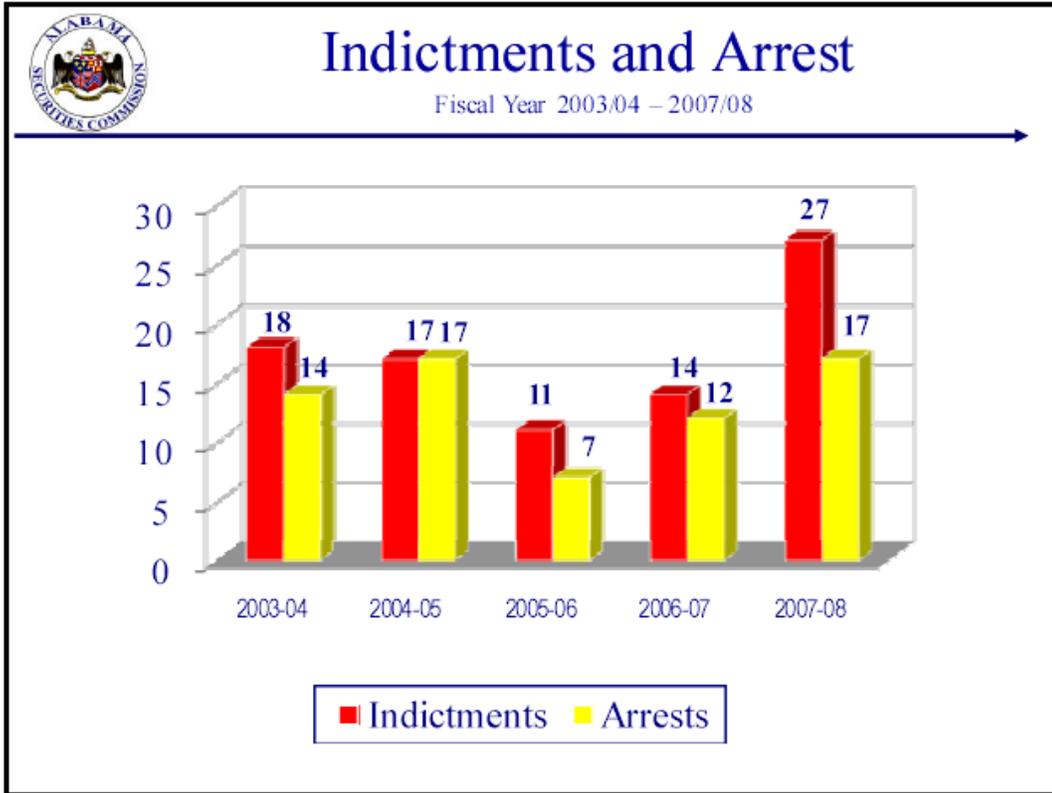
ASC FEE SCHEDULE

FILING	DEFINITION	FEE	AUTHORITY
	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.		
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.	\$50	§ 8-6-3(h), <i>Code of Alabama</i> , 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), <i>Code of Alabama</i> , 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), <i>Code of Alabama</i> , 1975

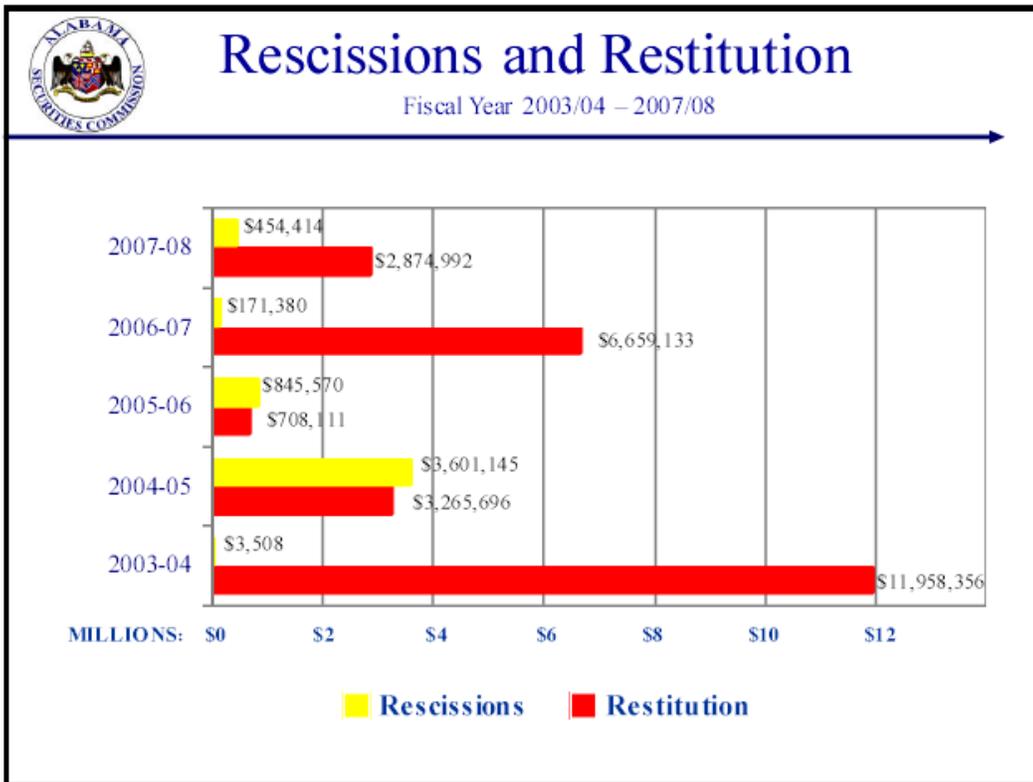
Revenue



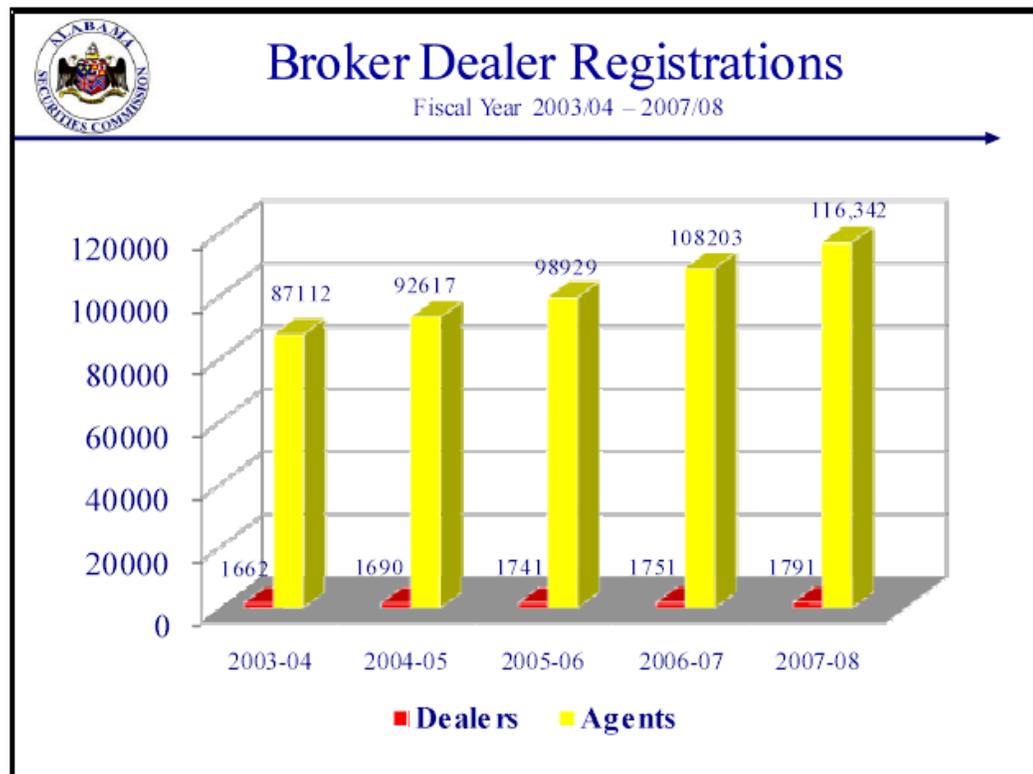
Enforcement



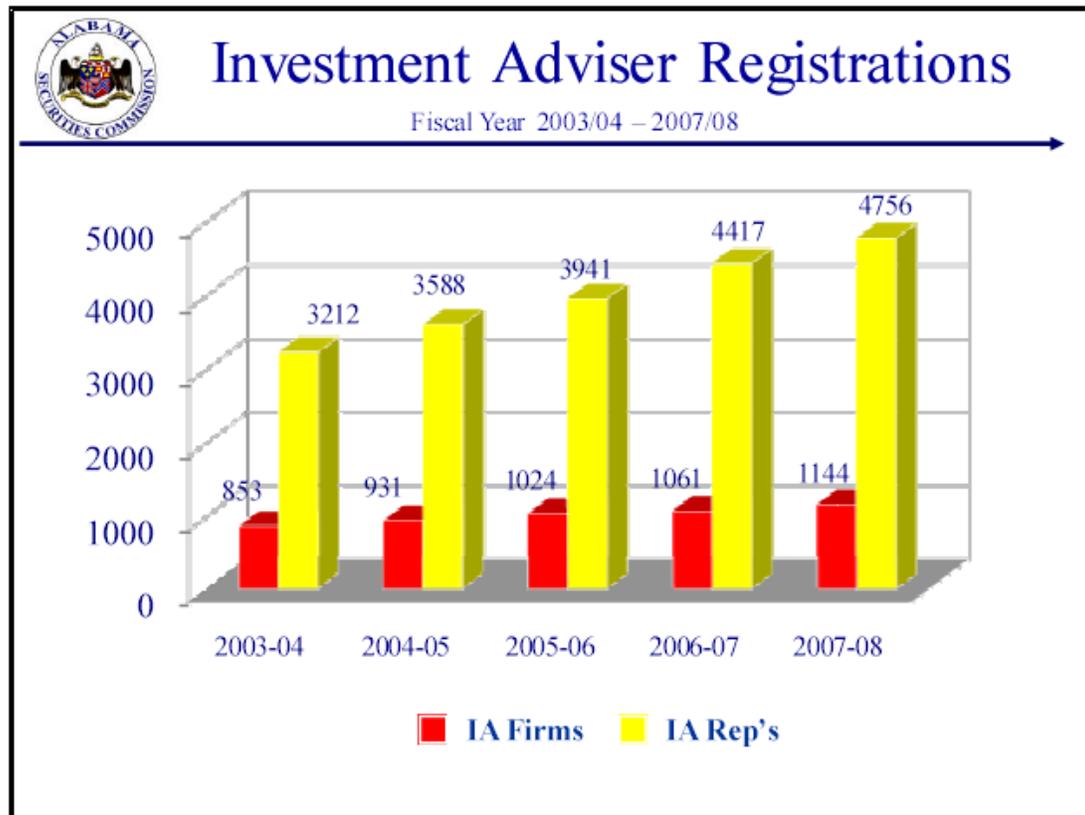
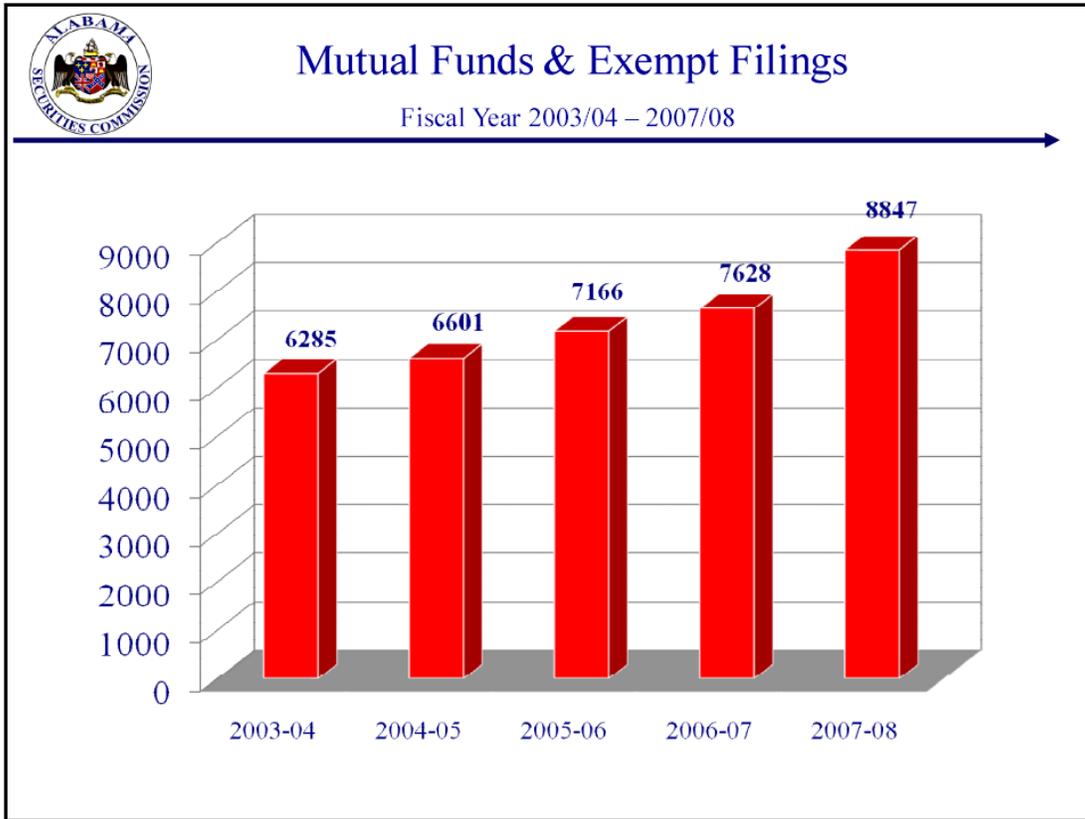
Enforcement



Registration



Registration



FINANCIAL STATEMENT

FISCAL YEAR 2008

Agency Revenues

Authority

§ 8-6-3(h)	Investment Advisers & Representatives	\$ 6,657,350
	Broker-Dealers & Representatives	
§ 8-6-8	Securities Registration.....	38,848
§ 8-6-11	Exemptions.....	194,300
§ 8-6-19	Administrative Assessments/Investigative Executions	119,144
§ 8-6-10(11)(b)(2)	Mutual Fund Exemptions.....	5,766,310
§ 8-6-29	Opinions.....	900
§ 8-6-115	Industrial Revenue Bonds.....	12,634
§§ 8-7-6; 8-7-9	Sale of Checks	37,720
	Miscellaneous Revenues	19,988

TOTAL REVENUES\$ 12,847,194

To General Fund	\$ 6,306,353
To Sale of Checks Fund	37,720
To Securities Commission Fund	6,490,487
To Industrial Revenue Fund	12,634

TOTAL\$ 12,847,194

Expenditures

Personnel Costs	\$ 2,519,110
Employee Benefits	812,583
Travel (In-State).....	30,890
Travel (Out of State).....	51,573
Repairs & Maintenance.....	1,877
Rentals & Leases	361,416
Utilities & Communications	44,842
Professional Services	109,893
Supplies, Materials & Operating Expenses.....	129,574
Transportation Equipment Operations	55,149
Transportation Equipment Purchases	68,484
Other Equipment Purchases	50,513

TOTAL\$ 4,235,904

Additional Transfer to State General Fund	\$ 1,500,000
Additional Transfer to National Computer Forensics Institute.....	\$ 1,000,000

TOTAL EXPENDITURES\$ 6,735,904

TOTAL TO GENERAL FUND FOR FISCAL YEAR 2008\$ 7,806,353

Alabama Securities Commission Enforcement Division

Enforcement Activity

Corporate Inquiries Opened	335
Corporate Inquiries Closed	330
Investigations Opened - "I"	94
Investigations Closed - "I"	96
Investigations Opened - "S"	73
Investigations Closed - "S"	65
Administrative Actions	54
Administrative Action Respondents	123
Receiverships Appointed	1
Rescission Offers Obtained	145
Indictments Obtained	27
Warrants Obtained	6
Arrests Made	17
Convictions Obtained	12
Public Warnings Issued	9
Referrals to Other Agencies	83

As of 9/30/08, there were 2 individuals awaiting Grand Jury, 15 individuals pending arrest, and 30 individuals awaiting trial.

Administrative Orders Issued

A comparative summary of the Enforcement Division's Fiscal Year 2008 activities are shown on the following charts:

TYPE OF ORDER ISSUED	RESPONDENTS	ORDERS
Cease and Desist	74	28
Consent	35	18
Show Cause	0	0
Vacate	11	5
Permanent Bar	2	2
Revocation	0	0
Order to Deny	1	1
TOTALS:	123	54



ALABAMA Securities Commission

Joseph P. Borg, Director

ENFORCEMENT HEADLINE SUMMARIES FROM FISCAL YEAR 2008. (Alphabetical by County)

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

Bibb County

Bibb County Man, Ronald Dover Holland, Enters Guilty Plea for Violations of Alabama Securities Act

(August 21, 2008) Ronald Dover Holland, age 68, of Centreville, Alabama, has pled guilty to one count of Sale of Unregistered Securities and two counts of Securities Fraud, all violations of the Alabama Securities Act and Class C felonies under Alabama law. Holland was initially arrested and taken into custody in September 2007 in Tuscaloosa, Alabama, following an April 2007 indictment by a Bibb County, Alabama Grand Jury. The indictment alleged that Holland offered and sold unregistered securities of REVOD Foundation, Inc., which, according to accompany statement, were “investments used to support religious, scientific, charitable, educational and literary purposes.” Holland was alleged to have operated a classic Ponzi scheme wherein investors were paid a return on their investments with funds obtained from new investors. Holland was sentenced to 17 and one-half years, split to serve a five year sentence, with the Alabama Department of Corrections and will pay restitution of approximately \$390,000 to Alabama victims of this investment scheme.

Coffee County

Von Kanel Surrenders to Authorities to Begin Sentence for Securities Fraud

(October 5, 2007) Michael A. Von Kanel, a Hoover, Alabama resident, surrendered to the Coffee County Sheriff’s Department on October 1, 2007 to begin serving a ten year sentence, split to serve three years, in the state penitentiary on convictions and sentences handed down by the Circuit Courts of 10th Judicial Circuit, Bessemer Division, and the 12th Judicial Circuit, Enterprise Division.

A Coffee County Grand Jury returned an indictment in November 2005 alleging that Von Kanel and others illegally sold unregistered securities to Coffee County residents in violation of the Alabama Securities Act. The illegal securities were described as cash flow agreements of World Wide Wall Street (WWW), specifically connected to the implied production and sale of automobiles in Alabama and throughout the United States. The indictment alleged that none of the securities offered for sale by Von Kanel were registered in Alabama and that Von Kanel was not registered as an agent to sell securities in Alabama.

DeKalb County

DeKalb County Man Indicted for Alleged Violations of Alabama Securities Law

(February 19, 2008) James William Griffith, 70, a former resident of Fort Payne, Alabama, was indicted by the DeKalb County Grand Jury for alleged violations of the Alabama Securities Act. Griffith is currently incarcerated by the Tennessee Department of Corrections on securities fraud cases in that state. The indictment alleges that from 1998 through 2005, Griffith sold stock in several illegal publishing ventures, including American Veterans Marketing, Inc., American Heritage Publishing, Inc., All About America, Inc., or, American Heritage Publishing and Merchandising, Inc. More than seven investors in Alabama purchased stock in the companies and, combined with at least ten other investors from Georgia and Tennessee, purchased approximately \$130,000 in stock from Griffith.

(Continued on next page)

ENFORCEMENT HEADLINE SUMMARIES (Continued)

Jefferson County

Hoover Man, James F. Fitch Sentenced for Violations of Alabama Securities Act

(June 4, 2008) James Floyd Fitch, III, a Hoover, Alabama resident, pled guilty to one count of Theft of Property 1st Degree, a Class B felony under Alabama law and one count of Fraud in Connection with the Offer and/or Sale of Securities, a Class C felony. Fitch was sentenced to 17 and one-half years in the state penitentiary, split to serve five years, with five years supervised probation on each count. The sentences are to run concurrently but will run consecutively with a sentence Fitch is currently serving for a previously adjudicated charge. The plea stemmed from an indictment returned by the June 2007 session of the Jefferson County Grand Jury alleging that Fitch was not registered to sell securities in Alabama and also offered and sold unregistered securities identified as investment contracts for multiple real estate development projects, soliciting more than \$2.7 million from more than 30 individuals.

Ryan O. Rancher Arrested For Alleged Violations of Alabama Securities Act

(December 14, 2007) Ryan O. Rancher, a Jefferson County resident, was arrested for alleged violations of the Alabama Securities Act. On December 12, 2007, ASC Enforcement Agents assisted the Jefferson County Sheriff’s Office with the execution of arrest warrants obtained by the ASC against Rancher and his business, Rancher Financial Resources. Rancher was taken into custody, transported to the Jefferson County Jail under a \$40,000 bond.

A nine-month investigation by the ASC alleged that Rancher was acting in the capacity of an investment advisor, solicited more than \$25,000 from a Birmingham area resident for investment purposes, and did not invest the solicited money. It is also alleged that Rancher failed to disclose to potential investors that he had been previously barred by the ASC from the securities industry in Alabama.

Lee County

Opelika Man Indicted by Lee County Grand Jury for Alleged Violations of Alabama Securities Act

(September 26, 2008) Michael James Dixon, an Opelika resident, was indicted for alleged violations of the Alabama Securities Act by the Lee County Grand Jury on September 16, 2008, following an investigation by the ASC. Dixon was arrested by Lee County Sheriff’s Deputies on July 10, 2008 and remains incarcerated in the Lee County Detention Center under \$50,000 bond. A seven count indictment was returned which included two counts Theft of Property, 1st Degree, Class B felonies under Alabama law; one count of Sale of a Security by an Unregistered Agent, one count of Sale of an Unregistered Security and three counts of Fraud in Connection with the Sale of a Security, all Class C felonies under Alabama law. The indictment alleges that Dixon offered an investment opportunity to a Florida resident through Dixon’s company, HBM, LLC. Dixon used the investor’s funds for personal use. Dixon was first arrested by deputies of the Lee County Sheriff’s Department on July 10, 2008 after an Alabama Securities Commission investigation.

Lee County Man Arrested for Alleged Violations of Alabama Securities Law

(July 18, 2008) Michael James Dixon, from Opelika, Alabama, was arrested for alleged violations of the Alabama Securities Act by deputies of the Lee County Sheriff’s Department on July 10, 2008 and remains in the Lee County Jail. Dixon’s bond is set at \$50,000. Warrants for Dixon’s

(Continued on next page)

ENFORCEMENT HEADLINE SUMMARIES (Continued)

arrest charge two counts Theft of Property 1st Degree, one count of Sale of a Security by an Unregistered Agent, one count of Sale of an Unregistered Security and one count of Misrepresentation in the Sale of a Security. Dixon allegedly offered an investment opportunity to a Florida resident through Dixon’s company called HBM, LLC. Dixon used the investor’s funds for personal use. The Commission has no record of license for Mr. Dixon or HBM, LLC to sell securities in Alabama and no record of registration for the investment that Dixon offered and sold

Madison County

Madison County Man Indicted for Alleged Violations of Alabama Securities Law

(June 9, 2008) Hunter Brown Daniel, Jr., a resident of Huntsville, Alabama was indicted on 36 counts of alleged violations of the Alabama Securities Act by a May 2008 session of the Madison County Grand Jury. A cooperative investigation conducted by the ASC, the Alabama Department of Insurance and the Madison County District Attorney revealed that Daniel, acting as an agent for National Foundation of America (NFOA), an unregistered Tennessee corporation, offered and sold unregistered securities in the form of Installment Plan Contracts valued at more than \$534,000 to 13 Alabama investors. The indictment further alleges that NFOA, describing itself as a non-profit organization, intentionally misled investors by promising unrealistic returns on the contracts in exchange for investors’ “donation” of their current legitimate annuities investments.

Father and Son Arrested for Alleged Violations of the Alabama Securities Act

(December 5, 2007) James L. Butler Jr. and James L. Butler, Sr. were arrested for alleged violations of the Alabama Securities Act. A Madison County Grand Jury convened in November 2007 charged Butler, Jr. with an 11- count indictment including 8 counts of Fraud in Connection with the Sale of Securities and 3 counts for Sale of Unregistered Securities. Butler, Sr. was charged by the same Madison County Grand Jury with a 3-count indictment for Fraud in Connection with the Sale of Securities. The father and son allegedly sold interests in “Jail Busters” in Madison County and the surrounding area.

Marshall County

California Trio Arrested for Alleged Violations of Alabama Securities Act

(December 20, 2007) Randy Morton, 51; Daniel Caterino, 48 and, Candice Lynn Lewis, 42, all residents of Orange County, California, were arrested for alleged violations of the Alabama Securities Act. On December 18, 2007, ASC Enforcement Agents, with the assistance of the Orange County, California Sheriff’s Department Economic Crimes Unit, served arrest warrants obtained by the ASC against the trio and their business, Lifeline Imaging Systems, Inc., located in Orange, California. The arrests stemmed from indictments handed down in November by a Marshall County Grand Jury. Morton and Lewis were named in a 17-count indictment with each charged with 12 counts of Fraud in Connection with the Sale of Securities and three counts of Sale of Unregistered Securities, both Class C felonies under Alabama law. Additionally, the pair was charged with two counts of Theft of Property 1st Degree, a Class B felony under Alabama law. Caterino was named in a four-count indictment and charged with two counts of Sale of Unregistered Securities and two counts of Sale of Securities by an Unregistered Agent, both Class C felonies under Alabama law. The three were taken into custody and placed in the Orange County, California jail to await extradition to Alabama. It is alleged that approximately \$15,000,000 in capital was raised nationwide to fund Lifeline Imaging Systems, Inc., and some of the money was purportedly used by the three for personal or unrelated business expenses.

(Continued on next page)

ENFORCEMENT HEADLINE SUMMARIES (Continued)

Montgomery County

Montgomery Man Enters Plea for Violations of Alabama Securities Act

(April 16, 2008) Willie Joe Phillips, resident of Montgomery, Alabama pled guilty to a single count of Sale of Securities by an Unregistered Agent, a violation of the Alabama Securities Act and a Class C felony under Alabama law. Phillips entered the plea April 14, 2008 in Montgomery County Circuit Court and a sentencing hearing is scheduled May 19, 2008. Phillips pled guilty under terms of a plea agreement stipulating he must pay \$15,627 restitution to his victims. He had previously paid \$20,000 restitution to the Court prior to his guilty plea. Additionally, Phillips will be required to serve five years unsupervised probation. Phillips was accused of offering and selling promissory notes to raise capital for Jayel Accounting Consultants, Inc., an accounting and tax service business serving Montgomery and the surrounding area. According to the indictment, Phillips failed to disclose material facts, made false statements to investors and used a portion of investor funds for personal benefit.

Shelby County

Shelby County Man Arrested for Alleged Violations of Alabama Securities Law

(February 5, 2008) Lysle John Fleming, Jr., 60, a resident of Shelby County, was arrested for alleged violations of the Alabama Securities Act, transported to the Shelby County jail and released on a \$90,000 bond. Shelby County Grand Jury indictments allege that Fleming sold three investment contracts to two Alabama residents, as well as to a Missouri resident and received approximately \$26,900 from the investors, which was ultimately used for personal gain and other unrelated expenses. Fleming is not registered by the ASC to conduct securities business in Alabama.

Three Orange County, California Residents Arrested for Alleged Alabama Securities Law Violations

(February 5, 2008) Stanley H. Johnson, 50; Easter L. Johnson, 45; and, Natalie A. Romo, 27, all residents of Orange County, California, were arrested for alleged violations of the Alabama Securities Act. On January 30, 2008, the Orange County, California Sheriff's Department, Criminal Investigations Division, Economic Crimes Detail, with the assistance of ASC Enforcement Agents, served arrest warrants, obtained by the ASC, on the Johnsons and Romo. Stanley and Easter Johnson are the alleged principles of Advance Body Imaging and Romo a sales agent for the company, located in Orange County, California. Indictments allege that the Johnsons attempted to raise capital to fund the business and employed Romo to help solicit investments from residents in Alabama and other states.

Paul Haskell Lane, Jr. Arrested For Alleged Violations of the Alabama Securities Act

(December 5, 2007) Shelby County resident Paul Haskell Lane, Jr., was arrested for alleged violations of the Alabama Securities Act. On November 20, 2007, ASC Enforcement Agents assisted the Shelby County Sheriff's Office with the execution of an arrest warrant issued by the ASC against Lane. Lane was taken into custody by Shelby County Sheriff's Deputies and placed in the Shelby County Jail and charged with one count each of Sale of Unregistered Securities and Sale of Securities While Unregistered as a Securities Agent.

Lane allegedly solicited more than \$18,000 from a Michigan resident for the purpose of funding a nonexistent lawsuit that he claimed to have filed on behalf of his daughter, Katherine Lane. The solicited funds, along with an additional percentage, were to be repaid after the fictitious case was settled. Lane's activities violated the Alabama Securities Act since the illegal solicitation originated in Shelby County.



ALABAMA Securities Commission

Joseph P. Borg, Director

NEWS RELEASES FROM FY 2008

Agency Directory	Announcements, commentaries and investor alerts.
Investor Education & Fraud Prevention	To read these articles and more go to:
	<u>www.asc.alabama.gov</u>
Annual Reports/ News Letters	<u>09/26/2008</u> - Alabama Investors to Participate in Settlements over the Sale of Auction Rate Securities
Administrative Actions	<u>09/25/2008</u> - State Agencies Warn about Internet Lottery and Sweepstake Scams
Statutes, Regulations & Policies	<u>06/17/2008</u> - Alabama Securities Commission Identifies Traps Likely to Burn Investors this Summer
Alabama Filing Requirements	<u>04/13/2008</u> - ASC Director on National NBC Dateline hidden camera investigation
Complaints	<u>04/10/2008</u> - Joseph Borg, Delegate to United Nations Committee that Receives Special Recognition
Helpful Web Sites For Investors	<u>04/01/2008</u> - IRS and Alabama Securities Commission Warn of Top 10 Scams
	<u>03/25/2008</u> - ASC, NASAA, SIPC Offer Answers to Investors Concerned About the Safety of Their Brokerage Accounts
	<u>03/20/2008</u> - State agencies create Alabama Annuities Task Force
	<u>03/12/2008</u> - Alabama Securities Commission Hosts SEC Chairman and Investor Education Partners
	<u>01/07/2008</u> - Alabama Securities Commission Senior Special Agent Receives National Enforcement Award
	<u>12/27/2007</u> - Alabama Securities Commission Searching for Potential Fraud Victims in South Alabama
	<u>10/31/2007</u> - Investors Cautioned to be Wary of Securities Settlement Offers
	<u>10/22/2007</u> - Alabama Securities Director Receives National Arbitration Bar Association's Highest Award
	<u>10/15/2007</u> - Investor Alert – Notice of Possible Stock Scam
	<u>10/12/2007</u> - Joseph Borg Honored by North American Securities Administrators Association
	<u>10/12/2007</u> - Top Securities Cop Warns Alabamians about Current Schemes/Scams

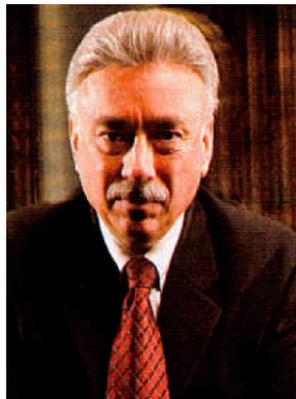
ASC IN NATIONAL NEWS MEDIA (Samples from FY2008)

THE WALL STREET JOURNAL.

OCTOBER 3, 2008

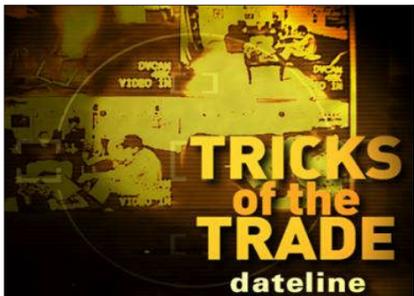
When Stocks Tank, Some Investors Stampede to Alpacas and Turn to Drink

Not everyone thinks alternative investments are a great idea. The Alabama Securities Commission over the weekend issued an "investor alert" urging caution. People are "panicking," says securities director Joseph Borg. He worries that investors who yank their money out of the stock market are prey for con artists hawking things like phantom oil wells.



JULY 14 & 21, 2008
SPECIAL ISSUE
BusinessWeek

of layoffs — and eager to get out on their own terms. Says Alabama Securities Commissioner Joseph P. Borg, who has been probing brokers whose clients include former General Motors, Ford Motor, Uniroyal, and Sears employees: "When a company announces that they're going to buy out folks, it's like shooting off fireworks to aggressive brokers."



A Dateline hidden camera investigation sees what insurance agents say -- and what they don't -- when they think they are alone with a senior

By Chris Hansen
Correspondent
NBC News
updated 10:03 a.m. CT, Wed., April.
23, 2008

REGISTRATIONS & EXEMPTIONS

STATISTICAL SUMMARY					
10/01/2007 - 09/30/2008					
	Application Filed	Application Approved	Renewal Processed	Application Withdrawn	Application Terminated
Broker/Dealer	144	167	1624	9	121
Broker/Dealer Agent	n/a	31972	84370	5	28909
Eleemosynary Financing Exemption	41	34	0	3	2
Exempt Consent	4	5	0	0	0
Expansion Order	1	2	0	0	1
Industrial Revenue Bond	15	15	0	0	0
Investment Adviser - Federal	109	116	728	1	51
Investment Adviser - State Registered	17	10	90	11	6
Investment Adviser Representative	n/a	1142	3614	0	952
Limited Offering	784	780	0	2	26
Mutual Fund Exemptions	1645	1636	6362	0	277
Registration by Coordination	40	28	0	23	10
Registration by Qualification	1	1	0	0	0
Restricted Agent	45	41	232	3	30
Sale of Checks Vendor	8	4	111	1	2

NOTE: The total number of registrations and exemptions issued in Fiscal Year 2008 was 133,297

INDUSTRIAL REVENUE BONDS FY 2008

LESSEE	DATE SUBMITTED	FEE CHARGED	DATE ISSUED	AMOUNT OF ISSUE
The Medical Clinic Board of the City of Montgomery, Alabama; Jackson Imaging Center, LLC	11/13/07	\$1,000.00	11/18/07	\$5,800,000.00
The Medical Clinic Board of the City of Montgomery, Alabama; Jackson Surgery Center, LLC	11/13/07	\$1,000.00	11/18/07	\$13,200,000.00
The Walker County Economic & Industrial Development Authority of Alabama; Alabama Power Company Gorgas Plant Project	11/30/07	\$1,000.00	12/02/07	\$27,000,000.00
The Industrial Development Board of the City of Huntsville, Alabama; Brown Precision, Inc. Project	12/03/07	\$1,000.00	12/03/07	\$4,640,000.00
The Industrial Development Board of the City of Jasper, Alabama; Industrial Park Project City of Jasper	12/07/07	\$1,000.00	12/10/07	\$3,000,000.00
The Industrial Development Authority of Chambers County, Alabama; Daeki America, Inc. Project	12/14/07	\$1,000.00	12/17/07	\$7,400,000.00
The Industrial Development Board of the City of Andalusia, Alabama; Triple H Specialty Company, Inc.	1/07/08	\$125.00	1/09/08	\$250,000.00
The Industrial Development Board of the City of Calera, Alabama; Southern Rail Services, Inc.	4/21/08	\$1,000.00	4/22/08	\$10,000,000.00
The Industrial Development Board of the City of Thomasville, Alabama	6/25/08	\$250.00	6/30/08	\$500,000.00
The Industrial Development Board of the City of Mobile, Alabama	7/03/08	\$1,000.00	7/03/08	\$120,000,000.00
The Industrial Development Board of the Town of Orange Beach, Alabama	7/09/08	\$1,000.00	7/14/08	\$8,000,000.00
The Industrial Development Board of the City of Hamilton, Alabama	7/25/08	\$259.35	7/31/08	\$1,030,742.35
The Butler County Industrial Development Authority; International Paper Company	9/02/08	\$1,000.00	9/08/08	\$3,500,000.00
The Industrial Development Board of the Town of Chatom, Alabama; PowerSouth Energy Cooperative (Chatom Gulf Opportunity Zone Bonds, Series 1008-A)	9/03/08	\$1,000.00	9/07/08	\$125,000,000.00
The Industrial Development Board of the City of Decatur, Alabama; Magic Steel Sales, LLC	9/09/08	\$1,000.00	9/09/08	\$8,643,990.00
		TOTAL FEES \$12,634.35		Total Amt of Issues \$337,964,732.35

RULES AND POLICIES FY 2008

Rules

ALABAMA SECURITIES COMMISSION ADMINISTRATIVE CODE

CHAPTER 830-X-3

REGISTRATION OF DEALERS, AGENTS, INVESTMENT ADVISERS AND INVESTMENT ADVISER REPRESENTATIVES

RULE 830-X-3-.28 The Use Of Senior-Specific Certifications And Professional Designations

The Rule establishes a clear and concise standard for financial industry personnel who work with senior Alabamians. The Rule makes it illegal for an individual to claim professional or specialized educational credentials for the purpose of setting themselves apart by experience, expertise or knowledge in the offer and sale of securities to senior investors unless those credentials include actual, verifiable training or experience. The Rule also provides a means whereby the Alabama Securities Commission can recognize the use of certain designations conferred by an accredited organization.

Effective date: September 4, 2008

See Alabama Securities Commission Meeting Minutes for June 30, 2008.

Policies

POLICY STATEMENT REGARDING THE EXTENSION OF THE FOREIGN STOCKS EXEMPTION PROVIDED BY ALABAMA CODE §8-6-11(a)(2) TO ADRs

The Policy extends the exemption from registration for foreign securities or securities listed on a foreign exchange to include the American Depository Receipts (ADRs), thus alleviating the need for registration of the ADRs in Alabama and enabling Alabama investors more flexibility to invest in foreign companies.

Effective date: June 30, 2008

See Alabama Securities Commission Meeting Minutes for March 6, 2008.



JOSEPH P. BORG
Director
J. RANDALL McNEILL
Deputy Director

ALABAMA SECURITIES COMMISSION

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VICE CHAIRMAN
DANIEL C. HARDMAN
Certified Public Accountant

COMMISSIONERS

TROY KING
Attorney General

JOHN D. HARRISON
Superintendent of Banks

JIM L. RIDLING
Commissioner of Insurance

ANDREW P. CAMPBELL
Attorney at Law

S. DAGNAL ROWE, SR.
Attorney at Law

ALABAMA SECURITIES COMMISSION MEETING SEPTEMBER 30, 2008

The Alabama Securities Commission held a meeting on September 30, 2008, at 10:00 a.m. in the conference room located in the Alabama Securities Commission offices on the 5th Floor of the RSA Plaza Building, 770 Washington 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. Marcus Wolf, CPA, Chairman
Hon. Dan Hardman, CPA, Vice-Chairman
Hon. L. Daniel Morris, Jr. (Representing the Attorney General)
Hon. Jim Ridling, (Commissioner of Insurance)
Hon. John Harrison, Superintendent of Banks

Commission Members Absent:

Andrew Campbell, Esq.
S. Dagnal Rowe, Sr., Esq.

Staff Members Present Were:

Joseph P. Borg, Director
Christie Rhodes, Executive Assistant
Jane Brannan, Staff Attorney
Lisa Tolar, Registration Manager
Sandra Smith, Analyst

The meeting was called to order at 10:08 a.m. by Commission Chair, Marcus Wolf. The newest Commissioner was introduced and welcomed to the Commission, Mr. Jim Ridling, Insurance Commissioner.

Motion to approve the agenda was made by Mr. Hardman and seconded by Mr. Morris. The motion carried unanimously. Then, motion to approve the minutes of the previous meeting held on June 30, 2008 was made by Mr. Hardman and seconded by Mr. Harrison. The motion carried unanimously.

At that time, the monthly report was discussed by Director Borg. A copy of the report is attached to the minutes and made part of the record. After the report was given, motion was made and approved to accept the report.

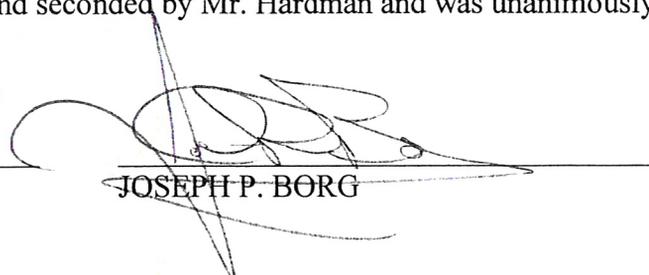
A discussion ensued regarding the Commission adopting Rule 830-x-3-.28, the Senior Designation Rule. A motion to adopt said Rule was made by Mr. Morris and seconded by Mr. Harrison. After a unanimous vote by all present Commissioners, the motion carried.

At this time there was a discussion on REITs (Real Estate Investment Trusts) and Ms. Tolar, Registration Manager for the Commission, Ms. Brannan, staff attorney and Ms. Sandra Smith, analyst, gave a report to the Commission on REITs.

Mr. Borg gave a brief accounting of investor education events being participated in by the Commission. Also, a status was given on the Commission's consideration of moving its offices to the Center for Commerce building.

The last meeting item was a motion to pay expenses for the Commissioners. Motion was made by Mr. Morris and seconded by Mr. Hardman. The motion carried unanimously. Motion to Adjourn was then made by Mr. Morris and seconded by Mr. Hardman and was unanimously carried. The meeting ended at 10:50 p.m.


MARCUS J. WOLF
CHAIRMAN


JOSEPH P. BORG



JOSEPH P. BORG
Director

J. RANDALL McNEILL
Deputy Director

ALABAMA SECURITIES COMMISSION

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Attorney General

JOHN D. HARRISON
Superintendent of Banks

WALTER A. BELL
Commissioner of Insurance

ANDREW P. CAMPBELL
Attorney at Law

S. DAGNAL ROWE, SR.
Attorney at Law

AMENDED ALABAMA SECURITIES COMMISSION MEETING JUNE 30, 2008

The Alabama Securities Commission held a meeting on June 30, 2008, at 10:00 a.m. in the conference room located in the Alabama Securities Commission offices on the 5th Floor of the RSA Plaza Building, 770 Washington 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 Were:

Hon. S. Dagnal Rowe, Attorney,
Hon. Dan Hardman, CPA, Vice-Chairman
Hon. L. Daniel Morris, Jr. (Representing the Attorney General)
Hon. Reyn Norman, (Representing the Commissioner of Insurance)
Hon. John Harrison, Superintendent of Banks
Hon. Andrew P. Campbell, Esq.

Commission Members Absent:

Hon. Marcus J. Wolf, CPA

Outgoing Commissioners Present Were:

Hon. Harold B. Kushner, Attorney
Hon. J. Wray Pearce, CPA

Staff Members Present Were:

Joseph P. Borg, Director
J. Randall McNeill, Acting Deputy Director
Christie Rhodes, Executive Assistant

The meeting was called to order at 10:08 a.m. by outgoing Commission Chair, Harold Kushner. The new Commissioners Andrew P. Campell and S. Dagnal Rowe, Sr. were introduced, as well as Marcus J. Wolf, who not present at the meeting. A presentation of Certificates of Appreciation were made to Mr. Kushner, Mr. Wray Pearce and Mr. Tyrone Means, as the outgoing Commissioners. The presentation of credentials was made to Commissioners Andrew Campbell and to Dagnal Rowe.

It was decided that a new Commission Chair and Vice Chair had to be nominated. Dan Morris nominated Marcus Wolf as Chair. Dan Hardman seconded the motion. The motion carried unanimously. John Harrison then nominated Dan Hardman as Vice Chair, which was seconded by Mr. Morris. The motion carried unanimously.

Motion to approve the agenda was made by Mr. Morris and seconded by Mr. Harrison. The motion carried unanimously. Then, motion to approve the minutes of the previous meeting held on March 6, 2008 was made by Mr. Harrison and seconded by Mr. Morris. The motion carried unanimously.

At that time, the agenda was discussed by Director Borg. A copy of the agenda is attached to the minutes and made part of the record. After the report was given, motion was made and approved to accept the report.

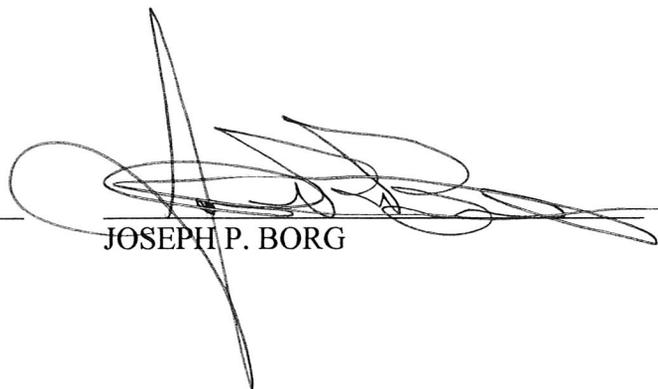
The Commissioners were then shown the Dateline segment on the equity indexed annuities investigation.

Following this presentation, discussion was made of the adoption of the Senior Designation Rule that has been by the Commission. Following the discussion, Mr. Campbell moved that the Commission accept the Rule and then forward it over for publication as required by the Administrative Procedures Act. The motion was seconded by Mr. Harrison. The Motion carried unanimously. At that point, Mr. Borg discussed with the Commission the ADR Policy Statement. He also advised that our office in conjunction with other states will be looking at

disclosure issues in financial advertising by email fax blasts. A presentation was then given to Ricky Locklar for his recognition by NAASA as the Investigator of the Year for his work on the Rule 506 investigation. Deputy Director McNeill advised the Commission that pending litigation and confidential enforcement matters needed to be discussed. Accordingly, Mr. Morris (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. Morris moved to go into Executive Session. Said motion was seconded by Mr. Harrison and the meeting went into Executive Session at 12:08 pm after a unanimous vote of all present Commissioners for the specific purpose of discussion of pending litigation. At 12:28 pm, the Executive Session ended by motion of Mr. Morris and seconded by Mr. Campbell and a unanimous vote by all present Commissioners.

The last item was that a motion to pay expenses for the Commissioners. Motion was made by Mr. Morris and seconded by Mr. Rowe. The motion carried unanimously. Motion to Adjourn was then made by Mr. Morris and seconded by Mr. Campbell. The meeting ended at 12:30 p.m.


MARCUS J. WOLF
CHAIRMAN


JOSEPH P. BORG

ALABAMA SECURITIES COMMISSION
ADMINISTRATIVE CODE

CHAPTER 830-X-3
REGISTRATION OF DEALERS, AGENTS,
INVESTMENT ADVISERS AND INVESTMENT ADVISER
REPRESENTATIVES

RULE 830-X-3-.28 The Use Of Senior-Specific Certifications And Professional Designations

1. The use of a senior-specific certification or professional designation by any person in connection with the offer, sale, or purchase of securities, or the provision of advice as to the value of or the advisability of investing in, purchasing, or selling securities, either directly or indirectly or through publications or writings, or by issuing or promulgating analyses or reports relating to securities, that indicates or implies that the user has special certification or training in advising or servicing senior citizens or retirees, in such a way as to mislead any person shall be a dishonest and unethical practice in the securities business within the meaning of *Code of Alabama §8-6-17(b)(4)*. The prohibited use of such certifications or professional designation includes, but is not limited to, the following:
 - (a) use of a certification or professional designation by a person who has not actually earned or is otherwise ineligible to use such certification or designation;
 - (b) use of a nonexistent or self-conferred certification or professional designation;
 - (c) use of a certification or professional designation that indicates or implies a level of occupational qualifications obtained through education, training, or experience that the person using the certification or professional designation does not have; and
 - (d) use of a certification or professional designation that was obtained from a designating or certifying organization that:
 - (i) is primarily engaged in the business of instruction in sales or marketing;
 - (ii) does not have reasonable standards or procedures for assuring the competency of its designees or certificants;
 - (iii) does not have reasonable standards or procedures for monitoring and disciplining its designees or certificants for improper or unethical

conduct; or

- (iv) does not have reasonable continuing education requirements for its designees or certificants in order to maintain the designation or certificate.
2. (a) There is a rebuttable presumption that a designating or certifying organization is qualified solely for purposes of paragraph 1(d) above when the organization has been accredited by:
- (i) The American National Standards Institute; or
 - (ii) The National Commission for Certifying Agencies; or
 - (iii) an organization that is on the United States Department of Education's list entitled "Accrediting Agencies Recognized for Title IV Purposes" and the designation or credential issued therefrom does not primarily apply to sales or marketing; or
 - (iv) any other nationally-recognized accreditation organization designated by the director by rule or order.
- (b) In any action brought under this rule, the burden of proof is on the party using a certification or professional designation to show that such use complies with this rule.
3. In determining whether a combination of words, or an acronym standing for a combination of words, constitutes a certification or professional designation indicating or implying that a person has special certification or training in advising or servicing senior citizens or retirees, factors to be considered shall include:
- (a) use of one or more words such as "senior," "retirement," "elder," or like words, combined with one or more words such as "certified," "registered," "chartered," "adviser," "specialist," "consultant," "planner," or like words, in the name of the certification or professional designation; and
 - (b) the manner in which those words are combined.
4. (a) For purposes of this rule, a certification or professional designation does not include a job title within an organization that is licensed or registered by a state or federal financial services regulatory agency, when that job title:
- (i) indicates seniority or standing within the organization; or

(ii) specifies an individual's area of specialization within the organization unless the facts and circumstances associated with the provision or use of a job title indicate that it improperly suggests or implies certification or training beyond that which the titleholder possesses, or otherwise misleads investors.

(b) For purposes of this section, financial services regulatory agency includes, but is not limited to, an agency that regulates broker-dealers, investment advisers, or investment companies as defined under the Investment Company Act of 1940.

5. Nothing in this rule shall limit the director's authority to enforce existing provisions of law.

Author: Joseph P. Borg, Esq.

Statutory Authority: Code of Ala. 1975, § 8-6-23

History: Original Rule filed: July 31, 2008; effective September 4, 2008



JOSEPH P. BORG
Director
J. RANDALL McNEILL
Deputy Director

ALABAMA SECURITIES COMMISSION

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Superintendent of Banks
WALTER A. BELL
Commissioner of Insurance
TYRONE C. MEANS
Attorney at Law
DANIEL C. HARDMAN
Certified Public Accountant

AMENDED ALABAMA SECURITIES COMMISSION MEETING MARCH 6, 2008

The Alabama Securities Commission held a meeting on March 6, 2008 at 10:00 a.m. in the conference room located in the Alabama Securities Commission offices on the 5th Floor of the RSA Plaza Building, 770 Washington Avenue, Montgomery, Alabama. Notice of the time and place of this meeting was published in the Montgomery Advertiser, Birmingham News/Post Herald, Huntsville Times, and the Mobile Register.

Commission Members Present Were:

Hon. Harold Kushner, Chairman
Hon. Dan Morris (Representing the Attorney General)
Hon. John Harrison, Superintendent of Banks
Hon. Reyn Norman (Representing the Insurance Department)
Hon. Tyrone Means, Attorney at Law
Hon. Wray Pearce (Attended by telephone [did not vote])

Commission Members Absent:

Hon. Daniel C. Hardman, CPA

Staff Members Present Were:

Joseph P. Borg, Director
Christie Rhodes, Executive Assistant
Renee Sanders, Accounting Division
Dan Lord, Education & Public Affairs

The meeting was called to order at 10:01 a.m. The first order of business by Chairman Kushner was the approval of the agenda, upon motion Commissioner Means and seconded by Commissioner Morris. The second order of business was the approval of the minutes from the previous meeting held December 20, 2007. Commissioner Morris requested a punctuation change on said minutes. The minutes were then approved after motion made by Commissioner Harrison and seconded by Commissioner Means.

Chairman Kushner requested Director Borg to provide his report. Director Borg provided the Commissioners written reports and summaries of the activities of the divisions of the Commission. The first area discussed was the report of the accounting division. The Director advised the Commission that the personnel staffing has remained stable, with the exception of some replacements for the departing temporary clerk positions.

Mr. Borg then reported on income and expenses of the Commission. He gave a brief summary with regard to the various funds of the Commission and what monies are credited to each. An explanation followed regarding the definition of a "money transmitter", at which time Commissioner Pearce suggested a change to the report in how the expenses are detailed. At the December 20, 2007 meeting, it was agreed that Ms. Sanders (Accounting Division Manager) would discuss the reporting format at the next Commission meeting. Ms. Sanders went through the financial page of the monthly report and explained how the numbers were derived. Director Borg then continued his report with regard to the Enforcement, Registration and Information Systems Divisions, including presentations and public warnings issued. All reported activities were provided in written form to the Commissioners.

Under new business, Director Borg updated the Commission on the prefiled bill submitted for the upcoming Legislative Session. The bill is identical to the bill filed last year

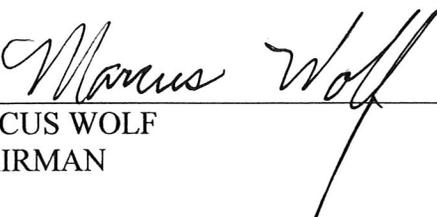
and provides for a rate increase in fees and raising the penalty from a Class C felony to a Class B felony.

At this time, Dan Lord, Manager of the Education and Public Affairs Division, outlined the Commission's scheduled events being held across the state in which the ASC participates in educating the citizens of Alabama.

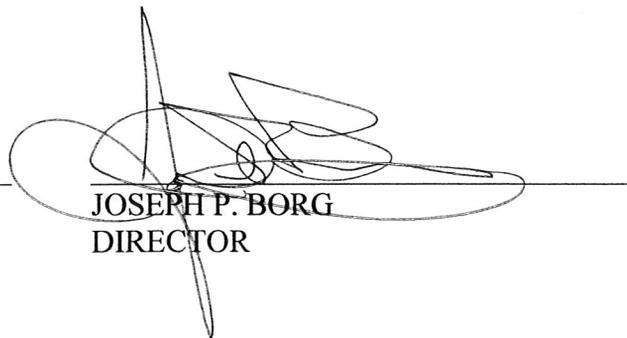
Mr. Borg then detailed the events scheduled around the visit of the Y.S. Securities & Exchange Commission Chairman, Christopher Cox's visit to Montgomery.

Director Borg, (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 that time, the meeting then went into Executive Session at 10:55 a.m. for the specific purpose of discussion pending litigation per motion by Commissioner Means, seconded by Commissioner Harrison and unanimously approved by all present Commissioners. The Session ended at 11:05 a.m. by motion of Commissioner Morris and seconded by Commissioner Means and unanimously approved by all present Commissioners.

The meeting concluded with a motion by Commissioner Means and seconded by Commissioner Morris to pay Commissioners' expenses and the meeting adjourned at 11:07 a.m.



MARCUS WOLF
CHAIRMAN



JOSEPH P. BORG
DIRECTOR



JOSEPH P. BORG
Director

J. RANDALL McNEILL
Deputy Director

ALABAMA SECURITIES COMMISSION

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Attorney at Law

S. DAGNAL ROWE, SR.
Attorney at Law

POLICY STATEMENT REGARDING THE EXTENSION OF THE FOREIGN STOCKS EXEMPTION PROVIDED BY AL.CODE §8-6-11(a)(2) TO ADR'S

WHEREAS the Alabama Securities Commission is charged with the administration of the Alabama Securities Act (the "Act");

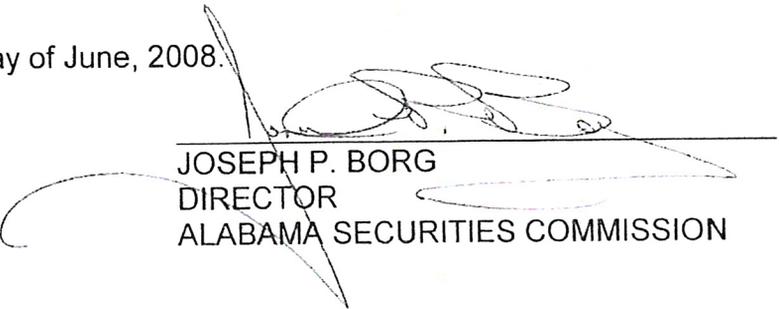
WHEREAS §8-6-11(a)(2)a. provides an exemption from the registration requirements of the Act for any nonissuer transaction in an outstanding security by a registered dealer if *"the security is listed for trading on a foreign securities exchange and has been trading for at least six months and continues to trade on such exchange, and the aggregate market value of shares, the ownership of which is unrestricted, is not less than \$500,000,000"*; and

WHEREAS securities listed for trading on foreign stock exchanges trade in the United State of America as American Depositary Receipts ("ADR's") which entitle the shareholder to all dividends and capital gains of such shares of foreign stock held in deposit in a United States bank;

NOW THEREFORE, IT IS HEREBY ORDERED AS FOLLOWS:

THAT THE EXEMPTION FROM REGISTRATION provided in §8-6-11(a)(2)a. includes the ADR's representing the underlying securities.

DONE this 30th day of June, 2008.


JOSEPH P. BORG
DIRECTOR
ALABAMA SECURITIES COMMISSION

ALTERNATIVE ADR COMMISSION RULE 830-X-6-.13

830-X-6-.13 EXEMPTION FOR FOREIGN SECURITIES THAT ARE DEEMED MARGINABLE UNDER THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM. A nonissuer transaction by or through a broker-dealer registered or exempt from registration under this chapter in a security or its ADR equivalent of a foreign issuer that is a margin security defined in regulations or rules adopted by the Board of Governors of the Federal Reserve System is exempt from the registration provisions of Code of Alabama 1975, §§ 8-6-4 through 8-6-9.

**ALABAMA SECURITIES COMMISSION
ADMINISTRATIVE CODE**

**CHAPTER 830-X-3
REGISTRATION OF DEALERS, AGENTS,
INVESTMENT ADVISERS AND INVESTMENT ADVISER
REPRESENTATIVES**

RULE 830-X-3-.28 The Use Of Senior-Specific Certifications And Professional Designations

1. The use of a senior-specific certification or professional designation by any person in connection with the offer, sale, or purchase of securities, or the provision of advice as to the value of or the advisability of investing in, purchasing, or selling securities, either directly or indirectly or through publications or writings, or by issuing or promulgating analyses or reports relating to securities, that indicates or implies that the user has special certification or training in advising or servicing senior citizens or retirees, in such a way as to mislead any person shall be a dishonest and unethical practice in the securities business within the meaning of *Code of Alabama §8-6-17(b)(4)*. The prohibited use of such certifications or professional designation includes, but is not limited to, the following:
 - (a) use of a certification or professional designation by a person who has not actually earned or is otherwise ineligible to use such certification or designation;
 - (b) use of a nonexistent or self-conferred certification or professional designation;
 - (c) use of a certification or professional designation that indicates or implies a level of occupational qualifications obtained through education, training, or experience that the person using the certification or professional designation does not have; and
 - (d) use of a certification or professional designation that was obtained from a designating or certifying organization that:
 - (i) is primarily engaged in the business of instruction in sales or marketing;
 - (ii) does not have reasonable standards or procedures for assuring the competency of its designees or certificants;
 - (iii) does not have reasonable standards or procedures for monitoring and disciplining its designees or certificants for improper or unethical

conduct; or

- (iv) does not have reasonable continuing education requirements for its designees or certificants in order to maintain the designation or certificate.
2. (a) There is a rebuttable presumption that a designating or certifying organization is qualified solely for purposes of paragraph 1(d) above when the organization has been accredited by:
- (i) The American National Standards Institute; or
 - (ii) The National Commission for Certifying Agencies; or
 - (iii) an organization that is on the United States Department of Education's list entitled "Accrediting Agencies Recognized for Title IV Purposes" and the designation or credential issued therefrom does not primarily apply to sales or marketing; or
 - (iv) any other nationally-recognized accreditation organization designated by the director by rule or order.
- (b) In any action brought under this rule, the burden of proof is on the party using a certification or professional designation to show that such use complies with this rule.
3. In determining whether a combination of words, or an acronym standing for a combination of words, constitutes a certification or professional designation indicating or implying that a person has special certification or training in advising or servicing senior citizens or retirees, factors to be considered shall include:
- (a) use of one or more words such as "senior," "retirement," "elder," or like words, combined with one or more words such as "certified," "registered," "chartered," "adviser," "specialist," "consultant," "planner," or like words, in the name of the certification or professional designation; and
 - (b) the manner in which those words are combined.
4. (a) For purposes of this rule, a certification or professional designation does not include a job title within an organization that is licensed or registered by a state or federal financial services regulatory agency, when that job title:
- (i) indicates seniority or standing within the organization; or

(ii) specifies an individual's area of specialization within the organization unless the facts and circumstances associated with the provision or use of a job title indicate that it improperly suggests or implies certification or training beyond that which the titleholder possesses, or otherwise misleads investors.

(b) For purposes of this section, financial services regulatory agency includes, but is not limited to, an agency that regulates broker-dealers, investment advisers, or investment companies as defined under the Investment Company Act of 1940.

5. Nothing in this rule shall limit the director's authority to enforce existing provisions of law.

Author:

Statutory Authority: Code of Ala. 1975, § 8-6-23

History:



JOSEPH P. BORG
Director
J. RANDALL McNEILL
Deputy Director

ALABAMA SECURITIES COMMISSION

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Commissioner of Insurance

TYRONE C. MEANS
Attorney at Law

DANIEL C. HARDMAN
Certified Public Accountant

AMENDED ALABAMA SECURITIES COMMISSION MEETING DECEMBER 20, 2007

The Alabama Securities Commission held a meeting on December 20, 2007, at 10:00 a.m. in the conference room located in the Alabama Securities Commission offices on the 5th Floor of the RSA Plaza Building, 770 Washington Avenue, Montgomery, Alabama. Notice of the time and place of this meeting was published in the Montgomery Advertiser, Birmingham News/Post Herald, Huntsville Times, and the Mobile Register.

Commission Members Present Were:

Hon. J. Wray Pearce, Vice-Chairman
Hon. Keith Miller (Representing the Attorney General)
Hon. John Harrison, Superintendent of Banks
Hon. Walter Bell (Commissioner of Insurance)
Hon. Daniel Hardman, CPA
Hon Tyrone Means, Attorney at Law

Commission Members Absent:

Hon. Harold B. Kushner, Esq.

Staff Members Present Were:

Joseph P. Borg, Director
J. Randall McNeill, Deputy Director
Christie Rhodes, Executive Assistant

The meeting was called to order at 10:01 a.m. The first order of business by Vice-Chairman Pearce was the approval of the agenda, upon motion Commissioner Miller and seconded by Commissioner Means. The second order of business was the approval of the minutes from the previous meeting held June 27, 2008. The minutes were then approved after motion made by Commissioner Pearce and seconded by Commissioner Miller after Ms. Rhodes corrected a spelling error.

Vice Chairman Pearce requested Director Borg to provide his report. Director Borg provided the Commissioners written reports and summaries of the activities divisions of the Commission. The first area discussed was the report of the accounting division. The Director advised the Commission that Ms. Leslie Worrell will be moving from an analyst position in Registration to an attorney position in the Legal Department. Also, Ms. Lauren Hitt, who has been an ASAI will be moving into a professional trainee slot for the Securities Analyst position that is being vacated by Ms. Worrell. The Commission has also hired an IT Technician, Mr. Steven Brantley, Jr. The Director then advised the Commission that a proposal was presented recently from ACO for converting our existing computer system to the new Microsoft dot net. No action is necessary at this time by the Commission, the mention is simply informational in nature.

Mr. Borg then reported on income and expenses of the Commission, at which time Commissioner Pearce suggested a change to the report in how the expenses are detailed. Mr. Borg recommended that the Commission's accountant come to the next meeting for further detail. It was agreed that Ms. Sanders would discuss the reporting format at the next Commission meeting. Director Borg then continued his report with regard to the Enforcement, Registration and Information Systems Divisions, including presentations and public warnings issued. All reported activities were provided in a written form to the Commissioners.

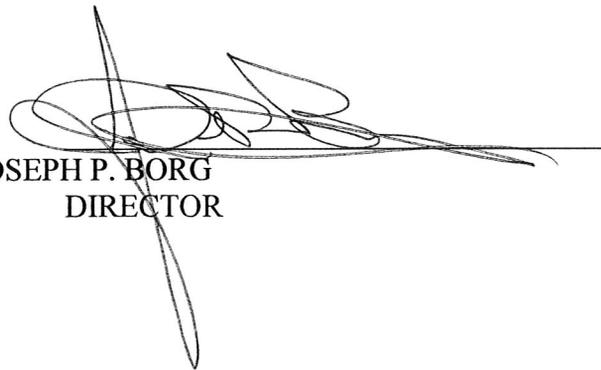
Under new business, Director Borg updated the Commission on the prefiled bill submitted for the upcoming Legislative Session. The bill is identical to the bill filed last year and provides for a rate increase in fees and raising the penalty from a Class C felony to a Class B felony.

A discussion ensued regarding the current sub-prime issues affecting the economy. Following the Director's report, Deputy Director McNeill updated the Commission on the *Harris* case and announced that the federal lawsuit filed by Harris against the Commission has been dismissed by the Court.

After Deputy Director McNeill's discussion, a short overview of investor protection programs by the Commission were summarized.

The meeting concluded with a motion by Commissioner Miller and seconded by Commissioner Means to pay Commissioners' expenses and the meeting adjourned at 10:56 a.m.


MARCUS WOLF
CHAIRMAN


JOSEPH P. BORG
DIRECTOR



JOSEPH P. BORG
Director

J. RANDALL McNEILL
Deputy Director

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