

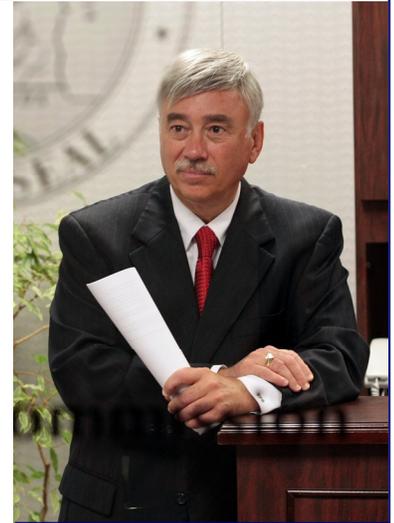


# Special Legislative Report

March 2013

Dear Legislator:

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



Joseph P. Borg, Director

In FY 2012 ASC returned **\$12,689,077** to the General Fund. This fiscal year, the demand for services increased with a slow recovery from the economic downturn that impacted capital markets. ASC maintains a high level of efficiency by applying proven management techniques, efficient performance of duties, effective use of available technologies and adherence to stringent budget guidelines.

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

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## ASC Statistical Summary for FY 2012

- ▶ ASC total staff – **52** (includes 6 attorneys, 12 special agents, and 13 securities analysts)
- ▶ Registrations and exemptions issued – **143,493**
- ▶ Complaints and corporate inquiries received – **287**
- ▶ Industrial Revenue Bonds reviewed – **\$251,417,000**
- ▶ Administrative Orders issued – **46**
- ▶ Administrative Order respondents – **108**
- ▶ Rescissions ordered – **\$157,927**
- ▶ Restitution ordered to victims – **\$3,131,715\***
- ▶ Public warnings issued – **6**
- ▶ Indictments obtained – **22**
- ▶ Convictions – **24**
- ▶ Arrests made – **19**
- ▶ Years incarceration ordered – **125**
- ▶ Individuals awaiting grand jury action, arrest or trial – **32**
- ▶ Contributed to State General Fund - **\$12,689,077**

\*NOTE: \$14,200,000 was ordered returned to Alabama investors in March, 2012. Payment to all 5837 investors was completed November 5, 2012 and therefore not included in 2012 total.

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

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

During the past five years, Enforcement Division personnel have secured, on average, more than **20** criminal indictments annually for securities fraud. In FY 2012 the Division's painstaking work resulted in more than **\$3,131,715** in victim restitution from prosecuted cases; **19** arrests; **24** convictions; and helped secure **102** years of incarceration for defendants found in violation of the Alabama Securities Act. The Commission maintains one of the highest rates of success in the nation as reported by the Wall Street Journal, CNN, Forbes, Birmingham News and other sources.

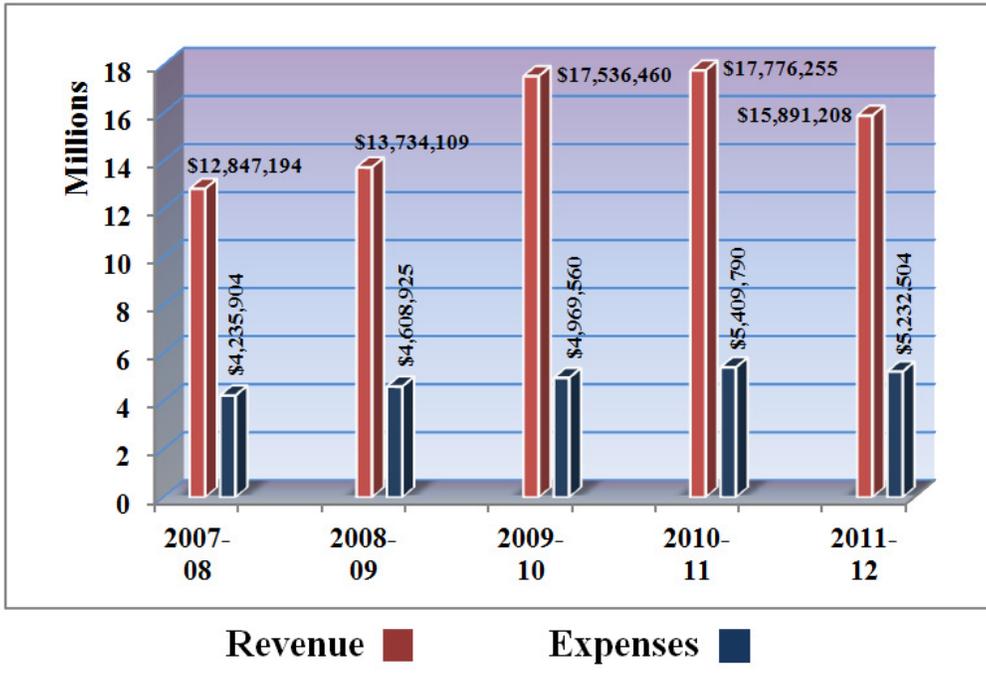
In 2012, the ASC relied on the investigative efforts of the Enforcement Division to help secure some of the largest securities-related financial settlements in the state's history. The companies were ordered to pay **\$200 million** to establish independently administered funds for the benefit of investors who had lost money, including approximately **5,800 Alabama investors**. After recovery of all expenses, the State received an additional **\$1.7 million** in costs, fines or penalties which funds were transferred to the General Fund as part of a **\$4.5 million** additional transfer.

The Alabama Securities Act requires the registration of securities with the ASC prior to their public offering and sale; and, requires the registration, or specific exemption from registration, of broker-dealer firms, their agents, investment adviser firms and their representatives and money transmitters. The ASC's Registration Division is charged with the initial and ongoing registration process for individuals and firms who market and sell securities and financial services to Alabama citizens. Any person or company that offers and/or sells securities within, into or from Alabama must be registered with the ASC in order to conduct business legally. In FY 2012, **143,493** registrations, licenses and exemptions were issued by the Registration Division. The Registration Division is also responsible for the processing of fees associated with applications and renewals, which allows the ASC to remain self-funding and generates funds for the General Fund.

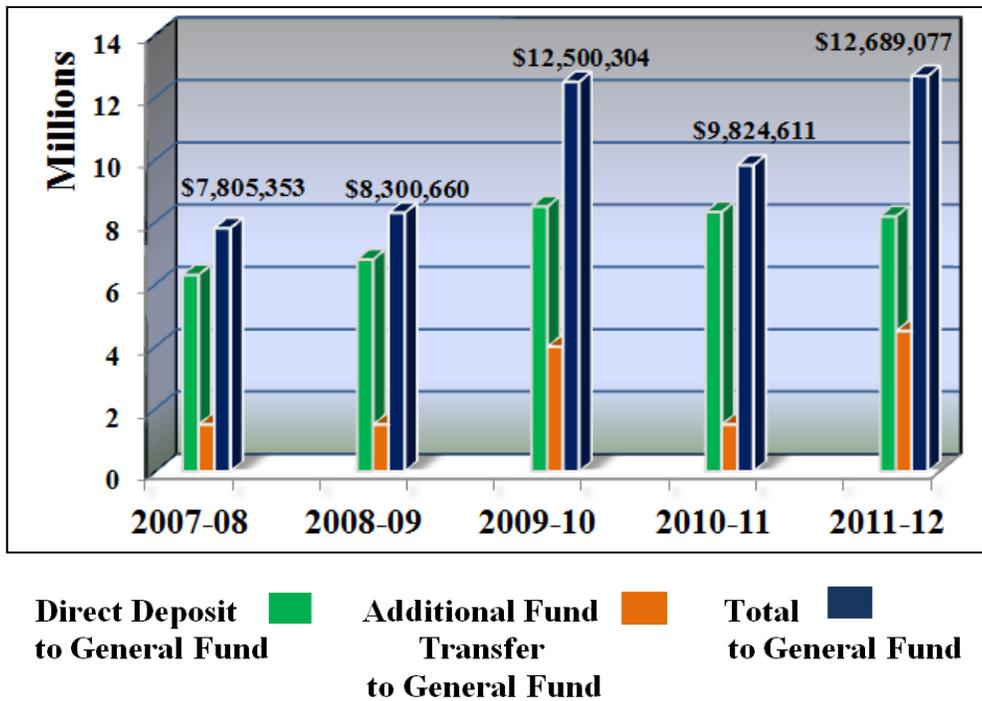
An additional responsibility for the Registration Division is conducting onsite auditing and examinations on a three-year cycle, of all state-regulated investment advisers domiciled in Alabama, while continuing to audit broker-dealers and their branch offices on a for-cause basis. The audit program, coordinated through the Auditing and Examinations Department, identifies serious securities violations as well as potential weaknesses in sales practices and statutory compliance. The program aids in helping to strengthen companies' compliance programs to better serve Alabama investors. In FY2012, the Auditing and Examinations Department conducted **51** full audits along with a significant number of "desk" examinations.

The Commission firmly believes that investor education and fraud prevention training can help shield our citizens from being victimized by financial criminals. The Division conducts an average of 70 events annually for Alabama citizens, as well as for social, civic and professional groups throughout our state. During FY 2012, this Division conducted 71 events that provided direct outreach and instruction to 5,512 citizens, ranging in age from high schools students to senior retirees. During FY2012, this Division helped acquire over **\$30,000** in grant money received from the Investor Protection Trust to conduct wise saving and investing education events in Alabama for teachers and students in grades 7-12; as well as events for senior Alabamians concerning protecting their life savings and making informed investments. See Investor Education Outreach & Activities report, pages 22-28.

### Combined Revenue and Expenses Fiscal Years 2007-08 to 2011-12



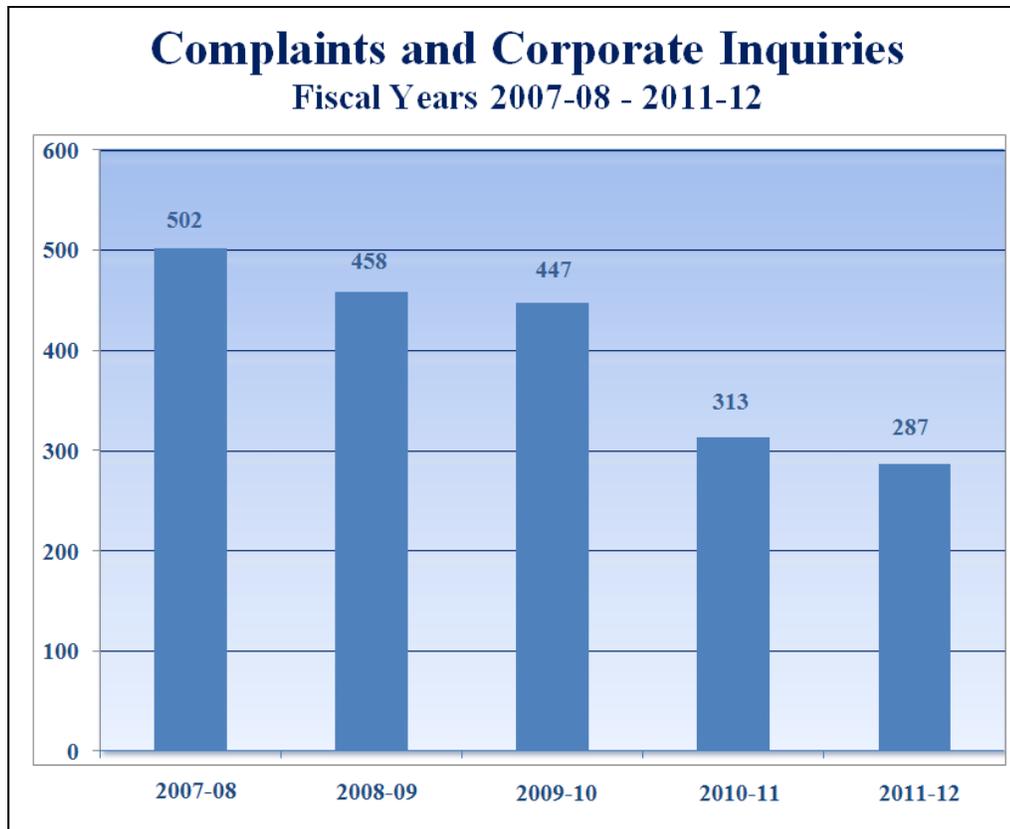
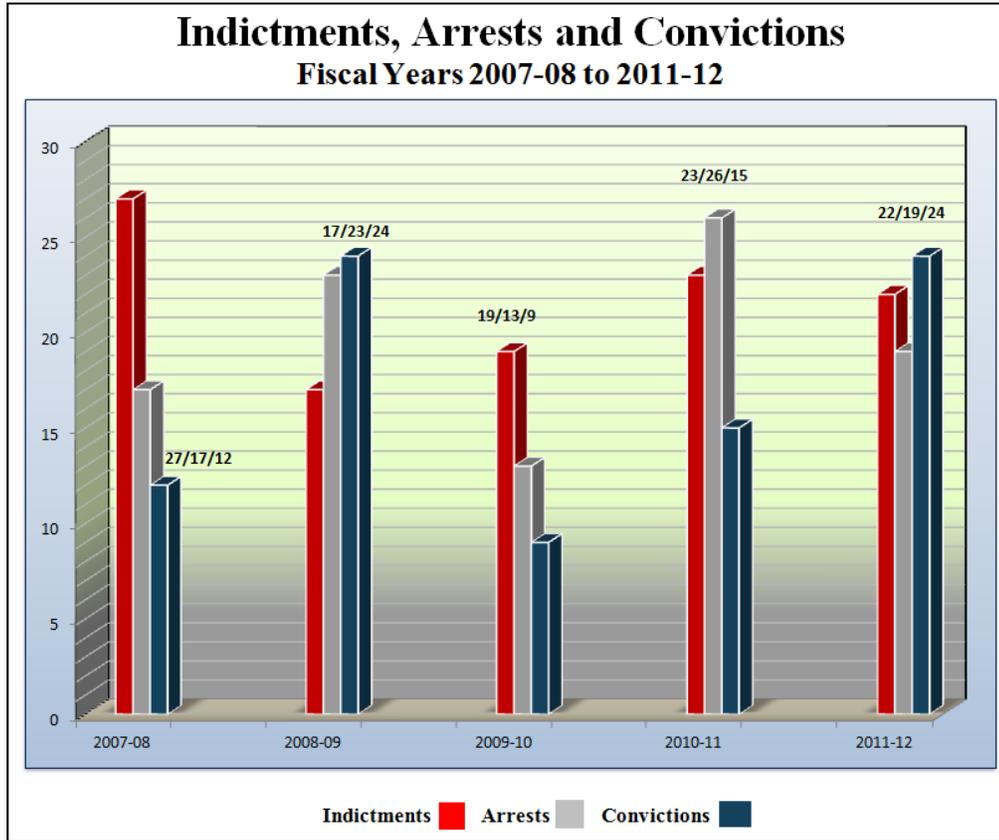
### Total Revenue to General Fund Fiscal Years 2007-08 to 2011-12



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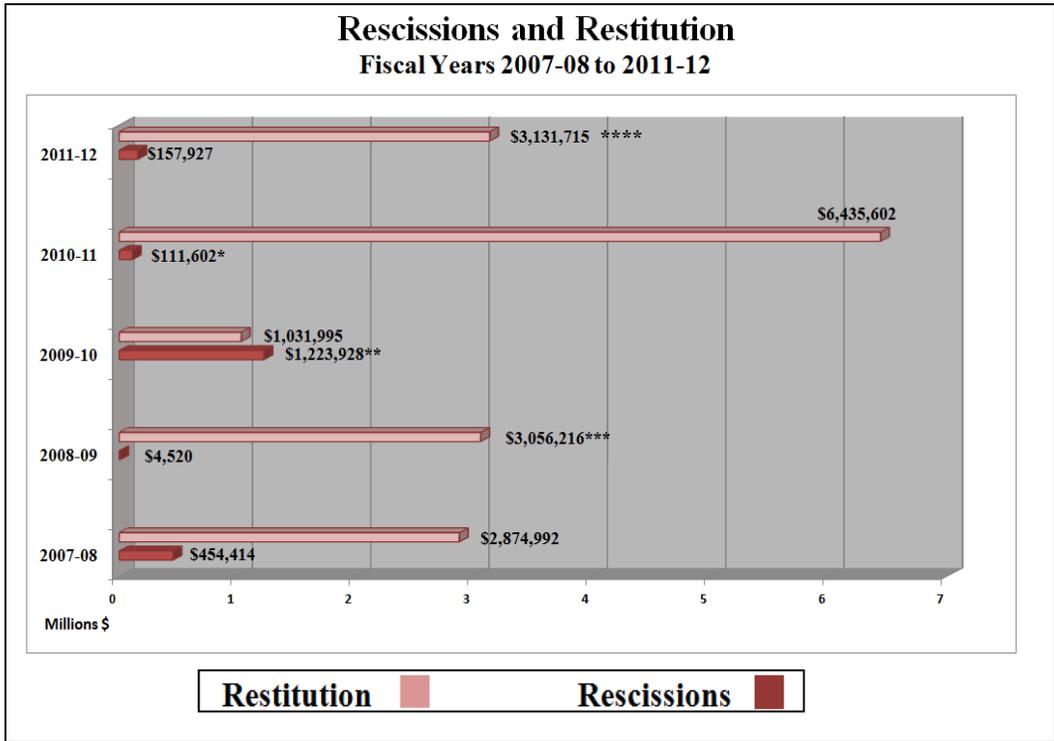
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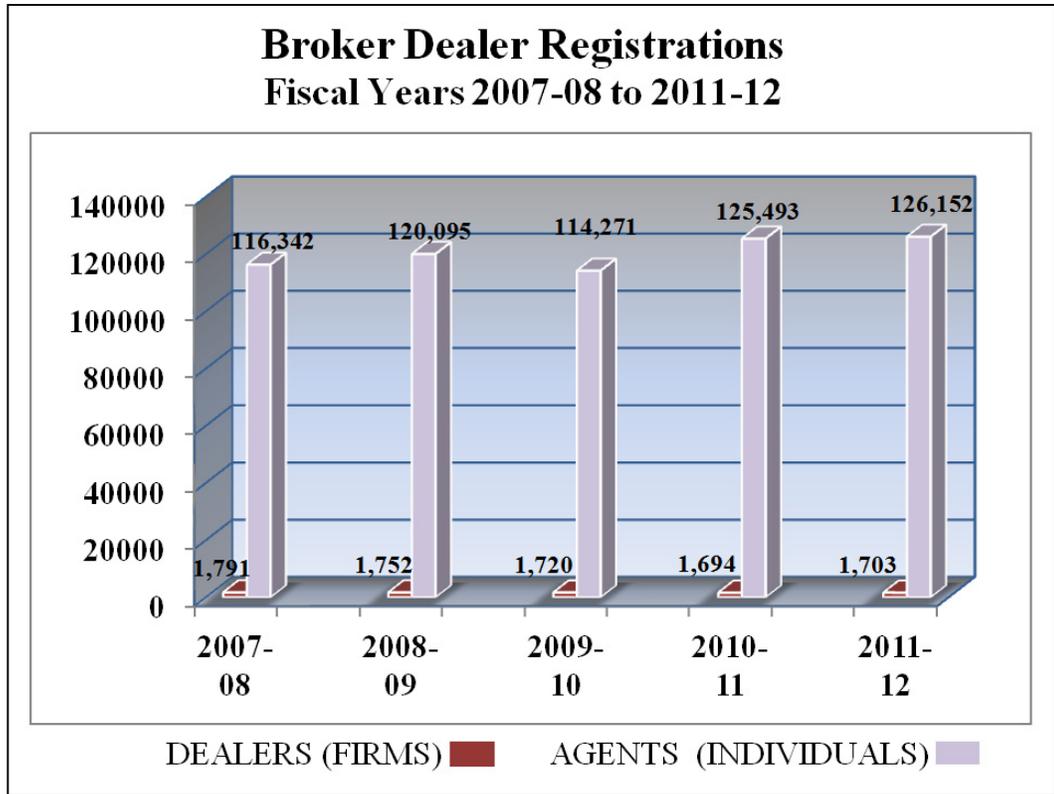


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\* Not included: \$10.4 million in ARS repurchase to Alabama investors from ARS frozen accounts pursuant to an ASC order.  
 \*\* Not included: \$1.6 billion of Auction Rate Securities repurchased by 11 firms as part of a multi-state settlement.  
 \*\*\* Not included: \$67.3 million in victim restitution from joint federal and multi-state case.  
 \*\*\*\* Not included: \$14.2 Million in 5,837 checks mailed to Alabamians in Nov. 2012. This was a result of an order issued during FY2012 and the amount will be reported in the FY2013 annual report.

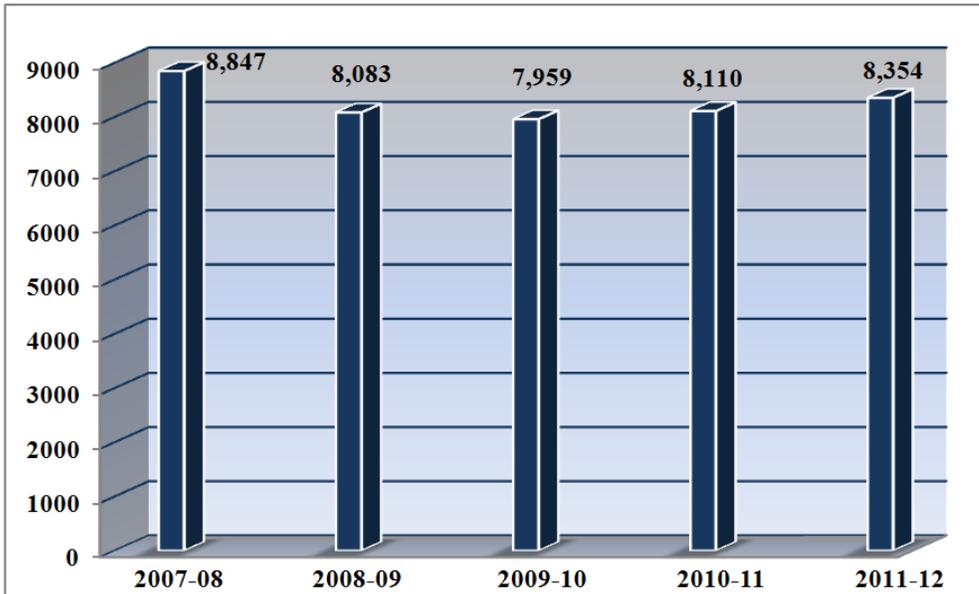


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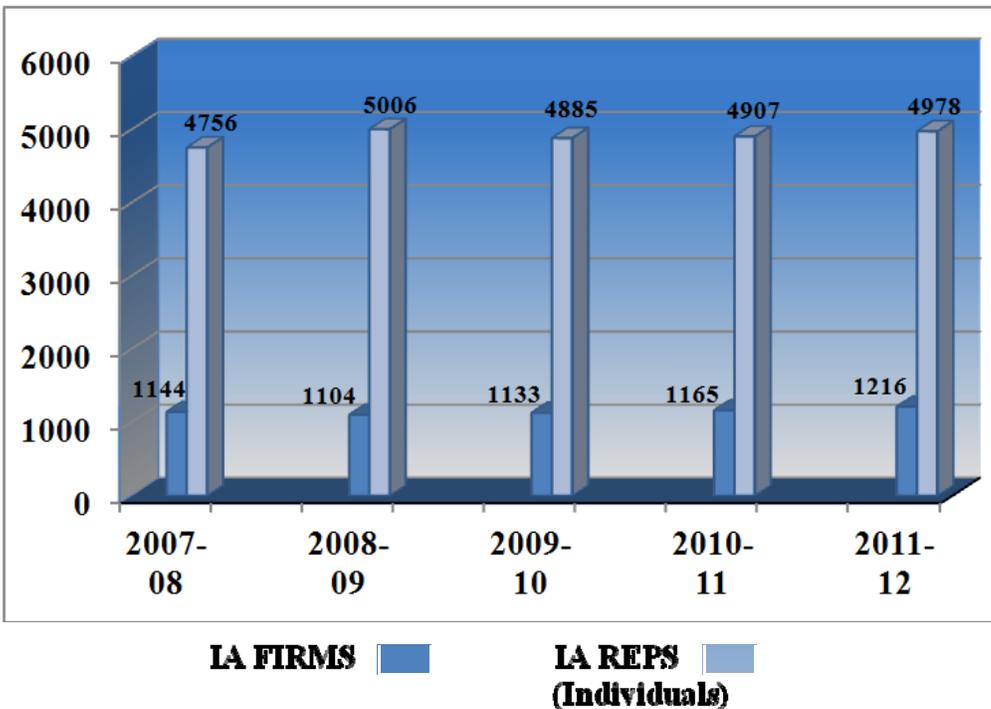
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### Mutual Fund Registration and Exemptions Fiscal Years 2007-08 to 2011-12



### Investment Adviser Registrations Fiscal Years 2007-08 to 2011-12



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# ALABAMA

## Securities Commission

Joseph P. Borg, Director

### ENFORCEMENT HEADLINE SUMMARIES FROM FISCAL YEAR 2012 (Alphabetical by County)

To read complete articles and more go to: [www.asc.alabama.gov](http://www.asc.alabama.gov)

#### **Baldwin County**

##### **Baldwin County Man Sentenced for Securities Violations Related to Synergy Finance Group, LLC**

(May 29, 2012) After a weeklong trial presided over by Circuit Judge James A. Reed, Richard James Tucker, a Baldwin County resident, was sentenced on May 23, 2012 on 13 counts involving criminal activities associated with Synergy Finance Group, LLC, a Robertsdale, Alabama company. Tucker was sentenced to 12 years, split to serve 24 months, on nine counts of Fraud in Connection with the Sale of Securities and on two counts of Theft of Property, 1<sup>st</sup> Degree. The Court also sentenced Tucker to eight years, split to serve 18 months, on one count each of Conspiracy to Commit Securities Fraud and Sale of an Unregistered Security. All sentences will run concurrently and Tucker was ordered to pay court costs associated with his trial. The ASC also petitioned the Court to compel Tucker, once released on parole, to submit sworn quarterly financial statements with the Court to determine his sources of income and the motion was upheld. A restitution hearing will be scheduled in the near future to determine a repayment plan to U.S. and foreign victims who lost approximately \$2.8 million and for the disbursement of approximately \$400,000 in seized funds being held by Baldwin County authorities. Tucker's defense attorney gave notice of appeal and Tucker remains incarcerated in Baldwin County jail pending a \$175,000 bond. An investigation by ASC Enforcement Division agents revealed that Tucker, together with four other men, operated an advance-fee loan business, self-described as a "multi-billion dollar loan brokerage." The scheme solicited investment money from U.S. and foreign investors seeking large, non-collateralized loans which involved unlawful securities transactions.

##### **Baldwin County Man Convicted for Securities Act Violations Related to Synergy Finance Group, LLC**

(May 14, 2012) Richard James Tucker, a Baldwin County, Alabama resident, was found guilty on 13 counts involving criminal activities associated with Synergy Finance Group, LLC, a Robertsdale, Alabama company. The case was before Judge James A. Reed, presiding judge of the Baldwin County Circuit and on April 13, 2012, after three hours of deliberation, the jury found Tucker guilty on all counts. A sentencing hearing is scheduled for May 24, 2012. Charges against Tucker included one count, Employing a Device, Scheme or Artifice to Defraud in the Sale of Securities; two counts, Misrepresentation in the Sale of Securities; five counts, Failure to State a Material Fact in the Sale of Securities; one count, Sale of an Unregistered Security; two counts, Overall Scheme to Defraud; and, two counts, Theft of Property, 1<sup>st</sup> Degree. Grand Jury indictments were previously issued against Tucker's co-defendants, Michael

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## ENFORCEMENT HEADLINE SUMMARIES (*Continued*)

David Judd of Studio City, California; Paul Liggett of Fenton, Missouri; Kirk Patterson of Clovis, California; and, Sam Williams, Jr., an Atlanta, Georgia attorney. An ASC investigation revealed that the five men were involved in the operation of an advance fee loan business, self-described as a “multi-billion dollar loan brokerage.” The scheme solicited investment money from U.S. and foreign investors seeking large, non-collateralized loans which involved unlawful securities transactions.

### **Mississippi Man Pleads Guilty to Securities Fraud in Baldwin County**

(Feb. 28, 2012) George Louis McCaw, a Diamond Head, Mississippi resident, pled guilty to a single count of Fraud in Connection with the Sale of Securities and two counts of Conspiracy to Commit Theft by Deception, 1st Degree in Baldwin County Circuit Court and was sentenced to 15 years on the fraud count and 10 and 5 years respectively on the Conspiracy counts. The Conspiracy counts were run consecutively for a total of 15 years and run concurrent with the Fraud count for a total 15 year sentence. The conspiracy counts involve the unlawful agreement between McCaw and Michael Kieffer [who had previously pled guilty] to use bogus invoices and shell corporations to defraud an investor and Colonial Bank out of more than \$100,000 for a non-existent building. Both the investor and Colonial Bank paid MG Specialists Inc. for the fictitious building and MG Specialist paid most of the money back to McCaw by using his shell corporation, Tricky Enterprises LLC. An investigation by ASC Enforcement Division agents centered on McCaw’s actions as principle and agent for McCaw Construction & Services, L.L.C. A Sept. 2010 Baldwin County Grand Jury indicted McCaw for alleged fraudulent activities that took place between Feb. 2007 and May 2008, involving the offer and sale of promissory notes, investment contracts and other investment instruments, valued at more than \$2.3 million, to Alabama investors. The funds were allegedly to be used in connection with a proposed development of a commercial enterprise in Baldwin County, known as the Highway 59 Project.

### **One of five charged pled guilty to crime relating to Synergy Finance Group, LLC**

(Feb. 23, 2012) Michael David Judd of Studio City, California, pled guilty to one count of the Sale of Unregistered Securities, a Class C felony, related to business associations with Synergy Finance Group. As part of the plea agreement Judd will be allowed to enter a pretrial diversion program which will last 3-5 years; conditions include a payment already made to the court of \$160,000 for victim restitution and he must testify truthfully against his co-defendants at trial scheduled for April 9, 2012. Baldwin County Grand Jury indictments against Michael David Judd of Studio City, California, Paul Liggett of Fenton, Missouri, Kirk Patterson of Clovis, California and Sam Williams, Jr., an Atlanta, Georgia attorney alleged that the men, together with Richard James Tucker, of Baldwin County, were purportedly involved in the operation of an advance fee loan business, and solicited money from U.S. and foreign investors seeking large, non-collateralized loans which involved alleged unlawful securities transactions. ASC records revealed that none of the indicted individuals nor Synergy Finance Group, LLC was registered with the Commission to conduct securities business in Alabama. Tucker was arrested by Baldwin County Sheriff’s Department deputies and ASC Enforcement Division agents July 8, 2010. Tucker, Liggett, Patterson and Williams are all currently free on bond awaiting trial.

### **Blount County**

#### **Former Blount County Man Pleads Guilty to Alabama Securities Act Violations**

(Jan. 24, 2012) David Ray Pinyan, a former resident of Blount County, now residing in Tennessee, pled

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## ENFORCEMENT HEADLINE SUMMARIES (*Continued*)

guilty to a single count of Fraud in Connection with the Sale of Securities. Circuit Court Judge David A. Kimberly sentenced Pinyan to 10 years in prison, suspended, and placed him on five years' probation. Pinyan was given credit for jail time served since Nov., 2011. The plea agreement made by prosecutors with Pinyan, after consultation with investors/victims, considered that Pinyan would be more capable of meeting his obligations toward victim restitution if allowed to serve the balance of his sentence on probation. He also agreed to have no contact with investors related to this case. Pinyan was arrested on May 4, 2010 by Sevierville and Pigeon Forge, Tennessee law enforcement officials and later extradited to Alabama to face charges that he violated provisions of the Alabama Securities Act. A 12-count indictment was returned by an April 2010 session of the Blount County Grand Jury after an investigation by ASC Enforcement Division agents revealed that, beginning in May 2006 and continuing through August 2007, Pinyan allegedly used schemes centered on various land development opportunities and transactions involving the buying and selling of automobiles. Pinyan allegedly used these schemes to defraud Alabama investors of several thousands of dollars, allegedly promising the investors "profit" on their investment principal and alleging that he made untrue statements of material fact during the offer and sale of the investment in question. The indictment further alleged that Pinyan did obtain by deception the funds from the Alabama investors which he converted for his personal use and that he failed to divulge details concerning the business deals.

### Choctaw County

#### **Utah and Florida Men Arrested as a Result of Choctaw County Indictments Alleging Illegal Investment Activities**

(June 18, 2012) Patrick Michael Daleiden and Bruce Jonathan Mabey were arrested for alleged illegal investment activities. **Patrick Michael Daleiden**, Satellite Beach, Florida, surrendered to Alabama law enforcement authorities and was arrested on June 13, 2012. Daleiden was sought on an outstanding warrant from Choctaw County and is currently being held in the Choctaw County jail under a \$1,050,000 "cash only bond." A seven-count indictment was returned by a February, 2012 Choctaw County Grand Jury, charging Daleiden with Fraud in Connection with the Sale of Securities. The charges are the result of an ASC Enforcement Division investigation into a failed industrial park development deal in Choctaw County. **Bruce Jonathan Mabey**, a Salt Lake City, Utah resident was arrested June 1, 2012 in Salt Lake City by agents of the U.S. Marshals Service on an outstanding warrant from Choctaw County. A February 2012 Choctaw County Grand Jury indicted Mabey on seven counts of Fraud in Connection with the Sale of Securities for his alleged involvement in the failed business and industrial park scheme. Mabey waived extradition and is currently being held in Utah on a \$1 million bond, awaiting transport to Choctaw County to face charges.

### Cullman County

#### **Florida Man Pleads Guilty to Securities Fraud in Cullman County**

(Aug. 15, 2012) James Leonard Craft of Century, Florida pled guilty to a single count of engaging in a Scheme or Artifice to Defraud in connection with the Sale of Securities on Aug. 13, 2012, before Circuit Judge Gregory A. Nicholas. An investigation by ASC Enforcement Division agents disclosed that Craft solicited funds from investors to purportedly purchase wood products from South America to be resold to U.S. distributors for the production of railroad crossties and other products. In 2010, the ASC issued

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## ENFORCEMENT HEADLINE SUMMARIES (*Continued*)

Craft and his company, Century Lumber & Land, LLC, headquartered in Century, Florida, a Cease and Desist Order after an attempt was made to solicit money from Alabama investors in at least three counties, including Cullman, Etowah and Shelby Counties. In his testimony to the Court, Craft readily admitted to Judge Nicholas that he intended on using the money for personal reasons while simultaneously making a fraudulent pitch that the investors' funds were to be used to purchase wood products.

### **Etowah County**

#### **Two Men Arrested, Face Charges in Etowah County for Alabama Securities Act Violations**

(Oct. 14, 2011) James Leonard Craft of Century, Florida, was arrested by Santa Rosa County, Florida authorities Sept. 23, 2011 and has been extradited to Etowah County, Alabama where he was jailed after the fall term of the Etowah County Grand Jury handed down an 11-count indictment against him for alleged illegal activities associated with Century Lumber & Land, LLC, headquartered in Century, Florida. An investigation by the ASC Enforcement Division alleged that Craft solicited funds from investors to purportedly purchase wood products from South America to be resold to U.S. distributors for the production of railroad cross-ties and other products. In 2010, the ASC issued Craft and his company a Cease and Desist Order after an alleged attempt to solicit money from Alabama investors. ASC records indicated that neither he nor his business was registered to conduct securities business within, into or from Alabama as required by law. In a related development, Glenn Gilman, Sr., a Southside, Alabama resident, was arrested in Pleasant Grove, Alabama by law enforcement authorities on Sept. 29, 2011 on an 11-count indictment handed down by the Fall 2011 Term of the Etowah County Grand Jury. Etowah County charges against Gilman are the same as those against Craft. After posting bond in Etowah County, Gilman turned himself in to Shelby County, Alabama authorities on Oct. 5, 2011 to face additional securities charges.

### **Houston County**

#### **One Alabama, Two Florida Women Indicted for Alabama Securities Act Violations**

(Feb. 3, 2012) After turning themselves in to Houston County Sheriff's Department deputies on Jan. 19, 2012, arrests were made of Ann Forehand, a Houston County resident, Debra C. Myers, a Lynn Haven, Florida resident and Ashley P. Murcko, a Pensacola, Florida resident. Forehand was charged with a single count each of Sale of Unregistered Securities and Sale of Securities by an Unregistered Agent. Both Myers and Murcko were charged with two counts each of the same offenses. All three women were subsequently released under \$80,000 bond each. A Houston County Grand Jury returned indictments against the three women during a December 2011 term. The indictments alleged that the women acted as sales agents representing USA Marketing, a Dothan, Alabama-based company and further acted to solicit individuals to invest money, in the form of investment contracts, in a product line allegedly to be offered and sold by USA Marketing. A review of ASC Registration Division records indicates that none of the three women were registered to offer and/or sell securities in Alabama, as required by law and that the investment instruments they allegedly sold were not registered as required.

### **Jefferson County**

#### **Minnesota Man Arrested for Alleged Jefferson County Securities Violations**

(Sept. 27, 2012) Kevin Douglas Vickers, a Minnesota resident, was arrested for alleged illegal investment activities associated with his company, KVH Capital Investment Partners, LLC, headquartered in Minneapolis, Minnesota. Vickers was arrested Sept. 25, 2012 by deputies of the Hennepin County, Minnesota

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## ENFORCEMENT HEADLINE SUMMARIES *(Continued)*

Sheriff's Department on outstanding warrants issued by a Jefferson County, Alabama Grand Jury. Vickers is currently being held by Minnesota law enforcement authorities on a \$15,000 bond. Jefferson County law enforcement and Alabama Securities Commission officials will seek extradition of Vickers to Alabama to face charges. An August, 2012 Jefferson County Grand Jury returned a four-count indictment against Vickers charging him with one count each of Sale of Unregistered Securities and Sale of Securities by an Unregistered Agent; and two counts of Fraud in Connection With the Sale of Securities. The charges are the result of an Alabama Securities Commission Enforcement Division investigation into complaints filed by Alabama investors and a Nevada investor. The Commission's Registration Division records revealed that neither Vickers, his company nor the investments he allegedly offered and sold were registered with the Commission as required by the Alabama Securities Act.

### **Two Jefferson County Men Enter Guilty Pleas Related to Unregistered Investment Clubs**

(Sept. 27, 2012) on Sept. 26, 2012, during a plea hearing before Jefferson County Circuit Judge Tommy Nail, Spero X. Vourliotis of Birmingham, pled guilty to one count of Fraud in Connection With the Sale of Securities, more specifically described as Employing a Device, Scheme or Artifice to Defraud. Vourliotis' plea was related to the offering and sale of investments through self-described investment clubs identified as The Cornerstone Investment Group, The Capstone Group and The Tri-Stone Group. The Fraud charge against Vourliotis is a Class B Felony, punishable by no less than two years, and not more than 20 years in the state penitentiary, to include a fine of up to \$30,000. Additionally, Vourliotis will be required to pay approximately \$5.3 million in restitution to victims. Vourliotis remains free on a \$20,000 bond and will face a sentencing hearing on Nov. 30, 2012. In a related case, Carey Michael Billingsley, a Rockford, Alabama resident, and associate of Vourliotis, pled guilty to a felony count of Sale of Unregistered Securities. The charge is a Class C felony, punishable by not less than one year, and not more than ten years incarceration, to include a \$15,000 fine. Billingsley will be required to pay \$350,000 in restitution to the victims he recruited into the scheme. Billingsley also remains free under a \$20,000 bond and will face a sentencing hearing on Oct. 25, 2012. Information gathered by the Alabama Securities Commission Enforcement Division indicates that approximately 26 Alabama investors who lost money with Vourliotis or Billingsley through participation in the investment clubs they represented, stand to receive money back as a result of the men's guilty pleas.

### **Jefferson County Man Arrested for Alleged Securities Violations**

(Aug. 24, 2012) Jack Melvin Glover, a Trussville, Alabama resident, was arrested Aug. 22, 2012 by deputies of the Shelby County Sheriff's Department on outstanding warrants from Jefferson County for alleged illegal investment activities. An August 2012 session of the Jefferson County Grand Jury returned a 12-count indictment against Glover charging him with four counts each of Sale of Unregistered Securities, Sale of Securities by an Unregistered Agent and Fraud in Connection with the Sale of Securities. The charges are the result of an ASC Enforcement Division investigation into complaints filed by several Alabama and one Nevada investors.

### **Jefferson County Indictments Allege Illegal Activities Surrounding Investment Clubs**

(June 11, 2012) Indictments have been obtained for Spero X. Vourliotis of Birmingham; and Carey Michael Billingsley, of Rockford. The indictments were returned by a Feb., 2012 session of the Jefferson County Grand Jury in connection with the alleged offer and sale of unregistered investments through

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## ENFORCEMENT HEADLINE SUMMARIES *(Continued)*

self-described investment clubs identified as The Cornerstone Investment Group, The Capstone Group and The Tri Stone Group. Vourliotis and Billingsley were each charged with six counts of Sale of Unregistered Securities and Sale of Securities by an Unregistered Agent. Additionally, Vourliotis was charged with a single count of Fraud in Connection With the Sale of Securities and Billingsley was charged with four counts of Fraud in Connection With the Sale of Securities. The Fraud counts are class B Felonies and carry a potential sentence of not less than 2 years in prison and not more than 20 years each. The registration counts are class C Felonies and carry a potential sentence of not less than one year and not more than 10 years each. Both men have been released on bond pending trial. A trial date has not been set.

### **Lee County**

#### **Lee County Man Arrested in Baldwin County for Alleged Securities Violations**

(May 18, 2012) John David Stroud, an Auburn, Alabama resident, was arrested May 15, 2012 in Baldwin County, on warrants issued in Lee County, for alleged violations of the Alabama Securities Act. Stroud was arrested by ASC Enforcement Division agents and deputies of the Baldwin County Sheriff's Department and is currently being held in Baldwin County jail awaiting transport to Lee County. The May, 2012 session of the Lee County Grand Jury indicted Stroud on 21 total counts involving Sale of Securities by an Unregistered Agent, Fraud in Connection with the Sale of Securities and Theft of Property, 1<sup>st</sup> Degree. The charges stemmed from Stroud's involvement as owner/operator of Stroud Capital, TS Capital and their affiliated entities: Stroud Development Group; Stroud Capital Management, LLC; Stroud Capital Fund, LP; TS Capital Partners, LLC; TS Capital Fund, LP; and TS Capital General Partners, LLC. The companies operated by Stroud were allegedly hedge funds trading in the commodities market.

#### **Lee County Man Arrested, Charged With Alleged Securities Act Violations**

(April 4, 2012) Thomas Washington Campbell, III, a Salem, Alabama resident, was arrested for alleged violations of the Alabama Securities Act and turned himself in to the Lee County Sheriff's Department, Mar. 23, 2012. A Jan., 2012 Lee County Grand Jury indictment alleged three counts each of Sale of Unregistered Securities and Sale of Securities by an Unregistered Agent as well as six counts of Fraud in Connection with the Sale of Securities. He was subsequently released on a \$60,000 bond. An ASC Enforcement Division investigation determined that since approximately 2005, Campbell, acting as President and Chief Executive Officer of TCA Investment Group, Ltd., fraudulently obtained approximately \$48,000 from more than 50 victims by allegedly representing that he could secure funding for investors seeking alternative financing for real estate development, business projects and other ventures. The scheme that Campbell allegedly ran helped fund the operation of an advance fee loan business wherein he sought out victims online who had been unsuccessful in financing their own projects through traditional means. Campbell allegedly deceived individuals into investing by making fraudulent claims of his previous business successes and his ability to secure financing for his clients. Investors were led to believe that their money was being used for processing and other fees related to securing third party financing and that said fees would be refunded if financing was unsuccessful. The investigation showed that victims who had allegedly been approved for financing did not receive any funds from Campbell and that neither Campbell nor his company are registered to conduct securities business in Alabama, as required by law. The investigation also determined that Campbell allegedly misrepresented to his victims his knowledge, experience, licensing and means to secure financing for them.

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## ENFORCEMENT HEADLINE SUMMARIES *(Continued)*

### **Madison County**

#### **Madison County Man Arrested for Multiple Alabama Securities Act Violations**

(Nov. 23, 2011) Harry H. “Woody” Duncan, a Huntsville, Alabama resident, was arrested Nov. 18, 2011 by Madison County Sheriff’s authorities after a 50-count indictment was returned against him by the October, 2011 term of the Madison County Grand Jury. Duncan was jailed and remains in custody under a \$1,185,000 bond. Presiding Circuit Court Judge Alan Mann imposed special conditions on Duncan, namely, he must surrender his passport and is prohibited from instructing potential witnesses to destroy or conceal evidence or to otherwise mislead law enforcement officials. The indictment alleges that Duncan unlawfully solicited approximately \$400,000 from eight Alabama investors. An ASC investigation revealed that in March, 2011, Duncan offered and sold an unregistered promissory note for \$25,000 to an Alabama investor on behalf of his business, and allegedly represented that the investment would provide double-digit returns. The ASC issued Duncan an Administrative Order to Cease and Desist from further offers and sales of securities within, into or from Alabama. Further investigation disclosed that between January, 2003 and December, 2008, Duncan allegedly issued promissory notes to Alabama investors on behalf of Title Lenders, Inc., a title pawn business that he previously operated. ASC records indicated that neither Duncan, nor the securities he allegedly offered and sold to investors were registered with the ASC, as prescribed by the Alabama Securities Act.

### **Mobile County**

#### **Mobile County Man Pled Guilty to Securities Fraud**

(Nov. 22, 2011) Ramon Antonio Richardson, a Mobile County resident, pled guilty on Nov. 17, 2011 to a single count of fraud in the solicitation of investment advisory clients. The Court sentenced Richardson to 15 years in the state penitentiary, split to serve two years. Richardson is currently incarcerated in the Alabama penal system on previous unrelated charges. An investigation by ASC Enforcement Division agents led to an indictment being returned against Richardson by a March 2011 session of the Mobile County Grand Jury. According to the investigation, Richardson operated a web-based investment advisory firm, identified as Unity Invest and Trust, LLC, headquartered in Bayou La Batre, Alabama. Richardson, through his business website, represented that the firm was able to provide services that included seminars for “basic investing, options trading, monthly market advising and credit rebuilding,” among others. Richardson solicited approximately \$16,000 from an Alabama investor purportedly to accomplish online stock trades to provide an additional source of income on the investor’s behalf. ASC records indicated that neither Richardson, his company, nor the services he offered were registered with the ASC as required under the Alabama Securities Act.

### **Montgomery County**

#### **California Man Sentenced for Conspiracy to Sell Unregistered Securities**

(July 16, 2012) on July 11, 2012, Louis John Mensonides, of Modesto, California, was sentenced by Circuit Judge Johnny Hardwick to serve 12 months in prison, suspended, and placed on two years’ probation during which time he will be required to pay \$20,000 restitution, plus additional court-imposed fines. On May 11, 2012 Mensonides pled guilty to Conspiracy in the Sale of Unregistered Securities in Montgomery County Circuit Court.

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## ENFORCEMENT HEADLINE SUMMARIES *(Continued)*

### **California Man Pleads Guilty to Conspiracy to Sell Unregistered Securities**

(May 15, 2012) On May 11, 2012, before Circuit Court Judge Johnny Hardwick, Louis John Mensonides, a Modesto, California resident, pled guilty to a single count of Conspiracy in the Sale of Unregistered Securities. He will face a sentencing hearing on July 12, 2012, at which time the Court will determine restitution. Mensonides' plea came as a result of an ASC Enforcement Division investigation into suspected illegal securities activities associated with Imperial Rubber Holdings, Inc., a Nevada Company with business offices in California, and a predecessor company Polymer Global Holdings, Inc. A September, 2010 Montgomery County Grand Jury indictment alleged that Mensonides conspired with Peter George Szondy and Frederick Tayton Dencer, both California residents, to offer and sell unregistered securities, in the form of promissory notes, put contracts and shares of company stock, to an Alabama investor in an attempt to raise capital for Imperial Rubber Holdings, Inc. ASC records showed that neither Mensonides, the company he represented nor the securities he offered and sold were registered with the Commission as required by the Alabama Securities Act. Szondy previously pled guilty to a single count of Fraud in Connection with the Sale of Securities; three counts of Sale of Unregistered Securities; and, one count of Sale of Securities by an Unregistered Agent. He was also ordered to pay \$36,000 in restitution to an Alabama investor and faces sentencing at a later date. Dencer failed to appear for his scheduled trial on Feb. 27, 2012, leading Judge Hardwick to issue a warrant for his immediate arrest.

### **Former Montgomery County Man Sentenced for Securities Violations**

(Mar. 27, 2012) Darren O'Neal Maull, formerly of Montgomery, pled guilty in Montgomery County Circuit Court on Mar. 12, 2012 to a single count of Conspiracy to Sell Unregistered Securities. On Mar. 20, 2012 Maull was sentenced to 12-months suspended sentence with the stipulation that he is barred from offering and/or selling securities within, into or from Alabama. Maull also made full restitution, totaling \$161,500, to 18 victims. An investigation by ASC Enforcement Division agents lead to a June 2011 Montgomery County Grand Jury indictment against Maull, alleging illegal offers and sales of securities; specifically, stock shares in Maull's companies, Intellimesh Inc., Intellimesh Systems, Inc., Smart Safe Cities, Inc., and Darren Maull, Inc. The investigation revealed that Maull had allegedly solicited investor funds to support "wireless communication technology that would enhance emergency response communication," as well as start-up costs, installation of wireless technology and continued research and development of the technology. Investors claimed they did not receive requested financial statements and supporting documentation from Maull on the technology's performance which led to the issuance by the ASC of a Cease and Desist order to Maull and his companies in Oct., 2009. The ASC investigation discovered that Maull allegedly provided inadequate and incomplete information to investigators regarding the securities offered and sold to investors and that neither he nor his companies were registered with the ASC to conduct securities business in Alabama.

### **California man enters guilty plea for Alabama Securities Act violations; second man extradited to Alabama on similar charges**

(Mar. 5, 2012) On Feb. 27, 2012, in front of Circuit Court Judge Johnny Hardwick, Peter George Szondy, a Woodland Hills, California resident, pled guilty to a single count of Fraud in Connection with the Sale of Securities; three counts of Sale of Unregistered Securities; and, one count of Sale of Securities by an Unregistered Agent. He was also ordered to pay \$36,000 in restitution to an Alabama investor. An ASC Enforcement Division investigation led to a Sept., 2010 Montgomery County Grand Jury indictment being

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## ENFORCEMENT HEADLINE SUMMARIES *(Continued)*

returned against Szondy alleging that he offered and sold unregistered securities, in the form of promissory notes, put contracts and shares of his company's stock to an Alabama investor and further alleged that while acting as Vice President of Polymer Global Holdings, Inc., a Nevada company with business offices in California, Szondy failed to repay the notes and other investor funds and further misled the investor by failing to disclose that neither he, the company nor the investments offered and sold were registered with the ASC as required by law. Szondy's indictment and arrest stem from his involvement with two California men, Louis John Mensonides and Frederick Tayton Dencer, who were previously indicted in Montgomery County on similar charges. Mensonides was arrested Feb. 8, 2012, in Modesto, California, by deputies with the Stanislaus County, California Sheriff's Department after extradition proceedings were begun between the ASC and the Offices of the Governors of Alabama and California respectively. Mensonides' indictment charged him with two counts of Sale of Unregistered Securities; and, a single count of Sale of Securities by an Unregistered Agent. The indictment also alleged that he offered and sold an Alabama investor two-year promissory notes to raise capital for Imperial Rubber Holdings, Inc., a Nevada company with business offices in California. Imperial Rubber Holdings, Inc. was a predecessor company of Polymer Global Holdings, Inc. A third co-defendant, Frederick Tayton Dencer, failed to appear for his scheduled trial on Feb. 27, 2012, leading Judge Hardwick to issue a warrant for his immediate arrest.

### **California man arrested, awaits extradition for alleged Alabama Securities violations**

(November 22, 2011) Louis John Mensonides was arrested November 3, 2011 at his home in Modesto, California for alleged violations of the Alabama Securities Act. He made bond and is awaiting extradition to Montgomery County, AL. As a result of an investigation by the ASC Enforcement Division, a three count indictment was handed down by a September 2010 session of the Montgomery County Grand Jury. Mensonides was charged with two counts for Sale of Unregistered Securities and one count for Sale of Securities by an Unregistered Agent. Mensonides allegedly sold an Alabama citizen two year promissory notes to raise capital for the Imperial Rubber Holdings, Inc.

### **Shelby County**

#### **Shelby County Man Arrested Again For Alabama Securities Violations**

(Feb. 24, 2012) Lysle John Fleming, a Shelby County resident, was arrested Feb. 16, 2012 by Pell City, Alabama Police and turned over to Shelby County authorities for alleged violations of the Alabama Securities Act. Charges against Fleming were the result of a Jan. 2012 Shelby County Grand Jury indictment alleging two counts each of Sale of Unregistered Securities and Sale of Securities by an Unregistered Agent. Additionally, the indictment charged Fleming with three counts of Fraud in Connection With the Sale of Securities and a single count of Theft by Deception, 1<sup>st</sup> Degree. All violations allegedly occurred in April, 2010. Fleming remains incarcerated with bond set at \$100,000. An ASC Enforcement Division investigation revealed that Fleming allegedly solicited funds from an Alabama investor by offering the investor a chance to take part in an off-shore investment opportunity that would purportedly garner swift and significant returns. The investment opportunity allegedly involved the offer and sale of unregistered promissory notes and/or investment contracts valued at approximately \$430,000. The indictment also alleged that Fleming made misleading statements and failed to disclose material facts to the investor, specifically that he had previously been arrested and convicted of securities violations in Shelby County Circuit Court in 2009, was ordered to pay victim restitution

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## ENFORCEMENT HEADLINE SUMMARIES *(Continued)*

and was still on probation for that conviction at the time he allegedly offered and sold investment contracts to the current victim.

### **Jefferson County Woman, Michigan Man Plead Guilty to Alabama Securities Act Violations**

(Feb. 3, 2012) Katherine Hope Lane, whose last known address was listed as Jefferson County; and, Michael W. Pahl, Sr., a resident of Jackson, Michigan, entered guilty pleas and were sentenced in Shelby County Circuit Court, Jan. 30, 2012 for violations of the Alabama Securities Act. Lane pled guilty to a single count of Fraud in Connection with the Sale of Securities and was sentenced to 87 months in state prison. The Court ordered her sentence to run concurrently with a federal prison sentence currently being served. She remains incarcerated in the Shelby County jail and will face a restitution hearing on Feb. 27, 2012. Pahl pled guilty to a single count of Conspiracy to Sell Unregistered Securities. He will be sentenced Feb. 27, 2012 at which time he will also face a restitution hearing related to his plea. A third co-defendant, Paul Haskell Lane, Jr., remains free on bond awaiting an April, 2012 trial date. Charges against the two stemmed from indictments handed down by a Jan., 2009 Shelby County Grand Jury alleging their involvement in a scheme to solicit investments to fund 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 approximately \$400,000 from several out-of-state victims.

### **Tuscaloosa County**

#### **South Carolina Resident Sentenced In Alabama for Fraud in Connection with the Sale of Securities**

(April 23, 2012) Michael Kevin Mullen, 58, an Aiken, South Carolina resident was sentenced to 10 years imprisonment and given credit for 400 days of jail time previously served. Mullen's application for probation was granted by the court and he will serve five years on supervised probation with special conditions that he will pay \$323,885.65 in restitution to victims of his investment scheme and will not sell securities in the State of Alabama. On Feb 29th Mullen pled guilty to two counts of Fraud in Connection with the Sale of Securities. Mullen was arrested by Austrian authorities in July 2008 and resisted extradition to the United States; the ASC initiated a successful application to extradite Mullen. Austrian authorities later 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, 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. Allegedly, Mullen solicited investor funds to purchase preferred stock in his company which he represented to be a safe investment that would garner double-digit returns. He also represented to investors that their funds would be used to purchase a \$1.5 million certificate of deposit to be used to obtain underwriting by Bank of America to back a \$10 million real estate transaction. Alabama investor funds were allegedly comingled with other investor money for personal expenses.

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## ENFORCEMENT HEADLINE SUMMARIES *(Continued)*

### **National**

#### **Federal and State Regulators Appoint Administrator to Return \$200 Million to Investors**

(October 28, 2011)The U.S. Securities & Exchange Commission and regulators from Tennessee, Alabama, Kentucky, Mississippi, and South Carolina announced today the appointment of A.B. Data, Ltd. of Milwaukee to distribute \$200 million to investors from the regulators' settlements with Morgan Keegan. The settlements resulted from an investigation of seven proprietary bond funds sold by Morgan Keegan to more than 30,000 account holders. The firms were charged with sales violations and overvaluing the funds which lost approximately \$1.5 billion in value from March 31, 2007, to March 31, 2008. The SEC's and the five states' Administrative Orders, required Morgan Keegan and Morgan Asset Management to pay a total of \$200 million to establish an SEC Fair Fund and a States' Fund, both for the benefit of investors. A.B. Data has previously administered several large settlement funds in securities litigation cases and for the SEC. The A.B. Data website for investor information is: [www.abdataclassaction.com](http://www.abdataclassaction.com) under "Morgan Keegan Settlement." Further, A.B. Data has set up live operators available for questions from investors and they will be available for the duration of the claims process (888-208-9083) during normal business hours. (Central time zone) Investor inquiries may also be directed by mail to: Morgan Keegan Settlement, Claims Administrator, c/o A.B. Data Ltd., PO Box 170500, Milwaukee, WI 53217-8091. The federal and state regulators' Orders also required that the costs for establishing, managing and disbursing these funds shall be paid separately by Morgan Keegan and Morgan Asset Management and will not be paid out of the \$200 million in settlement funds which will all go to investors based on the filing of claims. The regulators' Orders provided that nothing in the settlement requires any investor to give up any rights in arbitration or any other proceeding that the investors are legally entitled to initiate. Investors are not signing releases and the filing of a claim has no effect on whether investors are allowed to bring other claims.

### **ASC in Joint Efforts with Other Agencies**

#### **U. S. Department of Justice-United States Attorney's Office, Southern District of Alabama**

##### **UTAH MAN PLEADS GUILTY TO CHOCTAW COUNTY INVESTMENT SCAM**

Bruce Mabey has pled guilty to wire fraud in relation to his involvement in a Choctaw County investment scam. The investment scam began in the summer of 2006 when Bruce Mabey, his co-defendant Patrick Daleiden, and others solicited four Alabama investors by offering an opportunity to invest in a new industrial park they were planning to develop on a 3,200 acre tract of land in Choctaw County, Alabama. Based on the false and fraudulent promises, pretenses, and representations made by Daleiden, Mabey, and others, the four Alabama investors invested nearly \$1.5 million in the Choctaw County industrial park project. Within days of the money being wired into the Starboard Capital bank account, the investors' money was withdrawn or transferred to other accounts. From 2006 through 2009, Mabey, and agents of Starboard Capital sent e-mails to the Alabama investors in an effort to lull them into believing that the deal would eventually go through and the industrial park would be developed. However, the land was never purchased, the park was never developed, and none of the investors received any of their money back.

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## ENFORCEMENT HEADLINE SUMMARIES (*Continued*)

### **U. S. Department of Justice-United States Attorney's Office, Middle District Of Alabama**

#### **DOTHAN MAN INDICTED IN SECURITIES FRAUD SCHEME**

##### ***Edward Lincoln Forehand Caused \$3 Million in Losses to 87 Investors***

(Sept. 24, 2012) Edward Lincoln Forehand, Age 68, of Dothan, Alabama, was indicted on charges of securities fraud, mail fraud, wire fraud, and money laundering, announced Sandra J. Stewart, First Assistant United States Attorney, and Joseph P. Borg, Director of the Alabama Securities Commission (ASC). According to court records, between 2006 and November 2009, Forehand, used the business name USA Marketing," to solicit investments from people, mainly in the Dothan, Alabama, Pensacola, Florida, and Panama City, Florida areas. Forehand told investors that he had a relationship with an individual who had a business, Elite Marketing ("Elite"), which had agreements with colleges and universities to sell them cookware, which the schools would in turn resell as a fundraiser. Elite required financing to purchase the cookware, but the profit margin on the cookware was so large that Elite could afford to pay extraordinarily high rates of returns to those who would provide the financing. Forehand provided most investors with a document stating that the purpose of the investment was to invest in Elite, and promising an annual rate of return ranging from 175% to 325%. Forehand failed to disclose to investors that he was using investors' money for purposes other than investment and was only forwarding to Elite approximately 20% of the money that he was receiving from investors. From 2006 to November 2009, Forehand received \$6.2 million from investors but only sent \$1,605,790 to Elite. Forehand used the remaining funds either to repay previous investors or for his personal expenses, including cash, purchase of real estate, improvements to houses, repayment of personal loans, and other personal needs. The case was investigated by Special Agents of the ASC and the FBI and by the Dothan Police Department. The case is being prosecuted by Assistant United States Attorneys Andrew O. Schiff and Tommie B. Hardwick and by Special Assistant United States Attorneys Steve P. Feaga and Gregory M. Biggs of the Alabama Securities Commission.

### **U. S. Department of Justice-United States Attorney's Office, Southern District of Alabama**

#### **FLORIDA MAN PLEADS GUILTY TO CHOCTAW COUNTY INVESTMENT SCAM**

(Sept. 20, 2012) Kenyen Brown, U.S. Attorney for the Southern District of Alabama, and Joseph P. Borg, Director of the Alabama Securities Commission announced that Patrick Daleiden has pled guilty to conspiracy and wire fraud charges related to his involvement in a Choctaw County investment scam. The investment scam began in the summer of 2006 when Patrick Daleiden, his co-defendant Bruce Mabey, and others solicited four Alabama investors by offering an opportunity to invest in a new industrial park they were planning to develop on a 3,200 acre tract of land in Choctaw County, Alabama. Daleiden, Mabey, others, told investors that Daleiden was in discussion with a Bermuda-based bank about a \$10 million credit facility for his company and that a closing of that facility was expected in fall of 2006, with the loan proceeds from the credit facility to be used for the purchase of the land and to develop the industrial park. The collateral for the loan was to be a \$10 million bank guarantee issued by the Union Bank of Switzerland (UBS), which was purportedly issued to Starboard Capital, Inc. Investors were told of a lending commitment for the project by a New York based real estate lending fund for the purchase of the land. Neither loan was ever closed and the bank guarantee from UBS to Starboard Capital was fake. The multi-year investigation into this case was led by the Alabama Securities Commission in Montgomery.



# ALABAMA

## Securities Commission

Joseph P. Borg, Director

### NEWS RELEASES FROM FY 2012

**Announcements, commentaries and investor alerts.  
To read these articles and more go to:**

[www.asc.alabama.gov](http://www.asc.alabama.gov)

- [09/24/2012](#) - Alabama Securities Commission (ASC) Welcomes New Commissioners and Recognizes Contributions of Former Members.
- [09/24/2012](#) - IARD System Fee Waiver for Investment Adviser Firms Remains While Reduced System Fees Reinstated for Investment Adviser Representatives.
- [08/21/2012](#) - Laws Provide Con Artists with Personal Economic Growth Plan. ASC Identifies Emerging and Persistent Investor Threats.
- [05/23/2012](#) - Deadline to Claim Money from the Region's Morgan Keegan Bond Settlement.
- [05/15/2012](#) - ASC Warns of Potential Dangers of Crowdfunding Investment Opportunities.
- [04/11/2012](#) - **ALERT** - ASC Warns of Dangers of Lottery and Sweepstakes Scams.
- [02/22/2012](#) - Hon. Governor Bentley signs proclamation for Alabama Saves Week, Feb. 19-26.
- [02/21/2012](#) - **ALERT** - All Morgan Keegan Bond Fund Investors
- [02/10/2012](#) - TEN-HUT! Updated "Financial Field Manual" for Military Families' Personal Finances Now Available From Alabama Securities Commission.
- [02/06/2012](#) - ASC Announces Key Appointments and Administrative Changes.
- [02/01/2012](#) - ASC Cautions investors Not to Stumble When Interest Rates Fall Flat
- [12/15/2011](#) - IRS and Alabama Securities Commission Warn of Common Scams.
- [11/08/2011](#) - Stop Elderly Fraud: ASC, Doctors, Financial Planners, Others to Launch Hot line on Nov. 10th to Fight Swindlers Targeting Older Alabama Residents.
- [10/28/2011](#) - Federal and State Regulators Appoint Administrator to Return \$200 Million to Investors.

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ASC NEWS ARTICLES OF SPECIAL INTEREST



Celebrating Midlife and Beyond  
**Prime**  
MONTGOMERY

March 2012

also available online from the ASC at [www.asc.alabama.gov](http://www.asc.alabama.gov).

A 20-page booklet featuring financial success stories from service members and their families is available in the River Region from the Alabama Securities Commission (ASC). Recently distributed on military bases, the manual is

“We are aware of the fact that military families in Alabama face a lot of financial pressures during these difficult economic times,” said Joe Borg, ASC Director. “That’s why we are eager to help get out the word to active and retired military personnel and family members about what they can do to strengthen their finances and also to avoid the unscrupulous con artists and quick-buck schemers who prey on those who serve our nation.”



**BUSINESS ALABAMA** **1995 Boiler Room Bust**

February 2012 **Business Alabama**

TALES FROM ALABAMA’S LONG HISTORY OF BIG MONEY CRIMES.

In the late 1990s, the Alabama Securities Commission began getting a steady stream of complaints about stocks being aggressively pushed by an outfit out of Long Island, N.Y. After a preliminary investigation, Alabama Securities Commissioner Joe Borg pressed for the formation of a multi-state task force that led to the 1999 conviction of the principals in Stratton Oakmont, which one New York prosecutor described as “the most infamous boiler-room brokerage firm in recent memory.”



**Alabama Securities Commission appoints new top agency officials**

Published: Monday, February 06, 2012

Stephen Feaga as **Deputy Director for Enforcement and Prosecution** for the Commission. Feaga comes from the **U.S. Department of Justice**, where he has served as **Assistant United States Attorney for the Middle District of Alabama**

since 1994. Edwin Reed has taken over **Deputy Director for Administration**. Reed most recently served as the commission's general counsel, Borg said.



**Alabama Securities Commission, doctors and planners launching hotline to fight scammers targeting Alabama seniors**

Published: Tuesday, November 08, 2011, 11:14

In collaboration with the **National Adult Protective Services Association**, **Investor Protection Trust**, the **Financial Planning Association**, **Baylor College of Medicine** and the **Investor Protection Institute**, the Alabama Securities Commission will set up three separate call-in lines -- covering general finance, medical and financial abuse questions

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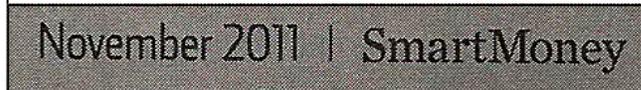
## EXAMPLES OF ASC NATIONAL NEWS COVERAGE

<b>CENTER for RETIREMENT RESEARCH</b> at BOSTON COLLEGE	<b>THE RISE OF FINANCIAL FRAUD</b>
	By Kimberly Blanton*      FEBRUARY 2012, NUMBER 12-5 Reference: Telephone interviews with Borg, director of the Alabama Securities Commission, and spokesman Dan Lord.

<b>The Economist</b>	Jan 28th 2012   SALT LAKE CITY   from the print edition	Joseph Borg, Alabama's securities commissioner, reckons half of all affinity frauds in the American South are faith-based.
	<b>Affinity fraud Fleeing the flock</b>	



<b>State regulators battle for grip over crowdfunding</b>
Tue, Nov 1 2011 By Suzanne Barlyn "There would at least be a gatekeeper before they unleashed it on the public," said Joseph Borg, director of the Alabama Securities Commission.



Power 30: The World's Most Influential Players	<b>Joseph Borg</b> <i>Director, Alabama Securities Commission</i>	■ WITH A 98 PERCENT conviction rate when it comes to securities crimes, it's fair to say that Borg, 59, is one of the toughest "stock cops" in America. "We
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INVESTING      OCTOBER 20, 2011

### Georgia Church Faces Suit

*Ten Congregation Members Say They Lost \$1 Million in 'Safe' Investments*

By KELLY GREENE

"I've seen more money stolen in the name of God than any other way," said Joseph Borg, Alabama securities commissioner and a past president of the North American Securities Administrators Association. "Seven out of 10 of our cases involve affinity fraud, and in the South, probably 40% to 50% have a religious angle."

## *Investor Education and Fraud Prevention Outreach Program*



*Dan Lord, Manager*

### ***ASC EDUCATION CORNER***

***Promoting Investor Protection  
Through Seminars and Free Materials***

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



*Clint Niemeyer, Public  
Affairs Specialist*

### **Investor Education and Fraud Prevention Outreach for Senior Alabamians**

During FY 2012, ASC's Education and Public Affairs Division continued its successful and informative outreach program. This popular program promoted effective financial, investor, and fraud protection education to teens, working adults and seniors. Extra effort was put forth during this fiscal year to provide investor and fraud prevention education to citizens ages 50 and above. Seniors in the United States and Alabama are a prime target for financial fraud as they hold an estimated \$14 trillion in assets. The ASC has joined with the Alabama Attorney General's Office, the Alabama Department of Senior Services, the Department of Human Resources and many other state agencies to conduct outreach events throughout Alabama and to help draft new legislation\* that will provide improved protection against financial crimes targeting Alabama seniors age 60 and above. The Alabama Securities Act provides strong protection for seniors if the crime involves securities, but the Commission recognized the need for stronger laws to protect citizens from other financial crimes. The ASC is the champion of Alabama's main street investor and our education program helps expose deceptive and illegal practices by promoting financial literacy and by the development of the discipline necessary to recognize and thwart tactics used by con artists to victimize our citizens. The Education and Public Affairs Division sets a high bar for the development and delivery of practicable, insightful information that serves as a first line of defense against financial crimes that can devastate senior Alabamians' long-term financial independence. The following paragraphs illustrate the division's continued close collaboration with senior advocacy groups, law enforcement and others to promote investor education and fraud prevention during the past fiscal year.

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

**Alabama Department of Senior Services (ADSS).** The ASC collaborated with the ADSS statewide network of Area Agencies on Aging to reach hundreds of seniors and to provide timely, relevant presentations and printed material designed to help them recognize the problems associated with financial fraud and how to safeguard themselves and their families from fraudulent practices. ASC collaborated with ADSS and the Alabama Elder Justice Alliance to promote the World Elder Abuse Awareness campaign starting in July 2012.

**ACES Estate Planning Seminars.** ASC teamed with the Alabama Cooperative Extension System (ACES) to continue hosting Estate Planning Seminars for Alabama citizens who are nearing retirement or who have previously retired. Seminars included speakers from the Education and Public Affairs Division who shared valuable information about unsuitable investment "opportunities," how investment fraud begins, factors involved in making informed financial decisions, and the warning signs of scams, among others.

\* Companion bills SB29 and HB45, "Protecting Alabama's Elders Act."

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## *Investor Education and Fraud Prevention Outreach Program*

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**2012 Senior Expos:** For many years, ASC has participated in two large Senior Expo events: The Huntsville Senior Expo at the Von Braun Civic Center and the Jackson County Senior Expo at the Goose Pond Civic Center near Scottsboro. These popular, highly anticipated events host several thousand seniors from across north Alabama to observe and inquire about the numerous products, services and information resources tailored to them from various professional service providers. ASC Education and Public Affairs Division personnel were on-site to greet and answer individuals' questions and to distribute important personal finance, investor education and fraud prevention materials to hundreds of seniors throughout the day-long events.

**Alabama Retired State Employees Association (ARSEA).** Continuing a successful partnership, ASC staff attended and spoke at several ARSEA chapter meetings in FY2012. ARSEA boasts a membership of more than 25,000 retired former state government employees and members typically have significant savings, pensions and investments. ASC has received an excellent response from ARSEA members wishing to check out the registration of investment professionals or products being offered or to request more information.

**Elder Investment Fraud and Financial Exploitation (EIFFE) Campaign.** ASC worked side by side with the Washington, D.C.-based Investor Protection Trust (IPT), the National Adult Protective Services Association, the American Academy of Family Physicians and other senior health advocacy organizations to help promote this important campaign. The campaign has helped deliver insightful investor education to physicians and medical support personnel at University of Alabama at Birmingham, regarding financial abuse and exploitation of their elderly patients and clients.

### **ASC Military Outreach Programs and Special Website Area**

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

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

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

**ASC staff provided special training to survivors of recently fallen soldiers:** During FY 2012 ASC staff provided two specially tailored programs in conjunction with the Department of Defense, Survivor

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## *Investor Education and Fraud Prevention Outreach Program*

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Outreach Services at Ft. Rucker to help survivors of fallen soldiers make informed decisions to manage inherited money and protect themselves from deceptive marketing programs and investment fraud.

**ASC provided investor education seminars and free information:** Soldiers, dependents, civilian personnel (civil service and contracted) at Redstone Arsenal and Maxwell Air Force Base, received free financial education seminars with an emphasis on informed investing and fraud prevention. Top-notch personal finance and investor education materials published by Kiplinger's Personal Finance, the Lightbulb Press, Inc. and ASC, were made available, upon request, to anyone affiliated with the military in Alabama.

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

### **ASC Contributions to Middle and High School Students and Teachers Youth and Student Programs**

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

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



**TARRANT HIGH SCHOOL STUDENTS (APRIL 11, 2012)**

*(Continued on next page)*

## *Investor Education and Fraud Prevention Outreach Program*

### **Train the Teacher Programs**

ASC assisted in a grant, from the Investor Protection Trust, in support of the "Day of Financial Literacy" Luncheon hosted by the Alabama Jump\$tart Coalition at the BJCC in Birmingham, June 13, 2012 during the Alabama Association of Career and Technical Education Conference (AACTE). Guest Speaker at the luncheon was Ms. Dubis Correal, Office of Financial Education, Consumer Financial Protection Bureau, Washington DC. Over 250 teachers benefited from free financial education curriculum and resource materials for Alabama Classrooms.



**2012 Economic Extravaganza**, January 17, 2012, held at the Madison County Professional Development Center was conducted by the Alabama Council on Economic Education (ACEE) in cooperation with the Alabama State Department of Education, The Boeing Company, Investor Protection Trust, and the Alabama Securities Commission.

The ASC assisted ACEE to acquire grant funding from the Investor Protection Trust to support financial education



initiatives for teachers grades 7-12 in Alabama. ASC provided a professional trainer and free materials at many of these events. The highly qualified and experienced instructor in the picture is Wanda McAbee the Program Director for ACEE.

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## *Investor Education and Fraud Prevention Outreach Program*

(Continued)

### **ASC Professional Training Programs**

Upon request, ASC provides training to a number of professional organizations including enforcement agencies. Many of these presentations qualify for continued professional education credit. National investor education includes the development of investor education outreach programs by experts from Alabama and other state agencies who are involved in the regulation of the securities industry.

One notable example of professional training for law enforcement was ASC's participation in the Alabama Association of Chiefs of Police (AACOP) Summer Conference 2012. This conference was attended by over 300 Chiefs of Police and law enforcement officials from across Alabama. ASC participation in this conference provided information that will assist police officers throughout Alabama to identify, report, investigate and help prosecute securities crime.

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### **ASC EDUCATION AND PUBLIC AFFAIRS DIVISION (ED & PA) Investor Education Presentations/Events/Meetings (Fiscal Year 2012, from 10/1/11 - 9/30/12)**

<u>Date</u>	<u>Place</u>	<u>#</u>	<u>Audience Type</u>
09/26/12	Huntsville, AL at the downtown Holiday Inn	170	Retired state employees attending the ARSEA annual conference
09/20/12	Birmingham, AL at the Federal Reserve	40	Licensed investment advisors - Financial Planning Association
09/18/12	Huntsville, AL at the VBC South Hall	100	Senior Expo attendees from the Madison County area
09/13/12	Birmingham, AL at the Army Reserve Center	30	Two events: Financial training for survivors of deceased soldiers
09/08/12	Eclectic, AL at the Warehouse during "Trade Days"	60	Citizens from the surrounding community
09/07/12	Hoover, AL at the Hoover Senior Center	100	Elder abuse and fraud prevention town hall
08/20/12	Huntsville, AL at the Brookdale Place Jones Farm	50	Senior citizen residents
08/18/12	Hoover, AL at Our Lady of Sorrows Catholic Church	50	Professional training for medical nurses and caregivers
08/16/12	Hoover, AL at the Gallery Woods Ret. Community	40	Senior citizen residents
08/09/12	Birmingham, AL at the UAB School of Business	80	Alabama Chapter of the Certified Fraud Examiners
08/09/12	Redstone Arsenal, AL at the Missile Defense Agency	30	Civil service and contracted personnel
08/07/12	Birmingham, AL at the Federal Reserve	70	Jump\$tart Coalition partnership to train educators
08/02/12	Pelham, AL at the City Library	60	Partner with ACES to reach Seniors from the local community
07/30/12	Orange Beach at the Erie Meyer Civic Center	325	Police Chiefs and other law enforcement officials
07/26/12	Wadley at the Southern Union State College	15	Members of the Rotary Club
07/09/12	Montgomery, AL at the RSA Plaza	28	Montgomery American Business Women's Association (AWBA)
06/27/12	Auburn University, AL at Cooperative Extension System	3	Education leaders to plan 35 outreach events in Alabama
06/19/12	Montgomery, AL at Univ. of S. Alabama, Faculty Club	90	Senior citizens from surrounding area - Elder Justice Alliance

*(Continued on next page)*

## *Investor Education and Fraud Prevention Outreach Program*

*(Continued)*

<u>Date</u>	<u>Place</u>	<u>#</u>	<u>Audience Type</u>
06/15/12	Montgomery, AL at the Public Library on Monticello	90	Senior citizens from surrounding area - Elder Justice Alliance
06/13/12	Huntsville, AL at the Redstone Federal Credit Union	85	Senior citizens from surrounding area - Elder Justice Alliance
06/13/12	Birmingham, AL at the BJCC teachers conference	300	Provide financial training to high school teachers from Alabama
06/12/12	Birmingham, AL at the Federal Reserve	100	Provide financial training to high school teachers from Alabama
05/30/12	Gardendale, AL at the Gardendale High School	15	Train high school teacher's to incorporate financial education
05/23/12	Madison Wisconsin at the DFI Division of Securities	15	By invitation develop investor education outreach in WI and AL
05/22/12	Greenville, AL at Beeland Park	25	Members of the Kiwanis Club
05/10/12	Huntsville, AL at the Eagles Club	28	Members of the Kiwanis Club
05/10/12	Troy, AL at the New Beginning Adult Center	25	Caregiver & Elder Abuse Symposium
05/09/12	Cullman, AL at the Cullman Electric Coop	20	Partner with BBB of N. AL to reach business professionals
05/03/12	Birmingham, AL at the Federal Reserve	20	ACEE Education Advisory Counsel with Superintendent Bice
04/27/12	Eufaula, AL at the Lakepoint Resort State Park	66	Retired state employees (ARSEA) District 8 chapter meeting
04/24/12	Montgomery, AL at the State Capitol	7	Facts on Saving and Investing proclaim with Governor Bentley
04/20/12	Pell City, AL at Pell City Civic Center	58	Partner with ACES to reach Seniors from the local community
04/19/12	Uniontown, AL at the Uniontown High School	60	Teaching personal financial education to high school students
04/16/12	Livingston, AL at the Community Center	31	Retired state employees (ARSEA) District 8 chapter meeting
04/14/12	Montgomery, AL at the Baptist South Hospital	20	Medical billing and coding students-EIFFE presentation
04/13/12	Cullman, AL at the All Steak Restaurant	64	Retired State employees (ARSEA) District 17 meeting
04/12/12	Birmingham, AL at the BJCC during FBLA conference	90	Students from various Alabama schools grades 7-9
04/11/12	Montgomery, AL at the ASC training center	38	High school students from Tarrant High School, Birmingham, AL
03/29/12	Atmore, AL at Wind Creek Hotel Restaurant	65	Retired State employees (ARSEA) District 6 meeting
03/26/12	Birmingham Renaissance Ross Bridge Resort	155	Retired State employees (ARSEA) District 1 & 13 meeting
03/23/12	Union Springs, AL-City/County Senior center	74	Senior citizens from Bullock and surrounding counties
03/22/12	Decatur, AL at Entrepreneurial Center	30	Partner with BBB of N. AL to reach business professionals
03/08/12	Demopolis, AL at Mr. G's Restaurant	16	Provide financial training to area high school teachers
03/08/12	Florence, AL at the Keystone Business Center	13	Professional adults and business owners
03/01/12	Huntsville, AL at the Westin Hotel - Research Park	30	Alabama public school teachers and educators
02/29/12	Redstone Arsenal at the Community Center	100	Military and government personnel from Redstone community
02/28/12	Montgomery, AL at the Picadilli Cafeteria	60	Senior citizens - members of the Montgomery Club
02/22/12	Maxwell Air Force Base at the Family Support Center	30	Military personnel and their dependents

*(Continued on next page)*

## *Investor Education and Fraud Prevention Outreach Program*

(Continued)

<u>Date</u>	<u>Place</u>	<u>#</u>	<u>Audience Type</u>
02/15/12	Montgomery, AL at Auburn University Montgomery	20	College students from the Montgomery area ASIS program
02/15/12	Baltimore, MD - NASAA investor education outreach	8	Group of experts to develop investor education programs
01/26/12	Scottsboro, AL at the Goosepond Convention Center	850	Jackson County and area senior citizens
01/19/12	Birmingham, AL at the University of Alabama	30	EEIFE presentation to medical professionals
01/18/12	Montgomery, AL at Faulkner Univ.	5	College students with Montgomery ASIS
01/18/12	Huntsville, AL University of Alabama	70	Beta Alpha PSI - business students
01/17/12	Huntsville, AL at Madison Co. Prof. Development Ctr.	25	Public school business teachers grades 7-12
01/17/12	Montgomery, AL Council On Aging (MACOA)	80	Senior citizens from the local community
12/15/11	Ft. Rucker, AL at the Army Community Service Center	5	Meet with officials to establish investor education programs
12/07/11	Shorter, AL at the S. Central AL. Development Comm.	28	Caregiver & Elder Abuse Symposium
12/05/11	Montgomery, AL at the Virginia College	65	Medical billing and coding students-EEIFE presentation
12/03/11	Birmingham, AL at the YMCA Youth Center	70	High school general assembly - students and teachers
11/30/11	Brookwood, AL at the Brookwood High School	500	High school general assembly - students and teachers
11/21/11	Montgomery, AL at Montgomery Catholic Prep. School	150	Students in the 7th and 8th grades
11/16/11	Tuskegee, AL at the AL Cooperative Extension System	25	Partner with ACES to reach Seniors from the local community
11/15/11	Huntsville, AL at the Dynetics Company	40	Partner with BBB of N. AL to reach business professionals
11/10/11	Huntsville, AL at the Holiday Inn - Research Park	45	Continuing Professional Education for CPAs
11/03/11	Ft. Lauderdale, FL at the Embassy Suites	90	Participate in the Investor Education school funded by NASAA
10/21/11	Birmingham, AL at the United Way of Central Alabama	25	Develop financial outreach initiatives in Alabama
10/18/11	Birmingham, AL at the Vulcan Materials Company	20	Develop investor education outreach initiatives
10/13/11	Birmingham, AL at University of Alabama Birmingham	15	EEIFE presentation to medical professionals
10/01/11	Birmingham, AL at the Galleria Mall in Riverchase	20	Financial Planning Association community event

**DURING FISCAL YEAR 2012 THE ALABAMA SECURITIES COMMISSION CONDUCTED 71 INVESTOR EDUCATION AND FRAUD PREVENTION OUTREACH SEMINARS OR MEETINGS REACHING 5,512 CITIZENS.**





JOSEPH P. BORG  
Director

EDWIN L. REED  
Deputy Director Administration

STEPHEN P. FEAGA  
Deputy Director  
Enforcement

## ALABAMA SECURITIES COMMISSION

401 ADAMS AVENUE, SUITE 280  
MAIL: POST OFFICE BOX 304700  
MONTGOMERY, ALABAMA 36130-4700  
TELEPHONE (334) 242-2984  
1-800-222-1253  
FAX (334) 242-0240  
E-MAIL [asc@asc.alabama.gov](mailto:asc@asc.alabama.gov)

### COMMISSIONERS

JAMES L. HART  
CHAIRMAN  
Certified Public Accountant

LUTHER STRANGE  
Attorney General

JOHN D. HARRISON  
Superintendent of Banks

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Commissioner of Insurance

ANDREW P. CAMPBELL  
Attorney at Law

EVERETTE A. PRICE, Jr.  
Attorney at Law

MARLENE M. MCCAIN  
Certified Public Accountant

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

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