

STATE OF ALABAMA
ALABAMA SECURITIES COMMISSION

IN THE MATTER OF:)
)
PASCHEL PRODUCTIONS, LLC) ADMINISTRATIVE ORDER NO.
DEMETRIUS EARL PASCHEL) CD-2019- 0037
)
RESPONDENTS)

CEASE AND DESIST ORDER

The Alabama Securities Commission ("Commission"), having 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. **PASCHEL PRODUCTIONS, LLC ("PP")** is an Alabama Domestic Limited Liability Company formed on March 4, 2013, with a principal address of 4960 Paradise Lake Circle, Hoover, AL 35244.
2. **DEMETRIUS EARL PASCHEL ("PASCHEL")**, at all times relevant, has identified himself as the manager, CEO, and president of **PP** with a business address of 4960 Paradise Lake Circle, Hoover, AL 35244.

STATEMENT OF FACTS

3. On April 25, 2019, the Commission received information that **PASCHEL** solicited an Alabama resident to invest in his company, **PP**, so that **PASCHEL** could produce a "teaser reel" for a screen play titled "The Playwright."
4. **PASCHEL** made representations to an Alabama resident that an investment in

PP would result in a twenty percent (20%) return on the investment. The Alabama resident was also promised stock in a production company that **PASCHEL** intended to start with television producer Wayne Wiggins.

5. The Alabama resident withdrew a total of \$38,131 from a 401K retirement fund to invest with **PASCHEL** and his company, **PP**. The investments were made in installments by cash or wired funds, beginning December 11, 2017 through May 30, 2018.

6. **PASCHEL** represented to the Alabama resident that the funds would be used for casting calls to hire actors, camera personnel, equipment, photo shoots, and rent a location for filming the teaser reel. Most of this activity was to take place in Atlanta, Georgia.

7. On December 24, 2018, **PASCHEL** provided the Alabama resident with an “Investment Agreement” that reads “Investor provided to Paschel the sum of \$38,131... In consideration of Investor’s funding, Paschel hereby agrees, in the event that Program is produced by a television, film, or media company, Paschel shall cause Investor to receive a fee calculated of the approved budget of the Program, but not to exceed \$45,757.20 or a ROI of 20% (Twenty Percent) of the total investment.”

8. On September 19, 2018, **PASCHEL** solicited a Wisconsin resident to invest in **PP** for the purpose of producing a teaser reel for “The Playwright.”

9. On September 19, 2018, the Wisconsin resident wired \$5,000 to **PASCHEL** for an investment in **PP**, and on September 20, 2018, the investor wired an additional \$5,000 to **PASCHEL**. **PASCHEL** provided an investment contract that stated the investor would receive a twenty percent (20%) return for the investment.

10. A financial analysis of **RESPONDENTS**’ bank accounts revealed that at least \$26,550 of the Alabama investor’s funds were deposited into **PASCHEL’S** personal checking

account held at Regions Bank. **PASCHEL** was the sole signatory on that account. Those funds were then used for personal and/or non-business-related expenses.

11. The financial analysis of **RESPONDENTS'** bank accounts also revealed that \$10,000 of the Wisconsin investor's funds were deposited into **PASCHEL'S** personal savings account held at Regions Bank. **PASCHEL** was the sole signatory on that account as well. Those funds were then used for personal means.

12. A review of files of the Registration Division of the Alabama Securities Commission was conducted on October 28, 2019, disclosing no record of registration, nor exemption from registration for the security offered by **PASCHEL** and **PP**. In addition, **PASCHEL** was not registered, nor exempt from registration, as a broker-dealer agent, investment advisor, or investment- advisor representative in the state of Alabama.

CONCLUSIONS OF LAW

13. Pursuant to Section 8-6-2-(10), *Code of Alabama* (1975), the definition of a security includes an investment contract. The investment plan offered and/or sold by **PASCHEL** in his company **PP** required the investor to invest funds in a common enterprise with the expectation of profits from the significant managerial efforts of others. Therefore, the investment plan offered and/or sold by **PASCHEL** and described herein, constitute investment contracts and are securities as defined by the Act.

14. Pursuant to Section 8-6-2(5), *Code of Alabama* (1975), the definition of Issuer includes "every person who proposes to issue, has issued, or shall hereafter issue any security." **RESPONDENT PP** issued stock and/or investment contracts constituting a security and is an Issuer under the Act.

15. Pursuant to Section 8-6-2(2), *Code of Alabama* (1975), an Agent is any individual other than a dealer who represents a dealer or issuer in affecting or attempting to affect sales of securities. **PASCHEL** affected the solicitation and sale of a security to wit: the stock and/or investment contract on behalf of **PP** with an Alabama resident and is an Agent as defined by the Act.

16. Pursuant to Section 8-6-3(a), *Code of Alabama* (1975), it is unlawful for any person to transact business in this state as a dealer or agent for securities unless they are registered under the Act. By offering and selling securities issued by **PP**, **PASCHEL** acted as agent in the State of Alabama without the benefit of registration in violation of the Act.

17. Pursuant to Section 8-6-3(a), *Code of Alabama* (1975), it is unlawful for any dealer or issuer to employ an agent unless the agent is registered with the Commission. **PP** employed an unregistered agent, namely **PASCHEL**, in violation of the Act.

18. Pursuant to Section 8-6-4, *Code of Alabama* (1975), it is unlawful for any person to either sell any security in this state unless said security: (1) is registered under the Act; (2) the security is exempt from registration under Section 8-6-10; or (3) the transaction is exempt under Section 8-6-11. The security offered by **RESPONDENTS**, to wit: the stock and/or investment contract, was neither registered nor subject to a perfected exemption from registration in Alabama and was offered and in violation of the Act.

19. Pursuant to Section 8-6-17(a)(2), *Code of Alabama* (1975), it is unlawful, in connection with the offer or sale of a security, to omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they are made, not misleading. **PASCHEL** failed to disclose that he would not pay his investors the promised 20 percent return and that he intended and did, in fact, use investors' money for his own personal

gain and expenses rather than investing said funds in PP as he represented.

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

21. 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.

22. 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, Alabama, this 20 day of November 2019.



ALABAMA SECURITIES COMMISSION
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BY:

JOSEPH P. BORG
Director