STATE OF ALABAMA
ALABAMA SECURITIES COMMISSION

IN THE MATTER OF:	)	
	)	
CHARLES EDWARD ATWELL	)	ADMINISTRATIVE ORDER
	)	NO. OB-2008-0025
RESPONDENT	)	

ORDER OF BAR

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. During all times relevant to the transactions referenced in this order CHARLES EDWARD ATWELL ("ATWELL") was registered in Alabama as a broker-dealer agent with Woodbury Financial Services, Inc. ("Woodbury"). ATWELL has a residential address of 736 Shefwood, Easley, South Carolina 29642.

STATEMENT OF FACTS

2. The Commission received information that from December 23, 2002 to March 3, 2003, ATWELL recommended to three Alabama customers the purchase of variable universal life policies without having a reasonable basis for making such recommendations given the financial needs and circumstances of the customers.

3. The Hartford Stag Accumulator Variable Universal Life policy ("Hartford VUL") sold by ATWELL to all three customers was a flexible premium variable life insurance product that allowed customers to vary the amount and frequency of premiums. ATWELL calculated a planned annual premium for each of the customers

and provided a policy illustration prepared by Hartford showing the cash value of the policy if the annual planned premium was paid for twenty years and the market performed at 8% or 10%. Although the customers were not contractually required to pay the planned premium, accumulation of retirement funds in the accounts at the levels projected by ATWELL was dependent on payment of these planned premiums.

4. A large portion of the annual premium each year funded ATWELL'S commission, mortality and expense charges, the cost of insurance, and other fees. Payment of these fees was contractually required for the lifetime of the policy to prevent the policy from lapsing. For the first ten years, these fees were covered by an annual payment of a minimum no-lapse guarantee premium. Payment of this minimum premium would not result in the accumulation of cash value for retirement. If the policy lapsed due to non-payment of premiums, the customers would lose all premiums previously paid.

5. The dominant feature of the policies was life insurance. Annual fees for the cost of insurance were a percentage of the face amount of the policy. A secondary feature of the policies was investment into sub-accounts. Each sub-account had additional fees associated with the investment choices. The Hartford VUL also assessed a surrender charge during the first nine policy years. The customer would be required to pay a surrender charge upon certain withdrawals of funds from the policy, reduction of the face amount, or surrender of the policy.

6. On or about December 27, 2002, ATWELL recommended that an Alabama customer exchange a Nationwide Variable Universal Life policy ("Nationwide VUL") issued in 1998 with a face value of $700,000 for a Hartford VUL with a maturity date of December 27, 2035 and a face amount of $1,200,000. The customer was 62 years old. ATWELL earned a commission of $42,442.99 on the sale of the Hartford VUL.

At the time of sale the 62 year old customer had an annual income of $22,000. The customer indicated that she intended to use her investments to pay her living expenses during retirement. The customer had a history of a limited annual income and of taking loans from her Nationwide VUL. In order to fund the customer's purchase of the Hartford VUL, ATWELL recommended that she sell mutual funds totaling $112,000. The customer initially funded the Hartford VUL with the cash value of the Nationwide VUL and the liquidated mutual funds, making a total deposit of $143,372.00 into the Hartford VUL.

In April 2004, ATWELL recommended that the customer deposit $90,000, proceeds from the sale of her home, into the Hartford VUL. As a result, the customer did not have liquid funds available to purchase a home in which to live. The customer was advised to take a loan from the Hartford VUL, thereby incurring additional charges for interest at an annual net rate of 2%.

By June 2006, the customer had contributed a total of $281,583.16 and paid fees in the amount of $48,009.94. The fees consisted of combined mortality and expense charges of $29,214.50, cost of insurance of $9,015.88, surrender charges on the Hartford VUL of $8,232.57, rider charges of $1,276.99 and administrative charges of $270.00. The customer's account was worth $289,573.80, slightly greater than her contributions into the account. Furthermore, the account value did not reflect the true cash value, as the account value included a loan of $156,636.90, which the customer would be obligated to pay if the policy was surrendered. ATWELL failed to disclose to the customer the surrender fees associated with the exchange of the Nationwide VUL for the Hartford VUL. ATWELL also failed to disclose the surrender fees that would be associated with a withdrawal from the Hartford VUL and failed to disclose the interest fees associated with taking a loan from the Hartford VUL.

7. On or about December 23, 2002, ATWELL recommended that a second Alabama customer purchase a Hartford VUL with a maturity date of December 23, 2052 and a face amount of $1,600,000. ATWELL earned a commission of $18,488.54 on the sale of the Hartford VUL to the customer.

At the time of the sale, the customer was 45 years old. The customer and his wife had a combined annual income of $180,000. The customer had $600,000 in life insurance provided through his employer and indicated that he did not want to purchase additional life insurance. ATWELL failed to disclose to the customer that the policy had a minimum annual premium of $13,429.20, misrepresenting to the customer that payments of $450 per month were sufficient to fund the policy. In order to pay the minimum no-lapse guarantee premium in the second year, the customer borrowed funds from his 401(k) plan and took a second mortgage on his home.

By June 2006, the customer had contributed a total of $104,819.54 into the Hartford VUL and paid fees in the amount of $32,317.20. The fees consisted of combined mortality and expense charges of $23,645.23, cost of insurance of $6,342.47, rider charges of $1,654.32, surrender charges of $405.18, and administrative charges of $270.00. Due to the high fees, the customer's inability to pay either the planned annual premium or an amount sufficient to meet his retirement goals, and withdrawal of $36,121.07, the account was worth only $35,280.89.

8. On or about March 3, 2003, ATWELL recommended the purchase of a Hartford VUL with a face amount of $3,000,000 and a maturity date of March 3, 2032 to an Alabama customer. The customer was 66 years old. ATWELL earned a commission of $78,043.30 on the sale of the Hartford VUL.

At the time of the sale, the customer had an annual income between $150,000 and $200,000. The customer stated that she planned to retire in the near future and wanted retirement income. The customer informed ATWELL that she was not interested in purchasing life insurance. ATWELL failed to disclose to the customer that she would be required to pay annual premiums of $63,032.64 to keep the Hartford VUL from lapsing. In order to make the minimum no-lapse guarantee premium payment in 2004, the customer surrendered a variable annuity held in her retirement account and incurred surrender charges of approximately $6000. The customer was unable to make any subsequent premium payments.

By June 2006, the customer had contributed a total of $157,500 and paid total fees in the amount of $130,794.14. The fees consisted of combined mortality and expense charges of $94,133.00, cost of insurance of $36,291.14 and administrative charges of $270. Due to the high fees and the customer's inability to pay either the planned annual premiums or the minimum no-lapse guarantee premiums, the customer's account was worth only $43,748.28.

9. On April 4, 2008, FINRA barred ATWELL from association with any FINRA member in any capacity. FINRA barred ATWELL for making unsuitable recommendations to public customers (the Alabama customers described in this order) to purchase variable universal life policies without having a reasonable basis for the recommendations given the financial needs and circumstances of the customers and for making material misrepresentations or omitting material facts in connection with the variable life sales including failure to disclose surrender fees, interest fees charged for withdrawals and large premium amounts to keep the policy from lapsing. In the FINRA Order Accepting Offer of Settlement, ATWELL consented to the sanction and to the entry of findings.

10. On February 5, 2008, ATWELL was found guilty by a jury in federal court in Anderson, South Carolina of four counts of tax evasion and one count of making false statements in a bankruptcy petition. On April 11, 2008, ATWELL was sentenced in federal court to 51 months imprisonment and a $50,000 fine.

CONCLUSIONS OF LAW

11. The Commission may by Order revoke any registration and bar any registrant in this State from employment with a dealer or investment advisor if the

Commission finds that the Order is in the public interest and that the registrant has willfully failed to comply with the provisions of the Act. *Code of Alabama 1975, §8-6-3(j)(2).* Given the financial needs and circumstances of the customers, ATWELL'S recommendations to purchase variable universal life policies were made in violation of the provisions of the Act and are grounds to revoke his registration and bar him from transacting business as a dealer, dealer's agent, investment advisor or investment advisor representative in this state.

12. Pursuant to *§ 8-6-3(j)(7), Code of Alabama 1975,* the Commission may by Order revoke any registration and bar any registrant in this State from employment with a dealer or investment advisor if the Commission finds the order is in the public interest and that the registrant has engaged in dishonest and unethical business practices in the securities business. ATWELL engaged in dishonest and unethical business practices by making material misrepresentations and omitting to state material facts in connection with the variable life sales. ATWELL'S actions were in violation of the provisions of the Act and are grounds to revoke his registration and bar him from transacting business as a dealer, dealer's agent, investment advisor or investment advisor representative in this state.

13. The Commission finds that the revocation of ATWELL'S registration and the Order to Bar ATWELL from transacting business as a dealer, dealer's agent, investment advisor or investment advisor representative in this state is in the public's interest.

This Order does not prevent the Alabama Securities Commission from seeking such other civil or criminal remedies that are available to it under the Act.

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

ACCORDINGLY, IT IS HEREBY ORDERED that ATWELL'S registration be revoked; that ATWELL be BARRED from transacting business as a dealer, agent, investment advisor or investment advisor representative; that ATWELL be BARRED from performing any function or activity of the securities business; and that ATWELL is BARRED from engaging in any securities activities into, within or from the state of Alabama.

Entered at Montgomery, Alabama, this 1st day of August, 2008.

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

JOSEPH P. BORG
Director