



# ALABAMA SECURITIES COMMISSION

## Annual Report

Fiscal Year Ending  
September 30, 2014

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



## MISSION

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

The Alabama Securities Commission (ASC) endeavors 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. By protecting Alabama's investors the ASC preserves and encourages legitimate capital markets in the state.

The ASC's efforts to 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, 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 or fraudulent sale of securities.
- By providing 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.

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 for the protection of investors as the source of capital for the creation and continued development of Alabama's capital markets.



# ASC STATUTORY AUTHORITY

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 certain 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 State Bar Association licensed 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, into, or from Alabama or to Alabama residents. The Securities Act requires the registration of all securities offered for sale in Alabama unless there is an applicable exemption. The Securities Act provides a series of exemptions to cover situations where, because of the nature of the security or the 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

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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 2014 were:

## **ACTIVE**

JAMES L. HART, Chairman	Certified Public Accountant Birmingham, Alabama	12/10 - 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
EVERETTE A. PRICE, Jr. Member	Attorney at Law Brewton, Alabama	05/12 - Present
MARLENE M. McCAIN Member	Certified Public Accountant Birmingham, Alabama	05/12 - Present
S. DAGNAL ROWE, SR., Member	Attorney at Law Huntsville, Alabama	08/13 - Present

# ASC PERSONNEL (FY 2014)

## Directorate

Joseph P. Borg, Director  
 Edwin L. Reed, Deputy Director, Administration  
 Stephen P. Feaga, Deputy Director, Enforcement  
 Christie A. Rhodes, Executive Assistant II  
 Myra N. Lamar, Admin. Support Asst. II

## Legal Division

Gregory M. Biggs, Attorney IV  
 Amanda L. Senn, Deputy Attorney General  
 Leslie D. Worrell, Attorney III  
 James B. Eubank, Attorney I/II  
 Kimathy J. Booher, Legal Research Assistant  
 Shana T. Proctor, Legal Research Assistant  
 Morley C. Diment, Student Aide

## Accounting/Personnel Division

Renee S. Sanders, Accounting Manager  
 Gwendolyn Lover, Account Clerk

## Data Systems Division

David E. Gilmore, IT Systems Specialist  
 Stephen E. Brantley, Jr., IT Operations Tech.

## Education and Public Affairs Division

Daniel G. Lord, Training Specialist II  
 Clint L. Niemeyer, Public Information Specialist

## Enforcement Division

Ricky G. Locklar, Sr. Special Agent  
 Manager/Enforcement

Kimberly S. Lewis, Sr. Special Agent  
 Manager/Administrative

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  
 Robert W. Sharp, Special Agent  
 Michael D. Wilkerson, Special Agent  
 Rossie L. Peters, Special Agent  
 Charles R. James, Jr., Special Agent  
 Anita F. Wilkerson, Executive Secretary  
 Carrie L. Springer, ASA III  
 Debbijean Michel, ASA II  
 Martha J. Thomas, ASA II

## Registration Division

Lisa M. Tolar, Manager  
 Department of Licensing and Registration

Rena H. Davis, Manager  
 Department of Auditing and Examinations

Marvernitha B. Kyles, Securities Analyst  
 LaShonda D. Moultrie, Securities Analyst  
 Sandra D. Smith, Securities Analyst  
 Tina M. Tell, Securities Analyst  
 Ashlee B. Gould, Securities Analyst  
 Timothy W. Adams, Securities Analyst  
 Sonya C. Daniels, ASA II  
 Mary G. Rollan, ASA III  
 Patricia J. Wilson, ASA III

Marilyn D. Bullard, Securities Analyst  
 Lauren W. Hitt, Securities Analyst  
 Spencer D. Lee, Securities Analyst  
 Joshua M. Lacy, Securities Analyst  
 Sarah J. Pike, ASA II

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# ALABAMA SECURITIES COMMISSION REGULATORY SERVICES PROGRAM

## APPROPRIATION DESCRIPTION

The Commission is self-funding and self-sustaining; 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.

NOTE: The Commission has generated significant revenues for the General Fund (see chart at bottom of page 12).

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<b>Notification</b>	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 \$1,500 nor be less than \$100	§ 8-6-8(d) Code of Alabama, 1975
<b>Coordination</b>	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
<b>Qualification</b>	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
<b>Open End Management Company</b>	Face amount certificate company or Unit Investment Trust registering indefinite amount	\$100 filing fee + \$1,500 registration fee	§8-6-8(d) Code of Alabama, 1975
<b>Exemption</b>	Securities not required to be registered by virtue of exemption under federal, state, or provincial statutes.		
<b>Limited Offerings</b>	Offerings conducted solely in this state to residents of this state	\$150	§ 8-6-11(a)(14)(n), 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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<b>Mutual Fund Exemption</b>	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	
<b>IDB</b>	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
<b>Sale of Checks</b>	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 \$250. (Max registration fee \$500, exclusive of investigative fee)	
<b>Opinions</b>	Interpretations	\$150	§ 8-6-29, Code of Alabama, 1975
<b>Agent</b>	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
<b>Dealer</b>	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

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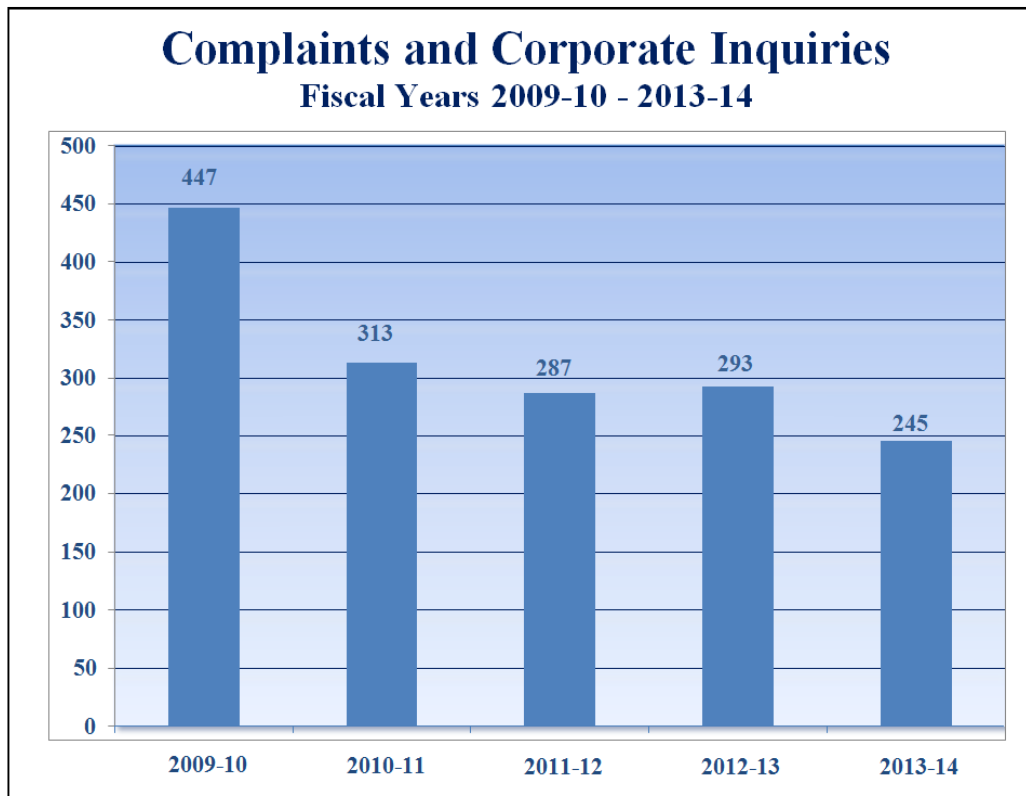
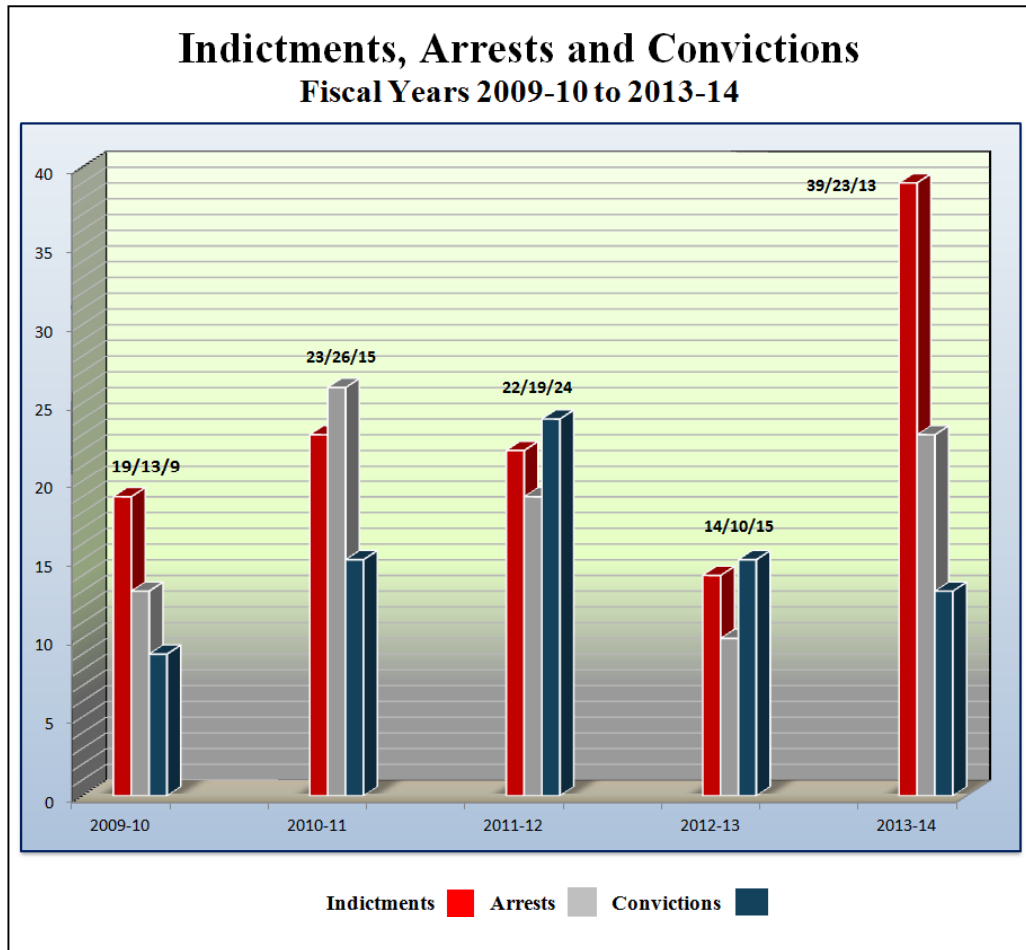
<b>Investment Adviser</b>	Any person who, for compensation, engages in the business of advising others, either directly or through publications or writings, as to the value of securities or as to the advisability of investing in, purchasing, or selling securities, or who, for compensation and as a part of a regular business, issues or promulgates analyses or reports concerning securities.	\$250	§ 8-6-3(h), Code of Alabama, 1975
<b>Investment Adviser Representative</b>	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.	\$60	§ 8-6-3(h), Code of Alabama, 1975
<b>Administrative Assessment</b>	Fee imposed upon any person who violates any provision of the article or rule or order issued under the article.	Not to exceed \$5,000 for each act or omission. Total assessment not to exceed \$50,000	§ 8-6-19(j)(2), Code of Alabama, 1975
<b>Investigative Examinations</b>	Investigative costs for examinations of violations of any provision of the article or violations of any rule.	Investigation costs	§ 8-6-19(k)(1), Code of Alabama, 1975

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## ASC Statistical Summary from FY 2014

- ▶ ASC total staff – **50** (includes 7 attorneys, 12 special agents, and 13 securities analysts)
- ▶ Registrations and exemptions issued - 152,948
- ▶ Onsite examinations/audits - 57
- ▶ Complaints and corporate inquiries received - 245
- ▶ Industrial Revenue Bonds reviewed - \$ 20,818,176
- ▶ Administrative Orders issued - 31
- ▶ Administrative Order respondents - 63
- ▶ Restitution ordered to victims - \$ 15,206,204
- ▶ Public warnings issued - 24
- ▶ Indictments (39) and arrest warrants (0) obtained - 39
- ▶ Convictions - 13
- ▶ Arrests made - 23
- ▶ Years incarceration ordered - 77
- ▶ Individuals awaiting grand jury action, arrest or trial - 45
- ▶ Contributed to State General Fund - \$ 13,104,775
- ▶ Educational seminars on wise and safe investing - 82
- ▶ Alabamians receiving educational presentations - 5,350

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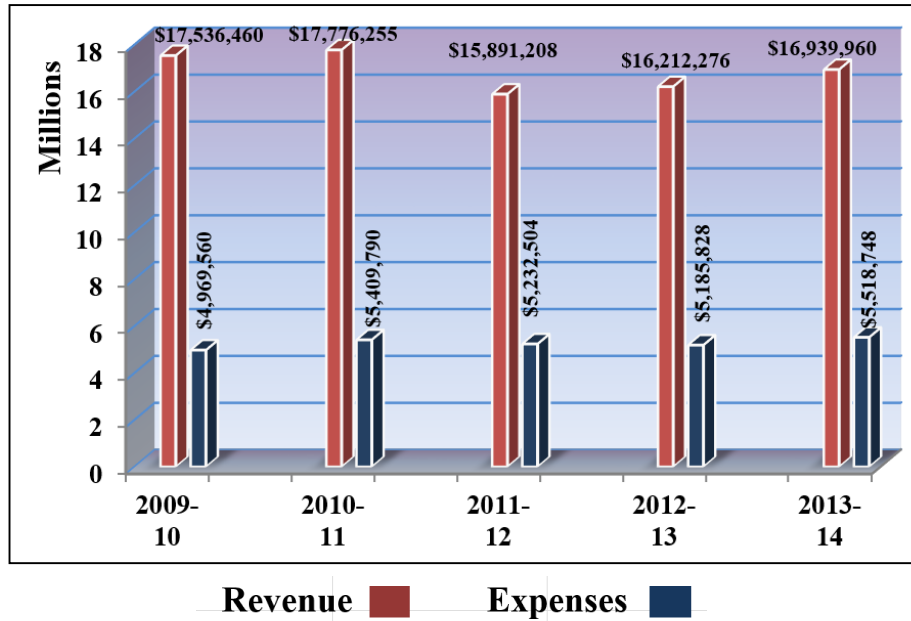
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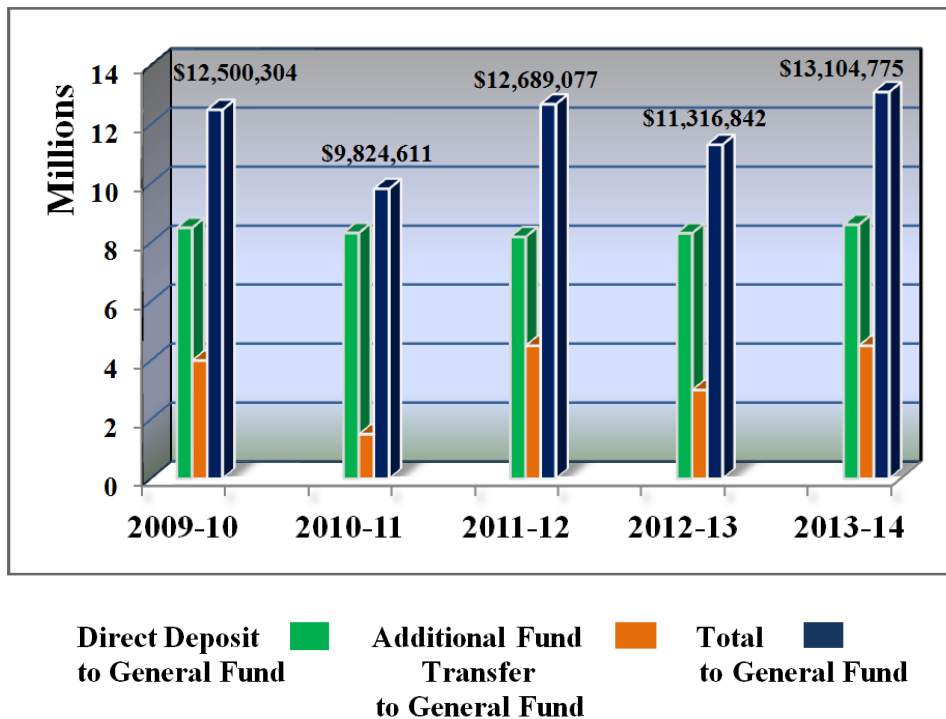


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### Combined Revenue and Expenses Fiscal Years 2009-10 to 2013-14



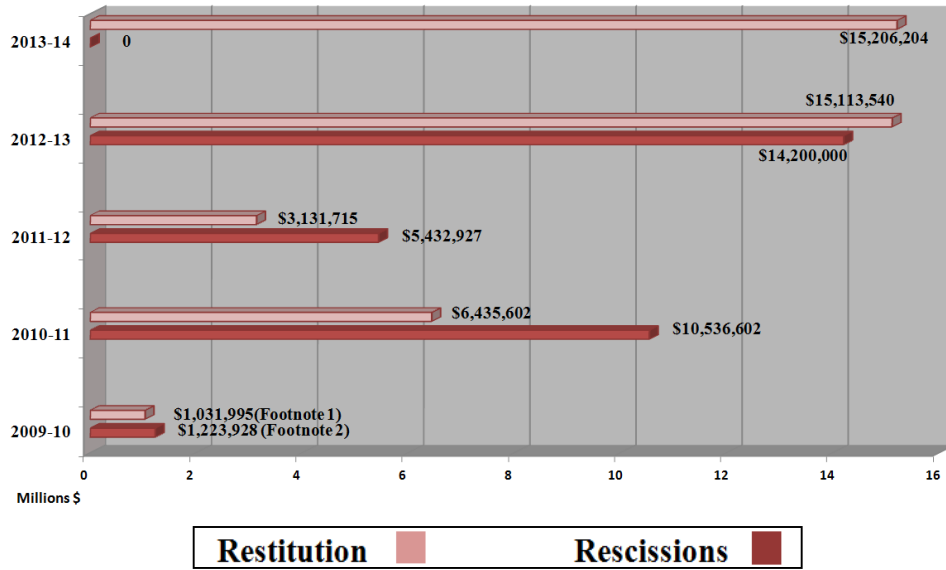
### Total Revenue to General Fund Fiscal Years 2009-10 to 2013-14



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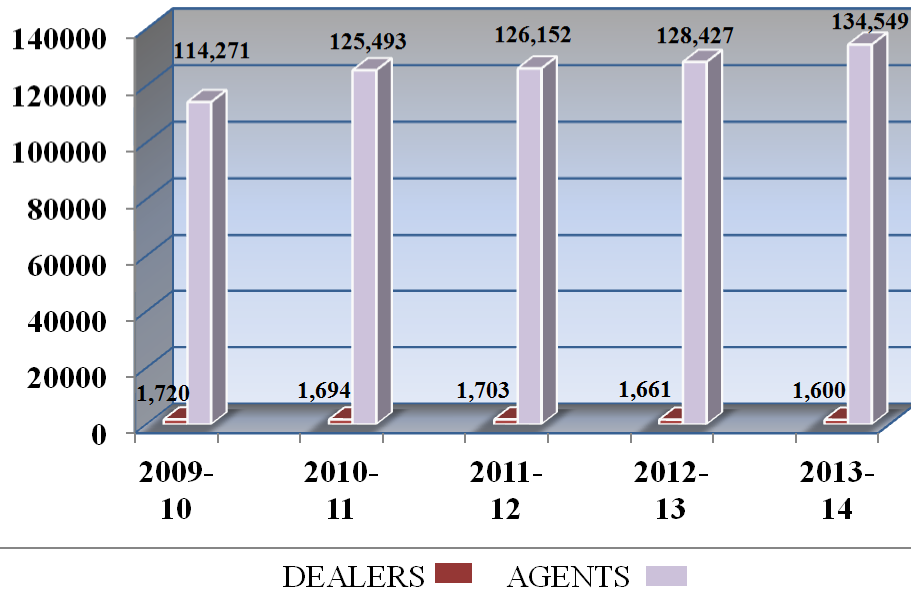
## Rescissions and Restitution Fiscal Years 2009-10 to 2013-14



(1) Not included: \$67.3 million in victim restitution from joint federal and multi-state case.  
 (2) Not included: \$1.6 billion of Auction Rate Securities repurchased by 11 firms as part of a multi-state settlement.

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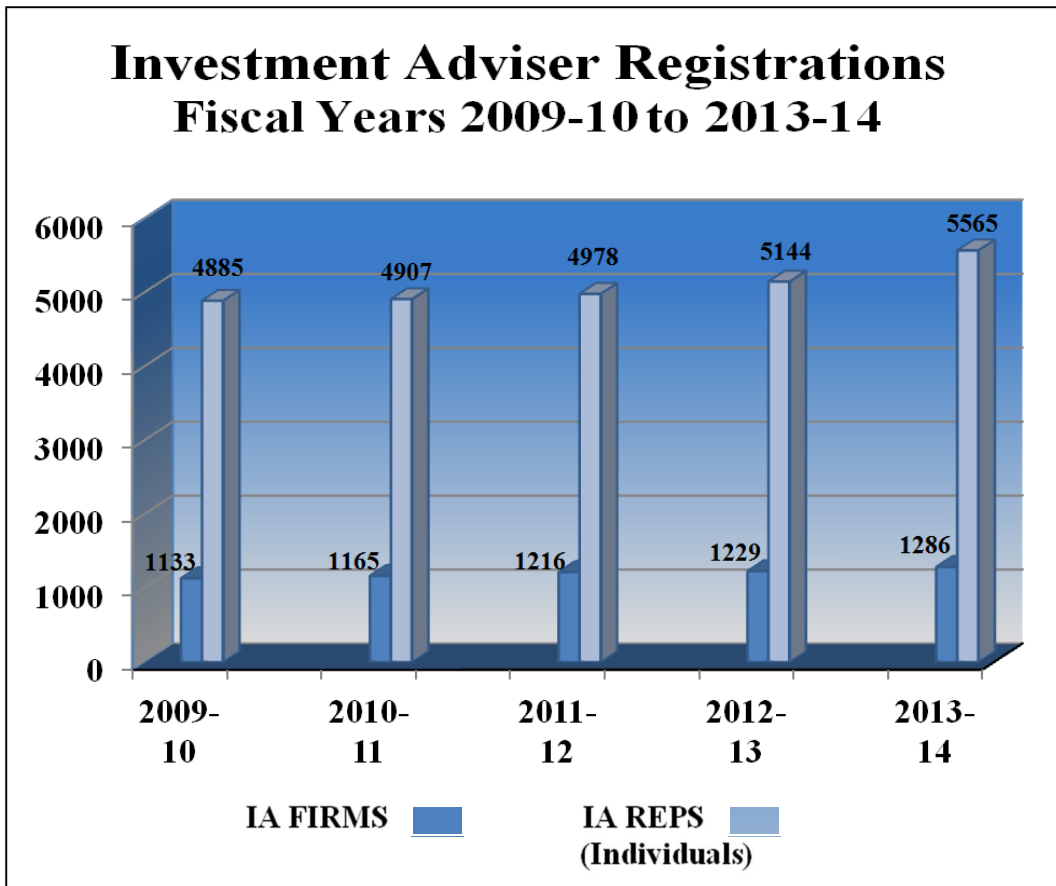
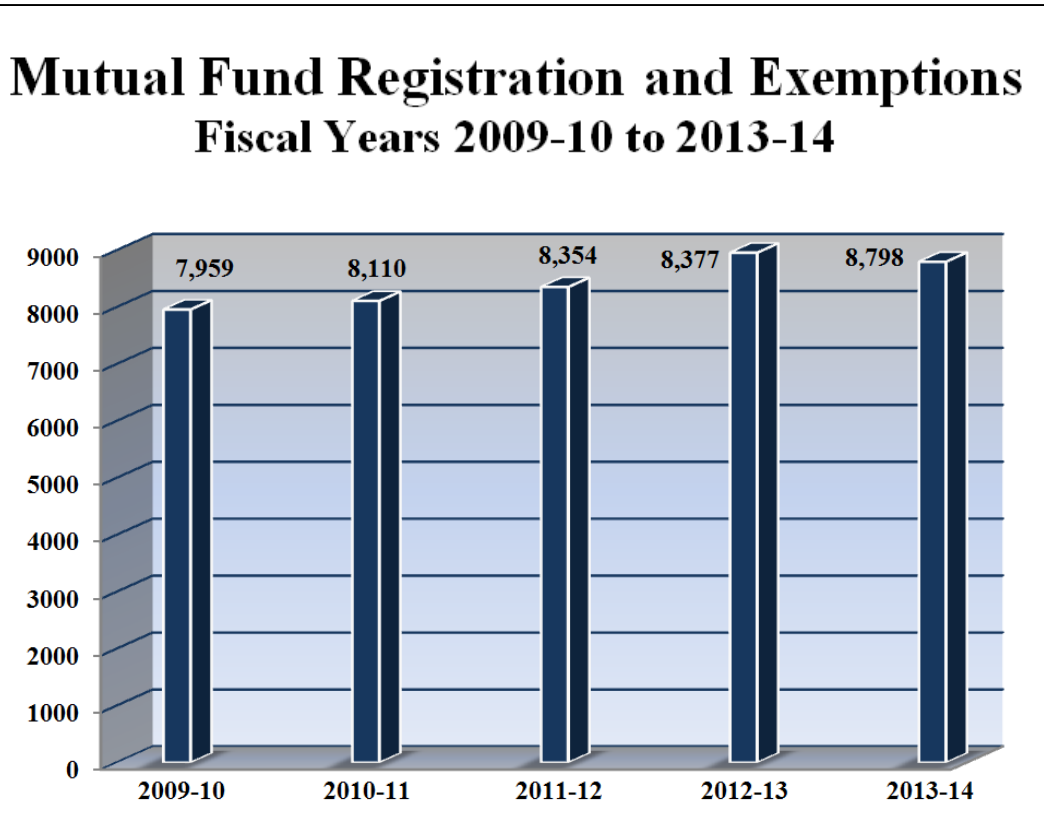
## Broker Dealer Registrations Fiscal Years 2009-10 to 2013-14



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# FINANCIAL STATEMENT

## FISCAL YEAR 2014

### Agency Revenues

#### Authority

§ 8-6-3(h)	Investment Advisers & Representatives .....	\$ 9,173,740
	Broker-Dealers & Representatives .....	
§ 8-6-8	Securities Registration.....	74,020
§ 8-6-11	Exemptions.....	184,000
§ 8-6-19	Administrative Assessments/Investigative Executions .....	167,321
§ 8-6-10(11)(b)(2)	Mutual Fund Exemptions.....	7,221,860
§ 8-6-29	Opinions.....	150
§ 8-6-115	Industrial Revenue Bonds.....	4,422
§§ 8-7-6; 8-7-9	Sale of Checks .....	47,415
	Miscellaneous Revenues .....	67,032
	<b>TOTAL REVENUES .....</b>	<b>\$ 16,939,960</b>
	To General Fund .....	\$ 8,604,775
	To Sale of Checks Fund .....	47,415
	To Securities Commission Fund .....	8,283,348
	To Industrial Revenue Fund .....	4,422
	<b>TOTAL .....</b>	<b>\$ 16,939,960</b>

### Expenditures

Personnel Costs .....	\$ 2,886,090
Employee Benefits .....	1,030,337
Travel (In-State).....	44,475
Travel (Out of State).....	62,639
Repairs & Maintenance.....	3,492
Rentals & Leases .....	782,286
Utilities & Communications .....	40,621
Professional Services .....	253,507
Supplies, Materials & Operating Expenses.....	188,995
Transportation Equipment Operations .....	49,260
Grants and Benefits.....	0
Transportation Equipment Purchases.....	142,395
Other Equipment Purchases .....	34,651
<b>TOTAL .....</b>	<b>\$ 5,518,748</b>
Additional Transfer to State General Fund .....	\$ 4,500,000
Transfer to Office of Prosecution Services .....	500,000
<b>TOTAL EXPENDITURES .....</b>	<b>\$ 10,518,748</b>
<b>TOTAL TO GENERAL FUND FOR FISCAL YEAR 2014 .....</b>	<b>\$ 13,104,775</b>

# Alabama Securities Commission Enforcement Division

## Enforcement Activity

Corporate Inquiries Opened	154
Corporate Inquiries Closed	166
Investigations Opened - "I"	38
Investigations Closed - "I"	45
Investigations Opened - "S"	53
Investigations Closed - "S"	57
Administrative Actions	31
Administrative Action Respondents	63
Indictments/Warrants Obtained	39
Arrests Made	23
Convictions Obtained	13
Public Warnings Issued	24
Referrals to Other Agencies	28

### Administrative Orders Issued

A comparative summary of the Enforcement Division's Fiscal Year 2014 activities are shown on the following chart:

TYPE OF ORDER ISSUED	RESPONDENTS	ORDERS
Cease and Desist	37	15
Consent	16	10
Show Cause	5	1
Vacate	1	1
Permanent Bar	4	4
<b>TOTALS:</b>	63	31

# REGISTRATIONS & EXEMPTIONS

## STATISTICAL SUMMARY

10/01/2013 - 09/30/2014

	Application Filed	Application Approved	Renewal Processed	Application Withdrawn	Application Terminated
Broker/Dealer	104	112	1488	14	121
Broker/Dealer Agent	n/a	26904	107645	599	22469
Eleemosynary Financing Exemption	28	21	0	0	0
Exempt Consent	5	4	0	1	1
Expansion Order	3	0	0	0	0
Industrial Revenue Bond	4	4	0	0	0
Investment Adviser - Federal	107	109	1025	3	55
Investment Adviser-State Registered	17	13	139	4	15
Investment Adviser Representative	n/a	1063	4502	48	822
Limited Offering	612	646	0	1	46
Mutual Fund Exemptions	2051	2051	6747	0	17
Registration by Coordination	51	25	0	16	24
Registration by Qualification	0	0	0	0	0
Registration by Notification	0	0	0	0	0
Restricted Agent	60	51	276	2	54
Sale of Checks Vendor	17	7	116	1	15

NOTE: The total number of registrations and exemptions issued in Fiscal Year 2014 was 152,948.

# INDUSTRIAL REVENUE BONDS FILED IN FY2014

FILE #	FEES	NAME OF FILING	DATE FILED	TOTAL AMOUNT OF OFFERING
38951	\$1,000.00	Springhill Medical Complex, LLC, Series 2014-A (The Medical Clinic Board of the City of Mobile-Springhill)	6/17/2014	\$10,000,000.00
39038	\$1,000.00	Jackson Surgery Center Building Project (The Medical Clinic Board of the City of Montgomery, AL)	8/8/2014	\$6,456,383.00
39039	\$1,000.00	Jackson Imaging Center Building Project (The Medical Clinic Board of the City of Montgomery, AL)	8/8/2014	\$3,517,510.00
39040	\$422.14	Jackson Surgery Center Equipment Project (The Medical Clinic Board of the City of Montgomery, AL)	8/8/2014	\$844,283.00
<b>Totals:</b>				<b>\$20,818,176.00</b>





## Director's Commentary

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



Joseph P. Borg, Director

Central to the Alabama Securities Commission's mission is its goal of protecting Alabama citizens (individuals, small business, corporations, endowments), 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 and encouraging legitimate capital markets in Alabama, the ASC performs three critical functions: registration, enforcement and education. 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 2014 ASC returned **\$13,104,775** 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, whether individuals or small businesses, 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 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 local, state and federal authorities to thoroughly examine complaints, analyze financial transactions and bring legal action against any person or business entity suspected of being in violation of the Alabama Securities Act and/or applicable federal laws.

The strong efforts and expertise of the Enforcement Division, during the past five years, resulted in an average of **19** criminal indictments each FY for the violation of laws regulating the securities industry. In FY 2014 the Division's hard work resulted in more than **\$15,206,204** in victim restitution from prosecuted cases; **23** arrests; **13** convictions; and helped secure **77** years of incarceration for defendants found in violation of laws regulating the securities industry.

The Commission maintains one of the highest rates of success in convictions in the nation as reported by the Wall Street Journal, CNN, Forbes, Birmingham News and other prominent sources.

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,

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investment adviser firms and their representatives and money transmitters. The **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. In FY 2014, **152,948** registrations, licenses and exemptions were issued by the Registration Division. The Registration Division is also responsible for the processing of fees associated with applications and renewals, which allows the ASC to remain self-funding and generates funds for the General Fund.

The **Auditing and Examination Division** is responsible for conducting a full schedule of onsite routine and for-cause examinations. Every three years, division auditors examine each of the state-regulated investment advisers domiciled in Alabama, while continuing to audit broker-dealers, their branch offices, and sale of checks agents 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 2014, the Auditing and Examination Division conducted **57** audits, with **15** of these being for-cause examinations driven by investigations, customer complaints or licensing issues.

The Commission firmly believes that investor education and fraud prevention training can help shield our citizens from being victimized by financial criminals. The **Education and Public Affairs Division** conducts an average of **70** events annually for Alabama citizens, as well as for social, civic and professional groups throughout our state. During FY 2014, the Division conducted **82** events that provided direct outreach and instruction to **5,350** citizens, ranging in age from high schools students to senior retirees. During FY 2014, the Division helped acquire approximately **\$30,000** in grant money from the Investor Protection Trust. These funds helped provide personal finance and investor education events for teachers and students in grades 7-12, as well as for senior Alabamians concerned with the protection of their life savings and a need to make informed investment decisions. See ASC Education Corner, pages 22-31.

The **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 prosecutes 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 involving 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.

The **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.

The **Information Technology (IT) 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 including constant information exchange with national databases covering more than 660,000 financial professionals and firms through the national Central Registration Depository (CRD) and Investment Adviser Registration Depository (IARD).

## 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 safer and more informed 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

### **ASC Implements New Education Program for Alabama Entrepreneurs**

The Alabama Securities Commission (ASC) launched a new investor education program designed to help promote raising capital for small businesses in the state. Introduced at three crowdfunding town hall-style meetings, the new intrastate crowdfunding exemption passed by the Alabama Legislature in 2014, allows Alabama entrepreneurs to raise up to \$1 million from Alabama investors in a streamlined and cost-effective process. Small businesses and startup ventures will be able to promote and raise capital from the state's "main street" investors and may raise such capital with or without a broker. If the business uses a securities broker, the broker must be properly registered with the ASC. Investments of up to \$5,000 may be accepted from any Alabama investor and investments in excess of \$5,000 may be accepted from Alabama investors who qualify as accredited investors, as defined by federal law.

During the 2014 legislative regular session, State Senator Arthur Orr, 3<sup>rd</sup> District, sponsored the crowdfunding bill with the support of Senate President Pro Tem, Del Marsh, 12<sup>th</sup> District. Representative Terri Collins, 8<sup>th</sup> District, helped carry the bill through the House with support from House Speaker Mike Hubbard, 79<sup>th</sup> District.



Senator Orr begins crowdfunding education program for citizens in 3rd District, AL

The new crowdfunding education program began August 11, 2014 when ASC partnered with the Decatur/Morgan County Chamber of Commerce, who sponsored a town hall event with Sen. Orr and Rep. Collins, to inform citizens considering the use of the new crowdfunding mechanism to raise capital for new business ventures. A second town hall event was held August 12, 2014 and sponsored by the Chamber of Commerce of Huntsville/Madison County with Sen. Orr. A third town hall event was held later on August 12, 2014 and sponsored by the Madison County Legislative Office with Rep. Hall,

19<sup>th</sup> District. Additional crowdfunding programs are being scheduled across the state.

The ASC provided valuable information concerning certain risks associated with investing in startup businesses, "dos and don'ts" when raising capital, and educational materials about the various services the Commission offers.

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## *Investor Education and Fraud Prevention Outreach Program*

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Town hall participants were afforded the opportunity to ask detailed questions about the new Alabama crowdfunding law. By educating entrepreneurs about their responsibilities to investors and informing investors about some of the risks associated with these offerings the



Deputy Director Ed Reed, ASC expert on Crowdfunding, teaches about the new exemption at event sponsored by the Madison County Legislative Office with Rep. Hall, 19th District.

ASC strives to ensure that the Alabama crowdfunding mechanism is used responsibly by entrepreneurs and that investors will have the necessary information available to be able to make informed investment decisions.

### **Investor Education and Fraud Prevention Outreach for Senior Alabamians**



Sixth Annual World Elder Abuse Awareness Campaign kick-off on the steps of the State Capitol.

During FY 2014, ASC's Education and Public Affairs Division continued its successful and informative outreach program to promote effective financial, investor, and fraud protection education to teens, working adults and seniors. Of major importance during this fiscal year was the provision of investor and fraud prevention education to Alabama citizens aged 50 and above. Seniors in the United States and Alabama are prime targets for financial fraud as they hold an estimated \$14-20 trillion in assets. The ASC has joined with the Alabama Attorney General's Office, the Alabama Department of Senior Services, the Department of Human Resources, and many other state agencies (many supporters from these agencies are shown in photo at left) to conduct outreach events throughout Alabama and to help draft and promote the passage of new legislation to protect senior Alabamians against financial victimization. The Education and Public Affairs Division sets a high bar for the development and delivery of practical, 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, business and others to promote investor education and fraud prevention during the past fiscal year.

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## ASC Partnerships that Reach Working Adults and Seniors

### **Alabama Department of Senior Services (ADSS)**

The ASC partnered with the ADSS and its statewide network of Area Agencies on Aging to reach hundreds of seniors and provide timely educational presentations and printed materials to help senior Alabamians protect themselves from financial abuse and victimization, and to make informed investment decisions. ASC is a member of the Alabama Interagency Council for the Prevention of Elder Abuse, an organization comprised of 30 public and private agencies and advocacy organizations. ASC also helped ADSS promote the 6th Annual World Elder Abuse Awareness (WEEA) Campaign kick-off event on the steps of the Alabama State Capitol in Montgomery. As part of the WEEA Campaign, ASC helped secure an Investor Protection Trust grant to defray the cost of Town Hall meetings held in June, 2014 in Alabaster, Fairhope, Tuscaloosa, and Florence. A total of 326 individuals attended the free events and received vital information on elder abuse awareness to help protect Alabama's older population.

### **Alabama Education Retirees Association (AERA)**

During FY 2014, the Alabama Securities Commission forged a new investor education-based initiative with the Alabama Education Retirees Association (AERA). The organization is comprised of 81 local units in nine districts throughout the state, including 11 higher education units. AERA has at least one local unit in each of Alabama's 67 counties, serving a total membership of approximately 25,000 retired educators.

AERA members are diverse and well-educated, long-retired or recently retired, with some having embarked on second careers. As with thousands of other previously retired or older working professionals in Alabama, they may have amassed significant savings, investments and other personal financial assets and are often faced with major financial decisions linked to their pension earnings and life savings. As such, association members may be targeted for financial fraud and may be vulnerable to victimization by financial criminals who persuade them to invest their retirement assets in unsuitable, unregistered and/or illegal investment vehicles. Using a generous grant awarded by the Washington, D.C.-based Investor Protection Trust, ASC provided "Safe and Wise Investing" train-the-trainer seminars to more than 150 AERA leaders at their annual meeting in Montgomery, Alabama on May 6, 2014.



Director Borg speaks at AERA Leadership Conference, May 2014.



AERA leaders received training from Director Borg and free ASC and Investor Protection Trust/Kiplinger investor education materials. The program was designed to train AERA leadership to help their fellow association members protect themselves from financial fraud and abuse. As a result of an ASC offer to provide training throughout Alabama, more than 30 local units have requested ASC tailored presentations.

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## Investor Education and Fraud Prevention Outreach Program

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### Alabama Cooperative Extension System (ACES)

ASC enjoys a successful partnership with ACES to continue hosting Estate Planning Seminars for retired Alabama citizens or those who are nearing retirement. The ASC helped ACES acquire an Investor Protection Trust grant to help sponsor seminars in nine Alabama counties. ASC speakers shared insightful information about recognizing and avoiding unsuitable investment “opportunities;” how investment fraud begins; factors involved in making informed financial decisions; and the warning signs of scams, among other topics.



### Better Business Bureau of North Alabama

For the past eleven years, ASC has actively supported the Better Business Bureau (BBB) of North Alabama and its task of helping protect Alabamians from dishonest business practices and financial fraud. During this time, ASC personnel participated in the BBB’s fraud prevention events held throughout North Alabama. BBB marketing efforts attracted working adults and retirees to the seminars in order to learn about the latest issues that could affect their financial security. To help defray the cost of these events the ASC assisted BBB of North Alabama to apply for and receive grants from the Investor Protection Trust in Washington, D.C. In FY 2014 more than 700 citizens attended fraud prevention events held in Huntsville, Muscle Shoals, Florence, and Hamilton.

Fraud prevention events were organized around expert panels, many consisting of representatives from the BBB of North Alabama; the Alabama Securities Commission; the Alabama Attorney General Consumer Affairs Division; the U.S. Postal Inspection Service; U.S. Federal Trade Commission; local financial institutions, local law enforcement agencies, and others. Representatives of each agency spoke of their respective fields of expertise, their responsibilities and how their agencies worked cooperatively to combat consumer fraud and other financial crimes that target Alabama’s citizens. Topics included insightful information by panel members about offers of potentially unsuitable investment “opportunities,” frauds associated with unregistered investment offerings, lottery and sweepstakes schemes, the warning signs of financial fraud, and suspicious and illegal offerings through the U.S. mail, among others. Panel members fielded a variety of questions from audience members about issues of particular concern and how best to thwart illegal tactics used by con artists who might attempt to victimize them, either in person, via email, phone or through social media. Panel representatives also provided, free of charge, a wealth of printed educational material for consumers’ reference and use.



ASC’s close relationship with the staff at the BBB of North Alabama has led to an increase in the reporting of suspected financial fraud activities from those who have benefitted from information provided at the fraud prevention events. Some of the BBB inquiries resulted in official investigations by regulators or law enforcement officials, which led to the closing and prosecution of illegal activities.



## *Investor Education and Fraud Prevention Outreach Program*

### **ASC Contributions to Middle/High School Students and Teachers**

**Youth and Student Programs:** The ASC's Education Office is an active member of the Alabama Jump\$tart Coalition, and the Alabama Council on Economic Education. It also partners with the Alabama Cooperative Extension System and works with other business, government and nonprofit agencies to promote financial literacy programs aimed at public and private middle, high school, and college students. ASC offers a free professionally developed financial literacy publication to state educators for classroom use. The publication, "Basics of Savings and Investing," may be used as a teaching guide for various business, math and social studies classes in grades 7-12.



### **ASC Field Trips**

Alabama high school students and teachers 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 more than two hours of investor education and information about how ASC regulates the securities industry in Alabama. Also, ASC can schedule a tour of the Capitol or State Archives, upon request, so students can learn more about the Alabama legislative process or the state's history. 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.

### **Alabama Jump\$tart Coalition**



The "Day of Financial Literacy" luncheon (shown in the above photo) was hosted by the Alabama Jump\$tart Coalition (AJC) at the BJCC in Birmingham, July 30, 2014, during the Alabama Association of Career and Technical Education Conference (AACTE). This year speakers participated from the Alabama Cooperative Extension System, Alabama Society of CPAs, Alabama Securities Commission, Internal Revenue Service, Federal Deposit Insurance Corporation, Federal Reserve Board, Junior Achievement, and Hope Now. Bill Cheeks from national Jump\$tart and others gave short motivational talks and provided a description of free available services for teachers. More than 250 teachers benefited from free financial education curricula and resource materials for Alabama classrooms. ASC assisted the AJC to receive a grant from the Investor Protection Trust to help support this large event; along with Alabama businesses who provided generous financial contributions.

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## *Investor Education and Fraud Prevention Outreach Program*

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### **ASC helps sponsor and provides education programs to summer camps at The University of Alabama**

In June 2014, Dan Lord, Alabama Securities Commission's Manager of Education and Public Affairs, presented "A Pathway to Financial Success," to more than 155 high school students who attended four camps held at The University of Alabama campus in Tuscaloosa, Alabama. ASC helped secure a grant from the Washington, D.C.-based Investor Protection Trust to partially sponsor the camps. The four camps included: Camp Cash - College of Human Environmental Science; Culverhouse Majors Awareness Program (CMAP) – Culverhouse College of Commerce; STEM Entrepreneurship Academy (SEA) Camp - Office of Community Affairs; and Accounting Career Awareness Program (ACAP) – Culverhouse College of Commerce.



Each of the camps met over several days and hosted students from across the state, with emphasis given to students from lower income areas in the Black Belt region of west Alabama. The camps exposed participants to a variety of career and educational opportunities, ranging from science, technology, engineering, mathematics and entrepreneurship, to personal finance and other professional career possibilities. Helping students cultivate disciplined personal finance skills and understand the relevance of those skills to their adult lives and long-term financial goals was of utmost importance to the overall success of the investor education component of the camps.

The presentations provided informative educational settings in which students focused on the basic principles behind wise spending and saving, credit management, the importance of tax-sheltered investing at an early age and protecting against deceptive marketing and fraud. The camps included pre-and post-surveys and/or interviews to evaluate the knowledge gained from the programs. Survey and interview findings revealed the programs delivered positive financial education results to students who may not have had a broader exposure to financial literacy and education curricula previously.

### **ASC Professional Training Programs**

Upon request, ASC provides training to a number of professional organizations including enforcement agencies. Many of these presentations qualify for continued professional education credit. Also, ASC staff is involved in national education initiatives to identify and prosecute financial crime and implement programs to empower citizens to make safe and wise investment decisions.

### **ASC's Close Partnership with National White Collar Crime Center (NW3C)**

For more than three decades, NW3C, headquartered in Fairmont, West Virginia, has provided a nationwide support system for law enforcement and regulatory agencies involved in the investigation, prosecution and prevention of economic and high-tech crime. To accomplish this mission, NW3C has become a leader in providing training in computer forensics, cybercrime investigations, and intelligence analysis to law enforcement agencies around the country.

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## *Investor Education and Fraud Prevention Outreach Program*

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NW3C's training benefits law enforcement by providing the skills and knowledge needed to prepare them to address the crimes of the 21<sup>st</sup> Century.

ASC Director, Joseph Borg, currently serves as a Non-Regional Director on NW3C's Board of Directors. The Alabama Securities Commission's association with NW3C promotes the use of changing technologies to enhance investigative abilities that lead to the prosecution of white-collar criminals.

During the 1st quarter of 2014 the ASC continued its long-term relationship with NW3C by hosting training programs at its facilities in Montgomery, Alabama for law enforcement professionals from Alabama and other states (class in session shown in photo at right).

Training was provided to ASC personnel, including investigators, attorneys, securities analysts and financial auditors from the agency's Enforcement, Legal and Registration/Auditing Divisions. Attendees gained timely and beneficial knowledge on diverse subjects such as Financial Investigation Practical Skills, Computer Skills for Law Enforcement, Social Media Investigations, and Cyber Investigation, among others. Also, training was provided to Alabama Attorney General investigators, Alabama Bureau of Investigation (ABI) analysts, as well as police officers and investigators from four states (Oregon, Texas, Florida, Georgia) and Washington, D.C.



### **ASC Military Outreach Programs and Special Website Area**

Director Borg says, "Inquiries from any military personnel, in any status (active, reserve, guard or veterans), or from their dependents, will get our immediate attention to help provide information or to investigate complaints and concerns as necessary."

ASC staff have the experience to understand financial challenges of the military community. Nine ASC staff members have a combined total of more than 150 years of honorable service in the United States military to protect the freedom of the United States. Some staff members supported or deployed to support U.S. defense initiatives in the Middle East. The Deputy Director of Enforcement was a Staff Judge Advocate with more than 30 years experience in military law. The Manager of Education and Public Affairs has more than 20 years experience in the administration of military education programs and one Special Agent was a U.S. Army Reserve Command Sergeant Major who deployed to the Middle East and oversaw the welfare of thousands of troops. All others have varied experience in a variety of military fields of expertise.



ASC has a special website area for military and their dependents: "Protect Alabama Troops" (PATS) was launched June 2009 as an information-based resource, accessible on ASC's website at [www.asc.alabama.gov](http://www.asc.alabama.gov). PATS has special publications and information that was written for Alabama's active-duty, guard and reserve military, as well as retired military and veterans. PATS was 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.

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## Investor Education and Fraud Prevention Outreach Program

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**ASC provides free investor education seminars & information:** Upon request, the ASC will provide free financial education seminars, emphasizing safe and wise investing, to any military installation/unit in Alabama. Top-notch personal finance and investor education materials published by Kiplinger's Personal Finance, the Lightbulb Press, Inc., and ASC, were made available to anyone affiliated with the military in Alabama.

**Military and their dependents are encouraged to call on ASC:** All military personnel and their dependents who are considering investment opportunities are encouraged to 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.

### Investor Education Presentations/Events/Meetings (Fiscal Year 2014, from 10/1/13 - 9/30/14)

DATE	PLACE	#	AUDIENCE TYPE
9/25/14	Mobile, AL at the University of South Alabama	10	Town Hall meetings to teach about new crowdfunding exemption
9/16/14	Montgomery, AL at the ARSEA Annual Conference	100	Display and talk with retired state employees
9/9/14	Mobile, AL at the Heron Lakes Country Club	160	AL Education Retirees Association (AERA) members
8/28/14	Anniston, AL at the Anniston Depot	25	National Active and Retired Federal Employees (NARFE)
8/26/14	Huntsville, AL at the Conference Center for Dynetics	125	Partner with the Better Bus. Bureau of N. AL for anti-fraud summit
8/15/14	Birmingham, AL at Region's Bank Compliance	95	Staff involved in anti-money laundering & fraud prevention
8/12/14	Huntsville, AL at event with Rep. Hall	28	Town Hall Meetings to teach about new crowdfunding exemption
8/12/14	Huntsville, AL at event with Sen. Orr and Rep. Collins	45	Town Hall Meetings to teach about new crowdfunding exemption
8/11/14	Decatur, AL at event with Sen. Orr and Rep. Collins	45	Town Hall Meetings to teach about new crowdfunding exemption
8/6/14	Birmingham, AL at Nat. Ctr. For Victims of Crime event	25	Training to assist victims of financial crime
8/1/14	Montgomery, AL at the Capitol City Club	80	Montgomery Lions Club meeting
7/31/14	Birmingham, AL at the BJCC Convention Center	45	Promote financial literacy in classroom to high school teachers
7/30/14	Birmingham, AL at the BJCC Convention Center	225	Promote financial literacy in classroom to high school teachers
7/24/14	Hamilton, AL at Beville State Community College	186	Partner with the Better Business Bureau of N. AL to reach seniors
7/22/14	Florence, AL at the Crosspoint Church of Christ	250	Partner with the Better Business Bureau of N. AL to reach seniors
7/21/14	Montgomery, AL at ASC	25	Summer internship college students from Governor and AG offices
7/3/14	Montgomery, AL at the Troy State Univ. Radio Studio	*	Pre-record three radio programs for adults about finance topics
7/2/14	Montgomery, AL at the Troy State Univ. Radio Studio	*	Pre-record three radio programs for adults about finance topics
6/28/14	Birmingham, AL at the Guiding Light Church	16	Working adults from surrounding communities
6/26/14	Tuscaloosa, AL at the University of Alabama	75	STEM and ACAP high school student awareness programs
6/20/14	Florence, AL at the New Vision Methodist Church	35	Senior advocates and local officials - WEAAD Town Hall meeting
6/18/14	Tuscaloosa, AL at the Cypress Inn	120	Nurses, social workers, home health aides and other senior advocates
6/17/14	Tuscaloosa, AL at the University of Alabama	25	Culverhouse Majors Awareness Program - high school students
6/17/14	Huntsville, AL - Madison Co. Dept. of Human Resources	75	Nurses, social workers, home health aides and other senior advocates
6/16/14	Fairhope, AL at the James P. Nix Center	45	Senior citizens from the surrounding communities
6/12/14	Hoover, AL at the Wynfrey Hotel	95	Dept. of Human Resources (DHR) County Directors' Conference
6/12/14	Mobile, AL at the Center for Economic Development	25	SWEET-P Camp - high school students from the local area

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## Investor Education and Fraud Prevention Outreach Program

(Continued)

<u>DATE</u>	<u>PLACE</u>	<u>#</u>	<u>AUDIENCE TYPE</u>
6/11/14	Gadsden, AL at the Gadsden Senior Center	150	Partner with Gadsden Rotarians to reach seniors
6/11/14	Tuscaloosa, AL at the University of Alabama	30	Camp Cash - students from local area grades 9-10
6/10/14	Alabaster, AL at the Alabaster Senior Center	40	World Elder Abuse Awareness Campaign - seniors from local area
6/5/14	Montgomery, AL at the State Capitol	35	Participate in kick-off of World Elder Abuse Awareness Campaign
5/29/14	Greenville, AL at the Dunbar Recreation Center	40	High school students from the surrounding community
5/23/14	Montgomery, AL at the ASC	15	High school students from Reeltown Career Technical Program
5/21/14	Greenville, AL at the Beeland Park	125	Partner with S. Central AL Development Comm. to reach seniors
5/15/14	Geneva, AL at AL Cooperative Ext. Sys. (ACES) office	34	A partnered event with ACES to reach seniors
5/15/14	Montgomery, AL at Troy State Montgomery	20	Members and guests of the Montgomery Dixie Lions Club
5/12/14	Montgomery, AL at the RSA Activities Center	85	Members and guests of the Montgomery Rotary Club
5/6/14	Montgomery, AL at the Taylor Baptist Church	150	AL Edu. Retirees Assoc. (AERA) Chapter Leader's Conference
5/3/14	St. Louis, MS at the NASAA Investor Education Conf.	80	Provide briefings and participate in Investor Education initiatives
4/30/14	Clanton, AL at the AL Power Conference Center	60	A partnered event with ACES for seniors
4/24/14	Muscle Shoals, AL at NW Shoals Community College	70	A partnered event with Better Business Bureau of N. AL for seniors
4/24/14	Autaugaville, AL at the ACES office	50	A partnered event with ACES for seniors
4/17/14	Tuscaloosa, AL at Stillman College	100	A financial literacy forum hosted by Congresswoman Sewell
4/8/14	Birmingham, AL at the Community Education Center S.	25	Working adults from the surrounding communities
4/8/14	Gilbertown, AL at AL Southern Community College	15	A partnered event with ACES for seniors
4/4/14	Eclectic, AL at the Eclectic High School	120	A partnered event with ACES for high school seniors
4/2/14	Troy, AL, Troy Univ. at the Manuel H. Johnson Center	32	Meetings and lectures with economic experts
4/1/14	Montgomery, AL at the Renaissance Convention Center	95	Attendees at the Governor's Disaster Preparedness Conference
3/18/14	Alabaster, AL at the Instructional Services Center	18	Members of the Alabama Education Retirees Association (AERA)
3/13/14	Millbrook, AL at the Community Center	90	Senior citizens from the surrounding communities
3/13/14	Montgomery, AL at the ASC	28	Members of the Alabama Elder Justice Alliance
3/6/14	Gadsden, AL at the Gadsden Community College	30	High school teachers from the local area
3/5/14	Guntersville, AL at the Bancorpsouth Community Room	10	High school teachers from the local area
3/4/14	Birmingham, AL at the Community Education Center S.	35	Working adults from surrounding communities
3/3/14	Montgomery, AL at the ASC	25	Student field trip from Paul Bryant High School, Cottondale, AL
2/6/14	Gadsden, AL at the Gadsden Country Club	70	Rotary Club members and guests
2/4/14	Montgomery, AL at the WSFA main studio	*	Produce television videos that will air on senior TV shows
2/1/14	Birmingham, AL at the BJCC Convention Center	100	Citizens attending the 2014 Alabama Money Expo
1/9/14	Montgomery, AL at the Floyd Elementary School	200	Partner with Continental Societies, Inc. for elementary students
12/13/13	Montgomery, AL at the Heritage Baptist Church	70	A senior citizen church group
12/4/13	Selma, AL at the Alagasco building	47	A partnered event with ACES to reach seniors
12/3/13	Montgomery, AL at the main AL AARP office	**	Telephone town hall meeting for AARP Alabama members
12/2/13	Montgomery, AL - at the LAMP High School	115	High school student classes - Loveless Academic Magnet Program
11/22/13	McKenzie, AL at the McKenzie High School	75	A partnered event with ACES for high school students
11/20/13	Montgomery, AL at Wynlake Country Club	25	Nat. Assoc. of Insurance and Financial Advisors (NAIFA)
11/15/13	Dothan, AL at the Honeysuckle Middle School	30	High school students and parents in separate seminars
11/12/13	Opelika, AL at the Southern Union State College	12	Partner with AL Jump\$tart Coalition to train high school teachers
11/8/13	Montgomery, AL at the AUM Taylor Center	85	Montgomery Chapter - Association of Government Accountants
11/1/13	Virtual Computer Education Programs - IPT & ASC	121	Employees from Auburn University, Auburn, AL
11/1/13	Virtual Computer Education Programs - IPT & ASC	54	Employees from Austal USA LLC, Mobile, AL
11/1/13	Virtual Computer Education Programs - IPT & ASC	117	Employees from Energen, Birmingham, AL

(Continued on next page)

## *Investor Education and Fraud Prevention Outreach Program*

(Continued)

<u>DATE</u>	<u>PLACE</u>	<u>#</u>	<u>AUDIENCE TYPE</u>
11/1/13	Virtual Computer Education Programs - IPT & ASC	2	Employees of Industrial Training Consultants, Pelham, AL
11/1/13	Virtual Computer Education Programs - IPT & ASC	25	Employees of Phifer Incorporated Tuscaloosa, AL
11/1/13	Virtual Computer Education Programs - IPT & ASC	16	Employees of Rainsville Technology, Incorporated, Rainsville, AL
10/30/13	Huntsville, AL at the Huntsville Marriot	80	Partner with BBB of N. AL to reach seniors from local area
10/29/13	Grove Hill, AL at the Town Hall	28	Partner with AL Cooperative Ext. Sys.(ACES) to reach seniors
10/24/13	Ozark, AL at the Dale County ACES office	40	Partner with ACES to reach seniors from local area
10/16/13	Greenville, AL at the Beeland Park Community Center	26	Partner with ACES to reach seniors from local area
10/15/13	Orange Beach, AL at the Perdido Beach Resort	190	AL Retired State Employees Assoc. Annual Conference
10/10/13	Dothan, AL at the Friend Bank	10	Partner with AL Jump\$tart Coalition to train high school teachers
10/4/13	Union Springs, AL at the Bullock County ACES office	25	Partner with ACES to reach seniors from local area
10/1/13	Homewood, AL at the City Hall	200	Partner with FPA of N. AL to reach seniors from local area

DURING FISCAL YEAR 2014 THE ALABAMA SECURITIES COMMISSON CONDUCTED **82** INVESTOR EDUCATION AND FRAUD PREVENTION OUTREACH SEMINARS OR MEETINGS REACHING **5,350** CITIZENS.



# North American Securities Administrators Association ASC Involvement During FY 2014

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.



The ASC Director was elected to serve on the Board of Directors, September 2014; served as Chair of the International Committee until September 2014; and remains a member of the Uniform Securities Act Committee for NASAA. He served as NASAA President from September 2001 thru September 2002 and again from September 2006 thru September 2007. 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 to consider issues of financial education, registration, licensing, litigation and enforcement.

NASAA programs are carried out through its various committees and project groups. During FY 2014, ASC staff served on, or participated in, the following: International, Uniform Securities Act, Investor Outreach, Corporate Finance Direct Participation Programs Policy, NASAA Internet Fraud Investigations and Broker-Dealer Operations.

The Commission intends to continue active participation on various NASAA committees, which, in coordination with the SEC, FINRA, NASDAQ, 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 2014 (Alphabetical by County)

To read complete articles and more go to: [www.asc.alabama.gov](http://www.asc.alabama.gov)

#### **Baldwin County**

##### **Stone Mountain, Georgia Woman Indicted in Baldwin County, Alabama For Alleged “Prime Bank” Investment Scheme**

(April 14, 2014) Khatra Mohamed, a resident of Stone Mountain, Georgia, was arrested April 11, 2014, in DeKalb County, Georgia, for alleged violations of the Alabama Securities Act. Mohamed was taken into custody by The Gulf Coast Regional Fugitive Task Force with support and assistance from DeKalb County, Georgia Sheriff's Department's Fugitive Squad/Extraditions Unit. Mohamed is currently being held in the DeKalb County detention facility under a \$1 million bond, awaiting extradition to Baldwin County to face charges. Mohamed's arrest arose from a November, 2013 Baldwin County Grand Jury indictment charging her with one count of Conspiracy to Commit Securities Fraud; and one count of Fraud in Connection with the Sale of Securities, more specifically described as employing a scheme or artifice to defraud. According to the indictment, Mohamed allegedly participated in a “prime bank” investment scheme wherein she is accused of fraudulently soliciting investor funds through Richard James Tucker of Robertsdale, Alabama, and his company, Synergy Finance Group, LLC, formerly headquartered in Baldwin County. The indictment also alleges that Mohamed used investor funds for non-investment purposes, in violation of Alabama law.

##### **Minnesota Man Indicted in Baldwin County for Alleged “Prime Bank” Investment Scheme**

(April 3, 2014) Scott Anthony Koster, a resident of Milaca, Minnesota, was arrested March 28, 2014 in Mille Lacs County, Minnesota for alleged violations of the Alabama Securities Act. Koster was arrested by Mille Lacs County Sheriff's deputies with support and assistance from the Minnesota Department of Commerce. He is currently being held in the Mille Lacs County detention facility under a \$1 million bond, awaiting extradition to Baldwin County to face charges. Koster's arrest stems from a November, 2013 Baldwin County Grand Jury indictment charging him with one count each of Sale of Unregistered Securities and Sale of Securities by an Unregistered Agent; two counts of Fraud in Connection with the Sale of Securities, more specifically described as making an untrue statement of material fact and employing a device, scheme or artifice to defraud. Koster is also charged with one count of Conspiracy to Commit Securities Fraud. According to the indictment, Koster was allegedly involved in a “prime bank” investment scheme wherein he fraudulently solicited investor funds through Richard James Tucker of Robertsdale, Alabama, and Tucker's company, Synergy Finance Group, LLC, formerly headquartered in Baldwin County. The indictment also alleges that Koster used investor funds for non-investment purposes in violation of the Alabama Securities Act.

##### **New York Man Indicted for “Prime Bank” Scheme in Baldwin County**

(February 12, 2014) Henry Young, Jr., a resident of Forest Hills, NY, was arrested February 11, 2014, based on outstanding warrants pursuant to a November, 2013 Baldwin County Grand Jury indictment. Young was arrested in Queens, NY by Deputy United States Marshals and officers with the New York City Police Department, who are all members of the New York/New Jersey Regional Fugitive Task Force. Young was taken to Queens, NY Central Booking facility under a \$1 million bond, awaiting extradition to Alabama. The Baldwin County Grand Jury indictment charges Young with one count of Sale of Unregistered Securities; and one count of Sale of Securities by an Unregistered Agent. Additionally, Young was charged with one count of conspiracy to commit securities fraud, one count of omitting to state a material fact and one count of employing a device, scheme or artifice to defraud. Young allegedly promoted a “Prime Bank” investment fraud involving Richard James Tucker, of Robertsdale, Alabama, and Synergy Finance Group, LLC.

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## ENFORCEMENT HEADLINE SUMMARIES *(Continued)*

### **Californian Indicted in Baldwin County for “Prime Bank” Scheme**

(Feb. 11, 2014) On Feb. 5, 2014, Vahak Dino Awadisian, whose residence is listed as Beverly Hills, California, was arrested at Los Angeles International Airport by officers from the Los Angeles Police Department on an outstanding warrant pursuant to a November, 2013 Baldwin County, Alabama Grand Jury indictment. Awadisian is currently being held in Los Angeles under a \$1 million bond, pending extradition to Alabama. The Baldwin County indictment charges Awadisian with one count of Sale of Unregistered Securities and one count of Sale of Securities by an Unregistered Agent. Additionally, Awadisian was charged with two counts of Fraud in Connection with the Sale of Securities. Awadisian allegedly promoted a “prime bank” investment fraud involving Richard James Tucker, of Robertsdale, Alabama, and Synergy Finance Group, LLC.

### **Southern California Man Indicted for “Prime Bank” Scheme in Baldwin County**

(Feb. 6, 2014) Brandon Colker, a resident of San Diego, California, turned himself in to the Baldwin County Sheriff’s Department on Feb. 5, 2014. Upon his surrender to authorities Colker was arrested, based on a November, 2013 Baldwin County Grand Jury indictment. Colker was released on \$100,000 bond. The conditions of his release specified that he surrender his passport, have no further communications with any and all co-defendants and must not conduct or aid others in any investment transaction. The Grand indictment charged Colker with one count of conspiracy to commit securities fraud and one count of employing a device, scheme or artifice to defraud. The indictment alleges that Colker promoted and accepted investor funds in a “prime bank” investment scam involving Richard James Tucker, of Robertsdale, Alabama and Synergy Finance Group, LLC.

### **Arizona Man Indicted for “Prime Bank” Scheme in Baldwin County**

(January 15, 2014) Larry J. Busch, Jr., an attorney and resident of Anthem, Arizona, was arrested on January 6, 2014 by the Maricopa County, Arizona Sheriff’s Office on an outstanding warrant pursuant to a November, 2013 Baldwin County, Alabama Grand Jury indictment. Busch is currently being held in the Maricopa County, Arizona. An extradition hearing is scheduled for January 17, 2014. The Baldwin County indictment charges Busch with two counts of securities fraud. One (1) count of conspiracy to commit securities fraud, and (1) one count of employing a device, scheme or artifice to defraud. Busch allegedly used his attorney trust account as part of the “prime bank” investment fraud with Richard James Tucker, of Robertsdale, Alabama, and Tucker’s company, Attention to Detail Services, Inc.

### **California Man Indicted for “Prime Bank” Scheme in Baldwin County**

(December 13, 2013) John Childs, a resident of Danville, California, turned himself in to the Baldwin County Sheriff’s Department on December 11, 2013. Upon his surrender to authorities, Childs was arrested based on a November, 2013 Baldwin County Grand Jury indictment alleging two counts of securities fraud. Specifically, Child’s was charged with employing a device, scheme or artifice to defraud, and engaging in an act, practice or course of business which operates as a fraud or deceit upon any person. Childs was released on \$100,000 cash bond. Conditions of his release specified that he surrender his passport, have no further communications with any and all co-defendants, and must not commit violations of any state, federal or international banking laws. Childs allegedly promoted and accepted investor funds in a “prime bank” investment scam involving Richard James Tucker, of Robertsdale, Alabama, and Synergy Finance Group, LLC. At the time the offenses were committed, all charges were classified as Class C felonies under Alabama law, carrying a maximum punishment of one to ten years incarceration and not more than a \$15,000 fine per charge.

### **Colbert County**

#### **Canadian Resident Arrested for Alleged Securities Fraud**

(November 15, 2013) Gregory James Aziz, a Canadian national, was arrested on November 12, 2013, by officials at the Chicago Midway International Airport during a trip to the United States. He was detained by the U.S. Immigration and Customs Enforcement’s (ICE) Homeland Security Investigations (HSI) and turned over to officers at the Chicago Police Department who swiftly coordinated with Alabama law enforcement. With the assistance of the Illinois Office of Secretary of State, Securities Department, Aziz waived extradition and will be transported to Alabama. Aziz’s arrest stems from an indictment returned by a Colbert County grand jury charging Aziz with 10 counts of Securities Fraud. According to the indictment, between September 2006 and July 2009, Aziz perpetrated a scheme to defraud the Retirement Systems of Alabama by knowingly supplying fraudulent financial information, and making false statements of material fact and omissions of material fact in connection with a loan and equity transaction between Aziz and the Retirement Systems. If convicted on the Alabama charges, Aziz could face a maximum of 10 years in prison and fines, and be ordered to pay restitution to the Retirement Systems of Alabama for any loss attributable to his actions.

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## ENFORCEMENT HEADLINE SUMMARIES (*Continued*)

### Conecuh County

#### **Conecuh County Woman Pleads Guilty to Securities Fraud Charges**

(Jan. 17, 2014) On Jan. 16, 2014, Carey Stinson Salter, of Evergreen, Alabama, entered a guilty plea to an indictment charging violations of the Alabama Securities Act. Salter pled guilty to one count each of Sale of Unregistered Securities and Sale of Securities by an Unregistered Agent, one count of Fraud in Connection With the Sale of Securities, and to Theft of Property. Pursuant to a plea agreement, Salter paid full restitution, totaling \$10,000, to the victim, and a fine of \$1,500 to the State of Alabama. In addition to the payment of restitution of fines, Salter consented to a permanent bar from engaging in securities transactions in Alabama. No sentence will be imposed at this time, as Salter has made application to the Pre-Trial Diversion program. An October, 2013 Conecuh County Grand Jury returned an indictment against Salter, after an ASC Enforcement Division investigation revealed that Salter, doing business as CSS Investments, headquartered in Conecuh County, solicited funds from an Alabama resident to be invested in real estate. The investigation revealed that the investor's funds were not used as represented and that neither Salter nor her company were registered to conduct securities transactions in Alabama, as required by the Alabama Securities Act.

#### **Conecuh County Woman Arrested for Alleged Securities Fraud**

(Oct. 24, 2013) On October 20, 2013, Carey Stinson Salter, an Evergreen, Alabama resident, was arrested for alleged violations of the Alabama Securities Act. Salter's arrest stems from an indictment handed down by the October 2013 session of the Conecuh County Grand Jury, charging her with one count each of Sale of Unregistered Securities and Sale of Securities by an Unregistered Agent. Additionally, Salter was charged with one count of Fraud in Connection with the Sale of Securities, more specifically described as Misrepresentation; and one count of Theft of Property, 1st Degree. The unregistered securities charges are Class C Felonies, punishable by a maximum sentence of 10 years imprisonment and up to a \$15,000 fine for each count. The latter charges are Class B felonies, punishable by a maximum of 20 years imprisonment and up to a \$30,000 fine for each count. An ASC Enforcement Division investigation revealed that Salter, doing business as CSS Investments, headquartered in Conecuh County, allegedly entered into an investment opportunity with an Alabama investor. Salter also allegedly solicited money from the investor for their participation in a real estate investment scheme that involved the offer and/or sale of unregistered securities and unsecured promissory notes. ASC records indicated that neither Salter nor her company was registered with the ASC to conduct securities business in Alabama, as required by the Alabama Securities Act.

### Cullman County

#### **Cullman County Man Sentenced for Securities Act Violations**

(Nov. 27, 2013) On Nov. 26, 2013, Jerry Gibbs Carter was sentenced by Cullman County Circuit Court Judge Martha Williams to five years' imprisonment, split to serve three years, and ordered to pay approximately \$222,000 restitution for his actions related to violations of the Alabama Securities Act. Carter pled guilty to one count of Securities Fraud, more specifically described as Engaging in a Scheme or Artifice to Defraud. At the time the offense was committed, the charge was classified as a Class C felony, punishable by from one to 10 years incarceration and not more than a \$15,000 fine per charge. Since Carter had already served more than a year in jail, the Court ordered that his sentence be split, such that he will serve five years on supervised probation, to be followed by three years' imprisonment with the Alabama Department of Corrections. If Carter makes complete restitution to victims, the Court will not require him to serve the three years in prison. Should he fail to make restitution payments on a monthly basis as scheduled by the Court, his period of supervised probation will be revoked and he will immediately begin serving three years in prison. A January, 2011 Cullman County Grand Jury returned an indictment against Carter, after an ASC Enforcement Division investigation into complaints filed by several Alabama investors that Carter had solicited investments to help fund a chain of car wash and automobile maintenance facilities that were to be located throughout the United States. The investigation revealed that investors' funds were not used as represented and that Carter was not registered with the ASC to be able to legally offer and/or sell securities in Alabama. After his indictment, Carter fled the jurisdiction of the State of Alabama. Carter was arrested on Nov. 13, 2012 in West Palm Beach, Florida by the West Palm Beach Police Department, agents of the U.S. Marshal's Service Florida Regional Fugitive Task Force, Ft. Lauderdale, with assistance from the Gulf Coast Regional Fugitive Task Force and was subsequently transported to Cullman County to await trial.

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## ENFORCEMENT HEADLINE SUMMARIES (*Continued*)

### Houston County

#### **Alabama Attorney Indicted, Arrested for Alleged Violations of Alabama Securities Act**

(Sept. 23, 2014) On September 19, 2014, Frederick Mitchell “Mitch” McNab, of Dothan, Alabama (a former Houston County attorney) surrendered to, and was arrested by, Houston County, Alabama Sheriff’s deputies, based on a warrant issued for his arrest. McNab was released upon making bond set at \$310,000 and the surrender of his passport. McNab’s arrest was the result of a September, 2014 Houston County, Alabama Grand Jury indictment charging him with 31 counts of alleged violations of the Alabama Securities Act. The charges include: Sale of Securities by an Unregistered Agent, Acting as an Unregistered Investment Adviser for Compensation, and multiple counts of Sale of Unregistered Securities. The indictment also charge McNab with 12 counts of Securities Fraud by making Untrue Statements of Material Facts or Omitting to State Material Facts in connection with the offer purchase or sale of a security; 5 five counts of Securities Fraud by Engaging in an Act, Practice or Course of Business Which Operates as a Fraud or Deceit Upon Any Person in connection with the offer purchase or sale of a security; three counts of Securities Fraud by Employing a Device, Scheme or Artifice to Defraud in connection with the offer purchase or sale of a security; and one count of Financial Exploitation of an Elderly Person, 1<sup>st</sup> Degree. The indictment against McNab, charges that on multiple occasions, from about November , 2002 to November, 2013, McNab allegedly misappropriated and misused funds totaling approximately \$10,554,479, of multiple clients, who are current residents of Houston and surrounding counties. The indictment alleges that McNab illegally used client funds to pay earlier victim clients who believed their funds were secure in an account held or controlled by McNab and earning interest for the benefit of the victims. The indictment also alleges that McNab used client funds for unrelated personal expenses. McNab was previously arrested in 2013, and again in April, 2014 by Houston County law enforcement officials on felony theft by deception charges related to an earlier investigation conducted by the Dothan Police Department.

### Jefferson County

#### **Minneapolis, Minnesota and Birmingham, Alabama Men Plead Guilty to Alabama Securities Act Violations**

On June 16, 2014, Jack Melvin Glover of Trussville, Alabama; and Kevin Douglas Vickers of Minneapolis, Minnesota pled guilty to one count each of Sale of Securities by an Unregistered Agent. Jefferson County Circuit Court Judge, Laura Petro sentenced both men to one year and one day in prison, suspended, with five years probation. The Court also ordered Glover to pay \$197,500 restitution, with Vickers being ordered to pay \$120,000 restitution. Glover was arrested Aug. 22, 2012 by deputies of the Shelby County, Alabama Sheriff’s Department. Vickers was arrested Sept. 25, 2012 by deputies of the Hennepin County, Minnesota Sheriff’s Department. Both arrests came as a result of August, 2012 Jefferson County Grand Jury indictments alleging the men committed securities fraud associated with Vickers company, KVH Capital Investment Partners, LLC, headquartered in Minneapolis, Minnesota. The indictments were based on an ASC Enforcement Division investigation into complaints filed by Alabama investors and a Nevada investor. The investigation revealed that Glover and Vickers promoted the sale of a high-yield bank instrument. It was subsequently proven that the instrument was bogus and, as a result, investors lost money. ASC records did not indicate that, at the time of the violations, the men, or the company they represented, were registered with the ASC to legally offer and/or sell securities in Alabama, as required by the Alabama Securities Act.

#### **Florida Man Arrested for Alleged Alabama Securities Act Violations**

(February 25, 2014) Randy Stuart Webman, of Hollywood, Florida, was arrested February 21, 2014, for alleged violations of the Alabama Securities Act. Webman was apprehended by Broward County, Florida Sheriff’s Department deputies based on an indictment returned by the December, 2013 Jefferson County Grand Jury. Webman was subsequently released on a \$30,000 bond pending trial in Jefferson County. Charges against Webman include one count each of Sale of Unregistered Securities; and Sale of Securities by an Unregistered Agent. Additionally, Webman is charged with three counts of Fraud in Connection With the Sale of Securities, including two counts of omitting to state a material fact, and one count of employing a device, scheme or artifice to defraud. All charges are Class C felonies under Alabama law, punishable by a maximum of 10 years’ imprisonment and a \$15,000 fine for each count, upon conviction. The indictment alleges that Webman, acting as agent for an out-of-state company, attempted to raise capital for a gold mining operation in Yavapai County, Arizona. The indictment further alleges that the defendant made contact with an Alabama investor and offered unregistered and non-exempt stock certificates and investment contracts. ASC Registration Division records revealed that neither Webman nor his company was registered to conduct securities business within, into or from Alabama as required by the Alabama Securities Act.

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## ENFORCEMENT HEADLINE SUMMARIES *(Continued)*

### **Arizona Man Pleads Guilty in Jefferson County to Securities Fraud**

(February 21, 2014) On February 20, 2014, Donald Leroy Jenkins, 65, of Prescott, Arizona, pled guilty to one count of Fraud in Connection With the Sale of Securities before Jefferson County Circuit Court Judge, Laura Petro. Jenkins was sentenced to five years imprisonment, split to time served with the remainder suspended and two years' probation. Jenkins made full restitution of \$5,674 to the Court. Jenkins omitted to state a material fact, in that he did not reveal to his victim that the security he offered was not registered with the ASC, as required by the Alabama Securities Act. ASC registration records indicated that neither Jenkins nor his company was registered to conduct securities business within, into or from Alabama as required by law. Jenkins was apprehended January 13, 2014 by law enforcement authorities in San Diego, California, based on a December, 2013 Jefferson County Grand Jury indictment. Jenkins, acting as agent for an out-of-state company, attempted to raise capital for a gold mining operation in Yavapai County, Arizona. The indictment also asserted that an Alabama investor was contacted and offered unregistered and non-exempt stock certificates and investment contracts.

### **Arizona Man Arrested for Alleged Alabama Securities Act Violations**

(Jan. 22, 2014) Donald Leroy Jenkins, a resident of Prescott, Arizona was arrested Jan. 13, 2014 for alleged violations of the Alabama Securities Act. Jenkins was apprehended by law enforcement authorities in San Diego, California, based on indictments returned by the Dec., 2013 Jefferson County Grand Jury. Jenkins is currently being held on a \$30,000 bond, pending extradition to Alabama. Charges against Jenkins include two counts each of Sale of Unregistered Securities; and Sale of Securities by an Unregistered Agent. Additionally, Jenkins is charged with four counts of Fraud in Connection with the Sale of Securities, more specifically described as omitting to state material facts, making untrue statements of material facts and engaging in an act, practice or course of business which operated as a fraud or deceit upon a person. All charges are Class C Felonies, punishable by a maximum of 10 years imprisonment and a \$15,000 charge for each count, upon conviction. The indictment alleges that Jenkins acting as agent for an out of state company, offered an investment contract for an entity, Arizona Gold Corporation, in Yavapai County, Arizona. A review of ASC registration records indicates that neither Jenkins nor his company are registered to conduct securities business within, into or from Alabama, as required by the Alabama Securities Act. The indictment further alleges that Jenkins did engage in an act, practice, or course of business which operated as a fraud or deceit.

### **Lee County**

#### **Lee County Man Begins Ten-Year Prison Sentence for Securities Fraud**

(November 19, 2013) John David Stroud, former Auburn resident and businessman, was sentenced before Lee County Circuit Court Judge Jacob Walker to serve 10 years in prison. Stroud pled guilty on August 23, 2013 to Investment Fraud for employing a device, scheme, or artifice to defraud the investing public by making misrepresentations about the use of investor funds. The violation of the Alabama Securities Act is a Class B Felony, punishable by a possible prison term of no less than 2, and no more than 20 years' incarceration, and a maximum \$30,000 fine. In May, 2012 a Lee County Grand Jury, indicted Stroud on seven counts of investment fraud, two counts of securities fraud, two counts of failing to register with the Alabama Securities Commission, and ten counts of theft by deception. The ASC Enforcement Division investigation, along with information received from the Commodities Futures Trading Commission and the National Futures Association, as well as complaints received from investors, revealed that Stroud received approximately \$5.2 million from victims between 2008 and 2011. Stroud convinced these individuals to invest with him by representing to be a successful commodities trader. A former financial advisor, Stroud was able to use his credentials to mislead investors into believing he was a trustworthy custodian of their investment funds. Many of the victims borrowed from their retirement savings in order to invest with Stroud. While some investor funds were used to purchase a limited amount of commodities, they were primarily used for unauthorized business and personal expenses, and to pay returns to other investors. Stroud's activities ultimately defrauded investors of approximately \$2.1 million, which Stroud will have to repay under the terms of his plea.

### **Madison County**

#### **St. Augustine, Florida Man Indicted in Madison County, Alabama for Alleged Violations of Alabama Securities Act**

(July 22, 2014) on July 15, 2014, Gregory James Botolino of St. Augustine, Florida, was arrested by St. John's County, Florida Sheriff's deputies, based on a warrant issued for his arrest in Madison County, Alabama. Botolino remains incarcerated under a \$60,000 bond. Botolino's arrest was the result of a June, 2014 Madison County,

*(Continued on next page)*



## ENFORCEMENT HEADLINE SUMMARIES (*Continued*)

Alabama Grand Jury indictment charging him with four counts of alleged violations of the Alabama Securities Act. Charges include one count of Securities Fraud by employing a device, scheme or artifice to defraud; and three counts of Conspiracy to Commit Fraud in the Sale of a Security. At the time the offenses were allegedly committed, the securities fraud charge was a Class B felony under Alabama law, with possible punishment of from two to 20 years imprisonment and a \$30,000 fine per charge, upon conviction. The Conspiracy charges are Class C felonies, carrying a possible punishment of not more than 10 years, nor less than one year and one day imprisonment and not more than a \$15,000 fine per charge, upon conviction. The indictment alleges that Botolino and others fraudulently solicited investor funds to be used in a managed gold “buy-sell” program. ASC records also revealed that Botolino is not registered with the ASC to legally conduct securities business in Alabama, as required by the Alabama Securities Act.

### **Huntsville, Alabama Man Indicted for Alabama Securities Act Violations**

(July 18, 2014) On July 14, 2014, Richard David Hall, a Huntsville, Alabama resident, was arrested by Madison County Sheriff’s Department deputies and charged with violations of the Alabama Securities Act. Hall was transported to Madison County jail under a \$60,000 bond. Hall’s arrest stems from a June, 2014 Madison County Grand Jury indictment charging him with one count of Fraud in Connection with the Sale of Securities by employing a device, scheme or artifice to defraud; and three counts of Conspiracy to Commit Fraud in the Sale of a Security. At the time the offenses were allegedly committed, the Securities Fraud charge was a Class B felony under Alabama law, carrying a maximum possible punishment of from two to 20 years incarceration and a \$30,000 fine per charge, upon conviction. The Conspiracy charges are Class C felonies, carrying a maximum possible penalty of from one year and one day, to 10 years incarceration and not more than a \$15,000 fine per charge, upon conviction. The indictment alleges that Hall and others fraudulently solicited investor funds to be used in a managed gold “buy-sell” program. ASC records also revealed that Hall was not registered with the ASC to legally conduct securities business in Alabama, as required by the Alabama Securities Act.

### **Georgia Man Indicted in Madison County, Alabama for Alleged Violations of Alabama Securities Act**

(July 8, 2014) on July 3, 2014, Hendrickx Toussaint, of Atlanta, Georgia, was arrested by Decatur, Georgia Police and charged with violations of the Alabama Securities Act. Toussaint is being held under a \$60,000 bond, awaiting extradition to Madison County, Alabama. Toussaint’s arrest is the result of a June, 2014 Madison County Grand Jury indictment charging him with one count of Securities Fraud by employing a device, scheme or artifice to defraud; and three counts of Conspiracy to Commit Fraud in the Sale of a Security. At the time the offenses were allegedly committed, the securities fraud charge was a Class B felony under Alabama law, with possible punishment of from two to 20 years’ imprisonment and a \$30,000 fine per charge, upon conviction. The Conspiracy charges are Class C felonies, carrying a possible punishment of not more than 10 years, or less than one year and one day imprisonment and not more than a \$15,000 fine per charge, upon conviction. The indictment alleges that Toussaint and others fraudulently solicited investor funds to be used in a managed gold “buy-sell” program. ASC records also revealed that Toussaint was not registered with the ASC to legally conduct securities business in Alabama, as required by the Alabama Securities Act.

### **Houston, Texas Man Indicted in Madison County, Alabama for Alleged Securities Act Violations**

(May 15, 2014) Mark E. Rodgers, of Houston, Texas was arrested May 13, 2014 in Madison County, Alabama for alleged multiple violations of the Alabama Securities Act. Rodgers was taken into custody by Madison County, Alabama Sheriff’s deputies after being extradited from Madison County, Mississippi where he had been held under separate federal charges. Rodgers’ arrest stems from an April, 2014 Madison County, Alabama Grand Jury indictment charging him with 18 total counts of violations of the Alabama Securities Act, including one count each of Sale of unregistered Securities, Sale of Securities by an Unregistered Agent and Conspiracy to Commit Securities Fraud. He is also charged with 15 counts of Fraud in Connection with the Sale of Securities, including omissions of material facts in the sale of securities; misrepresentation of material facts in the sale of securities and employing a device, scheme or artifice to defraud. At the time the offenses were allegedly committed, all charges were classified as Class C Felonies under Alabama law, punishable by from one to 10 years’ imprisonment and up to a \$15,000 fine per charge, upon conviction. According to the indictment, Rodgers, acting as an officer for Jackson, Mississippi-based Samarion, Inc., illegally offered and sold shares of the company stock to Alabama investors without being registered with the Alabama Securities Commission to conduct securities business in the state.

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## ENFORCEMENT HEADLINE SUMMARIES (*Continued*)

### **Ridgeland, Mississippi Man Indicted in Madison County, Alabama Charged With Alleged Securities Act Violations**

(May 8, 2014) Samer N'Ser, of Ridgeland, Mississippi, was arrested for alleged multiple violations of the Alabama Securities Act. N'Ser turned himself in to the Madison County, Alabama Sheriff's Department on May 5, 2014, and was subsequently released after posting a \$45,000 bond. N'Ser's arrest stems from an April, 2014 Madison County, Alabama Grand Jury indictment charging him with 18 total counts, including one count each of Sale of Unregistered Securities, Sale of Securities by an Unregistered Agent and Conspiracy to Commit Securities Fraud. N'Ser was also charged with 15 counts of Fraud in Connection with the Sale of Securities, including omissions of material facts in the sale of securities; misrepresentation of material facts in the sale of securities and employing a device, scheme or artifice to defraud. According to the indictment, N'Ser, acting as an officer for Jackson, Mississippi-based Samarion, Inc., illegally offered and sold shares of the company's stock to Alabama investors without being registered with the Alabama Securities Commission to conduct securities business in the state. Co-defendant, Mark E. Rodgers, of Houston, Texas, remains in custody in Jackson, Mississippi under a \$205,000 cash bond, pending extradition to Madison County, Alabama to face similar charges.

### **Montgomery County**

### **Ocean Springs, Mississippi and Pensacola, Florida Men Plead Guilty to Securities Violations in Montgomery County, Alabama**

(April 18, 2014) On April 16, 2014, Martin Franklin Blane of Ocean Springs, Mississippi; and Robert Neil Robinson, of Pensacola, Florida, pled guilty before Montgomery County Circuit Court Judge Eugene Reese to selling unregistered securities. The charges are violations of Section 8-6-4 *Ala. Code* (1975), and are Class C felonies punishable by not more than 10 years, nor less than 1 year and 1 day in prison and not more than a \$15,000 fine per charge, upon conviction. The plea was the result of a November 2013 Grand Jury indictment charging both Defendants with violations of the Alabama Securities Act and their subsequent arrests by the U.S. Marshal's Fugitive Task Forces in Jackson County, Mississippi and Escambia County, Florida. Both Blane and Robinson will be required to pay restitution in the amount of \$81,000 and \$185,520, respectively, to multiple victims in Montgomery County and surrounding areas. ASC's Enforcement Division investigation revealed that both Blane and Robinson sold shares of stock in Eyewonder, Inc., an Atlanta based company, to the victim investors. Ultimately, a third party involved in the sales, failed to transfer the shares to the victims who therefore received nothing in return for their investment. The ASC's investigation revealed that neither Blane nor Robinson were registered with the ASC to legally offer and/or sell securities into, within, or from Alabama, as required by law. In addition to their guilty pleas and restitution, Blane and Robinson have agreed to cooperate in the ongoing investigation.

### **Florida Man Indicted, Arrested for Alleged Alabama Securities Act Violations**

(January 7, 2014) Robert Neil Robinson, formerly of Montgomery, AL, whose last known residence was Pensacola, Florida, was arrested January 2, 2014 for alleged violations of the Alabama Securities Act. Robinson was arrested by the U.S. Marshal's Gulf Coast Regional Fugitive Task Force, in Escambia County, Florida on warrants issued by the Montgomery County Grand Jury. He has waived extradition and is currently being held in Escambia County, Florida awaiting to be transported to Montgomery, AL where he will be held under a \$25,000 bond. Robinson's arrest follows that of co-defendant, Martin Blane, whose last known residence was in Ocean Springs, Mississippi. Blane was arrested December 9, 2013 on similar charges. A November, 2013 Montgomery County Grand Jury indictment alleges that Robinson committed multiple counts of Fraud in Connection With the Sale of Securities, and that he engaged in the Sale of Unregistered Securities and Sale of Securities by an Unregistered Agent. The Grand Jury indictment against Robinson resulted from an ASC Enforcement Division investigation that alleged he sold shares of stock to Alabama investors in Eyewonder, an Atlanta, Georgia-based company. The estimated value of the stock sold to Alabama investors exceeded \$300,000 and according to the indictment Robinson failed to disclose that he did not own and was not entitled to sell shares of stock in EyeWonder, Inc. ASC records indicated that Robinson was not registered with the ASC to legally offer and/or sell securities into, within, or from Alabama.

### **Former Montgomery County Man Indicted for Alleged Securities Violations**

(December 12, 2013) Martin Blane, a former resident of Montgomery, Alabama, whose last known residence was Ocean Springs, Mississippi, was arrested December 9, 2013 for multiple violations of the Alabama Securities Act. Blane was arrested by U.S. Marshals in Jackson County, Mississippi, on warrants issued by Montgomery County, based upon a November, 2013 indictment handed down by the Montgomery County Grand Jury. Blane waived extradition and is scheduled to be transported to Montgomery County within 10 days where his bail will be set at \$25,000. The Grand Jury indictment alleges that Blane committed multiple counts of Fraud in Connection With the Sale of Securities, Sale of Unregistered Securities and Sale of Securities by an Unregistered Agent. The securities fraud charges are Class B felonies under Alabama statutes, punishable by a maximum of 20 years' imprisonment and up to a \$30,000 fine for each count. The securities registration charges are Class C felonies, punishable by a maximum of 10 years' incarceration and up to

*(Continued on next page)*



## ENFORCEMENT HEADLINE SUMMARIES (*Continued*)

\$15,000 fine for each count. The Grand Jury indictment against Blane resulted from an ASC Enforcement Division investigation that alleged he sold shares of stock to Alabama investors in Eyewonder, an Atlanta, Georgia-based company. The estimated value of the stock sold to Alabama investors was \$400,000 and according to the indictment Blane failed to disclose that he did not own and was not entitled to sell shares of stock in EyeWonder, Inc. ASC records indicated that Blane was not registered with the ASC to legally offer and/or sell securities into, within, or from Alabama.

### **Morgan County**

#### **Two Morgan County Men Sentenced for Violations of the Alabama Securities Act**

(Oct. 28, 2013) Larry Arthur Coulter and Eddie DeWayne Raines, both Morgan County residents, were sentenced on January 14, 2014 by Judge Steven Haddock for violations of the Alabama Securities Act. Coulter received a 7 year suspended sentence; he will be on probation for 48 months and then if he fails to meet all conditions of probation including payment of restitution, he will serve 36 months in confinement. He was ordered to pay \$129,775 in restitution to the victims, who were all residents of Morgan County, plus court costs and victim services fees. Raines received a 7 year suspended sentence; he will be on probation for 48 months and then if he fails to meet all conditions of probation including payment of restitution, he will serve 36 months in confinement. He was ordered to pay \$200,000 in restitution to the victims, who were all residents of Morgan County, plus court costs and victim services fees. Coulter and Raines were indicted by the February, 2012 session of the Morgan County Grand Jury and turned themselves in to the Morgan County Sheriff in March 2012. The Grand Jury indictment against Coulter and Raines was the result of an ASC Enforcement Division investigation which disclosed that the men illegally sold DEVTEC stock from their personal portfolios to Alabama investors; Coulter and Raines conspired to prevent the corporate secretary from knowing that the investors had purchased the stock and then used the investors' funds for personal expenses. Additionally, Coulter and Raines sold stocks to Alabama investors that had been previously sold to other stockholders and used that money for personal expenses.

#### **Two Morgan County Men Enter Securities Fraud-Related Pleas**

(January 16, 2014) Larry Arthur Coulter and Eddie DeWayne Raines, both Morgan County residents, pled guilty in Morgan County Circuit Court to one felony count each of Fraud in Connection with the Sale of Securities. More specifically, Coulter pled guilty to one count of Engaging in a Scheme or Artifice to Defraud in connection with the illegal sale of stock shares. Raines pled guilty to one count of Conspiracy to Commit Securities Fraud. ASC Legal Division attorneys have recommended that both men receive seven-year (7) prison sentences and be required, jointly and severally, to pay in excess of \$300,000.00 in restitution. Both men have applied for probation and remain free on bond. Coulter and Raines were indicted by the Feb., 2012 session of the Morgan County Grand Jury and turned themselves in to the Morgan County Sheriff in March 2012, were arrested and subsequently released after posting bail. The Grand Jury indictment against Coulter and Raines was the result of an ASC Enforcement Division investigation which disclosed that the men illegally sold DEVTEC stock from their personal portfolios to Alabama investors; Coulter and Raines conspired to prevent the corporate secretary from knowing that the investors had purchased the stock and then used the investors' funds for personal expenses. Additionally, Coulter and Raines sold stocks to Alabama investors that had been previously sold to other stockholders and used that money for personal expenses.

### **Russell County**

#### **Russell County, Alabama Man Pleads Guilty to Violations of Alabama Securities Act**

(July 2, 2014) on July 2, 2014, Jose Roberto Torres, of Phenix City, Alabama, pled guilty to three felony counts related to violations of the Alabama Securities Act before Russell County District Judge, Michael J. Bellamy. Torres pled guilty to one count of Sale of Unregistered Securities; one count of Fraud in Connection with the Sale of Securities (engaging in any act, practice or course of business which operates or would operate as a fraud or deceit upon any person); and one count of Theft of Property, 1<sup>st</sup> Degree. The Court sentenced Torres to 10 years imprisonment and ordered the defendant to pay \$565,552 restitution. He will be remanded to state custody and processed by the Alabama Department of Corrections. Torres was arrested March 5, 2014 by deputies of the Russell County Sheriff's Department, based on a February, 2014 Russell County Grand Jury indictment. The indictment alleged that, according to an ASC Enforcement Division investigation, Torres offered and sold unregistered investment contracts for ATM/EPS, Inc., to Alabama investors. Torres falsely represented that investors' funds would be placed in automatic teller machine terminals, to be used as vault cash, and that investors would receive monthly returns on their funds placed in the terminals. The investigation also revealed that the investment contract s represented that investor funds were secured through the FDIC. The indictment alleged that investor funds were used by Torres to pay other investors and for unrelated personal expenditures.

*(Continued on next page)*

## ENFORCEMENT HEADLINE SUMMARIES (*Continued*)

### **Russell County Couple Indicted For Alleged Securities Act Violations**

(March 7, 2014) Jose Roberto Torres and Tammy Torres, both residents of Phenix City, Alabama, were arrested March 5, 2014 by deputies with the Russell County Sheriff's Department. The Torres' arrests stemmed from a February, 2014 Russell County Grand Jury indictment, alleging violations of the Alabama Securities Act. Both defendants were transported to The Russell County jail where Jose Torres' bond was set at \$750,000 and Tammy Torres' bond was set at \$50,000. Jose Torres is charged with 19 total counts including: one count of sale of securities by an unregistered agent; five counts of sale of unregistered securities; nine counts of making an untrue statement of material fact or omitting to state a material fact; two counts of employing a scheme or artifice to defraud; one count of engaging in an act, practice or course of business which operates as a fraud or deceit upon any person; and one count of theft of property, 1st degree. Tammy Torres was charged with one count of engaging in an act, practice or course of business which operates as a fraud or deceit upon any person. The indictment alleges that Jose Torres offered and sold unregistered investment contracts for ATM/EPS, Inc., to Alabama investors. Both Mr. and Mrs. Torres allegedly represented that investors' funds would be placed in automatic teller machine terminals, to be used as vault cash, and that investors would receive monthly returns on their funds placed in the ATM terminals. Also, the investment contracts allegedly stated that investor funds were secured through the FDIC. The indictments allege that investor funds were used by the Torres's to pay other investors and for unrelated personal expenses.

### **National**

#### **United States Attorney David B. Barlow District of Utah**

#### **(MAY 22, 2014) TWO INDIVIDUALS PLEAD GUILTY TO SECURITIES FRAUD, MONEY LAUNDERING IN CONNECTION WITH INVESTMENT SCHEME**

SALT LAKE CITY – Martin A. Pool, age 44, of Atlanta, Georgia, and Armand R. Franquelin, age 57, of Liberty, Utah, pleaded guilty to securities fraud and money laundering Wednesday afternoon in U.S. District Court in Salt Lake City. Pool and Franquelin were charged in a three-count felony information filed in April. As a part of a plea agreement reached with federal prosecutors, Pool and Franquelin admitted that from 2006 to 2010, they participated in persuading investors to convert their traditional IRAs to self-directed IRA accounts and invest their funds in a residential real estate project known as Haven Estates in Vernal, Utah. This was accomplished by inducing the investors to direct their funds to their company, The Elva Group, in return for promissory notes from Elva with a promise of monthly interest payments at annual rates between 8 percent and 20 percent. Pool and Franquelin admitted they told investors that their funds would be used to develop Haven Estates and promised to secure their loans with first lien positions in property at Haven Estates. In fact, no investors ever received any collateral or any interest in real property in Haven Estates or anywhere else. Pool and Franquelin admitted that these actions were taken in connection with the investors' purchase of securities, namely the promissory notes and loan agreements. They also admitted that these representations were made for the purpose of defrauding investors. The case was a multi-jurisdictional investigation by special agents of the FBI and IRS-Criminal Investigation; the Utah Department of Commerce, Division of Securities; and the Alabama Securities Commission with assistance from the office of Baldwin County, Alabama, District Attorney Hallie S. Dixon (28<sup>th</sup> Judicial Circuit). Alabama Securities Commission Director Joseph Borg, said, "The Alabama Securities Commission is proud to have joined the collaborative efforts of the federal and state law enforcement agencies and their professional staff members to see that justice is served for the victims in this important case. The outcome resulted from a team approach between the U.S. Attorney's Office in Utah, the Utah Department of Commerce's Division of Securities, the FBI, the IRS, and the ASC Enforcement and Legal Divisions to send a message that this financial crime, and others like it, will not be tolerated and will be prosecuted to the fullest extent of the law."

#### **United States Attorney Joyce White Vance Northern District of Alabama Former Attorney Pleads Guilty to Securities and Bank Fraud**

(February 18, 2014) A former Birmingham attorney pleaded guilty today in federal court to charges connected with a securities fraud scheme involving the fraudulent taking of more than \$2.8 million dollars in investment funds, announced U.S. Attorney Joyce White Vance, FBI Special Agent in Charge Richard D. Schwein Jr. and Alabama Securities Commission Director Joseph Borg. CHRISTOPHER SHAWN LINTON, 34, of Alabaster, entered his plea before U.S. District Judge Virginia Emerson Hopkins to one count each of wire fraud, mail fraud, securities fraud and money laundering as part of the investment fraud scheme. He also pleaded guilty to one count of bank fraud arising out of the submission of a fraudulent commercial loan application to Iberia Bank for a loan of \$908,650. As part of his plea agreement, Linton is required to pay \$2.5 million in restitution to the investors he defrauded, and to pay restitution to Iberia Bank in an amount that will be determined at sentencing.



NEWS RELEASES FROM FY 2014

**Announcements, Commentaries and Investor Alerts.**  
**To read these articles and more go to: [www.asc.alabama.gov](http://www.asc.alabama.gov)**

- 04/29/2014 - The Alabama Securities Commission Cautions Investors to Consider the Risks Associated with Virtual Currencies.
- 04/25/2014 - Investor Advisory on Virtual Currency.
- 04/16/2014 - Alabama Joins in National "Facts on Saving and Investing" Investor Education Initiative. Governor Bentley Signs Proclamation.
- 04/09/2014 - Alabama Statute of Limitations Bill Signed by Governor Bentley. New Law Protects Citizens Against Financial Predators.
- 04/01/2014 - Alabama Legislature Passes Bill to Promote Raising Capital for Small Business.
- 03/12/2014 - Alabama Securities Commission Issues Investor Advisory Concerning BITCOIN and Iraqi Dinar Issues.
- 02/25/2014 - Alabama Securities Commission Issues Investor Advisory on Bitcoin Digital Currency.
- 01/24/2014 - Alabama Senate Unanimously Passed Bill to Promote Raising Capital for Small Business.
- 10/15/2013 - Alabama Securities Commission Expands Annual Top Investor Threats List.

**ASC PERSONNEL IN THE NEWS**

- 07/19/2014 - Alabama Securities Commission Director Joseph Borg, Appointed to FINRA Arbitration Task Force.
- 01/22/2014 - Alabama Senate Confirms Hon. S. Dagnal Rowe as Commissioner.

# EXAMPLES OF ASC NATIONAL NEWS COVERAGE



INDUSTRY - WIREHOUSES

## Will FINRA's New Task Force Improve Arbitration Process?

by: [Kenneth Corbin](#)

Updated Wednesday, July 23, 2014 as of 8:54 PM ET

Among the public members of the task force are Joseph Peiffer, an investor attorney with the firm Peiffer Rosca Abdullah Carr & Kane, who will replace Doss as president of PIABA later this year. Also serving as public members are Barbara Roper, director of investor protection with the Consumer Federation of America, and Joseph Borg, director of the Alabama Securities Commission, who also serves as a member of the North American Securities Administrators Association's board of directors.

## THE WALL STREET JOURNAL

MARKETS

### Loan Scheme Delivers Blow to Small Businesses

By SARAH E. NEEDLEMAN and RUTH SIMON

Updated May 26, 2014 6:07 p.m. ET

Businesses with \$1 million to \$50 million in revenue are the most common targets, according to Alabama Securities Director Joseph Borg, whose office is investigating a half dozen or so advance-fee loan arrangements.



## 2% returns a day? Run away Commentary: If it sounds too good to be true, it's probably a "HYIP"

By [Chuck Jaffe](#), MarketWatch March 29, 2014, 7:05 a.m. EDT

"There are a lot of these programs, and we would go after every single one of them, but we don't hear about them," says Joseph Borg, state securities administrator in Alabama.



## Top Alabama Regulator Says Mt. Gox Was a 'Disaster About to Happen'

Pete Rizzo (@pete\_rizzo\_) | Published on March 1, 2014 at 13:18 GMT | Analysis, Mt. Gox, News, Regulation, US & Canada

That's why when issues at troubled Japan-based bitcoin exchange Mt. Gox began to build, Borg decided to take action to inform the public.



## The real 'Wolf of Wall Street'

By [Susan Harrigan](#), Special to CNN

updated 11:19 PM EDT, Fri October 25, 2013

Joseph Borg, Director of the Alabama Securities Commission, headed a long investigation of Stratton in the 1990s. He told me he hadn't heard it either. He thinks Belfort invented the "Wolf" nickname himself.



## State regulators see uptick in actions against RIAs

Increase considered inevitable as industry shifts but exposes compliance flaws

By [Bruce Kelly](#) | October 18, 2013 - 1:36 pm EST

"State actions against investment advisers are up due to more oversight by state regulators," said Joseph Borg, director of the Alabama Securities Commission.



JOSEPH P. BORG  
Director

EDWIN L. REED  
Deputy Director  
Administration

STEPHEN P. FEAGA  
Deputy Director  
Enforcement

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Certified Public Accountant

LUTHER STRANGE  
Attorney General

JOHN D. HARRISON  
Superintendent of Banks

JIM L. RIDLING  
Commissioner of Insurance

EVERETTE A. PRICE, Jr.  
Attorney at Law

MARLENE M. McCAIN  
Certified Public Accountant

S. DAGNAL ROWE  
Attorney at Law

## ALABAMA SECURITIES COMMISSION MEETING

September 24, 2014

The Alabama Securities Commission held a meeting on September 24, 2014 at 10:00 a.m. in the main conference room of the Alabama Securities Commission offices, 2nd Floor of the Center for Commerce Building, 401 Adams Avenue, Montgomery, Alabama. Notice of the time and place of this meeting was published with the Secretary of State.

### Commission Members Present:

Hon. James Hart, CPA – Chairman  
Hon. Kevin Turner, Chief Deputy Attorney General  
Hon. Jim Ridling (Insurance Commissioner)  
Hon. Marlene M. McCain, CPA  
Ms. Elizabeth Bressler (Representative for Banking Commissioner)

### Commission Members Absent:

Hon. Luther Strange, Attorney General  
Hon. John Harrison (Banking Commissioner)  
Hon. Everette Price, Jr., Attorney at Law  
Hon. Dag Rowe, Attorney at Law

### Staff Members Present:

Hon. Joseph P. Borg, Director  
Hon. Edwin Reed, Deputy Director, Administration  
Hon. Steve Feaga, Deputy Director, Enforcement  
Ms. Christie Rhodes, Executive Assistant  
Sr. Special Agent Ricky Locklar  
Special Agent Mike Wilkerson

### Public Attendees:

No member of the public attended this meeting.



The meeting was called to order at 10:11 a.m. by Commissioner Hart, Chairman and the Chair notes that there is a quorum present. A motion was made by Commissioner Ridling to approve the meeting agenda the minutes of the previous meeting held June 16, 2014 and said motion was seconded by Commissioner McCain. The motion carried unanimously.

At this time, Director Borg informed the Commissioners that the next several meetings will include a brief review of each ASC division given by the head of each division. The Enforcement Division is scheduled for today, along with a brief presentation regarding the Intella system. At this time, Director Borg began discussing the monthly report. Director Borg reported on Commission revenues, expenses and personnel. Director Borg discussed the Accounting Department report, the Registration Division statistics and Enforcement Division cases. There was a brief discussion on an ISD's intent to revamp the computer system and charge all agencies a fee for same. Borg continued the report by updating the Commissioners on the Data Systems Division with an update on the agency's website revamp and the ASC's possible switch and/or upgrade of the cell phone contract. Director Borg concluded the monthly report with a summary of the activities of the Public Affairs Division, which included the "town hall" meetings being held across the state with regard to crowdfunding. A discussion ensued regarding the crowdfunding issue.

After the Monthly Report, Sr. Special Agent Locklar gave an operations update with regard to the Enforcement Division, which included a brief PowerPoint presentation. Director Special Agent Mike Wilkerson then briefed the Commissioners on the Intella software that was recently purchased by the ASC and explained the uses and benefit of same.

Director Borg then advised the Commission that pending litigation and confidential enforcement matters needed to be discussed. Accordingly, Deputy Director Reed (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. Commissioner Ridling moved to go

into Executive Session. Said motion was seconded by Commissioner McCain and the meeting went into Executive Session at 11:33 a.m. after a unanimous vote of all present Commissioners.

At 11:44 a.m., the open meeting was reconvened and the Executive Session ended by motion of Commissioner Ridling and seconded by Commissioner McCain 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 Commissioner Ridlinf and seconded by Chief Deputy Attorney General Turner. The motion carried unanimously. Motion to Adjourn was then made by Chief Deputy Attorney General Turner and seconded by Commissioner McCain and was unanimously carried. The meeting adjourned at 11:45 a.m.

  
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JAMES HART  
CHAIRMAN

  
\_\_\_\_\_  
JOSEPH P. BORG  
DIRECTOR





JOSEPH P. BORG  
Director

EDWIN L. REED  
Deputy Director  
Administration

STEPHEN P. FEAGA  
Deputy Director  
Enforcement

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### COMMISSIONERS

JAMES L. HART  
CHAIRMAN  
Certified Public Accountant

LUTHER STRANGE  
Attorney General

JOHN D. HARRISON  
Superintendent of Banks

JIM L. RIDLING  
Commissioner of Insurance

ANDREW P. CAMPBELL  
Attorney at Law

EVERETTE A. PRICE, Jr.  
Attorney at Law

MARLENE M. McCAIN  
Certified Public Accountant

## ALABAMA SECURITIES COMMISSION MEETING June 16, 2014

The Alabama Securities Commission held a meeting on June 16, 2014 at 10:00 a.m. in the main conference room of the Alabama Securities Commission offices, 2nd Floor of the Center for Commerce Building, 401 Adams Avenue, Montgomery, Alabama. Notice of the time and place of this meeting was published with the Secretary of State.

### Commission Members Present:

Hon. James Hart, CPA – Chairman  
Hon. Luther Strange, Attorney General  
Hon. Jim Ridling (Insurance Commissioner)  
Hon. John Harrison (Banking Commissioner)  
Hon. Everette Price, Jr., Attorney at Law  
Hon. Dag Rowe, Attorney at Law  
Hon. Marlene M. McCain, CPA  
Hon. Kevin Turner, Chief Deputy Attorney General

### Commission Members Absent:

None Absent

### Staff Members Present:

Hon. Joseph P. Borg, Director  
Hon. Edwin Reed, Deputy Director, Administration  
Hon. Steve Feaga, Deputy Director, Enforcement  
Christie Rhodes, Executive Assistant  
Hon. James Eubank, ASC Attorney  
Thatcher Pinkston, ASC Staff

The meeting was called to order at 10:03 a.m. by Commissioner Hart, Chairman and the Chair notes that there is a quorum present. A motion was made by Commissioner Price to approve the meeting agenda the minutes of the previous meeting held March 17, 2014 and said motion was seconded by Commissioner Ridling. The motion carried unanimously.

At this time, Director Borg introduced the Commission to ASC's newly hired attorney, James Eubank and the ASC's summer intern Thatcher Pinkston. Each gave the Commission a brief statement. Director Borg then began discussing the monthly report. Director Borg began by telling the Commission that the ASC is considering submitting a new money transmitter's bill to the legislature next year and discussion ensued. Director Borg reported on Commission revenues, expenses and personnel. Director Borg discussed the Accounting Department report, the Registration Division statistics and Enforcement Division cases. There was a brief discussion on how CRD reports benefit the public who request information. Borg continued the report by updating the Commissioners on the Data Systems Division with an update on the agency's new laptops. Director Borg concluded the monthly report with a summary of the activities of the Public Affairs Division.

After the Monthly Report, Director Borg reported to the Commissioners on FINRA and arbitration and the matter was discussed. Borg also briefed the Commissioners on a work-in-progress proposal regarding financial exploitation that may require a rule or statutory change. Director Borg then advised the Commission of the possibility of the ASC providing the seed money for an independent program to assist the state court system in collecting fines. Director Borg and members of the legislature are considering this in connection with budget transfers to the General Fund from ASC.

Director Borg then advised the Commission that pending litigation and confidential enforcement matters needed to be discussed. Accordingly, Deputy Director Reed (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. Commissioner Price moved to go into Executive Session. Said motion was seconded by Commissioner Strange and the meeting went into Executive Session at 11:16 a.m. after a unanimous vote of all present Commissioners.

At 11:29 a.m., the open meeting was reconvened and the Executive Session ended by motion of Commissioner Price and seconded by Commissioner McCain 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 Commissioner Hart and seconded by Commissioner Strange. The motion carried unanimously. Motion to Adjourn was then made by Commissioner Price and seconded by Commissioner McCain and was unanimously carried. The meeting adjourned at 11:30 a.m.

  
\_\_\_\_\_  
JAMES HART  
CHAIRMAN  
\_\_\_\_\_  
JOSEPH P. BORG  
DIRECTOR



JOSEPH P. BORG  
Director

EDWIN L. REED  
Deputy Director  
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STEPHEN P. FEAGA  
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Commissioner of Insurance

ANDREW P. CAMPBELL  
Attorney at Law

EVERETTE A. PRICE, Jr.  
Attorney at Law

MARLENE M. McCAIN  
Certified Public Accountant

## ALABAMA SECURITIES COMMISSION MEETING March 17, 2014

The Alabama Securities Commission held a meeting on March 17, 2014 at 10:00 a.m. in the main conference room of the Alabama Securities Commission offices, 2nd Floor of the Center for Commerce Building, 401 Adams Avenue, Montgomery, Alabama. Notice of the time and place of this meeting was published with the Secretary of State.

### Commission Members Present:

Hon. James Hart, CPA – Chairman  
Hon. Luther Strange, Attorney General  
Jim Ridling (Insurance Commissioner)  
Hon. Marlene M Hon. McCain, CPA  
Hon. Dag Rowe, Attorney at Law

### Commission Members Absent:

Hon. John Harrison (Banking Commissioner)  
Hon. Everette Price, Jr., Attorney at Law

### Staff Members Present:

Joseph P. Borg, Director  
Edwin Reed, Deputy Director, Administration  
Christie Rhodes, Executive Assistant

The meeting was called to order at 10:11 a.m. by Commissioner Hart, Chairman and the Chair notes that there is a quorum present. A motion was made by Commissioner Rowe to approve the meeting agenda and seconded by Commissioner McCain. The motion carried unanimously. Commissioner Hart then asked for a motion to approve the minutes of the previous meeting held on December 5, 2013. The motion was made by Commissioner Rowe and seconded by Commissioner McCain. The motion carried unanimously.

At this time, the monthly report was discussed by Director Borg. Director Borg reported on Commission revenues, expenses and personnel. Director Borg discussed the Accounting Department report, the Registration Division statistics and Enforcement Division cases. Borg continued the report by updating the Commissioners on the Data Systems Division with a brief PowerPoint presentation showcasing the ASC's new website. After the conclusion of the website demonstration, Director Borg concluded the monthly report with a summary of the activities of the Public Affairs division.

After the Monthly Report, Director Borg gave a brief history to the Commissioners on the "crowdfunding" issue and discussion ensued. Borg also briefed the Commissioners on the the Statute of Limitations bill that is before the Legislature and how the passing of the new bill will benefit the ASC and thereby investors.

Director Borg then advised the Commission that pending litigation and confidential enforcement matters needed to be discussed. Accordingly, Deputy Director Reed (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. Commissioner Strange moved to go into Executive Session. Said motion was seconded by Commissioner Ridling and the meeting went into Executive Session at 11:15 a.m. after a unanimous vote of all present Commissioners.

At 11:31 a.m., the open meeting was reconvened and the Executive Session ended by motion of Commissioner Strange and seconded by Commissioner McCain 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 at 11:31 a.m.

The final meeting item was a motion to pay expenses for the Commissioners. Motion was made by Commissioner Ridling and seconded by Commissioner Strange. The motion carried unanimously. Motion to Adjourn was then made by Commissioner McCain and seconded by Commissioner Rowe and was unanimously carried. The meeting adjourned at 11:34 a.m.



JAMES HART  
CHAIRMAN



JOSEPH P. BORG  
DIRECTOR





JOSEPH P. BORG  
Director

EDWIN L. REED  
Deputy Director  
Administration

STEPHEN P. FEAGA  
Deputy Director  
Enforcement

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Attorney General

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JIM L. RIDLING  
Commissioner of Insurance

ANDREW P. CAMPBELL  
Attorney at Law

EVERETTE A. PRICE, Jr.  
Attorney at Law

MARLENE M. McCAIN  
Certified Public Accountant

## ALABAMA SECURITIES COMMISSION MEETING

December 5, 2013

The Alabama Securities Commission held a meeting on December 5, 2013 at 10:00 a.m. in the main conference room of the Alabama Securities Commission offices, 2nd Floor of the Center for Commerce Building, 401 Adams Avenue, Montgomery, Alabama. Notice of the time and place of this meeting was published with the Secretary of State.

### Commission Members Present:

Hon. James Hart, CPA - Chairman  
Hon. Marlene McCain, CPA  
Hon. Everette Price, Jr., Attorney at Law  
Hon. Dag Rowe, Attorney at Law

### Commission Members Absent:

Hon. Kevin Turner (Representing the Attorney General)  
Hon. Jim Ridling (Insurance Commissioner)  
Hon. John Harrison (Banking Commissioner)

### Staff Members Present:

Joseph P. Borg, Director  
Edwin Reed, Deputy Director, Administration  
Christie Rhodes, Executive Assistant

The meeting was called to order at 10:18 a.m. by Commissioner Hart, Chairman and the Chair notes that there is a quorum present. A motion was made by Commissioner Price to approve the meeting agenda and seconded by Commissioner McCain. The motion carried unanimously. Commissioner Hart then asked for a motion to approve the minutes of the previous meeting held on December 5, 2013. The motion was made by Commissioner McCain and seconded by Commissioner Price. The motion carried unanimously.

At this time, the monthly report was discussed by Director Borg. Director Borg reported on Commission revenues, expenses and personnel. Director Borg discussed the Accounting Department report, the Registration Division statistics and Enforcement Division cases. Borg continued the report by updating the Commissioners on the Data Systems Division and Public Affairs.

After the Monthly Report, Director Borg informed the Commissioners on the "crowdfunding" issue and discussion ensued. Borg also briefed the Commissioners on the "bitcoin" operations that may become an issue in the state.

Director Borg then advised the Commission that pending litigation and confidential enforcement matters needed to be discussed. Accordingly, Deputy Director Reed (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. Commissioner Price moved to go into Executive Session. Said motion was seconded by Commissioner McCain and the meeting went into Executive Session at 10:50 a.m. after a unanimous vote of all present Commissioners.

At 11:35 a.m., the open meeting was reconvened and the Executive Session ended by motion of Commissioner Price and seconded by Commissioner McCain 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 at 11:51 a.m.

The final meeting item was a motion to pay expenses for the Commissioners. Motion was made by Commissioner Price and seconded by Commissioner McCain. The motion carried unanimously. Motion to Adjourn was then made by Commissioner Price and seconded by Commissioner McCain and was unanimously carried. The meeting adjourned at 11:36 a.m.



JAMES HART  
CHAIRMAN



JOSEPH P. BORG  
DIRECTOR





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Director

EDWIN L. REED  
Deputy Director Administration

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### COMMISSIONERS

JAMES L. HART  
CHAIRMAN  
Certified Public Accountant

LUTHER STRANGE  
Attorney General

JOHN D. HARRISON  
Superintendent of Banks

JIM L. RIDLING  
Commissioner of Insurance

EVERETTE A. PRICE, Jr.  
Attorney at Law

MARLENE M. MCCAIN  
Certified Public Accountant

S. DAGNAL ROWE  
Attorney at Law

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