

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, 2009

Published by the Alabama Securities Commission, Education and Public Affairs Division.
Please direct inquiries to this office by calling 1-800-222-1253.

ANNUAL REPORT
Fiscal Year 2009

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



MISSION & OVERVIEW

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

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

- By requiring the registration of securities prior to their public sale;
- By requiring the registration of dealers, agents, investment advisors and investment advisor representatives and by regulating their activities;
- By providing civil remedies for violations of the Act; and
- By providing administrative, civil and criminal penalties for those who participate in the unlawful sale of securities.

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.

MISSION

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

ASC STATUTORY AUTHORITY

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

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 2006-2007 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

ASC PERSONNEL

Directorate

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

Legal Division

Edwin L. Reed, General Counsel
 Jane L. Brannan, Attorney III
 Leslie D. Worrell, Attorney I/II
 Kimathy J. Booher, Legal Research Asst.
 Marion D. Newcomb, Legal Research Asst.
 Amanda L. Senn, Student Aide

Accounting/Personnel Division

Renee S. Sanders, Accounting Manager
 Gwendolyn Lover, Account Clerk
 Bryant M. Wilkerson, Clerical Aide

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
 Charles R. James, Jr., Special Agent
 Anita F. Wilkerson, Executive Secretary
 Dawn M. Matthews, ASA III
 Carrie L. Springer, ASA II
 Shirley S. Fetters, ASA II

Registration Division

Lisa M. Tolar, Manager
 Department of Licensing and Registration

Rena H. Davis, Manager
 Department of Auditing and Examinations

Marvernitha B. Kyles, Securities Analyst
 LaShonda D. Moultrie, Securities Analyst
 Sandra D. Smith, Securities Analyst
 Tina M. Tell, Securities Analyst

Marilyn D. Bullard, Securities Analyst
 Lauren W. Hitt, Securities Analyst
 Spencer D. Lee, Securities Analyst
 Robert W. Sharp, Securities Analyst

Teri T. Johns, ASA III
 Mary G. Rollan, ASA III
 Patricia J. Wilson, ASA II

Ashlee S. Brereton, ASA II

ALABAMA SECURITIES COMMISSION

DIRECTOR'S COMMENTARY



As the shock waves generated by the failures and excesses of Wall Street continue to reverberate across our nation and our state, the Alabama Securities Commission (ASC) has remained steadfast and resolute in its mission to protect Alabama's main street investors from securities fraud in its myriad forms. The vexing financial conditions of the past year have reinforced our determination to be our citizens' first line of defense against securities fraud that could rob them of their financial independence. As the disruptive economic events influencing financial markets over the past year have demonstrated, Alabama's investors, especially those who are retired, are near retirement or serving in the military require and deserve strong and principled advocacy that can be best provided through the Commission's experience with financial services issues at the state, national and international levels. The following paragraphs describe issues of great importance to the financial well-being of Alabama's "main street" investors and how this Commission is responding to help secure our citizens' personal financial assets.



Joseph P. Borg

State Securities Regulators Urge Congress to Provide Greater Resources to Fight Investment Fraud

On March 20, 2009, representatives of the North American Securities Administrators Association (NASAA), drawing from their experience on the front lines of investor protection, offered the U.S. Congress House Financial Services Committee concrete proposals to enhance states' ability to pursue and prosecute perpetrators of financial crimes. The hearing brought together federal and state securities regulators and law enforcement officials to discuss the enforcement of investor protection laws at the federal and state levels.

During the U.S. Congress House Financial Services Committee hearing, the Alabama Securities Commission was noted for its outstanding record of successful convictions for securities violations (excerpts from the testimony which may be viewed at www.nasaa.org): *Since January 1, 2009, the Alabama Securities Commission has announced the conviction of nine*
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DIRECTOR'S COMMENTARY *(Continued)*

different individuals accused of securities fraud. These convictions encompass cases of fraud and abuse ranging from a classic Ponzi scheme to violations of Regulation D, Rule 506. All convictions and charges are felonies. Currently, in the State of Alabama, the Securities Commission has twenty-seven defendants awaiting trial for securities fraud in nineteen separate cases.”—James L. Ropp, Delaware Securities Commissioner and Deputy Attorney General.

Through meetings with our Alabama Senators and Congressmen, ASC has urged Congress to support the valuable contributions of state securities regulators through federal grants. ASC has shown that state securities regulators have the determination, willpower and experience to pursue perpetrators of financial crime while accomplishing more with less. However, there is little doubt that additional resources would enhance their ability to uncover and prosecute securities fraud during this economic downturn which has resulted in vulnerable investors looking to recover their losses.

We have also joined our state securities colleagues in supporting the deputizing of state securities attorneys to serve as special prosecutors, (a practice already followed by the Alabama Securities Commission in conjunction with both the U.S. Attorney and Alabama Attorney General's offices) for complex securities cases; allowing states to review securities offerings currently exempt from state oversight under Rule 506 of Regulation D of the Securities Act of 1933; including representatives from state banking, insurance and securities regulatory agencies on the President's Working Group on Financial Markets; promoting a federal fiduciary standard for securities broker-dealer firms to meet obligations of loyalty, care and competence to their retail clients; toughening civil and criminal penalties for those who commit financial crimes, especially those who target senior investors; and, increasing opportunities for victims of fraud to seek private actions.

ASC's Office/Division Functions and Accomplishments

The **Enforcement Division** has a staff of 12 veteran investigators (Special Agents) with more than 270 years combined law enforcement and investigative experience. Special Agents conduct complex investigations in response to complaints or evidence of alleged securities fraud. The investigation of financial crime involves intensive efforts to examine and analyze large quantities of information ranging from electronic data to paper records. Special Agents are required to field investor complaints related to suspicious, unsuitable and/or illegal investment offerings and the sale of fraudulent and unregistered investment products. The Enforcement Division coordinates its actions with the ASC office of Legal Counsel and local, state and federal authorities to thoroughly examine complaints, analyze financial transactions and help bring legal action against any person or entity that violates the Alabama Securities Act. During the past five years, Enforcement Division actions have secured, on average, more than 17 criminal indictments per year for securities fraud and due to the division's diligent work on behalf of Alabama's investors,

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DIRECTOR'S COMMENTARY *(Continued)*

the Courts have ordered more than \$16 million in victim restitution in these cases. During this fiscal year, enforcement actions led to 23 arrests, 24 convictions and helped secure 419 years of jail time for violators of the Alabama Securities Act.

The Registration Division:

The **Licensing and Registration** Department is responsible for the initial and ongoing registration and statutory compliance of broker-dealer firms and their agents, investment adviser firms and their representatives, securities registration or exemption from registration and the licensing of money transmitters. This Department is also responsible for the processing of fees associated with the applications and renewals which allows the agency to remain self-funding. The total number of registrations, licenses and exemptions issued in Fiscal Year 2009 was 136,464.

The **Auditing and Examination** Department conducts a full schedule of onsite routine and for-cause examinations. It examines each of the state regulated investment advisers domiciled in Alabama on a three-year cycle, while continuing to audit broker dealers and their branch offices on a for-cause basis. The audit program identifies serious securities violations as well as potential weaknesses in sales practices in order to help strengthen these entities' compliance programs and to protect Alabama investors. The Department also conducts joint audits, on a limited basis with other states for complex audits and enforcement investigations. In fiscal year 2009 the Auditing and Examination Department conducted 40 audits. Of these, seven were for-cause examinations driven by investigations, customer complaints or licensing issues.

The **Education and Public Affairs Division** notifies state and national media about the agency's services, enforcement actions, fraud prevention alerts and other activities to combat financial crimes targeting Alabama citizens. The division is very active in educating citizens of all ages and economic backgrounds about the many facets of personal finance, investing and how to protect oneself from financial fraud. The division researches, develops and implements investor education and fraud prevention outreach programs that offer Alabamians, from high school students and working adults to senior investors, ages 50 and older, the most relative and timely information available to help them make informed financial decisions. The information provided to these groups encourages prudent use of monetary resources, avoiding victimization by fraud and achieving the fiscal knowledge required to safeguard personal financial assets in order to help citizens build a comfortable and stable retirement. Continued collaboration with the Alabama Department of Education, the Alabama JumpStart Coalition, the Investor Protection Trust, the Alabama Department of Senior Services, the Alabama Cooperative Extension System, and the Alabama Council on Economic Education, among others, led to a successful education outreach program providing 70 education and fraud prevention events to over 5,400 Alabama citizens during this fiscal year.

The **Information Technology (IT) Division** is critical to the Commission's ability to efficiently manage a tremendous workload. The IT Division has worked steadily to
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DIRECTOR'S COMMENTARY *(Continued)*

improve and streamline the way we utilize and store important information. Recently the IT staff upgraded all servers older than five years to efficiently maintain the currency of software and computers for all staff members with a continued equipment update plan. Database upgrades in support of Legal, Enforcement, and the Registration Divisions were purchased and are nearing production. The IT staff has also worked tirelessly to install new web and video-casting hardware and software to provide enhanced training for all ASC staff members. During this period the IT Division developed a plan to install new state-of-the-art audio-visual technology that will allow us to network with numerous other state and federal regulatory and law enforcement agencies.

The **Legal Division** investigates and prosecutes fraudulent and illegal actions by individuals or companies associated with the offering and/or sale of securities within, into or from the State of Alabama, or any related actions that violate the Alabama Securities Act. The Legal Division is comprised of five highly competent and skilled attorneys, including the Deputy Director, who are ably assisted by two full-time paralegals. The legal staff possesses almost 100 years' combined legal and prosecutorial experience and oversees the prosecution of administrative, civil and criminal actions brought by the ASC and render opinions and no-action letters relating to issues of law under the Alabama Securities Act. The division also serves as in-house legal counsel for all legal issues concerning daily operations of the Commission staff, including investigations and personnel issues and acts as liaison with other entities when legal issues of common interest arise. The legal staff is often called upon by District Attorneys across the state for assistance in investigating and aggressively prosecuting white-collar crime and has a stellar prosecution record. ASC attorneys collaborate and consult with other states on legal issues with overlapping jurisdictions and aid federal prosecutors, the U.S. Securities and Exchange Commission, the Financial Industry Regulatory Authority and others to assure the maximum advocacy and protection possible for Alabama's main street investors.

The **Accounting and Personnel Division's** work encompasses a number of diverse and important functions that guarantee the continued smooth operation of the agency. This division provides for the overall fiscal operation of the ASC, including preparing the annual budget and operations plan, supervising the maintenance of accounting records, reviewing to ensure propriety of expenditures and budgetary controls, the maintenance of personnel and payroll records and the accountability of all physical inventory. This division works with the Examiners of Public Accounts to ensure that the agency's fiscal compliance with the Code of Alabama is followed to the letter. Historically, the ASC Accounting and Personnel Division has received a "Perfect Property Inventory" audit and works tirelessly to make certain that the agency's property and monetary resources are used and maintained for the greatest benefit to Alabama taxpayers.

Investor Education and Fraud Prevention Outreach Program



Dan Lord, Manager

Promoting Investor Protection Through Instruction and Preparation

The ASC's **Education and Public Affairs Office** serves as a strong, pre-emptive force to protect citizens of Alabama from becoming victims of securities fraud and enhances their ability to make informed investment decisions through educational presentations, free literature and information.



Clint Niemeyer, Public
Affairs Specialist

Investor Education and Fraud Prevention for Seniors

One of the Commission's most successful continuing partnerships for senior education and outreach is with the Alabama Department of Senior Services (ADSS) and its network of Area Agencies on Aging throughout Alabama. ASC's partnership with ADSS provides staunch advocacy for the overall social, medical and financial health of Alabama's senior citizens. The following list of events highlights senior outreach efforts during the year:

- State Medicare Patrol (SMP) Fraud Summit— "Guarding Against Scams and Fraud." These popular events were held in conjunction with local Better Business Bureaus and other professional organizations to reach seniors, their families and caregivers, to teach the knowledge necessary to avoid becoming victims of crime, methods to use to protect against waste, fraud and abuse and where to get help if victimized.
- Caregiver and Elder Abuse Workshops—Highly qualified ASC staff joined ADSS personnel to make informative presentations to nursing, nursing home/assisted living, home health, social services, legal and other senior care providers on how to recognize and address specific problems that their senior clients may face, such as elder abuse, financial fraud and exploitation, identification theft, and other legal issues.
- Elder Abuse Awareness Rally — ASC joined forces with ADSS and the Alabama Civil Justice Foundation at the Alabama State Capitol to bring attention to the specialized legal, social, health and medical needs of Alabama seniors and to send a powerful message that state and federal agencies stand ready, willing and able to use every resource available to protect Alabama's seniors.
- "Let's Talk Turkey" About Medicare Tour — ASC partnered with ADSS to teach seniors throughout Alabama the most current and critical information concerning Medicare coverage and how to shield themselves from financial fraud often hidden behind too-good-to-be-true healthcare "options" being touted to seniors.
- For the fifth consecutive year, ASC staff participated in the 2009 Senior Expo at the Von Braun Civic Center in Huntsville. This annual event brings together thousands of senior citizens from across northern Alabama to see the many products and services available to them from dozens of professional service providers. ASC staff members were on hand to answer questions and distribute a wealth of free materials.
- ASC staff participated in the Jackson County Senior Expo in Scottsboro. This free event hosted over 500 seniors from Jackson, DeKalb, Madison and Marshall Counties in North Alabama and was designed to give those 50 years and older information about various resources available to them that could help safeguard their health, safety and financial independence. ASC also partnered with AARP specialists to host several financial workshops in Central and South Alabama to discuss important financial and fraud prevention topics.

Youth and Student Programs

The ASC's Education Office is an active member of the Alabama Jump\$tart Coalition and works with other business, government and nonprofit agencies to promote financial literacy programs geared toward public and private middle and high school students. 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 include over two hours of 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.

Investor Education and Fraud Prevention Outreach Program

ASC Military Outreach Program with Special Website Area

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

Director Borg said, “We believe in our military and have supported recent deployments of key ASC employees, who are members of the Guard/Reserves, in support of Middle-East defense initiatives. Our Education and Public Affairs manager has over 25 years of active, guard, enlisted and commissioned service and is the primary contact for an international military outreach program and is working as a non-profit partner with the Department of Defense, Financial Readiness Campaign. If we get inquiries from any military personnel, in any status, or their dependents, you can be assured this Commission will put our best foot forward to help provide information or investigate complaints and concerns as necessary.”

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

Investor Education for Visually Impaired Alabamians

In September 2009, the Alabama Securities Commission’s Office of Education and Public Affairs, partnered with the Alabama Department of Rehabilitation Services’ OASIS Program at Snead State Community College in Boaz, Alabama. The Older Alabamians System of Information and Services (OASIS) is a statewide program of 20 vision loss support groups working collectively to enhance the quality of life for Alabama citizens, 55 years and older, who have either partial or total vision loss. The OASIS program helps equip vision-impaired Alabamians to participate in all life activities, even those thought to be exclusively for people with normal vision. OASIS support group meetings are devoted not only to topics related to vision loss, but to a variety of other life concerns, with the goal to encourage and equip people with vision limitations to return to former interests and to live a full life.



To help ensure that these vision impaired individuals in the Marshall County, Alabama area have the necessary tools to advance their financial literacy, maintain control of their personal finances during challenging financial times and have the most current and accurate information available to help safeguard them from financial fraud, highly qualified ASC staff presented “What Seniors Should Know to Make Informed Investment Decisions.” The presentation focused on the various elements of financial fraud, a discussion of how to identify fraudulent practices and the steps to take if fraud is suspected or perpetrated against group members or their families. ASC staff answered individual inquiries and distributed to participants a wealth of personal finance, investor education and fraud prevention materials. Some of the training materials were customized and printed in very large text for this presentation.

Investor Education and Fraud Prevention Outreach Program

Summary of Key Investor Education Activities/Presentations (Fiscal Year 2009, October 1, 2008 - September 30, 2009)

<u>Date</u>	<u>Place</u>	<u>Number</u>	<u>Audience Type</u>
9/29/2009	Montgomery, AL - Joint Leadership Dev. Conf	260	High school students - four seminars
9/25/2009	Cullman, AL - ACES Estate Planning Event	40	Senior citizens from the local community
9/11/2009	Tuskegee, AL - ACES Estate Planning Event	14	Senior citizens from the local community
9/10/2009	Boaz, AL at Snead Comm. College for OASIS	14	Seminar for citizens with vision impairment
9/10/2009	Mobile, AL - ARSEA Annual Conference	120	Seminar conducted for retired state employees
9/9/2009	Mobile, AL - ARSEA Annual Conference	100	Talk with retired state employees at booth
8/28/2009	Autaugaville, AL - ACES Estate Planning Event	60	Senior citizens from the local community
8/21/2009	Carrollton, AL - ACES Estate Planning Event	25	Senior citizens from the local community
8/14/2009	Birmingham, AL at UAB campus	65	Certified Fraud Examiners - Continuing Ed
8/6/2009	Pell City, Jeff State College ACES Estate Planning	24	Senior citizens from St. Clair County area
7/21/2009	RSA Plaza, Montgomery, AL	30	AL IE supporters and Mr. Ketchum from FINRA
7/21/2009	Birmingham BJCC, Teachers Conference	100	High school teachers from across Alabama
7/20/2009	Birmingham, AL -Federal Reserve	20	High school teachers from across Alabama
6/26/2009	Woodstock, AL - ACES Estate Planning Event	7	Senior citizens from Bibb/Tuscaloosa Counties
6/15/2009	Gadsden, AL with Area Council on Aging	100	Senior citizens from Choctaw County area
6/15/2009	Montgomery, AL at the State Capitol with ADSS	82	Senior citizens from Central Alabama
6/12/2009	Tuskegee with AL S. Central AL Dev. Comm.	20	Professional caregivers for senior citizens
6/10/2009	Butler, AL - ACES Estate Planning Event	15	Senior citizens from Choctaw County area
6/8/2009	Montgomery, AL - Trenholm Tech	25	High school students in summer program
6/3/2009	Dothan, AL at the SARCOA Center	82	Senior citizens/residents from 7 SE counties
5/28/2009	Montgomery, AL - Eastdale Assisted Living	43	Senior citizens/residents
5/27/2009	Orange Beach, AL - ADAA (District Attorneys)	65	Victim Services Officer Counselors
5/27/2009	Opelika, AL - Area Agency on Aging	70	Senior citizens from the Auburn/Opelika area
5/21/2009	Florence-Lauderdale, AL - Coliseum with BBB	60	Senior citizens from the local community
5/15/2009	Scottsboro, AL - ACES Estate Planning Event	15	Senior citizens from the Scottsboro area
5/14/2009	Montgomery, AL - Dept of Edu., Career Tech	9	In-service financial training to ASAs
5/9/2009	Greenville, AL - Pilgrims Baptist Church	20	Area church members and leaders
5/7/2009	Birmingham, AL - NAIFA Sales Symposium	300	Financial Advisors and insurance sales
5/6/2009	Hayneville, AL - Lowndes County Senior Center	125	Senior citizens from the Hayneville area
5/5/2009	Huntsville, AL - Senior Expo 09 at Von Braun Center	450	Senior citizens from North Alabama region
5/1/2009	Decatur, AL - Scam Jam event with NARCOG	200	Senior citizens from the Decatur area
4/28/2009	Tuscumbia, AL - ARSEA chapter meeting	45	Retired state employees
4/24/2009	Mobile, AL - ARSEA chapter meeting	80	Retired state employees
4/22/2009	Selma, AL - ADSS Fraud Summit	26	Senior citizens from the local area
4/15/2009	Birmingham, AL - ARSEA chapter meeting	50	Retired state employees
4/8/2009	Montgomery, AL - RSA Plaza, at the Commission	18	Shades Valley HS field trip

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Investor Education and Fraud Prevention Outreach Program

Summary of Key Investor Education Activities/Presentations
 (Fiscal Year 2009, October 1, 2008 - September 30, 2009)

(Continued)

<u>Date</u>	<u>Place</u>	<u>Number</u>	<u>Audience Type</u>
4/8/2009	Chatom, AL - ARSEA chapter meeting	15	Retired state employees - teachers
4/7/2009	Montgomery, AL - ARSEA chapter meeting	125	Retired state employees
4/7/2009	Montgomery, AL - Capitol City Club	45	Montgomery Estate Planning Council
4/1/2009	Tuscaloosa, AL - YMCA	20	Wise Men business group members
3/19/2009	Tuscaloosa, AL - Senior Citizens Center	80	Senior citizens from Tuscaloosa
3/17/2009	Montgomery, AL - Montgomery Country Club	12	Health Underwriters Association
3/16/2009	Wetumpka, AL - Shoney's restaurant	22	Wetumpka area Lions Club
3/13/2009	Evergreen, AL - ACES Estate Planning event	20	Senior citizens from the Evergreen area
3/10/2009	Russellville, AL - ADSS Fraud Summit	225	Senior citizens from the Russellville area
3/5/2009	Prattville, AL - Doster Civic Center	35	Prattville Lions Club members
2/27/2009	Mobile, AL - Area Agency on Aging	350	Senior citizens from the Mobile area
2/20/2009	Montgomery, AL - Shiloh Mission Baptist Church	260	Senior citizens from the Greenville area
2/5/2009	Hoover, AL - Public Library	80	Keynote at NAPFA - adults from local area
2/3/2009	Clanton, AL - 1st United Methodist Church	60	Chilton County Chamber of Commerce
2/3/2009	Florence, AL - Marriott Civic Center	35	Shoals area Civitans
1/31/2009	Greenville, AL - Pilgrim Rest Baptist Church	20	Adult church members and pastors
1/21/2009	Scottsboro, AL - Goose Pond Civic Center	50	Seniors from the local community
1/15/2009	Anniston, AL - Classic in Noble	25	NAIFA - insurance and investment advisors
1/7/2009	Montgomery, AL - Piccadilly Cafeteria	35	Alabama Power retirees
12/9/2008	Wetumpka, AL at Shoney's	20	Rotarian Club members
12/4/2008	Opelika - Saugahatchee Country Club	60	Adult members of Kiwanis Club
12/1/2008	Montgomery, AL - United Methodist Church	35	Adults middle age to Senior from local area
11/20/2008	Birmingham, AL - Botanical Gardens	100	ADSS Medicare Van Tour for seniors
11/19/2008	Tuscaloosa, AL - Senior Center with ADSS	300	ADSS Medicare Van Tour for seniors
11/18/2008	Cullman, AL - Northbrook Baptist Church	60	ADSS Medicare Van Tour for seniors
11/17/2008	Florence, AL - Cross Point Church of Christ	250	ADSS Medicare Van Tour for seniors
11/15/2008	Montgomery, AL - AUM Business School	60	IPT and ACEE event with Girl Scouts
10/22/2008	Millbrook, AL - Oak & Ivy Dreams with AARP	8	Seniors from the local community
10/17/2008	Montgomery, AL - RSA Plaza, at the Commission	33	UAB finance students
10/15/2008	Florence, AL - Shoals Chamber of Commerce	8	AARP and seniors from local area
10/9/2008	Montgomery, AL - Alabama Activities Center	85	Association of Gov. Accountants
10/6/2008	Robertsdale, AL - Mama Lou's restaurant	13	AARP and seniors from local area
10/3/2008	Opelika, AL - area Elk's Club with ACES	41	Members of the Elk's Club and citizens
10/2/2008	Prattville, AL - Doster Civic Center	35	Prattville Lions Club members
<u>NUMBER OF EVENTS - TOTAL:</u>		70	
<u>RECEIVED INVESTOR EDUCATION - TOTAL:</u>		5401	

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



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

Joseph P. Borg is twice past president of NASAA (2001-2002 and 2006-2007) and during this period served on its Board of Directors, as Ombudsman and as Chair of the International Committee. He previously served as NASAA's Chair of the Enforcement Section and as Treasurer. Borg has had an influential role in promoting legislation to increase the severity of punishment for white-collar crime, especially financially-related crimes that victimize everyday investors. He has been a staunch advocate for the protection of senior citizens, working with NASAA and other state and federal regulatory agencies to promote stronger regulation of investment offerings that could pose unsuitable risks to our state and nation's "main street" investors.

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.

NASAA programs are carried out through its various committees. During FY 2009, 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.

Alabama Securities Commission Involved with International Securities Regulatory Organizations to Represent All State Securities Regulators.

Director Borg was invited and participated on two panels: *Sovereign Wealth Funds and International Financial Market Management* and *Corporate Governance and Insider Trading Regulations* at the 5th Taipei Corporate Governance Forum, held 5-8 November 2008 in Taipei. The Forum focused on "Promoting corporate governance by securities regulatory organizations", "The assessment of corporate governance implementation", and "Corporate governance and insider trading regulations".

Also, Borg maintained representation with the International Organization of Securities Commissions (IOSCO) and The Council of Securities Regulators of the Americas (COSRA) to help promote fair and transparent securities markets for investors worldwide and maintain efficient, cooperative working relationships with prominent and respected international securities regulatory bodies.

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 advisers and investment adviser representatives and regulating their activities; (3) requiring Reg. D filing notices under the Securities Acts of 1933; (4) requiring the filing of mutual funds and certain other specialized securities offerings through exemption; and, (5) providing civil remedies for violations of the Act and providing administrative, civil and criminal penalties for those who violate the Act.

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

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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</i> , 1975
Coordination	Registered statement has been filed in connection with the same offering. State filing in conjunction with SEC filing.	\$40 filing fee + registration fee of 1/10 of 1% of the aggregate offering price of the securities offered in this state. Registration fee not to exceed \$1000	§ 8-6-8(d) <i>Code of Alabama</i> , 1975
Qualification	Any other security.	\$40 filing fee + registration fee of 1/10 of 1% of the aggregate offering price of the securities offered in this state. Registration fee not to exceed \$1000	§ 8-6-8(d) <i>Code of Alabama</i> , 1975
Exemption	Securities not required to be registered by virtue of exemption under federal, state, or provincial statutes.		
Limited Offerings	(1) Alabama ULOE	\$150	§ 8-6-11(a)(14)(m)(4), <i>Code of Alabama</i> , 1975
	(2) Regulation D filing under Rules 505 and 506	\$250	§ 8-6-11(c), <i>Code of Alabama</i> , 1975 Commission Rule 830-X-6-.11(1)(a)(3)(iv)
	(3) Expansion Order filing to increase the number of purchasers in a limited offering that has already been exempted from registration.	\$250	§ 8-6-11(c), <i>Code of Alabama</i> , 1975
	(4) For sale up to 25 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

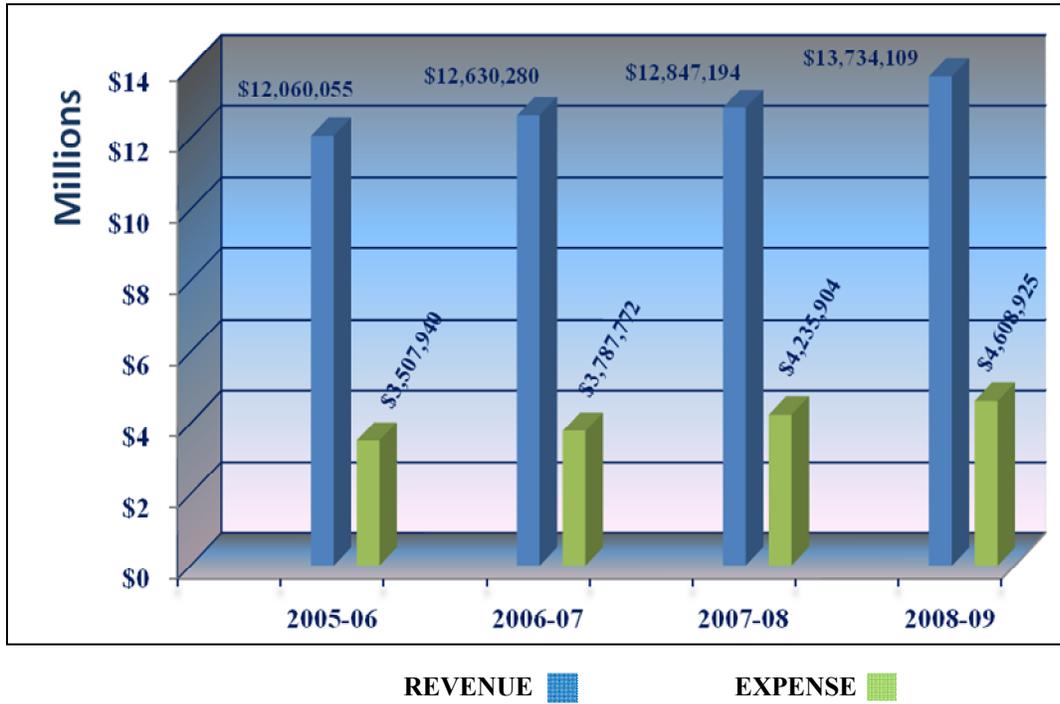
FILING	DEFINITION	FEE	AUTHORITY
Mutual Fund Exemption	<p>Registration exemptions for Open-End Management Investment Company:</p> <p>Total assets less than or equal to \$25 million:</p> <p>Total assets greater than \$25 million, less than \$100 million:</p> <p>Total assets greater than \$100 million:</p> <p>Unit Investment Trusts:</p>	<p>\$300+ \$40 new application fee</p> <p>\$600+ \$40 new application fee</p> <p>\$1,000+ \$40 new application fee</p> <p>\$200 + \$40 new application fee</p>	<p>§ 8-6-10(11)(b)(2), Code of Alabama, 1975</p> <p>§ 8-6-10(11)(b)(2), Code of Alabama, 1975</p>
IDB	Industrial Revenue Bonds are municipal bonds issued for purpose of constructing facilities.	1/20 of 1% of principal amount of described bonds. No less than \$25, but not to exceed \$1,000	§ 8-6-115, Code of Alabama, 1975
Sale of Checks	<p>Sale of any check, draft, money order, or other instrument for transmission or payment of money.</p> <p>(1) Investigative fee for initial application</p> <p>(2) Registration fee for principal office</p> <p>(3) Additional location and agents in the state</p>	<p>\$250</p> <p>\$250</p> <p>\$5 (Max registration fee \$500, exclusive of investigative fee)</p>	<p>§ 8-7-6, Code of Alabama, 1975</p> <p>§ 8-7-9, Code of Alabama, 1975</p>
Opinions	Interpretations	\$150	§ 8-6-29, Code of Alabama, 1975
Agent	Any individual, other than a dealer, who represents a dealer or issuer in effecting or attempting to effect sales of securities.	\$50	§ 8-6-3(h), Code of Alabama, 1975
Dealer	Any person engaged in the business of effecting transactions in securities for the account of others or for his own account.	\$200	§ 8-6-3(h), Code of Alabama, 1975

ASC FEE SCHEDULE

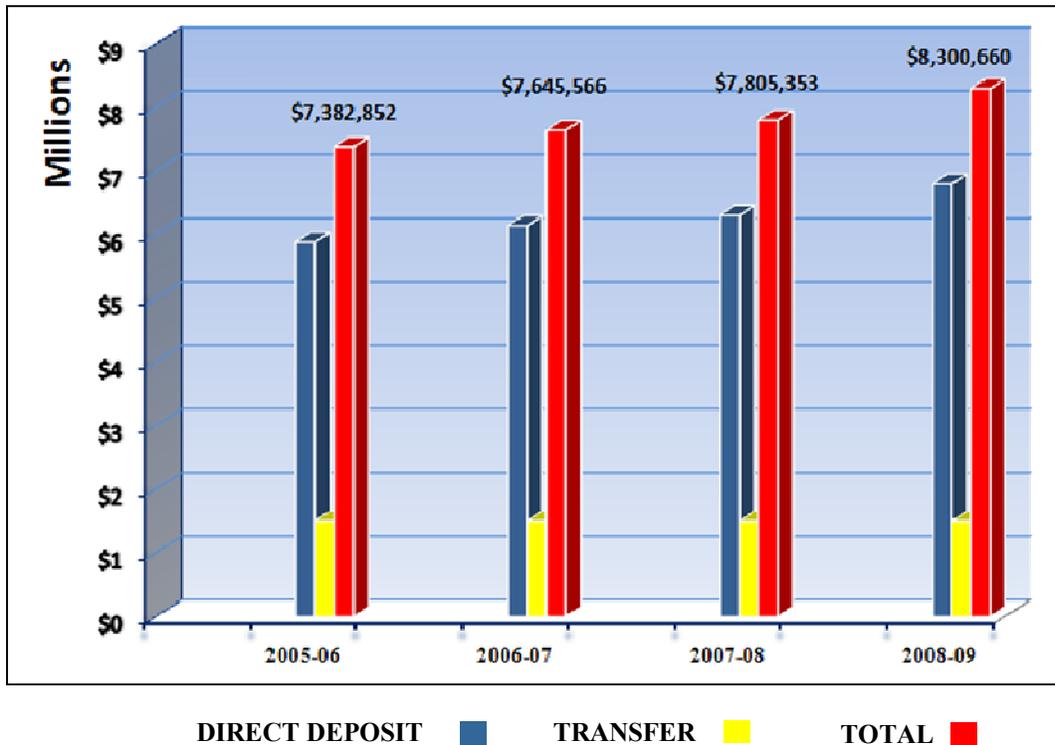
FILING	DEFINITION	FEE	AUTHORITY
Investment Adviser	Any person who, for compensation, engages in the business of advising others, either directly or through publications or writings, as to the value of securities or as to the advisability of investing in, purchasing, or selling securities, or who, for compensation and as a part of a regular business, issues or promulgates analyses or reports concerning securities.	\$200	§ 8-6-3(h), <i>Code of Alabama</i> , 1975
Investment Adviser Representative	Any partner, officer, director of or other individual employed by or associated with an investment adviser, except clerical or ministerial personnel, who (a) makes recommendations or renders advice regarding securities; (b) manages accounts or portfolios of clients; (c) determines which recommendations or advice regarding securities should be given; (d) solicits, offers or negotiates for the sale of or sells investment advisory services; and (e) supervises employees who perform any of the foregoing.	\$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

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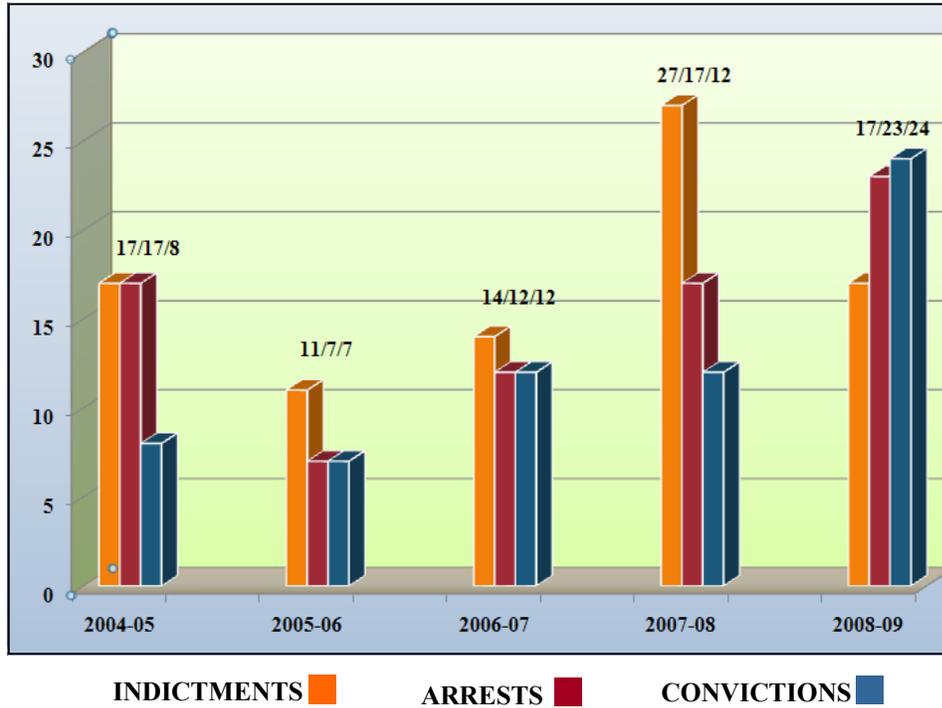
Combined Revenue and Expenses Fiscal Years 2005/06 - 2008/09



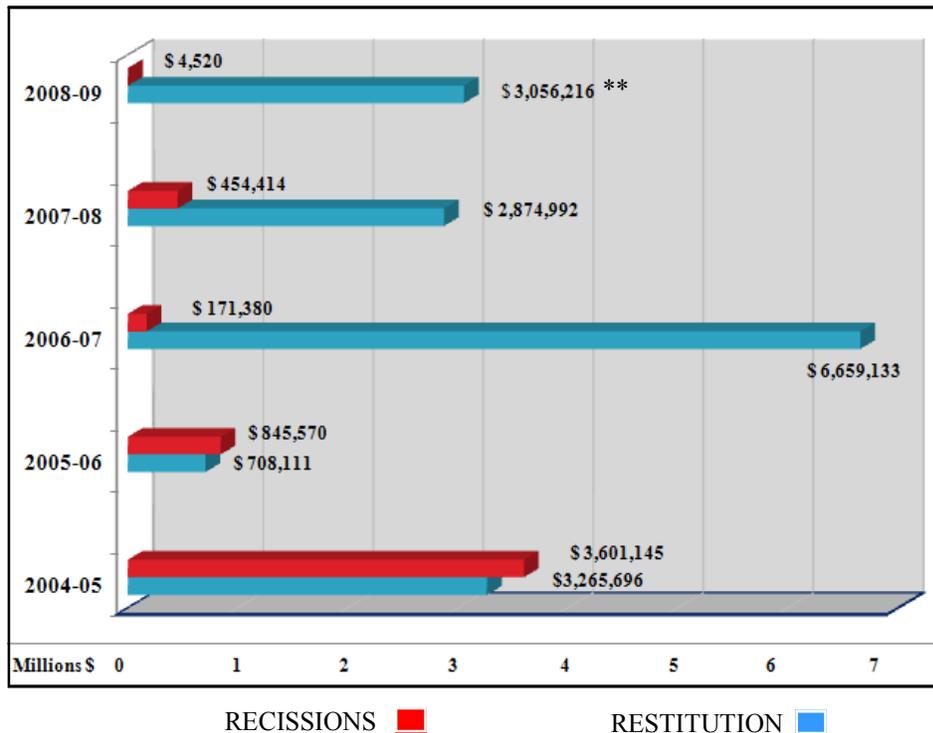
Total Revenue to General Fund Fiscal Years 2005/06 - 2008/09



Indictments, Arrests and Convictions Fiscal Years 2004/05 - 2008/09



Rescissions and Restitution Fiscal Years 2004/05 - 2008/09



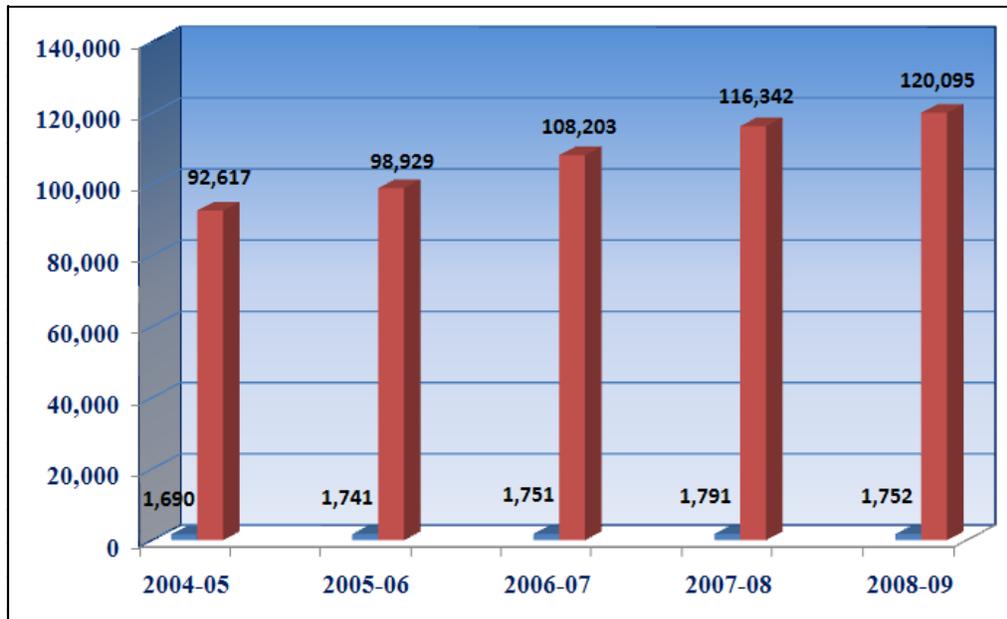
**Not included is \$67.3 million in victim restitution from a federal and multi-state case.

Complaints and Corporate Inquiries Fiscal Years 2004/05 - 2008/09



* Increased service on checking newly-filed incorporations and verifying new business legal requirements.

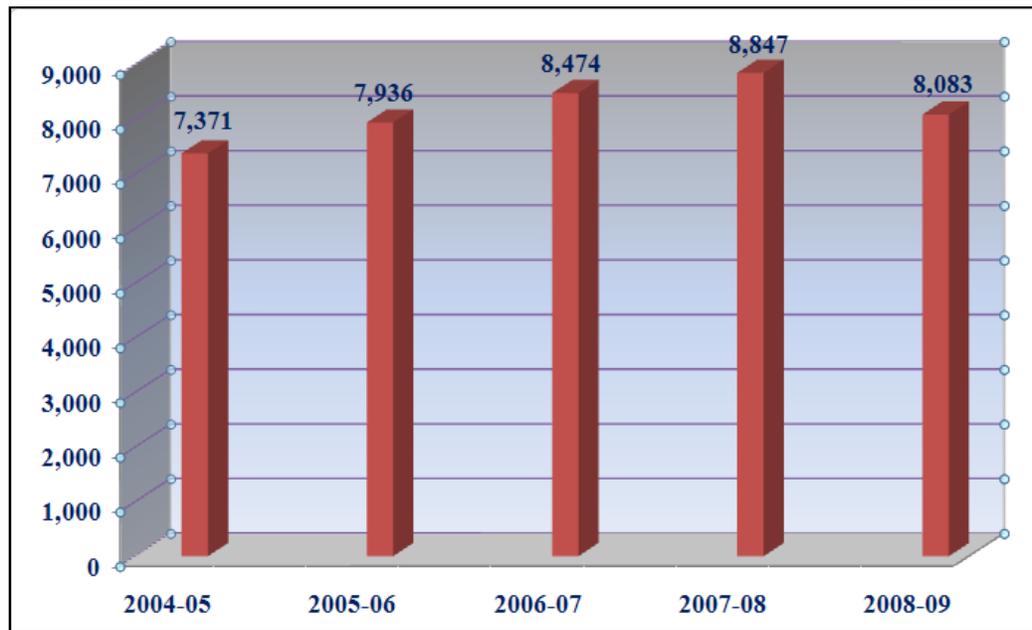
Broker Dealer Registrations Fiscal Years 2004/05 - 2008/09



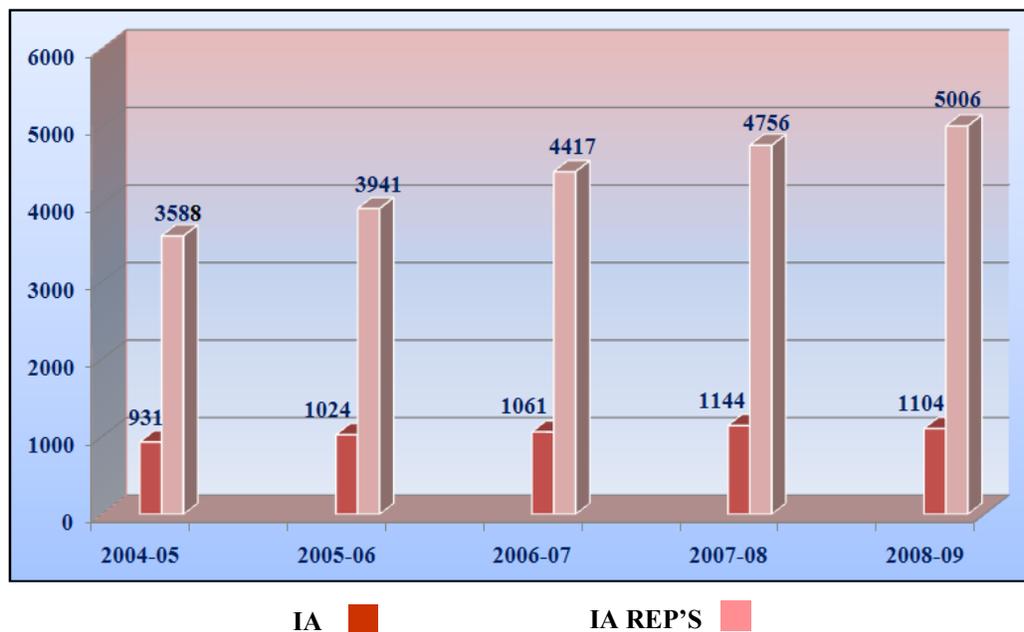
DEALERS 

AGENTS 

Mutual Fund Registrations and Exemptions Fiscal Years 2004/05 - 2008/09



Investment Adviser Registrations Fiscal Years 2004/05 - 2008/09



FINANCIAL STATEMENT

FISCAL YEAR 2009

Agency Revenues

Authority

§ 8-6-3(h)	Investment Advisers & Representatives	\$ 6,935,000
	Broker-Dealers & Representatives	
§ 8-6-8	Securities Registration.....	53,520
§ 8-6-11	Exemptions.....	128,040
§ 8-6-19	Administrative Assessments/Investigative Executions	951,722
§ 8-6-10(11)(b)(2)	Mutual Fund Exemptions.....	5,599,420
§ 8-6-29	Opinions.....	1,350
§ 8-6-115	Industrial Revenue Bonds.....	16,411
§§ 8-7-6; 8-7-9	Sale of Checks	44,255
	Miscellaneous Revenues	4,391

TOTAL REVENUES\$ 13,734,109

To General Fund	\$ 6,800,660
To Sale of Checks Fund	44,255
To Securities Commission Fund	6,872,783
To Industrial Revenue Fund	16,411

TOTAL\$ 13,734,109

Expenditures

Personnel Costs	\$ 2,636,713
Employee Benefits	876,247
Travel (In-State).....	40,133
Travel (Out of State).....	39,104
Repairs & Maintenance.....	6,080
Rentals & Leases	388,365
Utilities & Communications	46,801
Professional Services	356,462
Supplies, Materials & Operating Expenses.....	141,746
Transportation Equipment Operations	36,370
Transportation Equipment Purchases.....	0
Other Equipment Purchases	40,904

TOTAL\$ 4,608,925

Additional Transfer to State General Fund\$ 1,500,000

TOTAL EXPENDITURES\$ 6,108,925

TOTAL TO GENERAL FUND FOR FISCAL YEAR 2009\$ 8,300,660

Alabama Securities Commission Enforcement Division

Enforcement Activity

Corporate Inquiries Opened	292
Corporate Inquiries Closed	288
Investigations Opened - "I"	88
Investigations Closed - "I"	84
Investigations Opened - "S"	78
Investigations Closed - "S"	72
Administrative Actions	51
Administrative Action Respondents	150
Receiverships Appointed	1
Rescission Offers Obtained	1
Indictments Obtained	17
Warrants Obtained	2
Arrests Made	23
Convictions Obtained	24
Public Warnings Issued	3
Referrals to Other Agencies	59

As of 9/30/09, there were 5 individuals awaiting Grand Jury, 5 individuals pending arrest, and 25 individuals awaiting trial.

Administrative Orders Issued

A comparative summary of the Enforcement Division's Fiscal Year 2009 activities are shown on the following chart:

TYPE OF ORDER ISSUED	RESPONDENTS	ORDERS
Cease and Desist	72	21
Consent	29	15
Show Cause	8	4
Vacate	18	6
Permanent Bar	3	1
Order to Deny	1	1
Order to Suspend	19	3
TOTALS:	150	51



ALABAMA Securities Commission

Joseph P. Borg, Director

ENFORCEMENT HEADLINE SUMMARIES FROM FISCAL YEAR 2009 (Alphabetical by County)

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

Elmore County

Elmore County Man Pled Guilty to Violations of Alabama Securities Act

(March 30, 2009) Guerry Lamar Reese, a Millbrook, Alabama resident, pled guilty to violations of the Alabama Securities Act and was ordered to pay an Alabama victim \$60,000 in restitution. A four-count indictment was returned against Reese by an October 2008 session of the Montgomery County Grand Jury. Reese was arrested October 24, 2008, by Elmore County Sheriff's deputies and agents of the ASC's Enforcement Division and transported to Montgomery County Detention Facility. Reese, owner of, and doing business as, Merchants Commerce Solutions (MCS), solicited investments, in the form of shares of his company's stock, from an Alabama investor to fund the manufacture of electronic poker chip counting devices that could be marketed to casinos. Investigation revealed that between July and August 2004, an Alabama victim invested \$60,000 with Reese and was not repaid when the company declared bankruptcy in 2007.

Texas Man Pleads Guilty to Securities Fraud in Connection with Wide-Ranging Investment Scheme

(May 5, 2009) Arnulfo M. Acosta, 45, a resident of Edinburg, Texas, pled guilty in Elmore County Circuit Court to Securities Fraud and was sentenced to five years imprisonment to run concurrently with a federal sentence. Restitution to be paid to Alabama victims will be combined with amounts due to victims in other states under a Federal Court order. An indictment handed down by an Elmore County Grand Jury in July, 2006 alleged that Acosta, together with other principals of Learn Waterhouse, Inc., a Texas corporation, offered and sold certain securities in the form of investment contracts described as "high-yield, low risk opportunities," to investors in Alabama. Acosta had previously pled guilty in the U.S. District Court, Southern District of California, prior to trial, to federal felony charges brought by the U.S. Securities and Exchange Commission.

Henry County

Wisconsin Man Pleads Guilty to Violations of Alabama Securities Act

(April 2, 2009) Michael James Konkel, 50, a Madison, Wisconsin resident, has pled guilty to violations of the Alabama Securities Act, sentenced to eight years in prison and ordered to pay \$175,000 in restitution to victims. Konkel will serve his sentence concurrently with a sentence he is presently serving in federal prison in Ohio. Konkel was accused of making investment offers to citizens of Henry County, Alabama and inducing at least two Alabamians to spend their money in an investment fund known as The Venture Fund and used Alabama investors' money to pay investors in a previous scam he was operating. The ASC investigation of Konkel revealed that he had been previously convicted of illegal securities offers in Texas and was on probation from that state while making similar offers to Alabama citizens and that The Venture Fund was, in fact, nonexistent.

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ENFORCEMENT HEADLINE SUMMARIES (continued)

Houston County

Houston County Man Arrested for Alleged Violations of Alabama Securities Act

(November 16, 2008) Robert Edmondson, a resident of Dothan, Alabama, was arrested by Houston County Sheriff's Department deputies and transported to Houston County Jail for alleged violations of the Alabama Securities Act. He was later released under \$100,000 bond. The indictment alleges that Edmondson, being the owner of, and doing business as, Digicon Management Corporation, an electrical contracting business headquartered in Dothan, Alabama, solicited and sold investments in the form of shares of his company's stock to at least two Alabama investors. Approximately \$220,000 of investors' money was allegedly to be used to develop and market an electric power saving device for consumer use. Edmondson allegedly misled investors by promising to return their money should the venture fail. It is further alleged that Edmondson used the victims' money for his personal use as well as to fund the continued operation of his company.

Jefferson County

Jefferson County Man Arrested for Alleged Violations of Alabama Securities Act

(November 26, 2008) Cornelious Brown III, a resident of Birmingham, Alabama, was arrested November 18, 2008 by Jefferson County Sheriff's deputies for alleged violations of the Alabama Securities Act and transported to the Jefferson County detention facility where he was later released under \$30,000 bond. The indictment alleges that Brown, doing business as Providential Financial Group, Inc. (PFG), fraudulently solicited multiple investments. The indictment further alleges that Brown used the investment funds for personal and other non-business expenses. Alabama securities law specifies that it is illegal to offer for sale any unregistered security into, within or from Alabama. Brown is not registered by the ASC to conduct securities business in Alabama and there is no record of registration for Providential Financial Group, Inc., or for the investment Brown offered and sold to the investor.

Former Bessemer Revenue Director Pleads Guilty to Violations of Alabama Securities Act

(December 9, 2008) Ryan O. Rancher, former Revenue Director for the City of Bessemer, Alabama, pled guilty to one count theft of property and four counts of securities violations before Circuit Judge Mac Parsons on Friday, December 5, 2008. The plea agreement was the culmination of an eighteen-month investigation by the ASC alleging that Rancher, acting in the capacity of an investment adviser representative, solicited more than \$500,000 from Birmingham area residents for investment purposes. Rancher failed to invest some of the solicited money, diverting it for personal use. Rancher also used investment funds to pay back bogus returns to investors in what is usually referred to as a Ponzi scheme. Rancher was arrested by the Jefferson County Sheriff's officials on December 12, 2007 and released under \$40,000 bond. Two days later Rancher's bond was revoked and he was re-arrested for attempting to solicit another investment after his first arrest.

Jefferson County Men Arrested for Alleged Violations of Alabama Securities Act

(April 27, 2009) Cary Alan Burdette, a Trussville, Alabama resident; and, Randall Layne Pardue, a resident of Pinson, Alabama, were arrested for multiple alleged counts of Securities Fraud. Burdette, an attorney, turned himself in to the Jefferson County Sheriff's

(Continued on next page)

ENFORCEMENT HEADLINE SUMMARIES *(continued)*

Department on April 14, 2009. His arrest was the result of an indictment returned by the April 2009 Jefferson County Grand Jury. Burdette was released under \$100,000 bond, ordered to surrender his passport and wear a monitoring device. Pardue, pastor of a local church, was arrested by Jefferson County Sheriff's deputies on April 15, 2009 and placed in the Jefferson County jail. He was charged with seven counts of Fraud in Connection with the Sale of a Security and one count each of Sale of an Unregistered Security, Sale of a Security by an Unregistered Agent and Theft of Property, 1st Degree. Pardue was later released on \$5,000 bond.

Lee County

Lee County Man Pleads Guilty to Violations of Alabama Securities Act

(March 2, 2009) Michael James Dixon, an Opelika resident, pled guilty in Lee County Circuit Court to one count each of Securities Fraud and Theft of Property, 1st Degree Charges against Dixon were handed down in a September 2008 indictment issued by the Lee County Grand Jury. The court sentenced Dixon to ten years on each count, to be served concurrently and stipulated he pay victim restitution of \$15,950. The indictment against Dixon alleged that he offered an investment opportunity to a Florida resident through his Alabama-based company, HBM, L.L.C. and used the money received from the investor for personal use.

Madison County

Madison County Man Pleads Guilty to Securities Fraud

(February 05, 2009) Hunter Brown Daniel, Jr., a resident of Huntsville, Alabama, pled guilty to one count of Securities Fraud Through Omission or Misrepresentation During the Sale of Securities. Charges against Daniel arose after a cooperative investigation conducted by the ASC, Alabama Department of Insurance (ALDOI) and the Madison County District Attorney. An indictment was handed down by a May 2008 session of the Madison County Grand Jury alleging that Daniel acted as an agent for National Foundation of America (NFOA), a Tennessee corporation that was not registered to offer or sell securities in Alabama. Charges also alleged that Daniel offered and sold unregistered securities in the form of Installment Plan Contracts valued at more than \$534,000 to thirteen Alabama investors. NFOA allegedly described itself as a non-profit organization and intentionally misled investors by promising unrealistic returns on the contracts in exchange for investors' "donation" of their current legitimate annuities investments. NFOA had not been granted non-profit status by the U.S. Internal Revenue Service.

James L. "Jamie" Butler, Jr. of Madison County Found Guilty on Nine Counts of Alabama Securities Act Violations

(July 28, 2009) -- James L. "Jamie" Butler, Jr. of Madison County was found guilty on three counts of "Sales of Securities by an Unlicensed Agent" and six counts of Securities Fraud after four hours of deliberation by a Madison County Jury in Huntsville, AL. Butler, a disbarred lawyer who has previous theft convictions, faces a sentence of 10 years to life; and is presently confined in the Madison County Jail. Evidence and actions leading to indictments and trial were a culmination of a two year investigation by the Alabama Securities Commission (ASC) and the Madison County District Attorney's office. The scam involved selling stock in 'Jail Busters', a bail bonding company with corporation locations in Cullman, Walker, and Marshall Counties. James Butler, Sr. was the listed

(Continued on next page)

ENFORCEMENT HEADLINE SUMMARIES *(continued)*

owner of the company; however, Jamie Butler, Jr. was the 'master mind' of the illegal transactions. James Butler, Sr., father of Jamie Butler, Jr., is presently being held in the Madison County Jail awaiting trial on separate charges of securities fraud and making a terrorist threat.

James L. "Jamie" Butler, Jr. of Madison County sentenced to 75 years of imprisonment (September 14, 2009) -- James L. "Jamie" Butler, Jr. was sentenced in Madison County to three separate twenty-five year sentences to be served consecutively, for a total of 75 years in prison for violations of the Alabama Securities Act. The scam involved selling stock in 'Jail Busters', a bail bonding company with corporation locations in Cullman, Walker, and Marshall Counties. James Butler, Sr. was the listed owner of the company however, Jamie Butler, Jr. was the 'master mind' of the illegal transactions. James Butler, Sr., father of Jamie Butler, Jr., is presently being held in the Madison County Jail awaiting trial on separate charges of securities fraud and making a terrorist threat.

Marshall County

Hawaii Man Arrested for Alleged Violations of Alabama Securities Act

(October 29, 2008) Randle William Villa, 54, a resident of Maui County, Hawaii, was arrested for alleged violations of the Alabama Securities Act. On September 2, 2008, Maui Police Department officers served an arrest warrant, obtained by the ASC in cooperation with the Marshall County, Alabama District Attorney, against Villa for his involvement with Lifeline Imaging Systems, Inc., formerly of Orange County, California, where he was employed as a sales agent. The arrest stemmed from an indictment handed down on March 10, 2008 by the Marshall County Grand Jury. The ASC, with the assistance of the Marshall County Sheriff's Department and Marshall County District Attorney's Office, subsequently extradited Villa on September 16, 2008, and he remains incarcerated under \$200,000 bond.

California Residents Plead Guilty to Violations of the Alabama Securities Act

(February 13, 2009) Randy Morton, 51; and, Candice Lynn Lewis, 42, residents of Orange County, California, pled guilty to violations of the Alabama Securities Act associated with their involvement with Lifeline Imaging Systems, Inc., located in Orange, California. 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 several associates of the company stemming from indictments handed down in Marshall County Grand Jury in November 2007. Morton and Lewis were principles in Lifeline Imaging Systems, Inc. that purportedly operated a number of "body imaging centers" in California, Arizona and Texas. Indictments alleged that the two attempted to raise capital to fund the business and, together with Daniel Caterino from California, established a call center employing a number of unregistered sales agents. The unregistered sales agents then allegedly solicited funds from several Alabama residents.

Hawaii Man Pleads Guilty to Securities Violations –Hidden Under SEC Exemption

(April 13, 2009) Randle William Villa, 54, a resident of Maui County, Hawaii, pled guilty to a violation of the Alabama Securities Act. Villa was extradited to Marshall County in September, 2008. He was sentenced to five years in prison, given credit for time served and released on three years' probation by the court. Villa was also ordered to pay \$25,000 in restitution to Alabama investors who were victimized in an illegal scheme to solicit money for

(Continued on next page)

ENFORCEMENT HEADLINE SUMMARIES *(continued)*

investments in Lifeline Imaging Systems, Inc., formerly of Orange County, California, where he was employed as a sales agent to make “cold calls” to potential Alabama investors.

California Man Pleads Guilty to Violation of the Alabama Securities Act

(May 9, 2009) Daniel Caterino, an Orange County, California resident, pled guilty to a violation of the Alabama Securities Act. On April 29, 2009, Caterino turned himself in to Marshall County authorities. The charge and plea stem from his role as an unregistered sales agent for Lifeline Imaging Systems, Inc., a California company. The company purportedly operated a number of "body imaging centers" in California, Arizona and Texas. Caterino's plea was the culmination of an indictment handed down by a Marshall County Grand Jury in November 2007 resulting from an ASC investigation alleging that Caterino, together with three co-defendants illegally solicited money from investors across the country, including Alabama. It was alleged that investors' money was used for personal or unrelated business expenses. Neither the company nor Caterino were licensed and registered to conduct securities business in Alabama.

California Man Sentenced 15 Years for Violation of the Alabama Securities Act

(July 28, 2009) Daniel Caterino, an Orange County, California resident, was sentenced to 15 years in a hearing presided over by Judge Burke. Caterino will serve 30 months, with the remaining time served while on probation. Caterino received a \$5,000 fine and was ordered to pay attorney fees and court costs; and \$340,000 in restitution for violations of the Alabama Securities Act. On April 29, 2009, Caterino turned himself in to Marshall County authorities. The charge and plea stem from his role as an unregistered sales agent for Lifeline Imaging Systems, Inc., a California company. The company purportedly operated a number of "body imaging centers" in California, Arizona and Texas. Caterino's plea was the culmination of an indictment handed down by a Marshall County Grand Jury in November 2007 resulting from an ASC investigation alleging that Caterino, together with three co-defendants illegally solicited money from investors across the country, including Alabama.

Mobile County

Mobile County Man Arrested for Alleged Violations of Alabama Securities Act

(February 25, 2009) Scott A. Harwell, a Mobile County resident, was arrested for alleged violations of the Alabama Securities Act. Harwell was arrested by Mobile County Sheriff's officials on February 12, 2009 after turning himself in to authorities and was released the same day after posting a \$50,400 bond. The indictment alleges that Harwell, doing business as Bull or Bear Trading, Inc., a Mobile, Alabama-based enterprise, offered for sale shares of stock in the company to at least four Alabama investors. Harwell allegedly represented to investors that they would earn a return on their investments in an online system for executing trades in stocks, bonds, mutual funds and other financial instruments. However, the ASC investigation revealed that Harwell failed to inform investors that his company was not prepared to, nor capable of, executing online trades.

New Jersey Man Arrested for Alleged Violations of Alabama Securities Act

(March 16, 2009) Steven A. Cantor, a resident of Hackensack, New Jersey, was arrested for alleged violations of the Alabama Securities Act. Bergen County, New Jersey law enforcement officials arrested Cantor on March 6, 2009 following an indictment handed down by

(Continued on next page)

ENFORCEMENT HEADLINE SUMMARIES *(continued)*

the January 2009 session of the Mobile County Grand Jury. The indictment alleged Cantor’s involvement in a scheme related to the solicitation and sale of investment contracts in his company, Life Medical Technologies, Inc., (LMT) headquartered in Hackensack, New Jersey. According to an ASC investigation, Cantor and LMT allegedly made fraudulent misrepresentations of the company’s business activities in order to collect more than \$500,000 from at least two Alabama investors.

Mobile County Man Pleads Guilty to Multiple Violations of Alabama Securities Act

(August 7, 2009) Scott Anthony Harwell, a Mobile County resident, pled guilty in Mobile County Circuit Court to violations of the Alabama Securities Act. As part of Harwell’s plea agreement, he will be required by the Court to pay victim restitution in the amount of \$166,702. Harwell, formerly doing business as Bull and Bear Trading, Inc., a Mobile, Alabama-based enterprise, offered for sale shares of stock in the company to several Alabama investors. He also represented to investors that they would earn a return on their investments from an online system for executing trades in stocks, bonds, mutual funds and other financial instruments. An ASC investigation revealed that Harwell failed to inform investors that his company was not prepared to, nor capable of, executing online trades and that he was not registered, nor did he receive exemption from registration, to sell shares of his company’s stock.

Shelby County

Californians Pled Guilty to Illegal Offering of Securities - Hidden Under SEC Exemption

(January 14, 2009) Stanley H. Johnson and his wife Easter L. Johnson pled guilty to involvement in illegal securities offerings with a company called Advance Body Imaging located in Orange County, California. The offering of Advance Body Imaging securities was based upon a securities registration exemption set forth under Regulation D, Rule 506 of the Securities Act of 1933, exempting from registration certain securities marketed through private offerings. The exemption has been used successfully by scam artists to steal millions of dollars from investors through false and misleading representations. The Johnsons’ guilty plea relates to a particular offer which was revealed in an investigation of a “boiler room” operation in California that marketed numerous such potentially fraudulent offers.

Shelby County Man Pleads Guilty to Violations of Alabama Securities Act

(February 6, 2009) Lysle John Fleming, a Shelby County resident, pled guilty in Shelby County Circuit Court to one count of Securities Fraud. Charges against Fleming stemmed from an indictment handed down in a January 2008 session of the Shelby County Grand Jury. Fleming pled guilty on February 2, 2009 and received a one year and a day sentence, which was suspended, and was placed on two years of supervised probation. Fleming was ordered to pay a total of \$25,777 in restitution to two Alabama investors and one Missouri investor. The indictment alleged that Fleming sold unspecified, non-existent overseas investment opportunities that purportedly offered significant returns to the three investors without being registered with the ASC to conduct securities business in Alabama and that he used investors’ money for personal gain and other unrelated expenses.

(Continued on next page)

ENFORCEMENT HEADLINE SUMMARIES *(continued)*

Shelby County Man, Daughter and Michigan Man Arrested for Alleged Violations of Alabama Securities Act

(February 18, 2009) Paul Haskell Lane, Jr., a Shelby County resident, was arrested for alleged violations of the Alabama Securities Act. Lane's daughter, Katherine Hope Lane, a Jefferson County resident; and, Michael Pahl, a Jackson, Michigan resident, were arrested by Jefferson County Sheriff's deputies and Michigan law enforcement authorities respectively, for related violations. Charges against the trio stemmed from indictments handed down by a January 2009 session of the Shelby County Grand Jury alleging their involvement in a scheme to solicit investments for the purpose of funding a non-existent lawsuit. Investor funds, along with an additional percentage, were supposedly to be repaid after the fictitious lawsuit was settled. The illicit scheme was alleged to have garnered more than \$500,000 from several out-of-state victims.

St. Clair County

Ohio Man Pleads Guilty to Violation of Alabama Securities Act

(February 13, 2009) Timothy Heyman, 38, a resident of Findlay, Ohio, pled guilty to Securities Fraud. The plea was a result of an investigation conducted in conjunction with the St. Clair County District Attorney's office and subsequent indictment handed down by a September 2005 session of the St. Clair County Grand Jury. On February 9, 2009, Heyman, identified as President of Heyman International, Inc., an Ohio business entity, pled guilty to operating a "Ponzi" scheme that involved the offer and sale of "depository agreements" to more than 220 investors in 11 states, including at least 63 investors in Alabama. He was accused of fraudulently raising in excess of \$10 million from his victims between September 2001 and July 2008.

Talladega County

Sylacauga Man Arrested for Alleged Violations of Alabama Securities Act

(October 27, 2008) Gary Allen Mitchell, a Sylacauga resident, was arrested by deputies of the Talladega County Sheriff's Department on October 16, 2008 after turning himself in to authorities for alleged violations of the Alabama Securities Act. Mitchell was released under a \$10,000 bond. The indictment alleges that Mitchell, doing business as The Meta Company, and also representing The Financial Center, LLC, both located in Sylacauga, Alabama, offered and sold promissory notes valued at approximately \$95,000, between September and October, 2004, to an Alabama investor. The indictment further alleges that Mitchell misled the investor by misrepresenting the terms of the promissory notes and failing to disclose excessive commissions and other maintenance fees associated with the sale of the notes. Mitchell is not registered by the ASC to conduct securities business in Alabama.

Arizona Man Arrested for Alleged Violations of Alabama Securities Act

(May 11, 2009) Gene Grobstein, a Scottsdale, Arizona resident, was arrested for alleged violations of the Alabama Securities Act. Grobstein was arrested by deputies of the Talladega County Sheriff's Department after turning himself in to ASC Enforcement agents and the Talladega County Sheriff on May 6, 2009. The indictment alleges that Grobstein, doing business as GG Consulting International, described as a financial consulting firm registered in Arizona, offered and sold promissory notes valued at \$45,000, between September and October 2004, to an Alabama investor. The notes were allegedly issued into Alabama from Arizona through The Meta

(Continued on next page)

ENFORCEMENT HEADLINE SUMMARIES *(continued)*

Company, a Sylacauga, Alabama company. The president of The Meta Company, Gary Allen Mitchell, a Sylacauga resident, allegedly aided in locating Alabama investors on behalf of Grobstein.

Sylacauga Man Pleads Guilty to Violations of the Alabama Securities Act

(May 20, 2009) Gary Allen Mitchell, a Sylacauga resident, pled guilty to three counts of Fraud in Connection with the Sale of Securities in Talladega County Circuit Court on May 18, 2009. Mitchell was indicted by a Talladega County Grand Jury in October 2008, alleging that, doing business as the Meta Company, and also representing The Financial Center, LLC, both located in Sylacauga, Alabama, Mitchell offered and sold promissory notes valued at approximately \$95,000 to an Alabama investor. The indictment alleged that Mitchell misled the investor by concealing and/or misrepresenting the terms and performance of the notes and further failed to disclose excessive commissions and other maintenance fees associated with the offer and sale of the notes. Subsequently, additional warrants obtained by the ASC charged Mitchell with securities fraud in connection with his role as an investment adviser with Performance Management Group (PMG), a Delaware Corporation formerly domiciled in Sylacauga.

Sylacauga Man Sentenced for Securities Violations

(August 13, 2009) Gary Allen Mitchell, a resident of Sylacauga, was sentenced in Talladega County Circuit Court to seven years in prison on each of three counts of Securities Fraud from his position as an Investment Adviser. Mitchell’s seven-year sentence on each count will run concurrently and he was ordered to pay \$880,386 restitution to Alabama victims. Doing business as the Meta Company, and representing the Financial Center, LLC, both located in Sylacauga, Alabama, Mitchell offered and sold promissory notes valued at approximately \$95,000 to an Alabama investor. The indictment alleged that Mitchell misled the investor by concealing and/or misrepresenting the terms and performance of the notes and further failed to disclose excessive commissions and other maintenance fees associated with the offer and sale of the notes. Subsequently, additional warrants obtained by the ASC charged Mitchell with securities fraud in connection with his role as an investment adviser with Performance Management Group (PMG), a Delaware Corporation formerly domiciled in Sylacauga. Mitchell was charged with raising capital on behalf of PMG from at least four Alabama investors and misleading all investors as to the exact nature and performance of their investment in the company.

Tuscaloosa County

Tuscaloosa County Man Pleads Guilty to Violations of Alabama Securities Act

(February 9, 2009) Howard Jackson Cleveland, Jr., also known as “Tiny” Cleveland, a Tuscaloosa resident, pled guilty in Circuit Court to Securities Fraud and Sale of Unregistered Securities. Charges against Cleveland were handed down in a March 2008 indictment issued by a Tuscaloosa County Grand Jury. Cleveland pled guilty on January 28, 2009 and received a 10-year sentence for each count, to be served concurrently. The court suspended the sentence in lieu of five years of court-ordered probation and the repayment of restitution to victims. As part of Cleveland’s sentence, he will pay \$31, 750 in restitution to his victims.

(Continued on next page)

ENFORCEMENT HEADLINE SUMMARIES *(continued)*

South Carolina Man Extradited From Europe to Alabama for Alleged Violations of Alabama Securities Act

(April 1, 2009) Michael Kevin Mullen, 58, an Aiken, South Carolina resident and a subject wanted in Tuscaloosa and Walker Counties, has been returned to Alabama from Austria to stand trial for three counts of securities fraud. Mullen was arrested by Austrian authorities in July 2008 and has resisted extradition to the United States. Austrian authorities released Mullen to the custody of U.S. Marshals who transported him back to Tuscaloosa, Alabama for incarceration. Mullen's extradition and arrest stem from indictments issued in March 2007 and May 2008 sessions of the Tuscaloosa and Walker County Grand Juries respectively and charging Mullen with illegally soliciting approximately \$215,000 from at least three Alabama investors through his company, Riggabella Professional Services, Inc., a for-profit real estate holding company headquartered in South Carolina, which was dissolved in 2005. Michael Kevin Mullen, together with his spouse, Deborah Ann Godwin Mullen of Aiken, South Carolina; and, his daughter, Jinnifer Aman of Ozark, Alabama allegedly misappropriated investor funds through Handleton Management Services Trust, described as a Bahamian Pure Foreign Trust, with a business address in South Carolina but actually doing business as Riggabella. It is alleged that Michael Kevin Mullen solicited investor funds to purchase preferred stock in his company.

Tuscaloosa County Man Indicted for Alleged Violations of Alabama Securities Act

(March 31, 2009) Gene Thomas LeGrone, Jr., also known as "Tommy," a resident of Northport, Alabama, was arrested for alleged violations of the Alabama Securities Act. Tuscaloosa County law enforcement officials served LeGrone with an indictment handed down by the March 2009 session of the Tuscaloosa County Grand Jury. Allegedly, LeGrone was the owner and operator of Bama Remodeling and Repair, LLC, headquartered in Northport, Alabama and was involved with entering into an investment contract with two area victims. Further, LeGrone allegedly suggested to the victims that money would be invested with him for home renovation projects. A promissory note was issued in July 2006 to the victims in the amount of \$50,500 with a promised return of "interest and profit."

National

Alabama Securities Commission Issues Order to Show Cause to Morgan Keegan and Company, Inc.

(July 21, 2009) – The Alabama Securities Commission (ASC) today issued a "Order to Show Cause" to Morgan Keegan and Company, Inc., headquartered in Memphis, Tennessee. Morgan Keegan is the brokerage subsidiary of Regions Financial Corporation, with principal offices in Birmingham, Alabama. The U.S. Securities and Exchange Commission (SEC) simultaneously issued a complaint in federal court in conjunction with these ongoing investigations. Morgan Keegan and Company, Inc. allegedly underwrote, marketed and sold Auction Rate Securities (ARS) as safe, highly liquid investments that were supposedly equivalent to cash or money market funds at a time when ARS product risks were increasing. As a result, many Morgan Keegan customers, requiring short-term liquidity, placed money in these investments underwritten and marketed by Morgan Keegan. Morgan Keegan failed to advise its customers that money invested in ARS, upon failure of the auction, could become illiquid.



ALABAMA Securities Commission

Joseph P. Borg, Director

NEWS RELEASES FROM FY 2009

Announcements, commentaries and investor alerts.

To read these articles and more go to:

www.asc.alabama.gov

- [09/28/2009](#) - Alabama Securities Commission Promotes Investor Education and Fraud Prevention Outreach for Alabama Citizens.
- [08/18/2009](#) - Alabama Securities Commission Announces Top 10 Investor Traps
- [08/07/2009](#) - International Investor Protection Organization Re-Elect Joseph P. Borg to Board of Directors.
- [07/31/2009](#) - New Law Strengthens Role of Alabama Securities Commission to Protect Investors.
- [07/08/2009](#) - **INVESTOR ALERT**: European-based Financial Website May be Investor Trap
- [06/16/2009](#) - Alabama Securities Commission Launches Statewide Military Outreach Program
- [06/04/2009](#) - Risky Business: U.S. Needs Council of State, Federal Regulators to Rein in Risk
- [05/13/2009](#) - **INVESTOR ALERT**: ASC Identifies Popular Scams for 2009
- [05/11/2009](#) - **CONSUMER ALERT**: Beware of Questionable Debt Management Programs
- [05/06/2009](#) - Investigate Before You Invest
- [05/04/2009](#) - Alabama Securities Commission Voices Strong Support for "Senior Investment Protection Act of 2009"
- [03/27/2009](#) - Alabama Joins In National Investor Education Initiative
- [03/06/2009](#) - **INVESTOR ALERT**: Alleged Certificate of Deposit Investment Scheme.
- [12/30/2008](#) - Alabama Securities Commission Announces Key Appointments and Administrative Changes
- [12/12/2008](#) - Joseph Borg Appointed to Represent International Securities Organization as Ombudsman and Chair of International Committee.
- [12/11/2008](#) - NASAA's Financial Services Regulatory Reform Roundtable press conference and webcast in Washington D.C.
- [11/24/2008](#) - Regulatory Reform: A Multi-layered Approach
- [11/24/2008](#) - Feeling the Squeeze: Alabama Securities Commission Offers Sandwich Generation Relief
- [11/10/2008](#) - Securities Director Reminds Auction Rate Securities Investors to Contact Firms About Buyback Offers
- [11/03/2008](#) - State Official Invited to Present at Corporate Governance Conference in Taiwan
- [10/31/2008](#) - Alabama Securities Commission Announces IARD System Fee Waiver
- [10/14/2008](#) - The Alabama Securities Commission and AARP Team to Offer "Free Lunch Seminar Monitor" Program Older Americans Increasingly Targeted By Financial Scammers.

REGISTRATIONS & EXEMPTIONS

STATISTICAL SUMMARY

10/01/2008 - 09/30/2009

	Application Filed	Application Approved	Renewal Processed	Application Withdrawn	Application Terminated
Broker/Dealer	120	140	1612	10	145
Broker/Dealer Agent	n/a	34554	85541	0	36766
Eleemosynary Financing Exemption	27	29	0	9	9
Exempt Consent	2	2	0	0	0
Expansion Order	3	2	0	1	0
Industrial Revenue Bond	18	17	0	0	0
Investment Adviser - Federal	94	92	894	0	8
Investment Adviser - State Registered	24	13	105	8	11
Investment Adviser Representative	n/a	1223	3783	0	1269
Limited Offering	511	475	0	1	40
Mutual Fund Exemptions	1378	1368	6192	0	572
Registration by Coordination	57	26	0	5	30
Registration by Qualification	1	0	0	1	0
Restricted Agent	51	53	222	2	47
Sale of Checks Vendor	18	12	109	7	13

NOTE: The total number of registrations and exemptions issued in Fiscal Year 2009 was 136,464.

RULES AND POLICIES FY 2009

STATUTORY CHANGE TO THE ALABAMA SECURITIES ACT

§ 8-6-18 CRIMINAL PENALTIES FOR VIOLATIONS OF THE ALABAMA SECURITIES ACT

A new law, passed during the regular session of the Alabama Legislature, became effective August 1, 2009 and grants the Alabama Securities Commission enhanced enforcement powers to help combat financial crimes in Alabama.

House Bill 627 and a companion Senate Bill, signed into law by Gov. Bob Riley, amends the Alabama Securities Act to increase the criminal penalty for violations of the antifraud provisions of the Act from a Class C felony to a Class B felony. Previously, securities fraud, categorized as a Class C felony under the Criminal Code of Alabama, was punishable by a prison sentence of not less than one year and a day, up to ten years and a fine of \$15,000 per count. The amended portion of the Act increases that penalty to not less than two years and not more than 20 years imprisonment and a fine of up to \$30,000 per count.

House Bill 627 also increased specified application and annual renewal fees, certain filing fees, and certain registration and exemption from registration fees payable to the Commission.

Rules 830-x-6.11 and 830-x-6.12, which pertain to a limited offering exemption and a further limited offering exemption, were amended pursuant to the procedure required by the Alabama Procedures Act to accurately reflect the statutory changes in the fees. No other changes were made to the Rules.



JOSEPH P. BORG
Director
J. RANDALL McNEILL
Deputy Director
EDWIN L. REED
General Counsel

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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 28, 2009

The Alabama Securities Commission held a meeting on September 28, 2009, at 10:00 a.m. in the conference room located in the Alabama Securities Commission offices at The Alabama Center for Commerce, 401 Adams Avenue, Montgomery, Alabama. Notice of the time and place of this meeting was published in the Montgomery Advertiser, Birmingham News/Post Herald, Huntsville Times, Mobile Register and the Secretary of State.

Commission Members Present Were:

Hon. Marcus J. Wolf, CPA, Chairman
Hon. S. Dagnal Rowe, Sr., Attorney
Hon. Jim Ridling, Commissioner of Insurance
Hon. John Harrison, Superintendent of Banks
Hon. Andrew P. Campbell, Attorney

Staff Members Present Were:

Joseph P. Borg, Director
J. Randall McNeill, Deputy Director
Christie Rhodes, Executive Assistant
Report by Dan Lord, Education and Public Affairs

The meeting was called to order by Chairman Marcus J. Wolf at 10:15 a.m with a motion by Mr. Campbell to approve the agenda. The motion was seconded by Mr. Harrison.

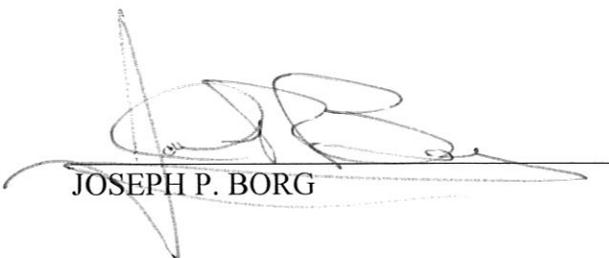
The motion carried unanimously. Then, motion to approve the minutes of the previous meeting held on June 3, 2009 was made by Mr. Harrison and seconded by Mr. Campbell. The motion carried unanimously.

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. Mr. Borg gave reports upon the Accounting Division, Registration Division, Enforcement Division, Data Systems, Public Affairs, and Press Releases from the previous quarter. Mr. Borg provided highlights of the activities of Education and Public Affairs Division, and a full report was given by Dan Lord, Education and Public Affairs Manager. Included in this report was work done with the AARP by the Commission, the Youth Programs that have been conducted by the Commission, work with the Department of Education and the establishment of a web site to assist the Military with financial planning.

Other new business discussed was discussion on ASC/Nationwide case being transferred to the Attorney General's Office and an update of the federal legislative acts.

The last item was that a motion to pay expenses for the Commissioners. Motion was made by Mr. Campbell and seconded by Mr. Rowe. The motion carried unanimously. Motion to Adjourn was then made by Mr. Harrison and seconded by Mr. Rowe, which was carried unanimously. The meeting ended at 10:55 a.m.


MARCUS J. WOLF
CHAIRMAN


JOSEPH P. BORG



JOSEPH P. BORG
Director

J. RANDALL McNEILL
Deputy Director

EDWIN L. REED
General Counsel

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Superintendent of Banks

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Commissioner of Insurance

ANDREW P. CAMPBELL
Attorney at Law

S. DAGNAL ROWE, SR.
Attorney at Law

ALABAMA SECURITIES COMMISSION MEETING June 3, 2009

The Alabama Securities Commission held a meeting on June 3, 2009 at 2:00 p.m. which was conducted 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. John Harrison (Banking Commissioner)
Hon. Daniel Morris (Representing the Attorney General)
Hon. Dagnal Rowe, Attorney at Law
Hon. Andrew Campbell, Attorney at Law
Hon. Reyn Norman (Representing the Commissioner of Insurance)

Commission Members Absent:

Hon. Troy King, Attorney General
Hon. Jim Ridling, (Commissioner of Insurance)
Hon. Dan Hardman, CPA, Vice-Chairman

Staff Members Present Were:

Joseph P. Borg, Director
J. Randall McNeill, Deputy Director
Edwin Reed, General Counsel
Christie Rhodes, Executive Assistant

The meeting was called to order at 2:01 p.m.. by Commission Chair, Marcus Wolf.

Motion to approve the agenda was made by Mr. Morris and seconded by Mr. Rowe. The motion carried unanimously. Then, motion to approve the minutes of the previous meeting held on March 31, 2009 was made by Mr. Morris and seconded by Mr. Rowe. The motion carried unanimously.

At this time, the monthly report was discussed by Director Borg. Director Borg reported on Commission revenues, expenses and personnel. Borg continued on through the Registration Division,

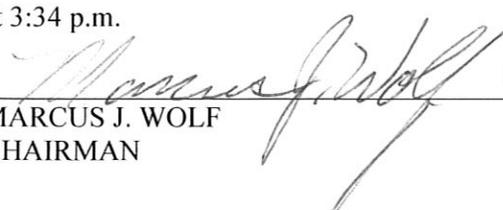
Enforcement Division, Data Systems and Education and Training activities of the monthly report. After the report was given, motion was made by Mr. Hardman to accept the report and Mr. Campbell seconded said motion and it was approved unanimously by all Commission members present.

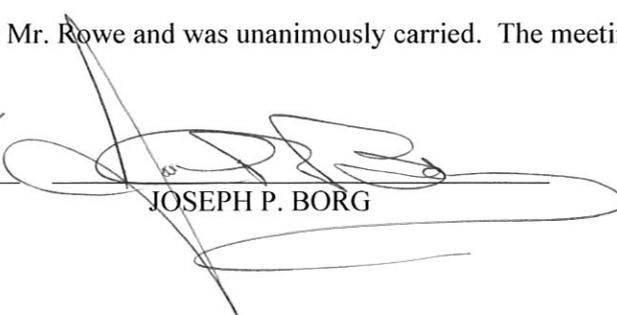
Mr. Borg then discussed with the Commissioners the Commission's upcoming office move to the Center for Commerce building at 401 Adams Avenue set for September 2009. Director Borg then gave the Commissioners a report on settlement negotiation with regard to the multi state Auction Rate Securities investigations. Also discussed by Director Borg and General Counsel Ed Reed was the Commission's success in passing legislation (Act 09774) upgrading securities fraud charges from Class C felonies to Class B felonies and an increase in licensing fees.

Director Borg informed the Commission that an approval was needed in order to execute an expedited rule change with regard to 830-x-6-11 and 830-x-6-12 concerning the change in filing fees for those fees to become consistent with new statute. Mr. Harrison moved that the ASC execute the needed rule change with Mr. Morris seconding the motion. Motion passed unanimously.

At this time, 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 that time the meeting then went into Executive Session at 2:47 p.m. for the specific purpose of discussion pending litigation per motion by Mr. Harrison, seconded by Mr. Campbell and unanimously approved by all present Commissioners (see list on Page 1 of this documents of "Present Commissioners"). The Session ended at 3:30 p.m. by motion of Mr. Rowe and seconded by Mr. Morris and unanimously approved by all present Commissioners.

The last meeting item was a motion to pay expenses for the Commissioners. Motion was made by Mr. Rowe and seconded by Mr. Morris. The motion carried unanimously. Motion to Adjourn was then made by Mr. Harrison and seconded by Mr. Rowe and was unanimously carried. The meeting ended at 3:34 p.m.


MARCUS J. WOLF
CHAIRMAN


JOSEPH P. BORG



JOSEPH P. BORG
Director
J. RANDALL McNEILL
Deputy Director
EDWIN L. REED
General Counsel

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ALABAMA SECURITIES COMMISSION MEETING March 31, 2009

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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

The Alabama Securities Commission held a meeting on March 31, 2009 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. John Harrison (Banking Commissioner)
Hon. Daniel Morris (Representing the Attorney General)
Hon. Dagnal Rowe, Attorney at Law
Hon. Andrew Campbell, Attorney at Law
Hon. Reyn Norman (Representing the Commissioner of Insurance)

Commission Members Absent:

Hon. Troy King, Attorney General
Hon. Jim Ridling, (Commissioner of Insurance)

Staff Members Present Were:

Joseph P. Borg, Director
Christie Rhodes, Executive Assistant

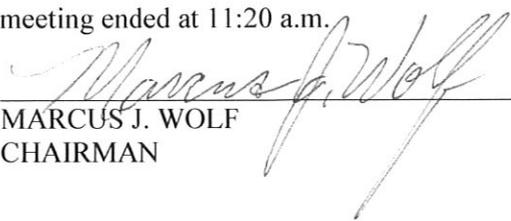
The meeting was called to order at 10:10 a.m. by Commission Chair, Marcus Wolf.

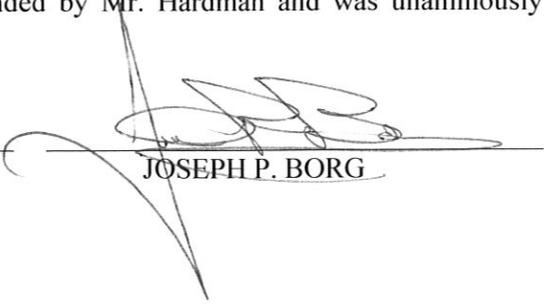
Motion to approve the agenda was made by Mr. Hardman and seconded by Mr. Rowe. The motion carried unanimously. Then, motion to approve the minutes of the previous meeting held on December 18, 2008 was made by Mr. Campbell and seconded by Mr. Harrison. The motion carried unanimously.

At that time, the monthly report was discussed by Director Borg. Director Borg reported on Commission revenues, expenses and personnel, as well as the Commission's contribution to the State General Fund. Borg continued on through the Registration Division, Enforcement Division, Data Systems and Education and Training activities of the monthly report. After the report was given, motion was made by Mr. Hardman to accept the report and Mr. Campbell seconded said motion and it was approved unanimously by all Commission members present.

At this time, Mr. Borg then discussed with the Commissioners the Commission's intent to move the offices to the Center for Commerce building at 401 Adams Avenue toward the end of this year. The Commissioners were then informed about the Legislative Update that was sent to all legislators (copy attached to these minutes). Also discussed was the Commission's intent to reintroduce the bill in the Legislature which calls for an increase in fees for industry registration and increasing penalties for securities fraud from a Class C felony to a Class B felony. In addition, the Commissioners were asked to review a draft of the ASC Annual Report and suggest any changes and/or revisions they may deem appropriate. At this time, 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 that time the meeting then went into Executive Session at 10:40 a.m. for the specific purpose of discussion pending litigation per motion by Commissioner Hardman, seconded by Commissioner Harrison and unanimously approved by all present Commissioners (see list on Page 1 of this documents of "Present Commissioners"). The Session ended at 11:05 a.m. by motion of Commissioner Harrison and seconded by Commissioner Rowe and unanimously approved by all present Commissioners.

The last meeting item was a motion to pay expenses for the Commissioners. Motion was made by Mr. Harrison and seconded by Mr. Hardman. The motion carried unanimously. Motion to Adjourn was then made by Mr. Harrison and seconded by Mr. Hardman and was unanimously carried. The meeting ended at 11:20 a.m.


MARCUS J. WOLF
CHAIRMAN


JOSEPH P. BORG



JOSEPH P. BORG
Director

J. RANDALL McNEILL
Deputy Director

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S. DAGNAL ROWE, SR.
Attorney at Law

ALABAMA SECURITIES COMMISSION MEETING DECEMBER 18, 2008

The Alabama Securities Commission held a meeting on December 18, 2008, at 2:00 p.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. John Harrison (Banking Commissioner)
Hon. Jim Ridling, (Commissioner of Insurance)
Hon. Dagnal Rowe, Attorney at Law
Hon. Andrew Campbell, Attorney at Law

Commission Members Absent:

Hon. Troy King, Attorney General

Staff Members Present Were:

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

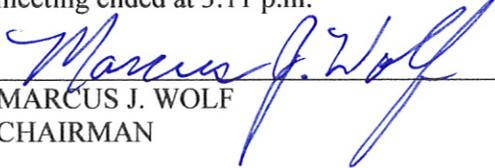
The meeting was called to order at 2:08 a.m. by Commission Chair, Marcus Wolf.

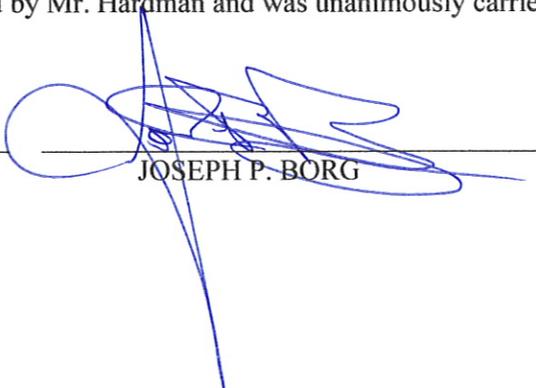
Motion to approve the agenda was made by Mr. Hardman and seconded by Mr. Harrison. The motion carried unanimously. Then, motion to approve the minutes of the previous meeting held on September 30, 2008 was made by Mr. Campbell and seconded by Mr. Hardman. The motion carried unanimously.

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. During his report, Director Borg informed the Commissioners that Ms. Pat Elmore was retiring after 19 years of service to the Commission. Director Borg informed the Commissioners about the Accounting Division, Registration Division, Data Systems and Information and Training figures. After the report was given, motion was made by Mr. Hardman to accept the report and Mr. Campbell seconded said motion and it was approved unanimously by all Commission members present.

At this time, Senior Special Agents Foley and Locklar gave information with regard to the Enforcement Division. Director Borg and the Commissioners then undertook a discussion on the Governor's proration measures recently implemented. Mr. Borg then discussed with the Commissioners the Commission's intent to move the offices to the Center for Commerce building next year. The Commissioners were then informed about the Commission's intent to reintroduce the bill in the Legislature which calls for an increase in fees for industry registration and increasing penalties for securities fraud from a Class C felony to a Class B felony. Ms. Renee Sanders, Personnel Manager and Chief Accountant gave an accounting of the Commission accounts for the 2007-2008 fiscal year. At this time, Director Borg discussed the SEC rulemaking procedure regarding equity index annuities (EIAs) as securities under federal securities laws (Rule 151A).

The last meeting item was a motion to pay expenses for the Commissioners. Motion was made by Mr. Harrison and seconded by Mr. Hardman. The motion carried unanimously. Motion to Adjourn was then made by Mr. Harrison and seconded by Mr. Hardman and was unanimously carried. The meeting ended at 3:11 p.m.


MARCUS J. WOLF
CHAIRMAN


JOSEPH P. BORG



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