



# ALABAMA SECURITIES COMMISSION

## Annual Report

**Fiscal Year Ending  
September 30, 2015**

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 2015**  
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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 four important functions: registration, auditing, 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 auditing and examinations of registrants;
- 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 ex-

# 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 lit-

# 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 2015 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 2015)

<p><b>Directorate</b> Joseph P. Borg, Director Edwin L. Reed, Deputy Director, Administration Stephen P. Feaga, Deputy Director, Enforcement Christie A. Rhodes, Executive Assistant II Martha J. Thomas, Admin. Support Asst. II</p> <p><b>Legal Division</b> Gregory M. Biggs, Attorney IV Amanda L. Senn, Deputy Attorney General &amp; General Counsel Leslie D. Worrell, Attorney III James B. Eubank, Attorney I/II Kimathy J. Booher, Legal Research Assistant Shana T. Proctor, Legal Research Assistant Lisa M. Ray, Student Aide Robert B. Thomas III, Student Aide</p> <p><b>Accounting/Personnel Division</b> Renee S. Sanders, Accounting Manager Gwendolyn Lover, Account Clerk</p> <p><b>Data Systems Division</b> David E. Gilmore, IT Systems Specialist Stephen E. Brantley, Jr., IT Operations Tech.</p> <p><b>Education and Public Affairs Division</b> Daniel G. Lord, Training Specialist II Clint L. Niemeyer, Public Information Specialist</p>	<p><b>Enforcement Division</b> Ricky G. Locklar, Sr. Special Agent Manager/Enforcement</p> <p>Michael L. Gantt, Sr. Special Agent Manager/Administrative</p> <p>Charles A. Traywick, Special Agent Kimberly S. Lewis, Special Agent Mark L. Mitchell, 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 Kimberly A. Martel, ASA II</p>
<p><b>Registration Division</b></p> <p>Lisa M. Tolar, Manager Department of Licensing and Registration</p> <p>Rena H. Davis, Manager Department of Auditing and Examinations</p>	
<p>Marvernitha B. Kyles, Securities Analyst Supervisor LaShonda D. Moultrie, Securities Analyst, Senior Sandra D. Smith, Securities Analyst, Senior Tina M. Tell, Securities Analyst, Senior Ashlee B. Gould, Securities Analyst, Senior Timothy W. Adams, Securities Analyst, Senior Sonya C. Daniels, ASA II Mary G. Rollan, ASA III Patricia J. Wilson, ASA III</p>	<p>Spencer D. Lee, Securities Analyst Supervisor Marilyn D. Bullard, Securities Analyst, Senior Lauren W. Hitt, Securities Analyst, Senior Joshua M. Lacy, Securities Analyst, Senior Sarah J. Pike, ASA II</p>

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# ALABAMA SECURITIES COMMISSION REGULATORY SERVICES PROGRAM

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## 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)(a)(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)(a)(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

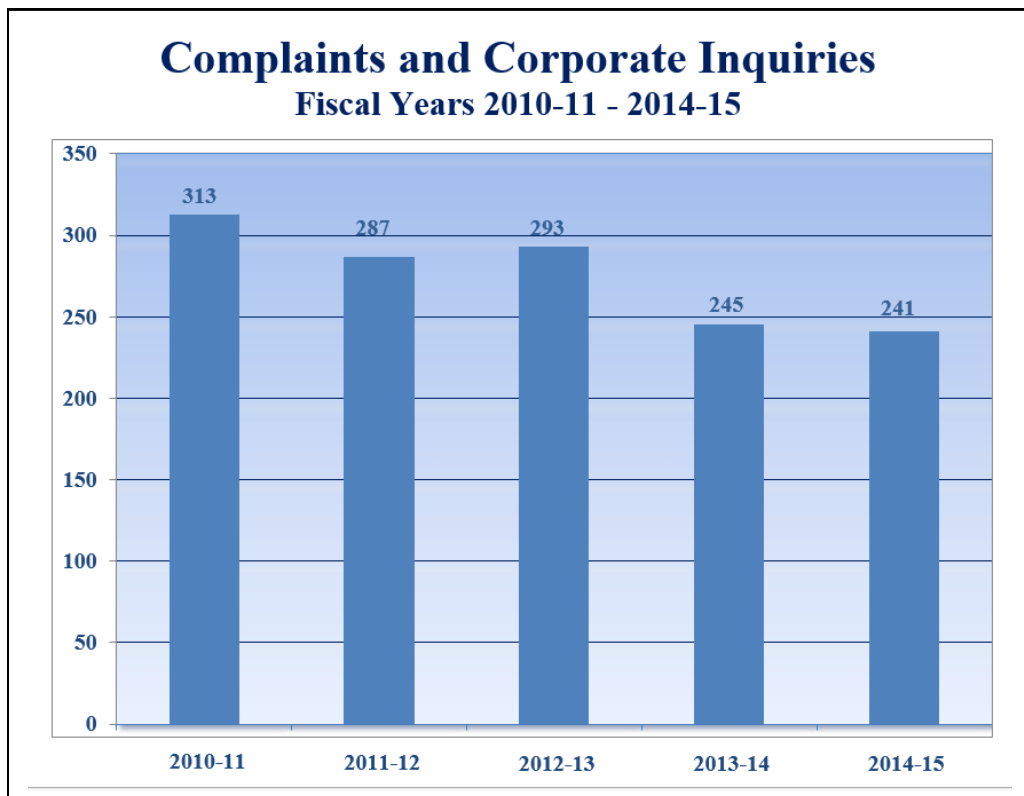
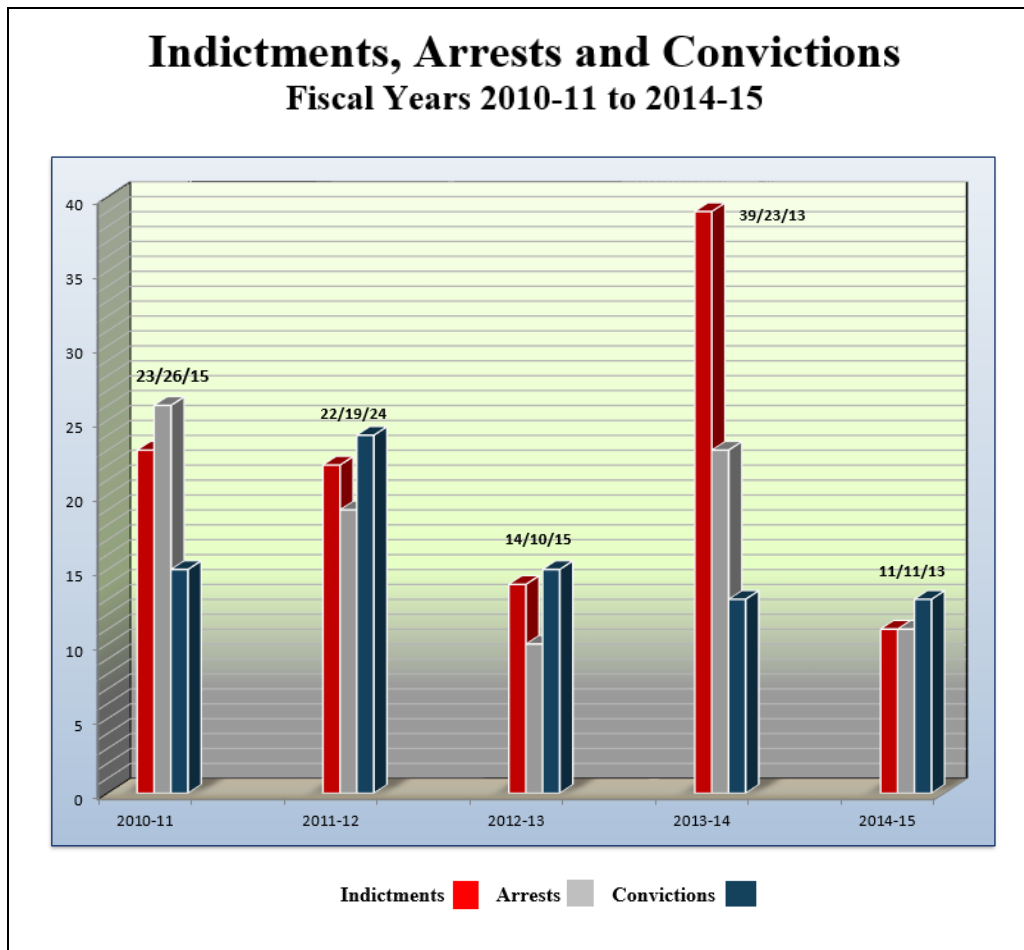
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## ASC Statistical Summary from FY 2015

- ▶ ASC total staff – 51 (includes 7 attorneys, 12 special agents, and 12 securities analysts)
- ▶ Registrations and exemptions issued - 160,109
- ▶ Onsite examinations/audits - 55
- ▶ Complaints and corporate inquiries received - 241
- ▶ Industrial Revenue Bonds reviewed - \$353,582,059
- ▶ Administrative Orders issued - 21
- ▶ Administrative Order respondents - 52
- ▶ Rescissions ordered - \$ 2,853,924
- ▶ Restitution ordered to victims - \$ 19,934,494
- ▶ Public warnings issued - 13
- ▶ Indictments (11) and arrest warrants (0) obtained - 11
- ▶ Convictions - 13
- ▶ Arrests made - 11
- ▶ Years incarceration ordered - 95.5
- ▶ Individuals awaiting grand jury action, arrest or trial - 36
- ▶ Contributed to State General Fund - \$ 10,591,225

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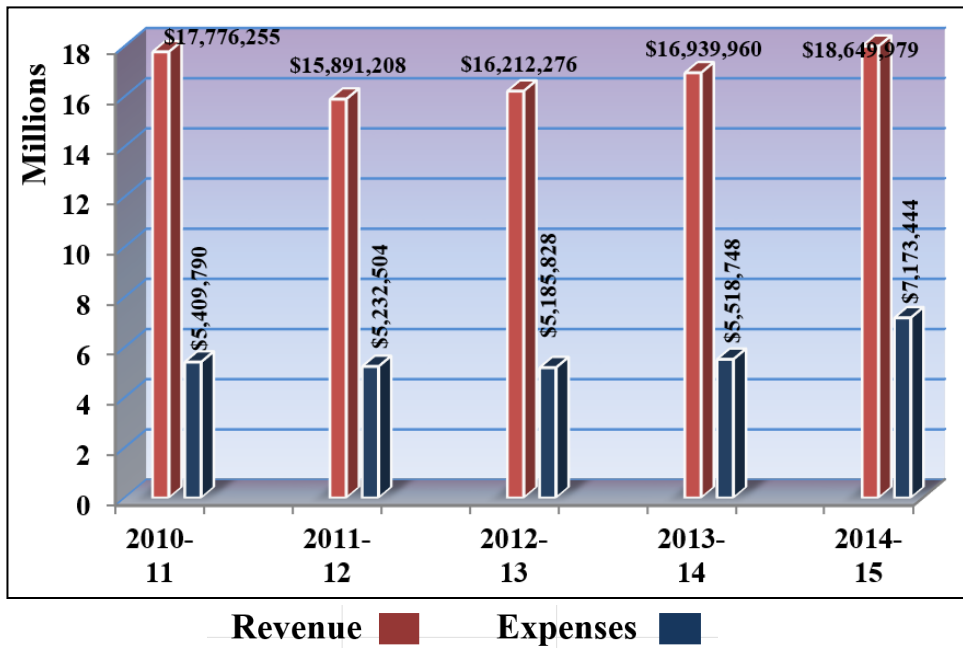


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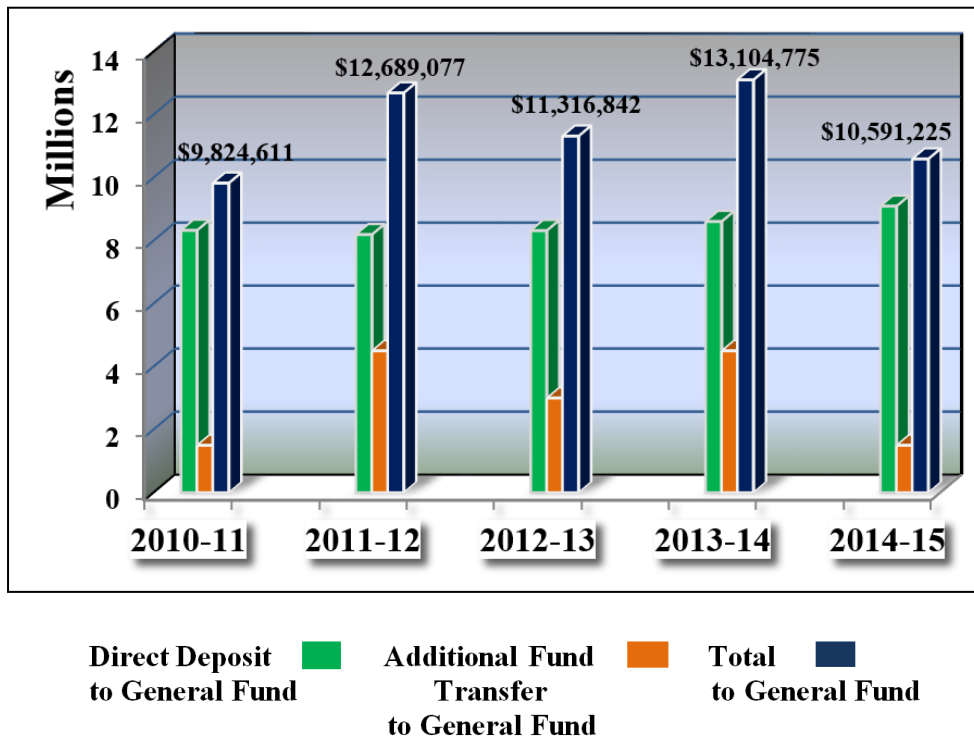
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### Combined Revenue and Expenses Fiscal Years 2010-11 to 2014-15

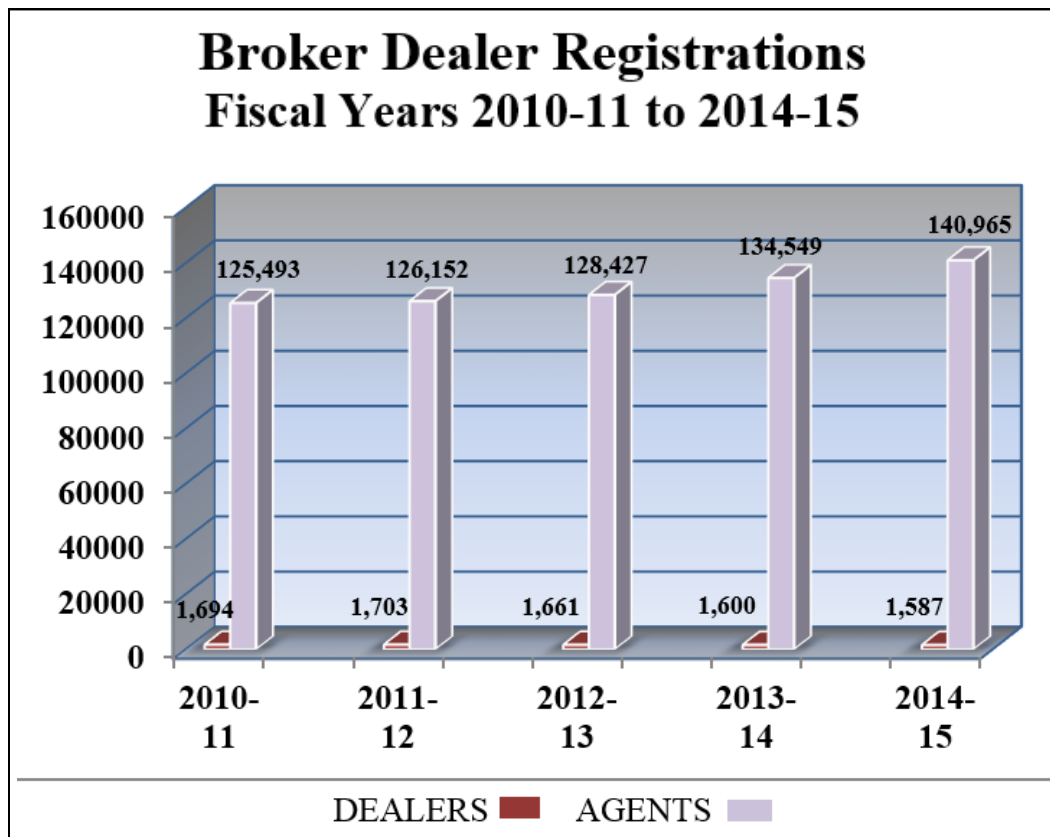
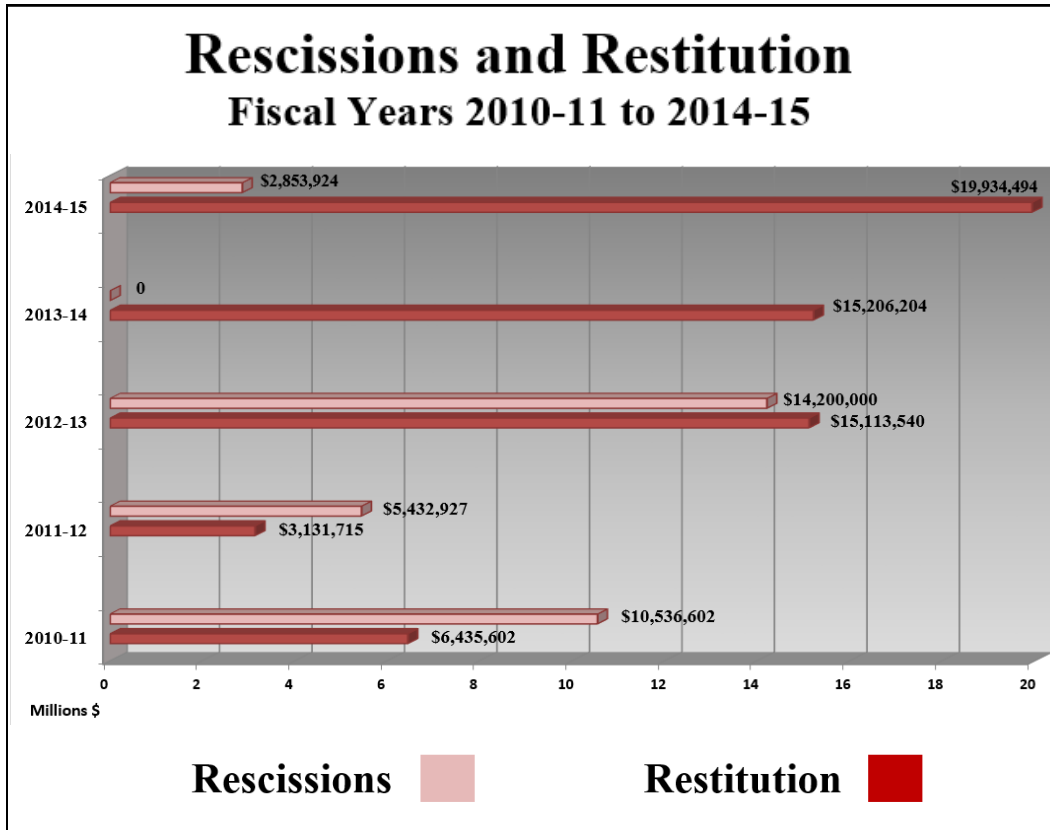


### Total Revenue to General Fund Fiscal Years 2010-11 to 2014-15



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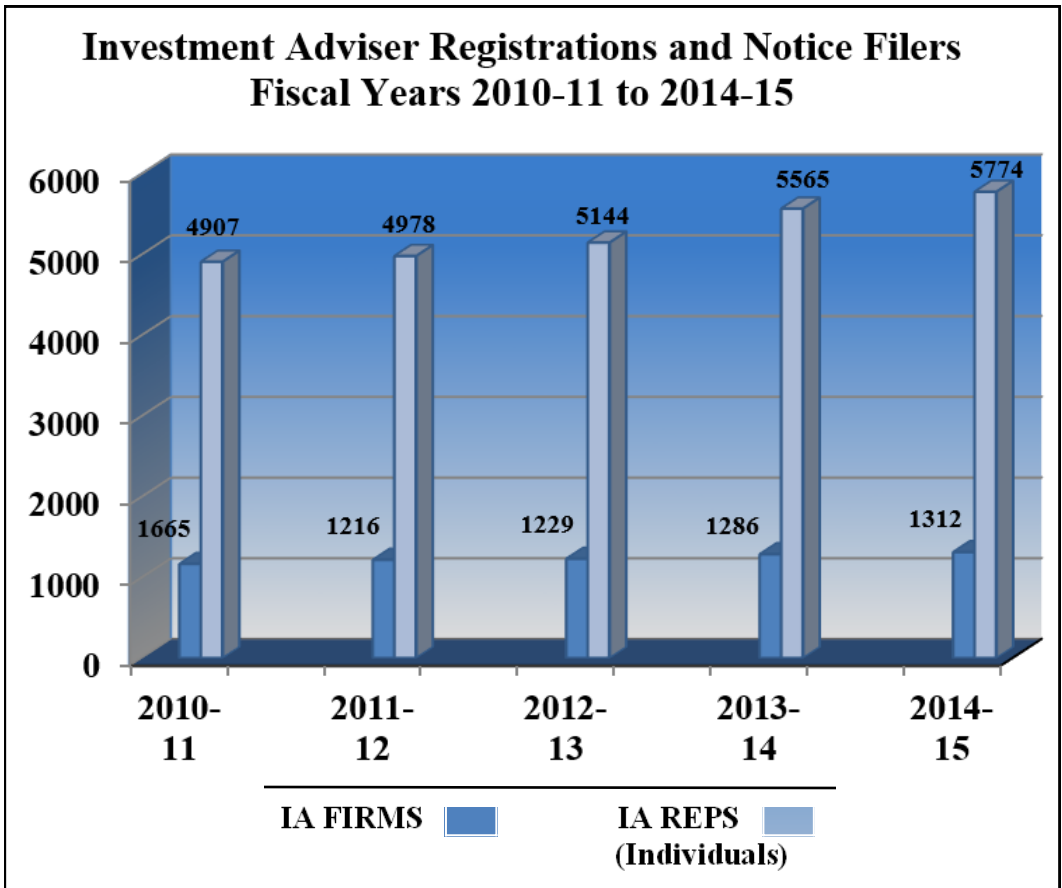
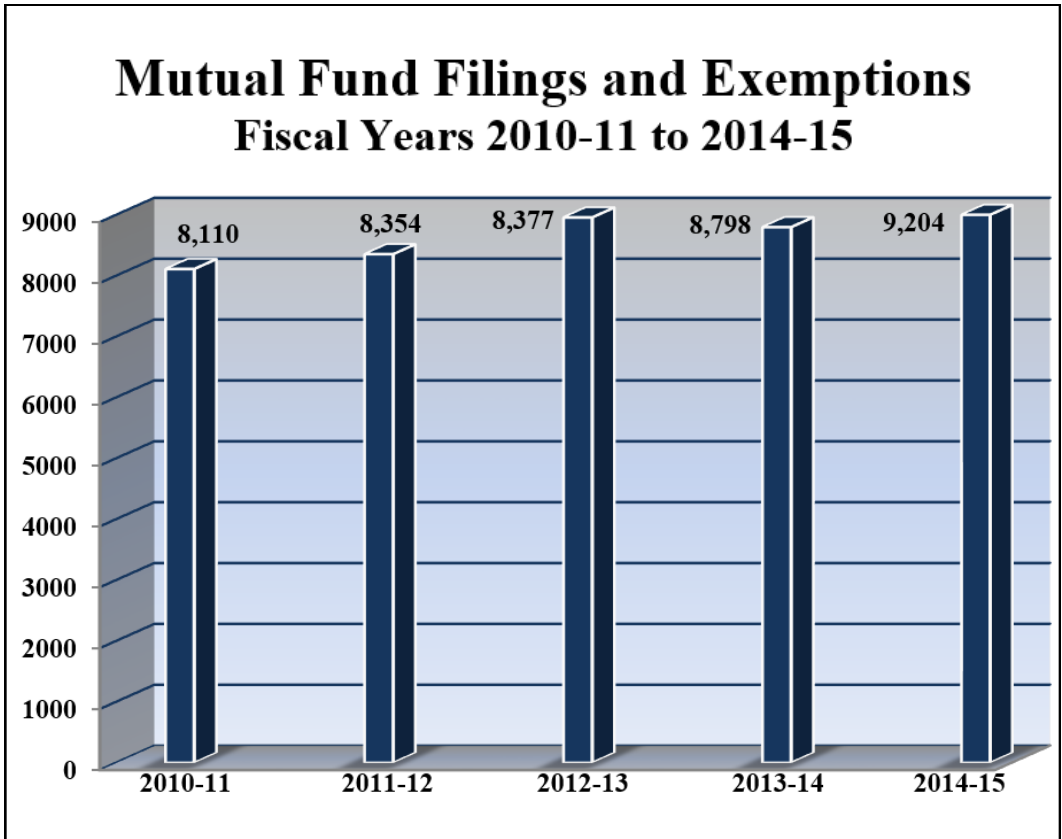


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# FINANCIAL STATEMENT

## FISCAL YEAR 2015

### Agency Revenues

Authority

§ 8-6-3(h)	Investment Advisers & Representatives .....	\$ 9,624,690
	Broker-Dealers & Representatives .....	
§ 8-6-8	Securities Registration.....	77,380
§ 8-6-11	Exemptions.....	215,700
§ 8-6-19	Administrative Assessments/Investigative Executions.....	970,413
§ 8-6-10(11)(b)(2)	Mutual Fund Exemptions.....	7,660,120
§ 8-6-29	Opinions.....	900
§ 8-6-115	Industrial Revenue Bonds.....	11,566
§§ 8-7-6; 8-7-9	Sale of Checks .....	48,390
	Miscellaneous Revenues .....	40,820
	<b>TOTAL REVENUES .....</b>	<b>\$ 18,649,979</b>
	To General Fund .....	\$9,091,225
	To Sale of Checks Fund .....	48,390
	To Securities Commission Fund .....	9,498,798
	To Industrial Revenue Fund .....	11,566
	<b>TOTAL .....</b>	<b>\$ 18,649,979</b>

### Expenditures

Personnel Costs .....	\$ 3,035,608
Employee Benefits .....	1,112,486
Travel (In-State).....	37,704
Travel (Out of State).....	51,640
Repairs & Maintenance .....	3,298
Rentals & Leases .....	711,451
Utilities & Communications .....	38,706
Professional Services .....	234,492
Supplies, Materials & Operating Expenses.....	226,467
Transportation Equipment Operations .....	43,040
Grants and Benefits.....	0
Transportation Equipment Purchases.....	119,769
Other Equipment Purchases .....	58,783
<b>TOTAL .....</b>	<b>\$ 5,673,444</b>
Additional Transfer to State General Fund .....	\$ 1,500,000
<b>TOTAL EXPENDITURES .....</b>	<b>\$ 7,173,444</b>
<b>TOTAL TO GENERAL FUND FOR FISCAL YEAR 2015 .....</b>	<b>\$10,591,225</b>

# Alabama Securities Commission Enforcement Division

## Enforcement Activity

Corporate Inquiries Opened.....	139
Corporate Inquiries Closed.....	135
Investigations Opened - "I".....	25
Investigations Closed - "I".....	29
Investigations Opened - "S".....	47
Investigations Closed - "S".....	51
Administrative Action.....	21
Administrative Action Respondents.....	52
Indictments/Warrants Obtained.....	11
Arrests Made.....	11
Convictions Obtained.....	13
Public Warnings Issued.....	14
Referrals to Other Agencies.....	15

### Administrative Orders Issued

A comparative summary of the Enforcement Division's  
Fiscal Year 2015 activities are shown on the following chart:

TYPE OF ORDER ISSUED	RESPONDENTS	ORDERS
Cease and Desist	29	9
Consent	13	6
Show Cause	2	1
Vacate	3	1
Permanent Bar	5	4
<b>TOTALS:</b>	<b>52</b>	<b>21</b>

# REGISTRATIONS & EXEMPTIONS

## STATISTICAL SUMMARY

10/01/2014 - 09/30/2015

	Application Filed	Application Approved	Renewal Processed	Application Withdrawn	Application Terminated
Broker/Dealer	96	94	1493	11	94
Broker/Dealer Agent	n/a	28669	112296	372	23180
Eleemosynary Financing Exemption	28	27	0	5	1
Exempt Consent	2	2	0	0	0
Expansion Order	0	3	0	0	0
Industrial Revenue Bond	13	13	0	0	0
Investment Adviser - Federal	97	93	1067	0	75
Investment Adviser-State Registered	27	17	135	10	10
Investment Adviser Representative	n/a	965	4809	37	900
Limited Offering	722	702	0	4	144
Mutual Fund Exemptions	2116	2116	7088	0	136
Registration by Coordination	52	31	0	7	12
Registration by Qualification (Reg A)	2	1	0	0	0
Registration by Notification	0	0	0	0	0
Restricted Agent	64	67	279	0	51
Sale of Checks Vendor	19	19	123	0	4

NOTE: The total number of registrations and exemptions issued in Fiscal Year 2015 was 160,109.

## INDUSTRIAL REVENUE BONDS FILED IN FY2015

File #	Fees	Name of Filing	Date Filed	Total Amount of Offering
39189	\$1,000.00	C&E Project, Series 2014 (The Development Board of the City of Albertville, AL) Taxable Industrial Development Revenue Bond	10/23/2014	\$2,500,000.00
39250	\$1,000.00	Alabama Power Company (The Industrial Development Board of the Town of Columbia, AL)	11/19/2014	\$254,000,000.00
39419	\$1,000.00	Zilka Biomass Selma LLC Project, Series 2015, (The Development Board of the City of Selma, AL) Environmental Improvement Revenue Bonds	2/12/2015	\$40,000,000.00
39433	\$1,000.00	Jackson Hospital Equipment Project (The Medical Clinic Board of the City of Montgomery, AL) Medical Facilities Revenue Bond	2/23/2015	\$4,000,000.00
39434	\$566.30	Jackson Hospital Equipment Project (The Medical Clinic Board of the City of Montgomery, AL) Medical Facilities Revenue Bond	2/23/2015	\$1,132,059.00
39583	Fee Waived	Whatley Health Services, Inc. (The Heritage Medical Clinic Board)	4/28/2015	\$1,700,000.00
39584	\$1,000.00	Waterford Place, ALF, LLC (The Medical Clinic Board of the City of Montgomery, AL - 1976 East) Series 2015A and Taxable Series 2015B	4/28/2015	\$975,000.00
39609	\$1,000.00	International Paper (The Industrial Development Board of the City of Selma)	5/08/2015	\$7,900,000.00
39646	\$1,000.00	Montgomery ALF, LLC Project (The Medical Clinic Board of the City of Montgomery, AL-1976 East First Mortgage Revenue Bonds) \$5,750,000.00 Series 2015A and \$455,000.00 Taxable Series 2015B	5/27/2015	\$6,205,000.00
39651	\$1,000.00	International Paper Company (The Industrial Development Board of the City of Prattville, AL) Offering	5/28/2015	\$10,000,000.00
39867	\$1,000.00	River Highlands Senior Project, Series 2015A (The Medical Clinic Board of the City of Hoover, AL) Multi-Family Revenue Bonds	9/14/2015	\$14,000,000.00
39877	\$1,000.00	Springhill Medical Complex, LLC, Taxable Revenue Bond, Series 2015A (The Medical Clinic Board of the City of Mobile, AL) Springhill Offering	9/16/2015	\$3,000,000.00
39888	\$1,000.00	First Mortgage Healthcare Facility Revenue Bonds (Opelika ALF, LLC Project) Series 2015A (\$7,525,000.00) and First Mortgage Healthcare Facility Revenue Bonds (Opelika ALF, LLC Project), Taxable Series 2015B, (The Medical Clinic Board of the City of Opelika, AL Offering)	9/18/2015	\$8,170,000.00
<b>TOTAL</b>	<b>\$11,566.30</b>			<b>\$353,582,059.00</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 four critical functions: registration, auditing and examinations, 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 2015 ASC returned **\$10,591,225** 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 **22** criminal indictments each FY for the violation of laws regulating the securities industry. In FY 2015 the Division's hard work resulted in **\$2,853,924** in rescissions from the execution of consent orders; more than **\$19,934,494** in victim restitution from prosecuted cases; **11** arrests; **13** convictions; and helped secure **95** 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

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agents, 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 2015, **160,109** 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 Examinations 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 2015, the Auditing and Examinations Division conducted **55** audits, with **18** 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 2015, the Division conducted **87** events that provided direct outreach and instruction to **4,929** citizens, ranging in age from high schools students to senior retirees. During FY 2015, 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 21-29.

The **Legal Division** is comprised of five 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.

## *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 saving, proper use of credit, understanding financial products, investing and finan-



*Clint Niemeyer, Public  
Affairs Specialist*

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

One of ASC's most significant actions provides Alabama citizens with timely and valuable knowledge with which to make informed financial and investment decisions. ASC provides financial education to Alabama students in grades K-12, to college students, to working adults and to those who are nearing or have reached retirement. By promoting sound investing and saving techniques, ASC is able to help all Alabamians steer a pathway to financial success. ASC personnel help encourage Alabama investors to foster and sustain positive financial traits such as shopping and spending wisely; maintaining control and proper use of credit; saving for a "rainy day;" investing in a systematic manner; and protecting oneself from financial fraud and victimization. During FY 2015, ASC's Education and Public Affairs Division continued to build upon its successful financial education and fraud prevention outreach program in order to cultivate and advance fraud prevention awareness among our state's senior population. Seniors are particularly vulnerable to, and are targets for, financial victimization because they represent an estimated retirement net value of \$15-20 trillion. ASC collaborates with other state and national organizations to explore and implement methods to better protect senior citizens, especially those who may suffer from diminished capacity and who could be at greatest peril for victimization. ASC also works closely with the Alabama Attorney General's Office, the Alabama Department of Senior Services, the Alabama Department of Human Resources, the Alabama Cooperative Extension System, the Alabama Education Retirees Association and numerous other stakeholder organizations to help sponsor and conduct outreach events throughout the state. ASC's Education and Public Affairs Division develops and disseminates practical, insightful fraud prevention education information for seniors that helps serve as a first line of defense against financial crimes that could destroy their long-term financial independence.

### **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 helped ADSS and other agencies promote the 8th Annual World Elder Abuse Awareness Day

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# Investor Education and Fraud Prevention Outreach Program

(Continued)



**Director Borg addresses audience for the kick-off event at the RSA Activities Center**

grant to co-sponsor the event with Alabama State University and the Alabama Department of Senior Services. Speakers and honored guests included Gwendolyn B. Boyd, Alabama State University President; ADSS Commissioner, Neal Morrison; DHR Commissioner Nancy Buckner; Faulkner University instructor and attorney, John Craft; Assistant Alabama Attorney General, Monica Sheeler; and ASC Director, Joseph Borg, as keynote speaker. Director Borg spoke about the ASC's mission, its advocacy on behalf of Alabama citizens, especially those seniors whose financial well-being might be negatively influenced by circumstances associated with diminished capacity, and the role of financial institutions in the reporting and prevention of suspected financial exploitation of elderly clients while maintaining client privacy and fiduciary requirements.

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

During FY2015, the Alabama Securities Commission continued its 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.

ASC's Education and Public Affairs Division personnel visited 26 AERA chapters during FY2015, presenting educational programs to approximately 850 retired state educators about ASC's mission, and offering well-received information about recognizing and preventing senior financial fraud and victimization.

AERA members are diverse, well-educated and dedicated former educators with many years of individual service to the students and school systems throughout Alabama. 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 could be targeted for financial fraud and resulting



## Investor Education and Fraud Prevention Outreach Program

(Continued)

### Alabama Cooperative Extension System (ACES)

For the past eight years, ASC has enjoyed a successful and accomplished partnership with ACES, to provide Estate Planning Seminars for retired Alabama citizens or for those who are nearing retirement. The ASC helped ACES acquire an Investor Protection Trust grant to help sponsor seminars in eight Alabama counties (Mobile, Etowah, Madison, Geneva, Pickens, Choctaw, DeKalb and Marshall). 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. Many retired seniors, and those nearing retirement, may not have had an opportunity to gather the critical knowledge necessary to protect their estates as they grow older, leaving possible gaps in their long-term plans for protecting their assets and belongings. Together with the various county ACES offices, ASC’s Education and Public Affairs Division personnel spoke to seniors at length about safeguarding their personal financial assets—perhaps the single largest and most integral component of their estates—from financial fraud. ASC speakers shared valuable information about how financial criminals promote investment fraud, how con artists influence their victims, prudent tips for avoiding victimization, red flags of an investment scam and avoiding unsuitable investment “opportunities,” among other topics. After the ASC presentation an expert estate planning attorney representing ACES provided two hours of training and discussion about legal issues and important aspects of estate planning. Topics included information about wills, trusts, medical directives, power of attorney, and more. The attorney also gave examples of actual case stories where people had not made proper arrangements showing the negative impact on the families of the deceased.

### Better Business Bureau of North Alabama

For the past 12 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.

#### Fraud Summit in Decatur, AL on May 9, 2015 at the Central United Methodist Church



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 2015 more than 400 citizens attended fraud prevention events held in Huntsville, Decatur, Florence, Dutton and Cullman.

Fraud prevention events were organized around expert panels, many con-

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## *Investor Education and Fraud Prevention Outreach Program*

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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.

### **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 total of over 170 years (combined) of honorable service in the United States military to protect the freedom of the United States; some supported or deployed during recent U.S. defense initiatives. 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. Others have varied experience in a variety of military fields of expertise.



908th Airlift Wing at Maxwell AFB, AL



UH 60 Black Hawk

Care of simulated patient during training

Rocket Test Center at Redstone Arsenal



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

#### **ASC provides investor education seminars and free information:**

Upon request, the ASC will provide free fi-

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## *Investor Education and Fraud Prevention Outreach Program*

(Continued)

**Military personnel and their dependents are invited 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.

### **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, the Alabama Council on Economic Education, 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 two professionally developed financial literacy publications to state educators for classroom use. "Basics of Savings and Investing," is a teaching guide used in various business, math and social studies classes in grades 7-12. Additionally, high school economics teachers can obtain "Personal Finance in the Economics Classroom" to augment financial literacy instruction.

**ASC Field Trips:** High School students and teachers from all over Alabama are welcome to visit the Commission at no cost other than to provide their own transportation and lunch. Typical field trips last about four hours and include 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



Autauga County High School Career/Technical



Northridge High School "Career Preparedness"

teachers may call 1-800-222-1253 and ask for the Education and Public Affairs Division to schedule a tailor-

**Alabama Jump\$tart Coalition:** The "Day of Financial Literacy" luncheon (see picture on next page) was hosted by the Alabama Jump\$tart Coalition (AJC) at the BJCC in Birmingham, July 29, 2015, during the Alabama Association of Career and Technical Education (AACTE) Professional Development Conference. The guest speakers at the luncheon were: Glenda Allred, Alabama Deputy Treasurer and Thomas Stokes, FDIC Regional Manager, Atlanta Community Affairs. 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; also, Alabama businesses provided generous financial contributions.

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## *Investor Education and Fraud Prevention Outreach Program*

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### **ASC Partners with Operation HOPE**

Operation HOPE, in Birmingham, AL, opened in 2014 and provides complimentary financial education, empowerment programs and services that are designed to improve the economic quality of life of individuals, families and businesses.

The mission of Operation HOPE, Inc. (HOPE) is “silver rights” empowerment, making free enterprise work for everyone. The Silver Rights Movement is rightly focused on an inclusive policy, aimed at empowering the wealthless of America, wherever they are; be they black, white, brown or yellow. This is accomplished through their work on the ground as the nonprofit private banker for the working poor, the underserved and struggling middle class. They achieve their mission by being the best-in-class provider of financial literacy empowerment for youth, financial capability for communities, and ultimately, financial dignity for all.

ASC assisted HOPE to receive an Investor Protection Trust grant to partially fund partnered investor education initiatives in the Birmingham, AL area.

### **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)**

As the use of information technology expands, regulators and law enforcement personnel face unique challenges in uncovering, tracking and successfully prosecuting the deceptive, unsuitable and illegal actions of financial criminals who use the internet, social media and other platforms to deceive and steal investors’ money. To remain on the cutting edge in the battle to curtail cyber criminals, the Alabama Securities Commission has culti-

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## *Investor Education and Fraud Prevention Outreach Program*

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investigations, financial crime investigations and intelligence analysis to law enforcement agencies around the country. NW3C's training assists law enforcement by providing the skills and knowledge needed to prepare them to address the crimes of the 21<sup>st</sup> century.

NW3C membership is divided into eight geographical regions: Great Lakes, Mid-Atlantic, Midwest, Mountain, Northeast, South Central, Southeast and West. The ASC continues active participation and has a positive influence on NW3C activities.

In September, 2013, the ASC hosted a multi-faceted training program with NW3C at the Commission's training facility in Montgomery for law enforcement professionals and regulators from across Alabama and from other states. ASC personnel, including investigators, attorneys, securities analysts and financial auditors from the agency's Enforcement, Legal and Registration/Auditing Divisions, learned beneficial knowledge on such subjects as financial investigation practical skills, computer skills for law enforcement, social media and cyber investigations, among others. Alabama Attorney General's Office investigators, Alabama Bureau of Investigation analysts and law enforcement professionals from Alabama, Florida, Georgia, Oregon, Tennessee, Texas and Washington, D.C. also attended.

In 2014, ASC Director, Joseph Borg (a member of NWCCC's Board of Directors), spearheaded an effort to assist the Alabama Law Enforcement Agency's (ALEA) State Fusion Center. The ASC facilitated the coordination between the agencies to help put into place an Intelligence Analyst training course for regulators and law enforcement personnel who investigate cybercrime. The agencies' collaboration resulted in a request from the State Fusion Center, in September 2015, for ASC's assistance in developing and teaching an Intelligence Writing and Briefing course for investigators. Once fully developed, the State Fusion Center will offer the course during FY 2016 at its training facility in Montgomery.

During FY2015, the ASC continued its partnership with the NW3C to provide advanced training for law enforcement personnel responsible for tracking and investigating white collar crimes. On Oct. 15-16, 2014, ASC hosted NW3C training for 17 law enforcement professionals representing the Alabama Attorney General's Office; Alabama Law Enforcement Agency's (ALEA) Alcoholic Beverage Control Enforcement Division; Alabama State Banking Department; Jackson and Baldwin County Sheriff's Offices; Prattville, Decatur and Vestavia Hills, Alabama Police Departments; and the Spokane, WA Police Department. The training, entitled "Cyber Investigation 101-Secure Techniques for Onsite Preview (STOP)," consisted of a two-day course intended for detectives and officers, as well as for probation/parole staff. The course was designed to aid law enforcement to preview suspect computer systems for potential evidence in a forensically sound manner. In February 2015, ASC Enforcement Division Special Agents attended NW3C's Advanced Internet Investigations training held in Bensalem, PA.



## *Investor Education and Fraud Prevention Outreach Program*

### **ASC EDUCATION AND PUBLIC AFFAIRS DIVISION (ED & PA) Investor Education Presentations/Events/Meetings (Fiscal Year 2015, from 10/1/14 - 9/30/15)**

<u>Date</u>	<u>Place</u>	<u>#</u>	<u>Audience Type</u>
9/25/15	Oneonta, AL at Charlie B's restaurant	32	Members of the Blount County AERA - retired teachers
9/21/15	Mobile, AL at LeFlore High School	10	A partnered event with ACES for Seniors from the local area
9/18/15	Gadsden, AL at NE Etowah Community Center	18	A partnered event with ACES for Seniors from the local area
9/17/15	Huntsville, AL at Abounding Love Ministries	60	A partnered event with ACES for Seniors from the local area
9/15/15	Florence, AL at the Marriot (RSA) Convention Center	140	Display and talk to seniors (ARSEA annual convention)
9/3/15	Frisco City, AL at United Methodist Church	23	Members of the Monroe County AERA - retired teachers
8/31/15	Montgomery, AL at the Securities Commission	4	Brief Alabama State and Deputy Treasurer
8/28/15	Cullman, AL at the Beech Center	150	Partner with BBB of N. AL to reach senior citizens
8/25/15	Montgomery, AL at the RSA Activity Center	100	Members of Kiwanis Club of Montgomery
8/19/15	Montgomery, AL at the Mgm. Area Council on Aging	45	Members of Montgomery Leadership
8/11/15	Hartford, AL- AL Cooperative Ext. Sys. (ACES) office	20	A partnered event with ACES for Seniors from the local area
8/7/15	Dutton, AL at Northeast Alabama Community College	25	Partner with BBB of N. AL to reach senior citizens
7/29/15	Birmingham, AL at the BJCC	250	Seminars and presentations at the annual teachers' conference
7/23/15	Mobile, AL at Bishop State Community College	50	Education programs with the Mobile Housing Authority
7/21/15	Scottsboro, AL at Carlile's Restaurant	45	Members of the Jackson County AERA - retired teachers
7/14/15	Dothan, AL at the Dothan Country Club	80	Dothan, AL Rotary Club members
6/24/15	Montgomery, AL at the RSA Activity Center	250	Partner with ADSS, DHR, AG & ASU - Elderly Abuse Awareness
6/23/15	Accounting Career Awareness Program	26	Accounting Career Awareness Program- high school camp
6/19/15	Etowah Co. Cooperative Extension office	31	A partnered event with ACES for Seniors from the local area
6/17/15	Chatom, AL at the Chatom Scott House	22	Members of the Washington County AERA - retired teachers
6/16/15	Tuscaloosa, AL at the University of Alabama	22	Culverhouse Major Awareness Program - high school camp
6/15/15	Aliceville, AL at the Aliceville high school	18	A partnered event with ACES for Seniors from the local area
6/15/15	Florence, AL at the Cross Pointe Church of Christ	75	Partner with BBB of N. AL to reach senior citizens & caregivers
6/11/15	Huntsville, AL at the Dept. of Human Resources	100	Partner with BBB of N. AL to reach senior citizens & caregivers
6/10/15	Butler, AL at the Choctaw County Extension Office	22	A partnered event with ACES and Seniors from the local area
6/09/15	Vestavia Hills, AL at the Vestavia Hills Country Club	125	Vestavia Chamber of Commerce members

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## *Investor Education and Fraud Prevention Outreach Program*

(Continued)

<u>Date</u>	<u>Place</u>	<u>#</u>	<u>Audience Type</u>
6/05/15	Ft. Payne, AL at the Huddle House	12	A partnered event with ACES for Seniors from the local area
5/29/15	Ft. Payne, AL at the DeKalb County Activities Bldg.	15	A partnered event with ACES for Seniors from the local area
5/27/15	Huntsville, AL at the Madison Co. Coop. Extension	13	A partnered event with ACES for Seniors from the local area
5/21/15	Opelika, AL at the Saugahatchee Country Club	75	Members of the Opelika Kiwanis Club
5/19/15	Decatur, AL at the Central UM Church	65	Partner with BBB of N. AL to reach senior citizens
5/14/15	Birmingham, AL at the Cahaba Grand Conf. Center	65	Compliance training for financial professionals
5/14/15	Mobile, AL at the Downtown Renaissance Housing	22	Women edu. program with the Mobile Housing Authority
5/13/15	Cullman, AL at the Sacred Heart Conf. Retreat Center	45	Members of the Cullman County AERA - retired teachers
5/4-5/15	Newport Beach, CA at the Fairmont Hotel	1	North American Securities Adm. Assoc. Investor Edu.Training
4/29/15	Uniontown, AL at the E&Z Activity Center	16	Members of the Perry County AERA - retired teachers
4/22/15	Montgomery, AL at the Renaissance Montgomery Hotel	225	Alabama Rural Electric Association - management and key staff
4/18/15	Birmingham, AL at the Centennial Building	30	Partner with Project HOPE, new entrepreneurs
4/17/15	Lanett, AL at the Riverside Country Club	26	Members of the Chamber County AERA - retired teachers
4/16/15	Birmingham, AL at the BJCC	350	AL Future Business Leaders of America - high school students
4/15/15	Guntersville, AL at the Marshall Co. Courthouse	20	A partnered event with ACES for Seniors from the local area
4/14/15	Decatur, AL at the Central UM Church	50	Members of the Morgan County AERA - retired teachers
4/10/15	Mobile, AL at the Chamber of Commerce	30	State Gov. Affairs Committee and local business - "Crowdfunding"
4/02/15	Talladega, AL at the Shocco Springs Conf. Center	40	Members of the Talledega County AERA - retired teachers
3/30/15	Sylacauga, AL, Coosa Pines Federal Credit Union	150	Members and seniors from the surrounding communities
3/26/15	Mobile, AL at the Downtown Renaissance Housing	22	Women edu. program with the Mobile Housing Authority
3/20/15	Centre, AL at the Gadsden State Community College	23	A partnered event with ACES for Seniors from the local area
3/17/15	Pell City, AL at the Metro Bank	20	Members of St. Clair County AERA - retired teachers
3/13/15	Athens, AL at the Athens Recreational Center	25	Members of Limestone County AERA - retired teachers
3/10/15	Wetumpka, AL at the Coaches Corner Restaurant	20	Members of Elmore County AERA - retired teachers
3/07/15	Birmingham, AL at G.W. Carver High School	60	Display and speak at the 2015 Alabama Money Expo
3/5-6/15	Scottsdale, AZ meetings with NASAA project group	5	Consult on development of investor education materials
3/04/15	Lockhart, AL at the Harlan Elementary School	20	Members of Covington County AERA - retired teachers
3/03/15	Montgomery, AL at the AL Securities Commission	30	High School field trip from Northridge HS in Tuscaloosa
3/02/15	Birmingham, AL at Shades Valley Presbyterian Church	100	Members and guests of the Shades Valley Rotary Club
2/26/15	Birmingham, AL at UAB College of Collat Business	2	Meet with faculty to plan training events for high school teachers

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## *Investor Education and Fraud Prevention Outreach Program*

(Continued)

<u>Date</u>	<u>Place</u>	<u>#</u>	<u>Audience Type</u>
2/26/15	Montgomery, AL at the Montgomery Country Club	40	Members of the Montgomery Estate Planning Council
2/19/15	Hamilton, AL at the Church of Christ	25	Members of Marion County AERA - retired teachers
2/17/15	Huntsville, AL at the Von Braun Center - East Hall	120	Members and guests of the Huntsville Rotary Club
2/15/15	Tuskegee, AL at the AL Cooperative Extension Office	10	Members of a local investment club
2/4/15	Montgomery, AL at Troy State University Radio Station	35	Reach adult audience - Finance tips and Fraud Prevention
2/4/15	Troy, AL at the Troy Recreation Center	32	Members of Pike County AERA - retired teachers
2/3/15	Greenville, AL at Lurleen B. Wallace Community College	23	Members of Butler County AERA - retired teachers
1/30/15	Cahaba Grand Conference Center	300	Local realtors for Crowdfunding seminar
1/26/15	Abbeville, AL at the Henry Co. Board of Education	22	Members of Henry County AERA - retired teachers
1/20/15	Alexander City, AL at the Board of Education	28	Members of Tallapoosa County AERA - retired teachers
1/15/15	Thomasville, AL at Gaston's Grille	23	Members of Clarke County AERA - retired teachers
1/13/15	Montgomery, AL at the Taylor Road Baptist Church	150	Members of Montgomery County AERA - retired teachers
1/8/15	Gadsden, AL at the Gadsden Senior Activity Center	65	Members of Etowah County AERA - retired teachers
1/7/15	Tuscaloosa, AL at the Tuscaloosa Public Library	55	Members of Tuscaloosa County AERA - retired teachers
12/4/14	Birmingham, AL at the Birmingham Business Alliance	25	Teach about Crowdfunding to the local business community
12/3/14	Dothan, AL at the Chamber of Commerce	50	Teach about Crowdfunding to the local business community
11/20/14	Mobile, AL at the Downtown Renaissance Housing	25	Women edu. program with the Mobile Housing Authority
11/20/14	Samson, AL at Crew's BBQ & Grill	20	Members of Geneva County AERA - retired teachers
11/18/14	Huntsville, AL at the Redstone Federal Credit Union	15	Members of the Northeast Alabama Chapter of Credit Unions
11/14/14	Birmingham, AL at the Shepherd's Center East	40	Partner with Financial Edu. Outreach to train Foster Grandparents
11/13/14	Double Springs, AL at the Winston County High School	22	Members of Winston County AERA - retired teachers
11/12/14	Aliceville, AL at the Aliceville Middle School	27	Members of Pickens County AERA - retired teachers
10/30/14	Montgomery, AL at the Securities Commission	30	Provide financial training to Prattville, AL high school students
10/25/14	Montgomery, AL at Small Business Resources Center	25	Partner with the Chamber of Commerce to teach Crowdfunding
10/16/14	Montgomery, AL at Down the Street Café	25	Members of Kiwanis Club of Montgomery
10/15/14	Russellville, AL at the First United Methodist Church	42	Members of AERA - retired teachers-Franklin Co.
10/14/14	Birmingham, AL at the Harbert Center	100	Members of the Birmingham Kiwanis Club
10/7/14	Birmingham, AL at the Homewood City Hall	50	Partner with FPA of N. AL to reach seniors
10/28/14	Florence, AL at the University of N. Alabama	15	Teach Advanced Investing to a continuing education class
10/28/14	Florence, AL at the First Presbyterian Church	20	Members of the Florence Civitan Club
10/22/14	Jasper, AL at the Community Health Center	150	Partner with local DA to train enforcement, caregivers and seniors

**DURING FISCAL YEAR 2015 THE ALABAMA SECURITIES COMMISSION CONDUCTED 87 INVESTOR EDUCATION AND FRAUD PREVENTION OUTREACH SEMINARS OR MEETINGS REACHING 4,929 CITIZENS.**



## North American Securities Administrators Association

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

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



The ASC Director was elected to serve on the Board of Directors, September 2014. Also, during this FY he served on the Senior Issues/Diminished Capacity Committee, State Legislation Committee, Strategic Planning Committee, and the New Member Advocacy Committee. He served as NASAA President from September 2001 thru September 2002 and again from September 2006 thru September 2007. He has served for fourteen years as a member of the Board of Directors and held previous positions with NASAA to include Chair of Enforcement, Chair of International Committee, Treasurer, Ombudsman and member of the Uniform Securities Act Committee.

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 2015, ASC staff served on, or participated in, the following: Arbitration Project Group, Exempt Offerings Investigations Project Group, Direct Participation Programs Policy Project Group, Life Stages Project Group, Litigation Forum Project Group, Operations Project Group, 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



# ALABAMA

## Securities Commission

Joseph P. Borg, Director

### ENFORCEMENT HEADLINE SUMMARIES FROM FISCAL YEAR 2015 (Alphabetical by County)

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

#### **Baldwin County**

##### **Louisiana and Alabama Men Arrested in Baldwin County for Alleged Violations of Alabama Securities Act**

(September 22, 2015) Bruce Alexander Gwyn of Metairie, Louisiana; and James Anthony Ghio, of Fairhope, Alabama, were arrested by the Baldwin County, Alabama Sheriff's Office following an indictment by an August, 2015 session of the Baldwin County Grand Jury in connection with alleged violations of the Alabama Securities Act. Gwyn turned himself in to Baldwin County officials on September 18, 2015 and was released on \$20,000 bond. Ghio was arrested on September 12, 2015 and was released on a \$20,000 bond. Both Gwyn and Ghio were required to surrender their passport. Gwyn was charged with one count of Sale of Unregistered Securities, and one count of Sale of Securities by an Unregistered Investment Adviser. The securities registration charges are Class C felonies, punishable from one year and a day to 10 years' imprisonment and a \$15,000 fine per charge upon conviction. Additionally, Gwyn is charged with three counts of Fraud in Connection with the Sale of Securities; specifically, making an untrue statement of material fact or omitting to state a material fact and employing a device, scheme or artifice to defraud. The fraud charges are Class B felonies, punishable from two to 20 years' incarceration and a \$30,000 fine per charge upon conviction. Gwyn's co-defendant, Ghio is charged with one count of Sale of Securities by an Unregistered Agent, a Class C felony, carrying a possible maximum sentence from one year and a day to ten years' imprisonment and not more than a \$15,000 fine per count upon conviction. The Indictment alleges that Gwyn and Ghio offered or sold securities, more specifically described as limited partnership interests in Level III Trading Partners, L.P. to an Alabama resident. The indictment also alleges that Gwyn made an untrue statement of material fact or an omission and employed a scheme or artifice to defraud, in that he failed to use investor funds as represented, and instead used funds to pay other investors, make unauthorized investments, or for unrelated expenses. Further, the indictment alleges that Gwyn made a material misrepresentation or omission by representing that yearly financial statements and monthly progress reports would be provided to investors.

##### **Baldwin County Man Pled Guilty to Involvement in Prime Bank Scheme**

(June 29, 2015) Henry Young, a New York resident, pled guilty to one count of Sale of Unregistered Securities, a Class C felony, punishable by a sentence not to exceed 10 years' imprisonment and a fine up to a \$15,000. Young's conviction is the result of his participation in a Prime Bank Fraud Scheme. Young's plea before Judge J. Langford Floyd was followed by the State of Alabama recommending a year and a day in prison. Young applied for probation and the Court instructed him, that his probation is contingent on payment of \$100,000 in restitution to the victim and \$3,300 for extradition costs to the Baldwin County Sheriff's Office within 90 days. Young was released on the original \$10,000

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## ENFORCEMENT HEADLINE SUMMARIES (*Continued*)

investor, that if he would invest \$705,000 with them, they could get him a Bank Instrument worth \$10 million. It was further represented that the Bank Instrument would be a non-recourse loan” that did not have to be paid back. The investor was seeking funding to develop a new airport in California. Relying on their representations, the investor wired the money to Tucker who kept and spent \$350,000; the remainder was sent to Judd. The funds received by Young were spent for personal expenses. No Bank Instrument was ever produced, and the victim lost his entire investment of \$705,000.

### **Synergy Finance Group Co-Conspirator Enters Guilty Plea of Conspiracy to Commit Securities Violations in Baldwin County, Alabama Circuit Court**

(April 3, 2015) Scott Anthony Koster, a Minnesota resident, pled guilty to one count of Securities Fraud, a Class C felony, punishable by a sentence not to exceed 10 years’ imprisonment and up to a \$15,000 fine per charge, upon conviction. Koster’s plea was followed by the State of Alabama recommending a 10-year sentence to be split for the time served. Koster has been incarcerated in Baldwin County, Alabama since March 28, 2014 and will be jointly and severally liable for the restitution balance of \$1,910,066.79 remaining from the conviction of a Richard James Tucker, of Fairview, Alabama, involving criminal activities associated with Synergy Finance Group, LLC, a Robertsedale, Alabama company. Koster will be transferred to Madison County, Alabama for outstanding indictments charging him with additional alleged violations of the Alabama Securities Act involving a purported gold trading program being operated from Ghana, Africa. The nature of the Baldwin County scheme involved the fraudulent solicitation of investor funds that were purportedly to be used to obtain bogus bank instruments, commonly associated with “Prime Bank” fraud. High-yield or “Prime Bank” investment schemes lure prospective investors to invest money in illicit “high-yield,” bank-issued securities that perpetrators market as being exclusive and unavailable to the general public.

### **Colbert County**

#### **State of Alabama Vs. Gregory Aziz Results in Settlement**

(Nov. 14, 2014) The State of Alabama Vs. Gregory Aziz, Case No. CC-2013-000624, has resulted in a settlement that requires Aziz to pay \$21,000,000 in damages to the Retirement Systems of Alabama (RSA), and to reimburse the Alabama Securities Commission and the Colbert County District Attorney’s Office for investigative costs associated with the case. Aziz was charged in November 2013 with 11 Counts of Securities Fraud. According to the indictment and the settlement agreement Aziz was granted a three year loan of \$350,000,000 dollars by RSA to construct a railcar plant in Colbert County, Alabama. Aziz was to have paid interest to RSA on the loan at 9%. The plant was supposed to employ 2200 people and was, at the time, thought to be a major industrial development project for the State of Alabama. At the conclusion of the construction, Aziz was to obtain long term financing through an alternate source. Aziz spent 12 months confined on an ankle bracelet in Colbert County, Alabama, during which this settlement agreement was proposed by Aziz and agreed to by the ASC. ASC Director Joseph Borg said, “This settlement was entered into after extensive forensic investigation and only after conferring with the Colbert County District Attorney’s Office and RSA, the victim in the case. The recovery of \$21,000,000 by the teachers’ and employees’ retirement systems, the fact that Aziz paid double damages on any profit he made, and that RSA now owns 100% of the plant they paid to build should discourage others in the future from making inaccurate financial representations when doing business in the State of Alabama.” ASC Director Joseph Borg and Colbert County District Attorney Bryce Graham said, “We are proud to have been able to work together in an outstanding collaborative effort and we commend our staffs for their hard work on this case.”

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## ENFORCEMENT HEADLINE SUMMARIES (*Continued*)

### Etowah County

#### **Etowah County, Alabama Man Indicted for Alleged Securities Violations**

(May 20, 2015) On May 14, 2015, Pelham, Alabama resident Derek Neal York, 30, formerly of Rainbow City, Alabama was arrested for alleged violations of the Alabama Securities Act. York turned himself in to Etowah County law enforcement officials based on an arrest warrant issued after a May, 2015 Etowah County Grand Jury returned a seven-count indictment. York was released on \$105,000 bond with arraignment scheduled for May 27, 2015. The indictment charged York with one count each of Sale of Unregistered Securities, Sale of Securities by an Unregistered Agent, and Acting as an Unregistered Investment Adviser for Compensation. The securities charges are Class C felonies, punishable by from one year and one day to 10 years' imprisonment and a \$15,000 fine per charge, upon conviction. Additionally, the indictment charged York with three counts of Fraud in Connection with the Sale of Securities (making an untrue statement of material fact, omitting to state a material fact, and engaging in an act, practice or course of business which operates as a fraud or deceit); and Financial Exploitation of an Elderly Person in the First Degree. The fraud and exploitation charges are Class B felonies, carrying a punishment of from two to 20 years' incarceration and a \$30,000 fine per charge, upon conviction. The indictment alleged that after his employment with a securities firm was terminated, York continued to offer and sell securities and also acted as an investment adviser, receiving compensation for advising individuals on securities purchases in violation of registration provisions of the Alabama Securities Act. Allegedly, York failed to disclose to investors that he had been terminated from a securities firm and was not properly registered to conduct securities business in Alabama. The indictment alleges that York converted approximately \$620,000 of an Alabama victim's money to be used for the promotion of a movie production company located in California, instead of investing the money according to the victim's wishes. York also allegedly sold securities valued at approximately \$312,000 to a Texas victim to be invested in a Canadian energy company and in York's Alabama business, the Messier Corporation. None of the investment offerings sold were registered as securities with the ASC, as required by law. It is also alleged that York received \$87,000 in commission payments from the victims' investment funds. These commission payments were not disclosed to the victims.

### Houston County

#### **Former Houston County, Alabama Attorney Sentenced for Securities Violations**

(Feb. 24, 2015) On February 20, 2015, Frederick Mitchell "Mitch" McNab, of Dothan, Alabama, appeared in Houston County Circuit Court, before Honorable Judge P. B. McLauchlin, to be sentenced for multiple violations of the Alabama Securities Act and the Alabama Criminal Code (Title 13), for misappropriating and misusing client funds of approximately \$10,554,479. McNab was sentenced to 20 years imprisonment, split to serve five years, for 36 Class B Felony theft of property and securities-related charges, with the remaining 15 years to be served on probation. McNab was also sentenced to ten years imprisonment, split to serve three years, for 18 Class C Felony theft of property and securities-related charges, with the remaining seven years to be served on probation. On an additional misdemeanor theft charge, McNab was sentenced to 12 months imprisonment to be suspended. The Court ordered that all McNab's sentences run concurrent and that during his incarceration, he will not be eligible for parole, or early release. McNab was ordered by the Court to pay \$8,910,555 in restitution to the numerous victims. McNab, a former Houston County, Alabama attorney, was indicted in September, 2014 by a Houston County, Alabama Grand Jury. McNab pled guilty in December, 2014 to misappropriating and misusing funds from multiple clients in Houston and surrounding counties. Most of

*(Continued on next page)*

## ENFORCEMENT HEADLINE SUMMARIES (*Continued*)

benefit. McNab also used client funds for other unrelated personal expenses. McNab was previously arrested in 2013, and again in April, 2014 by Houston County, Alabama law enforcement personnel on felony theft by deception charges related to an earlier investigation conducted by the Dothan Police Department.

### **Former Houston County, Alabama Attorney Pleads Guilty to Alabama Securities Act Violations**

(Dec. 17, 2014) On Dec. 15, 2014, Frederick Mitchell “Mitch” McNab of Dothan, Alabama pled guilty to 55 criminal charges in Houston County Circuit Court before the Honorable Judge McLaughlin. McNab’s guilty plea included 30 Theft of Property charges and 25 securities-related charges including Sale of Securities by an Unregistered Agent, Sale of Unregistered Securities, acting as an Unregistered Investment Adviser for compensation, Securities Fraud, and Financial Exploitation of an Elderly Person. The securities offenses are Class B and C felonies and the Theft of Property offenses are Class B and Class C felonies and one Class A misdemeanor. The Class B felonies are punishable from two to not more than 20 years and up to a \$30,000 fine per charge and the Class C felonies are one year and a day to not more than 10 years imprisonment and up to a \$15,000 fine per charge upon conviction. McNab, a former Houston County, Alabama attorney, was indicted in September, 2014 by a Houston County, Alabama Grand Jury. McNab pled guilty to misappropriating and misusing funds totaling approximately \$10,554,479 from multiple clients in Houston and surrounding counties. Most of McNab's victims were clients who trusted him to hold money in interest bearing accounts to be invested for their benefit. 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. McNab also used client funds for other unrelated personal expenses. McNab was previously arrested in 2013, and again in April, 2014 by Houston County, Alabama law enforcement personnel on felony theft by deception charges related to an earlier investigation conducted by the Dothan Police Department.

### **Madison County**

#### **Former Cypress Creek CEO Pleads Guilty to Securities Fraud**

(July 22, 2015) On July 22, 2015, James Albert Lawhorne, Jr., plead guilty in Huntsville before Madison County Circuit Judge James P. Smith to two (2) counts of Securities Fraud, in connection with an investment scheme involving his company, Cypress Creek Organic Farms, Inc. As part of the plea agreement executed in Court, Lawhorne admitted to the acts of fraud, each a Class B Felony carrying a maximum sentence of 20 years in prison and a fine up to \$30,000. In exchange for his guilty plea, the State recommended the Court impose a 15 year sentence on each count, to run concurrently. He also agreed to pay restitution of approximately \$2.1 million dollars to the victims and to forfeit cash seized during his arrest in Florida and cash seized from a bank account. Lawhorne will remain in the Madison County Jail until transported to prison where he will begin serving his sentence. Lawhorne was CEO and owner of Cypress Creek, a company organized in April 2013 in Alabama for the purpose of recruiting individuals to grow organic tomatoes. In exchange for a \$9,950 investment, his company would provide all of the testing, equipment, training, certification, and support necessary for growing organic tomatoes. Lawhorne further represented that he had negotiated a contract with a major grocery chain to purchase the organic tomatoes. Between February 2013 and September 2013, Lawhorne collected over \$2 million dollars but he did not fulfill his promises, and no contract ever existed. Lawhorne was indicted in October 2014 and arrested two months later in December 2014, after being transported from the Rutherford County, TN jail, where he was being held on unrelated charges. After posting a \$100,000 bond, which included a condition that he remain under electronic supervision, Lawhorne re- (*Continued on next page*)

## ENFORCEMENT HEADLINE SUMMARIES *(Continued)*

### **Madison County, Alabama Man Arrested for Multiple Counts of Securities Fraud, Court Sets \$2 Million Bond**

(June 22, 2015) Keith Michael Rogers, a resident of Huntsville, Alabama was arrested on June 19, 2015 for 10 counts of alleged violations of the Alabama Securities Act. Rogers was apprehended by the Madison County Sheriff's Department and Special Agents of the Enforcement Division of the Alabama Securities Commission, based on an arrest warrant and indictment returned by the June 2015 Madison County Grand Jury. Rogers is currently being held on a \$2 million bond. Charges against Rogers include 10 counts of Securities Fraud in connection with his acts of taking investor funds entrusted to him. The indictment more specifically described his fraud actions as omitting to state material facts, making untrue statements of material facts and engaging in acts, practice or course of business which operated as a fraud or deceit upon his clients. All charges are Class B Felonies, punishable by a maximum of 20 years imprisonment and a \$30,000 fine for each count, upon conviction. The indictment alleges that Rogers, an investment advisor, mislead investors by misrepresenting that their investment funds would be lawfully used by Rogers to obtain a return. However, it is alleged that approximately \$2.5 million dollars of the investors' funds were actually used by Rogers to pay for his personal expenses, and also used as "Ponzi" payments to earlier investors. Additionally, Rogers allegedly forged documents to facilitate a series of fraudulent acts on the victims.

### **Houston, Texas Man Pleads Guilty to Securities Fraud**

(June 22, 2015) On June 11, 2015, Mark E. Rodgers, of Houston, Texas, plead guilty to a count of Fraud in Connection with the Sale of Securities, by employing a device, scheme, or artifice to defraud, before Madison County Circuit Court Judge Dennis O'Dell. Based on a plea agreement, the Court sentenced Rodgers to 10 years' imprisonment, with 5 years' of supervised probation. The plea agreement also calls for Rodgers to pay \$1,339,000 in restitution, along with all court costs and fees. The State of Alabama recommended that Rodgers' sentence run concurrent with his federal sentence. Rodgers pled guilty to federal fraud charges in U.S. District Court, Southern Division, in Jackson, Mississippi, on March 25, 2015. Rodgers will face federal sentencing later this year. Rodgers' State sentencing stems from an April, 2014 Madison County, Alabama Grand Jury indictment charging him with violations of the Alabama Securities Act. According to the indictment, Rodgers, acting as an officer for Jackson, Mississippi-based Samarion, Inc., illegally offered and sold shares of company stock to Alabama investors without being registered with the Alabama Securities Commission to conduct securities business in the state. The indictment stated that Rodgers, together with co-defendant, Samer N'Ser, misrepresented to investors that his technical product, the "Samarion Solution" was complete and fully functional to the extent that it would technically foresee or predict when elderly or infirmed individuals were in danger of falling or injuring themselves. Rodgers falsely claimed that he was seeking investors to be able to successfully market the product. An investigation revealed, however, that the product was not complete nor ready to be marketed, and that Rodgers staged a bogus demonstration of its ability to sway investors.

### **Alabama Securities Commission Legal Staff Help Intercept Felon's Assets, Reroute Money to his Victims**

(May 7, 2015) The ASC has intercepted \$16,000 of redeemed stock owned by Harry H. "Woody" Duncan of Huntsville, Alabama and successfully rerouted the funds to help pay restitution to victims of an illegal investment scheme perpetrated by Duncan in 2011. In August, 2012, Madison County, Alabama Circuit Court Judge James P. Smith sentenced Duncan to 20 years' imprisonment, split to serve five years, for violations of the Alabama Securities Act. The 15-year remainder of Duncan's sentence was suspended with the stipulation that he make full restitu- *(Continued on next page)*

## ENFORCEMENT HEADLINE SUMMARIES (*Continued*)

he received stock dividends that the Court considered personal assets/income that should be used to pay victim restitution, as stipulated in his sentencing hearing. In January, 2015, ASC's legal Division received notification that a Florida-based corporation was attempting to notify all shareholders that it was planning to "redeem all shares of stock" to its shareholders. Duncan was identified as a shareholder and the company was seeking to give notice that he would receive a \$16,000 dividend for shares of stock he held. The ASC filed a motion for hearing with the Madison County, Alabama Circuit Court seeking to enforce the restitution order outlined in Duncan's sentencing hearing, and asked the Court to order that the proceeds of the redemption of Duncan's stock shares, while he remains imprisoned, be used toward payment of victim restitution. On April 23, 2015, the Court ordered Duncan to endorse the stock proceed check, made payable to the State of Alabama, to be applied to restitution to his victims. In August, 2012, Duncan pleaded guilty to one count of Scheme or Artifice to Defraud in connection with the Sale of Securities, a Class B felony; and to Theft of Property, 1<sup>st</sup> Degree, also a Class B felony, for which the Madison County District Attorney's Office recommended, and the Court ordered, Duncan to serve an additional 15-year sentence to run concurrent with the securities fraud charge. The Court ordered Duncan to pay \$512,063 restitution to seven investors named in the original indictment, and pay \$179,000 to an additional victim identified in an ASC investigation.

### **Former Atlanta, Georgia Attorney Pleads Guilty to Alabama Securities Act Violations**

(April 15, 2015) On March 13, 2015, Hendricks Toussaint of Atlanta, Georgia, pled guilty in Madison County, Alabama Circuit Court to one count of Conspiracy to Commit Securities Fraud by employing a device, scheme or artifice to defraud. At the time the offense was committed, it was a Class C felony, punishable by from not more than 10 years and not less than one year and one day imprisonment, and not more than a \$15,000 fine per charge upon conviction. Based upon Toussaint's plea of guilty before Madison County Circuit Court Judge Alison S. Austin, his sentencing will be delayed until September 17, 2015. The eventual sentence will run concurrent with a federal prison sentence. On January 15, 2015, Toussaint pled guilty to a federal information in the United States District Court, Northern District of Georgia, Atlanta Division, of Conspiracy to Commit Wire Fraud. Toussaint is set for sentencing in Federal Court in Atlanta on August 4, 2015. Toussaint's plea is a result of a June, 2014 Madison County, Alabama Grand Jury indictment. Toussaint's co-conspirator, Richard David Hall of Huntsville, Alabama, fraudulently solicited investors' funds to be used in a managed gold "buy-sell" program. The pitch was that the investors' funds would purportedly purchase gold in Ghana, Africa, to be traded internationally, thus making a profit for the investors. The supposed trading of gold never occurred and investors' funds were actually wired through Toussaint's trust account. Toussaint also allowed his position as an attorney to be used by Hall and other co-conspirators, giving added credibility to their pitch related to the gold "buy-sell" program. Hall actually drafted an "attorney attestation letter," that, on its face, was from Toussaint. The attorney attestation letter guaranteed the legitimacy and safety of the gold trading platform, assuring all prospective investors that their invested funds would be safe. ASC records indicated that neither Toussaint, Hall nor any of their co-conspirators were properly registered with the ASC, as required by the Alabama Securities Act, to legally conduct securities business within, into or from Alabama.

### **Madison County, Alabama Man Pleads Guilty to Securities Violation**

(March 18, 2015), Richard David Hall of Huntsville, Alabama, pled guilty March 12, 2015 in Madison County Circuit Court to one count Conspiracy to Commit Securities Fraud by Employing a Device, Scheme, or Artifice to Defraud. At the time the offense was committed it was a Class C felony 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. Based upon Hall's plea of guilt, the State of Alabama recommended a 10-year sentence and that Hall be jointly liable for restitution in the amount of \$3,265,000. Hall remains free (*Continued on next page*)

## ENFORCEMENT HEADLINE SUMMARIES *(Continued)*

Ghana, Africa, to be traded internationally, thus making a profit for the investors. Initially, Hall and his coconspirators used a company named “First Fin” to obtain investors’ funds. The supposed trading of gold never occurred and investors’ funds were actually wired through an attorney trust account. The attorney managing the trust account then immediately wired the funds to Hall who sent the money to his co-conspirators and kept a portion for himself. Later, Hall created a company named “Berea” and used the same documentation of First Fin, merely changing the name to Berea, Inc. Hall and his co-conspirators fraudulently used the same sales pitch with Berea as with First Fin. Hall and his co-conspirators also fraudulently schemed to promote the use of non-existent or fake bank instruments to provide accounts on which money could be borrowed to purchase gold in their related trading program. All of Hall’s and his co-conspirators’ investment programs resulted in significant losses of investors’ funds. ASC records indicated that neither Hall nor his co-conspirators were registered with the ASC to legally conduct securities business in Alabama, as required by the Alabama Securities Act.

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

(December 23, 2014) Joseph P. Tufo, a resident of Concord, California was arrested on December 19, 2014 for alleged multiple violations of the Alabama Securities Act. Tufo was apprehended by law enforcement authorities in Contra Costa County, California, based on indictments returned by the February, 2014 Madison County Grand Jury. Tufo is currently being held on a \$60,000 bond, pending extradition to Alabama. The charges against Tufo from the Madison County Grand Jury include one (1) count of Employing a Scheme to Commit Securities Fraud and three (3) counts of Conspiracy to Commit Securities Fraud. The charge of Employing a Scheme to Commit Securities Fraud is a Class B felony punishable by a maximum of 20 years imprisonment and a \$30,000 fine; and the charges of Conspiracy are Class C Felonies, punishable by a maximum of 10 years imprisonment and a \$15,000 charge for each count, upon conviction. These charges stem from allegations that Tufo and others promoted unlawful trading in a gold commodities buy/sale/trade program.

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

(December 11, 2014) Jacqueline (Jackie) Wilson, also known as Jackie Rose, turned herself in to the Madison County Sheriff’s office on December 9, 2014, based on a warrant issued for her arrest. Wilson was released from custody after posting an \$80,000 bond. An October, 2014 Madison County, Alabama Grand Jury indictment charged her with 8 counts of alleged violations of the Alabama Securities Act. The charges allege seven violations of the registration provisions of the Act; including six counts of Sale of Unregistered Securities and one count of Sale of Securities by an Unregistered Agent. Additionally, Wilson was charged with one count of Securities Fraud for allegedly engaging in an act, practice or course of business which would operate as a fraud or deceit. Under Alabama law, registration violations are Class C felonies and are punishable by not more than 10 nor less than 1 year of confinement, upon conviction, and a fine not to exceed \$15,000 per charge. Securities Fraud is a Class B felony and is punishable by not more than 20 nor less than 2 years of confinement, and a fine not to exceed \$30,000 per charge. The indictment alleges that Wilson fraudulently solicited investor funds for Cypress Creek Organic Farms. According to the indictment, Cypress Creek Organic Farms would provide all testing, materials, supplies, equipment, training and support for growing organic tomatoes. Wilson further represented that Cypress Creek would provide USDA organic certification and a guaranteed buyback of the produce.

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

(December 11, 2014) James (Jaime) Albert Lawhorne, Jr., also known as Jim Gilley, was arrested in Huntsville by Madison County Sheriff’s deputies on December 10, 2014. Lawhorne, who was previously in the custody of the Rutherford County, Tennessee Sheriff’s office on unrelated charges waived extradition and was transported to Madison County to face the Alabama charges. Lawhorne was held at the Madison County detention facility under a \$600,000 bond. Lawhorne’s arrest stemmed from an October, 2014 Madison County, Alabama Grand Jury indictment charging him with 24 counts of alleged violations of the Alabama Securities Act. Charges against Lawhorne include: seven counts of Sale of Unregistered Securities; one count of Sale of Securities by an Unregistered Agent; 13 counts of Fraud in Connection with the Sale of Securities (making untrue statements of material fact or omitting to state a material fact; and engaging in an act, practice or course of business which

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## ENFORCEMENT HEADLINE SUMMARIES (*Continued*)

were Class B felonies punishable by not more than 20 nor less than 2 years of confinement and not more than a \$30,000 fine per charge, upon conviction. The indictment alleged that Lawhorne fraudulently solicited investor funds for Cypress Creek Organic Farms, a company Lawhorne owned. According to the indictment, Cypress Creek Organic Farms would provide all testing, materials, supplies, equipment, training and support for growing organic tomatoes. Lawhorne further represented that Cypress Creek would provide USDA organic certification and a guaranteed buyback of the produce.

### **Marion County**

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

(April 6, 2015) Timothy Lowell Franks, age 56, a resident of Winfield, AL was arrested April 1, 2015 for alleged violations of the Alabama Securities Act. Franks' arrest stems from a March, 2015 Marion County, Alabama Grand Jury indictment charging him with 6 counts of alleged violations of the Alabama Securities Act. Charges against Franks include: (1) count of Sale of Unregistered Securities; (1) count of Sale of Securities by an Unregistered Agent; (3) counts of Fraud in Connection with the Sale of Securities (making untrue statements of material fact or omitting to state a material fact; and engaging in an act, practice or course of business which would operate as a fraud or deceit); and (1) count of Theft by Deception, 1<sup>st</sup> Degree. Securities registration charges are Class C felonies, punishable by a maximum of 10 years' imprisonment and a fine of \$15,000 for each count, upon conviction. Securities Fraud and Theft by Deception 1<sup>st</sup> are Class B felonies, punishable by a maximum of 20 years imprisonment and a \$30,000 fine for each count, upon conviction. According to the indictment, Franks offered and sold securities in a coal mining operation. In connection with the securities transactions, Franks represented that he owned the mine and had the mineral rights necessary to operate the mine. The securities allegedly sold were investment contracts or interests in the mining operation. Franks was released after posting a \$15,000 bond.

### **Montgomery County**

#### **Florida Man Sentenced for Securities Fraud in Montgomery County, Alabama**

(March 12, 2015) On March 10, 2015, William Chris Blane ("C. Blane"), of Vero Beach, Florida, was sentenced by Montgomery County, Alabama Circuit Court Judge Eugene Reese, to 15 years incarceration, split to serve three years with five years' probation that will be served upfront. Blane's probation was ordered so that he can make restitution payments totaling \$2,926,870, plus fines and fees ordered by the Court and required by statute. In January, 2015, Blane pleaded guilty to four counts of securities fraud. At the time of the crimes the pleas were all 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. The defendant agreed to make restitution payments over a four year time period during his probation. Chris Blane's charges resulted from May and November, 2014 Montgomery County, Alabama Grand Jury indictments relating to the offer and sale of securities in EyeWonder, Inc., an Atlanta, Georgia-based company; and Poly-Triplex Technologies, Inc./Poly-Triplex Investors, LLC, both Florida-based companies. ASC records indicated that C. Blane was not registered with the ASC to legally offer and/or sell securities into, within, or from Alabama.

#### **Florida Man Pled Guilty to Securities Fraud in Montgomery County, Alabama**

(January 28, 2015) On January 26, 2015, William Chris Blane ("C. Blane"), of Vero Beach, Florida, pled guilty to four counts of securities fraud in connection with the offer and sale of securities in various companies totaling about \$3,762,650. A sentencing and restitution hearing is scheduled for February 26, 2015. At the time the offenses were committed, the securities fraud charges were Class C felonies under Alabama law. The punishment for a Class C felony is not more than 10 years, nor less than one year and one day imprisonment and a fine of not more than \$15,000 per charge, upon conviction. The charges against C. Blane resulted from May and October, 2014 Montgomery County, Alabama Grand Jury indictments relating to the offer and sale of securities in EyeWonder, Inc., an Atlanta, Georgia-based company ("EyeWonder") and Poly-Triplex Technologies, Inc./Poly-Triplex Investors, LLC, Florida-based companies ("Poly Triplex"). His brother, Martin Blane ("M. Blane") and Robert Robinson ("Robinson"), were indicted as co-defendants on similar charges relating to Eye Wonder, Inc. Both M. Blane and Robinson have previously pled guilty and been sentenced. All charges result-

*(Continued on next page)*

## ENFORCEMENT HEADLINE SUMMARIES (*Continued*)

representing that their funds would be used for business purposes, but instead some funds were used for personal expenses and liabilities. ASC records indicate none of the companies' securities were registered or exempt from registration with the ASC, and that C. Blane was not registered with the ASC to legally offer and/or sell securities into, within, or from Alabama.

### **Shelby County**

#### **Hoover Man Pleads Guilty to Securities Fraud Charges**

(September 9, 2015) On September 3, 2015, Kevin Jerome Brown of Hoover, AL pled guilty in the Shelby County Circuit Court to one count of Securities Fraud by Employing a Device, Scheme, or Artifice to Defraud and one count of Acting as an Unregistered Securities Agent. At the time the offense was committed both counts were 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 count. After the plea was entered, The Honorable Circuit Court Judge George Daniel Reeves sentenced Brown to seven years in the custody of the Alabama Department of Corrections. That sentence was suspended and Brown was placed on supervised probation for four years. Judge Reeves further ordered Brown to pay \$932,852.00 in restitution to the nine victims in the case. Brown must make monthly payments towards restitution beginning October 1, 2015. Brown was permanently barred from the securities industry in Alabama. Brown's plea is a result of two indictments issued by the Shelby County Grand Jury in April 2013 and August 2013. Brown operated as a mortgage broker with The Mortgage Office, LLC and later BlueStar Mortgage, LLC in the Birmingham area. While working in that capacity, Brown represented to investors that they could provide mortgages to borrowers he met through his business that were having trouble getting conventional loans. Brown represented that he and the investors would each pay half the purchase price of the subject properties and then receive half interest in the collateral and half of all payments from the borrowers. In fact, the subject properties and borrowers were fictitious, and Brown used investor funds for personal expenses. Brown also represented to investors that he knew of distressed properties that could be purchased and resold for a profit. These properties were also fictitious, and Brown used the funds invested for personal expenses. Investor funds were received in exchange for promissory notes and investment contracts, which are securities as defined by the Alabama Securities Act. ASC records indicated that Brown was not registered with the ASC to legally conduct securities business in Alabama, as required by the Alabama Securities Act.

### **ASC Involvement in Federal Cases**

(04/01/15) United States Attorney Gregory K. Davis, Southern District of Mississippi

#### **FORMER CORPORATE EXECUTIVES OF SAMARION, INC., PLEAD GUILTY TO CONSPIRACY TO DEFRAUD INVESTORS**

*Jackson, Miss* – Mark E. Rodgers, 52, currently of Houston, Texas, and the former Chief Executive Officer and President of Samarion Solutions, Inc., in Ridgeland, MS pled guilty on March 25, 2015 before U.S. District Court Judge Daniel P. Jordan III to one count of conspiracy to defraud investors in the sale of securities (18 U.S.C. §371), announced U.S. Attorney Gregory K. Davis and FBI Special Agent in Charge Donald Alway.

Assistant United States Attorney Carla J. Clark, Chief of the Criminal Division, is prosecuting the case for the government. Agents from the FBI, the Alabama (*Continued on next page*)

(Continued)

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

04/01/15 Alabama Joins in National "Facts on Saving and Investing" Investor Education Initiative. Governor Bentley signs Proclamation.

12/15/14 Alabama Securities Commission Announces Launch of Streamlined Electronic Filing Depository *EFD Offers Efficiency for Issuers and Improved Transparency for Investors*

11/12/14 Alabama Securities Commission Announces Top Investor Threats for 2015 New Products in Classic Schemes Identified as Top Investor Threats

### **ASC Personnel in the News**

05/07/15 Honorable James L. Hart of Vestavia Hills, Alabama has been reappointed for another 4 year term by Governor Bentley and confirmed by the Alabama Senate. Commissioner Hart will continue serving as Commissioner and current Chairman to the Alabama Securities Commission (ASC).

12/09/14 Joseph Borg, Director of the Alabama Securities Commission (ASC) announced today

### **ASC in National News Headlines**



**InvestmentNews**  
The Leading Information Source for Financial Advisers

"If an adviser recommends that [I add] to my self-directed IRA, then he should have done his homework: He should know what is in it and check it out," said Joseph Borg, director of the Alabama Securities Commission

## **THE WALL STREET JOURNAL**

**Wealth Adviser: When a Fat Bonus Brings a 'Bagel Paycheck'** December 2, 2014  
By Kevin Noblet

## **Self-directed IRAs hold risks for financial advisers**

Fraudsters will claim that a certain kind of investment is approved for IRAs, when it really isn't, and any adviser involved in the transaction "should have done his homework," says Ala-

## **CHICAGO TRIBUNE**

FEBRUARY 16, 2015

## **Beware retirement-planning seminars that come with a free meal**

"If you're on their list, you're going to get hounded" after the event, said Joseph Borg, director of the Alabama Securities Commission, who has been involved in several outreach campaigns warning investors about free-meal scams.



JOSEPH P. BORG  
Director

EDWIN L. REED  
Deputy Director  
Administration

STEPHEN P. FEAGA  
Deputy Director  
Enforcement

AMANDA W. SENN  
General Counsel

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Certified Public  
Accountant

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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 8, 2015

The Alabama Securities Commission held a meeting on September 8, 2015 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. Alice Martin (Attorney General’s Office)  
Hon. Jim Ridling (Insurance Commissioner)  
Hon. John Harrison (Banking Commissioner)  
Hon. Dag Rowe, Attorney at Law  
Hon. Marlene M. McCain, CPA

#### Commission Members Absent:

Hon. Luther Strange, Attorney General  
Hon. Everette Price, Jr., Attorney at Law

#### Staff Members Present:

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

#### Public Attendees:

No member of the public attended this meeting.

The meeting was called to order at 10:07 a.m. by Commissioner Hart, Chairman and the Chair notes that there is a quorum present. Chairman Hart asked for a roll call and each present member (as detailed above) was accounted for. A motion was made by Commissioner Martin to approve the meeting agenda which was seconded by Commissioner McCain. A motion was made by Commissioner Ridling to approve the minutes of the previous meeting held June 15,

2015 and said motion was seconded by Commissioner Harrison. The motion carried unanimously.

Chairman Hart asked Director Borg to begin his report. At this time, Director Borg began discussing the monthly report. Director Borg discussed the Accounting Department report, then moved on to the Registration Division statistics and Enforcement Division cases. Borg continued the report by updating the Commissioners on the Data Systems Division and concluded the monthly report with a summary of the activities of the Public Affairs Division. Director Borg also updated the Commissioners on the progress on Blue Express (a new electronic mutual fund filing process).

Director Borg briefed the Commissioners on potential legislation for the upcoming year with regard to protection vulnerable adults from financial exploitation. Chairman Hart discussed the State budgetary crisis, as well as a discussion regarding the monetary compensation for State employees in the Attorney IV position.

The final meeting item was a motion to pay expenses for the Commissioners. Motion was made by Commissioner Ridling and seconded by Commissioner Harrison. The motion carried unanimously. Motion to Adjourn was then made by Commissioner McCain and seconded by Commissioner Harrison and was unanimously carried. The meeting adjourned at 11:44 a.m.

  
\_\_\_\_\_  
JAMES HART  
CHAIRMAN

  
\_\_\_\_\_  
JOSEPH BORG  
DIRECTOR



JOSEPH P. BORG  
Director

EDWIN L. REED  
Deputy Director  
Administration

STEPHEN P. FEAGA  
Deputy Director  
Enforcement

AMANDA W. SENN  
General Counsel

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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 June 15, 2015

The Alabama Securities Commission held a meeting on June 15, 2015 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. Bill Garrett (Attorney General's Office)  
Hon. John Harrison (Banking Commissioner)  
Hon. Dag Rowe, Attorney at Law  
Hon. Everett Price, Jr., Attorney at Law  
Hon. Reyn Norman (Dept. of Insurance)

#### Commission Members Absent:

Hon. Luther Strange, Attorney General  
Hon. Jim Ridling (Insurance Commissioner)  
Hon. Marlene M. McCain, CPA

#### Staff Members Present:

Hon. Joseph Borg, Director  
Hon. Edwin Reed, Deputy Director, Administration  
Hon. Steve Feaga, Deputy Director, Enforcement  
Ms. Christie Rhodes, Executive Assistant  
Hon. Amanda Senn, General Counsel

#### 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. Chairman Hart asked for a roll call and each present member (as detailed above) was accounted for. A motion was made by Commissioner Price to approve the meeting agenda the minutes of the previous meeting held March 24, 2015 and said motion was seconded by Commissioner Harrison. The motion carried unanimously.

Chairman Hart recounted to the Commission his experience in attending the NASAA Spring Conference in Washington DC and complimented NASAA and Director Borg on the organization's contribution to the investors of the country.

At this time, Director Borg began discussing the monthly report. Director Borg discussed the Accounting Department report, noting that there were a few additions to the staff in the form of summer interns, then moved on to the Registration Division statistics and Enforcement Division cases. Borg continued the report by updating the Commissioners on the Data Systems Division and concluded the monthly report with a summary of the activities of the Public Affairs Division. Director Borg also updated the Commissioners on the Sunset Review Audit scheduled to begin the following week by the Department of Public Examiners and urged the Commissioners to complete the surveys sent to each of them by the examiners.

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 Rowe and the meeting went into Executive Session at 10:56 a.m. after a unanimous vote of all present Commissioners. Deputy Director Feaga estimated the Executive Session would last approximately thirty (30) minutes.

At 11:42 a.m., the open meeting was reconvened and the Executive Session ended by motion of Commissioner Rowe and seconded by Commissioner Price 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 Harrison and seconded by Commissioner Price. The motion carried unanimously. Motion to Adjourn was then made by Commissioner Price and seconded by Commissioner Harrison and was unanimously carried. The meeting adjourned at 11:44 a.m.



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JAMES HART  
CHAIRMAN



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JOSEPH BORG  
DIRECTOR





JOSEPH P. BORG  
Director

EDWIN L. REED  
Deputy Director  
Administration

STEPHEN P. FEAGA  
Deputy Director  
Enforcement

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S. DAGNAL ROWE  
Attorney at Law

## AGENDA

### COMMISSION MEETING

June 15, 2015

10:00 a.m.

#### I. Call to Order

Approval of Agenda

Approval of Minutes from Previous Meeting (Tab A)

#### II. New Business:

- (a) Monthly Commission Report (Tab B)
- (c) Legislative Update-Current Status
- (d) 2016 Session: Money Transmitters Bill (inc. digital currency)  
Aggravated Theft Bill (over \$100k)  
Oil & Gas Leasing (potential licensing database)
- (e) Legal Case Update (Executive Session)
- (f) Motion to Pay Appropriate Commissioners' Expenses

#### III. Adjourn



JOSEPH P. BORG  
Director  
EDWIN L. REED  
Deputy Director  
Administration  
STEPHEN P. FEAGA  
Deputy Director  
Enforcement

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Commissioner of Insurance  
S. DAGNAL ROWE  
Attorney at Law  
EVERETTE A. PRICE, JR.  
Attorney at Law  
MARLENE M. McCAIN  
Certified Public Accountant

### AMENDED ALABAMA SECURITIES COMMISSION MEETING March 24, 2015

The Alabama Securities Commission held a meeting on March 24, 2015 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. John Harrison (Banking Commissioner)  
Hon. Jim Ridling (Insurance Commissioner)  
Hon. Marlene M. McCain, CPA  
Hon. Everett Price, Jr., Attorney at Law

#### Commission Members Absent:

Hon. Luther Strange, Attorney General  
Hon. Dag Rowe, Attorney at Law

#### Staff Members Present:

Hon. Edwin Reed, Deputy Director, Administration  
Hon. Steve Feaga, Deputy Director, Enforcement  
Ms. Christie Rhodes, Executive Assistant  
Hon. Amanda Senn, General Counsel

#### Public Attendees:

No member of the public attended this meeting.

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. The Chairman noted that Director Borg was not in attendance and the meeting will be carried out with Deputy Director Reed giving the reports in Director Borg's absence. Chairman Hart would like the minutes to reflect the Commission's condolences to Director Borg on his father's passing. A motion was made by Commissioner Price to approve the meeting agenda the minutes of the previous meeting held December 16, 2014 and said motion was seconded by Commissioner McCain. The motion carried unanimously.

Chairman Hart informed the Commission that upon expiration of his term on the Commission, he was reappointed by the Governor and confirmed by the Legislature for another 4 year term. Chairman Hart expressed his admiration for Director Borg and the work that has been accomplished by the Alabama Securities Commission.

At this time, Deputy Director Reed began discussing the monthly report. Deputy Director Reed reported on Commission revenues, expenses and personnel. Deputy Director Reed discussed the Accounting Department report, the Registration Division statistics and Enforcement Division cases. Reed continued the report by updating the Commissioners on the Data Systems Division and concluded the monthly report with a summary of the activities of the Public Affairs Division. .

Deputy Director Reed 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 Harrison and the meeting went into Executive Session at 11:07 a.m. after a unanimous vote of all present

Commissioners. Deputy Director Reed estimated the Executive Session would last approximately ten (10) minutes.

At 11:155 a.m., the open meeting was reconvened and the Executive Session ended by motion of Commissioner Harrison 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 Harrison and seconded by Commissioner McCain. The motion carried unanimously. Motion to Adjourn was then made by Commissioner McCain and seconded by Commissioner Price and was unanimously carried. The meeting adjourned at 11:17 a.m.



JAMES HART  
CHAIRMAN



EDWIN REED  
DEPUTY DIRECTOR



JOSEPH P. BORG  
Director

EDWIN L. REED  
Deputy Director  
Administration

STEPHEN P. FEAGA  
Deputy Director  
Enforcement

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Attorney at Law

EVERETTE A. PRICE, Jr.  
Attorney at Law

MARLENE M. MCCAIN  
Certified Public Accountant

## ALABAMA SECURITIES COMMISSION MEETING March 24, 2015

The Alabama Securities Commission held a meeting on March 24, 2015 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. John Harrison (Banking Commissioner)  
Hon. Jim Ridling (Insurance Commissioner)  
Hon. Marlene M. McCain, CPA  
Hon. Everett Price, Jr., Attorney at Law

#### Commission Members Absent:

Hon. Luther Strange, Attorney General  
Hon. Dag Rowe, Attorney at Law

#### Staff Members Present:

Hon. Edwin Reed, Deputy Director, Administration  
Hon. Steve Feaga, Deputy Director, Enforcement  
Ms. Christie Rhodes, Executive Assistant  
Hon. Amanda Senn, General Counsel

#### Public Attendees:

No member of the public attended this meeting.

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. The Chairman noted that Director Borg was not in attendance and the meeting will be carried out with Deputy Director Reed giving the reports in Director Borg's absence. Chairman Hart would like the minutes to reflect the Commission's condolences to Director Borg on his father's passing. A motion was made by Commissioner Price to approve the meeting agenda the minutes of the previous meeting held December 16, 2014 and said motion was seconded by Commissioner McCain. The motion carried unanimously.

Chairman Hart informed the Commission that upon expiration of his term on the Commission, he was reappointed by the Governor and confirmed by the Legislature for another 4 year term. Chairman Hart expressed his admiration for Director Borg and the work that has been accomplished by the Alabama Securities Commission.

At this time, Deputy Director Reed began discussing the monthly report. Deputy Director Reed reported on Commission revenues, expenses and personnel. Deputy Director Reed discussed the Accounting Department report, the Registration Division statistics and Enforcement Division cases. Reed continued the report by updating the Commissioners on the Data Systems Division and concluded the monthly report with a summary of the activities of the Public Affairs Division.

Deputy Director Reed 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 Harrison and the meeting went into Executive Session at 11:07 a.m. after a unanimous vote of all present Commissioners.

At 11:15 a.m., the open meeting was reconvened and the Executive Session ended by motion of Commissioner Harrison 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 Harrison and seconded by Commissioner McCain. The motion carried unanimously. Motion to Adjourn was then made by Commissioner McCain and seconded by Commissioner Price and was unanimously carried. The meeting adjourned at 11:17 a.m.

  
\_\_\_\_\_  
JAMES HART  
CHAIRMAN

  
\_\_\_\_\_  
EDWIN REED  
DEPUTY DIRECTOR



JOSEPH P. BORG  
Director

EDWIN L. REED  
Deputy Director  
Administration

STEPHEN P. FEAGA  
Deputy Director  
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Attorney at Law

MARLENE M. McCAIN  
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S. DAGNAL ROWE  
Attorney at Law

## ALABAMA SECURITIES COMMISSION MEETING December 16, 2014

The Alabama Securities Commission held a meeting on December 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. Kevin Turner, Chief Deputy Attorney General
- Hon. Marlene M. McCain, CPA
- Hon. Everett Price, Jr., Attorney at Law
- Hon. Dag Rowe, Attorney at Law
- Ms. Elizabeth Bressler (Representative for Banking Commissioner)

### Commission Members Absent:

- Hon. Luther Strange, Attorney General
- Hon. John Harrison (Banking Commissioner)
- Hon. Jim Ridling (Insurance Commissioner)

### 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
- Hon. Amanda Senn, General Counsel
- Ms. Lisa Tolar, Registration Manager
- Ms. Rena Davis, Registration Manager, Auditing

### Public Attendees:

No member of the public attended this meeting.



The meeting was called to order at 10:07 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 September 24, 2014 and said motion was seconded by Commissioner McCain. The motion carried unanimously.

Director Borg then announced to the Commissioners that Amanda Senn had been promoted to General Counsel and would be working more closely with him on many administrative and other matters going forward. In addition, the Commission was also informed that Mike Gantt has been promoted to Senior Special Agent of the Enforcement Division and will be working along with Senior Special Agent Locklar.

Mr. Borg reminded the Commissioners that the next several meetings will include a brief review of each ASC division given by the head of each division. The Registration Division is scheduled for today.

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. Borg continued the report by updating the Commissioners on the Data Systems Division and concluded the monthly report with a summary of the activities of the Public Affairs Division. Director Borg briefed the Commission on a draft piece of legislation to address the "diminished capacity" issue and informed the Commissioners that a rough draft memo would be forthcoming in the upcoming year for review and comments.

Director Borg then briefed the Commission regarding the press release on the settlement of the National Railcar case.

After the Monthly Report, Registration Manager of the Audit Division, Rena Davis gave an operations update pertaining to the audit side of Registration, which included a brief PowerPoint presentation (attached). Next, Lisa Tolar Registration Manager, Examination then

briefed the Commissioners on the examination side of Registration, which included a brief PowerPoint presentation, (attached).

At this time, Edwin Reed, Deputy Director, Administration, briefly outlined the Town Hall meetings being organized by Dan Lord that are sponsored by various Chambers of Commerce in the state thereby educating the public about the "crowdfunding" issue.

Steve Feaga, Deputy Director, Enforcement informed the Commissioners on a pending trial set for January and two other trials set for May of 2015.

The final meeting item was a motion to pay expenses for the Commissioners. Motion was made by Commissioner Rowe and seconded by Commissioner Price. The motion carried unanimously. Motion to Adjourn was then made by Commissioner McCain and seconded by Commissioner Price and was unanimously carried. The meeting adjourned at 11:37 a.m.

  
\_\_\_\_\_  
JAMES HART  
CHAIRMAN

  
\_\_\_\_\_  
EDWIN REED  
DEPUTY DIRECTOR





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