



ANNUAL REPORT



STATE OF ALABAMA
FISCAL YEAR ENDING
SEPTEMBER 30, 2002



ALABAMA SECURITIES COMMISSION

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Director

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Deputy Director/General
Counsel

May 2, 2003

Honorable Bob Riley
Governor of Alabama
State of Alabama
600 Dexter Avenue
Montgomery, Alabama 36130-2751

Dear Governor Riley:

I am pleased to report another outstanding year in the Commission's role of protecting Alabama investors and facilitating capital formation. This report is submitted in compliance with the Code of Alabama, 1975, § 8-6-53(d) and outlines activities for the fiscal year ending September 30, 2002.

For Fiscal Year 2001-2002, agency revenues totaled \$10,364,960 and the Commission returned the amount of \$8,716,037 to the General Fund while demand for services increased significantly. This accomplishment is credited to utilization of proven management and efficiency techniques, new technology, and enforcement of stringent budget guidelines. The total number of licenses, registrations and exemptions issued was 101,411. The amount of Industrial Revenue bonds reviewed by the Commission staff totaled \$274,871,346.00.

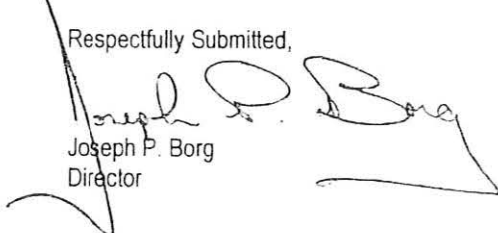
The Alabama Securities Commission continues to be recognized as one of the top five states for aggressive securities enforcement activity. Felony convictions, commission investigations and civil actions resulted in orders to pay restitution to victims in the amount of \$3,901,055. The Commission recovered an additional \$1,795,773 that was returned to over 9,500 investors in the International Benevolence Foundation case, a Montgomery based Ponzi/pyramid scheme. The year also saw the closure of the MN Partners case wherein the Commission issued over 33,000 restitution checks to investors. Work is under way to propose new legislation that will increase the severity of punishment for white-collar crime offenders and streamline legitimate business filings with our office. The Commission has also been one of 10 lead states in the investigation of Wall Street investment firms.

The Education and Public Affairs Office significantly increased its activities to promote fraud prevention and financial education. State agencies and commercial business are working with us to increase the mandatory requirements for financial literacy in high schools. Media program success is measured by extensive coverage on fraud prevention and enforcement actions in Alabama's newspapers, radio and television. Efforts to fight white-collar crime have been covered by national media including the Wall Street Journal, Forbes, USA Today, CNN, CNBC and C-SPAN.

During this period, Alabama's significant role in protecting investors was recognized on an international level when its Director assumed the elected position of President for the North American Securities Administrators Association¹ (NASAA). The Alabama Securities Commission continues to be on the national forefront of securities regulation. The Commission has also been chosen to represent the 50 U.S. state securities regulators at the annual meeting of IOSCO (International Organization of Securities Commissions) for the third straight year.

We believe the Commission is well positioned to meet future regulatory responsibilities, even with increased responsibilities being brought upon by federal legislation and the current state of the economy.

Respectfully Submitted,


Joseph P. Borg
Director

JPB:dl

¹ (See page 7 of report)

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Prepared and submitted pursuant to *Code of Alabama, 1975*, § 8-6-53(d).

STATUTORY AUTHORITY

The Commission is responsible for administering and enforcing the laws of the State of Alabama relative to:

Sec. 8-6-1, *et seq.* - Securities Act No. 740
(1969 Regular Session) and as amended

Sec. 8-6-110, *et seq.* - Industrial Revenue Bonds Act No. 586
(1978 Regular Session)

Sec. 8-7-1, *et seq.* - Sale of Checks Act No. 177
(1961 Special Session)

The Commission's authority extends to **any activity involving the issuance, offering, sale, and other related transactions involving securities made within, into, or from the State of Alabama.**

The purpose of the Securities Act is to protect investors from fraud and to preserve legitimate capital markets. The accomplishment of these objectives is legislatively provided for in five different ways by:

Requiring the registration or the specific exemption from registration of securities prior to their public or private offer of sale;

Requiring the registration of Broker/Dealers and salesmen and regulation of their activities;

Requiring the registration of Investment Advisers and Investment Adviser Representatives and regulation of their activities;

Providing civil remedies to purchasers of securities sold in violation of the Acts; and

Providing administrative, civil, and criminal penalties for those who participate in the unlawful sale of securities.

Through its legislative mandate, the Commission and its staff assist Alabama businesses during capital formation and protects Alabama issuers, businesses, and residents from fraudulent securities transactions. The Commission does not recommend or endorse broker/dealer firms, salesmen, investment adviser firms, representatives, or the purchase of any securities, nor does it pass upon the accuracy or completeness of any prospectus, private placement memorandum or sales literature.

ORGANIZATION

The Commission consists of the Attorney General, the State Superintendent of Banks, the State Insurance Commissioner (by virtue of their offices). Also, two attorneys and two certified public accountants are appointed by the Governor from lists of nominees submitted by the Alabama Bar Association and the Alabama Society of Certified Public Accountants and confirmed by the Senate. The Commission maintains oversight, provides policy guidance and establishes rules for the performance of its functions and the accomplishment of its purpose. The members of the Commission during Fiscal Year 2000-2001 were:

ACTIVE

HAROLD B. KUSHNER, JR., Chairman	Attorney at Law Birmingham, Alabama	03/01- Present
J. WRAY PEARCE, CPA, Vice Chairman	Certified Public Accountant Birmingham, Alabama	05/01-Present
BILL PRYOR, ESQ., Member	Attorney General Attorney General's Office Montgomery, Alabama	01/97-Present
MARIA B. CAMPBELL, Member	Superintendent of Banking Montgomery, Alabama	06/01-Present
D. DAVID PARSONS, Member	Commissioner of Insurance Department of Insurance Montgomery, Alabama	01/99-Present
TYRONE C. MEANS, Member	Attorney at Law Montgomery, Alabama	05/01-Present
DANIEL C. HARDMAN, CPA, Member	Certified Public Accountant Birmingham, Alabama	03/02- Present

PAST

WILLIAM HASTY, ESQ., Chairman	Attorney at Law Birmingham, Alabama	11/93-12/00
MARCUS WOLF, J.D., CPA, Vice Chairman	Certified Public Accountant Montgomery, Alabama	09/93-05/01
NORMAN B. DAVIS, Member	Superintendent of Banking State Banking Board Montgomery, Alabama	01/98-06/01

OFFICE PERSONNEL

Directorate Division

Joseph P. Borg, Director
Christie Rhodes, Executive Assistant II
Sally Hull, Admin Support Assistant I

Legal Division

Susan B. Anderson, Deputy Director/General Counsel
J. Randall McNeill, Deputy Attorney General
Kimathy J. Booher, Legal Research Assistant

Accounting/Personnel Division

Renee Sanders, Senior Accountant
Gwendolyn Lover, Account Clerk

Data Systems Division

David E. Gilmore, IT Systems Specialist

Education and Public Affairs Division

Daniel G. Lord, Training Specialist II

Enforcement Division

John M. Foley, Sr. Special Agent; Manager/Enforcement
James G. Pugh, Sr. Special Agent; Manager/Administrative

Stephen Brantley, Special Agent
Ricky Locklar, Special Agent
Reuben Redd, Special Agent
Christopher Young, Special Agent

Kim Lewis, Special Agent
Rossie Peters, Special Agent
David Williams, Special Agent

Brittney Buchanon, Clerk
Ruth Markland, Admin. Support Asst. II

Patrisa J. Elmore, Executive Secretary

Registration Division

Edwin L. Reed, Registration Manager

Rena Davis, Securities Analyst
Bene' Kyles, Securities Analyst
Lisa M. Tolar, Securities Analyst

Walter Goss, Securities Analyst
Becky Lynam, Securities Analyst
Leslie Worrell, Securities Analyst

Arlanda Goodwin, Admin. Support Asst I
Sandra S. Pitts, Admin. Support Asst I

Alrika Ingram, Clerk
Conceita R. Watkins, Clerk

PURPOSE

The Alabama Securities Commission (the "Commission") administers and enforces the following Alabama statutes: THE ALABAMA SECURITIES ACT, including the Sale of Checks Act, the Pre-Issuance Procedures for Industrial Revenue Bonds and Fiduciary Security Transfers. The Commission is comprised of seven Commissioners, consisting of the Attorney General, the Superintendent of Banks, the Commissioner of Insurance, two Attorneys and two Certified Public Accountants.

The Commission is functionally divided into the following six divisions: (1) Directorate; (2) Legal; (3) Accounting/Personnel; (4) Data Systems; (5) Education and Public Affairs; (6) Enforcement; (7) Registration.

The function of the Commission and its staff is to regulate the sale of securities and the securities industry in Alabama. The Commission's jurisdiction encompasses all securities offered and sold in or from Alabama or to Alabama residents. The Securities Act requires the registration of all securities offered for sale in Alabama unless there is an applicable exemption. The Securities Act provides a series of exemptions to cover situations where, because of the nature of the security or the character of the transaction, registration is not deemed to be necessary in the public interest or for the protection of investors.

With respect to the responsibility for regulating the securities industry in Alabama, the Commission maintains as its primary objective the encouragement of investor protection and confidence in the investment industry. In this respect, all persons who propose to act as broker-dealers, agents (registered representatives), investment advisers or associated persons (investment adviser representatives) must be licensed by the Commission prior to engaging in such activities.

The Sale of Checks Act requires the filing of an application and issuance of a license before engaging in the business of selling, issuing or dispensing checks or receiving money as an agent for obligors for the purpose of paying obligor's bills, invoices or accounts.

The Commission's functions also include pre-clearance of industrial revenue bonds, the investigations of alleged violations of the provisions of the above-referenced statutes along with the initiation of administrative, civil and criminal proceedings and case referrals to other agencies where appropriate.

The primary purpose of the regulatory responsibilities and objectives described above is to protect the public from fraudulent practices in connection with the offer, sale, and purchase of securities in Alabama while encouraging, at the same time, the financing of legitimate business and industry in the state.

EDUCATION AND PUBLIC AFFAIRS

The Alabama Securities Commission strives to prevent citizens from becoming victims of securities fraud and encourages education initiatives to promote savings and informed investing practices.

The Alabama Securities Commission created the new Education and Public Affairs division in February 2001 to monitor, manage and promote securities media and educational programs throughout the state of Alabama. This division has progressed rapidly to develop a working relationship with the Department of Education and business teachers in Alabama high schools. The aggressive media outreach program resulted in positive publicity for the state of Alabama and throughout the nation on most major networks.

Media

The Director's cooperation and participation has helped build an outstanding reputation with television, radio, newspaper, and magazine media. The Commission is known as one of the top five most aggressive securities enforcement agencies in North America. The commission uses the media to let citizens know about enforcement actions, fraud alerts, fraud prevention, where to find educational materials and much more.

Articles and news media presentations included continual coverage in the Birmingham News, Montgomery Advertiser, Huntsville Times, Mobile Register, WSFA and Alabama Public Television in Montgomery, Troy State Public Radio and many more.

On the national media level articles/commentary/appearances in: The Wall Street Journal; New York Times; CNN New York; C-SPAN, USA Today; The Dallas Morning News; Compliance Reporter and Investment News Magazine to name a few. Nationwide publicity is most beneficial as many scams are implemented statewide, nationwide and worldwide via the internet.

This is the second year for the ASC website and it is fully functional with information about securities law and state regulatory policy, fraud prevention and education, and how to contact the commission. The site address is www.asc.state.al.us.

Public Speaking

The Director and his staff actively participate in public speaking events to teach citizens in Alabama about services offered, fraud prevention and financial education. This year events reached senior citizens at AARP Consumer University in Dothan; the Alabama Cooperative Extension conference in Huntsville in support of education for urban families; the National Association of Investors Corporation (NAIC) annual state conference in Montgomery. Multiple presentations were made upon request to organizations like Crime Watch, Kiwanis, Lions, Masons, Retired Teachers Association, Rotarians and many others.

(continued on next page)

(continued: EDUCATION AND PUBLIC AFFAIRS)

Printed Materials

To keep citizens up to date, better informed and save considerable money in printing expense, news releases and educational articles have been developed in-house or acquired through other agencies with copyright permission. Materials are print-on-demand according to audience size and the topic for presentation. The digitized publication library presently has over forty educational/fraud prevention publications that are current and can be continually updated. This also, enables the Commission to send materials and publications electronically to citizens throughout the state of Alabama by email which provides extensive savings in postage and printing costs.

The Commission prints and distributes copies of news releases, investor alerts, and stocks brochures on topics about different types of investment fraud, how to protect yourself against fraud, and various financial education topics most of which are posted on the ASC website. Also, three professionally produced VCR movies designed to teach fraud prevention are available upon request: Investment Scams: What Con Artists Don't Want You to Know; What Investors Should Know...Rev; Money Laundering: Do You Really Know Your Customer?

Financial Education to Citizens of Alabama

In addition to providing printed information to any citizen who calls or writes ASC has provided Fraud Prevention and Informed Investor Education to all segments of society in Alabama. Presentations and training was conducted for a variety of organizations in Alabama. For example: the Alabama Cooperative Extension to promote financial education in urban communities; AARP (mature citizens) to teach fraud prevention techniques, NAIC (investor clubs) to promote awareness to working adults and discuss methods of working with high school teachers and Junior Achievement; the Department of Education Business Technical conference to offer teachers assistance and free professionally produced curriculum that meets/exceeds the Alabama curriculum standards for many financial education related courses.

Financial Literacy Program

The Financial Literacy program offers two professionally developed curriculum books to any interested high school public or private school teacher, free of charge. The first publication released was entitled *Basics of Saving and Investing* teaching guide. This guide is presently used in various business, math, and social studies courses. High school economics teachers throughout the state of Alabama recently received a new publication called *Personal Finance in the Economics Classroom*. The new publication meets specific curriculum criteria for Alabama Public Schools. These publications were developed jointly by securities regulatory and business organizations such as IPT, NASAA, NASD and NICE. ASC provides training and information to teachers requesting assistance in the use of these publications.

NASAA

NORTH AMERICAN SECURITIES ADMINISTRATORS ASSOCIATION

The Commission continues its membership in the North American Securities Administrators Association, Inc. (NASAA), consisting of the securities administrators of the 50 US states, District of Columbia, Canadian provinces and territories, Republic of Mexico and Puerto Rico.

As a NASAA member, the Commission joins other securities administrators in programs relating to investor education, information sharing, and cooperative enforcement efforts; and in promoting uniformity of state securities requirements and other actions necessary for effective state and federal securities regulation.

Commission Director Joseph Borg was the elected President of NASAA in 2001 and completed his one-year term in October of 2002. He has remained a member of the NASAA Board of Directors. Other staff members participated in project groups made up of counterparts from other states or countries. Project groups develop many policy guidelines and consider issues of financial education, registration, licensing, litigation and enforcement, and areas involving regulatory areas concerning investment advisors.

NASAA programs are carried out through its various committees. During Fiscal Year 2001-2002 Commission employees served on or participated with the following NASAA committees: Affinity Based Outreach; Investment Advisor Operations; Investment Advisor Zones; Investor Education Coordination; Legal Committee Litigation Training and Enforcement Policy, and the Board of Directors.

The Commission intends to continue active participation on various NASAA committees, which, in coordination with the SEC, NASD, NYSE, other exchanges, industry representatives, the accounting and legal professions, and other related groups have promulgated national uniform forms and guidelines. The adoption of these uniform filings alleviate burdens on those sectors of the securities industry by eliminating duplicative examination and registration requirements, thus reducing the amount of time, money, effort, and paperwork required, and achieving less costly and more effective regulation of the industry. Such guidelines apply to the following types of securities activities and filings: licensing, registration, audits, oil and gas, real estate, real estate investment trusts, commodity pools, equipment leasing, health care facilities programs, offerings on the Internet, and others.

ALABAMA SECURITIES COMMISSION REGULATORY SERVICES PROGRAM

APPROPRIATION DESCRIPTION

With respect to all funds described below, the various Alabama statutes provide civil remedies to purchasers of securities sold in violation of the Acts and provide administrative, criminal and/or civil penalties for those who participate in the unlawful sale of securities. The Alabama Securities Commission assists Alabama businesses during capital formation and protects Alabama's issuers, businesses and residents from fraudulent securities transactions. The Commission does not recommend or endorse broker-dealer firms, salesmen, investment adviser firms, representatives or the purchase of any securities; nor does it pass upon the accuracy or completeness of any prospectus, private placement memorandum or sales literature. The Commission does, however, bring warrants, indictments and cases for trial when necessary. Extensive examinations and investigations are conducted by Commission personnel, including multi-jurisdictional investigations and joint cases with Federal, state and local law enforcement agencies.

FUND 374: Sale of Checks Fund. The Sale of Checks Act requires the filing of an application and issuance of a license before engaging in the business of selling, issuing, or dispensing checks or receiving money as an agent for obligors for the purpose of paying obligors bills, invoices or accounts. Section 8-7-1, *et seq.*, Sale of Checks Act No. 177 authorizes the Commission to accept applications, conduct investigations with respect to said applications, require bond and conduct examinations as necessary.

FUND 375: Securities Commission Fund. The Commission is responsible for administering and enforcing laws of the State of Alabama relative to the Alabama Securities Act, § 8-6-1, *et seq.*, Securities Act No. 740. The purpose of the Act is to protect investors from fraud and to preserve legitimate capital markets. The accomplishment of these objectives is legislatively provided for in five major ways: (1) requiring the registration or the specific exemption from registration of securities prior to their public or private offer of sale; (2) requiring the registration of broker-dealers and salesmen and regulation of their activities; (3) requiring the registration of investment advisers and investment adviser representatives and regulation of their activities; (4) requiring notice filings of mutual funds, Reg. A, and Reg. D filings under the Securities Acts of 1933 and 1934; and (5) the filing of certain other specialized securities offerings by way of coordination, notification, qualification, or limited exemptions.

FUND 376: Industrial Revenue Bond Notification Fund. The Alabama Securities Commission acts as a pre-clearance check on certain industrial revenue bonds as provided for under Section 8-6-110, *et seq.*, Industrial Revenue Bonds Act No. 586. The Commission reviews and analyzes filings made prior to sale of said bonds to investors and issues appropriate No Stop Orders.

FEE SCHEDULE

FILING	DEFINITION	FEE	AUTHORITY
Notification	Generally available for seasoned issuers and requires limited disclosure.	\$40 filing fee + registration fee of 1/10 of 1% of the aggregate offering price of the securities offered in this state. Registration fee not to exceed \$1000	§ 8-6-8(d) <i>Code of Alabama</i> , 1975
Coordination	Registered statement has been filed in connection with the same offering. State filing in conjunction with SEC filing.	\$40 filing fee + registration fee of 1/10 of 1% of the aggregate offering price of the securities offered in this state. Registration fee not to exceed \$1000	§ 8-6-8(d) <i>Code of Alabama</i> , 1975
Qualification	Any other security.	\$40 filing fee + registration fee of 1/10 of 1% of the aggregate offering price of the securities offered in this state. Registration fee not to exceed \$1000	§ 8-6-8(d) <i>Code of Alabama</i> , 1975
Exemption	Securities not required to be registered by virtue of exemption under federal, state, or provincial statutes.		
Limited Offerings	(1) Alabama ULOE	\$150	§ 8-6-11(a)11(14)(m)(4), <i>Code of Alabama</i> , 1975
	(2) Regulation D filing under Rules 505 and 506	\$250	§ 8-6-11(c), <i>Code of Alabama</i> , 1975 Commission Rule 830-X-6-

FILING	DEFINITION	FEE	AUTHORITY
			.11(1)(a)(3)(iv)
	(3) Expansion Order filing to increase the number of purchasers in a limited offering that has already been exempted from registration.	\$250	§ 8-6-11(c), Code of Alabama, 1975
	(4) For sale up to 35 Alabama purchasers in 12 months.	\$250	Commission Rule 830-X-6-.12(1)(d)(iv)
	Extension of the term up to 12 months	\$150	Commission Rule 830-X-6-.12(1)(d)(iv)
Mutual Fund Exemption	Registration exemptions for Open-End Management Investment Company:		§ 8-6-10(11)(b)(2), Code of Alabama, 1975
	Total assets less than or equal to \$25 million:	\$300+ \$40 new application fee	§ 8-6-10(11)b.2., Code of Alabama, 1975
	Total assets greater than \$25 million, less than \$100 million:	\$600+ \$40 new application fee	
	Total assets greater than \$100 million:	\$1,000+ \$40 new application fee	
	Unit Investment Trusts:	\$200 + \$40 new application fee	
IDB	Industrial Revenue Bonds are municipal bonds issued for purpose of constructing facilities.	1/20 of 1% of principal amount of described bonds. No less than \$25, but not to exceed \$1,000	§ 8-6-115, Code of Alabama, 1975
Sale of Checks	Sale of any check, draft, money order, or other		§ 8-7-6, Code of Alabama, 1975 § 8-7-9, Code of Alabama,

FILING	DEFINITION	FEE	AUTHORITY
	instrument for transmission or payment of money. (1) Investigative fee for initial application (2) Registration fee for principal office (3) Additional location and agents in the state	\$250 \$250 \$5 (Max registration fee \$500, exclusive of investigative fee)	1975
Opinions	Interpretations	\$150	§ 8-6-29, <i>Code of Alabama</i> , 1975
Agent	Any individual, other than a dealer, who represents a dealer or issuer in effecting or attempting to effect sales of securities.	\$50	§ 8-6-3(h), <i>Code of Alabama</i> , 1975
Dealer	Any person engaged in the business of effecting transactions in securities for the account of others or for his own account.	\$200	§ 8-6-3(h), <i>Code of Alabama</i> , 1975
Investment Adviser	Any person who, for compensation, engages in the business of advising others, either directly or through publications or writings, as to the value of securities or as to the advisability of investing in, purchasing, or selling securities, or who, for compensation and as a part of a regular business, issues or promulgates analyses or reports concerning securities.	\$200	§ 8-6-3(h), <i>Code of Alabama</i> , 1975

FILING	DEFINITION	FEE	AUTHORITY
Investment Adviser Representative	Any partner, officer, director of or other individual employed by or associated with an investment adviser, except clerical or ministerial personnel, who (a) makes recommendations or renders advice regarding securities; (b) manages accounts or portfolios of clients; (c) determines which recommendations or advice regarding securities should be given; (d) solicits, offers or negotiates for the sale of or sells investment advisory services; and (e) supervises employees who perform any of the foregoing.	\$50	§ 8-6-3(h), <i>Code of Alabama</i> , 1975
Administrative Assessment	Fee imposed upon any person who violates any provision of the article or rule or order issued under the article.	Not to exceed \$5,000 for each act or omission. Total assessment not to exceed \$50,000	§ 8-6-19(j)(2)(5), <i>Code of Alabama</i> , 1975
Investigative Execution	Investigative costs resulting from violation of any provision of the article or violation of any rule.	Actual costs of investigation	§ 8-6-19(k)(1)(2), <i>Code of Alabama</i> , 1975

FINANCIAL STATEMENT

FISCAL YEAR 2001-2002

Agency Revenues

Authority

§ 8-6-3(h)	Investment Advisers & Representatives	\$ 5,089,030
	Broker-Dealers & Representatives	
§ 8-6-8	Securities Registration.....	31,937
§ 8-6-11	Exemptions.....	105,050
§ 8-6-19	Administrative Assessments/Investigative Executions.....	7,500
§ 8-6-10(11)(b)(2)	Mutual Fund Exemptions.....	5,095,280
§ 8-6-29	Opinions	1,050
§ 8-6-115	Industrial Revenue Bonds	18,933
§§ 8-7-6; 8-7-9	Sale of Checks	16,180
	TOTAL REVENUES	\$ 10,364,960
	To General Fund	\$ 4,816,037
	To Sale of Checks Fund	16,180
	To Securities Commission Fund	5,513,810
	To Industrial Revenue Fund	18,933
	TOTAL	\$ 10,364,960

Expenditures

Personnel Costs	\$ 1,552,146
Employee Benefits	353,306
Travel (In-State).....	13,330
Travel (Out of State).....	9,502
Repairs & Maintenance	7,029
Rentals & Leases	265,595
Utilities & Communications	24,523
Professional Services	48,353
Supplies, Materials & Operating Expenses	178,085
Transportation Equipment Operations	18,700
Transportation Equipment Purchases	38,894
Other Equipment Purchases	49,304
TOTAL	\$ 2,558,767
Additional Transfer to State General Fund	3,900,000
Additional Transfer to the Department of Forensic Sciences	100,000
TOTAL EXPENDITURES	\$ 2,558,767
TOTAL TO GENERAL FUND FOR FISCAL YEAR 2001-2002	\$ 8,716,037

ENFORCEMENT

A comparative summary of the Enforcement Division's Fiscal Year 2001-2002 and Fiscal Year 2000-2001 activities are shown on the following charts.

ALABAMA SECURITIES COMMISSION				
Administrative Orders Issued				
Enforcement Division				
TYPE OF ORDER ISSUED	Fiscal Year 2000-2001		Fiscal Year 2001-2002	
	No. of Respondents	Orders	No. of Respondents	Orders
Cease and Desist	106	34	28	11
Consent	20	15	9	**6
Show Cause	7	1	1	1
Denial	3	0	0	0
Revocation	0	0	0	0
Suspension	1	0	0	0
Order to Vacate	12	*6	9	5
Permanent Bar	16	18	15	14
TOTALS	165*	76*	**62	**37

*5 orders with 12 Respondents were issued by Registration Division
 **1 order with 1 Respondent was issued by Registration Division

Rescission Offers		
Number of Cases	Number of Investors	Total Amount
FY 2000-2001 4	5	\$ 517,887.75
FY 2001-2002 5	6	\$ 555,205.57

ENFORCEMENT

ALABAMA SECURITIES COMMISSION Enforcement Activity

ACTIVITY	Fiscal Year 2000-2001	Fiscal Year 2001-2002
"I"=Inquiry		
"S"=Formal Investigation		
Investigations Opened - "I"	144	130
Investigations Closed - "I"	136	101
Investigations Opened - "S"	46	35
Investigations Closed - "S"	48	50
Administrative Actions	165	62
Civil Actions	3	0
Receiverships Appointed	2	1
Rescission Offers Obtained	4	5
Indictments Obtained	4	17
Warrants Obtained	5	8
Arrests Made	7	20
Convictions Obtained	21	16
Public Warnings Issued	14	6
Referrals to Other Agencies	7	8

At the end of Fiscal Year 2001-2002, there were 11 individuals awaiting Grand Jury, 6 individuals pending arrest, and 19 individuals awaiting trial. In addition, 11 of the convictions were the result of a joint task force in which the Commission played an integral part.

At the end of Fiscal Year 2000-2001, there were 6 individuals awaiting Grand Jury, 3 individuals pending arrest, and 23 individuals awaiting trial. Also during this year, 11 of the convictions were the result of a joint task force in which the Commission played an integral part.

REGISTRATION AND EXEMPTION ACTIVITY

STATISTICAL SUMMARY

10/01/2001 - 09/30/2002

	Application Filed	Application Approved	Renewal Processed	Application Withdrawn	Application Terminated
Broker/Dealer	164	172	1625	32	112
Broker/Dealer Agent	na	22318	66311	66	28291
Eleemosynary Financing Exemption	59	30	0	20	0
Exempt Consent	47	46	0	1	0
Expansion Order	6	5	0	0	2
Industrial Revenue Bond	20	17	0	0	0
Investment Adviser - Federal	103	94	471	0	13
Investment Adviser - State Registered	20	19	110	0	7
Investment Adviser Representative	na	745	1896	61	340
Limited Offering	413	418	0	4	26
Mutual Fund Exemptions	1002	1014	5869	3	228
Registration by Coordination	55	38	0	23	12
Registration by Qualification	3	2	0	2	1
Restricted Agent	51	38	129	15	12
Sale of Checks Vendor	3	7	37	0	0

Note: The total number of registrations and exemptions issued in fiscal year 2002 was 101,411.

**INDUSTRIAL REVENUE BONDS
FY 2001-2002**

LESSEE	DATE SUBMITTED	FEE CHARGED	DATE ISSUED	AMOUNT OF ISSUE
Wiregrass Construction Company, Inc.	10/12/00	\$1,000.00	10/18/00	\$ 2,250,000.00
Mead Corporation Project, Series 2000 A	10/16/00	1,000.00	10/20/00	10,000,000.00
Melsure Corporation Project Series 2000	10/18/00	1,000.00	10/20/00	9,750,000.00
Alabama Electric Cooperative, Inc.	11/16/00	1,000.00	11/21/00	19,200,000.00
Hickory Hills Leasing, LLC	12/13/00	1,000.00	12/15/00	2,000,000.00
C. Hager & Sons Hinge Manufacturing Company	12/22/00	1,000.00	12/28/00	3,700,000.00
Speculative Building	1/12/01	140.20	1/17/01	280,400.00
Alabama Catfish Feedmill, LLC	1/16/01	1,000.00	1/19/01	2,600,000.00
YTT, LLC/Regitar, USA, Inc.	1/24/01	586.14	1/25/01	1,172,276.00
Exxon Capital Ventures, Inc.	2/5/01	1,000.00	2/6/01	12,000,000.00
Qualico Steel Company, Inc.	2/7/01	1,000.00	2/8/01	3,500,000.00
Mead Corporation	2/13/01	1,000.00	2/14/01	8,000,000.00
Modular Process Technology Corp.	2/14/01	1,000.00	3/12/01	4,000,000.00
W.L. Halsey Grocery Co., Inc.	2/14/01	1,000.00	2/14/01	3,500,000.00
Bridge, Inc.	2/23/01	720.00	2/26/01	1,440,000.00
Harrell's Fertilizer, Inc.	2/28/01	1,000.00	3/12/01	4,000,000.00
Quality Housing Supply, LLC	3/5/01	625.00	3/12/01	1,250,000.00
Alabama Power Co.	4/4/01	1,000.00	4/9/01	10,000,000.00
Alabama Electric Cooperative, Inc.	4/13/01	1,000.00	4/17/01	5,000,000.00
Springhill Medical, Inc.	5/1/01	650.00	5/3/01	1,300,000.00
Carter Brothers Project (Series 2001)	5/8/01	740.00	6/18/01	1,480,000.00
Carter Brothers Project (Series 2001-A)	5/8/01	75.00	6/18/01	150,000.00
Carlton Investments, LLC	5/10/01	1,000.00	5/14/01	3,400,000.00
American FireLog Corporation	5/14/01	1,000.00	6/1/01	4,000,000.00
International Paper Corporation	5/15/01	1,000.00	5/17/01	3,200,000.00
Russell Corporation	5/23/01	1,000.00	5/24/01	30,000,000.00
Russell Corporation	6/5/01	1,000.00	6/7/01	50,000,000.00
Southern Electric Generating Company	6/6/01	1,000.00	6/7/01	24,500,000.00
Russell Corporation	6/7/01	1,000.00	6/8/01	25,780,000.00
Service Steel, Inc.	6/11/01	900.00	6/18/01	1,800,000.00
Speculative Building	6/18/01	336.84	6/20/01	453,670.00
Mead Corporation (Series A)	7/30/01	1,000.00	8/2/01	7,165,000.00
Qualico Steel Project	7/31/01	1,000.00	8/2/01	8,000,000.00
Alabama Power Barry Plant	9/18/01	1,000.00	9/24/01	10,000,000.00
TOTALS:		\$29,773.18		\$274,871,346.00



JOSEPH P. BORG
Director
SUSAN B. ANDERSON
Deputy Director/General Counsel

ALABAMA SECURITIES COMMISSION

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Superintendent of Banks

D. DAVID PARSONS
Commissioner of Insurance

TYRONE C. MEANS
Attorney at Law

DANIEL C. HARDMAN
Certified Public Accountant

ALABAMA SECURITIES COMMISSION MEETING OF AUGUST 29, 2002

The Alabama Securities Commission held a quarterly meeting on August 29, 2002, at 10:00 a.m., in the conference room located on the fifth floor of the RSA Plaza Building, 770 Washington Avenue, Montgomery, Alabama. Notice of the time and place of this meeting was published in the Montgomery Advertiser, Birmingham News/Post Herald, Huntsville Times and the Mobile Press Register.

Commission Members Present Were:

Hon. Harold B. Kushner, Attorney, Chairman
Hon. J. Wray Pearce, Certified Public Accountant, Vice-Chairman
Hon. Bill Pryor, Attorney General
Hon. David Parsons, Commissioner of Insurance
Hon. Tyrone C. Means, Attorney
Hon. Maria Campbell, Superintendent of Banks
Hon. Jeffrey Long, Assistant Attorney General – representing the Attorney General

Commission Member Absent:

Hon. Daniel Hardman, Certified Public Accountant

Visitors Present:

Mr. Taylor Noggle, Interim Director of the Department of Forensic Sciences
Mr. Randy Hillman, Executive Director of the Alabama District Attorney's Association and Executive Director of the Office of Prosecution Services

Staff Members Present Were:

Joseph P. Borg, Director
Susan B. Anderson, Deputy Director
J. Michael Foley, Senior Special Agent
Edwin L. Reed, Registration Manager
Christie Rhodes, Executive Assistant

Chairman Kushner called the meeting to order at 10:00 a.m. and requested the Commission to review and accept the proposed agenda. Commissioner Campbell moved to approve the agenda and Commissioner Pearce seconded the motion. The motion carried unanimously. Chairman Kushner requested the Commissioners to review the minutes of the May 8, 2002 meeting of the Commission. Commissioner Parsons moved to approve the minutes and Commissioner Pearce seconded the motion. The motion carried unanimously.

Chairman Kushner then called upon Director Borg to provide the Commission with a Director's Report. Director Borg presented the Monthly Report of the Commission's operations, including statistics and data regarding personnel, receipts, disbursements, and enforcement and registration activity. Director Borg called upon Edwin Reed, Manager of the Registration Division, to give a report on the status of the upgrade to the registration database and Mr. Reed reported that the conversion should be completed by November 1, 2002. Director Borg then called upon Senior Special Agent Michael Foley, Manager of the Enforcement Division, to provide the Commission with an update on the new enforcement system database. Mr. Foley reported that the conversion is just beginning and that it is a large task. The training for the enforcement employees is tentatively scheduled for the end of October, 2002. The goal is to have everyone trained on the new system by the end of the current calendar year. Commissioner Pearce commenced a discussion concerning the competitive bid laws and how these particular contracts were acquired regarding the computer upgrades and it was reported to him that, to the Commission staff's knowledge, all laws had been observed.

A brief discussion then ensued concerning the positive press coverage the Commission has received in recent months, and Commissioner Pearce stated that the Commission staff should be commended for a well-done job in disseminating information to the press. Deputy Director Anderson next provided the Commission with a report concerning the Commission staff's interest in adopting a policy statement providing clarification to the registration exemption found at §8-6-10(10) of the Alabama Securities Act. Deputy Director Anderson explained that the vast majority of states have interpreted similar exemptions to correspond with the Securities & Exchange Rule 701, which allows the exemption to apply to affiliated individuals of the company who might not necessarily meet a narrow interpretation of employee. Commissioner Pearce moved to approve the policy statement, which is attached to these minutes as Exhibit "A", and Commissioner Parsons seconded the motion. The motion carried unanimously.

Attorney General Pryor and Director Borg then requested the Commission to consider a loan of Commission funds to the Alabama Department of Forensic Science, and called upon Mr. Taylor Noggle to report to the Commission. Mr. Noggle has been appointed as Interim Director of the Department of Forensic Science, and he provided the Commission with information concerning the tremendous benefit that the Department of Forensic Sciences has been for law enforcement personnel in this state. He further provided the Commission with information concerning the short fall in the department's budget of over \$2 million dollars and how the department is tremendously understaffed and is currently very back logged in working criminal cases. Mr. Noggle advised that Alabama's Department of Forensic Sciences is the oldest state agency of its kind in the country and that it was established in 1935. He informed the Commission of the Codex

System, which is a database that compiles DNA evidence of every person who goes into Alabama's prison system. This database is very useful in obtaining evidence with regard to repeat offenders. The department is a General Fund agency and has currently been appropriated less than it received in 1995. Mr. Randy Hillman, the Executive Director of the Alabama District Attorney's Association and Executive Director of the Office of Prosecution Services, also provided the Commission with information concerning the valuable resources provided by the Department of Forensic Sciences.

A general discussion ensued concerning a loan from one state agency to another, and Attorney General Pryor stated that he would work with the Finance Department to ensure that it is done properly. Questions arose regarding the legality and/or precedence of a loan of this nature and the Attorney General Pryor stated that it is legal and that it will not set any adverse precedent for the Commission, in that the record will clearly reflect that this will be a one time shift of money from the Securities Commission to the Department of Forensic Sciences. A general discussion then ensued concerning an outright transfer of funds as opposed to a loan, and Commissioner Parsons requested a motion to authorize up to a \$1 million dollar one time transfer from the Securities Commission to the Department of Forensic Sciences, subject to the approval of the Attorney General and the Finance Director. Commissioner Pearce so moved, with the addendum that the final format of this transfer of funds would come back before the Commission prior to the transfer for final approval. Commissioner Means seconded the motion, and the motion carried unanimously.

Attorney General Pryor then talked about the recently formed White Collar Crime Task Force and a general discussion ensued concerning the close association between the Commission, the Attorney General's Office and the Retirement Systems of Alabama on recent work on a number of stock market fraud cases.

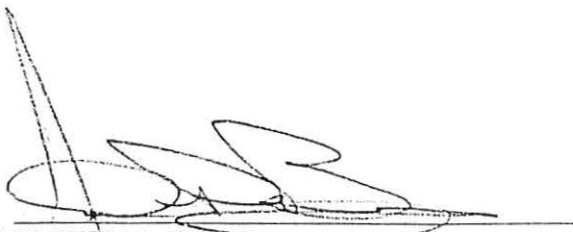
Director Borg gave a short report to the Commission concerning the status of the ongoing investigation into Wall Street conflicts of interest cases, and particularly, the Alabama Securities Commission's investigation of Lehman Brothers. Director Borg then provided the Commission with the new operations plan for the Commission. A copy of the operations plan is attached hereto as Exhibit "B".

Director Borg next reported on the Annual NASAA Conference, which will be held in Philadelphia from September 29, 2002 through October 2, 2002, and invited any Commissioner who is interested to attend. Director Borg then asked if the Commissioners would prefer to receive Commission press releases by e-mail rather than by mail, and all Commissioners agreed to receipt of this information electronically.

Chairman Kushner adjourned the meeting at 12:00 p.m.



HAROLD KUSHNER
CHAIRMAN



JOSEPH P. BORG
DIRECTOR



ALABAMA SECURITIES COMMISSION

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Commissioner of Insurance

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ALABAMA SECURITIES COMMISSION

POLICY STATEMENT CONCERNING QUALIFICATION OF PLANS COMPLYING WITH RULE 701 AND § 3(b) OF THE SECURITIES ACT OF 1933 FOR EXEMPTION FROM REGISTRATION UNDER THE ALABAMA SECURITIES ACT PURSUANT TO § 8-6-10(10).

The Alabama Securities Commission receives numerous requests for interpretation and no-action opinions relating to plans which qualify for exemption from registration under the Securities Act of 1933 pursuant to Rule 701 and § 3(b). Primarily these requests deal with whether or not the inclusion of non-employee consultants, affiliate employees, directors and independent contractors or agents under a qualified plan will disqualify the plan from the securities registration exemption at Code of Alabama 1975, § 8-6-10(10).

The Alabama Securities Act, § 8-6-10(10) exempts, "any investment contract issued in connection with an employee's stock purchase, savings, pension, profit-sharing, or similar benefit plan...", from securities registration under §§ 8-6-4 through 8-6-9. Thus, the question is whether this exemption is limited to those plans which only allow participation from direct "employees" or whether a qualified plan which allows participation by affiliated individuals who are not employees may be eligible.

It has consistently been the position of the Commission staff that the conditions of § 8-6-10(10) will be met if the Plan qualifies for exemption pursuant to Rule 701 of the Securities & Exchange Commission and § 3(b) of the Securities Act of 1933, the plan is strictly intended to provide incentives and rewards to those persons qualified to participate in the plan, and the plan is not intended as a capital raising mechanism of the corporation.

OPERATIONS PLAN
Fiscal Year 2002-03

Agency Name: Alabama Securities Commission

Appropriation Unit Name: Agency Appropriation Summary Appropriation Unit No.: _____
 Activity Name: Securities Regulation Activity No.: _____
 Budget Org. Name: _____ Budget Org. No.: _____

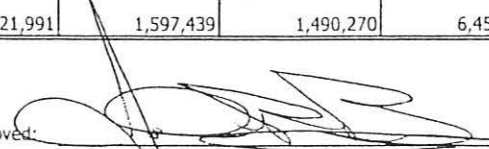
Objective:

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
NUMBER OF EMPLOYEES	49.00	49.00	49.00	49.00	xxxxxxx
Code Expenditures By					
No. Major Object:					
01 Personnel Costs	607,577	523,067	619,003	534,487	2,284,134
02 Employee Benefits	152,158	130,924	154,936	133,783	571,801
03 Travel-In-State	20,000	20,000	20,000	20,000	80,000
04 Travel-Out-Of-State	10,000	5,000	5,000	5,000	25,000
05 Repairs & Maintenance	10,000	10,000	10,000	10,000	40,000
06 Rentals and Leases	75,000	75,000	75,000	75,000	300,000
07 Utilities/Communications	10,000	8,000	6,000	6,000	30,000
08 Professional Services	100,000	50,000	45,000	43,500	238,500
09 Supplies, Mats, Op Exp	50,000	50,000	17,500	17,500	135,000
10 Transp Equip Operations	5,000	5,000	5,000	5,000	20,000
11 Grants and Benefits	500				500
12 Capital Outlay					
13 Transp Equip Purchases	100,000				100,000
14 Other Equip Purchases	85,000	20,000	15,000	15,000	135,000
15 Debt Service					
16 Miscellaneous	625,000	625,000	625,000	625,000	2,500,000
TOTAL EXPENDITURES	1,850,235	1,521,991	1,597,439	1,490,270	6,459,935
SOURCE OF FUNDS					
Fund No. Fund Name:					
0374 Sale of Checks Fund				10,000	10,000
0375 Securities Comm Fund	1,207,945	882,106	954,824	820,060	3,864,935
0375 Transfer to Gen. Fund from Securities Comm Fund	625,000	625,000	625,000	625,000	2,500,000
0375 Securities Comm Fund Act 2002-295	17,290	14,885	17,615	15,210	65,000
0376 Industrial Revenue Bond				20,000	20,000
TOTAL SOURCE OF FUNDS	1,850,235	1,521,991	1,597,439	1,490,270	6,459,935

EBO USE ONLY

DATE: _____

A: _____

Approved:  _____
 Agency Head
 Date: 8/7/02

OPERATIONS PLAN
Fiscal Year 2002-03

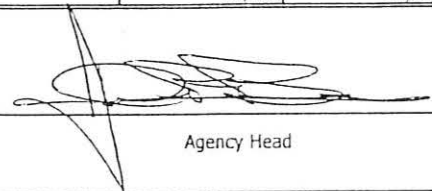
Agency Name: Alabama Securities Commission

Appropriation Unit Name: Regulatory Services Appropriation Unit No.: 041
 Activity Name: Securities Regulation Activity No.: 0029
 Budget Org. Name: _____ Budget Org. No.: _____

Objective: _____

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
NUMBER OF EMPLOYEES				0.08	XXXXXX
Code Expenditures By No. Major Object:					
01 Personnel Costs				10,000	10,000
02 Employee Benefits					
03 Travel-In-State					
04 Travel-Out-Of-State					
05 Repairs & Maintenance					
06 Rentals and Leases					
07 Utilities/ Communications					
08 Professional Services					
09 Supplies, Mats, OpExp					
10 Transp Equip Operations					
11 Grants and Benefits					
12 Capital Outlay					
13 Transp Equip Purchases					
14 Other Equip Purchases					
15 Debt Service					
16 Miscellaneous					
TOTAL EXPENDITURES				10,000	10,000
SOURCE OF FUNDS					
Fund No. Fund Name:					
0374 Sale of Checks Fund				10,000	10,000
TOTAL SOURCE OF FUNDS				10,000	10,000

EBO USE ONLY
 DATE: _____
 A: _____

Approved: 

 Agency Head

OPERATIONS PLAN
Fiscal Year 2002-03

Agency Name: Alabama Securities Commission

Appropriation Unit Name: Regulatory Services		Appropriation Unit No.: <u>041</u>				
Activity Name: Securities Regulation		Activity No.: <u>0029</u>				
Budget Org. Name: _____		Budget Org. No.: _____				
Objective:						
		First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
NUMBER OF EMPLOYEES		49.00	49.00	49.00	48.75	XXXXXXX
Code Expenditures By						
No. Major Object:						
01 Personnel Costs		607,577	523,067	619,003	504,487	2,254,134
02 Employee Benefits		152,158	130,924	154,936	133,783	571,801
03 Travel-In-State		20,000	20,000	20,000	20,000	80,000
04 Travel-Out-Of-State		10,000	5,000	5,000	5,000	25,000
05 Repairs & Maintenance		10,000	10,000	10,000	10,000	40,000
06 Rentals and Leases		75,000	75,000	75,000	75,000	300,000
07 Utilities/Communications		10,000	8,000	6,000	6,000	30,000
08 Professional Services		100,000	50,000	45,000	43,500	238,500
09 Supplies, Mats, Op Exp		50,000	50,000	17,500	17,500	135,000
10 Transp Equip Operations		5,000	5,000	5,000	5,000	20,000
11 Grants and Benefits		500				500
12 Capital Outlay						
13 Transp Equip Purchases		100,000				100,000
14 Other Equip Purchases		85,000	20,000	15,000	15,000	135,000
15 Debt Service						
16 Miscellaneous		625,000	625,000	625,000	625,000	2,500,000
TOTAL EXPENDITURES		1,850,235	1,521,991	1,597,439	1,460,270	6,429,935
SOURCE OF FUNDS						
Fund No. Fund Name:						
0375 Securities Comm Fund		1,207,945	882,106	954,824	820,060	3,864,935
0375 Transfer to Gen. Fund from Securities Comm Fund		625,000	625,000	625,000	625,000	2,500,000
0375 Securities Comm Fund Act 2002-295		17,290	14,885	17,615	15,210	65,000
TOTAL SOURCE OF FUNDS		1,850,235	1,521,991	1,597,439	1,460,270	6,429,935
EBO USE ONLY						
DATE: _____		Approved: _____				
A: _____		Agency Head				

OPERATIONS PLAN
Fiscal Year 2002-03

Agency Name: Alabama Securities Commission

Appropriation Unit Name: Regulatory Services Appropriation Unit No.: __041__
 Activity Name: Securities Regulation Activity No.: __0029__
 Budget Org. Name: _____ Budget Org. No.: _____

Objective: _____

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
NUMBER OF EMPLOYEES				0.17	XXXXXXX
Code Expenditures By					
No. Major Object:					
01 Personnel Costs				20,000	20,000
02 Employee Benefits					
03 Travel-In-State					
04 Travel-Out-Of-State					
05 Repairs & Maintenance					
06 Rentals and Leases					
07 Utilities/ Communications					
08 Professional Services					
09 Supplies, Matis, OpExp					
10 Transp Equip Operations					
11 Grants and Benefits					
12 Capital Outlay					
13 Transp Equip Purchases					
14 Other Equip Purchases					
15 Debt Service					
16 Miscellaneous					
TOTAL EXPENDITURES				20,000	20,000
SOURCE OF FUNDS					
Fund No. Fund Name:					
0376 Industrial Revenue Bond Fund				20,000	20,000
TOTAL SOURCE OF FUNDS				20,000	20,000

EBO USE ONLY
 DATE: _____
 A: _____

Approved: _____
 Agency Head

EMPLOYEE STAFFING PLAN
FISCAL YEAR 2002-2003
AGENCY NAME Alabama Securities Commission

CLASSIFICATION	CLASS CODE	10/01/02	09/30/03	10/01/02	09/30/03	FY 2001-2002	FY 2002-2003
		NUMBER FULL-TIME EMPLOYEES	NUMBER FULL-TIME EMPLOYEES	NUMBER PART-TIME EMPLOYEES	NUMBER PART-TIME EMPLOYEES	TOTAL ANNUAL SALARY	TOTAL ANNUAL SALARY
Clerical Aide	10103	1	2			11,098	25,709
Clerk	10121	3	3			47,048	56,333
Clerk Steno III	10143		1			9,844	32,953
Executive Secretary	10146	1	1			36,032	37,251
Administrative Support Asst I	10196	3	5			52,877	109,133
Administrative Support Asst II	10197	2	3			48,772	81,982
IT Systems Specialist	10528	1	1			58,512	63,210
Account Clerk	10602	1	1			27,604	29,852
Accountant	10611		1				32,964
Senior Accountant	10613	1	1			47,481	51,354
Training Specialist I	10821		2				67,555
Training Specialist II	10822	1	1			39,036	42,039
Special Agent	11280	7	8			300,794	421,120
Senior Special Agent	11284	2	2			119,077	128,876
Securities/Ins. Registration Mgr.	11285	1	1			54,452	59,004
Securities Analyst	11286	6	6			254,388	284,963
Deputy Director	11288	1	1			115,458	118,922
Director	11290	1	1			115,458	118,922
Legal Research Assistant	11503	1	1			35,290	36,348
Attorney I/II	11530	1	2				130,470
Attorney III	11533		1				83,040
Student Aide	11901	1	2			1,579	36,270
Executive Assistant II	99002	1	1			38,888	40,055
Deputy Attorney General	99417	1	1			90,516	95,176
Longevity						11,200	13,400
Board Member Compensation						550	600
Subsistence Pay						20,904	31,200
Termination Costs						17,755	55,433
TOTAL		37	49	0	0	1,554,613	2,284,134

Agency Head _____

Date _____

ALABAMA SECURITIES COMMISSION

Department

QUARTERLY PERFORMANCE REPORT
FY 2001-02

PERFORMANCE INDICATORS	FIRST QUARTER		SECOND QUARTER		THIRD QUARTER		FOURTH QUARTER	
	Budgeted	Actual	Budgeted	Actual	Budgeted	Actual	Budgeted	Actual
Investigations Opened - "S"	10		10		15		15	
Investigations Closed - "S"	10		10		15		15	
Investigations Opened - "I"	40		30		40		40	
Investigations Closed - "I"	35		35		35		35	
Administrative Actions (Respondents)	35		40		40		40	
Civil Actions	0		0		0		0	
Receiverships Appointed	0		0		0		0	
Rescission Offers Obtained	2		1		1		1	
Indictments Obtained	2		2		2		2	
Arrest Warrants Obtained	0		1		1		0	
Arrests Made	2		2		2		2	
Convictions Obtained	1		3		2		2	
Public Warnings Issued	3		3		2		2	
Referrals to other Agencies	1		2		1		1	
Registration by Coordination	20		10		15		15	
Registration by Qualification	2		2		2		2	
Registration by Notifications	0		0		0		0	
Exemption by Rule / Notice Filings (Reg D Rule 506)	150		125		125		150	
Exemption by Order	1		1		1		1	
Exemption by Self-Executing	15		15		15		15	
Exemption by Eleemosynary	20		15		20		20	
Exemption by Mutual Fund	1,800		1,900		1,800		1,800	
Broker Dealer Firms	55		1,650		60		60	
Broker Dealer Salesmen	6,000		74,000		6,000		6,000	
Investment Advisor Firm Registrations	10		115		10		10	
Investment Advisor Firm Notice Filings	35		520		35		35	
Investment Advisor Representatives	120		2,500		130		50	
Sale of Checks	10		10		25		10	
Industrial Revenue Bonds	15		15		15		10	



JOSEPH P. BORG
Director

SUSAN B. ANDERSON
Deputy Director/General Counsel

ALABAMA SECURITIES COMMISSION

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HAROLD B. KUSHNER, JR.
Attorney at Law

VICE CHAIRMAN
J. WRAY PEARCE
Certified Public Accountant

COMMISSIONERS

BILL PRYOR
Attorney General

MARIA B. CAMPBELL
Superintendent of Banks

D. DAVID PARSONS
Commissioner of Insurance

TYRONE C. MEANS
Attorney at Law

DANIEL C. HARDMAN
Certified Public Accountant

ALABAMA SECURITIES COMMISSION MEETING OF MAY 8, 2002

The Alabama Securities Commission held a quarterly meeting on May 8, 2002, at 10:00 a.m., in the conference room located on the fifth floor of the RSA Plaza Building, 770 Washington Avenue, Montgomery, Alabama. Notice of the time and place of this meeting was published in the Montgomery Advertiser, Birmingham News/Post Herald, Huntsville Times and the Mobile Press Register.

Commission Members Present Were:

Hon. Harold B. Kushner, Attorney, Chairman
Hon. J. Wray Pearce, Certified Public Accountant, Vice-Chairman
Hon. David Parsons, Commissioner of Insurance
Hon. Tyrone C. Means, Attorney
Hon. Daniel Hardman, Certified Public Accountant
Hon. Bill Garrett, Assistant Attorney General – representing the Attorney General

Commission Member Absent:

Hon. Maria Campbell, Superintendent of Banks

Visitors Present:

Mr. John Segrest

Staff Members Present Were:

Joseph P. Borg, Director
Susan B. Anderson, Deputy Director
Christie Rhodes, Executive Assistant

Chairman Kushner called the meeting to order at 10:00 a.m. and requested the Commission to review and accept the agenda, with one change being the presentation by Mr. John Segrest under new business. Commissioner Pearce moved to approve the agenda and Commissioner Means seconded the motion. The motion carried unanimously. Mr. John Segrest, an Account Examiner with the Office of Examiners of Public Accounts, was introduced to the Commission by Deputy Director Susan Anderson. Mr. Segrest then made a presentation to the Commission regarding the responsibilities and duties of "public officials", including compliance with the ethics law. Upon the conclusion of Mr. Segrest's presentation, Commissioner Kushner requested the Commissioners to review the minutes of the March 8, 2002 meeting. Commissioner Parsons moved to approve the minutes and Commissioner Means seconded the motion. The motion carried unanimously.

Mr. Edwin Reed, Registration Manager of the Commission, then gave a report to the Commission concerning the registration activities of accounting firms, and advised that he is aware of only five firms in the state who have registered with the Commission in the capacity of an investment adviser. Mr. Reed reported that firms may have created new corporations or entities not reflecting the CPA affiliation and registered as new Investment Advisers in the new entity's own capacity. Mr. Reed explained that, if a certified public accountant receives a solicitation fee for referring a client to an investment advisor and/or a broker, it is necessary for the referring certified public accountant to be registered with the Commission. However, it has been the Commission policy to waive the exam requirements in this situation. Commissioner Pearce inquired as to whether or not it would be helpful to place an article explaining this requirement in

the monthly CPA Bulletin. Director Borg suggested that Commissioner Pearce and Commissioner Hardman may want to meet with Bryan Hassler at the State Society of Certified Public Accountants and begin a dialogue concerning the education of accountants with regard to compliance with the securities laws. It was agreed that efforts would be made to coordinate this meeting.

Chairman Kushner requested that Director Borg provide the Commission with the Director's Report. Director Borg presented the Monthly Report of the Commission's operations, including statistics and data regarding personnel, receipts, disbursements, and enforcement and registration activity. A discussion ensued concerning the fact that the Alabama Legislature, when approving the annual budget, increased its withdrawal from Commission funds to \$2,000,000.00, which was \$500,000.00 more than the agreement reached between the Director and the Finance Director. A copy of the letter agreement entered into by Mr. Mabry is attached hereto as Exhibit "A". Director Borg then discussed recent newspaper articles, public releases, and other recent developments occurring at the Commission and advised that Governor Siegelman declared the month of April as "Savings and Investment" month.

Under new business, Director Borg advised that, as President of NASAA, he has been spending a great deal of time on the NASAA task force which has been assembled to investigate allegations of Wall Street fraud. Director Borg has been working actively with the Office of the Attorney General of the State of New York, the Securities & Exchange Commission, as well as the New York Stock Exchange and NASDR, in his capacity as the President of the organization representing all 50 states. A general discussion ensued concerning whether or not the industry was considering changes in its

methodologies of recommendations of buys and trades of securities to the investing public and Director Borg responded that this appeared to be one of the biggest investigations ever conducted of Wall Street and that it does appear that changes in the industry will occur.

Commissioner Pearce stated that he is interested in the Commission's position with regard to registration of charitable gift annuities and Deputy Director Anderson advised the Commission that a task force is being convened to examine the current Commission requirements for the sale of charitable gift annuities. Deputy Director Anderson reported that the task force will consist of individuals in the private sector and that she and other staff members are working with attorney Robert Loftin in Birmingham. The purpose of the task force will be to provide recommendations and suggestions to the Commission staff for uniform registration requirements of charitable gift annuities and that she will provide a report to the Commission as the work of the task force proceeds.

Chairman Kushner adjourned the meeting at 11:25 a.m.



HAROLD KUSHNER
CHAIRMAN



JOSEPH P. BORG
DIRECTOR



STATE OF ALABAMA
OFFICE OF THE DIRECTOR OF FINANCE
STATE CAPITOL
MONTGOMERY, ALABAMA 36130

DON SIEGELMAN
GOVERNOR

HENRY C. MABRY, III
DIRECTOR OF FINANCE

December 20, 2001

Honorable Joseph P. Borg
Director, Alabama Securities Commission
770 Washington Ave, Suite 570
Montgomery, AL 36130-4700

Dear Mr. Borg:

This will confirm that your letters to me of November 1, 2001, and November 28, 2001, represent the agreements that you and I have reached regarding the financial matters and responsibilities of the Commission discussed in those letters.

The Securities Commission is hereby exempted from the requirement that all purchases over \$500 be approved by this Department. Exemptions from review and approval by this office will apply to personnel actions (except establishing and filling new positions), purchase requisitions and travel requests and will be in effect from the date of this letter.

Yours truly,

A handwritten signature in black ink, appearing to read "Henry C. Mabry, III".

Henry C. Mabry, III
Director of Finance

EXHIBIT A



ALABAMA SECURITIES COMMISSION

770 WASHINGTON AVE, SUITE 570
MONTGOMERY, ALABAMA 36130-4700
TELEPHONE (334) 242-2984
1-800-222-1253
FAX (334) 242-0240
E-MAIL asc@asc.state.al.us

JOSEPH P. BORG
Director

SUSAN B. ANDERSON
Deputy Director/General Counsel

CHAIRMAN
HAROLD B. KUSHNER, JR.
Attorney at Law

VICE CHAIRMAN
J. WRAY PEARCE
Certified Public Accountant

COMMISSIONERS

BILL PRYOR
Attorney General

MARIA B. CAMPBELL
Superintendent of Banks

D. DAVID PARSONS
Commissioner of Insurance

TYRONE C. MEAHS
Attorney at Law

November 28, 2001

HAND DELIVERY

Hon. Henry C. Mabry, III
Finance Director
State of Alabama
State Capitol, Suite 105
Montgomery, Alabama 36130-2600

Dear Dr. Mabry:

This letter confirms our recent telephone conversation in which the Alabama Securities Commission and your office are in agreement with the items listed in our November 1, 2001 letter to your office, with the one correction in Paragraphs 2 and Paragraph 3 reflecting a \$1.5 million excess transfer from earmarked funds to the General Fund (in addition to revenues that go directly to the General Fund).

The Alabama Securities Commission would appreciate a letter from your office stating that the Commission is granted EXEMPT status from the policy of requiring all purchases over \$500.00 to be approved by your office. A copy of this requested letter will be attached to all paperwork sent to Purchasing in order to provide them with the documentation needed to comply with purchasing requests.

Thank you for your assistance in this matter and we look forward to hearing from you.

Sincerely,

A handwritten signature in black ink, appearing to read "Joseph P. Borg", is written over a large, stylized scribble. The signature is positioned above the printed name and title of the signatory.

Joseph P. Borg
Director

JPB:cr

Attachment

cc: Professor Jim Bryce
Mr. John Hagood



ALABAMA SECURITIES COMMISSION

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Commissioner of Insurance

TYRONE C. MEANS
Attorney at Law

JOSEPH P. BORG
Director

SUSAN B. ANDERSON
Deputy Director/General Counsel

November 1, 2001

HAND DELIVERY

Hon. Henry C. Mabry, III
Finance Director
State of Alabama
State Capitol, Suite 105
Montgomery, Alabama 36130-2600

Dear Dr. Mabry:

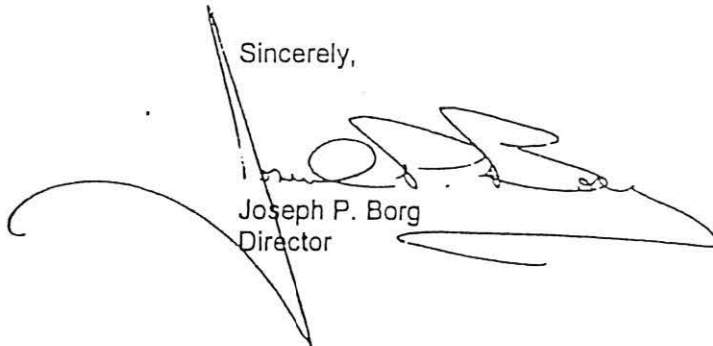
As a follow up to our recent meeting and my subsequent meeting with Professor Bryce and Mr. Hagood, it is my understanding that we have agreed with respect to Alabama Securities Commission earmarked fund transfers to the General Fund as follows:

1. The Alabama Securities Commission will not challenge the issue of transferability from the Commission's earmarked funds to the General Fund of \$3.9 million for Fiscal Year 2001-2002.
2. That the Alabama Securities Commission, subject to available reserves and continuing positive revenue, will, in future years, not challenge transfers to the General Fund from earmarked funds in the amount of \$1.25 million annually; and that your office and the Office of the Governor are in agreement and will communicate this understanding to the appropriate Legislative and Fiscal Office personnel for future budgets. The 2002-2003 Commission budget will reflect a \$1.25 million excess transfer from earmarked funds to the General Fund (in addition to revenues that go directly to the General Fund).
3. The Alabama Securities Commission shall endeavor to meet with industry representatives for an agreed increase in fees. We expect that this will generate approximately \$500,000 direct to the General Fund and approximately another \$500,000 to the Securities Commission for earmarked categories. The future transfers of \$1.25 million will include the expected revenue increase in the earmarked portion of Commission funds of \$500,000. Any additional revenue to the General Fund directly will not be considered in such calculation.
4. Based on the historical performance of the Securities Commission, the agency will be granted exempt status from the policy of requiring all purchases over \$500.00 to be approved by your office.
5. The Alabama Securities Commission will house an approved list of bond dealers and will cross-reference said list with appropriate disclosure systems available to the Securities Commission, such as the CRD and IARD systems. Parameters on information to be stored at the Commission, issues of access and eligibility will be developed after a further discussion with your staff and Commission personnel.
6. The Alabama Securities Commission staff will assist in the collection of corporate data as may be requested by your office within the resources and capability of the Commission staff.

I trust that this is an accurate portrayal of our agreement and if I do not hear from you or your staff I will assume it to be accurate and that therefore I may report same to the next meeting of the Alabama Securities Commissioners now set for early December, 2001. Please advise if any changes are to be made or if any inaccuracies exist.

We look forward to working with you and your staff as we attempt to move Alabama forward during these trying times.

Sincerely,



Joseph P. Borg
Director

JPB:cr

cc: Professor Jim Bryce
Mr. John Hagood



JOSEPH P. BORG
Director

SUSAN B. ANDERSON
Deputy Director/General Counsel

ALABAMA SECURITIES COMMISSION

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MARIA B. CAMPBELL
Superintendent of Banks

D. DAVID PARSONS
Commissioner of Insurance

TYRONE C. MEANS
Attorney at Law

DANIEL C. HARDMAN
Certified Public Accountant

ALABAMA SECURITIES COMMISSION MEETING OF MARCH 27, 2002

The Alabama Securities Commission held a quarterly meeting on March 27, 2002, at 10:00 a.m., in the conference room in the Alabama Securities Commission offices, located on the fifth floor of the RSA Plaza Building, 770 Washington Avenue, Montgomery, Alabama. Notice of the time and place of this meeting was published in the Montgomery Advertiser, Birmingham News/Post Herald, Huntsville Times and the Mobile Press Register.

Commission Members Present Were:

Hon. Harold B. Kushner, Attorney, Chairman
Hon. Maria Campbell, Superintendent of Banks
Hon. Tyrone C. Means, Attorney
Hon. Daniel Hardman, Certified Public Accountant
Hon. Bill Garrett, Assistant Attorney General – representing the Attorney General
Hon. Elizabeth Bookwalter – representing the Commissioner of Insurance

Commission Member Attending By Telephone (non-voting):

Hon. J. Wray Pearce, Certified Public Accountant, Vice-Chairman

Staff Members Present Were:

Joseph P. Borg, Director
Susan B. Anderson, Deputy Director
Christie Rhodes, Executive Assistant

Chairman Kushner called the meeting to order at 10:00 a.m. and requested the Commission to review the agenda for the meeting. In that there were no objections to the agenda, it was deemed acceptable. Chairman Kushner next requested the Commissioners

to review the minutes of the December 18, 2001 meeting. Commissioner Campbell moved to approve the minutes and Commissioner Means seconded the motion. The motion carried unanimously.

Chairman Kushner requested that Director Borg provide the Commission with the Director's Report. Director Borg presented the Monthly Report of the Commission's operations, including information concerning personnel. The Director advised that the staff is looking to increase the Registration audit division in order to handle the new investment adviser audit responsibilities for which the Securities & Exchange Commission is no longer responsible, as well as a general increase in securities activities in Alabama. Director Borg advised that it is the staff's desire to conduct routine audits of investment advisers on a twenty-four month cycle and advised that funds are available to enact this program.

Director Borg next provided the Commissioners with information concerning the receipts and disbursements of the Commission. For the first time in eight years, the Commission has seen a decrease in revenues, as was predicted by the Director approximately eighteen months ago. This decrease is due to a number of factors, including changes in registration requirements of certain investment advisers and the general down turn of the economy. Director Borg further explained that the 85% increase in disbursements is an anomaly, and is as a result of the transfer of approximately two million dollars from Commission funds to the General Fund of the State of Alabama, in addition to the funds received directly by the General Fund. The actual increase in disbursements is approximately 10% (compared to the same time period in 2001) when consideration is given to the excess General Fund transfer.

Director Borg continued his report to the Commission and summarized data and statistics involving the Registration and Enforcement Divisions, information concerning public presentations and the data systems of the Commission. Director Borg next presented the Commissioners with a video taped review of recent newspaper and media coverage of Commission activities.

A general discussion ensued among the Commissioners concerning the impact of the Enron collapse and its potential effect on the activities of accountants. Chairman Kushner expressed concerns regarding the impact and potential conflict of interest of accountants referring clients to related subsidiaries for the purchase of securities, with inadequate disclosure of the accountant's relationship with the subsidiary. Commissioner Campbell commented that the Banking Department is seeing similar problems arising from the "tying" of products by subsidiaries of insurance, accounting and banking firms and that this might be an issue that should be addressed by the Attorney General's Office. Director Borg suggested that the staff assemble information concerning these matters, and reminded the Commissioners that, several years ago, the Commission wrote the Board of Accountancy and began at that time to open a dialog concerning the potential problems which might arise in this area. A meeting with representatives of the Board of Accountancy will be set in the future to discuss these issues.

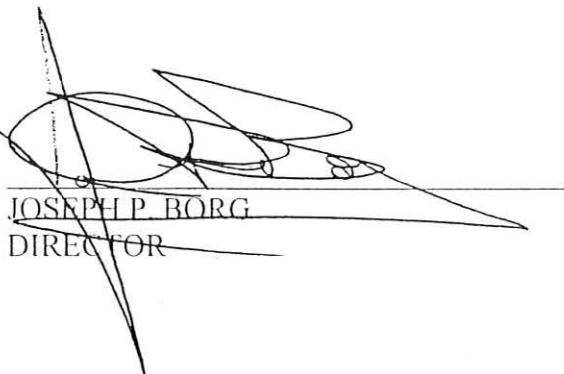
Under new business, Director Borg distributed copies of the Commission's Annual Report for Fiscal Year September 2000-2001 and requested that the Commissioners review the report and provide any questions, comments or guidelines to him by April 10, 2002. It is Director Borg's intention to present the Annual Report to the Governor's Office by April 12, 2002, unless issues arise that need to be resolved.

Director Borg discussed the desire of the Commission staff to create an Associate Counsel position for the Registration Division. After general discussion, the Commission was in agreement with this proposal. Director Borg then officially welcomed Commissioner Daniel Hardman as the newest member to the Commission and presented Commissioner Hardman with his credentials. Congratulations and welcomes were given all around.

Chairman Kushner adjourned the meeting at 11:30 a.m.



HAROLD KUSHNER
CHAIRMAN



JOSEPH P. BORG
DIRECTOR



JOSEPH P. BORG
Director

SUSAN B. ANDERSON
Deputy Director/General Counsel

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Superintendent of Banks

D. DAVID PARSONS
Commissioner of Insurance

TYRONE C. MEANS
Attorney at Law

ALABAMA SECURITIES COMMISSION MEETING OF DECEMBER 18, 2001

The Alabama Securities Commission held a quarterly meeting on December 18, 2001, at 9:45 a.m., in the large conference room located on the fifth floor of the RSA Plaza Building, 770 Washington Avenue, Montgomery, Alabama. Notice of the time and place of this meeting was published in the Montgomery Advertiser, Birmingham News/Post Herald, Huntsville Times and the Mobile Press Register.

Commission Members Present Were:

Hon. Harold B. Kushner, Attorney, Chairman
Hon. J. Wray Pearce, Certified Public Accountant, Vice-Chairman
Hon. Maria Campbell, Superintendent of Banks
Hon. Tyrone C. Means, Attorney
Hon. David Parsons, Commissioner of Insurance
Hon. Bill Garrett, Assistant Attorney General – representing the Attorney General

Staff Members Present Were:

Joseph P. Borg, Director
Susan B. Anderson, Deputy Director
Christie Rhodes, Executive Assistant

Visitors Present:

Kathy Curtis, Intern with the Alabama Attorney General's Office
Hon. Marcus J. Wolf

Vice-Chairman Pearce called the meeting to order at 9:45 a.m. and requested a motion to approve the agenda. Commissioner Means moved to approve the agenda and Commissioner Campbell seconded the motion. The motion carried unanimously. Vice-

Chairman Pearce next requested the Commissioners to review the minutes of the August 9, 2001 meeting. Commissioner Campbell moved to approve the minutes and Commissioner Parsons seconded the motion. The motion carried unanimously.

Under old business, Vice-Chairman Pearce called upon Director Borg to provide the Commissioners with a report on the Gramm Leach Bliley Act ("GLBA). Director Borg provided the Commissioners with a power point presentation of the salient aspects of GLBA and its impact on the Banking, Insurance, and Securities Departments. The effect of this new legislation will require more interaction between these agencies.

Chairman Kushner next requested that Director Borg provide the Commission with the Director's Report. Director Borg presented the Monthly Report of the Commission's Operations, including information concerning staff changes. The Director advised that Ms. Judy Balcom, a Clerk Steno III retired during the month of December and that Mr. Jack Robison, Special Agent, is retiring effective on December 31, 2001. Further, Special Agent Kim Lewis, a member of the Alabama National Guard, has been called into active duty for at least one year.

Director Borg next provided the Commissioners with information concerning the receipts and disbursements of the Commission and registration activity. Vice-Chairman Pearce raised a question concerning the Legislature's appropriation of monies from the Commission. Director Borg advised that he has now met with Finance Director Henry Mabry and that the Finance Department and the Securities Commission have reached a tentative agreement concerning ongoing legislative appropriations from the Securities Commission's earmarked funds. Director Borg also advised that interest has been expressed by the Governor's Office in the Commission establishing an investment

bankers, information database, in which information concerning municipal and industrial bond underwriters would be maintained. A general discussion ensued concerning the Commission's authority to implement a requirement that investment bankers provide registration and informational background to the Commission, and Director Borg stressed that this idea is in the concept stage only. A concern was expressed that the Commission had no regulatory and/or statutory ability to require this type of registration, and Director Borg again emphasized that this concept is in the very preliminary discussion stage and issues of statutory authority and feasibility would be taken up after a meeting with the Administration to determine the parameters of the concept. Director Borg continued his report to the Commission concerning the Commission's monthly affairs, and summarized data involving Enforcement Division information and information concerning public presentations and publicity received by the Commission staff.

Director Borg then asked the Commission, at its convenience, to review the 2002-2003 Budget Request. A general discussion then ensued concerning the September 11, 2001 terrorists' attacks and their effects on the security industry. Director Borg advised that he has been spending quite a bit of time with smaller firms regarding record maintenance issues and the establishment of contingency plans in the event of a disaster. Director Borg explained that the stock market could have resumed operation within forty-eight hours but was closed for several days after the attacks partially because the American Stock Exchange floor was completely destroyed and arrangements were made

for the American Stock Exchange to utilize the Philadelphia Stock Exchange's floor as well as panic concerns by the Securities & Exchange Commission. Director Borg also commented that Y2K preparations were instrumental in preventing further devastating injury to the industry.

Under new business, Director Borg provided the Commissioners with a draft of a Policy Statement requiring Investment Advisers and Investment Adviser Representatives to utilize the Investment Adviser Registration Depository ("IARD") for all registration filings. A copy of this draft is attached hereto as Exhibit "A." Director Borg advised that this is a draft only and will be supplemented with more detailed procedures concerning compliance. Director Borg further advised that, in his opinion, all fifty states in the near future will use the IARD database for registration of Investment Advisers and that the system is similar to the CRD system currently used for the registration of brokers and agents. At the request of Commissioner Campbell, the draft language of the policy will be changed to reflect that the Policy Statement is being issued by the Alabama Securities Commission staff.

Director Borg next presented Commissioner Campbell with Alabama Securities Commission's credentials, and the congratulations of the Commissioners and staff. Director Borg then requested a motion to convene into Executive Session to discuss the good name and character of an individual. Vice-Chairman Pearce moved to adjourn into Executive Session, and Commissioner Campbell seconded the motion. The motion carried unanimously.

Upon returning from Executive Session, Commissioner Campbell moved, and Vice-Chairman Pearce seconded, a motion to approve a five percent (5%) raise for Deputy Attorney General J. Randall McNeill. A request will be made to the Attorney General's Office to approve this raise.

Registration Manager Edwin Reed then presented a brief summary to the Commission concerning the work being done by the Registration Division to establish policies and procedures concerning registration of viatical settlement products. Mr. Reed advised that there will be a two-prong inquiry, the first being a disclosure review and second being a merit review of the offering. The staff is also reviewing other states procedures regulating the registration of viatical products and a general discussion ensued concerning these issues.

Director Borg next reported that he has received the report from the Examiner of Public Accounts and that nothing of any significance was noted. Director Borg then provided the Commission with the first issue of "The Informed Investor", the Alabama Securities Commission's newsletter to the Legislature. Director Borg advised that the Commission staff will intermittently provide reports of this nature to the Legislature in order to enhance the Legislature's knowledge of the work of the Commission and formulate closer working relationships with Senate and House members. A copy of the newsletter is attached hereto as Exhibit "B."


Director Borg then warmly welcomed Mr. Marcus Wolf to the meeting and commented on Mr. Wolf's many years of service to the Commission as its Commissioner, Vice-Chairman and Acting Chairman. Director Borg presented Mr. Wolf with a plaque containing Governor Siegleman's Certificate of Appreciation for the work

and service performed by Mr. Wolf and also presented a plaque from the Commission and staff in commendation for Mr. Wolf's excellent service to the Commission. Hearty congratulations were given all around.

Commissioner Parsons made a general inquiry as to whether or not the Commission would have any interest in sharing office expenses with the Insurance Department for a satellite office in Birmingham, Alabama. This item will be taken under consideration by the Commission staff.

Chairman Kushner adjourned the meeting at 11:15 a.m.


HAROLD KUSHNER
CHAIRMAN


JOSEPH P. BORG
DIRECTOR

**POLICY STATEMENT REQUIRING INVESTMENT ADVISERS
AND INVESTMENT ADVISER REPRESENTATIVES TO UTILIZE THE
INVESTMENT ADVISER REGISTRATION DEPOSITORY (IARD)
FOR ALL APPLICATION, AMENDMENT, RENEWAL, TERMINATION,
AND WITHDRAWAL FILINGS**

The Director of the Alabama Securities Commission has determined that it is appropriate and in the public interest to issue a Policy Statement requiring investment advisers and investment adviser representatives to use the Investment Adviser Registration Depository ("IARD") of the National Association of Securities Dealers Regulation, Inc. ("NASDR") for all applications, amendments, renewals, terminations, and withdrawals relating to state registration and federal notice filings in Alabama. This policy will become effective January 1, 2002, for Investment Advisers and upon availability (Scheduled Release Fall 2002) for Investment Adviser Representatives.

The IARD system is web-based national database. It is designed to accomplish two major objectives:

1. To provide a single nationwide database for the collection and dissemination of information relating to persons and firms in the investment advisory field; and
2. To enable investment advisers and representatives a single source for the purposes of state and federal registration and disclosure filings.

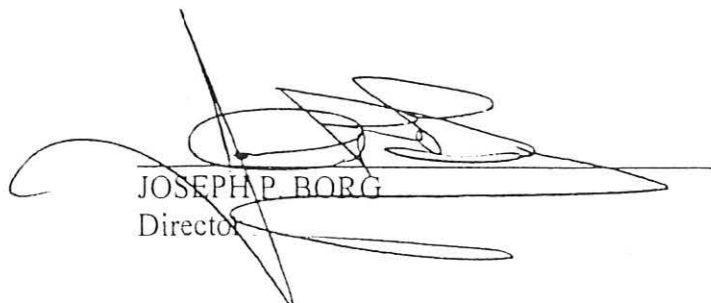
The URL address for IARD is <https://www.webiard.com/iad>. Applications are submitted online and an initial setup fee of \$150.00 will be charged by the NASDR for investment adviser registrations and notice filings. Thereafter, an annual fee of \$100.00 will be charged. This fee is in addition to registration fees charged by the states and SEC.

Pursuant to Code of Alabama 1975, Section 8-6-3(d), applicants may apply for registration by filing an application with the Commission, or its designee. Pursuant to Code of Alabama, 1975, Section 8-6-3(g), a registration may be renewed by filing a

renewal application with the Commission, or its designee, prior to the expiration thereof (December 31). The Commission hereby appoints the IARD as its designee concerning the filing of the Registrants' initial applications, amendments, renewals, terminations, and withdrawals, as set forth in this policy statement. After December 31, 2001, the Commission will no longer accept filings from Registrants that are not filed through the IARD system except under certain hardship circumstances.

The Commission will consider requests by Registrants for a hardship exemption from this policy statement on a case-by-case basis only. Additionally, in the event that a hardship exemption is granted, the Registrant will be required to renew the exemption annually prior to renewal. To request a Continuing Hardship Exemption, Registrants must file a Form ADV-H (on paper) with the Commission. If a Continuing Hardship Exemption is granted to a Registrant, the Registrant must send a paper version of the Form ADV to the NASDR, who will key in the filing on the IARD system. The NASDR will charge a fee for this service in excess of the normal setup and annual fees. The use of a service bureau may be administratively easier for a Registrant availing themselves of a Continuing Hardship Exemption and may also be less expensive. Registrants may use any computer to fill out and submit Form ADV on the IARD. Therefore, a Registrant may utilize the IARD through a computer located in a public library or any other place that provides public access to a computer.

Dated this 2nd day of January, 2002.


JOSEPH P. BORG
Director

THE INFORMED INVESTOR

THE ASC MISSION IS TO PROTECT INVESTORS FROM SECURITIES FRAUD AND PRESERVE LEGITIMATE CAPITAL MARKETS IN ALABAMA

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Enforcement Headlines (See story summaries on pages 3-5)
 Visit the new ASC website for more stories and information (www.asc.state.al.us).

- (10/02) Authorities and Banks Cooperate to Return "Millions" ... ([Russell County](#))
- (09/27) Kash Pled Guilty to Sale of Unregistered Securities... ([St. Clair County](#))
- (09/19) Blacketer Sentenced to 25 Years...for 80 Felony Counts of Fraud. ([Walker County](#))
- (08/06) Andrew Williams Sentenced to 10 Years in Prison... ([Daphne, AL](#))
- (08/03) Leonard James Surrenders to [Franklin County](#) Sheriff.
- (05/02) Sheriff Deputies Arrest Spruiell... ([Cropwell, AL](#))
- (04/17) Promoter of Nancy's Tours Sentenced to 12 Years... ([Lexington, AL](#))
- (02/26) Reverend Agee, [Birmingham, AL](#), Pled Guilty to 1 Count of Sale of Unregistered Security.
- (02/14) Michael Carreca of [Prattville, AL](#) Arrested on 8 Counts of Fraud.

ASC Statistics for Fiscal Year 2001 (10/01/00 - 09/30/01)

- Restitutions to victims of securities fraud: \$9,957,423.
- Rescissions ordered in ASC cases: \$517,888.
- Administrative Actions: 165.
- Criminal Convictions Obtained: 21.
- Public Warnings Issued: 14.
- The Registration Division issued 104,441 licenses/registrations.
- There are 31 individuals awaiting grand jury action, arrest or trial.
- The Commission has 124 cases under investigation at this time.
- Contributed \$6.9 million to the General Fund after expenses.
- Total staff is 35, (includes: 4 attorneys; 9 special agents; and 5 division managers).



(Courtesy of NASAA¹)

New NASAA president urges stepped up oversight of investment advisers; Calls electronic registration key to more uniform, effective regulation, 10/12/2001

-- Borg also concerned about unlicensed insurance agents selling securities.

WASHINGTON (October 12, 2001) - The nation's top state securities regulator today promised investors stronger oversight of the fast-growing investment adviser industry, citing both instances of and the growing potential for fraud. (Continued on page 2)

¹ The Alabama Securities Commission is a member of the North American Securities Administrator Association (NASAA), an organization of the 66 state, provincial and territorial securities administrators in the U.S., Canada, Mexico and Puerto Rico.

(New NASAA President...Continued from page 1)

Joseph Borg, director of the Alabama Securities Commission and new president of the North American Securities Administrators Association (NASAA), said increased exams of investment advisory firms and electronic registration of advisers are at the top of his agenda.

"While the vast majority are honest professionals, the growing potential for fraud by small investment advisers should concern us all," Borg told attendees at the Securities Industry Association's Small Firms Conference in Ft. Lauderdale, Florida on Friday. Under federal law, states have sole regulatory authority over investment advisory firms with less than \$25 million under management. The Securities and Exchange Commission regulates larger investment advisory firms.

Borg also said he would urge state regulators to adopt the Investment Adviser Registration Depository, an electronic database similar to the Central Registration Depository, which contains information on brokers, including disciplinary history. Information from the IARD is available to investors via the Internet, Borg noted, making it easier for them to wisely select an investment advisory firm.

The IARD is jointly owned by the states and the SEC, and administered by the National Association of Securities Dealers. So far, 39 states have committed to adopt the IARD, either by administrative order or through legislation.

In the aftermath of Sept. 11, Borg said state securities regulators would endeavor to make all reasonable accommodations for firms affected by the terrorist acts.

Borg expressed concern over the growing number of independent insurance agents selling securities without a license. Many of the investments they are selling, such as viatical settlements and promissory notes, are high risk or potentially fraudulent, Borg noted. He said NASAA would work more closely with state insurance regulators to curb the problem.

Borg pledged to continue the work done by former NASAA President Deborah Bortner to promote more uniform regulation among states, especially in the registration and licensing of broker-dealers and their representatives. Borg has also worked closely with other NASAA members on the ongoing effort to revise the Uniform Securities Act.

Borg is known for his strong enforcement record. Alabama took a leading role in the fight against microcap stock fraud, helping bring indictments against brokers and principals at Meyers Pollock Robbins and Duke & Company. Borg testified before Congress on the movement of corrupt brokers from one microcap firm to another. More recently, Borg took the lead in shutting down the Greater Ministries International Church of Tampa, Florida. In August Greater Ministries founder Gerald Payne was sentenced to 27 years in prison for fraud. More than 20,000 church members were defrauded of nearly half a billion dollars, regulators estimate.

Borg, 48, was born in New York City to Maltese immigrant parents. He earned an undergraduate degree from City College of New York and a law degree from Hofstra University School of Law on Long Island. In 1994, he left a career in private practice to become Alabama's director of securities.

With the passage of the Gramm-Leach-Bliley Act and increased consolidation in the financial services sector, regulators of banking, insurance and securities need to work more closely together, Borg said.

"Investors are the largest constituent group in the United States today -- bigger than organized labor, Democrats, Republicans, Baby Boomers, even AARP members," Borg said. "We have a duty to serve and protect them. As regulators, our jobs have never been more important or demanding."

Enforcement Headline Summaries (Continued from page 1)

Visit the new ASC website for more stories and information (www.asc.state.al.us).

MN Partners, Inc. Wrap-Up: Authorities and Banks Cooperate to Return "Millions" to Victims of Securities Scam (Phenix City)

MONTGOMERY, ALABAMA (October 2, 2001) -- Joseph P. Borg, Director, Alabama Securities Commission (ASC) announced final preparations to return the remaining seized funds and assets to victims, from the closed MN Partners, Inc. (MN), Phenix City, Alabama.

Borg said, "This is a very unusual outcome for the victims of a securities scam, because there were about 32,000 shares outstanding and owners of each share will receive at least sixty seven percent of their investment back. The credit goes to the quick and cooperative efforts of the District Attorney office from Russell County, the Alabama Attorney General, and the commercial banking industry in coordination with the Alabama Securities Commission. This resulted in bank accounts and office assets being frozen and confiscated from MN Partners, Inc. by ASC. This is a prime example of what can be done to protect the public when government and commercial agencies work together."...

Kash Pled Guilty to Selling Unregistered Securities (St. Clair County)

MONTGOMERY, ALABAMA (September 27, 2001) ...William Bryan Kash pled guilty to the offense of selling unregistered securities in violation of Ala. Code §8-6-4 (1975), before the Honorable Judge William E. Hereford on September 26, 2001.

Kash received a three year sentence suspended. His requirement of probation is to pay restitution to all victims, not just those on the indictment. A hearing has been set to determine the amount of restitution and the manner of payment...

Borg said, "This case confirms that viatical settlement contracts and related promissory notes based on viatical settlement contracts are indeed securities as defined by the Alabama Securities Act and the Court."

...The viatical business makes money by purchasing life insurance policies from people who have a terminal illness at a substantial discount from the face amount of the policy.

Blacketer Sentenced to 25 Years (Walker County)

MONTGOMERY, ALABAMA (September 19, 2001) Francis Eugene Blacketer, of Springfield, Missouri, has pled guilty and was sentenced to 25 years in the state penitentiary for 80 felony counts of fraud...in a hearing on September 14...

Blacketer...faces the issue of victim restitution and also must appear as a material witness in a criminal case pending against an alleged business associate. Additionally, Blacketer faces federal charges in Missouri involving wire and mail fraud...Blacketer was extradited from Missouri to face the Alabama charges...

Borg, Director of the Alabama Securities Commission, said, "Thanks to the combined efforts of state and federal authorities Blacketer and his business called Creative Funding will no longer cheat citizens out of their hard earned dollars. This was a loan scheme, where investors supplied the loan money for mortgages, which were to pay a high rate of return...the mortgages never existed, investors lost their money which will probably never be recovered." (Continued on page 4)

(Continued from page 3)

Andrew Williams Sentenced to 10 Years in Prison (Daphne)

MONTGOMERY, ALABAMA (August 6, 2001) ...Williams, who appeared before Circuit Judge Robert E. Wilters, plead guilty to 1 felony count of Theft of Property 1st Degree, 1 felony count of Selling Unregistered Securities, and 1 felony count of Fraud in Connection with the Sale of Securities.

Williams was sentenced to 10 years in prison, and was ordered to pay \$148,750 in restitution to 30 Baldwin County victims.

Borg, the Alabama Securities Commission Director, said, "Williams utilized a Ponzi type of investment scheme to pay off and promote his program to the most current investors using the money given to him from previous investors. The investigation revealed that 66 Alabama investors gave Williams over \$660,000 to participate in his scheme."

Leonard James Surrenders to Franklin County Sheriff

MONTGOMERY, ALABAMA (August 3, 2001) ...James...surrendered at the Franklin County Sheriff's office, in Russellville, Alabama. The warrant for James arrest was based on evidence presented by the Franklin County, District Attorney and the Alabama Securities Commission to a Franklin County Grand Jury in May. James is charged on one count of Theft of Property 1st Degree and six counts of Felony Securities Violations. D.A. John Pilati said, "This is the next step in an unfolding story involving alleged criminal activity by James. As I previously stated, this probe did not target Senator Bedford and Mr. Blount."

Securities Commission Director Borg said, "The added efforts of the Alabama Attorney General Office, Senator Roger Bedford of Russellville, and cooperation from the bond underwriters assisted in providing the evidence which led to this arrest."

Evidence alleges that James misused proceeds of an Industrial Development Bond issued by the City of Russellville, Alabama and failed to make required disclosures. Also, after James took control of the funds produced by the sale of the bonds to unsuspecting investors, he used those funds for purposes not approved by the bond issue.

Sheriff Deputies Arrest Spruiell of Cropwell, Alabama

MONTGOMERY, ALABAMA (May 2, 2001) Joseph P. Borg, Director, Alabama Securities Commission announced today that on April 27, 2001, warrants were signed by agents of the Alabama Securities Commission Enforcement Division alleging that Joe Edward Spruiell, a resident of Cropwell, Alabama committed theft in connection with the sale of securities.

On May 1, 2001 St. Clair County Sheriff's deputies arrested Spruiell and formally charged him with two counts of 1st degree theft. A preliminary investigation conducted by the Alabama Securities Commission disclosed that Spruiell obtained approximately \$70,000 from two St. Clair County residents. Spruiell represented that he would invest funds on behalf of his clients with a company known as Life Benefit Annuity Marketing.

Promoter of Nancy's Tours in Lexington, Alabama Sentenced to 12 Consecutive Years of Imprisonment

MONTGOMERY, ALABAMA (April 17, 2001) ...Nancy Trousdale was the owner, operator, and promoter of Nancy's Tours in Lexington, Alabama and Donald Trowbridge was a partner in the venture.

(Continued on page 5)

(Continued from page 4)

Trousdale was placed into immediate custody and sentenced to 12 consecutive years of imprisonment and ordered to pay restitution of over \$3.7 million dollars to victims who invested in her travel ticket venture...

Trousdale was sentenced for the following offenses:

- Sale of securities in Alabama without being registered as an agent with the Alabama Securities Commission.
- Made false statements to an investor for the purpose of selling a security.
- Mislead investors to believe checks issued to investors were valid.
- Used investors' money to pay for personal expenses.
- Issued checks for investment returns which were returned due to insufficient funds.

Trowbridge previously pled guilty to 19 counts of a Lauderdale County Grand Jury indictment for his actions in the Nancy's Tours scheme. He was sentenced to six months in a work release center and ordered to pay over \$2 million in restitution to victims of the travel ticket venture. Trowbridge received a less severe sentence for his cooperation with authorities during the investigation.

Reverend Agee, Birmingham, Alabama, Pled Guilty to 1 Count of Sale of Unregistered Security

MONTGOMERY, ALABAMA ...Reverend Hosea Agee, Jr. ...appeared before the Honorable Judge Mac Parsons, Bessemer Division, in Birmingham, Alabama on February 26, 2001.

Agee pled guilty to 1 count of Sale of Unregistered Security and also acknowledged 1 prior felony conviction. Judge Parsons gave Agee a 4 year suspended sentence of confinement, with 5 years of probation, and an order to pay restitution of \$21,000 to 3 victims at \$475.00 per month beginning March 5, 2001. Also Agee was barred from selling securities...

These indictments allege that Agee violated various securities' laws as a result of his sales of Church bonds of Westside Church of God In Christ, Inc. Other charges are pending in the Birmingham Division of Jefferson County.

Borg said, "This crime fits the profile of an affinity scam which targets people in an organization by a member of that organization, which is oftentimes a church."

Michael Carreca of Prattville, Alabama, Arrested on 8 Counts of Fraud

MONTGOMERY, ALABAMA (February 14, 2001) Honorable Janice M. Clardy, District Attorney, 19th Alabama Judicial Circuit, and Honorable Joseph P. Borg, Director Alabama Securities Commission announced today the Grand Jury indictment of Michael Carreca, Prattville, Alabama on 8 counts of Fraud in Connection with the Sale of Securities, 2 counts of Theft in the First Degree, 3 counts of Sale of Unregistered Securities, and 3 counts of Sale of Securities by an Unregistered Agent...

It was alleged that Carreca, the owner of Southern Diversified Business Enterprises, Inc. (SDBE), illegally sold common stock to investors. A review of the Securities Commission registration files disclosed no record of registration or exemption from registration for Carreca as a dealer or agent in the state of Alabama, and no record of registration or exemption from registration for SDBE.

Further allegations indicate that Carreca led investors to believe their returns were guaranteed and would be used to further Southern Diversified Business Enterprises, Inc. and that Carreca converted investor funds to personal use.

THE NEW ASC FINANCIAL EDUCATION PROGRAM



As the new Education and Public Affairs Manager for the Alabama Securities Commission one of my main priorities, since arriving in February 2001, is to establish and promote a superb Financial Education program throughout the state of Alabama.

The informed investor no matter what age, profession or level of wealth has a better chance of sharing in our great nation's prosperity and is less likely to fall prey to securities fraud.

Dan Lord

Financial Literacy Programs for Public and Private Schools (K-12).

The Financial Literacy program offers two professionally developed curriculum books, free of charge, to any interested high school public or private school teacher at no expense. The first publication released was the *Basics of Saving and Investing* teaching guide. This guide can be and is presently used in various business, math, and social studies courses. During the last part of 2001 high school economics teachers throughout the state of Alabama will receive the new publication called *Personal Finance in the Economics Classroom*. The new publication meets specific curriculum criteria for Alabama Public Schools. These publications were developed jointly by securities regulatory and business organizations such as IPT, NASAA, NASD and NICE. ASC provides training and information to teachers requesting assistance in the use of these publications.

Financial Education Programs for All Citizens of Alabama.

In addition to providing printed information to any citizen who calls or writes we have provided Fraud Prevention and Informed Investor Education to all segments of society in Alabama. Some of the organizations receiving presentations and training upon request included the AARP (mature citizens), NAIC (investor clubs), Masons, Commercial Banking Industry, Rotary Clubs, Southern Business Education Association (SBEA). Also, we are working with the Alabama Cooperative Extension System and have participated in an annual conference called *Unlocking & Sharing Resources for Urban Families* in the Huntsville area and *Protecting Elders from Financial Abuse* in the Montgomery area.

Why is the Need for Financial Education at a Critical Point?

The amount of wealth stolen through securities fraud in Alabama and the United States is in the billions. Scams have stolen millions of dollars from citizens in Alabama and most of them cover many other states and countries. The size of investment loss in scams typically range from \$1-\$500 million. With few exceptions victims lose most or all of their money. (Continued on page 7)

THE NEW ASC FINANCIAL EDUCATION PROGRAM (Continued from page 6)

Financial Education is one of the strongest preventative measures against securities fraud for Alabama citizens and saves millions of dollars for state and federal law enforcement, judicial and social agencies. ASC teaches citizens to make informed investment decisions, how to check out all types of securities and dealers for appropriate registration, measures to prevent becoming a victim of securities fraud, and the reporting of suspected illegal activities. Citizens must learn to invest wisely. They will not be able to depend on social security and employment-sponsored pension plans for retirement income. According to a study released by the Securities and Exchange Commission, April 1999--"Of the approximately 120.4 million American workers, about 60.4 million public and private sector workers have no pension plans." According to a 1997 study by Public Agenda, "more Americans are working for smaller companies--less likely to have pension plans, or even voluntary retirement plans." All working citizens of the United States will have expanded opportunities to invest tax sheltered dollars in preparation of future retirement, this increases the requirement for Financial Education and fraud prevention awareness.

There is a Financial Literacy Crisis Among Youth in America, according to a study released by the Securities and Exchange Commission, April 1999.

"Teenagers in the United States have become a formidable economic force. In December 1998, Teen age Research Unlimited projected that teens ages 12 to 19 spent \$94 billion of their own money--including money earned or received from allowances, gifts, or employment--in 1998, compared with \$84 billion in 1997....Teens also influenced the spending of an additional \$47 billion in family money. That's a total of \$141 billion."

"A 1998 poll of 14 to 16 year-olds revealed that "53 percent received little to no financial advice from their parents" And according to a 1998 survey of 13-21 year-olds, only 26 percent reported that their parents actively taught them how to manage money."

"The average college student who takes out student loans graduates with a debt burden of \$20,000."

"According to a survey by *Consumer Reports*, "sixty-four percent of college students have a credit card in their name, and 20 percent have four or more cards."

"In its 1999 Youth & Money Survey of students ages 16 to 22, the American Savings Education Council (ASEC) found that "28 percent of students with a credit card roll over debt each month."

"...a 1997 survey of individuals who filed for personal bankruptcy protection revealed that 8.7 percent of all bankruptcy filings were among young adults ages 18 to 25 years old."

If our youth are not Financially Educated they will not share or profit in the growth opportunities of this great nation and emerging business worldwide.

On the Horizon.

The new Financial Education program has made great headway since a position was allocated to work this and the Public Affairs program full time at the Alabama Securities Commission. On the horizon ASC is looking at networking and building a coalition to support and promote Financial Education among government and commercial agencies who have a common interest to promote Financial Education.



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Contact ASC for inquiries regarding securities broker-dealers, agents, investment advisors, and investment advisor representatives, the registration status of securities, to report suspected fraud, or obtain consumer information:

Call: 1-800-222-1253.

Fax: 1-334-242-0240.

Email: asc@asc.state.al.us.

Write:

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ASC Website: www.asc.state.al.us

The Alabama Securities Commission is a member of the North American Securities Administrator Association (NASAA), an organization of the 66 state, provincial and territorial securities administrators in the U.S., Canada, Mexico and Puerto Rico.

From the Director

Dear Investor,

The Alabama Securities Commission (ASC) regulates the securities industry in Alabama.

ASC is committed to protect investors against securities fraud and provides aggressive enforcement actions against any firm or individual who has violated the Alabama Securities Act or other state and federal statutes to the detriment of Alabama investors.

The Alabama Securities Act provides for the licensing and regulation of securities broker-dealers, agents, investment advisers and investment adviser representatives, and financial planners. ASC regulates the individual securities through registration. All of the above entities must be registered with the ASC to conduct business in Alabama unless subject to a statutory exemption from registration.

ASC promotes financial literacy to all citizens and students in Alabama by providing presentations, free information and access to curriculum for financial literacy education.

Prepare yourself to make an informed investment decision! Contact the Alabama Securities Commission to determine if the representative and firm with whom you wish to do business are properly registered in Alabama. Also, the Commission staff can provide free information relating to the disciplinary history (complaints, civil law suits, etc.), educational background and work experience of a firm or representative.

Sincerely,

A handwritten signature in black ink, appearing to read "Joseph P. Borg".

Joseph P. Borg
Director