

ALABAMA SECURITIES COMMISSION

Issue V

Special Legislative Edition

March 2004

**THE ASC MISSION
IS TO PROTECT
INVESTORS FROM
SECURITIES FRAUD
AND PRESERVE
LEGITIMATE CAPITAL
MARKETS
IN ALABAMA.**



Joseph P. Borg, Director

Director's Comment to the Legislature

- The war against white collar crime
- Pending Legislation to strengthen the Alabama Securities Act

Dear Legislators,

The Alabama Securities Commission has successfully served the state of Alabama with outstanding accomplishments during the last year.

The war against white collar crime continues in a positive direction since the last General Session (Continued on page 2)

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ASC Statistics for Fiscal Year 2003 (10/01/02 - 09/30/03)

- Restitution to victims of securities fraud: **\$ 30,416,609.**
- Rescissions ordered in ASC cases: **\$ 295,463.**
- Administrative Actions: **132.**
- Criminal Felony Convictions Obtained: **22.**
- Public Warnings Issued: **10.**
- The Registration Division issued **90,003** Licenses/registrations.
- There are **22** individuals awaiting grand jury action, arrest or trial.
- The Commission has **130** cases under investigation at this time.
- Contributed **\$ 7.1** million to the General Fund after expenses.
- Total staff is **37** (includes: 4 attorneys; 9 special agents; 6 examiners).

KEY ENFORCEMENT HEADLINE SUMMARIES (see pages 5-8)

- January 14, 2004 - Kelly Vickers, an attorney, last of 9 sentenced in case involving Daystar - **Montgomery**
- October 20, 2003 - Browns face up to 4 years for involvement in offshore investment program - **Colbert**
- October, 2003 - Alabama receives \$ 5,000,000 in Wall Street settlements - **All Alabama**
- September 24, 2003 - State Securities Regulators Allege "Advance Fee" Scheme - **Mobile**
- September 11, 2003 - Six sentenced...financial activities involving Daystar church - **Autauga/Elmore**
- June 13, 2003 - Corporate CEO sentenced 12 years and must pay \$1.6 million restitution - **Autauga/Elmore**
- June 11, 2003 - Internet Business Ordered to Cease and Desist-funds being returned - **Birmingham**
- May 29, 2003 - Mountain Brook businessman gets 90 months and \$10 million fine - **Jefferson**
- May 2, 2003 - The Millennium Fund, Brian Burgdorf Pled Guilty - **Jefferson**
- April 16, 2003 - Creel sentenced to 30 months in prison, must pay restitution - **Autauga**
- April 11, 2003 - April Sunday Rutledge Cooper sentenced to 10 years; husband gets 31 years - **Autauga**

➤ **The war against white collar crime** (Continued from page 1)

beginning with the Wall Street settlements. In October 2003, \$5,000,000 was delivered to the General Fund of Alabama.

The investigation of the Wall Street firms involved the coordination of 35 states and was launched during my tenure as President of NASAA¹ in April of 2002. The state investigations continued in conjunction with the U.S. Securities and Exchange Commission, the New York Stock Exchange, and the National Association of Securities Dealers. Alabama was one of the lead states to investigate Wall Street.

Under the terms of the settlement the firms are also required to distribute \$30 million over a period of five years to the Investor Protection Trust (IPT) to fund investor education initiatives--a prorated share is earmarked for Alabama. The IPT is an established charitable organization with experience handling settlement funds and a history of investor education successes.

Recently, it was my pleasure to present four IPT grants to Alabama nonprofit organizations who are conducting free personal finance education to high school students, teachers, and senior citizens. (See Personal Financial Education Update on pages 9-10.)

ANNOUNCING THE NEW ECONOMIC CRIME ALLIANCE (February 17, 2004)

The Commission is proud to be a part of the new Economic Crime Alliance. Although the Economic Crime Alliance of Alabama agencies have historically cooperated to investigate, solve, and prosecute white collar crime, the new alliance will greatly improve our abilities to transfer and share information between agencies. One area of importance will be the review of rules and regulations for the release and transfer of sensitive information among members to ensure appropriate handling and privacy--basically looking for ways to streamline the process and cut the red tape.

Ten Alabama State Agencies announced the establishment and implementation of a new alliance to fight the ongoing war against white collar crime throughout the state of Alabama: Alabama Securities Commission; Alabama Department of Revenue - Investigations Division; Office of the Attorney General; Department of Examiners of Public Accounts; Office of Prosecution Services (District Attorneys); Alabama Department of Public Safety - Alabama Bureau of Investigations; Alabama Insurance Department; Alabama Criminal Justice Information Center; Alabama Department of Industrial Relations; Alabama Department of Forensic Sciences

Mission Statement: The mission of the Economic Crime Alliance (ECAA) of Alabama is to provide a statewide support system for the prevention, investigation, and prosecution of financial, economic and high technology crime, and to support and partner with other appropriate entities in initiatives addressing the protection of public funds and the financial resources of the citizens we represent.

➤ **Legislation**

The Alabama Securities Commission supports proposed legislation for the Uniform Securities Act (HB 301 and SB 290). The principle of moving our laws governing the securities industry in close uniformity with federal law is essential in a world market with electronic money transfers, records, signatures, filing, and trades which may take place in a moments notice from any part of the world.

Also, a move towards uniformity better aligns federal and state securities law to compliment each other to protect investors from securities fraud and preserve legitimate capital markets.

I encourage you to read the letter, on pages 3-4, from Mary L. Schapiro, Vice Chairmen, NASD and President, Regulatory Policy and Oversight concerning proposed amendments in the area of variable annuities.

2. ¹ The Alabama Securities Commission is a member of the North American Securities Administrator Association (NASAA), an organization of the 66 state, provincial and territorial securities administrators in the U.S., Canada, Mexico and Puerto Rico.

Mary L. Schapiro
Vice Chairman, NASD
President, Regulatory Policy and Oversight



Via Federal Express

March 1, 2004

Senator Roger Bedford
Chairman, Judiciary Committee
Alabama State Senate
State House
11 S. Union Street
Montgomery, Alabama 36130

Representative Marcel Black
Alabama State House of Representatives
State House
11 S. Union Street
Montgomery, Alabama 36130

Dear Messrs. Bedford and Black:

I am writing in regard to your initiative to amend the Alabama Securities Act to clarify that variable annuities and variable life insurance contracts are included within its coverage.

NASD was established under authority granted by the Securities Exchange Act of 1934, and is the largest self-regulatory organization for the securities industry in the world. Every broker/dealer in the U.S. that conducts a securities business with the public is required by law to be a member of the NASD. The NASD's membership comprises almost 5,200 securities firms that employ more than 653,000 registered securities professionals.

As you know, variable contracts are hybrid products that combine securities and insurance components. Our experience in regulating our members' sales of variable contracts leads us to strongly support your efforts because it provides functional regulation over the sales practices and licensing of agents involved in the sale of variable contracts.

Sales of variable contracts have grown enormously over the past ten years. NASD has found through its examination of member broker/dealers that frequently these contracts are promoted on many of the same grounds as other securities products. Broker/dealers recommend variable annuities and variable life insurance policies as vehicles to save for retirement, just as mutual funds and other non-insurance securities are recommended as retirement vehicles. In many cases broker/dealers recommend variable contracts over other securities because of their perceived advantages, particularly the potential for tax-deferred growth of a customer's investment. Like other securities, variable contracts present investment risks because of the fluctuation of underlying sub-accounts in which customers' funds are invested. Given the increasing prominence of variable contracts, NASD has stepped up its efforts in this area through focused examinations, guidance to our members, enforcement actions, and Investor Alerts.

Examples of our active engagement in this very important area can be found generally on www.nasdr.com, and include:

- *Notices to Members* 96-86 <http://www.nasdr.com/pdf-text/9686ntm.pdf>, 99-35 <http://www.nasdr.com/pdf-text/9935ntm.pdf> and 00-44 <http://www.nasdr.com/pdf-text/0044ntm.pdf>

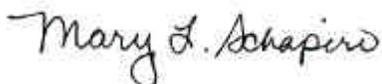
Messrs. Bedford and Black
March 1, 2004
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- *Regulatory and Compliance Alerts*, Summer 2000 http://www.nasdr.com/rca_summer00.htm and Spring 2002 http://www.nasdr.com/rca_summer02.asp
- A few of our more recent enforcement actions in this area include: A case brought against Prudential Equity Group for annuity sales, including variable annuities. In this case, NASD fined Prudential \$2 million and ordered the firm to pay customers \$9.5 million http://www.nasdr.com/news/pr2004/release_04_007.html. NASD also filed charges against Waddell & Reed regarding suitability violations of variable annuity exchanges http://www.nasdr.com/news/pr2004/release_04_004.html. In a separate action, NASD permanently barred a NYLife Securities, Inc. representative for unsuitable sales of variable products http://www.nasdr.com/news/pr2004/release_04_003.html.
- NASD cases reported in our press releases of December 4, 2002 (American Express Financial Advisors fined \$350,000 for improper sales of variable annuities and life insurance http://www.nasdr.com/news/pr2002/release_02_063.html) July 8, 1999 (Pruco Securities fined \$20 million http://www.nasdr.com/news/pr1999/ne_section99_170.html), February 15, 2001 (NASD files six actions involving marketing and sales of variable annuities, includes fines and restitution of \$112,000 http://www.nasdr.com/news/pr2001/ne_section01_022.html), December 5, 2001 (NASD files two actions involving variable annuity and life insurance sales, levies fines of \$142,000) and January 18, 2002 (Tower Square Securities fined \$200,000 and ordered to make restitution of \$4.3 million http://www.nasdr.com/news/pr2002/release_02_004.html).
- *Investor Alert: Variable Annuities – Beyond the Hard Sell*
http://www.nasdr.com/Investor/Alerts/alert_variable_annuities.htm
- *Investor Alert: Should You Exchange Your Variable Annuity?*
http://www.nasdr.com/alert_annuityexchanges.htm
- *Investor Alert: Should You Exchange Your Life Insurance Policy?*
http://www.nasdr.com/alert_exchange_lifeinsurance.htm

Based on our experience, we have found that variable contracts' sales-related problems parallel those of mutual funds and other securities. These problems include, among other things, misleading advertising, unsuitable recommendations, switching and churning of customer accounts to increase sales commissions, and the failure to disclose fees and other important characteristics of these contracts. Because of the substantial similarities between variable contracts and other securities products, we believe it is incongruous for agents and sales practices involved in variable contracts not to be covered by state securities laws.

If you have any questions regarding our position or NASD operations, please do not hesitate to contact me at (202) 728-8140, or Tom Selman, Senior Vice President, Investment Companies/Corporate Financing, at (240) 386-4533.

Sincerely,



Mary L. Schapiro
Vice Chairman, NASD
President, Regulatory Policy and Oversight

cc: Tom Selman

KEY ENFORCEMENT HEADLINE SUMMARIES (April 03 - present)**January 14, 2004 - Kelly Vickers, an attorney, last of 9 sentenced in case involving Daystar (Montgomery)**

Honorable Joseph P. Borg, Director of the Alabama Securities Commission announced today that Kelly Vickers, a local attorney from Montgomery, Alabama was sentenced to 365 days in the county jail suspended and placed on 2 years probation, ordered to pay \$25,000 in restitution to victims, fined \$2,000, ordered to pay a \$1,000 assessment to the Alabama Crime Victims Compensation fund, ordered to report to Court Referral and ordered to conduct 100 hours of community service.

Vickers had pled guilty, July 24, 2003, to one count of theft of property in the third degree as a result of charges surrounding financial activities involving the proposed expansion of the former Daystar Assembly of God located in Prattville, Alabama.

October 20, 2003 - Browns face up to 4 years for involvement in offshore investment program (Colbert)

The Honorable Gary Alverson, District Attorney, 31st Judicial Circuit, Colbert County and the Honorable Joseph P. Borg, Director, Alabama Securities Commission announced that Kenneth and Donna Brown of Kentucky entered a plea of guilty for the sale of unregistered securities in Alabama..., before the Honorable Judge Jacqueline Hatcher on October 14, 2003.

The Alabama Securities Commission opened an investigation of Memlock Systems based on a complaint from a resident, of Muscle Shoals, Alabama. Kenneth and Donna Brown, the owners of a company called Memlock Systems, induced several Alabama residents to invest a total of \$150,000. The Browns represented that the investment consisted of the purchase of discounted US Treasury Bills and mutual funds. The Brown's company, Memlock Systems was an offshore international business corporation located in the Turks and Caicos Islands. The investment funds from the Alabama residents and several other investors outside of Alabama were wire transferred to the Memlock Systems bank account located offshore. None of the Alabama investors in the program received any returns as represented.

October, 2003 - Alabama receives \$5,000,000 in Wall Street Settlement**(All Alabama)**

Under the terms of a settlement between securities regulators and Wall Street firms, Alabama received \$5,000,000. The settlement resulted from allegations of conflicts of interest at brokerage houses where analysts recommended stocks due to improper influence from their investment banking colleagues.

Joseph P. Borg, Director of the Alabama Securities Commission, said, "This historic agreement represents the closing of a sad chapter in the history of our financial markets. The industry reforms agreed upon in this settlement will provide for more objective research and stronger protections for investors.

Borg, who was president of the North American Securities Administrators Association (NASAA) when the states joined resources to undertake the investigation said, "It's our hope that this settlement will change the way business is done on Wall Street and that as a result wary and mistrustful investors will return to our markets."

Under the terms of the settlement the firms are also required to distribute \$30 million over a period of five years to the Investor Protection Trust (IPT). The money will be used to fund investor education initiatives on the state and national levels.

September 24, 2003 - State Securities Regulators Allege "Advance Fee" Scheme**(Mobile)**

Massachusetts Secretary of the Commonwealth William Francis Galvin, Alabama Securities Commission Director Joseph P. Borg, Oklahoma Department of Securities Administrator Irving Faught and Puerto Rico Commissioner of Financial Institutions Alfredo Padilla-Cintrón announced today that a multi-state task force has begun regulatory and court actions against the alleged perpetrators of an alleged advance fee scheme which may have violated Securities Acts in 13 states and Puerto Rico.

(Continued on next page)

Securities regulators said the alleged scheme involves the collection of advanced fees from individuals and businesses needing capital and looking for commercial and residential loans. To obtain a “guaranteed” loan, potential investors must purchase an “Equity Asset Survey.” In return, the potential borrowers are given a “Cash Back Rebate Coupon” which was said to mature after 5 years and guarantees that the loan will be paid off in full. Potential clients are required to pay at least 17% of the loan value to purchase the coupon. This “loan fee” is given to a related entity for investment purposes generally off shore. State authorities said investors have not received the guaranteed loans and the payments have apparently been misappropriated.

September 11, 2003 - Six sentenced surrounding financial activities involving Daystar church (Autauga/Elmore)

Honorable Randall Houston, District Attorney for the Nineteenth Judicial Circuit, Honorable Joseph P. Borg, Director of the Alabama Securities Commission and Prattville Police Chief Alfred W. Wadsworth announce today that Nancilu Carpenter, Donald Cayton, Leonard Miller, William Till, Elaine Jenkins Turner and David Wayne Gordan were sentenced by the Honorable Ben Fuller, Circuit Judge for the Nineteenth Judicial Circuit, as a result of charges surrounding financial activities involving the proposed expansion of the former Daystar Assembly of God located in Prattville, Alabama.

Nancilu Carpenter previously pled guilty to one count of theft of property in the first degree. She received 5 years split sentence and will serve 1 year in the Autauga County Jail, was ordered to pay \$31,800 in restitution to victims, \$500 to the Alabama Crime Victims Compensation fund, fined \$7,500 and must pay court costs.

Donald Cayton pled guilty to one count of theft of property in the first degree. He received 10 years split sentence and will serve 90 days in the Autauga County Jail with probation of 5 years, was ordered to pay \$150,000 in restitution to victims and \$1,000 to the Alabama Crime Victims Compensation Fund, fined \$10,000 and must pay court costs. Cayton’s reduced sentence was the result of his cooperation with law enforcement.

Leonard Miller pled guilty to one count of theft of property in the first degree. He received 8 years split sentence and will serve 1 year in the State Department of Corrections, was ordered to pay \$111,699.98 in restitution to victims and \$1,000 to the Alabama Crime Victims Compensation Fund, fined \$10,000 and must pay court costs.

William Till pled guilty to one count of theft of property in the third degree. His offense was a Class A Misdemeanor and he was noted for assisting authorities in this case. He received a 1 year suspended sentence with 2 years of supervised probation, ordered to pay restitution to victims of \$54,000 at a rate of \$250 per month and \$100 to the Alabama Crime Victims Compensation Fund, fined \$1,000 and must pay court costs.

Elaine Jenkins Turner pled guilty to two counts of theft of property in the first degree. She received a 20 year split sentence and will serve 4 years with the State Department of Corrections, ordered to pay \$200,000 in restitution to victims and \$1,000 for each count to the Alabama Crime Victims Compensation Fund, fined \$10,000 for each count and must pay court costs.

David Wayne Gordan was found guilty by an Autauga County jury of 14 counts, (3) for the sale of securities by an unregistered agent, (2) for the sale of unregistered securities, (3) for securities fraud and (6) for the theft of property. With a split sentence serving concurrent for each count he will serve a total of 2 years and 2 days in the State Department of Corrections, restitution to victims will be determined at a restitution hearing at a later date, a total of \$6,250 to be paid to the Alabama Crime Victims Compensation Fund, was fined a total of \$8,500 and must pay court costs.

June 13, 2003 - Corporate CEO sentenced 12 years and must pay \$1.6 million restitution (Autauga/Elmore)

The Honorable Randall Houston, District Attorney for the 19th Judicial Circuit, and Honorable Joseph P. Borg, Director of the Alabama Securities Commission, announced today that Francis Clark, Sr., formally of Montgomery, Alabama, and who recently resided in South Carolina, appeared before the Honorable Judge John B. Bush and was sentenced to 12 years and to pay restitution of \$1,603,117.04 for two counts of Securities Fraud and two counts of Theft of Property I.

(Continued on next page)

On December 22, 2000, the Alabama Securities Commission's Enforcement Division opened an investigation on Francis Clark Sr. ("Clark"), based on a complaint that Clark approached an Alabama investor in late 1995, concerning an investment. Clark allegedly stated that he was creating a manufacturing company called US Fabtec, L.L.C., which was to be a joint venture with Mitsubishi Aluminum Fabtec Holding, Inc., a subsidiary of Mitsubishi International Corporation. Complaints alleged that Clark spent corporate funds on personal items such as country club dues and his hobby of stock car racing.

Clark was arrested by Deputies of the Elmore County Sheriff's Office, in Wetumpka on Friday, July 26, 2002. The arrest was a result of a 61 count indictment returned by the July 2002 Session of the Elmore County Grand Jury. Clark was indicted on 25 counts of Theft of Property in the 1st degree; 26 counts of Fraud in Connection with the Sale of Securities; 5 counts of Selling Unregistered Securities; and 5 counts of Selling Securities without Benefit of Registration as a Securities Agent. It is alleged that Clark took in approximately \$2.7 million from local and foreign investors and a portion of the funds was diverted for his personal use.

**June 11, 2003 - Internet Business Ordered to Cease and Desist-funds being returned to investors
(Birmingham)**

Wealth Builders International ("WBI"), headquartered in Birmingham, is required to return funds to investors due to discrepancies pertaining to the licensing and registration of Wealth Builders International, Inc. and its operation. Under Alabama law it is unlawful for any person to offer or sell any security into, within, or from the state or to give investment advice unless that person and/or entity is registered or exempt from registration.

The Commission's investigation of WBI indicates that between September 1, 2001 and February 26, 2003, approximately 1,767 investors deposited \$4,743,537.98 either in WBI or an associated entity. Investors were paid approximately \$952,338.90 allegedly as profits which in fact did not exist. Trading fees/losses totaled \$1,088,302.08. Unaccounted/ misappropriated funds totaled \$197,829.05. The amount of funds available for disbursement totals approximately \$2.5 million. Borg said, "There is unfortunately less money in the accounts than would be required for all individuals to receive a 100% return of their original investment. Investors will be receiving a pro rata share of the WBI assets." [Note: The Commission issued 1643 checks to investors amounting to 68% of their investment.]

**May 29, 2003 - Mountain Brook businessman gets 90 months and \$10 million fine.
(Jefferson)**

Honorable Joseph P. Borg, Director of the Alabama Securities Commission, announced today that Jordan P. Olshan, age 41, a resident of Birmingham, appeared before the Honorable Judge Robert B. Propst of the United States District Court, Northern District of Alabama and was sentenced to 90 months of confinement in a federal prison.

After serving ninety months in a federal prison, Olshan will serve in a three-year supervised release program. Olshan was ordered to pay restitution to victims in the amount of \$10,819,501.15 and may be fined up to \$20,000,000.

The investigation on Olshan was initiated by the Alabama Securities Commission, Enforcement Division, July 6, 2001, after receiving a complaint from an Alabama resident that they had not received payment of returns on their investment. After further investigation the Commission issued a Cease and Desist order to Jordan P. Olshan, Olshan Mortgage Company, and Investors Trust, Inc. who was doing business with Olshan under the name of Mortgage Investors, Inc.

May 2, 2003 - The Millennium Fund, Brian Burgdorf Pled Guilty (Jefferson)

Joseph P. Borg, Director of the Alabama Securities Commission, announced that Brian Burgdorf, age 29, of Birmingham, Alabama pled guilty today to conspiracy to sell unregistered securities before U.S. District Judge Karon O. Bowdre, in Birmingham, Alabama.

(Continued on next page)

Also involved in this case are James Michael Hanks, age 37, of Hoover, Alabama and R. Stephen Bowden, age 49, of Panama City, Florida who previously pled guilty to similar charges before Judge Bowdre. Additionally, Hanks pled guilty to tax fraud. A sentencing hearing for all three defendants has been scheduled July 30, 2003.

The guilty pleas arose out of indictments alleging that Hanks; Bowden; Brian Burgdorf; William Earl Amos, Jr., age 49, of Annapolis, Maryland; Richard E. Busch, Jr., age 59, of the Republic of Panama; and Jacques LaTourette, age 55, of the Republic of France, violated Title 18 of the United States Code, Section 371, by conspiring to offer and sell unregistered securities to fourteen residents of Alabama, Florida and Tennessee. The indictment also alleged that James Michael Hanks committed tax fraud in addition to the securities fraud conspiracy.

The indictment was returned following the completion of a joint investigation conducted by the FBI, the IRS-Criminal Investigation, and the Alabama Securities Commission

April 16, 2003 - Creel sentenced to 30 months in prison, must pay restitution.

(Autauga)

Leura Garrett Canary, United States Attorney for the Middle District of Alabama and Joseph P. Borg, Director, Alabama Securities Commission jointly announced that George Dewey Creel, age 53, of Autauga County, was sentenced in the United States District Court for the Middle District of Alabama pursuant to a plea agreement entered into by the United States and Creel. United States District Judge Myron Thompson sentenced Creel to thirty months in prison, ordered him to pay \$699,000.00 in restitution to the victims of his wire fraud scheme, and required him to serve three years supervised release upon release from prison.

Creel's sentence derives from his plea of guilty to devising a scheme and artifice to defraud investors by making false representations that he would invest their money in commercial ventures through his business Creel Builders, Inc. Creel, however, did not invest these monies, but instead used them to pay his personal expenses. Over a two year period, Mr. Creel defrauded investors, many of whom were elderly, of approximately \$699,000.00.

April 11, 2003 - April Sunday Rutledge Cooper sentence to 10 years, husband got 31 years

(Autauga)

Honorable Randall Houston, District Attorney for the Nineteenth Judicial Circuit, Honorable Joseph P. Borg, Director of the Alabama Securities Commission and Prattville Police Chief Alfred W. Wadsworth announce today that April Sunday Rutledge Cooper was sentenced at a hearing held on April 4, 2003, before the Honorable Ben Fuller, Circuit Judge for the Nineteenth Judicial Circuit, to charges surrounding financial activities involving the proposed expansion of the Daystar Assembly of God located in Prattville, Alabama.

April Sunday Rutledge Cooper pled guilty to 1 count of Theft of Property 1 in February. She was sentenced to the custody of the Department of Corrections for a period of 10 years. Further, she was fined the sum of \$10,000, ordered to pay restitution in the amount of \$117,330 to the Daystar Church and MIT Lending, and ordered to pay \$1,000 to the Alabama Crime Victims Compensation Fund.

In February 2003, Mark Steven Cooper, husband of April Cooper, pled guilty to 1 count of Sale of Securities by an Unregistered Agent; 1 count of Sale of Unregistered Securities; 1 count of Securities Fraud; 7 counts of Theft of Property 1.

Mark Steven Cooper was sentenced to 31 years in the penitentiary, fined \$35,000 and ordered to pay court costs, \$10,000 to the Alabama Crime Victims Compensation Fund, and restitution of \$2,529,262.87.

###



Dan Lord, Education and Public Affairs Manager

THE PERSONAL FINANCE EDUCATION CORNER UPDATE

The Commission's education program has grown to one of the most aggressive and result oriented programs throughout the United States. Since March last year members of the new JumpStart Coalition, from federal, state, and business agencies have joined hands to bring the real world business point of view into mandatory high school senior economics course. The pilot project has begun in Birmingham and the Alabama Department of Education, a member of JumpStart, has ensured that the curriculum and time of teaching one class per week meets the appropriate objectives. The pictures and stories to follow depict activities that are providing free education materials, instruction, and grants to provide personal finance education to the citizens of Alabama. The Commission understands that Personal Finance Education is the key to wealth accumulation, fraud prevention and to share in the American dream for all Alabamians.



Left to right: Joseph Borg, Director ASC; Dr. Bernice Wilson, Extension Resource Management Specialist, Alabama Cooperative Extension; Buffy Murphy, President and founder of Alabama JumpStart; Dr. Thomas N. Rains, President of the Alabama Council on Economic Education.

Director Joseph Borg Presents Grants

On January 28, 2004 - the Alabama Securities Commission presented four educational grants totaling \$15,000 to be used for the promotion of personal finance education throughout the state of Alabama.

The presentations were made at the Junior Achievement of Greater Birmingham, Inc. to the new Alabama JumpStart Coalition, the Alabama Council on Economic Education, the Alabama Cooperative Extension and the Alabama LifeSmarts program. Borg made these on behalf of the Investor Protection Trust¹ to promote personal finance and investor education to a wide variety of citizens including youth, seniors and minority groups throughout the state. As our nation is facing a financial literacy crisis, these monies which come from endowments, fines, and other sources will be used to buy materials and training which will reach Alabamians in the near future.

¹The Investor Protection Trust exists to promote non-commercial investor education. The Trust supports pluralism and equal opportunity in its grant making and in its internal policies. The opportunities that prospective grantee organizations provide for minorities and women are considered in evaluating proposals. Activities supported by grants and program-related investments must be charitable, educational or scientific, as defined under the appropriate provisions of the U.S. Internal Revenue Code and Treasury Regulations. The foundation monitors grants through regular financial and narrative reports submitted by the grantee.

The Alabama Securities Commission welcomes High Schools in Alabama to visit the Commission!

The Commission has received rave reviews from both students and teachers for exciting and educational field trips. The ideal audience is Junior and Senior High School Groups of twenty or less. Interested teachers can call 1-800-222-1253 and ask for Dan Lord or email their request to dlord@asc.state.al.us. The typical day lasts from 9am - 2pm. The Commission Director usually kicks off the day by talking with the students about reaching personal goals and sharing in the wealth of America "The American Dream." Curriculum is tailored to the teacher's desire and start/end times can be adjusted. (Continued on next Page)

SPECIAL LEGISLATIVE EDITION

Usually the program consists of two discussions with professionals from the ASC staff, a Securities Analyst and/or Special Agent. The ASC staff members tell their personal story about how they attained a successful career and also tell some exciting events that occurred while conducting their duties, i.e. "How a particular securities scam artist was caught and prosecuted for cheating Alabamians!"

The day also includes two hours of personal finance training tailored towards after high school and any curriculum of interest, in this area, that the teacher requests i.e. about investment products, savings, and fraud prevention tactics. Usually the group eats lunch at one of the RSA restaurants near the Capital (everyone must pay for their own meal and the cost is about \$4-7), if an entire group desires to bring their own sack lunch accommodations can be made. A tour may be prescheduled to see the Capitol or the Archives in conjunction with the lunch period. At the end of the day students usually view a professional movie about personal finance and starting your own business. Finally, if time permits, we have a wrap-up on important issues and open discussion until it is time to leave.

THE PIKE COUNTY/TROY CITY BUSINESS & FINANCE ACADEMY VISITS THE ALABAMA SECURITIES COMMISSION ON FEBRUARY 10, 2004.



OTHER INITIATIVES:

The ASC Director and management staff is delighted to give continued presentations to all groups and citizens throughout Alabama. For example: church groups, senior groups, organizations like Rotary, Lions, Masons, high school classes, college lectures, professional organizations such as the Financial Planners Association (FPA) or Alabama Association of Certified Public Accountants or training programs for brokerage firms and many more upon request. Presentations include topics as, updates in securities industry, law both state and national, fraud prevention, saving and investing tips, and 'how to be a better investor'.

ASC is a member on the Board of Advisors to develop and establish a new Faith Based Personal Finance Coalition to bring personal finance materials and education to Ministers and Laymen in Churches located primarily in West Alabama counties.

ASC is partnering with the Department of Senior Services, AARP, and other state, federal and non-profit agencies to put on special training events throughout the state.

ASC is participating with the Alabama Cooperative Extension in Huntsville Alabama as a judge for the statewide LifeSmarts High School Competition.

ON THE HORIZON:

ASC is working to apply for grants that will support the Department of Education to develop programs that will incorporate personal finance into a curriculum guide for all teachers in related courses from K-12.

As a member of the Board for the new and very successful Jump\$tart Coalition ASC is working numerous projects and events to set up regional coalitions throughout Alabama. ###

ALABAMA SECURITIES COMMISSION

**THE ASC MISSION IS TO PROTECT INVESTORS FROM SECURITIES FRAUD
AND PRESERVE LEGITIMATE CAPITAL MARKETS IN ALABAMA.**

FREE SERVICES FOR ALABAMIANS:

- ◆ ACCESS TO NEW WEBSITE: www.asc.state.al.us.
- ◆ FRAUD PREVENTION DOWNLOADS AND MATERIALS.
- ◆ FRAUD PREVENTION INFORMATION AND TRAINING.
- ◆ PRESENTATIONS TO GROUPS.
- ◆ CHECK THE REGISTRATION/LICENSING AND
BACKGROUND OF PERSON SELLING SECURITIES
OR FINANCIAL ADVICE.
- ◆ CHECK TO SEE IF THE SECURITIES OFFERED ARE
REGISTERED.
- ◆ ACCESS TO BASIC AND ECONOMICS CURRICULUM.
- ◆ CALL AND REPORT A SUSPECTED SECURITIES SCAM.
- ◆ ENFORCE THE ALABAMA SECURITIES ACT.



Joseph P. Borg
Director

Susan B. Anderson
Deputy Director/
General Counsel

CHAIRMAN
HAROLD B. KUSHNER
Attorney at Law

VICE CHAIRMAN
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Certified Public Accountant

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TROY KING
Attorney General

ANTHONY HUMPHRIES
Superintendent of Banks

WALTER A. BELL
Commissioner of Insurance

TYRONE C. MEANS
Attorney at Law

DANIEL C. HARDMAN
Certified Public Accountant

Contact ASC for inquiries regarding securities broker-dealers, agents, investment advisors, investment advisor representatives, financial planners, the registration status of securities, to report suspected fraud, or obtain consumer information:

Call: 1-800-222-1253.

Fax: 1-334-242-0240.

Email: asc@asc.state.al.us

Write:

Alabama Securities Commission,
770 Washington Ave., Suite 570,
Montgomery, Alabama 36130-4700

Visit the new ASC website at: www.asc.state.al.us.

The Alabama Securities Commission is a member of the North American Securities Administrator Association (NASAA), an organization of the 66 state, provincial and territorial securities administrators in the U.S., Canada, Mexico and Puerto Rico.

From the Director

Dear Investor,

The Alabama Securities Commission (ASC) regulates the securities industry in Alabama.

ASC is committed to protect investors against securities fraud and provides aggressive enforcement actions against any firm or individual who has violated the Alabama Securities Act or other state and federal statutes to the detriment of Alabama investors.

The Alabama Securities Act provides for the licensing and regulation of securities broker-dealers, agents, investment advisers and investment adviser representatives, and financial planners. ASC regulates the individual securities through registration. All of the above entities must be registered with the ASC to conduct business in Alabama unless subject to a statutory exemption from registration.

ASC promotes financial literacy to all citizens and students in Alabama by providing presentations, free information and access to curriculum for financial literacy education.

Prepare yourself to make an informed investment decision! Contact the Alabama Securities Commission to determine if the representative and firm with whom you wish to do business are properly registered in Alabama. Also, the Commission staff can provide free information relating to the disciplinary history (complaints, civil law suits, etc.), educational background and work experience of a firm or representative.

Sincerely,

A handwritten signature in blue ink that reads "Joseph P. Borg". The signature is stylized and cursive.

Joseph P. Borg
Director