

ALABAMA SECURITIES COMMISSION

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Email: asc@asc.alabama.gov Website: www.asc.alabama.gov

Hoover Man Pleads Guilty to Securities Fraud Charges

MONTGOMERY, ALABAMA (September 9, 2015) Jill H. Lee, District Attorney for the 18th Judicial Circuit, Shelby County, Alabama, and Joseph Borg, Director of the Alabama Securities Commission (ASC), announced that on September 3, 2015 Kevin Jerome Brown of Hoover, AL pled guilty in the Shelby County Circuit Court to one count of Securities Fraud by Employing a Device, Scheme, or Artifice to Defraud and one count of Acting as an Unregistered Securities Agent. At the time the offense was committed both counts were Class C felonies, punishable by not more than 10 years, nor less than 1 year and 1 day in prison and not more than a \$15,000 fine, per count.

After the plea was entered, The Honorable Circuit Court Judge George Daniel Reeves sentenced Brown to seven years in the custody of the Alabama Department of Corrections. That sentence was suspended and Brown was placed on supervised probation for four years. Judge Reeves further ordered Brown to pay \$932,852.00 in restitution to the nine victims in the case. Brown must make monthly payments towards restitution beginning October 1, 2015. Brown was permanently barred from the securities industry in Alabama.

Brown's plea is a result of two indictments issued by the Shelby County Grand Jury in April 2013 and August 2013. Brown operated as a mortgage broker with The Mortgage Office, LLC and later BlueStar Mortgage, LLC in the Birmingham area. While working in that capacity, Brown represented to investors that they could provide mortgages to borrowers he met through his business that were having trouble getting conventional loans. Brown represented that he and the investors would each pay half the purchase price of the subject properties and then receive half interest in the collateral and half of all payments from the borrowers. In fact, the subject properties and borrowers were fictitious, and Brown used investor funds for personal expenses. Brown also represented to investors that he knew of distressed properties that could be purchased and resold for a profit. These properties were also fictitious, and Brown used the funds invested for personal expenses. Investor funds were received in exchange for promissory notes and investment contracts, which are securities as defined by the Alabama Securities Act.

ASC records indicated that Brown was not registered with the ASC to legally conduct securities business in Alabama, as required by the Alabama Securities Act.

The ASC cautions potential investors to thoroughly scrutinize and research any investment opportunity or offer. Contact the ASC with inquiries concerning securities broker-dealers, agents, investment advisers, investment adviser representatives, financial planners, registration status of securities or debt management programs, to report suspected fraud or to obtain consumer information. The ASC provides free investor education and fraud prevention materials in print, on our website and through educational presentations upon request.

For further information contact Dan Lord, Education and Public Affairs Manager, 334-353-4858.

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