

STATE OF ALABAMA
ALABAMA SECURITIES COMMISSION

IN THE MATTER OF:	)	
	)	
DR SCOTT WILLIAM NALEY	)	ADMINISTRATIVE ORDER
	)	NO. CD-2011-00 ₁₃
	)	
<u>RESPONDENT</u>	)	

CEASE AND DESIST ORDER

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, having confirmed information of the offer for sale of securities, into, within or from the state of Alabama, has determined as follows:

RESPONDENT

1. DR SCOTT WILLIAM NALEY, (NALEY) is an Alabama resident with a residential address of 9025 Eagle Valley LN, Birmingham, AL 35242-6994. NALEY is currently not registered nor has he ever been registered with the Alabama Securities Commission in any capacity.

STATEMENT OF FACTS

2. In March, 2010, NALEY offered an investment opportunity to an Alabama resident. NALEY stated that he "did some work" for a company identified as A.D.A.M. NALEY stated that in lieu of payment for the work, he received stock options from A.D.A.M. for sale at \$3.00 a share. NALEY stated that he purchased all the stock he could afford and still had additional stock options available for purchase. NALEY stated the stock options would expire at the end of March 2010, if not purchased.

3. NALEY stated he would purchase shares from the remaining stock options on behalf of the Alabama resident at \$3.00 a share. NALEY told the Alabama Investor that A.D.A.M. was poised for a takeover that would potentially double the investment. NALEY stated there was a built-in guarantee regarding the price since the Alabama resident would be buying shares of stock for less than the current public selling price. NALEY stated that he guaranteed the Alabama resident "would not lose a single dime."

4. The Alabama resident decided to purchase 50,000 shares of stock available to NALEY from his alleged earned stock options. On March 12, 2010, the Alabama resident presented NALEY a cashier's check in the amount of \$150,000. NALEY signed and dated a notarized promissory note for the amount of \$150,000. NALEY then sent the Alabama resident a confirmation by e-mail dated March 12, 2010. The confirmation stated: I am in receipt of \$150,000 from Alabama resident for the purpose of exercising options to purchase shares of A.D.A.M. Corporation in the amount of \$3.00 per share.

5. In September 2010, NALEY solicited a second Alabama resident to purchase stock through him. NALEY told the second Alabama resident that NALEY did some work for A.D.A.M. and received stock options in lieu of payment. NALEY advised that he purchased all the stock he could afford and still had stock available for purchase. NALEY represented that the stock was being sold for \$3.00 a share and the stock option would expire at the end of September 2010. NALEY represented that he had information that A.D.A.M. would soon be bought by another company and the stock would double in price. NALEY stated that he would guarantee the investment and would offer 6% interest on the investment principal. The second Alabama resident wired \$240,000 to a bank account provided by NALEY. The second Alabama resident then received a promissory note from NALEY.

6. In March 2011, NALEY solicited a third Alabama resident for an "Iraqi Oil Deal." NALEY stated that he had made an investment in the Iraqi Oil Deal previously and recently became aware that a partner in the deal was leaving due to a divorce. The partner's portion was available for sale at a price of \$500,000. NALEY stated that he was seeking investment from five friends to come up with the investment. NALEY

stated the investment would increase in value by 20 times. An investment of \$100,000 would grow to a return of \$2,000,000. The third Alabama resident wired a total of \$250,000 to a bank account provided by NALEY. The third Alabama resident later received a notarized investment contract signed by NALEY dated March 15, 2011.

7. A review of the files of the Registration Division of the Alabama Securities Commission was conducted on May 13, 2011, disclosing no record of registration or any perfected exemption for the securities offered by NALEY.

8. A review of the files of the Registration Division of the Alabama Securities Commission was conducted on May 13, 2011, disclosing no record of registration for NALEY as a broker-dealer agent, investment advisor, or investment advisor representative in the state of Alabama.

CONCLUSIONS OF LAW

9. Pursuant to Section 8-6-2(10), Code of Alabama 1975, the definition of security includes any Stock, Note or Investment Contract. The investments made by the Alabama investors were evidenced by Stock, Notes and Investment Contracts and are therefore securities under the Act.

10. Pursuant to Section 8-6-4, Code of Alabama 1975,: "It is unlawful for any person to offer or sell any security in this state unless: It is registered under this article; the security is exempt from registration under section 8-6-10; or the transaction is exempt under section 8-6-11." The securities offered by **RESPONDENT**, to wit: Stock, Promissory Note or Investment Contract were neither registered nor exempt from registration in violation of the Act.

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.

Additionally, if the allegations set forth herein are found to be true, through either administrative adjudication, failure of the RESPONDENT to make a timely request for hearing, or default of the respondents, it is the intention of the Commission to impose sanctions upon the RESPONDENT. Such sanctions may include, inter alia, an administrative assessment imposed on RESPONDENT, an additional administrative assessment for investigative costs arising from the investigation of the violation(s) described herein against RESPONDENT, and a permanent order to bar RESPONDENT from participation in any securities related industry in the state of Alabama.

ACCORDINGLY, IT IS HEREBY ORDERED that RESPONDENT immediately **CEASE AND DESIST** from further offers or sales of any security into, within or from the state of Alabama.

Entered at Montgomery, AL, this 19th day of May, 2011.



ALABAMA SECURITIES COMMISSION
401 Adams Ave, Suite 280
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(334) 242-2984

BY:

A handwritten signature in blue ink, which appears to read "Joseph P. Borg", is written over a horizontal line. The signature is stylized and fluid.

JOSEPH P. BORG
Director