

STATE OF ALABAMA
ALABAMA SECURITIES COMMISSION

IN THE MATTER OF:

FIRST LEGACY INVESTORS INC
RELIANCE SECURITIES LLC
FIRST LEGACY SECURITIES LLC
HENRY E. WALKER
RONALD WAYNE LANKFORD
CHARLES THOMAS CAMMACK JR
PAUL CLAYTON CONNER
STEVE JEFFREY CUMMINGS
RITA MICHELLE FARMER
JEREMY SHANE HAY
JASON TILTON LATHAM
MELINDA COOK MCCULLOUGH
WILLIAM SLAY STEVENS
DARRYL RICHARD WILSON

ADMINISTRATIVE ORDER
NO. CO 2010-0059

RESPONDENTS

LIMITED CONSENT ORDER FOR PAUL CONNER

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. **FIRST LEGACY INVESTORS INC ("FL INVESTORS")** during all times involving the offer and sale of the securities relevant to this order was a North Carolina corporation with a principal business address of 15800 John J. Delaney Drive, Suite 350, Charlotte, North Carolina 28277.

2. **RELIANCE SECURITIES LLC** ("RELIANCE") for the relevant time of February 19, 2009 to April 15, 2009 was a registered broker dealer with a principal business address of 1100 Abernathy Road, 500 Northpark, Suite 400, Atlanta, Georgia 30328. On April 16, 2009, according to a purchase agreement, Reliance Financial Corporation sold 90 percent Membership Interest in **RELIANCE** to **FL INVESTORS**.

3. **FIRST LEGACY SECURITIES LLC** ("FL SECURITIES") for the relevant time of April 16, 2009 to November 25, 2009 was a subsidiary of **FL INVESTORS** and a registered broker dealer with a principal business address of 1100 Abernathy Road, 500 Northpark, Suite 400, Atlanta, Georgia 30328.

4. **HENRY E. WALKER** ("WALKER"), CRD # 2823447, during all times involving the offer and sale of the securities relevant to this order was the Board Chairman of **FL INVESTORS**. For the relevant time of February 19, 2009 to April 15, 2009, **WALKER** was a registered representative with **RELIANCE** and for the relevant time of April 16, 2009 to November 25, 2009, **WALKER** was a registered representative with **FL SECURITIES** with a principal business address of 1109 Townhouse Road, Helena, Alabama 35080.

5. **RONALD WAYNE LANKFORD** ("LANKFORD"), CRD # 1751588, for the relevant time of February 19, 2009 to April 15, 2009 was the Chief Compliance Officer for **RELIANCE** and for the relevant time of April 16, 2009 to November 25, 2009, **LANKFORD** was the Chief Compliance Officer for **FL SECURITIES** with a principal business address of 1100 Abernathy Road, 500 Northpark, Suite 400, Atlanta, Georgia 30328.

6. **CHARLES THOMAS CAMMACK JR** ("CAMMACK"), CRD # 2143498, for the relevant time of April 21, 2009 to May 12, 2009 was a registered representative with **FL SECURITIES** with a principal business address of 627 Alabama Avenue, Selma, Alabama 36701.

7. **PAUL CLAYTON CONNER (“CONNER”)**, CRD # 1061074, for the relevant time of March 27, 2009 to April 3, 2009 was a registered representative with **RELIANCE**. For the relevant time of June 17, 2009 **CONNER** was a registered representative of **FL SECURITIES** with a principal business address of 409 Lay Dam Road, Suite B, Clanton, Alabama 35046.

8. **STEVE JEFFREY CUMMINGS (“CUMMINGS”)**, CRD # 2274017, for the relevant time of February 26, 2009 to March 31, 2009 was a registered representative with **RELIANCE**. For the relevant time of April 24, 2009 to July 29, 2009, **CUMMINGS** was a registered representative with **FL SECURITIES** with a principal business address of 7050 Fain Park Drive, Suite 15, Montgomery, Alabama 36117.

9. **RITA MICHELLE FARMER (“FARMER”)**, CRD # 4616371, for the relevant transaction on March 20, 2009 was a registered representative with **RELIANCE** with a principal business address of 7050 Fain Park Drive, Suite 15, Montgomery, Alabama 36117.

10. **JEREMY SHANE HAY (“HAY”)**, CRD # 2697622, for the relevant time of February 24, 2009 to April 8, 2009 was a registered representative with **RELIANCE**. For the relevant time of June 4, 2009 to July 29, 2009 **HAY** was a registered representative of **FL SECURITIES** with a principal business address of 312 Main Street, Wadley, Alabama 36276.

11. **JASON TILTON LATHAM (“LATHAM”)**, CRD # 4665932, for the relevant time of February 19, 2009 to April 15, 2009 was a principal and Executive Vice President for **RELIANCE**. For the relevant time of April 16, 2009 to November 25, 2009 **LATHAM** was a principal and Executive Vice President for **FL SECURITIES** with a principal business address of 1109 Townhouse Road, Helena, Alabama 35080.

12. **MELINDA COOK MCCULLOUGH (“MCCULLOUGH”)**, CRD # 5109052, for the relevant time of March 19, 2009 to April 14, 2009 was a registered representative

with **RELIANCE** with a principal business address of 409 Lay Dam Road, Suite B, Clanton, Alabama 35046.

13. **WILLIAM SLAY STEVENS** ("**STEVENS**"), CRD # 2889238, for the relevant time of March 26, 2009 to April 15, 2009 was a registered representative with **RELIANCE**. For the relevant time of April 17, 2009 to October 22, 2009 **STEVENS** was a registered representative with **FL SECURITIES** with a principal business address of 7050 Fain Park Drive, Suite 15, Montgomery, Alabama 36117.

14. **DARRYL RICHARD WILSON** ("**WILSON**"), CRD # 4152258, for the relevant transaction on February 19, 2009 was a registered representative with **RELIANCE**. For the relevant time of April 24, 2009 to June 10, 2009 **WILSON** was a registered representative with **FL SECURITIES** with a principal business address of 1109 Townhouse Road, Helena, Alabama 35080.

STATEMENT OF FACTS

15. On February 16, 2010, the Commission received information that **FL INVESTORS** and **STEVENS** had offered and sold promissory notes and shares of preferred stock to an Alabama resident.

16. On February 25, 2010, **WALKER** gave testimony to the Commission that the promissory notes were sold to raise capital for **FL SECURITIES**. **WALKER** stated that the promissory notes were not registered as securities because **WALKER** had received legal advice that the notes were considered to be loans between **FL INVESTORS** and the individual note holders. **WALKER** stated that there was no commission paid to the **RESPONDENTS** who sold the notes.

17. **WALKER** also provided a list of promissory notes that were sold to investors in Alabama, Georgia, and Florida by the **RESPONDENTS** from February 19, 2009 through May 12, 2009. **WALKER** identified the representatives who sold the notes as **CAMMACK, CONNER, CUMMINGS, FARMER, HAY, MCCULLOUGH, STEVENS,**

WALKER and **WILSON**. According to **WALKER**, the **RESPONDENTS** sold a total of 40 promissory notes to 39 different investors raising a total of \$1,212,914.00. 33 of the notes were at 15% interest while the other 7 were at 20% interest. One note was paid out early at the request of the investor and it was in the amount of \$16,553.42 (principal and interest). Interest only was paid on two other notes totaling \$15,719.18, and those notes were converted to preferred stock. Most of the notes had a one year term. The promissory notes were structured to give the appearance that no interest would be paid to the note holder. However, the notes were sold at a discount, and the face value of the notes included the principal plus interest.

18. On February 26, 2010, **WALKER** provided a list of investors who purchased the preferred stock. **WALKER** identified the representatives who sold the stock as **CONNER, DOZIER, HAY, STEVENS, WALKER** and **WILSON**. According to **WALKER**, 343 shares were sold to 22 investors who invested a total of \$1,715,000. The cost of each share was \$5000.

19. On August 11, 2010, a review of the Commission's registration files disclosed no record of registration or any perfected exemption from registration for the promissory notes offered and sold by the **RESPONDENTS**.

20. During the Commission investigation, Commission Registration Division staff conducted an examination of the books and records of **FL INVESTORS** and its subsidiaries. During the examination, Commission staff visited the **FL INVESTORS** home office in Helena, Alabama (March 10 – 11, 2010); the **FL SECURITIES** home office in Atlanta, Georgia (April 21, 2010); and the **FL SECURITIES** branch office in Montgomery, Alabama (March 9, 2010).

The Commission's examination report contained the following findings:

A. **FL INVESTORS** raised working capital through the offer and sale of promissory notes which were not registered with the Commission nor subject to a perfected exemption from registration.

- B. **FL INVESTORS** raised working capital through the offer and sale of preferred stock. The preferred stock offer was filed with the Commission through a Regulation D Rule 506 Form D submitted June 24, 2009. However, **FL INVESTORS** sold preferred stock as early as May 26, 2009, which exceeded the fifteen day grace period allotted in Alabama Securities Commission Policy Statement dated June 6, 1998.
- C. Based on the documentation received from **FL SECURITIES**, there were at least fourteen occasions when **FL SECURITIES** representatives sold the preferred stock in an unsuitable manner. In one instance, the customer had investment objectives of capital preservation and income growth. However, the customer was sold both promissory notes and preferred stock, which carry an inherent amount of risk inconsistent with the investor's investment objective and by their very nature are deemed speculative. The other unsuitable transactions involved customers with investment objectives of preservation of capital and/or capital appreciation and/or income growth with risk tolerance levels of either moderate or conservative. Respondents **CONNER, CUMMINGS, DOZIER, HAY, STEVENS** and **WILSON** were the representatives identified as having sold the preferred stock in what the Commission's examination deemed was an unsuitable manner based on the investors' investment objectives. The unsuitable transactions had to be approved at the Office of Supervisory Jurisdiction ("OSJ") and at the broker dealer. **LANKFORD** was the Chief Compliance Officer of the broker dealer and **LATHAM** and **WALKER** approved transactions at the OSJ level.

21. On December 14, 2010, as a result of the examination report, the Commission staff issued Show Cause Order No. 2010-0059 against **FL INVESTORS, RELIANCE, FL SECURITIES, WALKER, LANKFORD, CAMMACK, CONNER, CUMMINGS, FARMER, HAY, LATHAM, MCCULLOUGH, STEVENS**, and **WILSON** ordering Respondents to demonstrate to the Commission why they should not be suspended, revoked, censored or barred from the securities industry in the state of Alabama for effecting the unlawful transactions and engaging in unethical or dishonest business practices.

22. In response to the Order, **CONNER** submitted written testimony addressing both the sales of the unregistered promissory notes and the alleged unsuitable manner in which the preferred stock was sold.

23. In his affidavit, **CONNER** states that he "relied on the management of Reliance to perform their ordinary functions as to compliance with the Alabama Securities Act", and did not receive compensation on the sale of the notes.

24. Further, **CONNER** disputed the allegation that the preferred stock sale was unsuitable and substantiated his position with information supporting the reasonableness of his action. Specifically, Conner states that he sold to only one investor whom he has known for over 15 years, that he was aware of the investor's financial condition and investment objectives, and that the total investment was only 2 percent of the investor's net worth.

25. On February 2, 2011 the Commission staff confirmed **CONNER's** testimony with the investor.

CONCLUSIONS OF LAW

26. Pursuant to Section 8-6-2(10), Code of Alabama 1975, Alabama's statutory definition of a security includes any note, stock or evidence of indebtedness. The promissory notes and preferred stock offered and sold by **CONNER** are securities under the Act.

27. Section 8-6-4, Code of Alabama 1975 states: It is unlawful for any person to offer or sell any security in this state unless it is registered under the Act; the security is exempt from registration under Section 8-6-10; or the transaction is exempt under Section 8-6-11. The securities offered and sold by the **CONNER**, to wit; the promissory notes were neither registered nor exempt from registration in Alabama in violation of the Act.

28. Pursuant to Section 8-6-3(j)(2), Code of Alabama 1975, the Commission may suspend, revoke, censor or bar any registrant or any officer, director, partner or person occupying a similar status or performing similar functions for a registrant, from employment with a dealer or investment advisor, or restrict or limit a registrant as to any

function or activity of the business for which registration is required in this state if the Commission finds that the order is in the public interest and that the registrant or, in the case of a dealer or investment advisor, any partner, officer or director, any person occupying a similar status or performing similar functions, or any person directly or indirectly controlling the dealer or investment advisor has violated or failed to comply with any provision of the Alabama Securities Act, or any rule issued by the Commission. **CONNER** offered and sold promissory notes that were neither registered nor exempt from registration in Alabama in violation of the Act.

WHEREAS, **CONNER** admits that the Statement of Facts pertaining to **CONNER** set out hereinabove are true and correct; **CONNER** admits that information and assertions presented by **CONNER** to the Commission during its investigation of this matter are true and correct; that **CONNER** understands the Commission relied upon such information and assertions in its determination to accept this Order and that should information or assertions prove to be incorrect or misrepresented, the Commission may seek such other administrative, civil, or criminal remedies that may be available to it under the provisions of this Act;

WHEREAS, **CONNER** has voluntarily agreed to waive all rights to a hearing upon entry of this Order and has consented to the entry of this Order; and

WHEREAS, the Commission finds this Order necessary and appropriate in the public interest for the protection of investors, and consistent with the purposes fairly intended by the policy and provisions of the Act.

ACCORDINGLY, IT IS HEREBY ORDERED:

1. That **CONNER** ensures that he follows proper procedures to preclude any future non-compliance with the Act.

2. That in accordance with Section 8-6-19(j)(1), Code of Alabama 1975, **CONNER** shall pay to the State of Alabama an administrative assessment of \$1,000.00

said funds to be tendered in certified funds contemporaneously with the entry of this Order.

3. That in accordance with Section 8-6-19(k)(1), Code of Alabama 1975, **CONNER** shall pay to the Alabama Securities Commission, as partial reimbursement for the Commission's cost of investigating this matter, the sum of \$1,000.00 said funds to be tendered in certified funds contemporaneously with the entry of this Order.

4. That the entry of this Order will resolve Show Cause Order (SC-2010-0052), as it pertains to **CONNER**.

AGREED AND CONSENTED to on date indicated:

RESPONDENT

PAUL CONNER

DATE: April 4, 2011

APPROVED AND AGREED this 8th day of April, 2011.

ALABAMA SECURITIES COMMISSION

Alabama Securities Commission

401 Adams Avenue, Suite 280

Montgomery, AL 36130-4700

(334) 242-2984

BY: J. Randall McNeill

J. Randall McNeill
Deputy Director