

STATE OF ALABAMA  
ALABAMA SECURITIES COMMISSION

IN THE MATTER OF: )  
PARK AVENUE SECURITIES, LLC )  
RANDALL L. WELLS )  
JEFFREY L. CHAPMAN )  
RESPONDENTS )

ADMINISTRATIVE ORDER  
NO. SC-2004-0022

SHOW CAUSE ORDER

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.

RESPONDENTS

1. PARK AVENUE SECURITIES, LLC. ("RESPONDENT PARK AVENUE") has been registered in the state of Alabama, as a broker dealer, since April 30, 1999, with a business address of 7 Hanover Square, New York, NY 10004.
2. RANDALL L. WELLS ("RESPONDENT WELLS"), is an Alabama registered agent of RESPONDENT PARK AVENUE, doing business as Randy Wells and Associates, with a business address of 198 Medical Center Court, Prattville, AL 36066. He has been an Alabama registered agent since March 3, 1999.
3. JEFFREY L. CHAPMAN ("RESPONDENT CHAPMAN"), is an Alabama registered agent of RESPONDENT PARK AVENUE, doing business as Chapman and Associates, with a business address of 198 Medical Center Court, Prattville, AL 36066. He has been an Alabama registered agent since April 29, 1999.

### STATEMENT OF FACTS

3. In or around the months of November 2003, January 2004 and June 2004, RESPONDENTS WELLS and CHAPMAN facilitated the offer and sale of unregistered securities to wit: investment contracts, entitled Official Private Contractual Loan Agreements into and within the state of Alabama, by soliciting their cliental to attend presentations conducted by representatives of Learn Waterhouse, Inc., and by providing the meeting locations for such presentations. At least sixty-five (65) Alabama residents attended the presentations in Montgomery and/or Millbrook, Alabama.
4. Between November 2003 and June 2004, RESPONDENTS WELLS and CHAPMAN further facilitated the offer and sale of unregistered securities into and within the state of Alabama, when RESPONDENTS WELLS and CHAPMAN, directed their clients to deliver signed copies of investment contracts issued by Learn Waterhouse, Inc., to their business address for transmittal to Learn Waterhouse, Inc,
5. In June 2004, RESPONDENT WELLS directly offered and sold investment contracts issued by Learn Waterhouse Inc., to two Alabama residents.
6. At the direction of RESPONDENT WELLS, the Alabama residents wired investor funds directly to an account controlled by an attorney for Learn Waterhouse, Inc.
7. Between November 2003 and July 2004 RESPONDENT WELLS received payments described as 'commissions' from representatives of Learn Waterhouse, Inc.
8. A review of the files of the Registration Division of Alabama Securities

Commission found no record of registration for Learn Waterhouse, Inc., or its securities pursuant to Sections 8-6-3 through 8-6-8 of the Alabama Securities Act, nor a claim for exemption under Section 8-6-10 or 8-6-11 of the Act for Learn Waterhouse, Inc., or the securities they offered and sold.

9. RESPONDENT PARK AVENUE failed to provide necessary supervision to RESPONDENTS WELLS and CHAPMAN that would have prevented the activity outlines in paragraphs 3 through 8 above.

#### CONCLUSIONS OF LAW

10. Learn Waterhouse, Inc., and its representatives are not registered as broker dealers or agents in the state of Alabama. The sale of securities by an unregistered dealer or agent in the state of Alabama is a violation of Section 8-6-3(a), Code of Alabama 1975, which states: "It is unlawful for any person to transact business in this state as a dealer or agent for securities unless he is registered under this article. It is unlawful for any dealer or issuer to employ an agent unless the agent is registered."
11. The securities of Learn Waterhouse, Inc., are neither registered nor exempt from registration in the state of Alabama. The sale of unregistered securities in the state of Alabama is a violation of Section 8-6-4, Code of Alabama 1975, which states: "It is unlawful for any person to offer or sell any security in this state unless: (1) It is registered under this article; (2) The security is exempt from registration under section 8-6-10; or (3) The transaction is exempt under section 8-6-11".
12. Failure to provide adequate supervision of RESPONDENTS WELLS and CHAPMAN violates Commission rule 830-x-3.-13 (1) which states " Every dealer, issuer or investment adviser, and officers, directors and partners

thereof, shall exercise diligent supervision over all the securities activities of its associated persons."

13. Pursuant to the provisions of Section 8-6-3(j)(6), Code of Alabama 1975, the Commission may suspend, revoke, censor or bar any registrant from employment with a securities dealer if the Commission finds that the Order is in the public interest, and that the registrant has violated or failed to comply with any provision of the Alabama Securities Act, or any rule or order issued by the Commission, or has failed to reasonably supervise registrants.

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

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

**ACCORDINGLY, IT IS HEREBY ORDERED** that RESPONDENTS SHOW CAUSE to the Commission, within 28 days of the date of this Order, why RESPONDENTS' registrations as an agent and/or broker dealer should not be suspended or revoked in the state of Alabama.

Entered at Montgomery, AL, this 12<sup>th</sup> day of October, 2004.

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

JOSEPH P. BORG  
Director

