



ALABAMA SECURITIES COMMISSION

Annual Report

Fiscal Year Ending
September 30, 2011

The mission of the Alabama Securities Commission is to protect investors from securities fraud and preserve legitimate capital markets in Alabama.

ALABAMA SECURITIES COMMISSION (ASC)
ANNUAL REPORT FY 2011
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Prepared and submitted pursuant to *Code of Alabama, 1975, § 8-6-53(d)*.



MISSION & OVERVIEW

The goal of the Alabama Securities Commission (ASC) is to protect Alabama citizens from deceptive and illegal practices associated with offers, sales and purchases of securities in Alabama. In order to meet this goal, the ASC carries out three important functions: registration, enforcement and education, and strives to continually refine and strengthen its role as a staunch advocate for Alabama’s “main street” investors.

The ASC’s efforts to help shape investor protection legislation at both the state and national levels help sustain investor confidence by promoting efficient regulatory policy, controlling fraudulent practices through stringent enforcement and promoting financial literacy, investor education and fraud prevention awareness to all Alabama citizens.

The ASC administers and enforces the Alabama Securities Act, Sale of Checks Act, and Pre-Issuance Procedures for Industrial Revenues Bonds. These laws empower the ASC to exercise jurisdiction over securities offered, issued and sold in Alabama or to Alabama residents, including the registration of certain securities, the granting of specific exemptions from registration of securities and securities transactions and the denial, suspension and revocation of registration or licensing. The ASC helps foster legitimate capital opportunities for businesses and industries throughout Alabama in the following ways:

- By requiring the registration of securities prior to their public sale;
- By requiring the registration of dealers, agents, investment advisors and investment advisor representatives and by regulating their activities;
- By providing civil remedies for violations of the Act; and
- By providing administrative, civil and criminal penalties for those who participate in the unlawful sale of securities.

The Alabama Securities Commission is committed to providing the strongest possible investor protection and will continue to apply all its resources and expertise to ensure fair and transparent markets for Alabama investors and to continue to aggressively enforce applicable laws.

MISSION

The mission of the Alabama Securities Commission (ASC) is to protect investors from securities fraud and preserve legitimate capital markets in Alabama.

ASC STATUTORY AUTHORITY

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The Commission is responsible for administering and enforcing the laws of 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 licensing of Broker/Dealers and salesmen and regulation of their activities;

Requiring the licensing 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.

ASC PURPOSE

The Alabama Securities Commission (the “Commission”) administers and enforces the following Alabama statutes: THE ALABAMA SECURITIES ACT, including the Sale of Checks Act and the Pre-Issuance Procedures for Industrial Revenue Bonds. 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 seven divisions: (1) Directorate; (2) Legal; (3) Accounting/Personnel; (4) Data Systems; (5) Education and Public Affairs; (6) Enforcement; (7) Registration/Examinations.

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, issued or sold within or into, 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 characteristics of the transaction, registration is not deemed to be necessary in the public interest or for the protection of investors.

With regard 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 (money transmitters), including debt management and credit consolidation programs.

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 together 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.

ASC COMMISSION

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 2011 were:

ACTIVE

MARCUS J. WOLF Chairman	Certified Public Accountant Montgomery, Alabama	05/08 - Present
LUTHER STRANGE Member	Attorney General Montgomery, Alabama	01/11 - Present
JOHN D. HARRISON, Member	Superintendent of Banking Montgomery, Alabama	02/05 - Present
JIM L. RIDLING, Member	Commissioner of Insurance Montgomery, Alabama	09/08 - Present
ANDREW P. CAMPBELL, Member	Attorney at Law Birmingham, Alabama	05/08 - Present
S. DAGNAL ROWE, SR., Member	Attorney at Law Huntsville, Alabama	05/08 - Present
JAMES L. HART., Member	Certified Public Accountant Birmingham, Alabama	12/10 - Present

ASC PERSONNEL

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<p>Directorate Joseph P. Borg, Director J. Randall McNeill, Deputy Director Christie A. Rhodes, Executive Assistant II Marion D. Newcomb, Admin. Support Asst. II Tyler K. Blankenship, Clerical Aide</p> <p>Legal Division Edwin L. Reed, General Counsel Gregory M. Biggs, Attorney IV Jane L. Brannan, Attorney III Amanda L. Senn, Attorney I/II Leslie D. Worrell, Attorney I/II Kimathy J. Booher, Legal Research Asst. Suzanne G. Soloff, Legal Research Asst. Michael B. Lee, Student Aide</p> <p>Accounting/Personnel Division Renee S. Sanders, Accounting Manager Gwendolyn Lover, Account Clerk</p> <p>Data Systems Division David E. Gilmore, IT Systems Specialist Stephen E. Brantley, Jr., IT Operations Tech.</p> <p>Education and Public Affairs Division Daniel G. Lord, Training Specialist II Clint L. Niemeyer, Public Information Specialist</p>	<p>Enforcement Division John M. Foley, Sr. Special Agent; Manager/Enforcement</p> <p>Ricky G. Locklar, Sr. Special Agent Manager/Administrative</p> <p>Charles A. Traywick, Special Agent Michael L. Gantt, Special Agent Jerry T. Hankins, Sr., Special Agent Paul A. Gugliotta, Special Agent Charles G. Harrison, Special Agent Steven R. Jones, Special Agent Kimberly S. Lewis, Special Agent Michael D. Wilkerson, Special Agent Rossie L. Peters, Special Agent Charles R. James, Jr., Special Agent Anita F. Wilkerson, Executive Secretary Dawn M. Matthews, ASA III Carrie L. Springer, ASA II Shirley S. Fetters, ASA II Christina M. Pate, ASA II</p>
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Registration Division	
<p>Lisa M. Tolar, Manager Department of Licensing and Registration</p> <p>Marvernitha B. Kyles, Securities Analyst LaShonda D. Moultrie, Securities Analyst Sandra D. Smith, Securities Analyst Tina M. Tell, Securities Analyst Ashlee S. Brereton, Securities Analyst Cay Z. Weaver, Securities Analyst Teri T. Johns, ASA III Mary G. Rollan, ASA III Patricia J. Wilson, ASA II</p>	<p>Rena H. Davis, Manager Department of Auditing and Examinations</p> <p>Marilyn D. Bullard, Securities Analyst Lauren W. Hitt, Securities Analyst Spencer D. Lee, Securities Analyst Robert W. Sharp, Securities Analyst Thomas H. DeBardelaben, Securities Analyst Sarah J. Pike, ASA II</p>

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 licensing of dealers, agents, investment advisers and investment adviser 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.

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) Code of Alabama, 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 \$1500 nor be less than \$100	§ 8-6-8(d) Code of Alabama, 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 \$1500 nor be less than \$100	§ 8-6-8(d) Code of Alabama, 1975
Open End Management Company	Face amount certificate company or Unit Investment Trust registering indefinite amount	\$100 filing fee + \$1,500 registration fee	§8-b-8(d) Code of Alabama, 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)(14)(m)(4), Code of Alabama, 1975
	(2) Regulation D filing under Rules 505 and 506	\$300	§ 8-6-11(c), Code of Alabama, 1975 Commission Rule 830-X-6-.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.	\$300	§ 8-6-11(c), Code of Alabama, 1975
	(4) For sale up to 25 Alabama purchasers in 12 months.	\$300	Commission Rule 830-X-6-.12(1)(d)(iv)
	Extension of the term up to 12 months	\$300	Commission Rule 830-X-6-.12(1)(d)(iv)

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ASC FEE SCHEDULE

ASC FEE SCHEDULE

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:	\$350	
	Total assets greater than \$25 million, less than \$100 million:	\$700	§ 8-6-10(11)(b)(2), Code of Alabama, 1975
	Total assets greater than \$100 million:	\$1,200	
	Unit Investment Trusts:	\$200	
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 instrument for transmission or payment of money.		§ 8-7-6, Code of Alabama, 1975
	(1) Investigative fee for initial application	\$250	§ 8-7-9, Code of Alabama, 1975
	(2) Registration fee for principal office	\$250	
	(3) Additional location and agents in the state	\$5 per office not to exceed \$500. (Max registration fee \$750, exclusive of investigative fee)	
Opinions	Interpretations	\$150	§ 8-6-29, Code of Alabama, 1975
Agent	Any individual, other than a dealer, who represents a dealer or issuer in effecting or attempting to effect sales of securities.	\$60	§ 8-6-3(h), Code of Alabama, 1975
Dealer	Any person engaged in the business of effecting transactions in securities for the account of others or for his own account.	\$250	§ 8-6-3(h), Code of Alabama, 1975

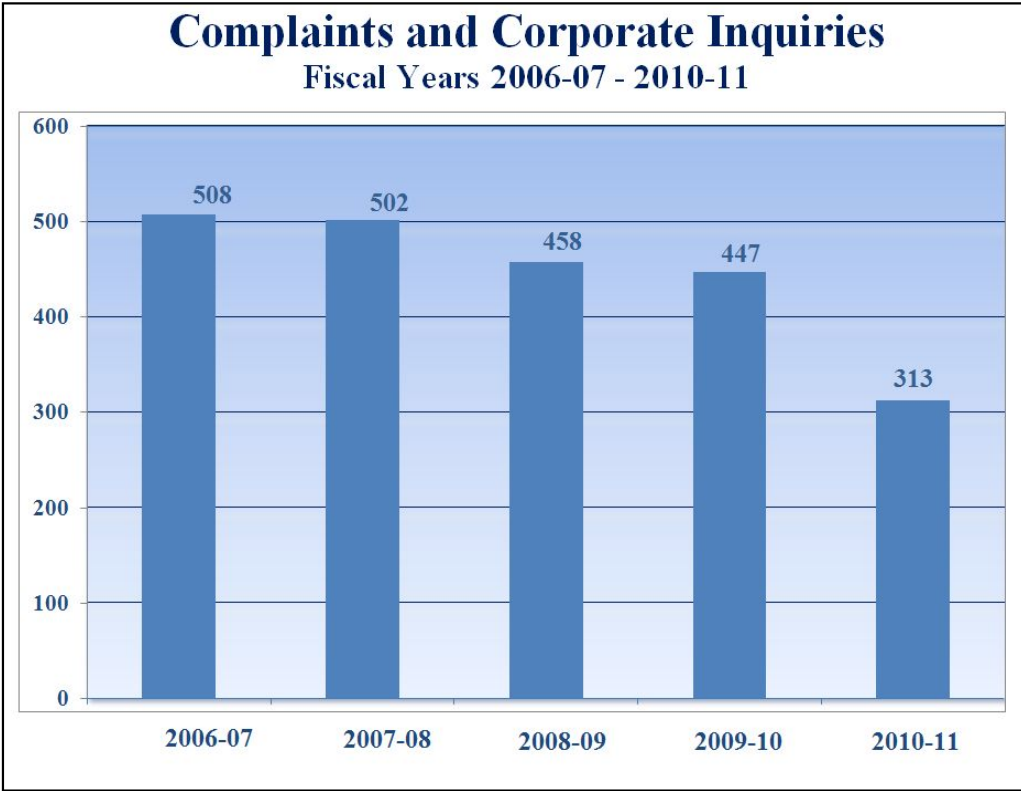
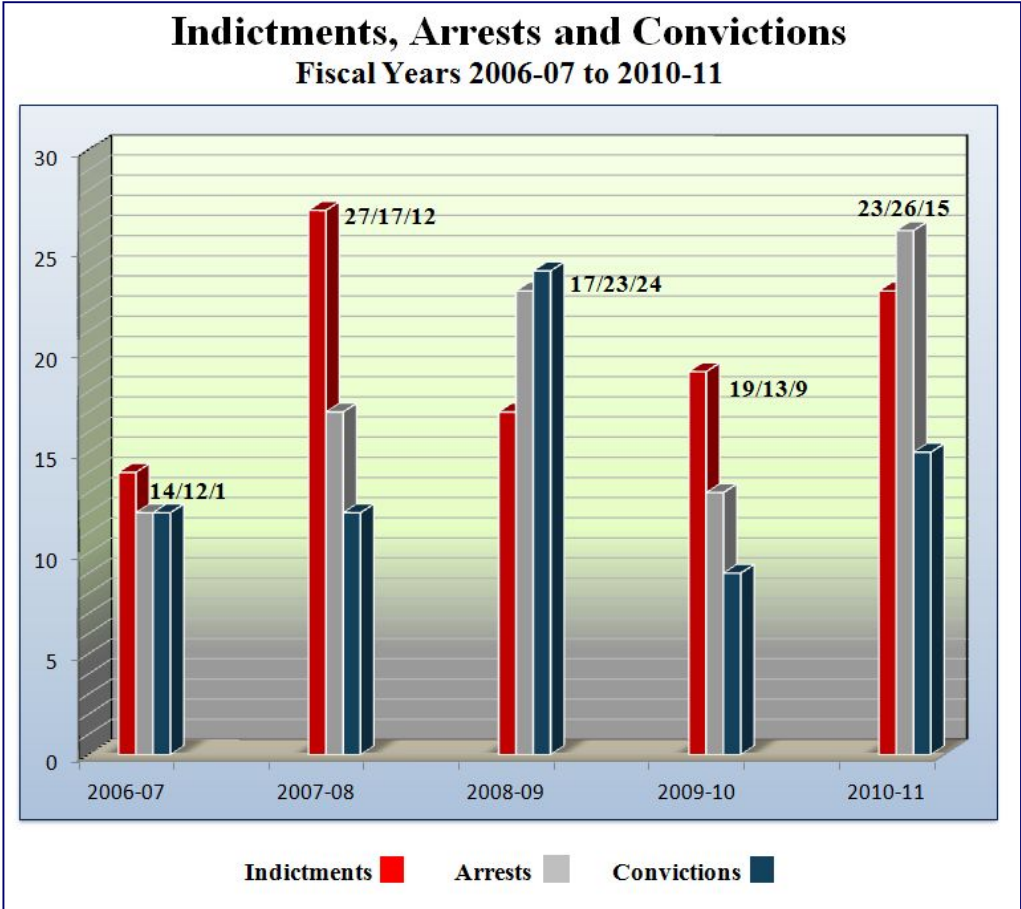
ASC FEE SCHEDULE

<p>Investment Adviser</p>	<p>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.</p>	<p>\$250</p>	<p>§ 8-6-3(h), Code of Alabama, 1975</p>
<p>Investment Adviser Representative</p>	<p>Any partner, officer, director 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.</p>	<p>\$60</p>	<p>§ 8-6-3(h), Code of Alabama, 1975</p>
<p>Administrative Assessment</p>	<p>Fee imposed upon any person who violates any provision of the article or rule or order issued under the article.</p>	<p>Not to exceed \$5,000 for each act or omission. Total assessment not to exceed \$50,000</p>	<p>§ 8-6-19(j)(2), Code of Alabama, 1975</p>
<p>Investigative Examinations</p>	<p>Investigative costs for examinations of violations of any provision of the article or violations of any rule.</p>	<p>Actual costs of investigation</p>	<p>§ 8-6-19(k)(1), Code of Alabama, 1975</p>

ASC FEE SCHEDULE

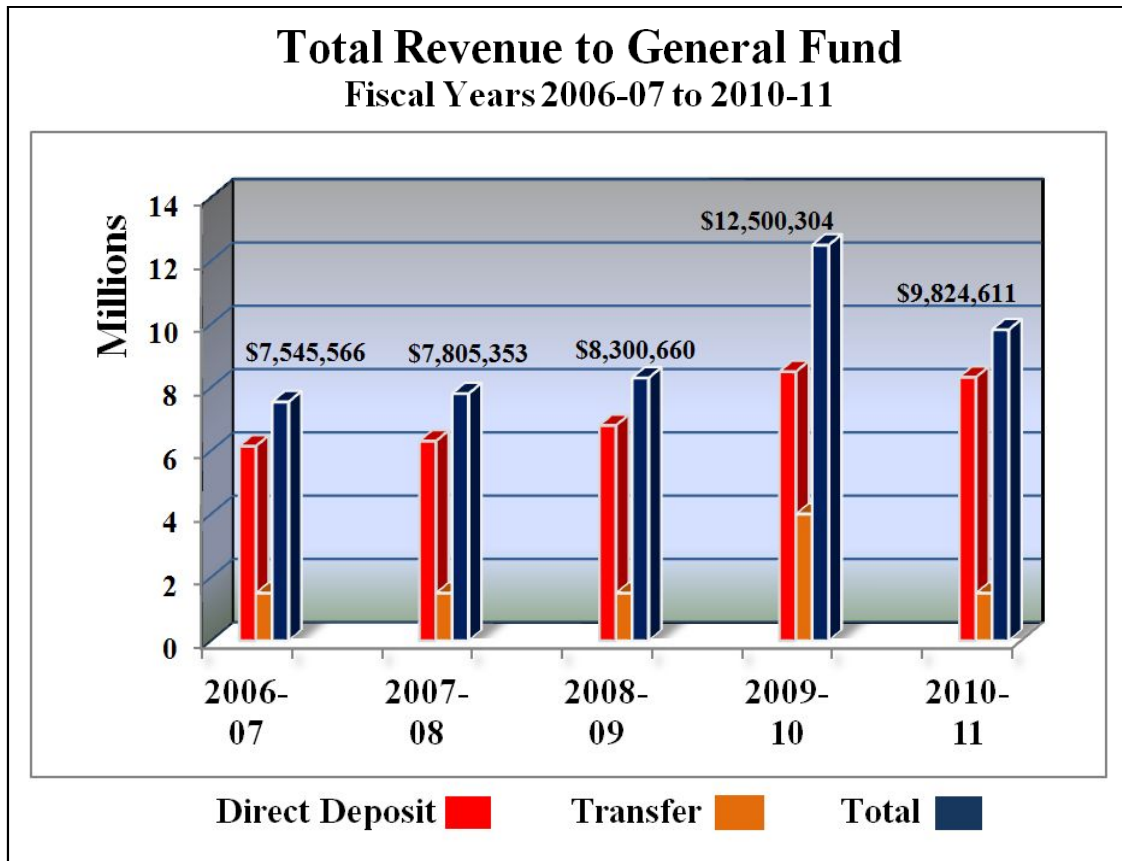
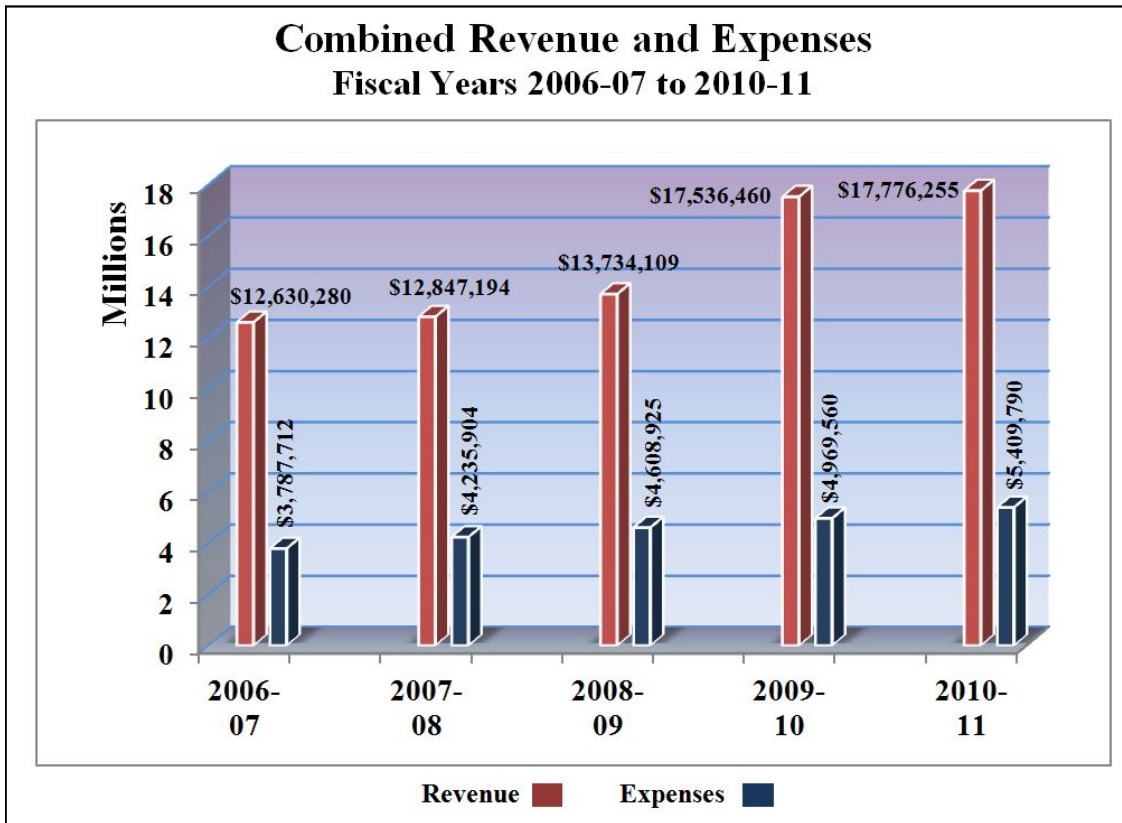
ASC Statistical Summary from FY 2011

- ▶ ASC total staff – **50** (includes 6 attorneys, 12 special agents, and 11 securities analysts)
- ▶ Registrations and exemptions issued – **142,330**
- ▶ Complaints and corporate inquiries received – **313**
- ▶ Industrial Revenue Bonds reviewed – **\$232,282,695**
- ▶ Administrative Orders issued – **57**
- ▶ Administrative Order respondents – **165**
- ▶ Rescissions ordered – **\$111,602**
Special Actions: (1) Does not include completed repurchase of all Jefferson County Auction Rate Securities (ARS) sold to Alabama investors. (2) Does not include \$10.4 million in other completed ARS repurchases to Alabama investors.
- ▶ Restitution ordered to victims – **\$6,435,602**
- ▶ Public warnings issued – **4**
- ▶ Indictments (**20**) and arrest warrants (**3**) obtained – **23**
- ▶ Convictions – **15**
- ▶ Arrests made – **26**
- ▶ Years of incarceration ordered – **170**
- ▶ Individuals awaiting grand jury action, arrest or trial – **43**
- ▶ Contributed to State General Fund - **\$9,824,611**
- ▶ Public presentations about safe and wise investing – **79**
- ▶ Alabamians receiving educational presentations – **5,505**



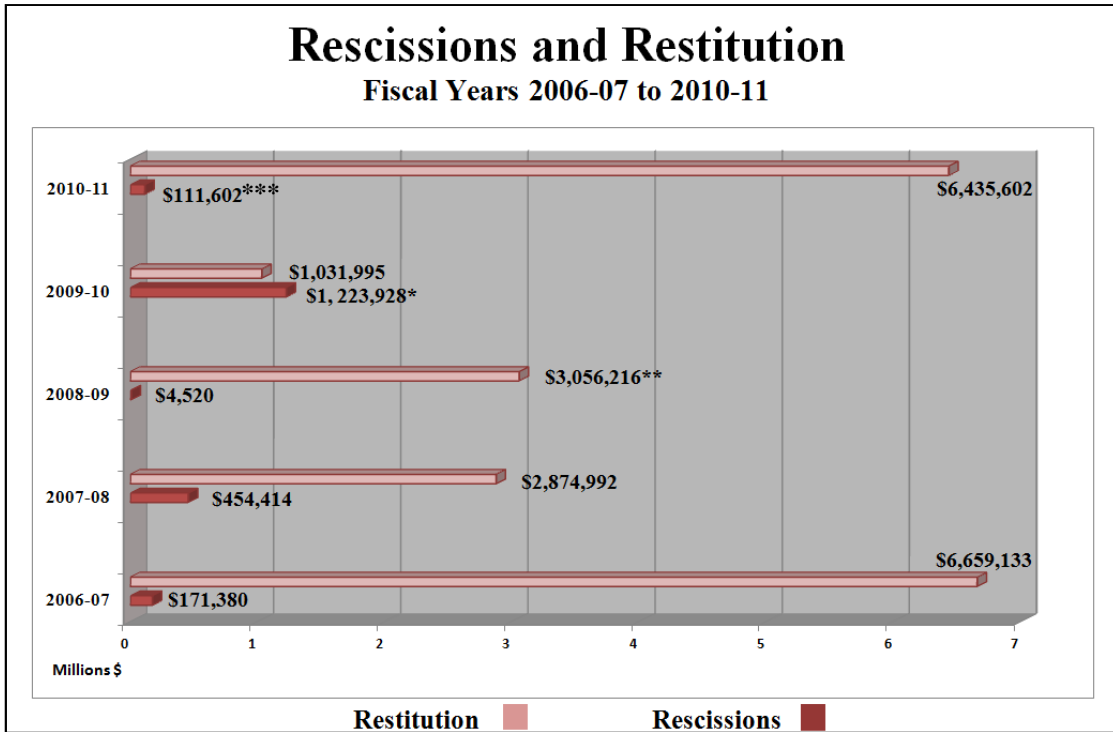
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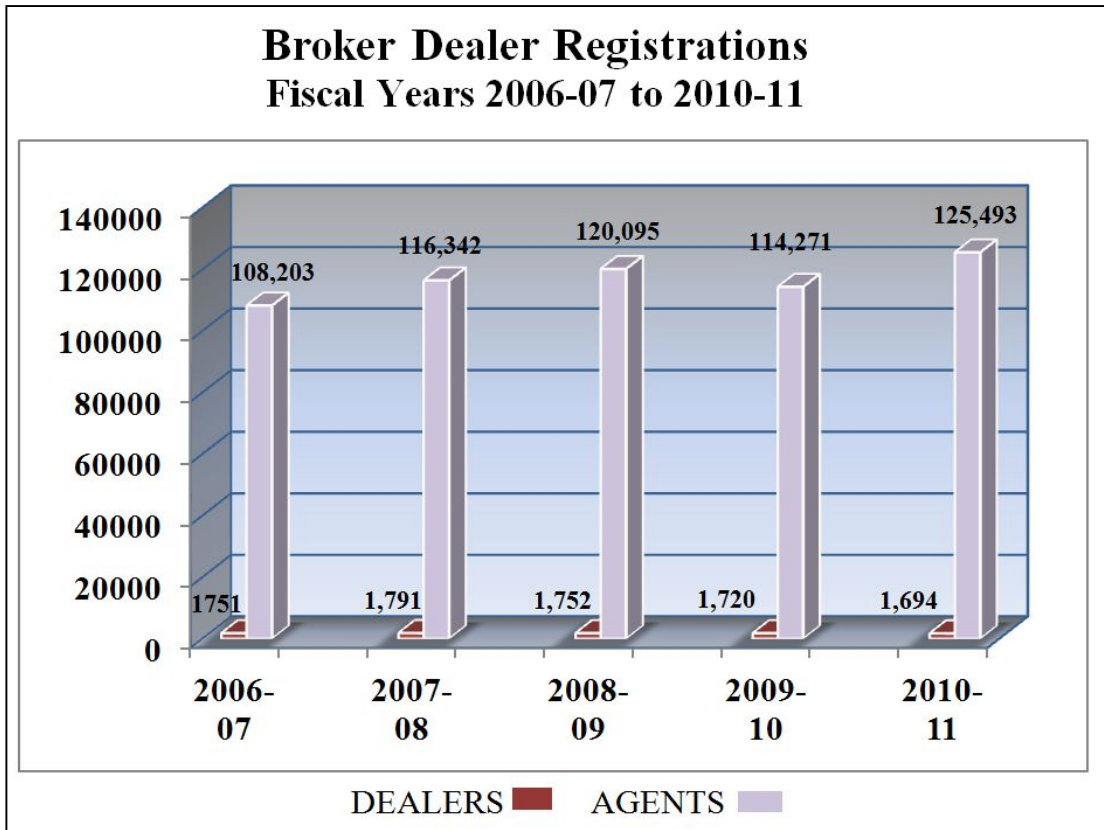
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* Not included: \$1.6 billion of Auction Rate Securities repurchased by 11 firms as part of a multi-state settlement.

** Not included: \$67.3 million in victim restitution from joint federal and multi-state case.

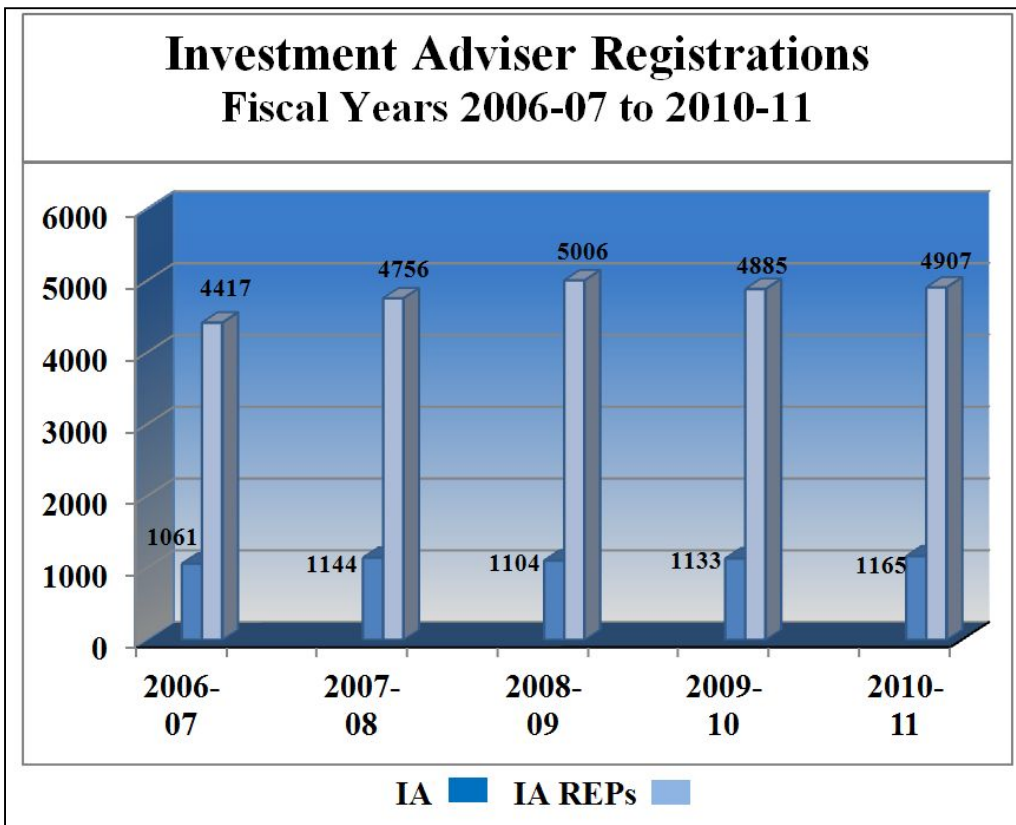
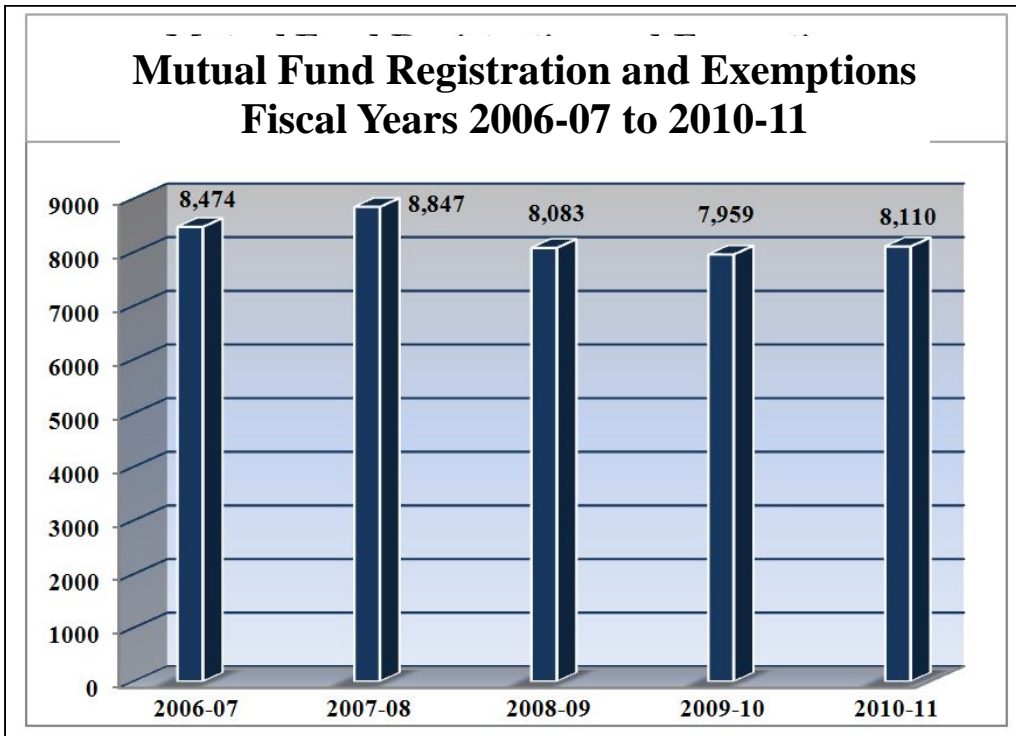
*** Not included: \$10.4 million in ARS repurchase to Alabama investors from ARS frozen accounts pursuant to an ASC order.



ASC STATISTICS

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FINANCIAL STATEMENT

FISCAL YEAR 2011

Agency Revenues

Authority

§ 8-6-3(h)	Investment Advisers & Representatives	\$ 8,648,850
	Broker-Dealers & Representatives	
§ 8-6-8	Securities Registration.....	51,047
§ 8-6-11	Exemptions.....	170,750
§ 8-6-19	Administrative Assessments/Investigative Executions ...	1,967,223
§ 8-6-10(11)(b)(2)	Mutual Fund Exemptions.....	6,809,860
§ 8-6-29	Opinions.....	1,500
§ 8-6-115	Industrial Revenue Bonds.....	15,000
§§ 8-7-6; 8-7-9	Sale of Checks	44,030
	Miscellaneous Revenues	67,995
	TOTAL REVENUES	\$ 17,776,255
	To General Fund	\$ 8,324,611
	To Sale of Checks Fund	44,030
	To Securities Commission Fund	9,392,614
	To Industrial Revenue Fund	15,000
	TOTAL	\$ 17,776,255

Expenditures

Personnel Costs	\$ 2,869,843
Employee Benefits	1,031,528
Travel (In-State).....	41,556
Travel (Out of State).....	47,475
Repairs & Maintenance.....	632
Rentals & Leases	678,518
Utilities & Communications	46,703
Professional Services	292,100
Supplies, Materials & Operating Expenses.....	146,637
Transportation Equipment Operations	53,865
Grants and Benefits.....	25
Transportation Equipment Purchases.....	156,612
Other Equipment Purchases	44,296
TOTAL	\$ 5,409,790
Additional Transfer to State General Fund	\$ 1,500,000
TOTAL EXPENDITURES	\$ 6,909,790
TOTAL TO GENERAL FUND FOR FISCAL YEAR 2011	\$ 9,824,611

Alabama Securities Commission Enforcement Division

Enforcement Activity

Corporate Inquiries Opened	191
Corporate Inquiries Closed	196
Investigations Opened - "I"	68
Investigations Closed - "I"	68
Investigations Opened - "S"	54
Investigations Closed - "S"	68
Administrative Actions	57
Administrative Action Respondents	165
Receiverships Appointed	0
Rescission Offers Obtained	11
Indictments/Warrants Obtained	23
Arrests Made	26
Convictions Obtained	15
Public Warnings Issued	4
Referrals to Other Agencies	33

As of 9/30/11, there were 3 individuals awaiting Grand Jury, 9 individuals pending arrest, and 31 individuals awaiting trial.

Administrative Orders Issued

A comparative summary of the Enforcement Division's Fiscal Year 2011 activities are shown on the following chart:

TYPE OF ORDER ISSUED	RESPONDENTS	ORDERS
Cease and Desist	95	26
Consent	45	23
Show Cause	14	1
Vacate	2	2
Permanent Bar	9	5
TOTALS:	165	57

REGISTRATIONS & EXEMPTIONS

STATISTICAL SUMMARY

10/01/2010 - 09/30/2011					
	Application Filed	Application Approved	Renewal Processed	Application Withdrawn	Application Terminated
Broker/Dealer	111	124	1570	8	136
Broker/Dealer Agent	n/a	31523	93970	0	21554
Eleemosynary Financing Exemption	29	20	0	2	5
Exempt Consent	1	2	0	0	0
Expansion Order	1	0	0	1	1
Industrial Revenue Bond	14	14	0	1	0
Investment Adviser - Federal	93	96	970	0	78
Investment Adviser - State Registered	28	13	86	7	7
Investment Adviser Representative	n/a	1009	3898	0	902
Limited Offering	551	550	0	3	84
Mutual Fund Exemptions	1886	1887	6223	0	455
Registration by Coordination	33	19	0	15	18
Registration by Qualification	1	1	0	0	0
Registration by Notification	0	0	0	1	1
Restricted Agent	39	41	187	0	26
Sale of Checks Vendor	14	12	115	2	11
NOTE: The total number of registrations and exemptions issued in Fiscal Year 2011 was 142,330.					

INDUSTRIAL REVENUE BONDS FY 2010-2011

LESSEE	FEE CHARGED	DATE ISSUED	AMOUNT OF ISSUE
The Industrial Development Board of the City of Selma, AL (International Paper Co.)	\$1,000.00	10/29/10	\$50,000,000.00
The Industrial Development Board of the City of Prattville, AL (International Paper Company)	\$1,000.00	10/29/10	\$20,000,000.00
The Industrial Development Board of the Town of Courtland, AL (International Paper Company)	\$1,000.00	10/29/10	\$20,000,000.00
The Industrial Development Board of the Town of Chatom, AL (PowerSouth Energy Cooperative)	\$1,000.00	11/04/10	\$33,180,000.00
The Medical Clinic Board of the City of Birmingham, AL (Amstead Rail Company, Inc. Project)	\$1,000.00	12/13/10	\$7,150,000.00
The Industrial Development Board of the City of Huntsville, AL (Dynetics , Inc.)	\$1,000.00	12/2010	\$45,000,000.00
The Industrial Development Board of the Town of Millport, AL (Steel Dust Recycling, LLC Project-Phase II, Series 2011)	\$1,000.00	02/22/11	\$20,000,000.00
The Medical Clinic Board of the City of Cullman, AL (Cullman ALF Group, LLC)	\$1,000.00	06/17/11	\$9,700,000.00
The Industrial Development Board of the City of Troy, AL (Golden Boy Nut Corporation)	\$1,000.00	08/19/11	\$4,005,000.00
The Medical Clinic Board of the City of Montgomery, AL (Jackson Imaging Center, LLC)	\$1,000.00	08/30/11	\$560,489.21
The Medical Clinic Board of the City of Montgomery, AL (Jackson Imaging Center, LLC)	\$1,000.00	08/30/11	\$4,098,923.41
The Medical Clinic Board of the City of Montgomery, AL (Jackson Imaging Center, LLC)	\$1,000.00	08/30/11	\$2,678,471.09
The Medical Clinic Board of the City of Montgomery, AL (Jackson Imaging Center, LLC)	\$1,000.00	08/30/11	\$7,409,811.38
The Medical Clinic Board of the City of Mobile, AL – Spring Hill (Springhill Area Leasing, Inc.)	\$1,000.00	09/19/11	\$8,500,000.00

TOTALS: \$ 14,000.00

\$ 232,282,695.09



Director's Commentary

ASC Protecting Alabamians and Providing Revenue to the State Through Education, Registration and Enforcement

Central to the Alabama Securities Commission's mission is its goal of protecting Alabama citizens in all walks of life from deceptive and illegal practices associated with offers, sales and purchases of securities and securities-related services in Alabama. To achieve our mission of protecting investors from securities fraud and preserving legitimate capital markets in Alabama, the ASC performs three critical functions: education, registration and enforcement. These functions, carried out with the discipline and professionalism of our dedicated staff, continually reinforces our role as a steadfast advocate for Alabama's citizens and "main street" investors.

In FY 2011 ASC returned **\$9,824,611** to the General Fund. This fiscal year, the demand for services increased with a slow recovery from the economic downturn that impacted capital markets. ASC maintains a high level of efficiency by applying proven management techniques, efficient performance of duties, effective use of available technologies and adherence to stringent budget guidelines.

The ASC is sensitive to the financial concerns and long-term financial security of Alabama citizens and must act quickly and decisively when misleading or illegal practices undermine their confidence in our financial markets. When Alabama securities laws are believed to have been broken, the ASC's Enforcement Division takes the lead in conducting complex investigations in response to complaints or evidence of alleged securities fraud. Twelve highly-trained and experienced veteran investigators (Special Agents), use their more than 300 years of combined law enforcement experience to collect and analyze large quantities of complex information ranging from paper records to sophisticated electronic data. Special Agents closely examine investor complaints concerning suspicious, deceptive, unsuitable and/or illegal investment offerings from within, into or from Alabama, as well as the sale of fraudulent and unregistered investment products. Special Agents coordinate their investigations with the Commission's Legal Division, and with local, state and federal authorities, to thoroughly examine complaints, analyze financial transactions and help bring legal action against any person or business entity suspected of being in violation of the Alabama Securities Act and federal laws.

During the past five years, Enforcement Division personnel have secured, on average, more than 20 criminal indictments annually for securities fraud. In FY 2011 the Division's painstaking work resulted in more than **\$6,435,602** in victim restitution from prosecuted cases; 26 arrests; 15 convictions; and helped secure 170 years of incarceration for defendants found in violation of the Alabama Securities Act.

In 2011, the ASC relied on the investigative efforts of the Enforcement Division to help secure some of the largest securities-related financial settlements in the state's history. Working tirelessly with a multi-state task force of securities regulators in the southeastern U.S. region, the U.S. Securities and Exchange Commission and the Financial Industry Regulatory Authority, the division investigated complaints related to seven large proprietary mutual funds administered by Morgan Keegan and Company and Morgan Asset Management.



Joseph P. Borg, Director

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The companies were ordered to pay **\$200 million** to establish independently administered funds for the benefit of investors who had lost money, including approximately 5,800 Alabama investors. After recovery of all expenses, the State received an additional \$1.7 million in costs, fines or penalties.

The Alabama Securities Act requires the registration of securities with the ASC prior to their public offering and sale; and, requires the registration, or specific exemption from registration, of broker-dealer firms, their agents, investment adviser firms and their representatives and money transmitters. The ASC's Registration Division is charged with the initial and ongoing registration process for individuals and firms who market and sell securities and financial services to Alabama citizens. Any person or company that offers and/or sells securities within, into or from Alabama must be registered with the ASC in order to conduct business legally. Any citizen can contact the ASC Registration Division to inquire if a particular security and/or the person or company offering it for sale is registered to conduct securities business in Alabama. Citizens can also receive a free background check on any person who offers a security for sale. This promotes continued professionalism in the securities industry in Alabama for those offering and selling various financial products and services to Alabama citizens. In FY 2011, the total number of registrations, licenses and exemptions issued by the Registration Division was 142,330. This Division is also responsible for the processing of fees associated with applications and renewals, which allows the ASC to remain self-funding.

An additional responsibility for the Registration Division is conducting onsite auditing and examinations of all state-regulated investment advisers domiciled in Alabama on a three-year cycle, while continuing to audit broker-dealers and their branch offices on a for-cause basis. The audit program, coordinated through the Auditing and Examinations Department, identifies serious securities violations as well as potential weaknesses in sales practices and statutory compliance. This aids in helping to strengthen companies' compliance programs to better serve and protect Alabama investors. The Department also conducts preclearance audits and joint audits, on a limited basis with other states for complex audits, and to aid in possible enforcement investigations. In FY2011, the Auditing and Examinations Department conducted 43 full audits.

We believe that investor education and fraud prevention training can help shield our citizens from being victimized by financial crimes. The ASC's Education and Public Affairs Division is very proactive in support of the agency's objective to inform and educate Alabamians of all ages and economic backgrounds on the many aspects of saving and investing and about making informed and prudent financial decisions. Our ongoing Investor Education and Fraud Prevention Outreach Program is structured to offer the most timely and relevant financial education information available to Alabama's youth (K-12 and college students), working adults and retired seniors. The Education and Public Affairs Division provides these groups free financial education seminars and printed material to help them acquire the knowledge and skills necessary to make sustainable personal financial decisions, how to save and invest wisely in order to build their personal financial assets, and how to recognize and avoid financial predatory tactics that could compromise or destroy their retirement nest eggs. Combining educational resources with such diverse groups and agencies as the Washington, D.C.-based Investor Protection Trust, Alabama Department of Senior Services, Alabama Cooperative Extension System, Alabama Department of Education, Alabama Jump\$Start Coalition, AARP Alabama and many others, the Division can consistently develop, refine and implement stimulating, timely investor education programs. The Division conducts an averages of 70 events annually for Alabama citizens, as well as to social, civic and professional groups throughout our state. During FY 2011, this Division conducted 79 events that provided direct outreach and instruction to 5,505 citizens ranging in age from high schools students to senior retirees. During FY2011, this Division helped acquire over **\$200,000** in grant money received from the Investor Protection Trust and the Financial Industry Regulatory Authority that was spent in Alabama to advertise, for media information programs, and cover a portion of expenses to conduct investor education and fraud prevention events in Alabama.

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ASC's Division Functions and Accomplishments

Enforcement Division. The ASC's Enforcement Division is responsible for conducting complex investigations in response to complaints or evidence of alleged securities fraud. A highly-trained and experienced staff of 12 veteran investigators (Special Agents), with more than 300 years of combined law enforcement experience, collect and analyze large and often complicated quantities of information ranging from paper records to sophisticated electronic data. ASC's Special Agents are required to address investor complaints related to suspicious, unsuitable and/or illegal investment offerings, as well as the sale of fraudulent and unregistered investment products. Special Agents coordinate their investigative activities with the Commission's Legal Division, and with local, state and federal authorities, to thoroughly examine complaints, analyze financial transactions and help bring legal action against any person or business entity that violates the Alabama Securities Act. During the past five years, Enforcement Division personnel have secured, on average, more than 20 criminal indictments per year for securities fraud. Due to the division's painstaking work on behalf of Alabama's investors, the courts have ordered more than \$6,435,602 in victim restitution in prosecuted cases. During the past fiscal year, enforcement actions led to 26 arrests, 15 convictions and helped secure 170 years' incarceration for violators of the Alabama Securities Act.

Licensing and Registration Division. The ASC's licensing and Registration Division is responsible for the initial and ongoing registration and statutory compliance of broker-dealer firms and their agents, investment adviser firms and their representatives, issuer agents, securities registrations and exemptions from registration and the licensing of money transmitters. This division is also responsible for the processing of fees associated with applications and renewals, which allows the agency to remain self-funding. The total number of registrations, licenses and exemptions issued in Fiscal Year 2011 was 142,330.

Auditing and Examination Division. This division is responsible for conducting a full schedule of onsite routine and for-cause examinations. Division auditors examine each of the state-regulated investment advisers domiciled in Alabama on three-year cycle, while continuing to audit broker-dealers and their branch offices on a for-cause basis. The audit program identifies serious securities violations as well as potential weaknesses in sales practices in order to help strengthen these businesses' compliance programs and to protect Alabama investors. The division also conducts limited joint audits with other states for complex audits and enforcement investigations. In Fiscal Year 2011, the Auditing and Examination Division conducted 43 audits, with three of these being for-cause examinations driven by investigations, customer complaints or licensing issues.

Education and Public Affairs Division. Provides state and national media information about the agency's services, enforcement actions, fraud prevention alerts and other activities to combat financial crimes targeting Alabama citizens. The division is active in educating citizens of all ages and economic backgrounds about the many facets of personal finance, investing and how to protect oneself from financial fraud. The division researches, develops and implements investor education and fraud prevention outreach programs that offer Alabamians, from high school students and working adults to senior investors, ages 50 and older, the most relative and timely information available to help them make informed financial decisions. The information

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provided to these groups encourages prudent use of monetary resources, avoiding victimization by fraud and achieving the fiscal knowledge required to safeguard personal financial assets in order to help citizens build a comfortable and stable retirement. Continued collaboration with the Alabama Department of Education, the Alabama Jump\$tart Coalition, the Investor Protection Trust, the Alabama Department of Senior Services, the Alabama Cooperative Extension System, and the Alabama Council on Economic Education, among others, led to a successful education outreach program providing 79 education and fraud prevention events to over 5,505 Alabama citizens during this fiscal year.

Legal Division. The ASC Legal Division is comprised of six highly-skilled and dedicated attorneys who are ably assisted by two full-time paralegals. The Legal Division possesses almost 100 years' combined legal and prosecutorial experience and is responsible for investigating and prosecuting fraudulent and illegal actions by individuals and companies in the offering and sale of securities within, into or from the State of Alabama; or, any related activities in violation of the Alabama Securities Act and associated statutes. The ASC Legal Division supervises the prosecution of administrative, civil and criminal actions brought by the Commission and renders legal opinions and no-action letters related to issues of law pursuant to the Alabama Securities Act. The division also acts as in-house legal counsel for all legal issues concerning the daily operations of the Commission staff, including investigations and personnel issues, and acts as liaison with other government agencies when legal matters of common interest arise. The legal staff works closely with district attorneys throughout Alabama to assist in the investigation and prosecution of white-collar crime and has an excellent prosecution record. ASC attorneys consult with other states on legal issues with overlapping jurisdictions and aids federal prosecutors, the U.S. Securities and Exchange Commission, the Financial Industry Regulatory Authority and others to assure that Alabama's main street investors are afforded maximum protection from investment fraud.

Accounting and Personnel Division. The ASC's Accounting and Personnel Division is charged with effecting the continued smooth operation of the agency's fiscal and employee-related requirements. The division provides for the overall sound financial operation of the agency, including preparation of the annual budget and operations plan, supervising the gathering and maintenance of all financial records and reports, assuring propriety of agency expenditures and budgetary controls, maintenance of personnel and payroll records and being accountable for all physical inventory. The division cooperates with the Examiners of Public Accounts to ensure the Commission is in strict fiscal compliance with the Code of Alabama. Historically, the division has received a perfect "Property Inventory" audit and constantly strives to make certain that the Commission's property and monetary resources are used and maintained for greatest benefit of Alabama citizens.

Information Technology (IT) Division. This division plays a crucial role in the efficient provision and management of the Commission's electronic data requirements. Division personnel work diligently to provide streamlined, results-driven methods for the secure utilization and storage of sensitive information and the maintenance of the agency's computer hardware and software systems.

Investor Education and Fraud Prevention Outreach Program



Dan Lord, Manager

ASC EDUCATION CORNER ***Promoting Investor Protection*** ***Through Seminars and Free Materials***

ASC's Education and Public Affairs Division strives to provide timely and relevant information to help educate and protect Alabama citizens so they can make more informed and safer investment decisions. Please contact this office to schedule a free training presentation or high school field trip, and for free information concerning topics such as saving, proper use of credit, understanding financial products, investing and financial fraud prevention.



*Clint Niemeyer, Public
Affairs Specialist*

Investor Education and Fraud Prevention Outreach for Senior Alabamians

During FY 2011, ASC's Education and Public Affairs Division experienced another active year, continuing to forge a robust and informative Investor Education and Fraud Prevention Outreach program. With a nationwide surge in financial fraud targeting our most vulnerable citizens—those aged 50 and older who are most dependent on their retirement savings—the Investor Education and Fraud Prevention Outreach program serves Alabama's main street investors by helping to expose deceptive and illegal practices, by promoting financial literacy and by the development of the discipline necessary to recognize and thwart tactics used by con artists to victimize our citizens. The Education and Public Affairs Division helps set the bar high for the development and delivery of practicable, insightful information that serves as a first line of defense against financial crimes that can devastate senior Alabamians' long-term financial independence. The following paragraphs illustrate the division's continued close collaboration with senior advocacy groups, law enforcement and others to promote investor education and fraud prevention during the past fiscal year.

ASC's Education and Public Affairs Division partnerships to reach working adults and seniors

Alabama Department of Senior Services (ADSS). The ASC collaborated with the ADSS' statewide network of Area Agencies on Aging to reach hundreds of seniors and provide timely, relevant presentations and printed material designed to help them recognize the problems associated with financial fraud and how to safeguard themselves and their families from fraudulent practices.

ACES Estate Planning Seminars. ASC teamed with the Alabama Cooperative Extension System (ACES) to continue hosting Estate Planning Seminars for Alabama citizens who are nearing retirement or are previously retired. Seminars included speakers from the Education and Public Affairs Division who shared valuable information about unsuitable investment "opportunities," how investment fraud begins, factors involved in making informed financial decisions, and the warning signs of scams, among others.

2011 Senior Expo. For the seventh consecutive year, ASC was invited and participated in the 2011 Senior Expo at the Von Braun Civic Center in Huntsville. This popular, highly anticipated event hosts several thousand seniors from across north Alabama to observe and inquire into the numerous products, services and information resources tailored to them from dozens of professional service providers. ASC Education and Public Affairs Division personnel were on-site to greet and answer individuals' questions and to distribute important personal finance, investor education and fraud prevention materials to hundreds of seniors throughout the day-long event.

Investor Education and Fraud Prevention Outreach Program

(Continued)

Jackson County Senior Expo. The Jackson County Senior Expo, held at Goose Pond Colony in Scottsboro, is a popular free annual event for seniors in northeastern Alabama. For the fourth consecutive year ASC, together with other organizations, participated and offered important financial information about available resources to more than 800 seniors from Jackson, Madison, DeKalb and Marshall Counties.

Alabama Retired State Employees Association (ARSEA). Continuing a successful partnership, ASC staff attended and spoke at several ARSEA chapter meetings during FY 2010-11. Boasting a membership of more than 25,000 retired former state government employees, ARSEA members typically have significant savings, pensions and investments but may face major unexpected financial decisions that could imperil their personal financial assets and continued financial independence.

Senior Medicare Patrol (SMP) Fraud Summit. Partnering with local Area Agencies on Aging, Better Business Bureaus, the Social Security Administration, U.S. Postal Inspection Service and local law enforcement agencies, ASC again reached out to senior Alabamians, their families and caregivers to present “What Seniors Should Know in Order to Make Informed Investment Decisions,” and to provide free printed information and tips for recognizing and avoiding financial victimization.

World Elder Abuse Awareness Symposium. ASC collaborated with ADSS and the Alabama Civil Justice Foundation for the 3rd Annual World Elder Abuse Awareness Symposium at Embassy Suites in Montgomery. The symposium was designed to call attention to the critical needs of the state’s senior population including seniors’ specialized legal, financial, social, healthcare and medical needs.

Caregiver and Elder Abuse Symposiums. ASC staff joined eldercare specialists from South Central Alabama Development Commission’s Area Agency on Aging to help train nursing, home health, social services, legal aid and other senior care providers about identifying and addressing financial stressors affecting their at-risk clients. Information presented at the symposiums aided caregivers in discovering the signs that their clients could be exposed to financial exploitation from numerous sources.

Elder Investment Fraud and Financial Exploitation (EIFFE) Campaign. ASC, through its affiliation with the North American Securities Administrators Association (NASAA), worked side by side with the Washington, D.C.-based Investor Protection Trust (IPT), the National Adult Protective Services Association, the American Academy of Family Physicians and other senior health advocacy organizations to help promote this important campaign. Planned to coincide with the annual World Elder Abuse Awareness Day, the campaign seeks to teach medical professionals and adult protective service providers how to identify indicators that senior patients and clients, especially those who exhibit signs of mild cognitive impairment, may be victims of financial exploitation and abuse. The campaign’s goal is to improve communications between senior Americans, their adult children, medical providers and state securities regulators in order to recognize and defeat financial fraud targeting this special needs segment of our population.

You’re Never Too Smart to Get Conned-Learn to Protect Your Retirement Savings from Fraud. Sponsored jointly by ASC, AARP Alabama, the U.S. Securities and Exchange Commission (SEC) and the Financial Industry Regulatory Authority (FINRA), this free investor education forum was held in Huntsville and hosted more than 200 seniors from the north Alabama region. Attendees enjoyed a detailed and informative presentation featuring ASC Director Joseph Borg. The program was structured to show seniors who may be at risk for investment fraud and how to avoid the common persuasive tactics used by fraudsters. Attendees also learned the simple steps that every investor should take before making any financial decision, such as verifying the legitimacy of investment professionals and the products they sell, and what to do if they suspect investment fraud.

Investor Education and Fraud Prevention Outreach Program

(Continued)

River Region Aging Expo & AARP University. ASC joined with AARP Alabama, Central Alabama Aging Consortium, Montgomery Area Council on Aging and the Alabama Department of Senior Services for “Living Your Best Life @ 50+,” River Region Aging Expo & AARP University at Frazer United Methodist Church in Montgomery. This day-long exhibition and conference promoted healthy, active aging for those aged 50 and older and was structured to explore various senior-specific health issues as well as maintaining a balance among several elements necessary for successful and stress-free retirement. ASC presented participants information about suitability issues related to investment products, fraud recognition and prevention and tips for making informed investment decisions.

Scam Jam Fraud Summit. Held annually in the Decatur area of north Alabama, the Scam Jam Fraud Summit had special significance this year. The event brought together seniors from across the region to learn the latest information on issues affecting their daily lives shortly after the deadly tornado outbreaks of April, 2011. This year’s Scam Jam focused on numerous scams that can be experienced when disasters of this magnitude take place. An ASC representative served on an expert panel with representatives from the North Alabama Better Business Bureau, Alabama Attorney General’s Office, U.S. Postal Inspection Service and local law enforcement to discuss and answer audience questions about what to expect in the aftermath of natural disaster and how to remain focused to guard against fraudulent activity.

Senior Rights Summit. ASC once again joined with South Central Alabama Development Commission-Area Agency on Aging to host a Senior Rights Summit in Luverne. The program was organized to attract seniors from the south-central Alabama region to learn about programs and services that affect them, including combating elder financial fraud and abuse, Social Security issues, Medicare/Medicaid concerns, hospice, home health and adult protective services.

ASC Military Outreach Program and Special Website Area

“Protect Alabama Troops” (PATs) was launched June 16, 2009 and is an information-based resource, accessible on ASC’s web page, www.asc.alabama.gov. The site consists of appropriate, practical news, tips and advice for Alabama’s active-duty, guard and reserve military, as well as retired military and veterans. The site is specifically designed to assist them and their family members to make informed investment decisions and avoid becoming victims of financial fraud before, during and after deployment and in the transition to retired military or civilian life.

Many of the employees on the ASC staff are members of the military Guard/Reserves, and have supported recent U.S. defense initiatives. Our Education and Public Affairs manager has over 25 years of active, guard, enlisted and commissioned service and has been involved in national financial education outreach as a non-profit partner with the Department of Defense, Financial Readiness Campaign. Director Borg says, “Inquiries from any military personnel, in any status, or from their dependents, will get our immediate attention to help provide information or to investigate complaints and concerns as necessary.”

During FY 2011 ASC staff provided tailored fraud prevention and investor education seminars to soldiers, dependents, civilian personnel (civil service and contracted) at the Redstone Arsenal and Maxwell Air Force Base. Top-notch personal finance and investor education materials published by Kiplinger’s Personal Finance, the Lightbulb Press, Inc. and ASC, were made available upon request to anyone affiliated with the military in Alabama.

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Investor Education and Fraud Prevention Outreach Program

(Continued)

Military personnel and their dependants who may be considering investment opportunities can contact the ASC, toll-free, 1-800-222-1253, with inquiries about the registration status of financial products, licensing requirements for those individuals or companies offering or selling financial products or services to military families in Alabama, to lodge a complaint, to report suspected fraud or to receive consumer information.

ASC Contributions to Middle/High School Teachers and Students

Youth and Student Programs

The ASC's Education Office is an active member of the Alabama Jump\$tart Coalition; the Alabama Council on Economic Education; and partners with the Alabama Cooperative Extension System in addition to working with other business, government and nonprofit agencies to promote financial literacy programs geared toward public and private middle, high school, and college students. ASC offers two professionally developed financial literacy publications to state educators for classroom use. Basics of Savings and Investing is a teaching guide used in various business, math and social studies classes in grades 7-12. Additionally, high school economics teachers can obtain Personal Finance in the Economics Classroom to augment financial literacy instruction.



ANNISTON H.S. FINANCE & MARKETING STUDENTS

High School students and teachers from all over Alabama are welcome to visit the Commission at no cost other than to provide their own transportation and lunch. Typical field trips last about four hours and include over two hours of investor education and information about how ASC regulates the securities industry in Alabama. High School teachers may call 1-800-222-1253 and ask for the Education and Public Affairs Division to schedule a tailor-made field trip.



YOUTH LEADERSHIP SELMA-DALLAS COUNTY, CLASS XIV

Investor Education and Fraud Prevention Outreach Program

ASC Contributions to Middle/High School Teachers and Students *(Continued)*

Teachers receive training and materials to bring personal finance into the classroom!



The "Day of Financial Literacy" Luncheon hosted by the Alabama Jump\$tart Coalition was held Tuesday, July 12, 2011 in the Medical Forum Building of the BJCC in Birmingham during the Alabama Association of Career and Technical Education Conference (AACTE). Guest Speaker for the luncheon was Alabama Treasurer Young Boozer. Over 230 teachers attended the event that provided free financial education curriculum and resource materials for Alabama Classrooms.

ASC EDUCATION AND PUBLIC AFFAIRS DIVISION (ED & PA)

(Manager: Dan Lord; Public Affairs Specialist: Clint Niemeyer)

Investor Education Presentations/Events/Meetings

(Fiscal Year 2011, from 10/1/10 - 9/30/11)

<u>Date</u>	<u>Place</u>	<u>Number</u>	<u>Audience Type</u>
9/22/11	Huntsville, AL at the Embassy Suites	50	Speak to N. Alabama Federal Bar Association
9/22/11	Montgomery, AL at the FDIC Office	50	AL Asset Bldg. Coalition - develop financial literacy programs
9/20/11	Vestavia Hills, AL at Town Village	20	Speak to seniors at a retirement community meeting
9/15/11	Tuscaloosa at the Capstone Hotel with AARP and FIINRA	80	Investor Fraud Prevention program for 50+ in local community
9/14/11	Huntsville, AL at the Von Braun Center	100	Senior citizens attending the annual Senior Expo
9/14/11	Birmingham, AL at the ARSEA annual convention	75	Retired state employee organization
9/7/11	Birmingham, AL at the Federal Reserve office	20	Academy of Finance meeting to promote financial education
9/7/11	Mobile, AL at the Toulminville Branch Public Library	25	Anti-Money Laundering for Internal Rev. Service
8/24/11	Mobile, AL at the Five Rivers Delta Resource Center	100	South Alabama Financial Crimes Task Force
8/24/11	Redstone Arsenal at ROCC community center	130	Active/Retired military and dependents and Redstone community
8/17/11	Huntsville, AL at the Redstone Fed Credit Union	35	Public Relations Council of Alabama, North Chapter
8/5/11	Birmingham, AL at the Federal Reserve Branch	85	JumpStart Board - Plan Outreach Initiatives
8/4/11	Eufaula, AL at the Eufaula Carnegie Library	20	Local ARSEA chapter meeting (retired seniors)
8/4/11	Montgomery, AL-Frazier UMC	30	AARP River Region Aging Expo & AARP Univ. area seniors

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Investor Education and Fraud Prevention Outreach Program

(Continued)

Date	Place	Number	Audience Type
8/2/11	Redstone Arsenal at the ARMDEC	75	Scientists, engineers and personnel assigned to this agency
8/2/11	Troy, AL-Pike Co. Boys and Girls Club	60	YLAMSS seminar-Pike Co. and surrounding area youth
7/27/11	Anniston, AL-Anniston City Meeting Center	27	YLAMM seminar-high school students from local area
7/22/11	Centre, AL at Gadsden Community State College	18	Seniors citizens from the local area
7/21/11	Scottsboro, AL at Greater St. Paul A.M.E. Church	20	Adult members of Church community
7/19/11	Phenix City, AL with ACES at Central Activity Center	57	Senior citizens from the local area
7/18/11	Mobile, AL at the Convention Center	12	Alabama Public School Teachers Mega Conference
7/12/11	Birmingham, AL at the BJCC	300	Alabama Public School Teachers at Annual Conference
7/11/11	Fed Reserve Bank of Atlanta, Birmingham Branch	100	Alabama Public School Teachers
7/6/11	Orange Beach, AL at Perdido Beach Resort	60	District Attorneys and staff from all areas of Alabama
7/6/11	Opelika, AL at the Health Resource Center	60	Training to CJIS and other enforcement officials
6/22/11	Shorter, AL at a Caregivers & Elder Abuse Symposium	50	Social workers and elder care providers
6/22/11	Redstone Arsenal at the Missile Defense Agency	79	Military, Civil Service & Gov. contract personnel
6/17/11	Troy, AL at a Caregivers & Elder Abuse Symposium	34	Social workers and elder care providers
6/16/11	Birmingham, AL at the Samford Univ School of Business	14	MA of Accounting students, Fraud Examination Class
6/8/11	Redstone Arsenal, PEO Missiles and Space	72	Military, Civil Service & Gov. contract personnel
5/26/11	Montgomery, AL at the Dalraida United Methodist Church	32	Members from ARSEA E. Montgomery Chapter
5/11/11	Luverne, AL at the United Methodist Church	70	Seniors from Crenshaw County and surrounding areas
5/10/11	Birmingham, AL at Brookdale Place-University Park	35	Senior Citizen money training event
5/9/11	Montgomery, AL at the Center for Commerce	30	Members of local ASEA chapter
5/6/11	Decatur, AL at the First Bible Church with BBB of Decatur	65	Senior Citizens from the local community
5/6/11	Maxwell Air Force Base at the 42 FSS/FSFR	160	Military and their spouses
5/5/11	Montgomery, AL at Family Guidance Center	35	Members of the Assoc. of Fund Raising Professionals
5/5/11	Opelika, AL at the Health Resource Center	42	Lee-Russell Council on Gov - Senior Fraud Summit
4/27/11	Bank Trust, Prattville, AL	35	Members of the Askesis Ladies' Club
4/25/11	Demopolis, AL at the Black Belt Chamber of Commerce	25	ACES Community Building Bus. Forum
4/25/11	Gadsden, AL at the Hardin 'Center for Cultural Arts	40	Members from ARSEA District 20
4/18/11	Montgomery, AL at the Crump Community Center	40	Speak to members of local AARP chapter
4/15/11	Opelika, AL at the Marriot Hotel at Grand National	100	Members from ARSEA District 11
4/14/11	Eufaula, AL at the Community Center	130	Law Enforcement officials from 3rd Judicial Circuit
4/14/11	Birmingham, AL at the BJCC	70	Teach Financial Literacy to High School Students
4/13/11	Redstone Arsenal, AL at Space and Missile Defense Cmd.	9	Military, Civil Service & Gov. contract personnel
4/12/11	Auburn, AL at Auburn University College of Business	30	Student Financial Management Association
4/11/11	Montgomery, AL at Auburn Montgomery campus, AUM	100	Teach Financial Literacy to High School Students

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Investor Education and Fraud Prevention Outreach Program

(Continued)

<u>Date</u>	<u>Place</u>	<u>Number</u>	<u>Audience Type</u>
4/4/11	Montgomery, AL Catholic Preparation School	180	Teach Financial Literacy to High School Students
4/2/11	Montgomery, AL at Jefferson Davis High School	75	Adults and students at local community information fair
3/28/11	Wetumpka, AL Civic Center	75	Members from ARSEA District 4
3/25/11	Ozark, AL at the Dale County Gov. Bldg.	50	Members from ARSEA District 8
3/19/11	Butler Co. BOE-Greenville, AL	40	Students in grades 1-12
3/17/11	Huntsville, AL at Marriott Hotel-Space Center	220	ASC/FINRA/AARP fraud prevention seminar to area seniors
3/15/11	New Orleans, LA	8	NASAA project Gp. Mtg.-promote investor edu. Initiatives
3/11/11	Montgomery, AL-Catholic Prep School	40	Personal finance to high school students
3/10/11	Redstone Arsenal, AL at the Sparkman Center	40	Military, Civil Service & Gov. contract personnel
3/8/11	Slocumb H.S.-Slocumb, AL	120	High school students about personal finance
2/17/11	Montgomery, AL at Capitol Auditorium	25	AL Saves event w/ACES, FDIC, Ala. Banking Dept.
2/16/11	Winfrey Hotel-Birmingham, AL	25	Govt. Financial Officers Assn. of AL mtg.
2/11/11	Montgomery, AL with AL Council of Economic Edu	25	Train Montgomery Area High School Teachers
1/28/11	Muscle Shoals, AL-Shoals Comm. Col.	10	Train teachers to incorporate financial edu. into lessons
1/27/11	Scottsboro, AL-Jackson Co. Senior Ctr.	900	Jackson Co. seniors
1/18/11	Huntsville, AL-Von Braun Ctr.	300	Huntsville Rotary Club members and guests
1/12/11	Montgomery, AL at the Commission	1	Train Louisiana counterpart at Louisiana's request
12/10/10	Selma, AL at Wallace Community College	75	High school students from four nearby counties
12/1/10	Jasper, AL Walker Co. Cooperative Extension HQ	35	ACES Estate Planning Seminar for seniors
11/29/10	Huntsville, AL at the Fraternal Order of Eagles/2500	35	Kiwanis members from various area clubs
11/23/10	Prattville, AL at the St. Joseph Catholic Church	30	Church group comprised of seniors
11/17/10	Auburn, AL at the Cooperative Extension studio	8	Provide distant learning to seniors in Guntersville, AL
11/9-11/10	San Diego, CA at the Westin Convention Center	10	Implement program to train medical professionals in AL
11/10/10	Triana, AL-Triana C.P. Church of America	33	ACES Estate Planning Seminar for seniors
11/3/10	Opp, AL at Fleeta High School	25	Covington Co. Education Retirees Assn.
10/22/10	Eutaw Activity Center in Green County with ACES	30	Greene Co. and surrounding area seniors
10/21-22/10	Prattville, AL at Marriot Convention Center	10	JumpStart Board - Plan Outreach Initiatives
10/14/10	Mobile, AL Senior Citizen Center	25	AARP-FINRA partnered senior citizen event
10/6/10	Montgomery, AL at the Commission	39	Anniston HS marketing and finance students field trip
10/5/10	Birmingham, AL at the UAB Campus	80	New Horizons senior citizen club
10/5/10	Montgomery, AL at the Commission	30	Selma-Dallas County Youth Leadership HS students

DURING FISCAL YEAR 2011 THE ALABAMA SECURITIES COMMISSON CONDUCTED 79 INVESTOR EDUCATION AND FRAUD PREVENTION OUTREACH SEMINARS TO 5,505 ALABAMIANS.

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 the promotion of programs focusing on 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.

ASC's director is presently Chair of the International Committee for the North American Securities Administrators Association (NASAA) an international association of securities regulators. He served as NASAA President, from September 2001 thru September 2002 and again from September 2006 thru September 2007; only two other persons have served two terms as president in the 90 year history of NASAA. He served for thirteen years as a member of the Board of Directors and held previous positions with NASAA to include Chair of Enforcement, Treasurer, and Ombudsman.

ASC staff members have participated in committees and project groups comprised 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 and project groups. During FY 2011, ASC staff served on, or participated with, the following: International, Uniform Securities Act, Investor Outreach, Investment Adviser Zones, Litigation Forum and Oil/Gas Joint Ventures.

The Commission intends to continue active participation on various NASAA committees, which, in coordination with the SEC, FINRA, NASDAQ and NYSE, 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

Joseph P. Borg, Director

ENFORCEMENT HEADLINE SUMMARIES FROM FISCAL YEAR 2011 (Alphabetical by County)

To read complete articles and more go to: www.asc.alabama.gov

Autauga County

Former Autauga County Resident Sentenced for Alabama Securities Act Violations

(December 16, 2010) Jack Deck Weight, III, a Cecil County, Maryland and former Prattville, Alabama resident, was sentenced in Autauga County Circuit Court to ten years' imprisonment and ordered to pay victim restitution for violating provisions of the Alabama Securities Act. Weight appeared before the Court October 29, 2010 and, under a plea agreement, pled guilty to a single count of Securities Fraud. The Court imposed a 10-year suspended sentence with three years' supervised probation and payment of \$4,289 restitution to an Autauga County victim. The Court also accepted a state recommendation to have Weight pay an administrative assessment of \$2,500 to the State General Fund. Weight faces a pending court date on similar charges in Pike County, Alabama. A six-count indictment was returned against Weight by the August, 2010 session of the Autauga County Grand Jury. The indictment concerned Weight conducting business as Eagle Eye Enterprises and solicitation from an Alabama investor of money to be used to purchase interests in gold and/or mutual funds, with a guarantee to triple the investors' money in less than a week or the investments would be refunded.

Former Autauga County Resident Indicted, Arrested for Alabama Securities Act Violations

(Nov. 15, 2010) Jack Deck Weight, III, 26, of Cecil County, Maryland and formerly of Prattville, Alabama, was arrested by Autauga County Sheriff's Department personnel after being indicted for alleged violations of the Alabama Securities Act. Weight's bond was set at \$120,000. On Oct. 29, 2010, under a plea agreement, Weight pled guilty to a single count of Securities Fraud with the Court accepting the state recommendation of a 10-year suspended sentence, five years' probation and payment of full restitution to his victims. As part of Weight's plea agreement, he will plea guilty to similar charges in Pike County, Alabama at a later date. An investigation by ASC Enforcement Division agents led to a six-count indictment being returned against Weight by the Aug., 2010 session of the Autauga County Grand Jury, alleging three counts of the Sale of Unregistered Securities; and, one count each of Sale of Securities by an Unregistered Agent, Fraud in Connection with the Sale of Securities and Theft of Property, 1st Degree. Between March and November, 2009, Weight, doing business as Eagle Eye Enterprises, A Delaware corporation, allegedly solicited more than \$9,000 from several Alabama investors to purchase investment contracts for gold and/or mutual funds, with a guarantee to triple the investors' money in less than a week or the investments would be refunded. The ASC investigation revealed that neither Weight, his company nor the securities he offered and sold were registered with the ASC and there was no evidence to support that investor funds were used as represented and that Eagle Eye Enterprises existed as a fictitious investment company created by Weight through which he solicited money from investors for personal benefit.

Baldwin County

Kieffer Pled Guilty to Violation of the Alabama Securities Act

(May 10, 2011) Michael Kieffer pled guilty to one count, Conspiracy to Commit Theft in the First Degree, before Baldwin County Circuit Judge Floyd, on May 5, 2011. Kieffer received a five-year suspended sentence and was placed on five years' probation. As a condition of probation, he agreed to truthfully testify in upcoming cases about his conspiracy with George Louis McCaw to defraud an Alabama investor and Colonial Bank of more than

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ENFORCEMENT HEADLINE SUMMARIES *(Continued)*

\$50,000. Kieffer admitted to unlawfully collaborating with McCaw to produce fraudulent invoices associated with a construction project to be built along Alabama Highway 59 in Gulf Shores; that the invoices were submitted to both Colonial Bank and the Alabama investor in an attempt to solicit funds for the Highway 59 project; that he received and deposited money in a business established in New Orleans and transferred the money to McCaw's company, Tricky Enterprises, LLC, in Baldwin County, Alabama; and, that they used some of the funds for personal benefit.

Louisiana Man Arrested for Alabama Securities Act Violations Related to Alabama Construction Project

(Apr. 15, 2011) Michael Kieffer of Metairie, Louisiana, was arrested for Conspiracy and Theft by Deception, 1st Degree. Kieffer, arrested Apr. 11, 2011 by Kenner, Louisiana police officials and ASC agents, waived extradition and is to be transported to Baldwin County jail to await trial. Bond was set at \$100,000. ASC Enforcement Division agents conducted an investigation of Kieffer's activities related to a construction project purportedly to be built along Alabama Highway 59 in Gulf Shores, Alabama. A six-count indictment was handed down by an April 2011 session of the Baldwin County Grand Jury, alleging three counts of Theft by Deception, 1st Degree; and, three counts of Conspiracy. Kieffer and co-conspirator George McCaw allegedly used bogus invoices to unlawfully steal funds from a bank and individuals to be purportedly used for McCaw's Highway 59 project. In Dec. 2010, George Louis McCaw of Diamond Head, Mississippi, was arrested at his home by agents of the Gulf Coast Regional Fugitive Task Force on charges arising from securities fraud involving the Highway 59 project.

Alabama Securities Commission Secures Fifth Arrest Related to Synergy Finance Group, LLC

(Apr. 4, 2011) Sam Williams, Jr., an Atlanta, Georgia attorney, was arrested on a 17-count indictment resulting from an ASC investigation into alleged illegal securities transactions. Williams was arrested by deputies of the Fulton County, Georgia Sheriff's Department and was later released on \$75,000 bond. As a condition of his release, Williams must surrender to Baldwin County officials before Apr. 20, 2011. Charges against Williams include five counts of Sale of Securities by an Unregistered Agent; one count of Conspiracy to Commit Securities Fraud; 10 counts of Securities Fraud; and, one count of Theft of Property, 1st Degree. Charges arose from indictments handed down during a September, 2010 session of the Baldwin County Grand Jury, based on an ASC investigation into Williams' association with Richard James Tucker of Baldwin County, who was identified as a principal of Synergy Finance Group, LLC. Tucker was arrested July 18, 2010 and faces trial at a later date in Baldwin County Circuit Court. Also arrested in association with Tucker and Synergy Finance Group, LLC was Michael David Judd of Studio City, California; Paul Liggett of Fenton, Missouri; and, Kirk Patterson of Clovis, California. The indictment against Williams alleges that he, together with Tucker, Liggett, Judd and Patterson, purportedly operated an advance-fee loan business, self-described as a "multi-billion dollar loan brokerage," and solicited money from U.S. and foreign investors seeking large, non-collateralized loans that involved alleged unlawful securities transactions.

Alabama Securities Commission Obtains Three Arrests Related To Synergy Finance Group, LLC

(Feb. 10, 2011) Three men were arrested for alleged activities in association with Synergy Finance Group, LLC, a Robertsdale, Alabama company. Arrested were Michael David Judd of Studio City, CA; Paul Liggett of Fenton, MO; and, Kirk Patterson of Clovis, CA. Judd was arrested Jan. 20 by Los Angeles County, CA Sheriff's deputies and waived extradition. He turned himself in to the Baldwin County Sheriff's Department on Jan. 28 and was subsequently released on \$100,000 bond. Liggett was arrested by Jefferson County, MO officials Jan. 20 and extradited to Baldwin County where he was arrested by Baldwin County Sheriff's officials Feb. 3 and later released on \$35,000 bond. Charges against Judd include one count of Conspiracy to Commit Securities Fraud and three counts of Sale of Securities by an Unregistered Agent. Liggett is charged with one count of Conspiracy to Commit Securities Fraud; three counts of Sale of Securities by an Unregistered Agent; and, four counts of Securities Fraud. Patterson was arrested by Fresno, CA law enforcement personnel. He has waived extradition, will surrender his passport and turn himself in to Baldwin County officials. He faces one count of Conspiracy to Commit Securities Fraud; three counts of Sale of Securities by an Unregistered Agent; and, seven counts of

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ENFORCEMENT HEADLINE SUMMARIES *(Continued)*

Securities Fraud. Bond in Baldwin County was set at \$50,000 and he will face arraignment at a later date in Baldwin County Circuit Court. Charges against the men stemmed from indictments handed down during a September 2010 session of the Baldwin County Grand Jury, based on an ASC investigation into their association with Richard James Tucker, of Baldwin County, identified as a principal of Synergy Finance Group, LLC. Tucker is currently free on \$175,000 bond. The indictments against Judd, Liggett and Patterson allege that the men, together with Tucker, purportedly operated an advance fee loan business, self-described as a “multi-billion dollar loan brokerage,” and solicited money from U.S. and foreign investors seeking large, non-collateralized loans which involved alleged unlawful securities transactions.

Mississippi Man Arrested for Violations of Alabama Securities Act

(Jan. 24, 2011) George Louis McCaw, of Diamond Head, Mississippi, was arrested Dec. 16, 2010 at his home by agents of The Gulf Coast Regional Fugitive Task Force for violations of the Alabama Securities Act. McCaw waived extradition, was transported to Baldwin County jail under a \$100,000 bond. An ASC Enforcement Division investigation led to a 54-count indictment by a Sept. 2010 Baldwin County Grand Jury alleging 11 counts each of Sale of Unregistered Securities, Sale of Securities by an Unregistered Agent, Fraud and/or Omission in Connection with the Sale of Securities; and, Fraud and/or Misrepresentation in the Sale of Securities. The indictment also alleges nine counts of Theft of Property by Deception, 1st Degree; and, a single count of Securities Fraud with Scheme/Artifice to Defraud. The indictment alleges that McCaw, acting as principal and agent for McCaw Construction & Services, L.L.C., during a period between Feb. 2007 and May 2008, offered and sold promissory notes, investment contracts and other investment instruments valued at more than \$2.3 million to nine Alabama investors in return for their investment in a proposed development of a commercial enterprise in Baldwin County. The ASC investigation revealed no evidence to support that investor funds were used as represented and that McCaw allegedly used solicited money for personal benefit unrelated to the stated purpose.

Coffee County

Former Ozark Resident Pleads Guilty to Alabama Securities Act Violations

(July 1, 2011) Sam J. Carroll III, previously a resident of Ozark, Alabama, pled guilty in Coffee County Circuit Court on June 29, 2011, to two counts of Fraud in Connection with the Sale of Securities. The Court will schedule a sentencing hearing at a later date and Carroll remains free under \$60,000 bond. An investigation by ASC Enforcement Division agents resulted in a 12-count indictment being returned against Carroll by a November 2010 session of the Coffee County Grand Jury. The indictment alleged three counts of Sale of Unregistered Securities; three Counts of the sale of Securities by an Unregistered Agent; and, six counts of Making an Untrue Statement of Material Fact. The indictment also alleged that, in June 2007, Carroll, acting as an agent for P&C Grocers, Inc., a chain of convenience-type grocery stores in southeast Alabama and the Florida panhandle, offered and sold fictitious shares of stock to investors then used investor funds for personal expenses. The investigation also revealed that neither Carroll nor the stocks he offered and sold were properly registered with the ASC as required by the Alabama Securities Act.

Man Who Fled to Philippines Convicted of Securities Violations in Coffee County

(April 15, 2011) On April 13, 2011, Scott Alan Frye, formerly from Knoxville, TN, was found guilty on 5 counts of the Sale of Unregistered Securities in violation of the Alabama Securities Act. Frye also faces 74 counts of various securities law violations in Jefferson County and will be transported there after sentencing in Coffee County. An investigation by ASC Enforcement Division agents led to a five-count indictment being returned against Frye from a Coffee County Grand Jury, November 2005. Frye fled to Philippines prior to the indictment being served and was arrested in Manila by Philippine authorities October 5, 2009 on immigration charges and deported to Los Angeles. Frye was extradited on March 19, 2010 to Coffee County, Alabama. Evidence indicated that Frye got access to deferred compensation accounts of Century 21 agents and obtained \$44,500 through loans taken out against the plan. The money was purportedly used to purchase notes in a land development referred to as Ecclesia Development. The Century 21 agents had no knowledge of the loans and the purchase of this security.

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ENFORCEMENT HEADLINE SUMMARIES (*Continued*)

Ozark Man Arrested in Coffee County for Alleged Violations of Alabama Securities Act

(December 3, 2010) Sam J. Carroll III, previously of Ozark, AL turned himself in to the Coffee County Sheriff's Office on November 23, 2010 for alleged violations of the Alabama Securities Act and was subsequently released on a \$60,000 bond. An ASC Enforcement Division investigation resulted in a 12-count indictment being returned against Carroll by a Coffee County Grand Jury in November, 2010, alleging 3 counts of Sale of Unregistered Securities; 3 counts of Sale of Securities by an Unregistered Agent; and, 6 counts of Making an Untrue Statement of Material Fact. The indictment alleges that Carroll acted as an agent for P&C Grocers, Inc. (a chain of "convenient" type grocery stores in SE Alabama and the panhandle of Florida) on or about June 2007 and sold fictitious shares of stock; then used investor's money to pay for personal expenses. It is further alleged that neither Carroll nor the stocks he sold were properly registered as required by the Alabama Securities Act.

Dallas County

Former Dallas County Man Arrested in South Carolina for Securities Violations in Alabama

(July 14, 2011) Jerome Yelder, formerly of Dallas County, Alabama, was arrested at his home in Columbia, South Carolina on June 27, 2011, by officers with the Columbia Police Department's Warrant Division, with assistance from ASC Enforcement Division agents and the Dallas County Sheriff's Department. Yelder waived extradition and was transported to the Dallas County jail on July 6, 2011 with bond set at \$51,000. An investigation by the ASC Enforcement Division led to an indictment against Yelder by a March, 2010 session of the Dallas County Grand Jury alleging one count each of Sale of an Unregistered Security and Sale of a Security by an Unregistered Agent; three counts of Fraud in Connection with the Sale of Securities; one count of Theft by Deception, 1st Degree; and, two counts of Theft by Deception, 2nd Degree. Yelder was listed as President and CEO of The Yelder Group LLC, incorporated in Selma, Alabama in Jan., 2008 with the stated purpose of providing high-quality substance abuse treatment and progress management services in the Dallas County area. Yelder allegedly solicited funds from an Alabama resident and issued promissory notes totaling \$6,600 to the resident in the name of The Yelder Group, LLC and The Yelder Institute. The businesses allegedly had a represented business purpose of providing rehabilitation services to at-risk youth, adults and substance abuse offenders. Further investigation revealed that Yelder was to have established a residential school-like setting to provide these services. However, there was no indication that such programs were ever established in the Dallas County area and further financial analysis showed that the invested funds were not used as represented. It was also revealed that the principal investment has yet to be repaid, as called for in the promissory notes, and no return has been realized by the investor.

Etowah County

Two Men Arrested and Face Charges in Etowah County for Violations of the Alabama Securities Act

(Oct. 14, 2011) James Leonard Craft of Century, Florida, was arrested by Santa Rosa County, Florida authorities Sept. 23, 2011 and has been extradited to Etowah County, Alabama where he remains jailed on multiple violations of the Alabama Securities Act. The Fall Term of the Etowah County Grand Jury handed down an 11-count indictment against Craft for alleged illegal activities associated with his company, Century Lumber & Land, LLC, headquartered in Century, Florida. Craft was charged with two counts of Sale of Unregistered Securities, two counts of Sale of Unregistered Securities, two counts of Sale of Securities by an Unregistered Agent, four counts of Fraud in Connection with the Sale of Securities, one count each of Overall Scheme or Artifice to Defraud Investors, Theft of Property 1 st Degree and Theft of Property 2nd Degree. In a related development, Glenn Gilman, Sr., a Southside, Alabama resident, was arrested in Pleasant Grove, Alabama by law enforcement authorities on Sept. 29, 2011 on an 11-count indictment handed down by the Fall 2011 Term of the Etowah County Grand Jury. Etowah County charges against Gilman are the same as those against Craft. After posting bond in Etowah County, Gilman turned himself in to Shelby County, Alabama authorities on Oct. 5, 2011 to face additional securities charges.

Etowah County Man Pleads Guilty to Alabama Securities Act Violations

(May 17, 2011) William W. Bush, a Gadsden, Alabama resident, pled guilty in Etowah County Circuit Court on

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ENFORCEMENT HEADLINE SUMMARIES (*Continued*)

May 9, 2011 to committing Securities Fraud. Bush was indicted by the 2008 Fall Term of the Etowah County Grand Jury and charged with four counts of Sale of Unregistered Securities; three counts of Fraud in the Sale of a Security; and, one count of Sale of Securities by an Unregistered Agent. Upon accepting his guilty plea, the Court sentenced Bush to 10 years imprisonment, split to serve 60 days before being considered for release. Upon release Bush will serve five years probation and will be required to pay victim restitution. Beginning in Jan., 2004, Bush, identified as the owner of Bush Investments, headquartered in Gadsden, allegedly solicited \$320,000 from five Alabama investors over a three-year period and represented to the investors that their funds were being traded in the S&P 500 through an out-of-state brokerage firm. He advised investors verbally and through fraudulent correspondence on the status of their accounts. Financial analysis of Bush's accounts and actions determined that he was operating a Ponzi scheme and that the accounts and supporting documentation were fabricated. ASC records revealed that during the period in question, Bush was not registered with the ASC to conduct securities business in Alabama, as required by law.

Houston County

Houston County Man Pleads Guilty, is Sentenced for Securities Act Violations

(October 12, 2010) Robert Edmondson, a Dothan resident, pled guilty in Houston County Circuit Court to one count of securities fraud, described as Making Untrue Statements of Material Fact in Connection with the Offer/Sale of a Security. The plea agreement transpired during testimony in the state's case-in-chief. Circuit Judge Larry K. Anderson imposed a 10-year sentence on Edmondson, split to serve 12 months in state prison, with nine years suspended and five years supervised probation once he is released from incarceration. Edmondson was also ordered by the Court to pay \$250,000 restitution to his victims and was released until January 14, 2011, with the stipulation that he returns to Court and show evidence that he has made substantial progress in making restitution payments. Edmondson will then surrender to the Alabama Department of Corrections to begin serving his sentence. According to testimony, Edmondson solicited investor funds money to purportedly develop and market an electric power-saving device. Edmondson misled investors by saying his company was solvent and that the investor money would be solely used to develop the device. To the contrary, evidence revealed that Edmondson used investors' funds to operate his company and for his own personal benefit.

Jefferson County

Jefferson County Man Convicted for Securities Act Violations

(July 27, 2011) Cary Alan Burdette a licensed attorney and former FBI agent, of Trussville, pled guilty to three counts of Fraud in Connection with the Sale of Securities in Jefferson County Circuit Court. In April, 2009, a Jefferson County Grand Jury indicted Burdette for 13 counts of Securities Fraud and one count each of Sale of an Unregistered Security and Sale of Securities by an Unregistered Agent and four counts of Theft of property 1st Degree. Burdette turned himself in to the Jefferson County Sheriff's Department on April 14, 2009 and was released on \$100,000 bond and ordered to surrender his passport. Burdette had been the subject of an investigation by ASC Enforcement Division agents since 2008. The ASC investigation revealed that Burdette sold promissory notes/assignment notes to several Alabama investors and promised returns from 8-12 percent. The funds were to be invested in real estate and medical technology ventures, and investors were promised a return on their investment at a specific time. However, financial analysis revealed that Burdette used the bulk of investor funds, over \$4 million, to pay Ponzi returns to previous investors and for his personal expenditures and personal pleasures.

Alabama Securities Commission Investigating Possible Ponzi Scheme

(June 3, 2011) Spero X. Vourliotis of Birmingham, AL, turned himself in to the Jefferson County Sheriff's Department, was arrested and charged with one count each of Sale of Unregistered Securities, Acting as an Unregistered Investment Advisor, and Securities Fraud. Also turning himself in to Jefferson County law enforcement officials today, was Carey Michael Billingley, a Rockford, Alabama resident and business partner of Vourliotis. Billingley was arrested and charged with one count each of Sale of Unregistered Securities and Sale of Securities by an Unregistered Agent. Both men were released on \$ 20,000 bond. The Federal Bureau of Investigation (FBI) is coordinating with the Alabama Securities Commission and the District Attorney's office in this investigation. The charges

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ENFORCEMENT HEADLINE SUMMARIES (*Continued*)

against Vourliotis stem from the alleged offering and sale of investments through self-described investment clubs identified as The Cornerstone Investment Group, The Capstone Group and The Tri Stone Group. ASC records indicate that neither Vourliotis nor the companies he represented were registered with the Commission to conduct securities business in Alabama as required by law.

Terry Harris Sentenced to 25 Years for Violations of the Alabama Securities Act

(Mar. 22, 2011) Terry Harris, a Birmingham, Alabama resident, was sentenced on March 21st by Circuit Judge Laura Petro to 25 years in prison for violating provisions of the Alabama Securities Act and was also ordered to pay \$1,646,944 in restitution to victims. Harris remains in the Jefferson County Jail and will be remanded to the custody of the Alabama Department of Corrections. On Feb. 4, 2011, Harris was found guilty by a Jefferson County jury on eight counts for violations of the Alabama Securities Act. Charges against Harris stemmed from a 12-count indictment returned by a Jefferson County Grand Jury in May, 2007 and represented violations of the Alabama Securities Act that occurred between May, 2002 through March, 2003. Records indicated that neither Harris nor his companies were registered to conduct securities business in Alabama as required by law.

Jefferson County Woman Arrested for Alleged Violations of Alabama Securities Act

(Mar. 7, 2011) Deborah Faye Escott Lumpkin, a Jefferson County resident, was arrested Feb. 28, 2011 by the Jefferson County Sheriff's Department for alleged violations of the Alabama Securities Act. Lumpkin was placed in Jefferson County jail under \$30,000 bond and was released the same day after making bond. A 13-count indictment was handed down by a Feb., 2011 session of the Jefferson County Grand Jury alleging Securities Fraud with Scheme/Artifice to Defraud, Failure to Disclose Material Facts, making Material Misrepresentations of Fact regarding an investment; and, Engaging in a Course of Business which Operates as a Fraud or Deceit Upon a Person. The indictment alleges that beginning in July 2003, Lumpkin, acting as president of Birmingham-based Helping Hands Development, LLC, defrauded a Michigan investor of \$50,000 in connection with the proposed development of Senior Villas, a low-income housing project to be constructed in Birmingham. ASC records indicate that neither Lumpkin nor her company was registered with the Commission to conduct securities business in Alabama, as required by the Alabama Securities Act.

Limestone County

California Man Pleads Guilty to Securities Fraud in Limestone County Circuit Court

(Sept. 27, 2011) James A. Vita, a Costa Mesa, California resident, pled guilty on Sept. 21, 2011 in Limestone County Circuit Court to a single count of Sale of a Security by an Unregistered Agent. Circuit Court Judge Robert M. Baker imposed a two-year sentence on Vita, suspended, and ordered him to serve five years probation in California. As an additional stipulation, the Court ordered Vita to continue to assist the ASC with an ongoing investigation into alleged securities violations by Brookstone Capital, a California company, which Vita represented as a sales agent. In 2009, a Limestone County, Alabama Grand Jury indicted Vita on one count of Sale of Securities by an Unregistered Agent and one count of Sale of Unregistered Securities, for his involvement in making "cold calls" to Alabama investors offering interest in Brookstone Biotech Ventures, L.P. Vita attempted to raise investor money that purportedly was to be used to acquire equity stock positions in biotech and pharmaceutical enterprises, and that would ultimately return a profit to the investors. The ASC investigation revealed that an Alabama citizen invested approximately \$50,000 in the venture but neither Vita nor the companies he represented were registered to conduct securities business in Alabama, as required by law.

Madison County

Madison County Man Arrested for Multiple Alabama Securities Act Violations

(Nov. 23, 2011) Harry H. "Woody" Duncan, a Huntsville, Alabama resident, was arrested Nov. 18, 2011 by Madison County Sheriff's authorities for multiple violations of the Alabama Securities Act. A 50-count indictment against Duncan was returned by the October, 2011 term of the Madison County Grand Jury. Duncan was jailed and remains in custody under a \$1,185,000 bond. Presiding Circuit Court Judge Alan Mann imposed special conditions on Duncan in the event of his release. Namely, Duncan must surrender his passport and is prohibited from

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ENFORCEMENT HEADLINE SUMMARIES (*Continued*)

instructing potential witnesses to destroy or conceal evidence or to otherwise mislead law enforcement officials. Duncan was charged with 11 counts each of Sale of Unregistered Securities and Sale of Securities by an Unregistered Agent; 21 counts of Fraud in Connection with the Sale of Securities involving Material Misrepresentation; six counts of Theft of Property by Deception, 1st Degree; and, one count of Fraud in Connection with the Sale of Securities with Scheme or Artifice to Defraud. The indictment alleges that Duncan unlawfully solicited approximately \$400,000 from eight Alabama investors.

Florida Man Arrested for Alleged Alabama Securities Act Violations

(Nov. 18, 2010) Patrick Michael Daleiden, 42, whose last known address was Satellite Beach, Florida, turned himself in to the Madison County Sheriff's Department and was arrested on Nov. 1, 2010 for alleged violations of the Alabama Securities Act. Daleiden's was subsequently released under \$70,000 bond. A seven-count indictment returned by a Dec., 2009 session of the Madison County Grand Jury charged Daleiden with two counts of Sale of Unregistered Securities; one count of Sale of Securities by an Unregistered Agent; and, four counts of Securities Fraud involving Material Misrepresentations or Omissions. The charges were the result of an ASC Enforcement Division investigation into a failed industrial park development deal in Choctaw County, Alabama in which at least three Alabamians invested in excess of \$400,000 with Daleiden's company, Starboard Capital, Inc., headquartered in Satellite Beach, Florida. Alabama investors were allegedly issued promissory notes, investment contracts and other investment instruments by Daleiden in return for their money, which was purportedly to be used for the development of a business and industrial park in Butler, Alabama. The ASC investigation revealed no evidence to support that investor funds were used as represented and that Daleiden allegedly used solicited money for personal benefit unrelated to the stated purpose. Two individuals associated with Daleiden's company, Matthew Arnold Gibson, a Madison County, Alabama resident; and, Bruce J. Mabey, a resident of Salt Lake City, Utah, were arrested and charged in connection with the same case earlier this year.

Mobile County

Mobile County Man Pled Guilty to Securities Fraud

(Nov. 22, 2011) Ramon Antonio Richardson, a Mobile County resident, pled guilty on Nov. 17, 2011 to a single count of fraud in the solicitation of investment advisory clients. The Court sentenced Richardson to 15 years in the state penitentiary, split to serve two years. Richardson is currently incarcerated in the Alabama penal system on previous unrelated charges. An investigation by ASC Enforcement Division agents led to an indictment being returned against Richardson by a March 2011 session of the Mobile County Grand Jury. According to the investigation, Richardson operated a web-based investment advisory firm, identified as Unity Invest and Trust, LLC, headquartered in Bayou La Batre, Alabama. Richardson, through his business website, represented that the firm was able to provide services that included seminars for "basic investing, options trading, monthly market advising and credit rebuilding," among others. Richardson solicited approximately \$16,000 from an Alabama investor purportedly to accomplish online stock trades to provide an additional source of income on the investor's behalf.

Mobile County Man Sentenced for Alabama Securities Act Violations

(July 14, 2011) John Craig Dickson, a current resident of Mobile, formerly of Gadsden, Alabama, was sentenced by Mobile County Circuit Court Judge Roderick Stout to a 10-year prison term, split to serve 26 months suspended, with a reverse split of 36 months supervised probation to be served first in order to give Dickson an opportunity to pay restitution to his victim. An Oct. 2009 Mobile County Grand Jury indicted Dickson for Alabama Securities Act violations based on an ASC Enforcement Division investigation into activities related to Dickson's company, 20/20 Credit Repair, also known as Credit Restoration and Mortgage Consulting, LLC (CRMC). The investigation revealed that, in 2008, Dickson, representing himself as President and Treasurer of CRMC, solicited \$15,000 from an Alabama investor in order to promote his business. Dickson allegedly offered and sold shares of stock in his company to the investor and promised a significant return within a short time. It was also revealed that Dickson was not registered with the Commission to conduct securities business in Alabama and that neither his company

(Continued on next page)

ENFORCEMENT HEADLINE SUMMARIES (*Continued*)

nor the stock offering itself was registered with the ASC, as required by law. Dickson also did not disclose these facts to the investor prior to soliciting money from the investor. It was further revealed that investor funds were not invested as represented.

Montgomery County

California man arrested for alleged Alabama securities violations and awaits extradition

(November 22, 2011) Louis John Mensonides was arrested November 3, 2011 at his home in Modesto, California for alleged violations of the Alabama Securities Act. He made bond and is awaiting extradition to Montgomery County, AL. A three count indictment was handed down by a September 2010 session of the Montgomery County Grand Jury. Mensonides was charged with two counts for Sale of Unregistered Securities and one count for Sale of Securities by an unregistered Agent. Mensonides allegedly sold an Alabama citizen two year promissory notes to raise capital for the Imperial Rubber Holdings, Inc.

Former Montgomery County Man Arrested for Securities Violations

(July 14, 2011) Darren O'Neal Maull, a current resident of Lawrenceville, Georgia and formerly of Montgomery, turned himself in to the Montgomery County Sheriff's Department on June 29, 2011 and was arrested for violations of the Alabama Securities Act. After processing, Maull was released on a \$10,000 bond. An indictment was returned against Maull by the June, 2011 session of the Montgomery County Grand Jury, alleging 21 counts of Sale of Unregistered Securities, three counts of Fraud in Connection with the Sale of Securities; and, a single count of Sale of Securities by an Unregistered Agent. The charges stem from alleged illegal offers and sales of shares of stock in Maull's companies, Intellimesh Incorporation, Intellimesh Systems, Inc., Smart Safe Cities, Inc., and Darren Maull, Inc. These businesses are listed as Nevada limited liability companies allegedly managed and operated by Maull in the Montgomery, Alabama area. The ASC investigation revealed that Maull allegedly solicited approximately \$159,500 from 13 Alabama and five out-of-state investors to invest in shares of stock in his companies. Maull allegedly represented to investors that their funds would be used for business-related purposes and further investigation discovered that investors complained of not receiving requested financial statements and other supporting documentation from Maull, which led to the issuance by the ASC of a Cease and Desist Order to Maull and his companies in October, 2009. The investigation alleged that Maull did not use investor funds as represented and that he failed to disclose this information to investors.

Kentucky Man Pled Guilty to Alleged Violation of the Alabama Securities Act

(December 4, 2010) William Louis Moore, of Scottsville, Kentucky, pled guilty to one count of Sale of Unregistered Securities, a violation of the Alabama Securities Act. Moore turned himself in to Montgomery County authorities Oct. 8, 2010 and was released on bond. The August, 2010 session of the Montgomery County Grand Jury returned a three-count indictment against Moore, related to an indictment against Gary Byron Hogan, a resident of Louisville, Kentucky. Moore was charged with one count each of Sale of Unregistered Securities, Securities Fraud and Theft of Property by Deception, 1st Degree. The indictments against Moore and Hogan alleged that in 2007, the men, doing business as Barren Resources Group, LLC, a Nevada corporation, offered and sold to an Alabama investor a one-quarter interest in an oil and gas exploration and drilling venture purportedly managed by the duo's company. The indictment further alleged that the Alabama investor spent \$7,500 in the venture and that Hogan and Moore, in their capacity as company president and vice president respectively, failed to use investor funds as represented but instead used investor money for personal expenses unrelated to the stated purpose.

California Man Surrenders to Alabama Authorities for Alleged Security Act Violations

(Nov. 17, 2010) Frederick Tayton Dencer, of Tarzana, California, turned himself in to the Montgomery County, Alabama Sheriff's Department on Nov. 10, 2010 and was arrested for alleged violations of the Alabama Securities Act. Dencer was arrested Oct. 13, 2010 in Southern California and placed under \$100,000 bond. Once released on

(Continued on next page)

ENFORCEMENT HEADLINE SUMMARIES *(Continued)*

bond in California, Dencer was ordered to report to Montgomery County authorities within 21 days to answer charges. An by ASC Enforcement Division investigation led to a 19-count indictment being returned against Dencer by a Montgomery County Grand Jury in Sept., 2010, alleging seven counts of Sale of Unregistered Securities; three counts of Sale of Securities by an Unregistered Agent; and, nine counts of Fraud in Connection with the Sale of Securities. The indictment alleges that, between 2005 and 2008, Dencer, doing business as Polymer Global Holdings, Inc., a Nevada corporation, offered and sold promissory notes, put contracts and shares of his company's stock, valued collectively at approximately \$650,000, to an Alabama investor. The indictment further alleges that Dencer, acting as president of Polymer Global Holdings, Inc., failed to repay the notes and put contracts to the Alabama investor as promised and further misled the investor by failing to disclose that neither he, his company nor the investments offered and sold were registered and licensed with the ASC as required by law. A second individual associated with Dencer's company, Peter George Szondy of Woodland Hills, California, turned himself in to Montgomery County authorities Oct. 19, 2010 and was arrested and charged in connection with the same case.

Kentucky Men Indicted, Arrested for Alleged Violations of Alabama Securities Act

(Nov. 1, 2010) Gary Byron Hogan, of Louisville, Kentucky; and, William Louis Moore, of Scottsville, Kentucky, were indicted and arrested for alleged multiple violations of the Alabama Securities Act. Hogan turned himself in to the Montgomery County Sheriff's Department on Sept. 8, 2010 and was released on bond. Moore turned himself in to Montgomery County authorities Oct. 8, 2010 and was released on bond. An investigation by ASC Enforcement Division agents led to a five-count indictment against Hogan by the August, 2010 session of the Montgomery County Grand Jury, alleging two counts of Securities Fraud, one count each of Sale of Unregistered Securities, Sale of Securities by an Unregistered Agent and Theft of Property by Deception, 1st Degree. According to Court records, Hogan pled guilty to two counts of Securities Fraud and guilty to one count of Sale of Unregistered Securities during an Oct. 20, 2010 hearing in Montgomery County Circuit Court. As part of Hogan's plea agreement, he was ordered to pay victim restitution and court costs. The Grand Jury also returned a three-count indictment against Moore, related to the indictment against Hogan. Moore was charged with one count each of Sale of Unregistered Securities, Securities Fraud and Theft of Property by Deception, 1st Degree. The indictments against Hogan and Moore allege that in 2007, the men, doing business as Barren Resources Group, LLC, a Nevada corporation, offered and sold to an Alabama investor a one-quarter interest in an oil and gas exploration and drilling venture purportedly managed by the duo's company. The indictment further alleged that the Alabama investor spent \$7,500 in the venture and that Hogan and Moore, in their capacity as company president and vice president respectively, failed to use investor funds as represented. ASC records show that neither man was registered with the Commission to conduct securities business within or into Alabama.

California Man Arrested, Charged with Alleged Violations of Alabama Securities Act

(Oct. 27, 2010) Peter George Szondy, of Woodland Hills, California, turned himself in to Montgomery County authorities Oct. 19, was arrested and placed under \$75,000 bond for alleged violations of the Alabama Securities Act. He subsequently made bond and was released. An investigation by the ASC Enforcement Division led to an eight-count indictment against Szondy by a Montgomery County Grand Jury in September, 2010 alleging three counts of Sale of Unregistered Securities; two counts of Sale of Securities by an Unregistered Agent; and, three counts of Fraud in Connection with the Sale of Securities. The indictment alleges that Szondy, doing business as Polymer Global Holdings, Inc., a Nevada corporation with a Woodland Hills, California business address, offered and sold promissory notes, put contracts and shares of his company's stock, valued collectively at approximately \$650,000, to an Alabama investor between 2005 and 2008. The indictment further alleges that Szondy, acting as vice president of the company, failed to repay the notes and put contracts as promised and misled the Alabama investor by failing to disclose that neither he, the company nor the investments offered and sold were registered and licensed with the ASC as required by law.

Continued on next page)

ENFORCEMENT HEADLINE SUMMARIES (*Continued*)

Pike County

Former Autauga County Man Sentenced Again in Pike County for Alabama Securities Act Violations

(Feb. 10, 2011) Jack Deck Weight, III, a Cecil County, Maryland and former Autauga County, Alabama resident, pled guilty and was sentenced in Pike County Circuit Court to ten years' imprisonment and ordered to pay victim restitution for violations of the Alabama Securities Act. Weight appeared before the Court Feb. 9, 2011 and, under a plea agreement, pled guilty to one count of Securities Fraud. The Court imposed a ten-year suspended sentence with five years supervised probation and payment of \$5,178 restitution to two Pike County victims. The Court also accepted a state recommendation to have Weight pay an administrative assessment of \$2,500 to the State General Fund. Weight's sentence in Pike County will run concurrent with a similar sentence handed down in Autauga County Circuit Court in Dec., 2010. A seven-count indictment was returned against Weight by the May, 2010 session of the Pike County Grand Jury. The indictment concerned Weight conducting business as Eagle Eye Enterprises and soliciting money from Alabama investors to be used to purchase interests in gold and/or mutual funds, with a guarantee to triple the investors' money in less than a week or the investments would be refunded.

Shelby County

Jefferson County Man Indicted, Arrested for Alleged Violations of Alabama Securities Act

(Nov. 3, 2010) Kyle Andrew Hiers, of Birmingham turned himself in to the Shelby County Sheriff's Department authorities on Oct. 26, 2010, was arrested and is being held in lieu of \$142,000 bond after being indicted for alleged violations of the Alabama Securities Act. An ASC Enforcement Division investigation led to a 71-count indictment being returned against Hiers by the Sept., 2010 session of the Shelby County Grand Jury, alleging 17 counts of Sale of Unregistered Securities, 17 counts of Sale of Securities by an Unregistered Agent and 37 counts of Fraud in Connection with the Offer and Sale of Securities. The indictment also alleges that between December 2003 and March 2008, Hiers, doing business as TKT Enterprises, LLC, headquartered in Shelby County, Alabama, offered and sold to approximately 25 Alabama investors, promissory notes valued at more than \$1.5 million which were to be used to fund short-term private mortgages. Allegedly, Hiers promised investors that their principle investment would be repaid with interest over a 30 to 60-day period. The investigation revealed that Hiers allegedly used investors' funds for personal benefit and other expenses unrelated to the stated purpose.

Tuscaloosa County

Restitution Ordered for Tuscaloosa County Man Convicted for Securities Fraud

(July 5, 2011) Gene Thomas "Tommy" LeGrone, Jr., a Northport, Alabama resident, has been ordered to pay \$37, 915 in restitution to two Alabama victims as a result of his March 2010 conviction for securities fraud. Tuscaloosa County Circuit Court Judge John H. England, Jr. ordered the defendant to make full restitution to the victims in this case and ordered him back to jail to serve the remainder of his sentence that the Court imposed at the original sentencing hearing. On Mar. 1, 2010, LeGrone pled guilty to one count each of Securities Fraud, specifically the Omission of Material Facts in Connection with the Offering and Sale of Securities; and, Theft of Property by Deception, 1st Degree. Upon acceptance of his plea, the Court sentenced LeGrone to 20 years imprisonment, split to serve three years. LeGrone had been in custody for other non securities-related violations at the time of his plea. An investigation into LeGrone's business activities resulted in an indictment being handed down by the March 2009 session of the Tuscaloosa County Grand Jury alleging that LeGrone, as owner and operator of Bama Remodeling and Repair, LLC, of Northport, illegally entered into an investment contract with the Alabama victims without being registered to offer and/or sell such investments by the ASC, as required by the Alabama Securities Act. Further, LeGrone allegedly suggested to the victims that their money would be invested by him for home renovation projects and a promissory note was issued to the victims in July 2006 with a promised return of "interest and profit." The ASC investigation revealed that LeGrone made untrue statements, omitting material facts to investors regarding the investment opportunity and used investors' money for unrelated expenses.

Continued on next page)

ENFORCEMENT HEADLINE SUMMARIES (*Continued*)

National

Federal and State Regulators Appoint Administrator to Return \$200 Million to Investors

(October 28, 2011) The U.S. Securities & Exchange Commission and regulators from Tennessee, Alabama, Kentucky, Mississippi, and South Carolina announced today the appointment of A.B. Data, Ltd. of Milwaukee to distribute \$200 million to investors from the regulators' settlements with Morgan Keegan. The settlements resulted from an investigation of seven proprietary bond funds sold by Morgan Keegan to more than 30,000 account holders. The firms were charged with sales violations and overvaluing the funds which lost approximately \$1.5 billion in value from March 31, 2007, to March 31, 2008. The SEC's and the five states' Administrative Orders required Morgan Keegan and Morgan Asset Management to pay a total of \$200 million to establish an SEC Fair Fund and a States' Fund, both for the benefit of investors. A.B. Data has previously administered several large settlement funds in securities litigation cases and for the SEC.

Alabama Securities Commission Announces Settlement with Raymond James Related to Auction Rate Securities Investigation

(Sep. 16, 2011) Raymond James Financial Services, Inc. entered into a Consent Order with the ASC on Aug. 23, 2011 for the repurchase of approximately \$10.4 million of auction rate securities previously sold to the firm's Alabama clients. Additionally, Raymond James was assessed a \$23,189 civil penalty for violations of Alabama law dealing with dishonest or unethical business practices and failure to supervise their agents in the sale of ARS products. Alabama investors, together with investors nationwide, had their funds frozen since the collapse of the auction rate securities (ARS) market in 2008. Since the 2008 ARS market collapse, securities regulators nationwide including Alabama have secured settlements calling for financial firms that marketed ARS instruments to repurchase from investors more than \$61 billion in the securities. As part of the overall settlement, Raymond James agreed to repurchase approximately \$300 million in ARS products from their clients nationwide.

Morgan Keegan and Morgan Asset Management agree to \$200 Million Settlement with State and Federal Regulators

(June 22, 2011) Joseph P. Borg, Director of the Alabama Securities Commission; Charles A. Vice, Commissioner of Kentucky Department of Financial Institutions; Delbert Hosemann, Mississippi Secretary of State; Alan Wilson, Attorney General & Securities Commissioner, South Carolina; and Julie Mix McPeak, Commissioner of the Department of Commerce and Insurance, Tennessee; along with Robert Khuzami, Enforcement Director, U.S. Securities and Exchange Commission (SEC), Washington D.C., and William P. Hicks, Associate Regional Director, SEC Atlanta Regional Office; and Brad Bennett, Executive Vice President and Enforcement Director for the Financial Industry Regulatory Authority (FINRA), announced today a settlement and entry of consent orders and administrative orders with Morgan Keegan & Company (MKC) and Morgan Asset Management (MAM). These actions are a direct result of intensive multi-state, federal, and self-regulatory organization (SRO) investigations. The States' task force was led by Alabama, Kentucky, Mississippi, South Carolina and Tennessee in cooperation with state securities regulators from Arkansas, Florida, Georgia, Illinois, Louisiana, Missouri, North Carolina, and Texas. The investigation centered around seven proprietary mutual funds sold by Morgan Keegan broker dealers to over 30,000 account holders. Those seven mutual funds lost approximately \$1.5 billion from March 31, 2007 to March 31, 2008.

ASC NEWS ARTICLES OF SPECIAL INTEREST

The Birmingham News September 19, 2011

Alabama Securities Commission: Raymond James buying back auction bonds

BIRMINGHAM, Alabama -- The **Alabama Securities Commission** says **Raymond James Financial Services** has agreed to buy back about \$10.4 million of auction rate securities sold to the brokerage's Alabama clients. The Tampa-based company also was assessed a \$23,189 civil penalty for violations of Alabama law...



Morgan Keegan and Morgan Asset Management agree to \$200 Million Settlement with State and Federal Regulators (June 22, 2011)

ASC NATIONAL NEWS COMMENTARIES

Forbes RIABiz

Apr. 27 2011 - 10:36 am

Are Sales of FIAs by Insurance Agents Subject to RIA Registration Requirements?

"If the [insurance only] agents are advising people to sell mutual funds or get out of 401(k)s, they are acting as investment advisers. And in my state, being an unregistered investment adviser is a felony." So stated Joseph Borg, Alabama Securities Commissioner and Past President of the North American Securities Administrators Association, in the Wall Street Journal on August 8, 2007.

Bloomberg

Feb 17, 2011

Crooks Get Ideal Conditions for Market Schemes: Susan Antilla

"This is a perfect time if you want to be a crook," says Joseph Borg, the 16-year veteran securities regulator who runs the Alabama Securities Commission.



Investors look back on a decade of grim stock returns 12/30/2010

After the **tech bubble** burst, "Everyone got scared," says Joe Borg, Alabama state securities commissioner. "The fraudsters went in big time — selling everything from real estate to gold to oil and gas."

(Continued on next page)



By Bloomberg News December 23, 2010

Regulators are seeing an "influx of concerns and complaints" about structured products, particularly so-called principal-protected notes and reverse convertibles, said Joseph Borg.

InvestmentNews Isn't "good" enough? October 10, 2010

The Leading News Source for Financial Advisers

Mr. Borg jumps right in and tells the bleating adviser that, while he empathizes with him, it's impossible to make one set of rules for "good" advisers and another for "bad" advisers.

THE WALL STREET JOURNAL

WSJ.com

MARKETS | JANUARY 24, 2011

In Alabama, Beware the Borg

As Stock-Regulation Power Shifts to States, Joseph Borg Boasts Tough Record

By JEAN EAGLESHAM

MONTGOMERY, Ala.—Joseph Borg has never mounted his Kawasaki motorcycle in pursuit of a fraud figure. But Alabama's securities commissioner once sent investigators by armored personnel carrier to close down a Florida church.

The 59-year-old regulator's strategy for cracking down on financial crime is as straightforward as his recipe for making deep-fried Thanksgiving turkey in 42 minutes: Punish wrongdoers with hefty prison sentences and big financial firms with much bigger fines.

"You've got to have tougher sanctions for Wall Street," he says in a barely veiled jab at the Securities and Exchange Commission and Financial Industry Regulatory Authority. Fines of just "several million dollars when a firm has made \$100 million" leave the culprits "waving from their yachts on the Caribbean."



Steve Gates for The Wall Street Journal

REVVING IT UP: Regulators like Joseph Borg, in Alabama on Friday, will soon oversee investment advisers.

On the job for 16 years, Mr. Borg is a well-known tough guy among state securities regulators. He has a conviction rate of more than 95%, largely from cases involving mini-Madoff investment schemes, unregistered brokers and penny-stock firms. Because of death threats against him, armed guards are on duty at Mr. Borg's office in downtown Montgomery, a short stroll from the first White House of the Confederacy.

Mr. Borg's mettle is about to face a new challenge. Under the Dodd-Frank financial-overhaul law passed by Congress, state securities regulators throughout the U.S. will inherit responsibility this summer for oversight of thousands of investment advisers with assets of \$25 million to \$100 million. Such advisers will no longer be overseen by the SEC.



JOSEPH P. BORG
Director
EDWIN L. REED
General Counsel

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Superintendent of Banks

JIM L. RIDLING
Commissioner of Insurance

ANDREW P. CAMPBELL
Attorney at Law

S. DAGNAL ROWE, SR.
Attorney at Law

JAMES L. HART
Certified Public Accountant

ALABAMA SECURITIES COMMISSION MEETING September 26, 2011

The Alabama Securities Commission held a meeting on September 26, 2011 at 10:30 a.m. which was conducted in the conference room located in the Alabama Securities Commission offices on the 2nd Floor of the Center for Commerce Building, 401 Adams Avenue, Montgomery, Alabama. Notice of the time and place of this meeting was published in the Montgomery Advertiser, Birmingham, News/Post Herald, Huntsville Times, Mobile Register and the Secretary of State.

Commission Members Present:

Hon. James Hart, CPA
Hon. Kevin Turner (Representing the Attorney General)
Hon. Jim Ridling (Commissioner of Insurance)
Hon. John Harrison (Banking Commissioner)

Commission Members Absent:

Hon. Marcus Wolf, CPA, Chairman
Hon. Andrew Campbell, Attorney at Law
Hon. Dagnal Rowe, Attorney at Law

Staff Members Present Were:

Joseph P. Borg, Director
Edwin Reed, General Counsel
Christie Rhodes, Executive Assistant

The meeting was called to order at 10:31 a.m. by Mr. Harrison and a motion was made by Mr. Ridling that Mr. Harrison sit as Acting Chairman for this meeting as the Chairman, Mr. Wolf

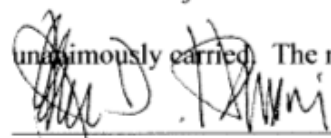
was not in attendance. Mr. Hart seconded said motion and Mr. Harrison sits as Acting Chairman for the purposes of this meeting.

Motion to approve the agenda was made by Mr. Turner and seconded by Mr. Ridling. The motion carried unanimously. Then, motion was entertained to approve the minutes of the previous meeting held on June 23, 2011. The motion to approve the minutes was made by Mr. Turner and seconded by Mr. Ridling. The motion carried unanimously.

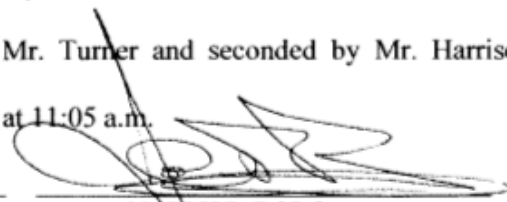
At this time, the monthly report was discussed by Director Borg. Director Borg reported on Commission revenues, expenses and personnel. Borg continued on through the Registration Division, Enforcement Division, Data Systems and Education and Training activities of the monthly report. After the report was given, Director Borg gave the Commission an overview of the agreement reached between the ASC and ISD with regard to the VOIP telephone system followed by an overview of the agency's training schedule.

Director Borg gave the Commission a status update regarding the distribution of Morgan Keegan Funds by AB Data and Mr. Reed briefed the Commission on upcoming legal cases pending. Director Borg then alerted the Commission on some Congressional issues affecting state securities regulation.

The final meeting item was a motion to pay expenses for the Commissioners. Motion was made by Mr. Turner and seconded by Mr. Harrison. The motion carried unanimously. Motion to Adjourn was then made by Mr. Turner and seconded by Mr. Harrison and was unanimously carried. The meeting ended at 11:05 a.m.



JOHN HARRISON
ACTING CHAIRMAN



JOSEPH P. BORG
DIRECTOR



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Superintendent of Banks

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Attorney at Law

JAMES L. HART
Certified Public Accountant

JOSEPH P. BORG
Director
J. RANDALL McNEILL
Deputy Director
EDWIN L. REED
General Counsel

ALABAMA SECURITIES COMMISSION MEETING June 23, 2011

The Alabama Securities Commission held a meeting on June 23, 2011 at 11:30 a.m. which was conducted in the conference room located in the Alabama Securities Commission offices on the 2nd Floor of the Center for Commerce Building, 401 Adams Avenue, Montgomery, Alabama. Notice of the time and place of this meeting was published in the Montgomery Advertiser, Birmingham, News/Post Herald, Huntsville Times, Mobile Register and the Secretary of State.

Commission Members Present:

Hon. Marcus Wolf, CPA, Chairman
Hon. James Hart, CPA
Hon. Bill Garrett (Representing the Attorney General)
Hon. Jim Ridling (Commissioner of Insurance)
Hon. John Harrison (Banking Commissioner)

Commission Members Absent:

Hon. Andrew Campbell, Attorney at Law
Hon. Dagnal Rowe, Attorney at Law

Staff Members Present Were:

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

Guests Present:

Martha Griffith, Attorney General Staff
Michael Franz, Attorney General Staff
Will Morris, Attorney General Staff
Brandon Clapp, Attorney General Staff

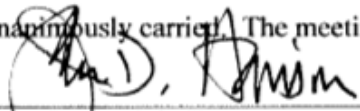
The meeting was called to order at 11:30 a.m. by Commission Chair, Marcus Wolf.

Motion to approve the agenda was made by Mr. Harrison and seconded by Mr. Ridling. The motion carried unanimously. Then, motion was entertained to approve the minutes of the previous meeting held on March 22, 2011. The motion to approve the minutes was made by Mr. Hart and seconded by Mr. Harrison. The motion carried unanimously.

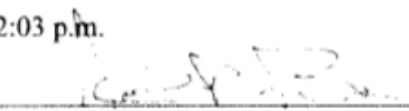
At this time, the monthly report was discussed by Director Borg. Director Borg reported on Commission revenues, expenses and personnel. Borg continued on through the Registration Division, Enforcement Division, Data Systems and Education and Training activities of the monthly report. After the report was given, Director Borg gave the Commission an overview of the ASC 2011-2012 Budget set by the Legislature and Governor. A copy of the ASC 2010 Annual Report was distributed to the Commissioners and Director Borg gave the Commissioners a report on the Sunset Committee Report. At this time, a status report regarding the Morgan Keegan case was detailed by Director Borg.

Deputy Director McNeill advised the Commission that pending litigation and confidential enforcement matters needed to be discussed. Accordingly, Mr. McNeill (a licensed attorney in Alabama), certified that one of the exceptions of the Open Meetings Act applies, in that pending litigation will be discussed and at this time. Mr. Harrison moved to go into Executive Session. Said motion was seconded by Mr. Garrett and the meeting went into Executive Session at 11:55 a.m. after a unanimous vote of all present Commissioners for the specific purpose of discussion of pending litigation. At 12:00 noon, the Executive Session ended by motion of Mr. Harrison and seconded by Mr. Ridling and a unanimous vote by all present Commissioners. Each Commissioner that was present at the beginning of the Executive Session was present when the Executive Session ended.

The final meeting item was a motion to pay expenses for the Commissioners. Motion was made by Mr. Garrett and seconded by Mr. Harrison. The motion carried unanimously. Motion to Adjourn was then made by Mr. Harrison and seconded by Mr. Garrett and was unanimously carried. The meeting ended at 12:03 p.m.



MARCUS J. WOLF
CHAIRMAN



JOSEPH P. BORG
DIRECTOR

Signed by John Harrison, Banking Commissioner
as Acting Chairman for the Sept. 26, 2011
meeting where these Minutes were approved.



JOSEPH P. BORG
Director
J. RANDALL McNEILL
Deputy Director
EDWIN L. REED
General Counsel

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JIM L. RIDLING
Commissioner of Insurance

ANDREW P. CAMPBELL
Attorney at Law

S. DAGNAL ROWE, SR.
Attorney at Law

JAMES L. HART
Certified Public Accountant

ALABAMA SECURITIES COMMISSION MEETING March 22, 2011

The Alabama Securities Commission held a meeting on March 22, 2011 at 10:00 a.m. which was conducted in the conference room located in the Alabama Securities Commission offices on the 2nd Floor of the Center for Commerce Building, 401 Adams Avenue, Montgomery, Alabama. Notice of the time and place of this meeting was published in the Montgomery Advertiser, Birmingham, News/Post Herald, Huntsville Times, Mobile Register and the Secretary of State.

Commission Members Present:

Hon. Marcus Wolf, CPA, Chairman
Hon. James Hart, CPA
Hon. Kevin Turner (Representing the Attorney General)
Hon. Jim Ridling (Commissioner of Insurance)
Hon. John Harrison (Banking Commissioner)
Hon. Dagnal Rowe, Attorney at Law

Commission Members Absent:

Hon. Andrew Campbell, Attorney at Law

Staff Members Present Were:

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

The meeting was called to order at 10:10 a.m. by Commission Chair, Marcus Wolf. At this time, the Commission welcomed James Hart, CPA as the new Commissioner (replacing Dan

Hardman, CPA). In addition, Hon. Kevin Turner was welcomed as the Attorney General's designee. He will represent General Strange at the Commission's meetings.

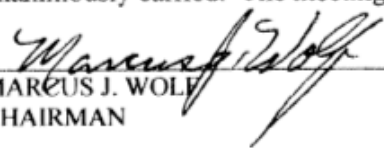
Motion to approve the agenda was made by Mr. Ridling and seconded by Mr. Harrison. The motion carried unanimously. Then, motion was entertained to approve the minutes of the previous meeting held on December 13, 2010. The motion to approve the minutes was made by Mr. Ridling and seconded by Mr. Harrison. The motion carried unanimously.

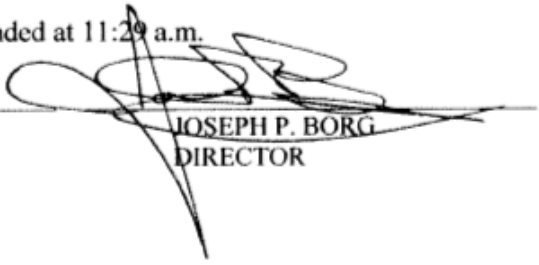
At this time, the monthly report was discussed by Director Borg. Director Borg reported on Commission revenues, expenses and personnel. Borg continued on through the Registration Division, Enforcement Division, Data Systems and Education and Training activities of the monthly report. After the report was given, Director Borg asked Dan Lord to give a short presentation to the Commission regarding the ASC's schedule on Investor Education events and partnerships.

Deputy Director McNeill advised the Commission that pending litigation and confidential enforcement matters needed to be discussed. Accordingly, Mr. McNeill (a licensed attorney in Alabama), certified that one of the exceptions of the Open Meetings Act applies, in that pending litigation will be discussed and at this time. Mr. Ridling moved to go into Executive Session. Said motion was seconded by Mr. Harrison and the meeting went into Executive Session at 11:05 a.m. after a unanimous vote of all present Commissioners for the specific purpose of discussion of pending litigation. At 11:25 a.m., the Executive Session ended by motion of Mr. Rowe and seconded by Mr. Harrison and a unanimous vote by all present Commissioners. Each Commissioner that was present at the beginning of the Executive Session were present when the Executive Session ended.

The final meeting item was a motion to pay expenses for the Commissioners. Motion was made by Mr. Ridling and seconded by Mr. Turner. The motion carried unanimously.

Motion to Adjourn was then made by Mr. Rowe and seconded by Mr. Harrison and was unanimously carried. The meeting ended at 11:29 a.m.


MARCUS J. WOLY
CHAIRMAN


JOSEPH P. BORG
DIRECTOR



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ANDREW P. CAMPBELL
Attorney at Law

S. DAGNAL ROWE, SR.
Attorney at Law

JAMES L. HART
Certified Public Accountant

JOSEPH P. BORG
Director

J. RANDALL McNEILL
Deputy Director

EDWIN L. REED
General Counsel

ALABAMA SECURITIES COMMISSION MEETING December 13, 2010

The Alabama Securities Commission held a meeting on December 13, 2010 at 10:00 a.m. which was conducted in the conference room located in the Alabama Securities Commission offices on the 2nd Floor of the Center for Commerce Building, 401 Adams Avenue, Montgomery, Alabama. Notice of the time and place of this meeting was published in the Montgomery Advertiser, Birmingham, News/Post Herald, Huntsville Times, Mobile Register and the Secretary of State.

Commission Members Present:

Hon. Dan Hardman, CPA, Vice-Chairman
Hon. Jeff Long (Representing the Attorney General)
Hon. Reyn Norman (Representing the Commissioner of Insurance) Non-Voting
Hon. John Harrison (Banking Commissioner)

Commission Members Absent:

Hon. Marcus Wolf, CPA, Chairman
Hon. Andrew Campbell, Attorney at Law
Hon. Jim Ridling (Commissioner of Insurance)
Hon. Dagnal Rowe, Attorney at Law

Staff Members Present Were:

Joseph P. Borg, Director
J. Randall McNeill, Deputy Director
Edwin Reed, General Counsel
Mike Foley, Senior Special Agent
Dan Lord, Education & Public Affairs, Manager
Christie Rhodes, Executive Assistant

Guests:

John Segrest
Alabama Department of Public Examiners

Robin Hutcheson
Alabama Department of Public Examiners


The meeting was called to order at 10:05.m. by Commission Chair, Marcus Wolf.


Motion to approve the agenda was made by Mr. Hardman and seconded by Mr. Harrison. The motion carried unanimously. Then, motion to approve the minutes of the previous meeting held on October 5, 2010 with some additional language added stating that the Commission's Investigative Report regarding a data breach had also been given to the Examiner of Public Accounts with the request that said report be reviewed and recommendations be made to this Commission on the findings. The motion to approve the minutes as amended was made by Mr. Hardman and seconded by Mr. Harrison. The motion carried unanimously.

At this time, the monthly report was discussed by Director Borg. Director Borg reported on Commission revenues, expenses and personnel. Borg continued on through the Registration Division, Enforcement Division, Data Systems and Education and Training activities of the monthly report. After the report was given, motion was made and duly seconded and it was approved unanimously by all Commission members present. Director Borg asked Dan Lord to give a short presentation to the Commission regarding the ASC's schedule on Investor Education events and partnerships. Director Borg then asked Senior Special Agent Mike Foley to brief the Commission on new procedures for maintaining data confidentiality within the agency.

Director Borg then brought before the Commission a request that amendments to two rules [830-x-6-.11 and 830-x-6-.12] be adopted formally. General Counsel Ed Reed outlined the exceptions and rules and the Commission was asked to vote on formally adopting said rules. With a motion to approve made by Mr. Harrison and a second to that motion made by Mr. Hardman and a unanimous vote, the rules were adopted.

The final meeting item was a motion to pay expenses for the Commissioners. Motion was made by Mr. Harrison and seconded by Mr. Long. The motion carried unanimously. Motion to Adjourn was then made by Mr. Hardman and seconded by Mr. Harrison and was unanimously carried. The meeting ended at 10:44 a.m.


MARCUS J. WOLF
CHAIRMAN


JOSEPH P. BORG
DIRECTOR



JOSEPH P. BORG
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J. RANDALL McNEILL
Deputy Director
EDWIN L. REED
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ANDREW P. CAMPBELL
Attorney at Law

S. DAGNAL ROWE, SR.
Attorney at Law

AMENDED ALABAMA SECURITIES COMMISSION MEETING October 5, 2010

The Alabama Securities Commission held a special meeting on October 5, 2010 at 2:00 p.m. which was conducted in the conference room located in the Alabama Securities Commission offices on the 2nd Floor of the Center for Commerce Building, 401 Adams Avenue, Montgomery, Alabama. Notice of the time and place of this meeting was published in the Montgomery Advertiser, Birmingham News/Post Herald, Huntsville Times, Mobile Register and the Secretary of State.

Commission Members Present:

Hon. Marcus Wolf, CPA, Chairman
Hon. Dan Hardman, CPA, Vice-Chairman
Hon. Dan Morris (Representing the Attorney General)
Hon. Jim Ridling (Commissioner of Insurance)
Hon. John Harrison (Banking Commissioner)
Hon. Dagnal Rowe, Attorney at Law (attended by telephone conference call)

Commission Members Absent:

Hon. Troy King, Attorney General
Hon. Andrew Campbell, Attorney at Law

Staff Members Present Were:

Joseph P. Borg, Director
J. Randall McNeill, Deputy Director
Ed Reed, General Counsel
Ricky Locklar, Senior Special Agent
Christie Rhodes, Executive Assistant

The meeting was called to order at 2:06 p.m. by Commission Chair, Marcus Wolf.

Motion to approve the minutes of the minutes of the previous meeting held September 21, 2010 was made by Mr. Hardman and seconded by Mr. Morris. The motion carried unanimously. Then, motion to approve the agenda of this meeting was made by Mr. Hardman and seconded by Mr. Ridling. The motion carried unanimously.

This meeting was called by Director Borg to discuss the inadvertent delivery of unredacted information concerning certain Morgan Keegan clients. Mr. Borg gave an overview of the release and then turned the discussion over to Senior Special Agent Ricky Locklar, who was assigned to conduct an in-house investigation into the circumstances of the release. The investigation revealed that a copy of a disc with non-redacted exhibits was mistakenly placed in the file in the secure room. A telephone request on 4/15/10 to the ASC front desk by a paralegal of law firm Lietman, Siegal, Payne & Campbell, [the law firm of Commissioner Andrew Campbell] for a disc copy of the public information posted on the ASC website was received by this office. In complying with this request, the unredacted version of the disc was inadvertently copied and sent. The law firm and this office was unaware that this disc was the one that contained unredacted information. In the course of standard document exchange in an arbitration case, Morgan Keegan's attorney, Maynard, Cooper & Gale was sent a copy of the disc by the Leitman firm.

Morgan Keegan discovered that Mr. Campbell's disc contained unredacted information. The ASC investigation revealed that there was no general public dissemination of the information. The ASC's only impropriety was to release the disc to the Leitman law firm (who remained unaware of the confidential documents thereon). A written report is being prepared by the ASC with regard to the findings of the in-house investigation and said report will be released to the Commissioners upon its completion. Further, the investigative report will also be sent to the Attorney General's office, the Alabama State Bar and the State Ethics Commission for their review. The report has also been given to the State Examiners of Public Accounts for their review and analysis, with a request for recommendations back to the Commission. This report will also be distributed to the public via the ASC web site and individual mailings to those who contacted the Commission. Consideration is being given to sending the report and explanatory documents to all parties named in the confidential Morgan Keegan documents.

At approximately 2:55 p.m., Mr. Rowe announced that he had another meeting at 3:00 p.m. which necessitated him disconnecting from this meeting. He did so.

The last meeting item was a motion to pay expenses for the Commissioners. Motion was made by Mr. Ridling and seconded by Mr. Morris. The motion carried unanimously. Motion to Adjourn was then made by Mr. Morris and seconded by Mr. Harrison and was unanimously carried. The meeting ended at 3:10 p.m.


MARCUS J. WOLF
CHAIRMAN


JOSEPH P. BORG
DIRECTOR



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