

STATE OF ALABAMA  
ALABAMA SECURITIES COMMISSION

IN THE MATTER OF: )  
JAMES C. HULSEY, III )  
RESPONDENT )

ADMINISTRATIVE ORDER  
NO. OS-2001-0015

## ORDER OF SUSPENSION

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.(Walnut), with a business address of 2312 University Blvd., Tuscaloosa, AL 35403.

## STATEMENT OF FACTS

2. Between April 1, 2000, and the date of this order RESPONDENT was the agent of record for various brokerage and IRA accounts for Five (5) Alabama residents,
3. Between April 6, 2000, and November 30, 2000, RESPONDENT effected 1,181 separate trades totaling \$19,847,280.43 in an Alabama resident's brokerage 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 money market funds and mutual funds and purchased 215,850 shares of Bad Toys, Inc.; 24,200 shares of Front Porch Digital, Inc. Com; 187,100 of Globalmedia.Com, Inc.; 446,450 shares of Skintek Labs, Inc.

Com; and 391,830 shares of USA Digital, Inc. Com, 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 6, 2000, and November 30, 2000, RESPONDENT effected 37 separate trades involving \$351,858.85 in a second 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 Skintek Labs, Inc. Com; and 400 shares of Bad Toys, Inc. Com, 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 April 1, 2000, and November 30, 2000, RESPONDENT effected 5 separate trades involving \$9,759.41 in a third Alabama resident's brokerage RA 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 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, 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 April 10, 2000, and September 14, 2000, RESPONDENT effected 56 separate trades involving \$451,589.46 in a fourth 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, 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.

7. Between August 14, 2000, and September 30, 2000, RESPONDENT effected 35 separate trades involving \$144,942.80 in a fifth 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, 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.

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.

#### CONCLUSIONS OF LAW

9. 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.

10. Inducing trading in a clients account that is excessive in size or frequency in view of the financial resources, investment objectives and character of the account is a dishonest or unethical business practice.

11. Failure to provide full disclosure of the high-risk nature of penny stocks prior to purchasing the same in a client account is a dishonest or unethical business practice.

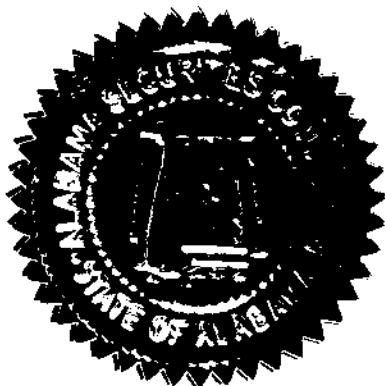
12. Pursuant to the provisions of Section 8-6-3(j), Code of Alabama 1975, the

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.

13. Pursuant to the provisions of Section 41-22-19(d) the Alabama Securities Commission may suspend the registration of a registrant for a period not exceeding 120 days without a hearing, if the Commission believes that there is a danger to the public welfare.
14. To allow the RESPONDENT to continue with the dishonest and unethical business practices as outlined above would be a danger to the financial welfare of his clients and a deterrent to public investors.
15. 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** that the registration of RESPONDENT JAMES C. HULSEY, III be suspended for a period of 120 days.

Entered at Montgomery, Alabama this 27<sup>th</sup> day of March, 2001.



ALABAMA SECURITIES COMMISSION  
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(334) 242-2984

BY:

JOSEPH P. BORG  
Director

A handwritten signature in black ink, appearing to read "JOSEPH P. BORG". The signature is written over a stylized, oval-shaped graphic element.