STATE OF ALABAMA
ALABAMA SECURITIES COMMISSION

IN THE MATTER OF:	)	
	)	
JAMES C. HULSEY, III	)	ADMINISTRATIVE ORDER
	)	NO. OB-2001-0015
RESPONDENT	)	

ORDER OF BAR

The Alabama Securities Commission ("Commission"), having the power to administer and provide for the enforcement of all provisions of Title 8, Chapter 6, Code of Alabama 1975, the Alabama Securities Act, upon due consideration of the subject matter hereof, has determined as follows:

RESPONDENT

1. JAMES C. HULSEY, III ("RESPONDENT"), from November 1985 to the date of this order, was a registered securities agent in the state of Alabama employed by Walnut Street Securities, Inc., with a business address of 2312 University Blvd., Tuscaloosa, AL 35403.

STATEMENT OF FACTS

2. Between April 6, 2000, and November 30, 2000, RESPONDENT effected 37 separate trades involving $351,858.85 in an Alabama resident's IRA account that were not authorized by the account holder. RESPONDENT, without prior notice to the account holder, took funds that were held in trust as mutual funds and purchased 42,380 shares of USA Digital, Inc. Com; 6,000 shares of Globalmedia.Com, Inc.; 2,000 shares of Skinteck Labs, Inc. Com; and 400 shares of Bad Toys, Inc. Com, all Penny Stocks listed on the bulletin board and pink sheets. RESPONDENT failed to inform the account holder that Penny Stocks, by nature, were risky investments and not in keeping with the account holder's investment objective.

3. Between April 1, 2000, and November 30, 2000, RESPONDENT effected 5 separate trades involving $9,759.41 in an Alabama resident's brokerage and IRA accounts that were not authorized by the account holder. RESPONDENT, without prior notice to the account holder, took funds that were held in trust as money market funds and purchased 1760 shares of Skintek Labs, Inc. Com; 500 shares of Globalmedia.Com, Inc.; and 600 shares of USA Digital, Inc. Com, all Penny Stocks listed on the bulletin board and pink sheets. RESPONDENT failed to inform the account holder that Penny Stocks, by nature, were risky investments and not in keeping with the account holder's investment objective.

4. Between April 10, 2000, and September 14, 2000, RESPONDENT effected 56 separate trades involving $451,589.46 in an Alabama resident's brokerage and IRA accounts that were not authorized by the account holder. RESPONDENT, without prior notice to the account holder, moved funds that were held in trust as mutual funds and purchased 4,300 shares of Globalmedia.Com, Inc; 5200 shares of Front Porch Digital Inc. Com; 7,200 shares of Skintek Labs, Inc. Com and 6,400 shares of USA Digital, Inc. Com, all Penny Stocks listed on the bulletin board and pink sheets. RESPONDENT failed to inform the account holder that Penny Stocks, by nature, were risky investments and not in keeping with the account holder's investment objective.

5. Between August 14, 2000, and September 30, 2000, RESPONDENT effected 35 separate trades involving $144,942.80 in an Alabama resident's brokerage and IRA accounts that were not authorized by the account holder. RESPONDENT, without prior notice to the account holder, took funds that were held in trust as mutual funds and money market funds and purchased 26,000 shares of Skintek Labs, Inc. Com; and 10,000 shares of USA Digital, Inc. Com, all Penny Stocks listed on the bulletin board and pink sheets. RESPONDENT failed to inform the account holder that Penny Stocks, by nature, were risky investments and not in keeping with the account holder's investment objective.

6. Between August 9, 2000, and October 19, 2000, RESPONDENT effected 6 separate trades totaling $21,321.00 in an Alabama resident's brokerage account, on margin, that were not authorized by the account holder. RESPONDENT, without prior notice to the account holder, that the trades would be on margin, purchased on margin 6000 shares of Skintek Labs, Inc. Com, and 300 shares of USA Digital, Inc. Com, all Penny Stocks listed on the bulletin board and pink sheets. RESPONDENT failed to inform the account holder that Penny Stocks, by nature, were risky investments and not in keeping with the account holder's investment objective. RESPONDENT caused the confirmation slips to be marked as unsolicited when in fact the trades were solicited.

7. Commission records do not reflect a registration or an exemption from registration for the securities of Front Porch Digital, Inc.

8. RESPONDENT failed to provide the investors with a Penny Stock Disclosure Statement and failed to tell the investors that the stocks were high-risk stocks.

9. On March 24, 2000, Walnut Street Securities, Inc. issued a 90-day restriction on RESPONDENT'S personal account for freeriding.

10. On August 11, 2000, RESPONDENT borrowed $50,000 from a client who was not a financial institution engaged in the business of loaning money.

11. An audit of RESPONDENT'S records on March 28, 2001, by an Alabama Securities Commission Audit Team revealed incomplete and inaccurate client ledgers, in that the ledgers did not adequately provide the clients names, securities, account numbers and stocks currently held; did not reflect all trades in some accounts; and inaccurately reflects trades in others.

12. An audit of RESPONDENT'S records on March 28, 2001, by an Alabama Securities Commission Audit Team revealed incomplete and inaccurate product ledgers, in that the ledgers did not reflect all account numbers; a majority of the

products were identified only by ticker number, and the product ledger did not reflect all activities.

13. An audit of RESPONDENT'S records on March 28, 2001, by an Alabama Securities Commission Audit Team revealed incomplete and inaccurate Daily blotters, in that several trades in the personal accounts of RESPONDENT were not recorded, or the trade dates was inaccurately recorded.

14. An audit of RESPONDENT'S records on March 28, 2001, by an Alabama Securities Commission Audit Team revealed incomplete client files, in that confirmation slips were not available for RESPONDENT'S personal accounts; client files contained no memoranda of communications between RESPONDENT and clients for unsolicited trades; files did not contain risk disclosure statements for all penny stocks traded in the accounts; clients files that contained risk disclosure statements did not contain client instructions for the trades.

15. On March 27, 2001 RESPONDENT was served with notice of a civil action, brought by one of his clients, alleging Fraud, Misrepresentations and Omissions relating to RESPONDENT selling, without prior approval, Mutual Funds from Plaintiff's IRA account and purchasing stock in Bad Toys, Inc. Com; Skintek Labs, Inc. Com; USA Digital, Inc. Com; and Front Porch Digital, Inc. Com. RESPONDENT did not file an amended Form U-4 or otherwise notify the Commission of the complaint.

16. On June 24, 2002, RESPONDENT pled guilty in Tuscaloosa County Circuit Court, to one (1) count of Securities Fraud. RESPONDENT was sentenced to three (3) years in the State Penitentiary. Sentence was suspended and RESPONDENT was placed on three (3) years probation.

CONCLUSIONS OF LAW

17. Placing an order to purchase or sell a security for the account of a client without written authority to do so is a dishonest or unethical business practice and a violation of §8-6-17(4) Code of Alabama 1975.

18. Inducing trading in a clients account that is excessive in size or frequency in view of the financial recourses, investment objectives and character of the account is a dishonest or unethical business practice and a violation of §8-6-17(4) Code of Alabama 1975.

19. Failure to provide full disclosure of the high-risk nature of penny stocks prior to purchasing the same in a client account is an omission of a material fact and a violation of §8-6-17(2) Code of Alabama 1975.

20. The practice of buying and selling securities in rapid order without putting up money for the purchase (Freeriding) is a dishonest or unethical business practice and a violation of §8-6-17(4) Code of Alabama 1975.

21. Borrowing money from a client that is not a financial institution engaged in the business of loaning money is a dishonest or unethical business practice and a violation of §8-6-17(4) Code of Alabama 1975.

22. Failure to keep complete and accurate records as outlined in Paragraphs 12 thru 15 above is a violation of Rule 830-x-3-.14 of the Alabama Securities Commission Administrative Code.

23. Failure to file an amendment to Form U-4 within 30 days from initiation or conclusion of a civil suit brought by a client alleging wrongdoing on the part of an agent is a violation Rule 830-x-3-.02 (3) of the Alabama Securities Commission Administrative Code.

24. Purchasing securities on margin without prior approval of the client is a dishonest or unethical business practice and a violation of §8-6-17(4) Code of Alabama 1975.

25. Falsifying documents to reflect that a trade was unsolicited, when in fact it was solicited, is a dishonest or unethical business practice and a violation of §8-6-17(4) Code of Alabama 1975.

26. The pattern and practice of RESPONDENT as outlined in the foregoing paragraphs is a course of business that operates as a fraud or deceit upon RESPONDENT'S clients and is a violation of §8-6-17(3) Code of Alabama 1975.

27. Pursuant to the provisions of Section 8-6-3(j), Code of Alabama 1975, the Alabama Securities Commission may suspend, revoke, deny, censor or bar any registrant if the Commission finds that the Order is in the public interest and the registrant has willfully violated or willfully failed to comply with any provisions of the act, or any rule or order of the Commission, or registrant has engaged in dishonest or unethical practices in the securities business.

This Order is appropriate in the public interest for the protection of investors and consistent with the purposes of the Alabama Securities Act.

ACCORDINGLY, IT IS HEREBY ORDERED:

1. That RESPONDENT James C. Hulsey, III be BARRED from registration or engaging in securities activities into, within or from the state of Alabama.

2. That in accordance with Section 8-6-19(j)(1), Code of Alabama 1975, RESPONDENT shall pay to the **state of Alabama** an administrative assessment in the total sum Five Thousand Dollars ($5,000

3. That in accordance with Section 8-6-19(k)(1), Code of Alabama 1975, RESPONDENT shall pay to the **Alabama Securities Commission**, as partial reimbursement for the Commission's cost for investigating this matter, the sum of Five Thousand Dollars ($5,000.00).

Entered at Montgomery, Alabama this 25 day of June, 2002.

ALABAMA SECURITIES COMMISSION
770 Washington Avenue, Suite 570
Montgomery, AL 36130-4700
(334) 242-2984
BY:

JOSEPH P. BORG
Director