



ANNUAL REPORT

FISCAL YEAR ENDING SEPTEMBER 30, 2006

ANNUAL REPORT FISCAL YEAR ENDING SEPTEMBER 30, 2006

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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 Alabama Securities Commission members are 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 2005-2006 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
TROY KING, ESQ., Member	Attorney General Montgomery, Alabama	03/04-Present
JOHN D. HARRISON, Member	Superintendent of Banking Montgomery, Alabama	04/05-Present
WALTER A. BELL, Member	Commissioner of Insurance Montgomery, Alabama	01/03-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

OFFICE PERSONNEL

Directorate Division

Joseph P. Borg, Director

Christie A. Rhodes, Executive Assistant II

Sarah J. Pike, Admin. Support Asst. I

Legal Division

J. Randall McNeill, Deputy Director

Jane L. Brannan, Attorney III

Edwin L. Reed, Attorney III

Kimathy J. Booher, Legal Research Asst.

Marion D. Newcomb, Legal Research Asst.

Timothy A. Offord, Jr., Student Aide

Accounting/Personnel Division

Renee S. Sanders, Accounting Manager

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

Ricky G. Locklar, Sr. Special Agent;
Manager/Administrative

Stephen E. Brantley, Special Agent

Jerry T. Hankins, Sr., Special Agent

Charles G. Harrison, Special Agent

Kimberly S. Lewis, Special Agent

Rossie L. Peters, Special Agent

Anita F. Smith, Special Agent

Michael D. Wilkerson, Special Agent

Nelson D. Williams, Special Agent

Patrisa J. Elmore, Executive Secretary

Dawn M. Matthews, ASA II

Anita F. Wilkerson, ASA II

Registration Division

Rena H. Davis, Registration Manager; Examinations

Lisa M. Tolar, Registration Manager; Licensing

Marilyn D. Bullard, Securities Analyst

Paul A. Gugliotta, Securities Analyst

Marvernitha B. Kyles, Securities Analyst

Spencer D. Lee, Securities Analyst

Sandra D. Smith, Securities Analyst

Tina M. Tell, Securities Analyst

Leslie D. Worrell, Securities Analyst

Arlanda H. Goodwin, ASA I

Lauren B. Worthington, ASA I

Conceita R. Watkins-Crumpton, Clerk

Yolanda Y. Lewis, Clerical Aide

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.

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

Annual Report

Fiscal Year Ending September 30, 2006 --Registration, Education & Enforcement--

ASC continues to receive recognition as a leader among the nation's state securities regulators. The Commission was spotlighted when Director Borg became president of the North American Securities Administrators Association (NASAA¹) for the second time. Borg is one of two regulators to hold this position twice since NASAA's inception 84 years ago. Under Director Borg's leadership, the ASC has supported numerous initiatives to protect Alabama's senior citizens. Initiatives included a special audit program with



the SEC to examine "Senior Free Lunch Investment Seminars." Additionally, Senior Community Outreach campaigns were held jointly with the Attorney General's Office, Department of Senior Services, the Alabama Cooperative Extension Systems and AARP.

The registration/licensing process is the Commission's "gatekeeper" function to protect Alabama citizens from securities fraud and to encourage the commercial securities industry and industry representatives to comply with state and federal laws. The Alabama Securities Act requires that all broker-dealers, agents, investment advisors, investment advisor representatives, and financial planners who conduct business with a citizen in Alabama, be registered (licensed) or have an exemption and requires all securities offered for sale to be registered unless exempt. The Registration Division provided Alabamians investment fraud protection and encouraged compliance through audits and the effective management of 113,936 registrations and exemptions issued in Fiscal Year 2006.

The Commission's objective in participating in education initiatives, enforcement and legislation at the national and international levels is to encourage a productive market by leveling the playing field and providing investors accurate information to make an informed investment decision. The Commission's active participation with other federal, state and local agencies in the regulation of the securities industry yields great dividends for Alabama investors by providing a safer and fairer investment market and enables securities regulators to combine resources throughout North America.

The securities business today has few boundaries, especially with the extensive use of the internet. We have witnessed the proliferation of online scams within Alabama and throughout the United States and foreign countries. These unscrupulous internet scams use email and other traditional marketing methods to solicit millions of dollars in illegal investments from unsuspecting citizens. Investment scams based on news headlines continue to tout new oil and gas opportunities or to make a profit by buying and selling real estate damaged by hurricanes.

ASC initiatives and involvement in multi state projects include promoting personal finance and investor education, and comprehensive professional education in enforcement, registration, and compliance. ASC personnel are working with other state regulators to achieve uniformity of securities regulation throughout the United States and on cross-border issues with our neighboring countries of Mexico and Canada. NASAA is a member of a worldwide securities regulatory organization known as IOSCO (International Organization of Securities Commissioners), as well as with an association of North and South American regulators known as COSRA (Counsel of Securities Regulators of the Americas), to promote new markets and efficient securities regulation. ASC has been one of three official U.S. States' representatives to IOSCO for three of the last five years. The ASC Director is now an active United States delegate to the expert group on the United Nations Commission on International Trade Law (UNCITRAL).

The ASC Education and Public Affairs Division significantly expanded the ASC's ability to provide fraud prevention training and materials to all Alabamians. The Commission has joined with banks, industry and other governmental agencies throughout Alabama to develop the successful Alabama Jump\$tart Coalition which promotes personal finance education to youth throughout Alabama. In 2006 the Commission assisted the Department of Education to secure grants and participated in a program to incorporate personal finance curricula into most public school math and history courses (Grades 5-12). The Commission's staff conducts numerous presentations, speaking engagements and seminars for a variety of civic groups and associations, fraternal organizations and educational institutions. ASC's objective is to educate all citizens of Alabama – from high school students to senior citizens – in controlling one's own resources, to avoid victimization, and to acquire the knowledge and comprehension to make an informed investment decision.

The Commission is committed to promoting legislation to ensure fair markets and takes strict enforcement action against people who steal from Alabama investors. Commission activities in this arena will help maintain the investment market in Alabama and assist our citizens in saving, investing, and accumulating wealth.

¹ Organized in 1919, the North American Securities Administrators Association (NASAA) is the oldest international organization devoted to investor protection. NASAA is a voluntary association whose membership consists of 67 state, provincial, and territorial securities administrators in the 50 states, the District of Columbia, Puerto Rico, the U.S Virgin Islands, Canada, and Mexico.

EDUCATION AND PUBLIC AFFAIRS

Annual Report Update

This year the Commission has successfully promoted investor education and personal finance education to more Alabamians than ever before. Through direct ASC efforts \$57,350 was obtained in federal grant funds to support investor education and personal finance education throughout Alabama.

The ASC Senior Citizen education initiative is helping older Alabamians protect their retirement pensions and estates. Through ASC programs, Alabamians are learning to effectively protect themselves from investment fraud. In addition, speaking activities and training sessions provide critical information for citizens to understand different investment products and use proven concepts such as diversification and dollar cost averaging. The working citizen, from technician to construction worker, to teachers and physicians, are being informed about current securities scams and encouraged to "investigate before investing."



Daniel Lord, Manager

Printed materials and Internet information are provided free of charge. The Commission has made partnering arrangements with state, federal and commercial agencies to provide free printed personal finance and investment educational materials to teachers, students, and citizens and has arranged for access/download on the Internet.

During FY 2005-2006, the Commission assisted the Alabama Cooperative Extension System, the Alabama Jump\$tart Coalition, the Alabama LifeSmarts program and other organizations to acquire grants from the Investors Protection Trust (IPT), a national charitable foundation. Funds are derived from national securities fraud settlements such as the recent Wall Street Settlements that were earmarked for educational initiatives. Funds provided as grants were used to purchase materials and training for high school teachers, students and senior citizens.

ASC assists agencies to secure grants to promote personal finance and investor education and ASC staff members participate in planning, implementation and operation of the events:

- Alabama Public Television, "Time of Your Life" to educate Senior citizens about protecting themselves from securities fraud and how to make an informed investment decision. (\$15,000)
- Partner with the Jump\$tart Coalition to provide a personal finance training day to over 500 high school teachers. (\$4,200)
- Partner with AARP and the Alabama Cooperative Extension System (ACES) to conduct senior citizen outreach events in Birmingham, Huntsville, and Fairhope. (\$3,500)
- High school "LifeSmarts" team competition which including personal finance life skill questions. (\$3,500)
- Partnership with the Alabama Jump\$tart Coalition and Department of Education to incorporate personal finance curricula into math and history course lesson plans, grades 5-12. (\$8,000)
- Provided a four-week summer school program dedicated to Financial Planning and Career Preparation for high school students at Trenholm Technical College in Montgomery. (\$3,150)
- Order jointly produced Investor Protection Trust and Kiplinger investment education brochures to provide citizens of Alabama a higher level of investment and retirement planning awareness. (\$10,000)

(continued from page 6)

- Provide a display and literature booth for ASC at the Huntsville Senior Expo, [12,000 attendees] (\$500)
- Provide a display and literature booth for ASC at the Alabama Gerontological Society conference (\$1,000)
- Participate with the ACES to provide estate planning and protection seminars to adults in Montgomery and Huntsville, Alabama (\$3,500)
- Partnership with the Alabama Council on Economic Education to educate teachers, parents and high school students about personal finance and investor education in economically depressed West Alabama (\$5,000)

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

The Commission's Financial Literacy program offers two professionally developed curriculum books to any interested public or private high school teacher at no expense. The first publication released, Basics of Saving and Investing teaching guide, is presently used in various business, math, and social studies courses. Additionally, high school economics teachers throughout Alabama have access to Personal Finance in the Economics Classroom, which meets specific curriculum criteria for Alabama Public Schools and is available in hard copy or may be downloaded off the internet. These publications were developed jointly by securities regulatory and business organizations such as IPT, NASAA, NASD and NICE. ASC also provides training and information to teachers requesting assistance in the use of these publications.

Financial Education Programs for All Citizens of Alabama:

ASC provides printed information to any citizen who calls or writes and provides Fraud Prevention, Investor, and Personal Finance education to all segments of Alabama society. Some of the organizations receiving presentations and training include AARP (mature citizens), Commercial Banking Industry, Rotary Clubs, Kiwanis Clubs, and the Better Business Bureau. ASC partnered with the Alabama Cooperative Extension System and participated in numerous conferences including events in Huntsville and Montgomery that provided fraud prevention and investor education to citizens over 50. The Commission joined with the Attorney General's office, and the Department of Senior Services to reach out to Alabama seniors and empower all citizens to take control of their personal finances and protect themselves from financial fraud. For the past five years, the ASC has actively participated in the nationwide program, "Facts on Saving and Investing Campaign Month." Governor Bob Riley supported this initiative with a State Proclamation and designated April 2006 as "Facts on Saving and Investing Month."

Public Affairs:

ASC has enjoyed statewide and nationwide publicity on numerous issues such as fraud prevention and the war on white collar crime. Using the media, the ASC keeps Alabama citizens informed of enforcement actions, investor alerts, fraud prevention tips, and free services available from the Commission. Articles and commentaries were produced and distributed throughout Alabama in print, television and radio. ASC received national accolades in: USA Today, OnWallStreet, Compliance Reporter, PR News Wire, Focus on the Family, CBS US News, LA Times and many more.

The Internet is a great source of free investment information.
A good starting point is the ASC website at: www.asc.state.al.us.

Contact ASC for inquiries regarding securities broker-dealers, agents, investment advisors, and investment advisor representatives, financial planners, 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.alabama.gov

Alabama Securities Commission
770 Washington Avenue, Suite 570
Montgomery, Alabama 36130-4700

NASAA

NORTH AMERICAN SECURITIES ADMINISTRATORS ASSOCIATION

The Commission continues its membership with the North American Securities Administrators Association (NASAA). NASAA is the oldest international organization devoted to investor protection. NASAA is a voluntary association whose membership consists of 67 state, provincial, and territorial securities administrators in the 50 states, the District of Columbia, Puerto Rico, the U.S. Virgin Islands, Canada, and Mexico.

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.

Joseph P. Borg became President-elect for NASAA in September 2005 and assumed his post in September 2006. Borg's tenure as NASAA President marks his second term in the position and he is only the second two-term president of the organization in its 88-year history. Borg was first elected President of NASAA in 2001, completing his one-year term in October of 2002. He remained a member of the NASAA Board of Directors until 2003 then served as Chair of the Enforcement Section for NASAA and was re-elected to the Board of Directors.

A number of ASC staff members have participated in committees and project groups consisting of regulatory counterparts from other states and countries to develop policy guidelines and consider issues of financial education, registration, licensing, litigation and enforcement.

NASAA programs are carried out through its various committees. During Fiscal Year 2005-2006 Commission employees served on or participated with the following NASAA committees: Investment Advisor Operations; Investment Advisor Zones; Affinity and Ethnic-Based Outreach; Legal Committee; Litigation Training and Enforcement Policy; Senior Outreach; Special Projects; Viaticals; Enforcement; and 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 standards and guidelines. The adoption of these uniform policies 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

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 administrative, civil, and criminal actions including receiverships, the issuance of warrants, preparation of indictments, and conducts trials 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 or regulatory 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. These objectives are accomplished legislatively by: (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 dealers, agents, investment advisors and investment advisor representatives and regulating their activities; (3) requiring Reg. D filing notices under the Securities Acts of 1933; (4) requiring the filing of mutual funds and certain other specialized securities offerings through exemption; and, (5) providing civil remedies for violations of the Act and providing administrative, civil and criminal penalties for those who violate the Act.

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, 1975</i>
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, 1975</i>
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, 1975</i>
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)(14)(m)(4), <i>Code of Alabama, 1975</i>
	(2) Regulation D filing under Rules 505 and 506	\$250	§ 8-6-11(c), <i>Code of Alabama, 1975</i> Commission Rule 830-X-6-.11(1)(a)(3)(iv)

FILING	DEFINITION	FEE	AUTHORITY
	(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), <i>Code of Alabama</i> , 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), <i>Code of Alabama</i> , 1975
	Total assets less than or equal to \$25 million:	\$300+ \$40 new application fee	§ 8-6-10(11)(b)(2), <i>Code of Alabama</i> , 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, <i>Code of Alabama</i> , 1975
Sale of Checks	Sale of any check, draft, money order, or other instrument for transmission or payment of money.		§ 8-7-6, <i>Code of Alabama</i> , 1975 § 8-7-9, <i>Code of Alabama</i> , 1975
	(1) Investigative fee for initial application	\$250	
	(2) Registration fee for principal office	\$250	
	(3) Additional location and agents in the state	\$5	
		(Max registration fee \$500, exclusive of investigative fee)	

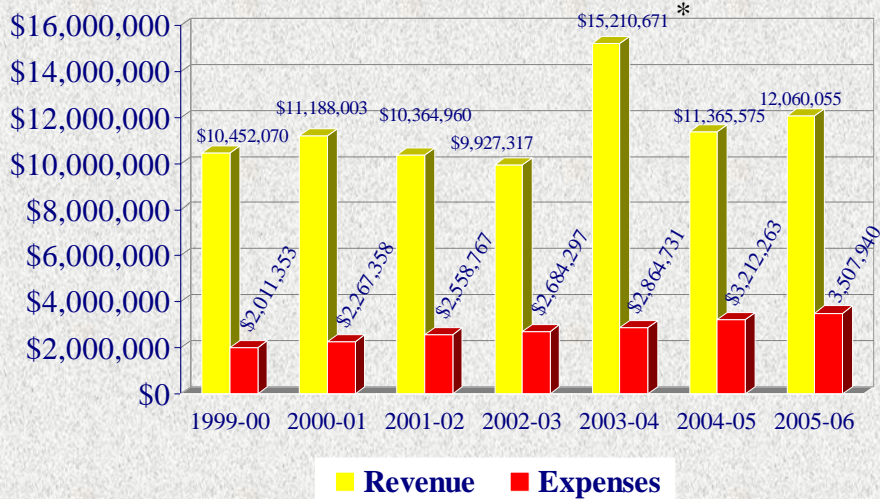
FILING	DEFINITION	FEE	AUTHORITY
Opinions	Interpretations	\$150	§ 8-6-29, <i>Code of Alabama, 1975</i>
Agent	Any individual, other than a dealer, who represents a dealer or issuer in effecting or attempting to effect sales of securities.	\$50	§ 8-6-3(h), <i>Code of Alabama, 1975</i>
Dealer	Any person 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, 1975</i>
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, 1975</i>
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	\$50	§ 8-6-3(h), <i>Code of Alabama, 1975</i>

FILING	DEFINITION	FEE	AUTHORITY
	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.		
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), <i>Code of Alabama, 1975</i>
Investigative Examinations	Investigative costs for examinations of violations of any provision of the article or violations of any rule.	Actual costs of investigation	§ 8-6-19(k)(1), <i>Code of Alabama, 1975</i>



Combined Revenue and Expenses

Fiscal Year 1999/00 – 2005/06

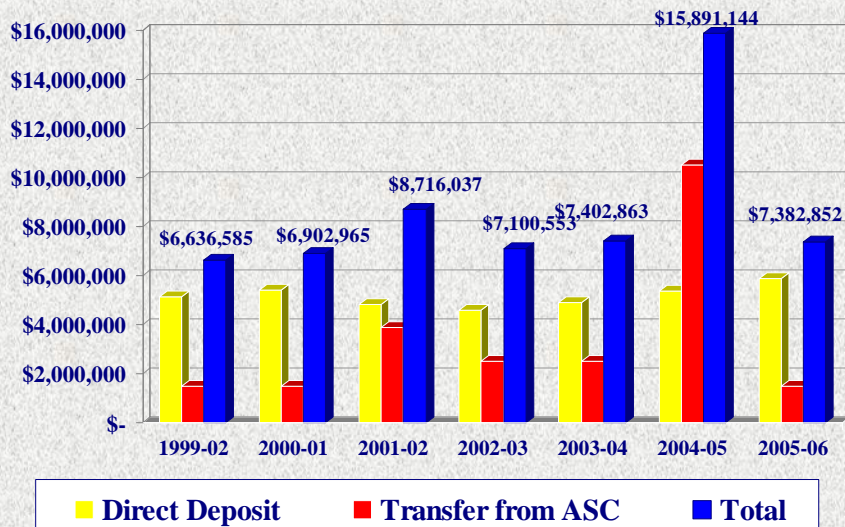


* \$5,000,000 attributed to Wall Street settlement



Total Revenue to General Fund

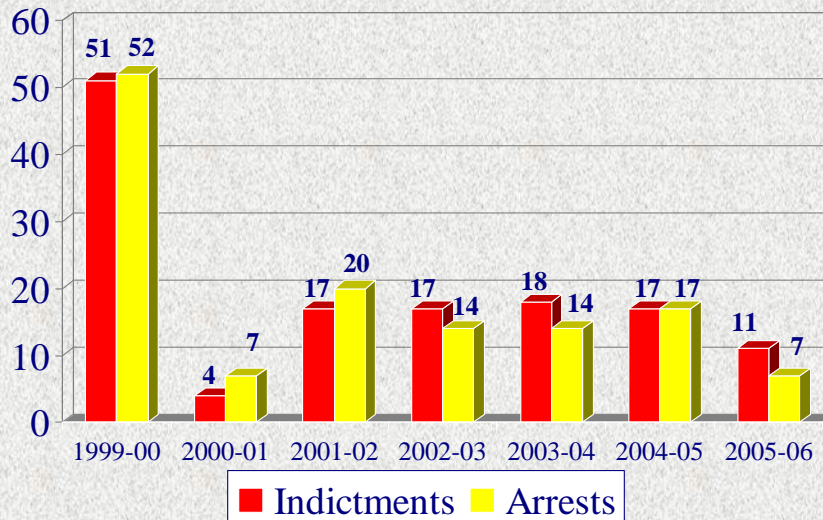
Fiscal Year 1999/00 – 2005/06





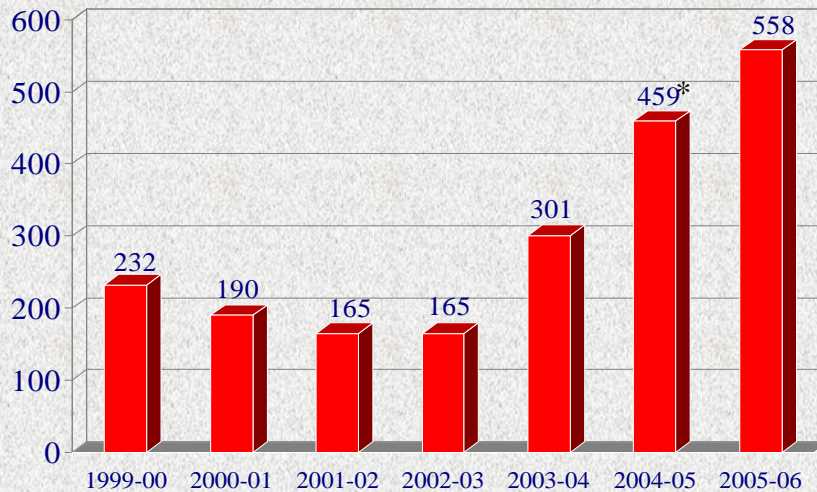
Indictments and Arrest

Fiscal Year 1999/00 – 2005/06



COMPLAINTS & CORPORATE INQUIRIES

Fiscal Year 1999/00 – 2005/06

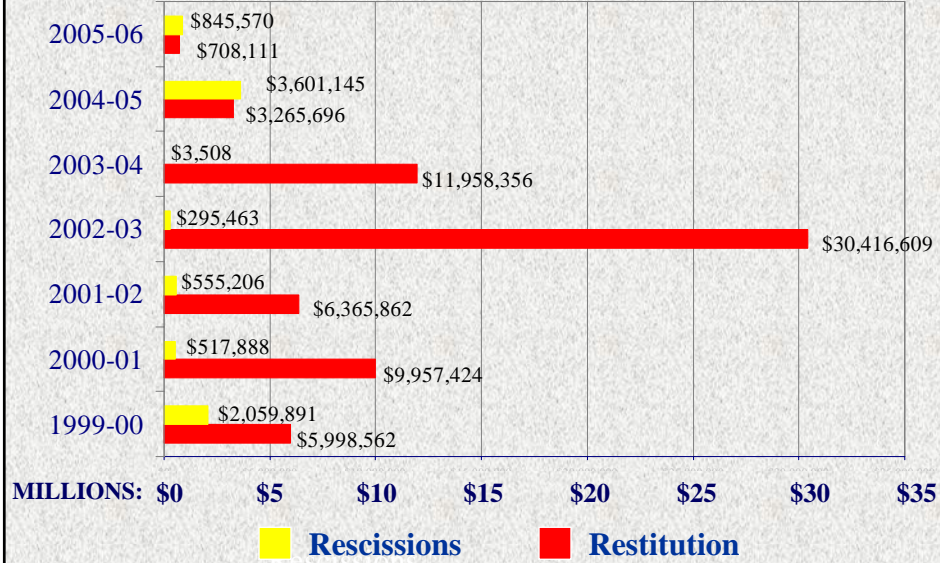


* Increased service on checking newly filed incorporations and verifying new business legal requirements



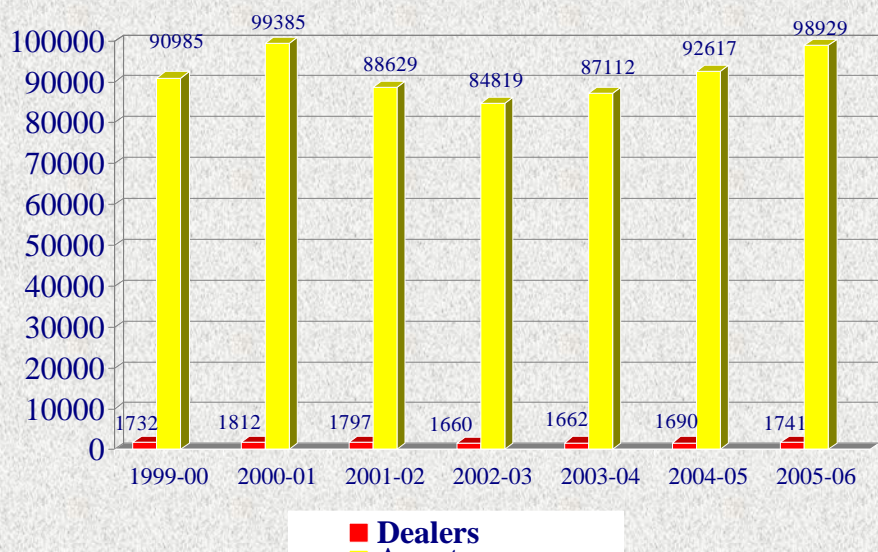
Rescissions and Restitution

Fiscal Year 1999/00 – 2005/06



Broker Dealer Registrations

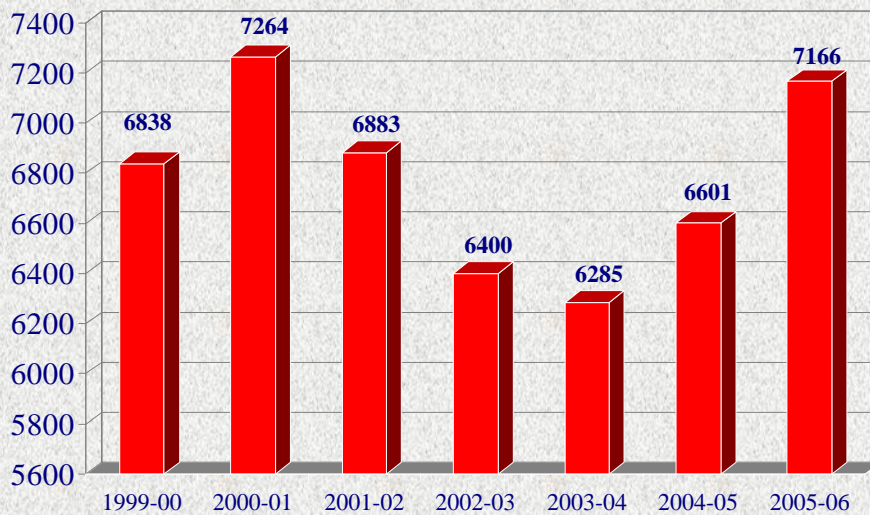
Fiscal Year 1999/00 – 2005/06





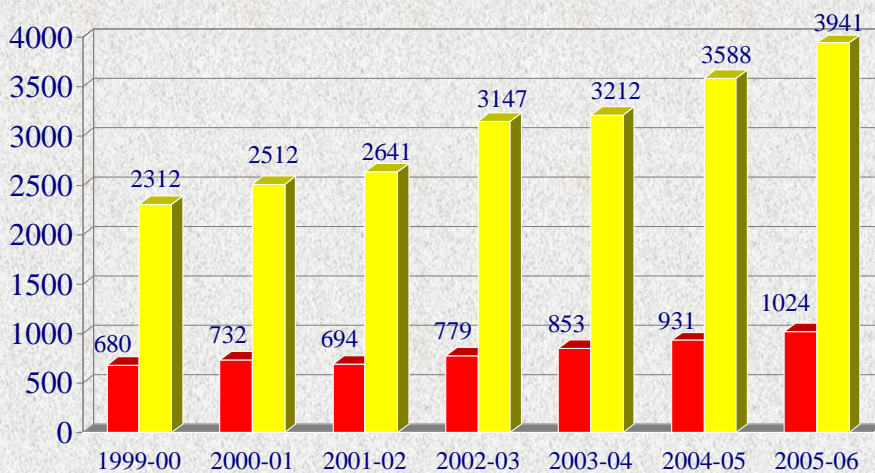
Mutual Fund Registrations

Fiscal Year 1999/00 – 2005/06



Investment Adviser Registrations

Fiscal Year 1999/00 – 2005/06



■ IA Firms ■ IA Rep's

FINANCIAL STATEMENT

FISCAL YEAR 2005-2006

Agency Revenues

Authority

§ 8-6-3(h)	Investment Advisers & Representatives	\$ 5,779,100
	Broker-Dealers & Representatives	
§ 8-6-8	Securities Registration	27,896
§ 8-6-11	Exemptions	180,500
§ 8-6-19	Administrative Assessments/Investigative Executions	642,274
§ 8-6-10(11)(b)(2)	Mutual Fund Exemptions	5,357,240
§ 8-6-29	Opinions	1,500
§ 8-6-115	Industrial Revenue Bonds	13,737
§§ 8-7-6; 8-7-9	Sale of Checks	48,465
	Miscellaneous Revenues	9,343
	TOTAL REVENUES	\$ 12,060,055
	To General Fund	\$ 5,882,852
	To Sale of Checks Fund	48,465
	To Securities Commission Fund	6,115,001
	To Industrial Revenue Fund	13,737
	TOTAL	\$ 12,060,055

Expenditures

Personnel Costs	\$ 2,091,299
Employee Benefits	589,559
Travel (In-State)	30,202
Travel (Out of State)	37,016
Repairs & Maintenance	1,069
Rentals & Leases	343,303
Utilities & Communications	40,011
Professional Services	165,536
Supplies, Materials & Operating Expenses	96,731
Transportation Equipment Operations	36,288
Transportation Equipment Purchases	52,721
Other Equipment Purchases	24,205
TOTAL	\$ 3,507,940
Additional Transfer to State General Fund	1,500,000
TOTAL EXPENDITURES	\$ 5,007,941
TOTAL TO GENERAL FUND FOR FISCAL YEAR 2005-2006	\$ 7,382,852

Alabama Securities Commission Enforcement Division

Enforcement Activity

ACTIVITY "I"=Inquiry "S"=Formal Investigation	Fiscal Year 2005-2006
Investigations Opened - "I"	477
Investigations Closed - "I"	457
Investigations Opened - "S"	81
Investigations Closed - "S"	70
Administrative Actions	217
Receiverships Appointed	0
Rescission Offers Obtained	9
Indictments Obtained	11
Warrants Obtained	4
Arrests Made	7
Convictions Obtained	7
Public Warnings Issued	11
Referrals to Other Agencies	96

As of 9/30/06, there were 5 individuals awaiting Grand Jury, 13 individuals pending arrest, and 22 individuals awaiting trial.

Administrative Orders Issued

A comparative summary of the Enforcement Division's Fiscal Year 2005-2006 activities are shown on the following charts:

TYPE OF ORDER ISSUED	RESPONDENTS	ORDERS
Cease and Desist	153	42
Consent	39	17
Show Cause	12	4
Vacate	6	2
Permanent Bar	1	1
Revocation	3	1
TOTALS:	217	71

REGISTRATION AND EXEMPTION ACTIVITY

STATISTICAL SUMMARY

10/01/2005 - 09/30/2006

	Application Filed	Application Approved	Renewal Processed	Application Withdrawn	Application Terminated
Broker/Dealer	169	166	1575	14	112
Broker/Dealer Agent	2899	26788	72141	0	22801
Eleemosynary Financing Exemption	34	34	0	5	2
Exempt Consent	12	11	0	0	0
Expansion Order	4	3	0	0	0
Industrial Revenue Bond	14	14	0	0	0
Investment Adviser - Federal	157	157	754	1	40
Investment Adviser - State Registered	19	16	97	10	9
Investment Adviser Representative	302	957	2984	0	780
Limited Offering	731	708	0	4	27
Mutual Fund Exemptions	1359	1272	5894	0	157
Registration by Coordination	34	22	0	15	12
Registration by Qualification	2	2	0	0	1
Restricted Agent	53	52	177	3	30
Sale of Checks Vendor	46	37	75	2	8

Note: The total number of registrations and exemptions issued in fiscal year 2006 was 113,936.

INDUSTRIAL REVENUE BONDS

FY 2005 - 2006

LESSEE	DATE FILED	FEE CHARGED	DATE APPROVED	AMOUNT OF ISSUE
Central States Manufacturing, Inc.	08/18/2006	\$963	08/21/2006	\$1,925,000
Bristol Properties, LLC Project	04/27/2006	\$1,000	05/11/2006	\$4,800,000
International Paper Company Project	08/25/2006	\$1,000	08/28/2006	\$4,315,000
Nikki America Fuel Systems, LLC	02/02/2006	\$1,000	02/04/2006	\$8,000,000
Door Components, LLC Project	12/09/2005	\$1,000	12/13/2005	\$2,000,000
Rigid Building Systems-Alabama Ltd.	04/19/2006	\$1,000	09/25/2006	\$9,500,000
HighProv LLV	07/11/2006	\$1,000	07/19/2006	\$6,000,000
Doghouse LLC	05/25/2006	\$1,000	05/26/2006	\$2,600,000
Vaughn Place Senior Living Community, Inc.	07/20/2006	\$775	07/26/2006	\$1,550,000
Alabama Power Company	10/31/2005	\$1,000	11/02/2005	\$21,450,000
Water Oaks Partners, LLC	03/21/2006	\$1,000	03/24/2006	\$5,250,000
Vulcan, Inc. (The Industrial Development Board of the City of Foley, AL)	06/29/2006	\$1,000	07/03/2006	\$9,000,000
General Electric Company	08/09/2006	\$1,000	08/10/2006	\$8,000,000
Huntsville Emergency Medical Services, Inc. (Medical Clinic Board of the City of Huntsville, AL)	06/16/2006	\$1,000	06/20/2006	\$2,100,000

TOTALS:

\$13,738

\$86,490,000



JOSEPH P. BORG
Director

J. RANDALL McNEILL
Deputy Director

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TYRONE C. MEANS
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ALABAMA SECURITIES COMMISSION MEETING SEPTEMBER 26, 2006

The Alabama Securities Commission held a meeting on September 26, 2006, at 10:00 a.m. in the conference room located in the Alabama Securities Commission offices on the 5th 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 Register.

Commission Members Present Were:

Hon. Harold B. Kushner, Attorney, Chairman
Hon. J. Wray Pearce, Vice-Chairman
Hon. Bill Garrett, Assistant Attorney General (Representing the Attorney General)
Hon. Elizabeth Bressler, (Representing the Superintendent of Banks)
Hon. Tyrone Means, Attorney
Hon. Daniel Hardman, CPA

Staff Members Present Were:

Joseph P. Borg, Director
J. Randall McNeill, Deputy Director
Mike Foley, Senior Special Agent
Rena Davis, Securities Registration Manager
Lisa Tolar, Securities Registration Manager
Christie Rhodes, Executive Assistant

The meeting was called to order at 10:08 a.m. The first order of business was the approval of the agenda, which was approved after motion of Commissioner Pearce and seconded by Commissioner Means. The second order of business was the approval of the minutes from the previous meeting held June 19, 2006, which were approved after motion made by Commissioner Pearce and seconded by Commissioner Hardman.

The meeting was then turned over to Director Borg to provide his report. Director Borg provided the Commissioners written reports and summaries of the divisions of the Commission. The first area discussed was the report of the accounting division. The significant aspects of this area that were discussed included the fact that the receipts were up 13 percent, administrative assessments were increased due to settlements in the MCI and Morgan Keegan cases, sale of checks receipt were up because of the suit, and applications for investment advisors/representatives were up because of the improved economy.

Senior Special Agent Mike Foley gave a presentation regarding the increased criteria for testing for Special Agents. A new test was devised by the Alabama Securities Commission and the State Personnel Department that emphasized the investigation of white collar crime. Because of this increased criteria, there were twenty applicants for a Special Agent position, but only thirteen qualified to take the test. Of those thirteen, six people actually took the test. State Personnel was to have a register available by October 1, 2006.


Ms. Davis and Ms. Tolar presented to the Commissions the increased standards that will be used in hiring of securities analysts. They stated that the previous standards were not meeting the needs and because of the number of hires that have been made within the past year, the register was depleted of qualified applicants. The old register was abolished and a new register with increased standards and a work test was in the process of being created. A work simulation test is included in these standards. Additionally, the announcement that will be issued by the

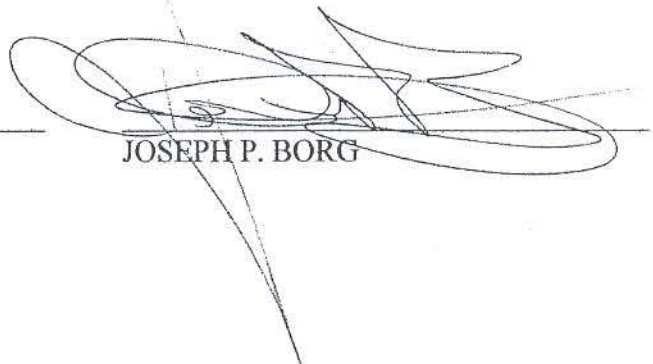
Personnel Department will include the requirement of travel in the job. Ms. Davis and Ms. Tolar also discussed the hirings for the "filing room" and the needs to do an overhaul of the personnel.

Mr. Borg then resumed his report and discussed the registration division activity, the enforcement division, the information systems division, presentations, and public warnings. All of these divisions' activities were provided in summary form to the Commissioners.

Under new business, Mr. Borg updated the Commissioners on the NASAA Annual Conference and his assuming of the presidency of NASAA. The meeting then went into Executive Session at 11:04 a.m. per motion by Commissioner Wray Pearce, seconded by Commissioner Tyrone Means. The Session ended at 11:22 a.m. by motion of Commissioner Harold Kushner and seconded by Commissioner Tyrone Means.

Motion to pay expenses for the Commissioners was made by Commissioner Bill Garrett and seconded by Commissioner Dan Hardman. With that action, the meeting adjourned at 11:23 a.m.


HAROLD B. KUSHNER
CHAIRMAN


JOSEPH P. BORG



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Director
J. RANDALL McNEILL
Deputy Director

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WALTER A. BELL
Commissioner of Insurance
TYRONE C. MEANS
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DANIEL C. HARDMAN
Certified Public Accountant

ALABAMA SECURITIES COMMISSION MEETING JUNE 19, 2006

The Alabama Securities Commission held a meeting on June 19, 2006, at 10:30 a.m. in the conference room located in the Alabama Securities Commission offices on the 5th 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 Register.

Commission Members Present Were:

Hon. Harold B. Kushner, Attorney, Chairman
Hon. J. Wray Pearce, Vice-Chairman
Hon. Bill Garrett, Assistant Attorney General (Representing the Attorney General)
Hon. Walter A. Bell, Commissioner of Insurance
Hon. Elizabeth Bressler, (Representing the Superintendent of Banks)
Hon. Tyrone Means, Attorney
Hon. Daniel Hardman, CPA

Staff Members Present Were:

Joseph P. Borg, Director
J. Randall McNeill, Acting Deputy Director
Christie Rhodes, Executive Assistant

The meeting was called to order at 10:40 a.m. The first order of business was the approval of the agenda, which was approved after motion of Commissioner Pearce and second by Commissioner Bell. The second order of business was the approval of the minutes from the previous meeting held March 8, 2006, which were approved after motion made by Commissioner Bell and second by Commissioner Pearce. At that time, the meeting was turned over to Director Borg.

Under old business, the first item discussed was the annual report, which was distributed to the Commissioners. Discussion was held considering its format and distribution. The second item discussed was the dinner for NASD Chairman Mary Shapiro on June 29, 2006. Invitations were extended to the Commissioners for the dinner. Mr. Borg then informed the Commission of the upcoming NASAA annual conference to be held in San Diego, California, September 17-19, 2006, and he extended invitations for up to three of the Commissioners to attend.

Mr. Borg then presented the Director's Report. Under the accounting section of the report, summaries were presented of Employee Positions, Receipts and Disbursements as of May 31, 2006. Mr. Borg noted that our receipts increased over this time the previous year by 9.68%. He further noted that the sale of checks receipt is up by 88.32%, which is directly attributable to the lawsuit that had been filed. Mr. Borg then discussed the need to strengthen our sale of checks act. Further, he noted that the mutual fund registration is up 4%, and investment advisors fees are up 10.9%. All together, the Commission receives fees from about 115,000 licensees a year of which approximately 70% of these licenses are filed electronically, leaving the other 30% to be done manually. Discussion was also held that the administrative assessment in investigative assessments were significantly higher than the previous year. This increase is because the Commission had settled some very large cases with BD firms during the time that period. Regarding disbursements, Mr. Borg noted there were no real surprises, but he pointed

out that the general fund transfer was down 85.71%. The disbursement for in state travel rose due to the increase in case load and audits. Another disbursement that Mr. Borg noted was that the Commission purchased some new cars because the previous vehicles had over 100,000 miles.

Mr. Borg then presented the registration division section of his report. In particular, he noted that the 2,200 applications approved on broker dealer agents and 1,538 were terminated, which means they had left the firm or gone elsewhere. One hundred nineteen mutual funds were approved for the time period.

Mr. Borg then presented the enforcement division section of his report. Particularly, he noted that there are 102 S files pending as of May 31, 2006, and 52 I files pending. Further noted were the cases that were pending for grand jury and trial. Particular of note was that there are 310 investigative files as of the year as compared to 253 for the same period last year.

Mr. Borg then presented the data systems section of the report. Particularly, Mr. Borg discussed changing our bait line computer to a DSL connection. Mr. Borg also noted the decision to replace desktop systems with laptops within the Commission.


Under presentations section of the report, Mr. Borg presented the presentation/speaking engagements that he and the Commission staff made in May of 2006.

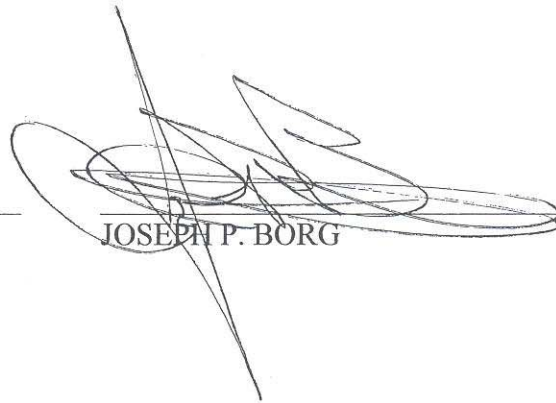
The last section discussed was the public warning and investor alert. In particular, discussion was made concerning our partnership with AARP to reduce fraud against seniors. In particular, the joint initiative with the SEC to monitor the lunch program/seminars conducted by various insurance agents and other type of financial advisors was discussed. Also mentioned was the memorandum of understanding between the Commission with the Internal Revenue Service.

At 11:16 a.m., the meeting went into Executive Session, which was concluded at 11:38 a.m. Motion for Executive Session was made by Commissioner Hardman and seconded by Commissioner Pearce.

Under new business, Mr. Borg provided an update on the steps that he is taking regarding his concerns with 506 offerings. He noted that he has been working closely with Kathy Casey, who was senior staff member of Senator Shelby, but she is now a Commissioner on the SEC. Mr. Borg feels good about this relationship.

The last item was that a motion to pay expenses for the Commissioners. Motion was made by Bill Garrett and seconded by Commission Pearce and was carried. With that action, the meeting adjourned at 11:42 a.m.


HAROLD B. KUSHNER
CHAIRMAN


JOSEPH P. BORG



JOSEPH P. BORG
Director
J. RANDALL McNEILL
Deputy Director

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ALABAMA SECURITIES COMMISSION MINUTES MARCH 8, 2006

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VICE CHAIRMAN
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Certified Public Accountant
COMMISSIONERS
TROY KING
Attorney General
JOHN D. HARRISON
Superintendent of Banks
WALTER A. BELL
Commissioner of Insurance
TYRONE C. MEANS
Attorney at Law
DANIEL C. HARDMAN
Certified Public Accountant

The Alabama Securities Commission held a meeting on March 8, 2006, at 10:30 a.m. in the conference room located in the Alabama Securities Commission offices on the 5th 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 Register.

Commission Members present were:

Hon. Bill Garrett, Assistant Attorney General (representing the Attorney General)
Hon. John Harrison, Superintendent of Banks
Hon. Walter A. Bell, Commissioner of Insurance
Hon. Tyrone Means, Attorney
Hon. Dan Hardman, CPA

Staff Members present were:

Joseph P. Borg, Director
Christie Rhodes, Executive Assistant

Chairman of the Commission, Harold Kushner, was not in attendance, nor was the Vice Chair, Wray Pearce, so a motion was made by Walter Bell to have Dan Hardman act as Chair for this meeting. John Harrison seconded the motion and Mr. Hardman called the meeting to order at 10:35 a.m. The first order of business was a motion made by Mr. Hardman to approve the Agenda of the meeting. Mr. Harrison

seconded that motion and the Agenda was approved. The next order of business was the acceptance of the Minutes from the previous meeting held December 13, 2005. The motion to accept the Minutes from the last meeting was made by Mr. Bell and seconded by Mr. Hardman. The motion passed unanimously and the minutes were approved. At this point, the Acting Chairman, Mr. Hardman handed the meeting over to Director Borg.

Mr. Borg took this opportunity to show the Commissioners a short video clip of an "ABC Prime Time" piece regarding the investigation conducted by the ASC and resulting conviction on that case. After the showing of the video clip, Mr. Borg began his summary of the Monthly Report (February 2006) beginning with the spreadsheet detailing the revenues and expenditures of the Commission as of February 28, 2006. He noted that revenues and expenditures are in line with the previous year. The Commissioners had a short discussion on the status of the ASC's monetary reserves.

This led to a short report on the ASC donating surplus computers to local schools and some of the investor education programs and grants that are given out by the ASC in conjunction with the IPT.

Next Mr. Borg directed the Commissioner's attention to a draft copy of the ASC's latest Legislative Report. He skimmed over the report and pointed out the features presented to the legislators which enables them to get an idea of what is being worked on and accomplished at the Commission. Next, the ASC decision to cease its efforts to hire a legislative representative due to Governor's Executive Order No. 1 which bans such practice was discussed. This topic led into a discussion on variable annuities and suitability issues.

Director Borg then provided the Commissioners with a report of registration and exempt activity for the month of February. This information was presented to the Commissioners by a spreadsheet included in the Monthly Report.

The next item discussed was the activity by the Enforcement Division and was presented to the Commissioners as reports and spreadsheets included in the Monthly Report.

The Data Systems Report was reviewed by Mr. Borg for the Commissioners, as were the Training and Travel and Presentations sections of the Monthly Report. That concluded the review of the Monthly Report.

Under "New Business", the meeting went directly into Executive Session after a motion by Mr. Harrison to do so and a second by Mr. Garrett to discuss existing litigation.

At the conclusion of Executive Session, a motion to pay the Commissioner's expenses was called for and Mr. Garrett made the motion and it was seconded by Mr. Bell. Director Borg invited the Commissioners to bring up any topic they had a question about and the issue of a legislative representative for the ASC was revived, as well as another brief discussion on variable annuities.

At this time, the meeting was adjourned by Acting Chairman Hardman at 11:30 a.m.


HAROLD B. KUSHNER, CHAIRMAN


JOSEPH P. BORG, DIRECTOR



JOSEPH P. BORG
Director

J. RANDALL McNEILL
Deputy Director

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ALABAMA SECURITIES COMMISSION MEETING OF DECEMBER 13, 2005

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Attorney at Law

VICE CHAIRMAN
J. WRAY PEARCE
Certified Public Accountant

COMMISSIONERS

TROY KING
Attorney General

JOHN D. HARRISON
Superintendent of Banks

WALTER A. BELL
Commissioner of Insurance

TYRONE C. MEANS
Attorney at Law

DANIEL C. HARDMAN
Certified Public Accountant

The Alabama Securities Commission held a meeting on December 13, 2005, at 2:30 p.m. in the conference room located in the Alabama Securities Commission offices on the 5th 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 Register.

Commission Members Present Were:

Hon. Harold B. Kushner, Attorney, Chairman
Hon. J. Wray Pearce, Vice-Chairman
Hon. Bill Garrett, Assistant Attorney General (Representing the Attorney General)
Hon. John Harrison, Superintendent of Banks
Walter A. Bell, Commissioner of Insurance
Hon. Tyrone Means, Attorney
Hon. Daniel Hardman, CPA

Staff Members Present Were:

Joseph P. Borg, Director
J. Randall McNeill, Acting Deputy Director
Jane L. Brannan, Associate Counsel
Christie Rhodes, Executive Assistant
Dan Lord, Education and Public Affairs Manager

Chairman Kushner called the meeting to order at 2:37 p.m. The first order of business was the acceptance of the Minutes from the previous meeting held September 19, 2005. The motion was made by Vice Chairman Pearce and seconded by Mr. Garrett. The Motion passed unanimously. At that time, Director Borg gave his report, wherein he discussed the following:

Mr. Borg discussed the revenues and expenditures of the Commission as of November 30, 2005, by use of spreadsheets that were presented to the Commissioners. He noted that revenues and expenditures are in line from the previous year.

He then provided the Commissioners a report of registration and exempt activity for the month of November, 2005. This information was also presented to the Commissioners by use of a spreadsheet.

The next item discussed were the actions taken by the Enforcement Division through the fiscal year 2005-2006. The information also included the latest "scams" that the Enforcement Division has noted in the past quarter. Again, this information was presented to the Commissioners by written reports and spreadsheets.

The next item discussed was the data systems report. A written report was submitted to the Commissioners. Additionally discussed were the upcoming implementation of dot net platform and lack of support for any old platforms.

Mr. Borg then informed the Commissioners of the presentations given by the Commission staff since the previous Commission meeting as well as the public warning and investor alerts that had been issued. This information was also provided in writing to the Commissioners.

Under new business, Mr. Borg discussed the position/request of the Securities and Exchange Commission that the states conduct audit examinations of IA firms of up to \$100 million under management. This request increases the responsibilities of the state who have only


audited firms up to \$25 million under management. Mr. Borg anticipated that this change would stretch the audit rotation from every 18-24 months to up to 36 months but that he further expected there would be an increase of revenue to the office because of this change.

Additionally, under new business, Mr. Borg provided an update of the Uniform Securities Act legislation. He stated that the bill had been pre-filed but that the Law Institute, its sponsor, failed to call and notify us. Mr. Borg noted that the bill now pending before the Legislature excluded variable annuities from the definition of a security. The Commission discussed the political ramifications of the Bill. Mr. Borg stated that he was going to meet and discuss this matter further with the Law Institute.


From 3:28 p.m. through 3:38 p.m., the Commission went into Executive Session after Commissioner Harrison made the motion which was seconded by Commissioner Bell.

At the conclusion of the Executive Session, Director Borg gave an update on the Sale of Checks case. Then, Dan Lord was invited to the meeting where he gave an update on the investor education program.

Mr. Garrett moved to pay expenses, which was seconded by Commissioner Hardman. At that time, Commissioner Kushner adjourned the meeting at 4:05 p.m.



DANIEL C. HARDMAN
ACTING CHAIRMAN
(in Mr. Kushner's and Mr. Pearce's absence)



JOSEPH P. BORG



JOSEPH P. BORG
Director

J. RANDALL McNEILL
Deputy Director

CHAIRMAN
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**THE ASC MISSION IS TO
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