

STATE OF ALABAMA
ALABAMA SECURITIES COMMISSION

IN THE MATTER OF:)
OMEGA PHARMACEUTICAL INC)
HERMAN LANCE)
ROBERT C. RUDDER)
RESPONDENTS)
ADMINISTRATIVE ORDER
NO. CD-2015-00 03

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

RESPONDENTS

1. **OMEGA PHARMACEUTICAL INC ("OMEGA")** is a Delaware company with a principal business address of 1000 Urban Center Drive, Vestavia, Alabama 35242.
2. **HERMAN WOODROW LANCE ("LANCE")** is the President of **OMEGA** with a principal business address of 1000 Urban Center Drive, Vestavia, Alabama 35242.
3. **ROBERT C. RUDDER ("RUDDER")** is a Michigan resident with a principal home address of 12929 Jan Drive, Warren, Michigan 48088-4711. **RUDDER** represented to **OMEGA** shareholders that he was a partner in a group of companies that planned to purchase **OMEGA**.

STATEMENT OF FACTS

4. On March 25, 2013, an Alabama resident ("INVESTOR") reported that in 2008, **LANCE** and **OMEGA** offered and sold 53,250 shares of **OMEGA** common stock to the INVESTOR for a total investment amount of \$133,125.00. As evidence of the investment a stock certificate was issued to the INVESTOR. At the time of the transaction, **LANCE** represented that these shares had previously belonged to one of his early investors who was now deceased. **LANCE** stated there were no heirs to the shares, and that is why he could sell the shares to the INVESTOR.

5. At the time of the transaction, **LANCE** represented to the INVESTOR that **OMEGA** was in the process of being purchased by "a consortium of businesses that had come together to provide humanitarian aid" and this group was making investments in multiple businesses. **LANCE** represented that once the sale of **OMEGA** occurred, the new company would repurchase **OMEGA** stock at double the price that the INVESTOR paid for the stock. **LANCE** represented that the INVESTOR would receive a 100% return on his investment with **OMEGA**, and that the sale of **OMEGA** would occur within the next three months to a year.

6. In 2009, **LANCE** introduced the INVESTOR to **RUDDER** by phone. **LANCE** claimed that **RUDDER** represented the group that was purchasing **OMEGA**. **RUDDER** assured the INVESTOR that the sale was going to occur.

7. The sale of **OMEGA** did not occur within the time frame that **LANCE** represented, but **LANCE** continued to represent to the INVESTOR that the sale was going to happen.

8. In 2010, the sale of **OMEGA** had still not occurred. The INVESTOR contacted **LANCE** and requested that **LANCE** repurchase the **OMEGA** stock at the same price that the INVESTOR had paid. **LANCE** represented that he no longer believed that the sale of **OMEGA** was going to take place. **LANCE** stated that **OMEGA** was not in a financial position to repurchase the stock.

9. In 2012, after the INVESTOR continued to contact **LANCE** about repurchase of the stock, **LANCE** represented to the INVESTOR that **RUDDER** had agreed to purchase the INVESTOR's stock at a price "considerately more" than the INVESTOR had paid for the stock. As of the date of this order, the promised purchase of **OMEGA** by **RUDDER** has not occurred.

10. During the Commission's investigation, the Commission received information that **LANCE** offered and sold **OMEGA** stock to two other Alabama investors and one Florida investor. These transactions occurred on various dates from 2000 through 2010. These investors also reported that **LANCE** represented to them that **OMEGA** was going to be purchased by another company that would repurchase **OMEGA** stock at a much higher price than the investors had paid for the stock. As evidence of the investments, stock certificates were issued to these investors as well. The Commission also received information that as far back as August 17, 2006, **RUDDER** had represented in correspondence to **LANCE** that he and his companies planned to purchase **OMEGA**. Due to the continuing nature of the offers there is a public interest in enjoining future offers or sales of **OMEGA**, and future securities transactions by **LANCE** and **RUDDER**, within, to, or from the State of Alabama.

11. On May 1, 2013, a review of the Commission's registration files disclosed no current filing for securities/exemption registration for **OMEGA**. Commission records reflect that **OMEGA** filed in 1992, 1993, 1994, 1996 and 1998 for exemptions pursuant to Rule 505 of Regulation D, and § 8-6-11(a)(9), Code of Alabama 1975, and Commission Rule 830-x-6-11.

12. On May 1, 2013, a review of the Commission's registration files disclosed no record of registration for **LANCE** as a broker dealer, broker dealer agent or as an investment advisor representative or as a restricted agent with **OMEGA**.

13. On May 1, 2013, a review of the Commission's registration files disclosed no record of registration for **RUDDER** as a broker dealer, broker dealer agent or as an investment advisor representative or as a restricted agent with **OMEGA**.

CONCLUSIONS OF LAW

14. Pursuant to § 8-6-2(10), Code of Alabama 1975, the definition of a security includes "stock". The shares of **OMEGA** stock issued by **LANCE** to the **INVESTOR** are securities under the Act.

15. Pursuant to § 8-6-2(5), Code of Alabama 1975, the definition of an "issuer" includes every person who proposes to issue, or has issued, any security. **OMEGA**, by issuing securities, to wit: stock in **OMEGA**, is an "issuer" as defined by the Act.

16. Pursuant to § 8-6-2(2), Code of Alabama 1975, the definition of "agent" includes any individual who represents a dealer or issuer in effecting or attempting to effect sales of securities. **LANCE**, by representing **OMEGA**, and **RUDDER**, by representing **LANCE** and/or **OMEGA**, in effecting the sale of a security, to wit: stock in **OMEGA**, acted as "agents" as defined by the Act.

17. Pursuant to § 8-6-3(a), Code of Alabama 1975, it is unlawful for any person to transact business in the state as a dealer or agent for securities unless he is registered under the Act. **LANCE** as an agent of **OMEGA** effected sales of securities without benefit of registration, in violation of the Act.

18. Pursuant to § 8-6-4, Code of Alabama, 1975, it is unlawful for any person to offer or sell any security in this state unless said security: (1) is registered under the Act; (2) the security is exempt from registration under § 8-6-10; or (3) the transaction is exempt under § 8-6-11. **LANCE** offered and sold securities, to wit: stock in **OMEGA**, that were neither registered nor subject to a perfected exemption from registration, in violation of the Act.

19. Pursuant to § 8-6-17(a)(2), Code of Alabama, 1975, it is unlawful for any person to make any untrue statement of a material fact in connection with the offer, sale, or purchase of a security. **LANCE** and **RUDDER** misrepresented to **INVESTOR** that **RUDDER** had agreed to purchase **OMEGA** at a price higher than the purchase price **INVESTOR** was to pay for his shares. The facts misstated were material to **INVESTOR**'s decision to purchase

the **OMEGA** stock. Respondents knew this statement to be untrue, and made the statement for the purpose of persuading investors to purchase **OMEGA** stock, in violation of § 8-6-17(a)(2), Code of Alabama, 1975.

20. Pursuant to § 8-6-17(a)(2), Code of Alabama, 1975, it is unlawful for any person to make any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they are made, not misleading. The omissions were material to INVESTOR's decision to purchase the **OMEGA** stock. **LANCE** did not inform INVESTOR that neither he nor **OMEGA** was currently registered with the Commission as required by law, in violation of § 8-6-17(a)(2), Code of Alabama, 1975.

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 **RESPONDENTS** to make a timely request for hearing, or default of the **RESPONDENTS**, it is the intention of the Commission to impose sanctions upon the **RESPONDENTS**. Such sanctions may include, *inter alia*, an administrative assessment imposed on **RESPONDENTS**, an additional administrative assessment for investigative costs arising from the investigation of the violation(s) described herein against **RESPONDENTS**, and a permanent order to bar **RESPONDENTS** from participation in any securities related industry in the state of Alabama.

ACCORDINGLY, IT IS HEREBY ORDERED that **RESPONDENTS** 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 9th day of February, 2015.



ALABAMA SECURITIES COMMISSION
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BY:

Joseph P. Borg
Director