

STATE OF ALABAMA
ALABAMA SECURITIES COMMISSION

IN THE MATTER OF:)
LEGACY CAPITAL CORPORATION.)
RESPONDENT)
ADMINISTRATIVE ORDER
NO. CO-2006-0014

CONSENT ORDER
AS TO LEGACY CAPITAL CORPORATION

The Alabama Securities Commission ("Commission"), having the authority to administer and provide for the enforcement of all provisions of Title 8, Chapter 6, Code of Alabama 1975, the Alabama Securities Act ("Act"), upon due consideration of the subject matter hereof, and having confirmed information of the offers for sale and/or sale of securities into, within or from the state of Alabama, has determined as follows:

RESPONDENT

1. LEGACY CAPITAL CORPORATION, ("LEGACY"), is represented to be a New York corporation, with a business address of 350 Fifth Avenue Suite 4320 New York, NY 10118.

STATEMENT OF FACTS

2. On November 17, 2005, the Alabama Securities Commission received information that LEGACY sold securities, to wit: investment contracts entitled "Viatical Purchase Agreements" which involved fractionalized viatical financial settlements to a resident of the state of Alabama ("Resident").

3. The Commission has received information that, in February 1999, the Resident acquired four viatical settlements through an agent of RESPONDENT. Two of the four underlying policies matured in 2000. The Resident withdrew some of the proceeds from the maturing policies and voluntarily reinvested the remaining proceeds in a fifth policy, which matured in 2001. The proceeds from this policy were voluntarily reinvested in two additional policies, and the Resident voluntarily transferred the two remaining 2000 policies and the two remaining 2001 policies to a third party custodian of IRA accounts. When one of these four policies matured, the Resident voluntarily transferred the proceeds into an additional policy. The Alabama investor then voluntarily acquired an additional policy with his own funds.

4. On May 27, 1999, the Alabama Securities Commission issued *Policy Statement on Viatical Settlement Contracts*. *Policy* states that investments in viatical settlement agreements are investment contracts and constitute securities within the meaning of *Ala. Code 1975, § 8-6-2(10)*.

5. Review of the files of the Commission disclosed no record of registration or exemption from registration of LEGACY as a dealer or agent in the state of Alabama.

6. On March 16, 2006, a Cease and Desist Order was issued to LEGACY alleging that LEGACY violated *Ala. Code 1975, §8-6-3(a)* by transacting securities activities in the state of Alabama while unregistered as a dealer or agent.

8. LEGACY ceased selling viatical settlement contracts in the United States on August 31, 2001. LEGACY is no longer an active company and last effected a sale involving viatical settlements to non-U.S. residents in March 2004.

CONCLUSIONS OF LAW

9. Pursuant to *Ala. Code 1975, §8-6-2(10)*, an "investment contract" constitutes a security. The Commission's *Policy Statement on Viatical Settlement Contracts* issued

May 27, 1999, specifically analyzes the application of "investment contract" theory to viatical settlement contracts and concludes that viatical settlement contracts are "investment contracts" and therefore securities under the Act. The fractionalized viatical settlement agreements sold in Alabama by LEGACY are securities under the Act.

10. Transacting business in the state of Alabama as a dealer or agent for securities without benefit of registration or exemption from registration is a violation of § 8-6-3(a), Ala. Code 1975. LEGACY was neither registered nor exempt from registration as a dealer or agent in the state of Alabama and unlawfully effected securities transactions with a resident of the state of Alabama in 1999 and in 2001 in violation of the Act.

11. Pursuant to § 8-6-4, Ala. Code 1975, it is unlawful for any person to offer or sell any security in this state unless it is registered under the Act; the security is exempt from registration under §8-6-10; or the transaction is exempt under §8-6-11. The securities offered and sold by LEGACY to the Alabama resident were neither registered nor exempt from registration in Alabama. LEGACY's offers and sales constituted a violation of §8-6-4 of the Act.

WHEREAS, LEGACY admits that securities transactions were effected in the state of Alabama prior to registration, and states that the information and assertions presented by Legacy to the Commission during its investigation of this matter are true and correct; that LEGACY understands that the Commission relied upon such information and assertions in its determination to accept this Order, and that should the information provided or assertions made by LEGACY prove to be incorrect or misrepresented, the Commission may seek such other administrative, civil or criminal remedies that may be available to it under the provisions of the Act.

WHEREAS, LEGACY has voluntarily waived all rights to a hearing upon entry of this Order, and has consented to the entry of this Order, and

WHEREAS, the Commission finds this Order necessary and appropriate in the public interest for the protection of investors, and consistent with the purposes fairly intended by the policy and provisions of the Act, and

WHEREAS, the Commission and LEGACY are desirous of settling this matter as hereafter set forth and agree to the entry of this Order.

ACCORDINGLY, IT IS HEREBY ORDERED:

1. That LEGACY shall, until such time as properly registered in the state of Alabama, refrain from effecting securities transactions into, within or from the state of Alabama.
2. That LEGACY shall ensure that proper procedures are enacted to preclude any future non-compliance with the Act.
3. That in accordance with § 8-6-19(j)(1), Ala. Code 1975, LEGACY shall pay to the state of Alabama an administrative assessment in the sum of \$2,000.00 (two thousand dollars), said funds to be tendered in certified funds contemporaneously with the entry of this Order.
4. That in accordance with § 8-6-19(k)(1), Ala. Code 1975, , LEGACY shall pay to the Alabama Securities Commission, as partial reimbursement for the Commission's cost for investigating this matter, the sum of \$2,000.00 (two thousand five hundred dollars), said funds to be tendered in certified funds contemporaneously with the entry of this Order.
5. That the entry of this Order resolves the Cease and Desist Order, Administrative Order No. CD-2006-0014, issued March 16, 2006 as it pertains to LEGACY only.

AGREED AND CONSENTED to on dates indicated:

RESPONDENT:

LEGACY CAPITAL CORPORATION

BY: (Signature)
TITLE: President
DATE: 7/11/07

APPROVED AND ORDERED this 3rd day of August, 2007



ALABAMA SECURITIES COMMISSION
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BY:

~~JOSEPH P. BORG~~
Director