

**STATE OF ALABAMA
ALABAMA SECURITIES COMMISSION**

IN THE MATTER OF:

SOVEREIGN FUNDING LLC
CALVIN LEO SPURLIN
TERESA HALEY HARRIMAN

RESPONDENTS

ADMINISTRATIVE ORDER
NO. CO 2015-0004

CONSENT 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. **SOVEREIGN FUNDING, LLC. ("SOVEREIGN")** is a South Dakota Limited Liability Company with a principal business address of 110 East Center Street, Suite 2053, Madison, South Dakota 57042.

2. **CALVIN LEO SPURLIN ("SPURLIN")** during all times relevant was Vice President and Treasurer of Choice and an officer of **SOVEREIGN**.

3. **TERESA HALEY HARRIMAN ("HARRIMAN")** during all times relevant was President of Choice and an officer of **SOVEREIGN**.

RELATED PARTIES

4. Choice Trading, Inc. ("Choice") (now dissolved) was an Alabama Corporation, with a principal business address of 3725 Woodtrail Drive SW, Decatur, Alabama 35603.

5. Jay Brian Harriman (now deceased) during all times relevant was a controlling person, as defined in Section 8-6-2(24) of the Act, and a Financial Adviser at Raymond James Financial Services, Inc. Central Registration Depository (CRD) #2811378. Jay Harriman maintained a residential address of 3725 Woodtrail Drive SW, Decatur, Alabama 35603, and was married to **HARRIMAN**.

STATEMENT OF FACTS

6. On December 5, 2013, the Commission staff received information from Raymond James Financial Services, Inc. concerning the activities of Jay Harriman. According to Raymond James, they suspected that Jay Harriman was "selling away" from the firm by soliciting investments in Choice, a hedge fund that utilized credit and calendar spreads along with covered calls and naked puts. Upon investigation by the Commission, it was determined that, to capitalize the fund, Jay Harriman, and **SPURLIN** and **HARRIMAN**, as officers of the company, offered and sold promissory notes that provided a return ranging from 12% - 24% if held for a specified period of time.

7. On December 9, 2013, the Commission staff sent a visitation letter to Raymond James requesting all pertinent information regarding the activities of Jay Harriman and the investments in Choice.

8. On December 13, 2013, the Registration Division of the Commission received a Notice filing for a newly incorporated company offering investments in real estate, **SOVEREIGN**. According to the Notice, **SOVEREIGN** was seeking an exemption from registration pursuant to Regulation D, Rule 506. During the course of reviewing the information contained in the Notice filing for **SOVEREIGN**, Commission staff researched records maintained by the Secretary of State offices. A search of the Alabama Office of Secretary of State records revealed that Choice had been dissolved on December 4, 2013. A search of the South Dakota Office of Secretary of State records revealed that

SOVEREIGN had been incorporated by **HARRIMAN** and **SPURLIN**, as the named officers, on September 25, 2013.

9. On December 17, 2013, the Commission issued subpoenas to Choice, and other entities associated with Jay Harriman, **HARRIMAN**, and/or **SPURLIN**- Harriman Investments, and Romamerica, Inc. On the same day, Commission staff visited the Raymond James' branch office in Decatur to examine records and conduct interviews of all representatives and employees.

10. On December 18, 2013, the Commission staff served a subpoena for documents on Stephenson Accounting, the accounting firm that prepared the Form 1099 for investors. Stephenson responded that it relied on year end statements provided to it by Jay Harriman in order to determine the amounts to include on the Form 1099.

11. On December 23, 2013, the Commission staff sent a visitation letter to Interactive Brokers, LLC, the brokerage firm for Choice, to obtain all account information pertaining to Choice, Jay Harriman, **SPURLIN** and **HARRIMAN**.

12. On January 8, 2014, during the course of the investigation, the Commission staff was notified that Jay Harriman was deceased.

13. On January 13, 2014, the Commission was notified that Jay Harriman had made arrangements to use the proceeds of a certain life insurance policy to repay investors in Choice and **SOVEREIGN**.

14. On January 28, 2014, Commission staff met with Counsel for Choice and **SOVEREIGN**. During the meeting, counsel provided documents responsive to the subpoena, including the promissory notes issued by Jay Harriman, and **HARRIMAN** and **SPURLIN**, as officers of the entities. During the course of the meeting, the Commission staff learned that the most of the investments in Choice, evidenced by the promissory notes, had been rolled over into **SOVEREIGN**. A document styled "Confidential Private Placement Memorandum" on Sovereign Funding, LLC letterhead indicates that the

securities issued in exchange for the promissory notes were debentures.

15. A forensic analysis of the Choice and **SOVEREIGN** financials revealed that, at year-end 2011, Choice had a total trading loss of (\$795,769.00), but paid investor returns of \$440,341.00. At year-end 2012, Choice had a trading gain of \$283,647.00 but, paid investor returns of \$566,370.00. Based on the analysis, Choice did not generate sufficient income through the business and instead used investor principal to pay the promised returns to investors.

16. Following a comprehensive investigation into the activities of Jay Harriman and **RESPONDENTS**, it was concluded that Choice and **SOVEREIGN** were controlled and operated exclusively by Jay Harriman and that he was responsible for the investment and payment activities of the companies.

17. Following the investigation, Commission staff reconciled the financial statements of Choice with the promissory notes issued to the investors to determine the amount of restitution payable to the investors from the life insurance proceeds. The Commission's calculations were based on the investor's net loss, plus 6% interest compounded annually from the time the investments were made, as prescribed by Code of Alabama § 8-6-19. On or about July 29, 2014, Commission staff contacted the investors to certify the calculations.

18. On September 1, 2014, the staff provided the legal counsel of **SPURLIN** and **HARRIMAN** with the results of the investor analysis. The analysis revealed that there were 42 investors in Choice, totaling \$3,846,510.02; that the program lost \$1,777,439.99; that 36 investors moved their investment to **SOVEREIGN**; and that all 36 of those investors received offers of rescission.¹ The rescission offer (which is a refund of the total investment, less any returns², paid together with 6% per annum) totaled \$2,853,924.93.

¹ Six investors withdrew their investment prior to the dissolution of Choice Trading, LLC, and elected not to invest with Sovereign Funding, LLC.

² Any yield, profits, interest, or dividends, received which exceeds the principal investment amount

19. All investors, with the exception of one, accepted the rescission offer.

CONCLUSIONS OF LAW

20. Pursuant to Section 8-6-2(10), Code of Alabama 1975, the definition of a security includes “notes” and “debentures”. The promissory notes issued by Choice, and the debentures issued by **SOVEREIGN**, are securities under the Act.

21. Pursuant to Section 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. Choice and **SOVEREIGN**, by issuing securities, to wit: notes and debentures, are issuers under the Act.

22. Pursuant to section 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. **HARRIMAN** and **SPURLIN** by representing Choice and **SOVEREIGN** in effecting sales of securities, to wit: promissory notes in Choice and debentures in **SOVEREIGN**, acted as agents of Choice and **SOVEREIGN**, as defined by the Act.

23. Pursuant to section 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 or she is registered under the Act. **HARRIMAN** and **SPURLIN** as agents of Choice and **SOVEREIGN** effected sales of securities without benefit of registration, in violation of the Act.

24. 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 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. **HARRIMAN** and **SPURLIN** offered and sold securities, to wit: promissory notes in Choice and debentures in **SOVEREIGN**, that were neither registered nor subject to a perfected exemption from registration, in violation of the Act.

WHEREAS, **RESPONDENTS** state that the information and assertions presented to the Commission during its investigation of this matter are true and correct; that **RESPONDENTS** understand the Commission's reliance upon such information and assertions in its determination to accept this Order; and that should this information or these 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 the Act;

WHEREAS, **RESPONDENTS** have in accordance with Section 8-6-19, Code of Alabama, 1975 tendered offers of rescission to each individual who purchased a security in **SOVEREIGN**, and that **RESPONDENTS** have satisfied the requirements of section 8-6-19 for consummating the rescission;

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 policies and provisions of the Act;

WHEREAS, the Commission, in resolving this matter, considered the remedial acts and cooperation of **RESPONDENTS**;

WHEREAS, **RESPONDENTS** have voluntarily agreed to waive all rights to a hearing upon entry of this Order and have consented to the entry of this Order.

ACCORDINGLY, IT IS HEREBY ORDERED that **RESPONDENTS** be barred from participation in the securities industry in this State and prohibited from the offer or sale of any security, into, within or from the state of Alabama.

Furthermore it is ORDERED:

1. That in accordance with Section 8-6-19(j)(1), Code of Alabama 1975, **RESPONDENTS** shall pay to the state of Alabama an administrative assessment of

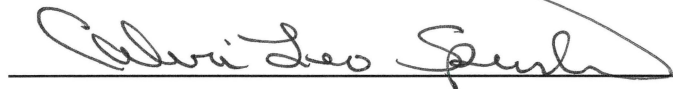
\$30,000.00; said funds to be tendered in certified funds contemporaneously with the entry of this Order.

2. That in accordance with Section 8-6-19(k)(1), Code of Alabama 1975, **RESPONDENTS** shall pay to the Alabama Securities Commission, as partial reimbursement for the Commission's cost of investigating this matter, the sum of \$70,000.00 said funds to be tendered in certified funds contemporaneously with the entry of this Order.

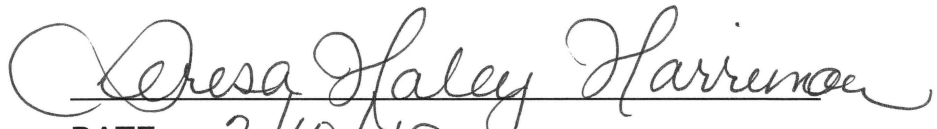
AGREED AND CONSENTED to on date indicated:

RESPONDENTS

CALVIN LEO SPURLIN



TERESA HALEY HARRIMAN


DATE: 2/10/15

APPROVED AND AGREED this 19th day of February, 2015.



ALABAMA SECURITIES COMMISSION
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BY: 

Joseph P. Borg
Director