



# ALABAMA SECURITIES COMMISSION

## Annual Report

**Fiscal Year Ending  
September 30, 2016**

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 2016**  
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# 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 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;
- 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.

The Alabama Securities Commission is committed to providing the strongest

# 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 2016 were:

## **ACTIVE**

JAMES L. HART, Chairman	Certified Public Accountant Birmingham, Alabama	12/10 - Present
LUTHER STRANGE Member	Attorney General Montgomery, Alabama	01/11 - Present
MIKE HILL, Member	Superintendent of Banking Montgomery, Alabama	07/16 - Present
JIM L. RIDLING, Member	Commissioner of Insurance Montgomery, Alabama	09/08 - 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
R. AUSTIN HUFFAKER, Jr. Member	Attorney at Law Montgomery, Alabama	04/16 - Present

## **PAST**

JOHN D. HARRISON, Member	Superintendent of Banking Montgomery, Alabama	02/05 - 07/16
EVERETTE A. PRICE, Jr. Member	Attorney at Law	05/12 - 04/16

# ASC PERSONNEL (FY 2016)

ASC PERSONNEL

<p><b>Directorate</b> Joseph P. Borg, Director Edwin L. Reed, Deputy Director, Administration Stephen P. Feaga, Deputy Director, Enforcement and Litigation Amanda L. Senn, General Counsel Christie A. Rhodes, Executive Assistant II Martha J. Thomas, Admin. Support Asst. II</p> <p><b>Legal Division</b> Gregory M. Biggs, Attorney IV Leslie D. Worrell, Attorney III James B. Eubank, Attorney I/II Kimathy J. Booher, Paralegal Shana T. Proctor, Paralegal Lisa M. Ray, 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 Spec.</p> <p><b>Education and Public Affairs Division</b> Daniel G. Lord, Training Specialist II Clint L. Niemeyer, Public Information Specialist Faith D. Feaga, Student Aide</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>Paul A. Gugliotta, Special Agent Charles G. Harrison, Special Agent Charles R. James, Jr., Special Agent Steven R. Jones, Special Agent Kimberly S. Lewis, Special Agent Mark L. Mitchell, Special Agent Rossie L. Peters, Special Agent Robert W. Sharp, Special Agent Charles A. Traywick, Special Agent Michael D. Wilkerson, Special Agent Anita F. Wilkerson, Executive Secretary Carrie L. Springer, ASA III Kathy R. Lassiter, ASA II Kimberlee A. Martel, ASA II Matthew G. McCann, Student Aide</p>
<p style="text-align: center;"><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 Supvr. Tina M. Tell, Securities Analyst Supervisor Timothy W. Adams, Securities Analyst, Senior Ashlee B. Gould, Securities Analyst, Senior LaShonda D. Moultrie, Securities Analyst, Sr. Sandra D. Smith, Securities Analyst, Senior Sonya C. Daniels, ASA II Mary G. Rollan, ASA III Patricia J. Wilson, ASA III Mary C. Sanders, Clerical Aide</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 David R. Strickland, Securities Analyst Sarah J. Pike, ASA II Emily C. Tolar, Clerical Aide</p>

# ALABAMA SECURITIES COMMISSION REGULATORY SERVICES PROGRAM

## APPROPRIATION DESCRIPTION

The Commission is self-funding and self-sustaining; assists Alabama businesses during capital formation; and protects Alabama's issuers, businesses and residents from fraudulent securities transactions. The Commission does not recommend or endorse broker-dealer firms, salesmen, investment adviser firms, representatives or the purchase of any securities; nor does it pass upon the accuracy or completeness of any prospectus, private placement memorandum or sales literature. The Commission does, however, bring administrative, civil, and criminal actions including receiverships, the issuance of warrants, preparation of indictments, and conducts trials when necessary. Extensive examinations and investigations are conducted by Commission personnel, including multi-jurisdictional investigations and joint cases with federal, state and local law enforcement or regulatory agencies.

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

FUND 375: Securities Commission Fund. The Commission is responsible for administering and enforcing laws of the State of Alabama relative to the Alabama Securities Act, § 8-6-1, *et seq.*, Securities Act No. 740. The purpose of the Act is to protect investors from fraud and to preserve legitimate capital markets. These objectives are accomplished legislatively by: (1) requiring the registration or the specific exemption from registration of securities prior to their public or private offer of sale; (2) requiring the licensing of dealers, agents, investment advisers and investment adviser representatives and regulating their activities; (3) requiring Reg. D filing notices under the Securities Acts of 1933; (4) requiring the filing of mutual funds and certain other specialized securities offerings through exemption; and, (5) providing civil remedies for violations of the Act and providing administrative, civil and criminal penalties for those who violate the Act.

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

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

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<b>Notification</b>	Generally available for seasoned issuers and requires limited disclosure.	\$40 filing fee + registration fee of 1/10 of 1% of the aggregate offering price of the securities offered in this state. Registration fee not to exceed \$1,500 nor be less than \$100	§ 8-6-8(d) Code of Alabama, 1975
<b>Coordination</b>	Registered statement has been filed in connection with the same offering. State filing in conjunction with SEC filing.	\$40 filing fee + registration fee of 1/10 of 1% of the aggregate offering price of the securities offered in this state. Registration fee not to exceed \$1500 nor be less than \$100	§ 8-6-8(d) Code of Alabama, 1975
<b>Qualification</b>	Any other security.	\$40 filing fee + registration fee of 1/10 of 1% of the aggregate offering price of the securities offered in this state. Registration fee not to exceed \$1500 nor be less than \$100	§ 8-6-8(d) Code of Alabama, 1975
<b>Open End Management Company</b>	Face amount certificate company or Unit Investment Trust registering indefinite amount	\$100 filing fee + \$1,500 registration fee	§8-6-8(d) Code of Alabama, 1975
<b>Exemption</b>	Securities not required to be registered by virtue of exemption under federal, state, or provincial statutes.		
<b>Limited Offerings</b>	Offerings conducted solely in this state to residents of this state	\$150	§ 8-6-11(a)(14)(n), Code of Alabama, 1975
	(2) Regulation D filing under Rules 505 and 506	\$300	§ 8-6-11(c), Code of Alabama, 1975 Commission Rule 830-X-6-.11(1)(a)(3)(iv)
	(3) Expansion Order filing to increase the number of purchasers in a limited offering that has already been exempted from registration.	\$300	§ 8-6-11(c), Code of Alabama, 1975
	(4) For sale up to 25 Alabama purchasers in 12 months.	\$300	Commission Rule 830-X-6-.12(1)(d)(iv)
	Extension of the term up to 12 months	\$300	Commission Rule 830-X-6-.12(1)(d)(iv)

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	(5) Regulation A Tier I and Tier II	\$40 filing fee + variable fee of 1/10 of 1% of the aggregate offering price of the securities offered in this state. Variable fee not to exceed \$1500 nor be less than \$100	§ 8-6-8(d) Code of Alabama, 1975  (Registration required pre-JOBS Act)
<b>Mutual Fund Exemption</b>	Registration exemptions for Open-End Management Investment Company:  Total assets less than or equal to \$25 million:  Total assets greater than \$25 million, less than \$100 million:  Total assets greater than \$100 million:  Unit Investment Trusts:	  \$350  \$700  \$1,200  \$200	§ 8-6-10(11)(a)(2), Code of Alabama, 1975  § 8-6-10(11)(a)(2), Code of Alabama, 1975
<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. (1) Investigative fee for initial application (2) Registration fee for principal office (3) Additional location and agents in the state	  \$250  \$250  \$5 per office not to exceed \$250. (Max registration fee \$500, exclusive of investigative fee)	§ 8-7-6, Code of Alabama, 1975  § 8-7-9, Code of Alabama, 1975
<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

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<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
<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

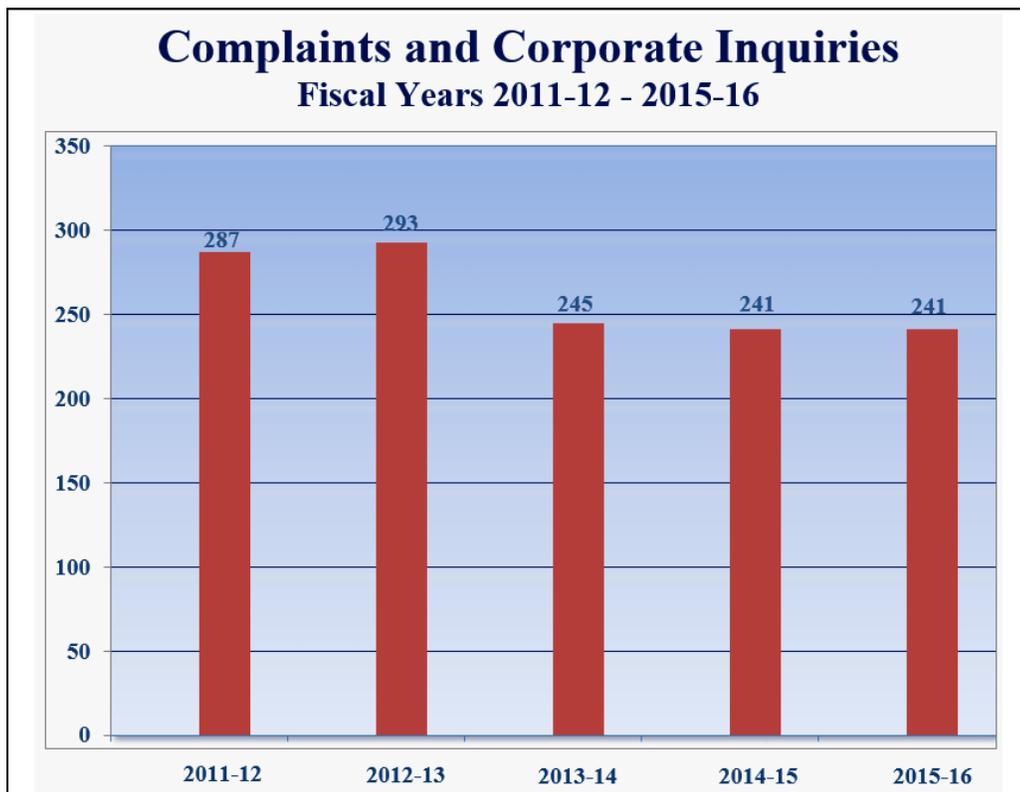
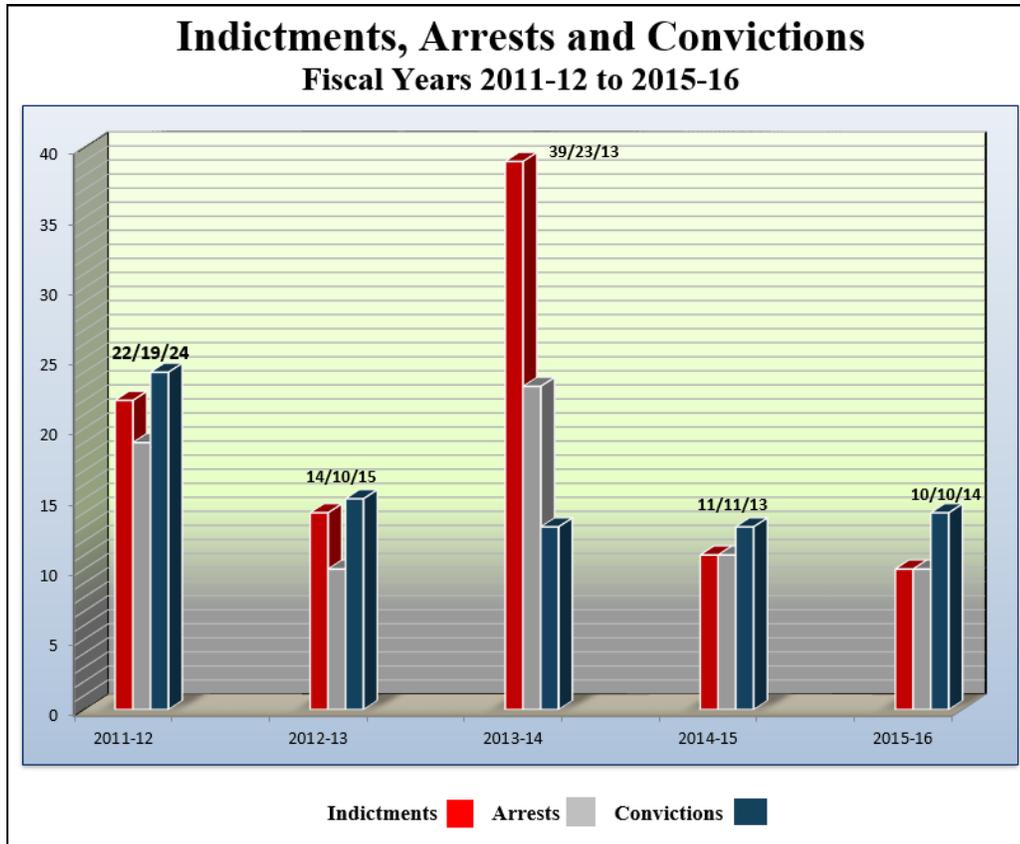
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## ASC Statistical Summary from FY 2016

- ▶ ASC total staff – **55** (includes 7 attorneys, 12 special agents, and 13 securities analysts)
- ▶ Registrations and exemptions issued – **167,528**
- ▶ Onsite examinations/audits - **57**
- ▶ Complaints and corporate inquiries received - **241**
- ▶ Industrial Revenue Bonds reviewed - **\$2,056,737,975**
- ▶ Administrative Orders issued - **17**
- ▶ Administrative Order respondents – **45**
- ▶ Rescissions ordered - **\$837,356**
- ▶ Restitution ordered to victims - **\$5,908,670**
- ▶ Public warnings issued - **8**
- ▶ Indictments (**10**) and arrest warrants (**0**) obtained - **10**
- ▶ Convictions - **14**
- ▶ Arrests made - **10**
- ▶ Years of incarceration ordered – **68**
- ▶ Individuals awaiting grand jury action, arrest or trial - **31**
- ▶ Contributed to State General Fund - **\$ 10,979,150**
- ▶ Educational seminars on wise and safe

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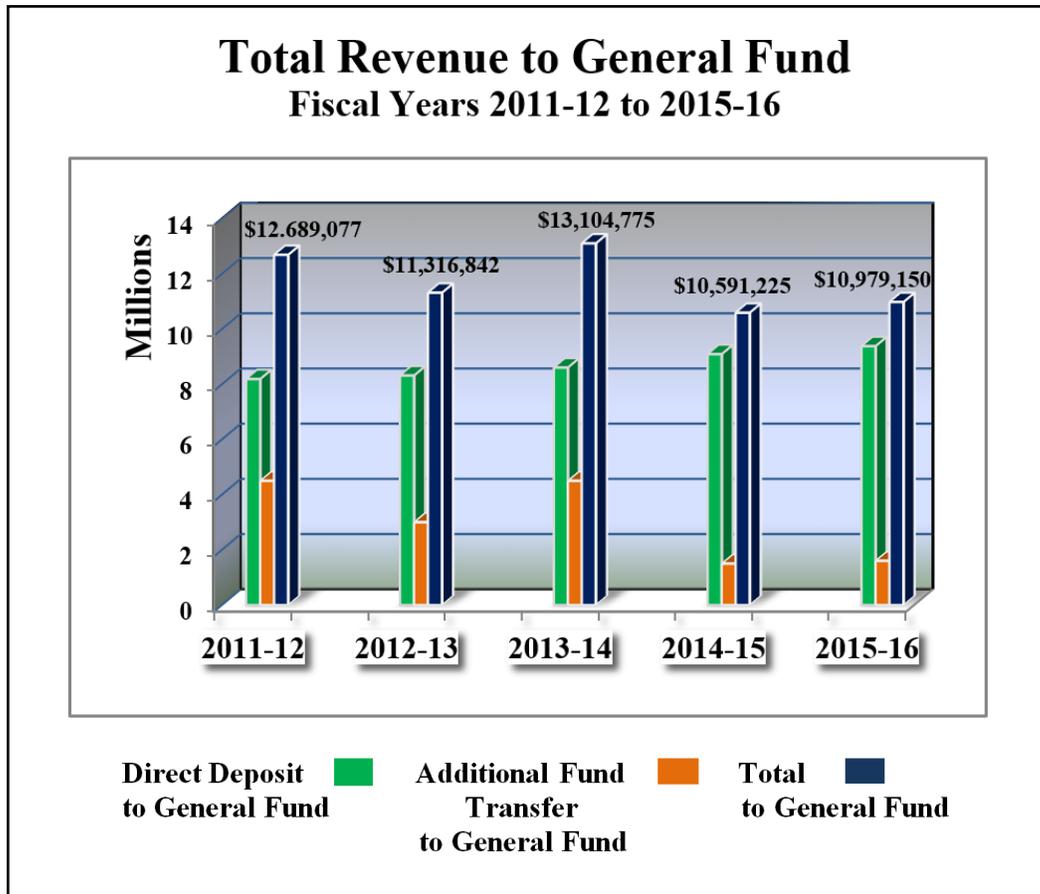
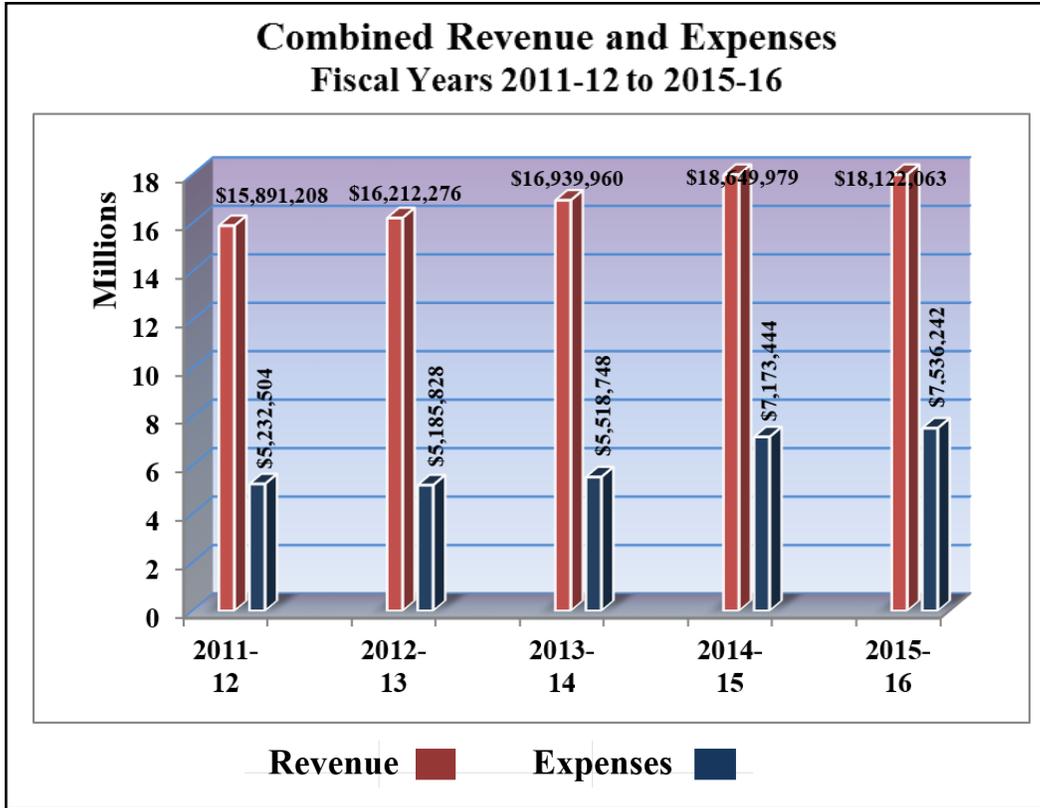
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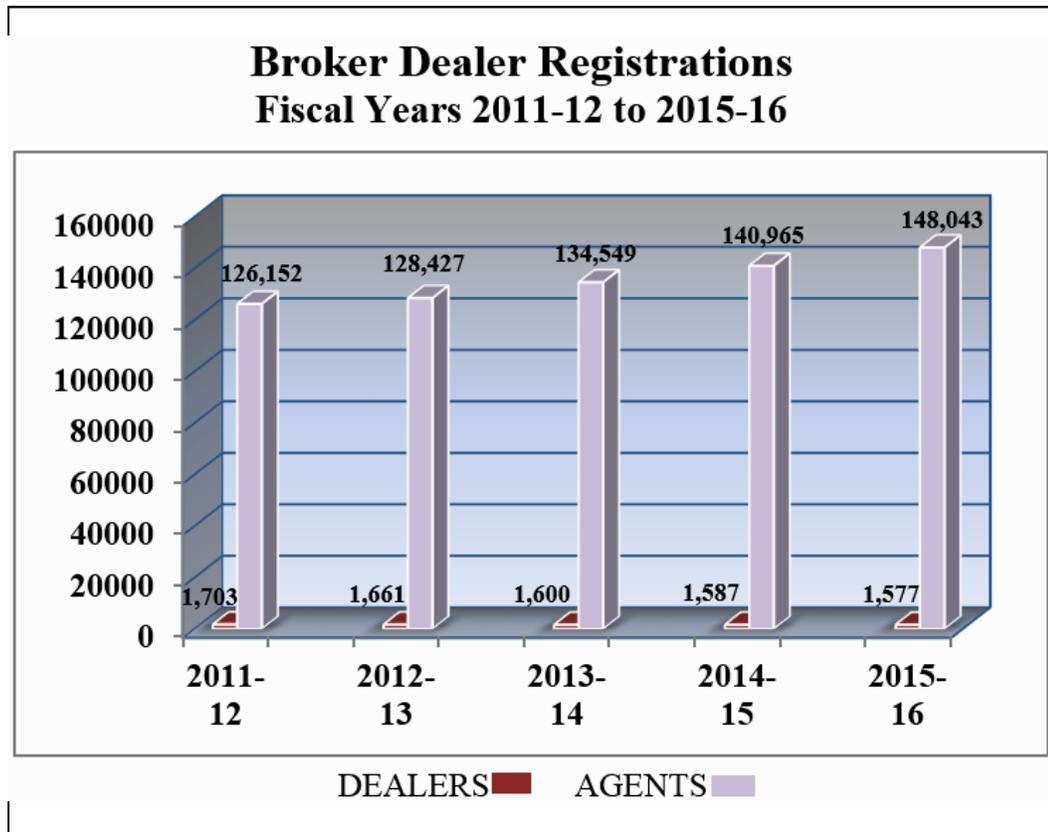
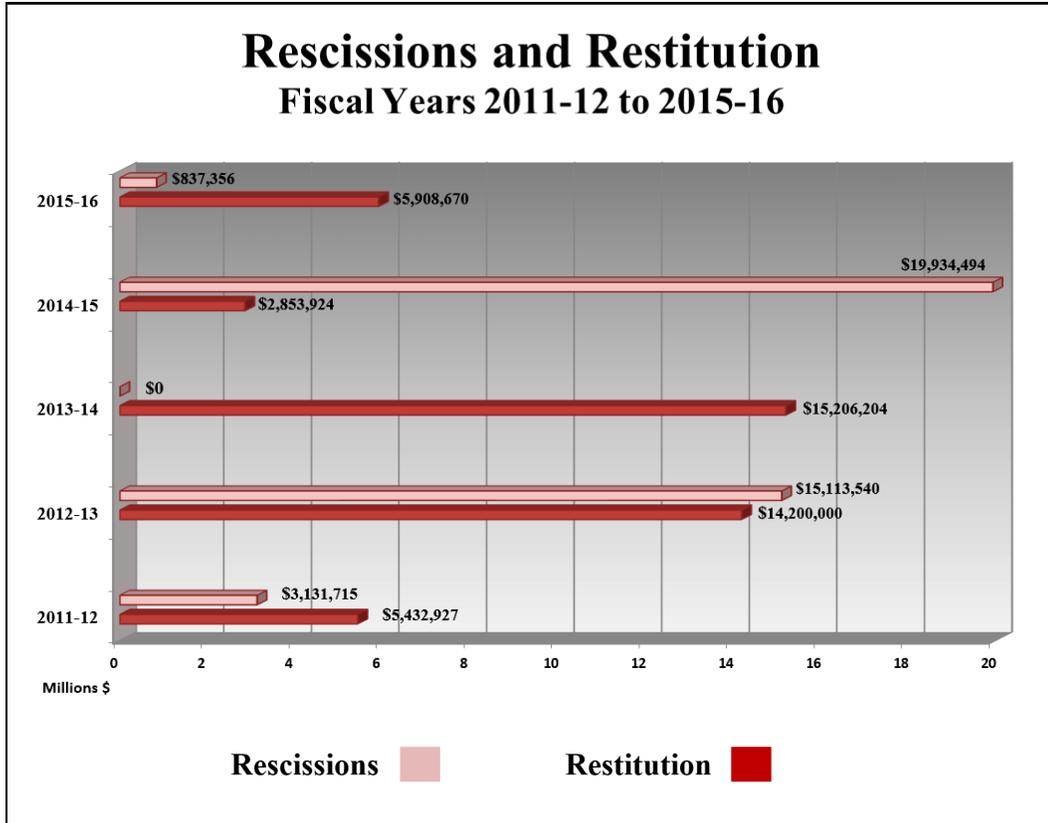
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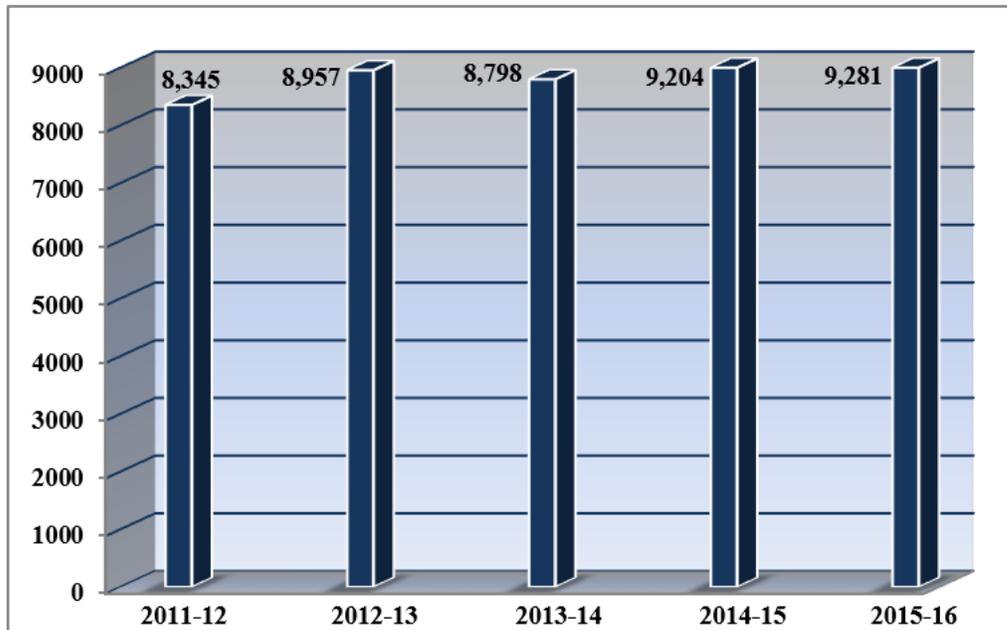
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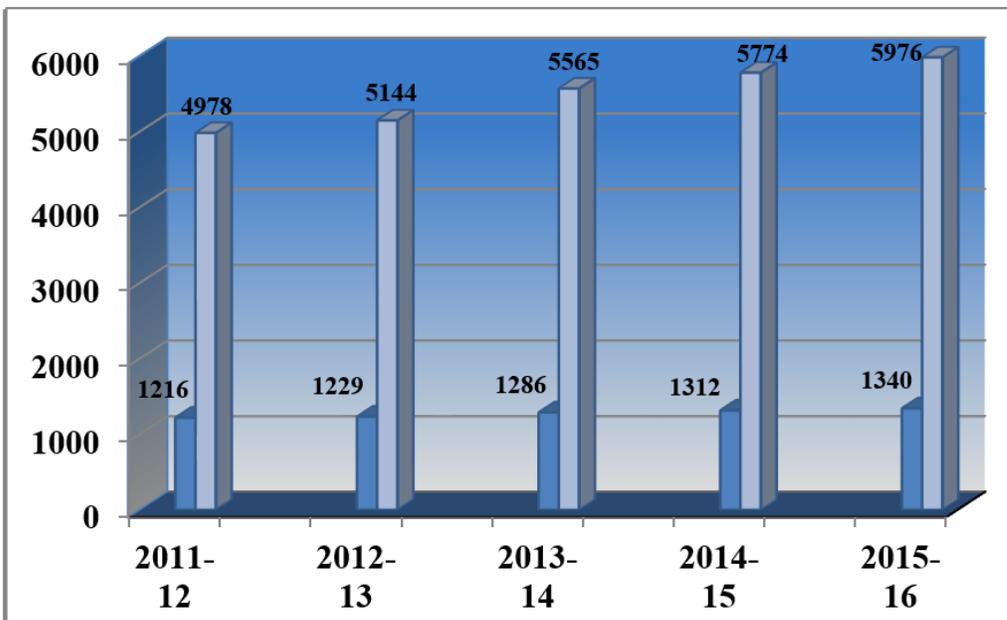
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### Mutual Fund Filings and Exemptions Fiscal Years 2011-12 to 2015-16



### Investment Adviser Registrations and Notice Filers Fiscal Years 2011-12 to 2015-16



IA FIRMS    IA REPS (Individuals)

# FINANCIAL STATEMENT

## FISCAL YEAR 2016

### Agency Revenues

Authority

§ 8-6-3(h)	Investment Advisers & Representatives .....	\$ 9,979,140
	Broker-Dealers & Representatives .....	
§ 8-6-8	Securities Registration.....	84,825
§ 8-6-11	Exemptions.....	223,800
§ 8-6-19	Administrative Assessments/Investigative Executions.....	353,077
§ 8-6-10(11)(b)(2)	Mutual Fund Exemptions.....	7,419,980
§ 8-6-29	Opinions.....	450
§ 8-6-115	Industrial Revenue Bonds.....	5,999
§§ 8-7-6; 8-7-9	Sale of Checks .....	52,895
	Miscellaneous Revenues .....	1,897
	<b>TOTAL REVENUES .....</b>	<b>18,122,063</b>
	To General Fund .....	\$ 9,379,150
	To Sale of Checks Fund .....	52,895
	To Securities Commission Fund .....	8,684,018
	To Industrial Revenue Fund .....	5,999
	<b>TOTAL .....</b>	<b>\$ 18,122,063</b>

### Expenditures

Personnel Costs .....	\$ 3,167,716
Employee Benefits .....	1,175,890
Travel (In-State).....	50,952
Travel (Out of State).....	57,684
Repairs & Maintenance .....	3,054
Rentals & Leases .....	753,458
Utilities & Communications .....	59,363
Professional Services .....	260,896
Supplies, Materials & Operating Expenses.....	201,910
Transportation Equipment Operations .....	45,085
Grants and Benefits.....	0
Transportation Equipment Purchases.....	96,641
Other Equipment Purchases .....	63,594
<b>TOTAL .....</b>	<b>\$ 5,936,242</b>
Additional Transfer to State General Fund .....	\$ 1,600,000
<b>TOTAL EXPENDITURES .....</b>	<b>\$7,536,242</b>
<b>TOTAL TO GENERAL FUND FOR FISCAL YEAR 2016 .....</b>	<b>\$10,979,150</b>

# Alabama Securities Commission Enforcement Division

## Enforcement Activity

Corporate Inquiries Opened	150
Corporate Inquiries Closed	159
Investigations Opened - "I"	39
Investigations Closed - "I"	29
Investigations Opened - "S"	52
Investigations Closed - "S"	55
Administrative Actions	17
Administrative Action Respondents	45
Indictments/Warrants Obtained	10
Arrests Made	10
Convictions Obtained	14
Public Warnings Issued	8

### Administrative Orders Issued

A comparative summary of the Enforcement Division's Fiscal Year 2016 activities are shown on the following chart:

TYPE OF ORDER ISSUED	RESPONDENTS	ORDERS
Cease and Desist	20	7
Consent	14	6
Show Cause	9	2
Consent Agreement	2	2
<b>TOTALS:</b>	<b>45</b>	<b>17</b>

# REGISTRATIONS &

## TOTAL NUMBER OF REGISTRATIONS AND EXEMPTIONS ISSUED IN FY 2016: 167,528

10/01/2015 - 09/30/2016

	Application Filed	Application Approved	Renewal Processed	Application Withdrawn	Application Terminated
Broker/Dealer	91	92	1485	10	110
Broker/Dealer Agent	n/a	28841	119202	355	25140
Eleemosynary Financing Exemption	30	30	0	3	3
Exempt Consent	0	0	0	0	0
Expansion Order	5	4	0	1	3
Industrial Revenue Bond	9	9	0	0	0
Investment Adviser - Federal	93	89	1095	1	66
Investment Adviser-State Registered	25	23	133	4	15
Investment Adviser Representative	n/a	1054	4922	37	977
Limited Offering	769	735	0	4	251
Mutual Fund Exemptions	2051	2051	7230	0	243
Registration by Coordination	62	57	0	17	27
Registration by Qualification (Reg A)	7	6	0	1	0
Registration by Notification	0	0	0	0	0
Restricted Agent	37	40	278	1	42
Sale of Checks Vendor	16	16	136	2	4

## INDUSTRIAL REVENUE BONDS FILED IN FY2016

FILE #	FEES	NAME OF FILING	DATE FILED	AMOUNT OF ISSUE
39927	\$1,000.00	Franklin Primary Health Center Project, Series 2015 (The Second Medical Clinic Board of the City of Mobile, AL) Alabama Refunding Revenue Bond	10/9/2015	\$43,300,000.00
40079	\$654.38	The Industrial Development Board of the City of Jasper, AL Offering	12/19/2015	\$1,308,762.00
40092	\$400.00	Progress Rail Services Corporation Project (The Industrial Development Board of the City of Arab, AL)	12/17/2015	\$800,000.00
40093	\$1,000.00	The Medical Clinic Board of the City of Jasper, AL (BB WBMC, LLC Project) Series 2015A and (BBH WBMC, LLC Project) Series 2015-B	12/17/2015	\$497,000,000.00
40094	\$1,000.00	The Medical Clinic Board of the City of Talladega, AL (BBH WBMC, LLC Project) Series 2015A and (BBH CBMC, LLC Project) Series 2015B	12/17/2015	\$105,000,000.00
40096	\$1,000.00	The Medical Clinic Board of the City of Birmingham, AL-General (BBH PBMC, LLC Project) Series 2015B	12/17/2015	\$632,000,000.00
40282	\$945.00	Golden Boy Nut Corporation (The Industrial Development Board of the City of Troy, AL)	3/11/2016	\$1,890,000.00
40701	\$219.61	Lakeside Steele Alabama, Inc. (The Industrial Development Board of the City of Thomasville, AL)	9/23/2016	\$439,213.98
40721	\$1,000.00	BBH SBMC, LLC Project, Series 2016A and BBH SBMC, LLC Project, Series 2016B (The Medical Clinic Board of the City of Alabaster, AL)	9/30/2016	\$775,000,000.00
<b>TOTAL</b>	<b>\$6,218.99</b>			<b>\$2,056,737,975.98</b>



## Director's Report

### ASC Continues to Protect Alabamians Through Education, Registration and Enforcement



Joseph P. Borg, Director

The Alabama Securities Commission (ASC) is strongly committed to protect 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. 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 is proud to announce the passing of a bill entitled **Protection of Vulnerable Adults from Financial Exploitation Act** which became effective July 1, 2016. The bill was drafted by the Alabama Securities Commission (ASC). Alabama was one of the first five states to pass this type of legislation.

The Alabama Securities Commission thanks Senator Arthur Orr, Senator Tim Melson and Representative Paul Beckman for their sponsorship of the bill, and for their dedication and advocacy on behalf of all Alabama citizens, especially our senior citizens. The bill passed with broad support from Senators and Representatives in the Alabama Legislature and was signed into law by Governor Robert Bentley in April 2016.

Senate Bill 220, entitled Protection of Vulnerable Adults from Financial Exploitation Act, will provide an important added layer of legal protection for Alabama adults who may be susceptible to financial abuse and exploitation (sometimes as a result of diminished capacity).

Under the new law, both the Alabama Securities Commission and the Alabama Department of Human Resources will be promptly notified by broker-dealers, investment advisers, agents and other qualified individuals who service the financial needs of adults when those financial professionals have a reasonable belief that financial exploitation of a vulnerable adult may have occurred, has been attempted or is being attempted.

Financial professionals and other qualified individuals who report suspected financial abuse, in good faith and when exercising reasonable care, will be granted immunity from administrative and civil actions in delaying disbursing funds from a vulnerable adult's account to prevent loss or theft when certain qualifying factors are noted or suspected.

### Accomplishments and Office/Division Functions

In FY 2016 ASC returned **\$10,979,150** to the General Fund. This fiscal year, the demand for services increased with a continuing 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.

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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 2016 the Division's hard work resulted in **\$ 837,356** in rescissions from the execution of consent orders; more than **\$ 5,908,670** in victim restitution from prosecuted cases; **10** arrests; **14** convictions; and helped secure **68** years of incarceration for defendants found in violation of laws regulating the securities industry.

The Commission maintains one of the highest rates of success for convictions in the nation, which has been lauded by the Wall Street Journal, CNN, Forbes, Birmingham News and other prominent sources.

The Alabama Securities Act requires any security sold in Alabama to be appropriately registered or specifically exempt from registration; and, requires the registration of broker-dealer firms, their 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 2016, **167,528** 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 revenue 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 2016, the Auditing and Examinations Division conducted **57** audits, with **19** of these being for-cause examinations driven by investigations, customer complaints or licensing issues.

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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 2016, 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 2016, the Division helped acquire approximately **\$30,000** in grant money from the Investor Protection Trust. These funds helped provide personal finance and investor education events for teachers and students in grades 7-12, as well as for senior Alabamians concerned with the protection of their life savings and a need to make informed investment decisions. See ASC Education Corner, pages 22-32.

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.

The **Information Technology (IT) Division** plays a crucial role in the efficient provision and management of the Commission's electronic data requirements. Division personnel work diligently to provide streamlined, results-driven methods for the secure utilization and storage of sensitive information and the maintenance of the agency's computer hardware and software systems including constant information exchange with national databases covering more than 660,000 financial professionals and firms through the national Central Registration Depository (CRD) and Investment Adviser Registration Depository (IARD).

# Investor Education and Fraud Prevention Outreach Program



*Dan Lord  
Manager*

## **ASC EDUCATION CORNER** **Promoting Investor Protection**

ASC's Education and Public Affairs Division provides 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, high school field trip, or to request free materials about all facets of managing ones finances.



*Clint Niemeyer, Public  
Affairs Specialist*

## **ASC launches active Facebook and Twitter program**

The Alabama Securities Commission team has never been afraid to lead the way on new frontiers and is always looking for better ways to serve the citizens of Alabama. With the new age of technology, our Public Affairs and Education Department alongside the Information Technology (IT) Division, seized the opportunity to reach more citizens by creating Facebook and Twitter pages.

Initially, the pages were used to disseminate press releases. Realizing the need for a specialized approach, ASC leadership hired Faith Feaga. Faith, a Senior at The University of Alabama majoring in Public Relations, matches investor and personal finance education with current trending themes, like the 2016 Olympics.



*Faith Feaga, Student-  
Aide (Social Media)*

The use of social media is an excellent way to reach Alabamians, especially the millennials. Our goals for 2016 were to double the following on each of the accounts. Having done so, we look forward to continued growth in our social media following and exploring other outlets like Instagram and Snapchat.

## **Educating Working Adults and Seniors: ASC's Collaboration with Alabama Department of Senior Services (ADSS)**

ASC is grateful for the continued association with, and support of, the Alabama Department of Senior Services (ADSS). During FY 2016, the ASC, in association with ADSS and its statewide network of Area Agencies on Aging, hosted hundreds of working Alabama adults, senior citizens and professional caregivers at several important financial education events throughout the state. The events supported the promotion of the 9<sup>th</sup> annual World Elder Abuse Awareness Day (WEAAD) in June, 2016. During events held in Walker, Shelby, Montgomery and Madison Counties, citizens received valuable insight and educational materials to help them and their families defend against financial fraud, exploitation and victimization, and make more informed investment decisions.

The highlight of this year's WEAAD activities was the Elder Protection Seminar, held at the Jasper Civic Center on August 25, 2016. The ASC helped secure a generous grant from the Washington, D.C.-based

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## *Investor Education and Fraud Prevention Outreach Program*

*(Continued)*

Investor Protection Trust (IPT) to co-sponsor the event. Those agencies taking part in the seminar included the Office of Walker County District Attorney, Bill Adair, ASC, ADSS, Middle Alabama Area Agency on Aging (M4A), the Walker County Chamber of Commerce, Alabama Department of Human Resources, Alabama Coalition Against Domestic Violence, AARP of Alabama, Baptist Health Systems, elder law attorneys and area law enforcement agencies. More than 400 seminar attendees heard presenters speak on the many aspects of elder abuse and victimization, as well as the concerted efforts of the agencies represented to combat the systemic fraudulent activities that routinely target our state's elderly population. Continuing Education Credits were offered for attorneys, law enforcement personnel, nursing and social worker attendees.

During FY2016, several additional events were co-sponsored by ASC and ADSS/Area Agencies on Aging to help inform and educate working adults and seniors about efforts on their behalf to confront elder abuse and victimization in its many forms. In June, 2016, ASC, in partnership with Middle Alabama Area Agency on Aging (M4A), Montgomery Area Council on Aging (MACOA), and the Top of Alabama Regional Council of Governments (TARCOG)/Area Agency on Aging combined resources to make WEAAD-related presentations to more than 250 working adults, seniors and professional caregivers in Pelham, Montgomery and Huntsville, Alabama. Presenters offered attendees detailed information to assist them to make informed financial decisions, as well as guidance for successfully recognizing and avoiding possible elder financial scams and other related abuse that could jeopardize their life savings.

WEAAD-related events in Alabama also focused public attention on the Protection of Vulnerable Adults from Financial Exploitation Act (Code of Alabama, §8-6-170), authored by the ASC, with critical support from ADSS, Alabama DHR/Adult Protective Services and others. Effective July 1, 2016, the new law strives to increase protections for seniors who might suffer from diminished capacity and for other vulnerable adults, by clarifying and better aligning the responsibilities of financial professionals, regulators, law enforcement and adult protective services, regarding the reporting of suspected or confirmed senior financial exploitation.

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, whose mission is to strengthen partnerships that will help protect seniors and raise public awareness of elder abuse issues through education, advocacy and outreach. ASC looks forward to continuing and reinforcing its efforts with ADSS to assure that World Elder Abuse Awareness Day remains a strong and lasting movement for the protection of our state and nation's working adults and senior citizens.

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

During FY2016, 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.

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## *Investor Education and Fraud Prevention Outreach Program*

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ASC's Education and Public Affairs Division personnel visited 9 AERA chapters during FY2016, presenting educational programs to approximately 285 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 victimization by financial criminals who may persuade them to invest their retirement assets in unsuitable, unregistered and/or illegal investment vehicles.

### **Alabama Gerontological Society (AGS)**

AGS is a 501(c)(3) non-profit membership organization whose mission is devoted to improving the well-being of older Alabamians. AGS brings together individuals, service providers, educators, policy makers, students, and other individuals and groups who work in the area of aging or who have an interest in and concern for Alabama's elderly. A major purpose of AGS is to ensure that older individuals have the opportunity to be full participating members of society with all the rights, privileges, benefits and responsibilities that pertain.

During the AGS's 35th Annual Aging Conference, held April 13-15, 2016 in Birmingham, The Alabama Securities Commission (ASC) was honored to be able to make an accredited presentation to conference attendees. ASC Director, Joseph Borg and ASC General Counsel, Amanda Senn, presented "Financial Abuse Targeting Seniors: How to Identify and Report; Initiatives to Protect Seniors with Diminished Capacity." This informative presentation was designed to promote awareness and education to medical professionals and other caregivers concerning the legal and ethical obligations and actions necessary to identify and report suspicious circumstances associated with suspected financial abuse and exploitation of the elderly. Discussion also focused on new initiatives to protect vulnerable seniors who may suffer from diminished mental capacity.



Director Borg teaches at the Alabama Gerontological Society Annual Conference in Birmingham, AL (April 14, 2016).

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ASC was pleased to be able to help sponsor and support the AGS Annual Aging Conference by securing a generous grant from the Washington, D.C.-based Investor Protection Trust.

### **ARSEA/APEAL**

Representing approximately 20,000 constituents, the Alabama Retired State Employees Association (ARSEA), and the Alabama Public Employees' Advocacy League (APEAL) are organizations representing state, county and municipal retirees and active employees throughout the state's 67 counties.

During FY 2016, The Alabama Securities Commission again partnered with ARSEA/APEAL to display and speak at several chapter events, as well as the ARSEA/APEAL State Convention. The ASC worked with the Washington, D.C.-based Investor Protection Trust (IPT) to help acquire a generous grant to assist ARSEA/APEAL defray cost of the various events.

During FY 2016, ASC Education and Public Affairs Division personnel attended and made presentations to four ARSEA/APEAL chapter meetings held in Summerdale (Baldwin County), Evergreen (Conecuh County), Opp (Covington County) and Gadsden (Etowah County). Members learned of the many aspects of financial fraud and victimization that could threaten their retirement nest eggs. ASC staff offered insightful and informative printed material concerning the most persistent and dangerous investor threats, and how best to recognize, avoid and combat predatory financial scams. ASC's objective was to enhance ARSEA/APEAL members' overall financial knowledge so that they can make informed investment decisions and invest their money wisely and safely, thus maximizing their retirement resources.

ASC was honored to be able to attend and provide important financial education information to more than 125 attendees at the ARSEA/APEAL Annual Convention, held at Auburn University Hotel and Conference Center, on September 27, 2016. Convention attendees heard informative presentations from Dr. David Bronner, Retirement Systems of Alabama, as well as Alabama House Speaker, Mac McCutcheon, and city and county public officials.

ASC's Investor Education and Fraud Prevention Outreach program has received excellent responses from ARSEA/APEAL members representing their Alabama chapters. Members report that they now feel better informed and prepared to be able to recognize and avoid potentially illegal investment offers, how to investigate the reliability of any investment opportunity or the person offering it, requesting free background checks, credential status of financial professionals and how to report suspected financial fraud, abuse and victimization by contacting the ASC *before* they spend their hard-earned money.

### **Alabama Cooperative Extension System (ACES)**

For the past nine 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; and Financial Education programs for high school students. The ASC helped ACES acquire an Investor Protection Trust grant to help sponsor ten education programs in FY2016. 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

## *Investor Education and Fraud Prevention Outreach Program*

*(Continued)*

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 involving people who had not made proper arrangements, thus leading to a negative impact on the families of the deceased. Financial education programs for high school students provided hands-on financial spending simulations from ACES called “Reality Check.”

### **Better Business Bureau of North Alabama**

For the past 13 years, ASC has actively supported the Better Business Bureau (BBB) of North Alabama and its task of helping protect Alabamians from dishonest business practices and financial fraud. During this time, ASC personnel participated in the BBB’s fraud prevention events held throughout North Alabama. BBB marketing efforts attracted working adults and retirees to the seminars 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 2016 more than 870 citizens attended fraud prevention events held in Huntsville, Decatur, Sumiton, Cullman, and Athens.

Fraud prevention events were organized around expert panels, many consisting of representatives from the BBB of North Alabama; the Alabama Securities Commission; the Alabama Attorney General Consumer Affairs Division; the U.S. Postal Inspection Service; U.S. Federal Trade Commission; financial institutions, local law enforcement agencies, and others.

Representatives of each agency spoke of their respective fields of expertise, their responsibilities and how their agencies worked cooperatively to combat consumer fraud and other financial crimes that target Alabama’s citizens. Topics included insightful information by panel members about offers of potentially unsuitable investment “opportunities,” frauds associated with unregistered investment offerings, lottery and sweepstakes schemes, the warning signs of financial fraud, and suspicious and illegal offerings through the U.S. mail, among others. Panel members fielded a variety of questions from audience members about issues of particular concern and how best to thwart illegal tactics used by con artists who might attempt to victimize them, either in person, via email, phone or through social media. Panel representatives also provided, free of charge, a wealth of printed educational material for consumers’ reference and use.

ASC’s close relationship with the staff at the BBB of North Alabama has led to an increase in the reporting of suspected financial fraud activities from those who have benefitted from information provided at the fraud prevention events. In the past, 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 & 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.”

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## Investor Education and Fraud Prevention Outreach Program

(Continued)

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.



Maxwell Air Force Base, AL



Huntsville, Alabama: America's Birthplace of Space

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 financial education seminars, about safe and wise investing, to any military installation/unit in Alabama. Top-notch personal finance and investor education materials published by Kiplinger's Personal Finance and ASC, were made available to anyone affiliated with the military in Alabama.



**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.

## *Investor Education and Fraud Prevention Outreach Program*

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

Youth and Student Programs:  
The ASC's Education Office is an active member of the Alabama Jump\$tart Coalition, 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.



Geraldine High School Future Business Leaders of America



Demopolis High School Finance & Insurance Academy  
Students Visit ASC (January 13, 2016)

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

**Alabama Jump\$tart Coalition:** The "Day of Financial Literacy" luncheon (see picture on next page) was hosted by the Alabama Jump\$tart Coalition (AJC) at the BJCC in Birmingham, August 2, 2016, during the Alabama Association of Career and Technical Education (AACTE) Professional Development Conference. The key note speaker at the luncheon was: William Cheeks - Regional Director, Eastern States for the national Jump\$tart Coalition for Personal Financial Literacy. More than 220 teachers benefited from free financial education curricula and resource materials for Alabama classrooms. ASC is proud to be a member of the AJC and assisted in the operation of this event to provide financial education to high school teachers from all over Alabama.

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# Investor Education and Fraud Prevention Outreach Program

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Over 220 High School Teachers received free personal finance education materials and a nice lunch courtesy of the Alabama Jump\$tart Coalition and other sponsors.

## ASC Provides Financial Education at Summer Camps

Provide “A pathway to financial success” for high school attendees, and camp advisors participating in the University of Alabama:

Accounting Career Awareness Program  
(June 26<sup>th</sup> – July 1<sup>st</sup>, 2016)

CulverHouse Majors Awareness Program  
(July 10<sup>th</sup> – 15<sup>th</sup>, 2016)



ASC Dan Lord provides instruction to summer camp students.

**Future Business Leaders of Alabama (FBLA) Students and Advisors** at three district meetings in North Alabama received investor education & financial training. ASC helped FBLA receive a grant from the Investor Protection Trust, Washington D.C., to defray the cost of these events. This picture was taken at Munford High School, September 22, 2016. Over 175 students and advisors from area high schools attended. ASC is working with the FBLA to provide education at three other district meetings in



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# *Investor Education and Fraud Prevention Outreach Program*

## **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)**

The Alabama Securities Commission has cultivated a valuable and powerful collaborative partnership with the National White Collar Crime Center (NW3C). ASC continues to participate and contribute to NWC3 initiatives and training programs. ASC Director, Joseph Borg has served as a member of NW3C's Board of Directors. For more than three decades, NW3C has provided a nationwide support system for law enforcement and regulatory agencies involved in the investigation, prosecution and prevention of economic and high-tech crime.

## **ASC EDUCATION AND PUBLIC AFFAIRS DIVISION (ED & PA)**

<b>Date</b>	<b>Place</b>	<b>#</b>	<b>Audience Type</b>
9/29/16	Decatur, AL at Calhoun Community College	200	Future Business Leaders of America (FBLA) (Students & Advisors)
9/29/16	Sumiton, AL at Bevill State Community College	100	Seniors from the local area - partnered with *BBB N. AL
9/27/16	Auburn, AL at Auburn Hotel & Conference Center	125	Alabama Retired State Employees' Assoc. convention
9/27/16	Boaz, AL at the Snead State Community College	200	Future Business Leaders of America (Students and Advisors)
9/22/16	Munford, AL at the Munford High School	200	Future Business Leaders of America (Students and Advisors)
9/14/16	Huntsville, AL at Redstone FCU, Training Facility	85	Rotary Club of Greater Huntsville, partner with BBB of N. AL
8/28/16	Auburn, AL at the Jule Collins Smith Museum	20	Seniors from the local area - partnered with *AARP and OLLI
8/25/16	Birmingham, AL at the University of Alabama	145	Members attending Certified Fraud Examiners Conference
8/25/16	Jasper, AL Elder Protection II Conf.	420	Seniors from the local area - partnered with DA in Walker County
8/24/16	Alexandria, VA - Hampton Inn Conference Room	7	*NASAA project group experts develop investor edu. materials
8/5/16	Cullman, AL at the Beech Center	250	Seniors from the local area - partnered with BBB N. AL
8/2/16	Birmingham, AL at the *BJCC convention center	200	Summer teachers conference, partner with AL Jump\$tart
7/30/16	Munford, AL at the Kelly Springs Baptist Church	25	Working adults and high school students-partnered with *ACES
7/23/16	Montgomery, AL at Frazier Methodist Church	52	National Associations of Social Workers Alabama Chapter
7/19/16	Hope Hull, AL Liberty Church of Christ	17	Seniors from the local community
7/17/16	Viewed by audience throughout AL		Citizens of Alabama watching "When I'm 65" on APTV
7/12/16	Opelika, AL at the Saugahatchee Country Club	32	Members of the Opelika Rotary Club
7/11/16	Tuscaloosa, AL UA at Bidgood Hall	27	Culverhouse Majors Awareness Program - high school students
6/30/16	Tuscaloosa, AL UA at Bidgood Hall	26	Accounting Career Awareness Program - high school students
6/29/16	Guntersville, AL at Branch of BancorpSouth	41	Seniors from local area, partner with BancorpSouth
6/28/16	Birmingham, AL at *UAB Collat School of Bus.	95	High school students from economically depressed areas
6/24/16	Pelham, AL at the Pelham Civic Center	85	Partner with Area Council on Aging to train professional caregivers
6/23/16	Huntsville, AL at the downtown BB&T bank	25	Professionals and Veteran Officials - partnered with BBB N. AL
6/17/16	Montgomery, AL at AL Public Library Service	85	Partner with Area Council on Aging to train professional caregivers
6/15/16	Athens, AL at Athens State University	90	Partner with ACES - HS students & Parents in Truancy program

Note: Key for asterisked synonyms is on page 32.

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## *Investor Education and Fraud Prevention Outreach Program*

(Continued)

<u>Date</u>	<u>Place</u>	<u>#</u>	<u>Audience Type</u>
6/15/16	Phenix City, AL at the Central Activities Center	90	Seniors from local area, partner with Area Council on Aging
6/10/16	Huntsville, AL at the Redstone Fed. Credit Union	95	Seniors from local area, partners: Area Council on Aging & BBB
6/8/16	Montgomery, AL at the Alabama Securities Comm.	9	Event planning meeting with AARP, *APTV, *IPT and others
5/27/16	Guntersville, AL at Cooperative Extension Office	27	ACES & ASC teach working adults and seniors from local area
5/25/16	Huntsville, AL at VA Clinic	39	Veterans from Madison and surrounding counties
5/19/16	Huntsville AL at Latham United Methodist Church	48	Senior citizen church group
5/12/16	Huntsville AL at Beason & Nalley Inc.	25	Members of the Huntsville area Certified Fraud Examiners
5/9/16	Gadsden AL at Univ.of Alabama Gadsden Center	26	ARSEA* local chapter members - retired state employees
4/29/16	Dekalb Co. at the Court House	19	ACES & ASC teach working adults and seniors from local area
4/27/16	Homewood, AL at Rosewood Hall	104	Teachers attending *ACEE annual awards ceremony
4/21/16	Athens, AL at the First Presbyterian Church	20	BBB N. AL & ASC teach senior citizens financial fraud prevention
4/20/16	Prattville, AL at the Chapter One Center	19	Autauga County *AERA - retired teachers
4/19/16	Clanton, AL-Alabama Power Co. bldg.	19	ACES & ASC teach working adults and seniors from local area
4/19/16	Selma, AL at the Morningstar Church	18	Dallas County AERA - retired teachers
4/14/16	Opp, AL at the Senior Activity Center	26	ARSEA local chapter members - retired state employees
4/14/16	Birmingham, AL at The Wynfrey Hotel	130	*AGS annual conference attendees
4/12/16	Linden, AL at the Morengo County Library	20	Morengo County AERA - retired educators
4/11/16	Evergreen, AL at The Depot	21	ARSEA local chapter members - retired state employees
4/10/16	AL statewide broadcast from *APTV		Citizens of Alabama watching "When I'm 65" on APTV
4/8/16	Birmingham, AL at The BJCC	2200	High School students/faculty at Future Bus. Leaders AL conference
4/1/16	Summerdale, AL at the Baldwin EMC Center	28	ARSEA local chapter members - retired state employees
3/14/16	Decatur, AL at the Community Action Partnership	130	BBB N. AL & ASC teach senior citizens financial fraud prevention
3/18/16	Athens, AL at Limestone Cooperative Extension	22	ACES & ASC teach working adults and seniors from local area
3/17/16	Hamilton, AL at the Marion County Extension	26	ACES & ASC teach working adults and seniors from local area
3/14/16	Cullman, AL at Veterans of Foreign Wars (VFW)	19	National Active and Ret. Fed. Employees Associations (NARFE)
3/5/16	Birmingham, AL GWC High School - Money Expo	20	Working adults from the local area
3/4/16	Birmingham, AL UAB Financial Education Day	50	Teachers, caregivers, business, and seniors from the local area
2/25/16	Huntsville, AL at Trinity United Methodist Church	108	Madison County AERA - retired educators
2/16/16	Clayton, AL at the old National Guard armory	7	Barbour County AERA - retired educators
2/11/16	Montgomery, AL at Down the Street Café	15	The Montgomery Kiwanis Club

Note: Key for asterisked synonyms is on page 32.

(Continued on next page)

## *Investor Education and Fraud Prevention Outreach Program*

(Continued)

<u>Date</u>	<u>Place</u>	<u>#</u>	<u>Audience Type</u>
2/10/16	Huntsville, AL at the First United Methodist Church	18	A senior citizens club called the Sages
2/10/16	Opelika, AL at Niffer's restaurant	30	Lee County AERA - retired educators
1/27/16	Luverne, AL at Crenshaw County Public Library	8	Crenshaw County AERA - retired educators
1/25/16	Margaret, AL at Margaret Elementary School	21	Parents of students
1/9/16	Huntsville, AL at the Madison County Senior Center	25	The Huntsville Computer Club
1/13/16	Montgomery, AL at the Securities Commission	30	Demopolis H.S. student field trip to learn about financial fitness
11/17/15	Montgomery, AL at Eastdale Estates	23	Seniors at an independent living community
11/17/15	Millbrook, AL at Air Now	20	ACES & ASC teach working adults and seniors about investing
11/13/15	Luverne, AL at the First United Methodist Church	75	Area seniors attending Council on Aging Senior Summit
11/12/15	Phenix City, AL at the Central Activities Center	62	Area seniors for investing and estate planning seminar
11/9/15	Irondale, AL at the Guiding Light Church	10	FEO* & ASC teach working adults from the surrounding area
11/6/15	Mobile, AL at the Country Club of Mobile	25	Members of the Gulf States *FPA - compliance & financial fraud
11/5/15	Huntsville, AL at the Madison County Senior Center	18	BBB N. AL & ASC teach senior citizens financial fraud prevention
11/3/15	Montgomery, AL at the Securities Commission	43	Geraldine H.S. student field trip to learn about financial fitness
10/29/15	Skipperville, AL at G.W. Long High School	35	ACES & ASC teach students about financial fitness
10/27/15	Montgomery, AL at the Securities Commission	36	Anniston H.S. student field trip to learn about financial fitness
10/26/15	Hoover, AL at the Hoover Public Library	18	Operation HOPE & ASC teach working adults about investing
10/22/15	Huntsville, AL at Brookdale Place Jones Farm	33	Members of a senior living community
10/22/15	Anniston, AL at Parker Memorial Baptist Church	40	Calhoun County AERA - retired teachers
10/15/15	Mobile, AL at The Renaissance Riverview Plaza	100	Attendees of AL Assoc. of Regional Councils conference
10/15/15	Prichard, AL at the Cedergrove Baptist Church	35	Mobile County AERA - retired educators
10/10/15	Huntsville, AL at Abounding Love Ministries	15	ACES & ASC teach teenagers about financial fitness
10/6/15	Hoover, AL at the Hoover Public Library	120	Partner with FPA N. AL to promote wise and safe investing

<b>* Spell out acronyms:</b>	
AARP = American Association of Retired Persons	BBB = Better Business Bureau
ACEE = Alabama Council on Economic Education	BJCC= Birmingham-Jefferson Convention Complex
ACES = Alabama Cooperative Extension System	FEO = Financial Education Outreach
AERA = Alabama Education Retirees Association	FPA = Financial Planning Association
AGS = Alabama Gerontological Society	IPT = Investor Protection Trust
APTV = Alabama Public Television	NASAA - North American Securities Administrators Association
ARSEA = Alabama Retired State Employee's Association	UAB = Univ. of AL at Birmingham

**DURING FISCAL YEAR 2016 THE ALABAMA SECURITIES COMMISSION  
CONDUCTED 78 INVESTOR EDUCATION AND FRAUD PREVENTION  
OUTREACH SEMINARS OR MEETINGS REACHING 6,797 CITIZENS.**

## North American Securities Administrators Association ASC Involvement During FY 2016

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 is President-elect for NASAA starting in the fall of 2017. During this FY he served on the Board of Directors, Senior Issues/Diminished Capacity Committee, Legal Services Committee, and the Cybersecurity Committee. He served as NASAA President from September 2001 thru September 2002 and again from September 2006 thru September 2007. He has served for fifteen 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 2016, ASC staff served on or participated in the following: Cybersecurity Committee, Legal Services Committee, Senior Issues/Diminished Capacity Committee, State Legislation Committee, Arbitration Project Group, Business Organizations & Accounting Project Group, Direct Participation Programs Policy Project Group, Enforcement Technology Project Group, Exempt Offerings Investigations Project Group, Life Stages Project Group, Litigation Forum Project Group and Operations Project Group.

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



# ALABAMA

## Securities Commission

Joseph P. Borg, Director

### ENFORCEMENT HEADLINE SUMMARIES FROM FISCAL YEAR 2016 (Alphabetical by County)

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

#### **Baldwin County**

##### **Louisiana Man Arrested for Second Time for Alleged Violations of Alabama Securities Act**

(April 12, 2016) Bruce Alexander Gwyn of Metairie, Louisiana was arrested by the Baldwin County, Alabama Sheriff's office following an indictment by a February, 2016 session of the Baldwin County Grand Jury in connection with alleged violations of the Alabama Securities Act. Gwyn turned himself in to Baldwin County Sheriff's office on April 5, 2016 and was released on a \$15,000 bond. Gwyn was charged with two counts of Fraud in Connection with the sale of Securities; specifically, making untrue statements of material facts or omitting to state a material fact; and employing a device, scheme or artifice to defraud. The fraud charges are Class B felonies, carrying a possible sentence ranging from two to 20 years' incarceration and not more than a \$30,000 fine per charge, upon conviction. Additionally, the indictment charged Gwyn with two counts of Sale of Securities by an Unregistered Agent. The securities registration charges are Class C felonies, punishable from one year and a day to 10 years' imprisonment and not more than a \$15,000 fine per charge, upon conviction. The indictment alleges that Gwyn offered and sold securities, described as limited partnership interests in Level III Trading Partners, L.P., as well as shares of stock in Treaty Energy Corporation ("TECO") to Alabama investors. Gwyn allegedly pooled investor funds in an account held or controlled by him and failed to use investor funds as represented, instead using funds to pay other investors, make unauthorized investments, or for unrelated expenses or liabilities. The new charges against Gwyn are in addition to those that resulted in his prior arrest in Baldwin County in September, 2015, which resulted from the August, 2015 session of the Baldwin County Grand Jury. The earlier indictment charged Gwyn with five alleged securities violations related to Level III Trading Partners, L.P. Gwyn turned himself in to Baldwin County Officials on September 18, 2015, was released on a \$20,000 bond and was required to surrender his passport.

##### **Man Indicted in Baldwin County (2013), Apprehended and Arrested in Palmdale, California**

(April 1, 2016) On March 31, 2016, officials of the Los Angeles County, California Sheriff's Department arrested fugitive Deshaun Williams in Palmdale, California for alleged violations of securities law in Alabama. He was transported to a jail facility in Palmdale, California pending extradition to Baldwin County, Alabama. Williams' arrest was made possible by members of the Los Angeles County, California Sheriff's Department Major Crimes Bureau and the U.S. Marshal's Fugitive Task Force. In December 2013, Williams was indicted by a Baldwin County, Alabama Grand Jury on one count each of Sale of Unregistered Securities and Sale of Securities by an Unregistered Agent. Both charges are Class C felonies, punishable by one year and one day to 10 years' imprisonment and not more than a \$15,000 fine per charge, upon

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## ENFORCEMENT HEADLINE SUMMARIES (*Continued*)

conviction. Williams was also charged with one count of Fraud in Connection with the Sale of Securities, a Class B felony, punishable by two to 20 years' incarceration and not more than a \$30,000 fine per charge, upon conviction.

### **Mobile County, Alabama Man Arrested for Alleged Securities Violations**

(October 2, 2015) Richard James Tucker, of Mobile, Alabama, was arrested on September 28, 2015 by Baldwin County, Alabama Sheriff's Department deputies for alleged violations of the Alabama Securities Act. Tucker's arrest was the result of a June, 2015 Baldwin County Grand Jury indictment charging him with three counts of Fraud in Connection with the Sale of Securities. Specifically, Tucker was charged with one count each: Conspiracy to Commit Securities Fraud; Employing a Device, Scheme or Artifice to Defraud; and Misrepresentation/Omitting to State a Material Fact. The charges against Tucker are Class B Felonies, punishable from two to 20 years' incarceration and up to a \$30,000 fine per charge, upon conviction. Tucker's bond was set at \$175,000.

### **Calhoun County**

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

(October 28, 2015) Daniel Scott Register of Valencia, California, was arrested by the Orange County, California Sheriff's Department on October 6, 2015. On October 9, 2015 Register was transferred to a correctional facility in Los Angeles, California and a hold placed on him for pending felony charges in Calhoun County, Alabama for securities violations. However, Register first faces probation violation charges in California, which are unrelated to the securities violations. A hearing will be scheduled in California for the probation violation charges, after which possible extradition to Alabama on the securities charges. A March, 2014 session of the Calhoun County Grand Jury returned a four-count indictment against Register, alleging one count of Acting as an Unregistered Investment Adviser; two counts of Fraud in Connection with the Advising Others as to the Value of Securities or their Purchase or Sale (employing a device, scheme or artifice to defraud and engaging in an act, practice or course of business which operated as a fraud or deceit); and one count of Theft of Property by Deception, 1<sup>st</sup> Degree. At the times the offenses were allegedly committed, the securities registration charge was a Class C felony, punishable from one to ten years' incarceration and up to a \$15,000 fine per charge, upon conviction. The fraud and theft charges were Class B felonies, carrying a possible sentence from two to 20 years' imprisonment and up to a \$20,000 fine per charge, upon conviction. The indictment alleged that, between, on or about January 25, 2011 to November 10, 2011, Register advised an Alabama investor to liquidate their existing investment account and transfer approximately \$26,000 to an individual retirement account for the purpose of purchasing gold or other precious metals. The indictment further alleged that Register provided a Wall Street Bullion Exchange invoice reflecting the purchase of gold on behalf of the investor, but instead, spent investor funds on personal and other unrelated expenses. The indictment alleges that Register was not properly registered with the Alabama Securities Commission to advise others as to investing in, purchasing, or selling securities as required by the Alabama Securities Act.

### **Houston County**

(May 27, 2016) On May 12, 2016, Jesse Morgan Hinson, of Troy, Alabama plead guilty in Houston County Circuit Court to one count of Securities Fraud for making misstatements and omissions of material fact to an Alabama investor. The offense is a Class B felony, punishable by not less than two, but no

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## ENFORCEMENT HEADLINE SUMMARIES (*Continued*)

more than 20 years in prison, and a fine not to exceed \$30,000. After the plea was entered, The Honorable Circuit Court Judge Larry K. Anderson sentenced Hinson, as part of his plea agreement, to five years in the custody of the Alabama Department of Corrections. Hinson filed an application for probation, and a probation hearing is set for July 15, 2016. Judge Anderson further ordered Hinson to pay court costs and fees, a \$500 fine, and \$250,000 in restitution to the victim in the case. As part of the plea, Hinson also consented to be permanently barred from the securities industry in Alabama. Hinson's plea is the result of an indictment by the Houston County Grand Jury in October 2015. Hinson represented to an Alabama investor that Hinson operated a business that purchased and sold scrap metal for profit. Hinson solicited investments in this scrap metal business by offering investment contracts to the Alabama investor, and obtained \$250,000 from the investor between August 2013 and January 2014. Hinson did not in fact operate a scrap metal business, and that the investors' funds were instead used for personal expenses and to pay prior investors. Hinson also misrepresented that funds would be used to purchase trucks for the business, but no trucks were needed or ever purchased. Neither Hinson, nor the securities he sold, were registered with the ASC, as required by Alabama law.

### **Pike County, Alabama Man Indicted for Alleged Securities Fraud**

(December 15, 2015) On December 7, 2015, Jesse Morgan Hinson, of Troy, Alabama was arrested for alleged violations of the Alabama Securities Act. Hinson turned himself in to Houston County law enforcement officials based on an arrest warrant issued after the October 2015 Houston County Grand Jury returned a four-count indictment. Hinson was released on \$75,000 bond pending trial. The indictment charges Hinson with one count of Sale of Unregistered Securities and one count of Sale of Securities by an Unregistered Agent; which are Class C felonies, punishable by one year and one day to 10 years' imprisonment and a \$15,000 fine per charge, upon conviction. Additionally, the indictment charges Hinson with two counts of Fraud in Connection with the Sale of Securities for making misrepresentations or omissions of material fact to an investor and for engaging in an act, practice or course of business which operates as a fraud or deceit upon an investor. The fraud charges are Class B felonies, punishable by two to 20 years' incarceration and a \$30,000 fine per charge, upon conviction. The indictment alleges Hinson represented to an Alabama investor that he operated a business that purchased and sold scrap metal for profit. Hinson allegedly solicited investment in this scrap metal business by offering investment contracts to the Alabama investor, and obtained funds from the investor between August 2013 and January 2014. The indictment alleges that Hinson was not registered with the ASC as a dealer or agent of securities in Alabama, nor were the investment contracts he offered registered with the ASC as securities to be sold in Alabama, as required by the Alabama Securities Act, that Hinson did not in fact operate a scrap metal business, and that the investors' funds were instead used for personal expenses.

### **Madison County**

#### **Madison County, Alabama Man Guilty of Securities Fraud Sentenced**

(May 26, 2016) On May 18, 2016, before Madison County Circuit Court Judge Alison Austin, Keith Michael Rogers, of Huntsville, Alabama, was sentenced to ten years based upon his March, 2016 guilty plea to one count of Fraud in Connection With the Sale of Securities, a Class B felony under Alabama law. The Court also ordered Rogers to pay restitution totaling in excess of \$1.7 million. Judge Austin split Roger's sentence where he must stay in prison three years with the excess of seven suspended while being on probation for five years. Judge Austin stated to Rogers that he has shamed his wife and children and his actions are simply based on greed. A June, 2015 Madison County Grand Jury indicted Rogers on charges of engaging in an act, practice or course of business which operated as a fraud or deceit upon his victims.

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## ENFORCEMENT HEADLINE SUMMARIES *(Continued)*

According to the indictment, Rogers, using his position as an investment adviser, mislead his clients to invest their money and misrepresented that their investments would be lawfully used to obtain a return. An ASC Enforcement Division investigation revealed that Rogers used in excess of \$2.5 million of investors' funds to pay for his personal expenses and also used as "Ponzi" payments to earlier investors. Rogers was arrested on June 19, 2015 by Madison County Sheriff's Department deputies and Special Agents of the Enforcement Division of the Alabama Securities Commission. Rogers was held in the Madison County jail under a \$2 million bond since his arrest.

### **Final Indicted Co-Conspirator Pleads Guilty to Securities Charge**

(May 3, 2016) On April 28, 2016, Robert J. Levine plead guilty to one count of Conspiracy to Commit Securities Fraud before Madison County Circuit Court Judge Alison Austin. The conspiracy charge is a Class C felony, punishable by incarceration of from one year and a day to ten years and a possible fine of not more than \$15,000. The State has recommended to the Court that Levine be sentenced to five years' imprisonment and pay restitution totaling \$665,160 to multiple victims. Levine will also face a permanent bar from employment in the securities industry. Levine applied for probation and the Court ordered a presentence report. Sentencing for Levine is set May 18, 2016. Levine's plea is the result of an August, 2014 Madison County, Alabama Grand Jury indictment charging that he, along with co-defendants, Gregory James Botolino (St. Augustine, Florida), Richard David Hall (Huntsville, Alabama), Joseph P. Tufo (Concord, California) and Hendrickx Toussaint (Atlanta, Georgia), fraudulently solicited investors' funds to be used in a managed, "no risk" gold "buy-sell" program wherein investors' funds would purportedly be used to purchase gold in Ghana, Africa to be traded internationally, thus making a profit for the investors. The defendants conspired to draft and distribute "attorney attestation letters" guaranteeing the legitimacy and safety of the gold trading platform, assuring all prospective investors that their funds would be safe. An ASC Enforcement Division investigation revealed that the supposed trading of gold never occurred and investors' funds were diverted by the defendants for unrelated purposes. The scheme perpetrated by Levine and his co-defendants actually originated in Georgia and was later promoted from Huntsville, Alabama. ASC records showed that neither Levine nor his co-defendants were properly registered with the ASC, as required by the Alabama Securities Act, to legally conduct securities business within Alabama.

### **Madison County, Alabama Man Enters Guilty Plea for Fraud Scheme**

(March 8, 2016) Keith Michael Rogers, of Huntsville, Alabama, pled guilty to one count of Fraud in Connection With the Sale of Securities before Madison County Circuit Court Judge Allison Austin. Specifically, Rogers' plea was attributed to his engaging in an act, practice or course of business which operated as a fraud or deceit upon his victims. The State of Alabama has recommended that Rogers receive a ten-year sentence. The Court delayed a sentencing and restitution hearing until April 18, 2016, and Rogers remains in the Madison County jail, under his original \$2 million bond, pending sentencing. The charge against Rogers is a Class B Felony under Alabama law, punishable by a maximum of 20 years' incarceration and up to a \$30,000 fine. Rogers was arrested on June 19, 2015 by Madison County Sheriff's Department deputies 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, an investment adviser, mislead his clients by misrepresenting that their investments funds would be lawfully used to obtain a return. An ASC Enforcement Division investigation discovered that in excess of \$2.5 million of his investors' funds were actually used by Rogers to pay for his personal expenses and also used as "Ponzi" payments to earlier investors.

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## ENFORCEMENT HEADLINE SUMMARIES (*Continued*)

### **California Man Pled Guilty to Alabama Securities Act Violations**

(November 16, 2015) Joseph P. Tufo, a resident of Concord, California pled guilty, before Judge James P. Smith, to a charge of Employing a Scheme to Commit Securities Fraud, a Class B felony punishable by a maximum of 20 years' imprisonment and a \$30,000 fine. The ASC recommended a five year sentence. Tufo requested consideration of probation since he had served 11 months in the Madison County Jail and the court imposed a sentence of 5 years of supervised probation which will be transferred to CA. Also, Tufo was ordered to pay \$1.15 million in restitution to victims. Tufo is presently being held in the Madison County Jail until his probation can be transferred to California. Tufo was arrested on December 19, 2014 for alleged multiple violations of the Alabama Securities Act and was apprehended by law enforcement authorities in Contra Costa County, California, based on indictments returned by the February, 2014 Madison County Grand Jury. A co-defendant, Richard Hall, actually started the scheme from Georgia, and later continued to actually promote the scheme from Huntsville, Madison County, Alabama with other co-defendants; there were no Alabama victims from Tufo's participation. The scheme involved pitching to investors that their funds were to be used in a "No Risk" Gold trading program where Gold was purportedly bought and sold in Ghana, Africa. While misrepresenting to investors that the Gold program was "Completely Safe" "No Risk", "Totally Transparent" and funds would be held in an attorney's trust account, Tufo also failed to reveal several material facts to his investors including that he had previously lost his securities license due to unlawful activities and had filed bankruptcy. All other defendants in this multiple state Madison County Securities Scheme have entered pleas of guilt in Madison County.

### **Talladega County**

#### **Talladega County, Alabama Man Pleads Guilty to Securities Fraud**

(September 19, 2016) On September 13, 2016, Jason Todd Caudle, of Sylacauga, Alabama pleaded guilty in Talladega County Circuit Court to one count of Securities Fraud for employing a device, scheme, or artifice to defraud two Alabama investors out of \$35,500. The offense is a Class B felony, punishable by not less than two, but no more than 20 years in prison, and a fine not to exceed \$30,000. This is Caudle's first felony conviction. After the plea was entered, The Honorable Circuit Court Judge William E. Hollingsworth, III sentenced Caudle, according to the terms of his plea agreement. Caudle was sentenced to five years in the custody of the Alabama Department of Corrections. That sentence was split and Caudle was ordered to serve three years, with two years suspended, along with five years of supervised probation. Caudle was released on the probation portion of his sentence, after having served five months in the Talladega County Jail. Caudle must report back to the Court to begin the remainder of the incarceration portion of his sentence before his probation expires. Judge Hollingsworth further ordered Caudle to pay court costs and fees, a \$750 fine, and \$35,500 in restitution to the victims in the case. As part of the plea, Caudle also consented to be permanently barred from the securities industry in Alabama. Caudle's plea is the result of an indictment by the Talladega County Grand Jury in March 2016. Caudle told two Alabama investors that he operated a business called Hard Rock Properties, LLC, through which Caudle owned, managed, and rented residential real estate in Alexander City, Alabama. Caudle solicited investments by offering investment contracts and/or ownership shares in Hard Rock Properties to the investors in Talladega County. Caudle obtained funds from the investors on more than one occasion, beginning in April 2011. Caudle did not, in fact, own or manage the properties he told investors he did. Caudle produced falsified and/or misleading documents to the investors to further the scheme, and used funds for personal expenses. Neither Caudle nor the investments sold were registered with the ASC, as required by Alabama law.

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## ENFORCEMENT HEADLINE SUMMARIES (*Continued*)

### **Talladega County, Alabama Man Indicted for Alleged Securities Fraud**

(April 21, 2016) On March 11, 2016, Jason Todd Caudle, of Sylacauga, Alabama was arrested for alleged violations of the Alabama Securities Act, based on an arrest warrant issued after the March 2016 Talladega County Grand Jury returned a five-count indictment. On the same day, Caudle posted a bond of \$25,000 and was released. Caudle then failed to appear for his arraignment on April 5, 2016 and a warrant was issued for his arrest. He was re-arrested and returned to the Talladega County Jail on April 19, 2016. The indictment charges Caudle with one count of Sale of Unregistered Securities and one count of Sale of Securities by an Unregistered Agent; which are Class C felonies, carrying a range of punishment from one year and one day to 10 years' imprisonment and not more than a \$15,000 fine per charge, upon conviction. Additionally, the indictment charges Caudle with three counts of Fraud in Connection with the Sale of Securities for making misrepresentations or omissions of material fact to an investor; for engaging in an act, practice or course of business which operates as a fraud or deceit upon an investor; and for employing a device, scheme or artifice to defraud an investor. The fraud charges are Class B felonies, carrying a range of punishment from two to 20 years' imprisonment and not more than a \$30,000 fine per charge, upon conviction. The indictment alleges that Caudle told two Alabama investors that he operated a business called Hard Rock Properties, LLC, through which Caudle owned, managed, and rented residential real estate in Alexander City, Alabama. Caudle solicited investments by offering investment contracts and/or ownership shares in Hard Rock Properties to the investors. Caudle obtained funds from the investors beginning in April 2011. After the initial investment, Caudle later secured further funds from the investors, by misrepresenting that funds were needed for underwriting fees and inspections, but no such expenses existed. The indictment alleges that Caudle did not in fact own the rental properties, and that Hard Rock Properties did not manage the properties. It further alleges that Caudle produced falsified and/or misleading documents to the investors to further the scheme, and that the investors' funds were used for personal expenses. Caudle was not registered with the ASC as a dealer or agent of securities in Alabama, nor were the investment contracts or shares he offered registered with the ASC as securities to be sold in Alabama, as required by the Alabama Securities Act.

### **Tuscaloosa County**

#### **Tuscaloosa County, Alabama Man Indicted for Alleged Securities Fraud**

(July 6, 2016) On June 15, 2016, Terry Earl Hester, of Banks, Alabama turned himself in to the Tuscaloosa County Jail, based on an arrest warrant issued after the April 2016 Tuscaloosa County Grand Jury returned a six-count indictment for alleged violations of the Alabama Securities Act. Hester was released after posting a \$90,000 bond. The indictment charges Hester with one count of Sale of Unregistered Securities and one count of Sale of Securities by an Unregistered Agent; each of which are Class C felonies, carrying a range of punishment from one year and one day to 10 years' imprisonment and a fine of up to \$15,000 per charge, upon conviction. Additionally, the indictment charges Hester with four counts of Fraud in Connection with the Sale of Securities for making untrue statements of, or omitting to state, material facts to an investor; for engaging in an act, practice or course of business which operates as a fraud or deceit upon an investor; and for employing a device, scheme or artifice to defraud an investor. Each of the securities fraud charges are Class B felonies, punishable by not more than 20 years or less than 2 years imprisonment and a fine of not more than \$30,000 per charge, upon conviction. The indictment alleges that, beginning in January 2012, Hester sold investment contracts for a "Private Placement Funding Agreement" and a "Standby Letter of Credit" to a local church in Tuscaloosa, Alabama. Hester misrepresented to the church that he could invest their money in these programs to generate \$3,000,000 to fund construction of a new church.

*(Continued on next page)*

## ENFORCEMENT HEADLINE SUMMARIES *(Continued)*

Hester convinced the church to appoint him as the finance director, and then obtained two investments from the church, totaling \$1,530,000. Hester promised that \$1,500,000 of the invested funds would remain in an attorney trust account in the church's name until the transaction was completed, but they did not. Hester also opened undisclosed accounts in the church's name over which he was the sole signatory. Hester then used the church's invested funds to overpay Douglas Mills for services related to the transaction, without informing the church, and spent the church's funds on Hester's personal expenses. Neither Hester nor the investment contracts he sold were registered with the ASC, as required by the Alabama Securities Act.

### **Arizona Man Indicted for Alleged Securities Fraud in Tuscaloosa County**

(June 28, 2016) On June 24, 2016, James Friend Liebes, of Paradise Valley, Arizona was arrested by the Maricopa County Sheriff's Office for alleged violations of the Alabama Securities Act, based on an arrest warrant issued after the April 2016 Tuscaloosa County Grand Jury returned a three count indictment. Liebes is currently being held in the Maricopa County Jail in Arizona, awaiting extradition to Alabama. The indictment charges Liebes with one count of Sale of Securities by an Unregistered Agent; which is a Class C felony, punishable by not more than 10 years or less than 1 year and 1 day and a fine of not more than \$15,000 per charge, upon conviction. Additionally, the indictment charges Liebes with two counts of Fraud in Connection with the Sale of Securities for making untrue statements of, or omitting to state, material facts to an investor; and for engaging in an act, practice or course of business which operates as a fraud or deceit upon an investor. Each of the securities fraud charges are Class B felonies, punishable by not more than 20 years or less than 2 years imprisonment and a fine of not more than \$30,000 per charge, upon conviction. The indictment alleges that Liebes told an Alabama investor that he owned and could sell shares of stock in Careview Communications, Inc. to the investor. Liebes obtained \$39,683.00 from the investor in exchange for 39,683 shares of Careview stock, beginning in June 2011. Liebes never gave the shares of stock to the investor, and, in fact, did not own any Careview stock. Liebes only owned warrants to obtain the stock. Liebes assigned those warrants to another third party instead of tendering them to the investor. Further, Liebes stated that he would transfer to the investor 7,000 shares of stock in Lifelock, Inc. as repayment for the investment, but those shares were never given to the investor. Neither Liebes nor the corporation he used was registered with the ASC as a dealer or agent of securities in Alabama, as required by the Alabama Securities Act. Liebes did not inform the investor that he was not properly registered as a dealer or agent in Alabama. The funds obtained from the investor were not invested, but used by Liebes for personal expenses.

### **National**

#### **Alabama Securities Commission Reaches Settlement with LPL Financial Firm Agrees to Return Alabama Investors' Money for Inappropriate Real Estate Investment Sales**

(May 17, 2016) Joseph Borg, Director of the Alabama Securities Commission (ASC) announced the finalization of a Consent Order with LPL Financial, LLC, a Boston, Massachusetts-based investment firm, in connection with an investigation of the firm's sales transactions of non-traded Real Estate Investment Trusts (REITs) to Alabama investors. ASC, together with state securities regulators from multiple jurisdictions, conducted a coordinated investigation of LPL Financial to determine whether non-traded REIT sales transactions executed by the firm violated the Alabama Securities Act and the firm's own internal procedures. Sales transactions were examined to determine if transactions were made in excess of the prospectus standards of the specific REIT, were within the state concentration limit, whether the firm failed to implement an adequate supervisory system regarding the sale of non-traded REITs, and whether the firm failed to enforce its written procedures regarding said sales. LPL Financial cooperated with the ASC and agreed to offer rescission on all sales of non-traded REITs executed between January 1, 2008 through December 31, 2013 that were made in violation of firm policy or prospectus standards. LPL also agreed to create a Claim Team to assist Alabama investors with LPL's remediation procedures relevant to the settlement. The Alabama Consent Order requires LPL to offer to pay Alabama investors a total of \$737,356.01. Offering letters are being sent to those Alabamians affected. Investors must follow the instructions for accepting the offer, as described within the letter, to claim their share of the settlement.

*(Continued on next page)*

## ENFORCEMENT HEADLINE SUMMARIES (*Continued*)

### International

#### **Alabama Securities Commission Assists Italian Law Enforcement, Leading to Six Arrests for Worldwide Prime Bank and High Yield Investment Fraud**

(March 3, 2016) Joseph Borg, Director of the Alabama Securities Commission (ASC) announced that the Italian Organization of Financial Police has made six arrests resulting from an ongoing investigation in an International Prime Bank or High Yield Investment fraud scheme. The Alabama Securities Commission provided assistance to the Italian Police by previously gathering, organizing, and identifying hundreds of thousands of emails between the co-conspirators that Alabama obtained from search warrants issued to internet providers. For the past two decades the Alabama Securities Commission has convicted a number of individuals for securities fraud related to Prime Bank and High Yield investment schemes; and as a result, created an investigative database that was shared with the Italian Organization of Financial Police. The Italian investigation revealed that at least 22 suspects were involved in a worldwide scheme whereby the conspirators would find victims interested in paying large sums of funds in order to obtain exorbitant financing based upon bonds, bank guarantees or other bank instruments. The total amount of loss was approximately 32 million Euros (about \$34.7 million U.S. dollars). All of the bank instruments were determined to be worthless, and the investors received nothing. In cooperation with Eurojust, Italian law enforcement, the Alabama Securities Commission, the U.S. Federal Bureau of Investigation's Los Angeles Office, and law enforcement authorities in the United Kingdom and Switzerland, were able to identify the multiple co-conspirators and ultimately make the arrests. Prime Bank or High Yield investment schemes often lure investors with a promise that their funds will be used to purchase and trade "prime bank" financial instruments on clandestine overseas markets in order to generate large returns. In a typical sales pitch, fraudsters promise investors access to secret, high-yield investments made through trades among the world's top or "prime" banks that otherwise would be reserved for top financiers on Wall Street or other international financial centers. Prime bank promoters falsely claim the investments are guaranteed or secured by insurance or other collateral and investors are often told that they can expect unrealistically large returns with little risk. Regulators warn that neither the prime bank instruments, nor the markets on which they allegedly trade, exist.

### **Announcements, Commentaries and Investor Alerts**

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

#### **INFORMED INVESTOR ALERT-- EB-5 Fraud: Immigrant Investors Beware**

MONTGOMERY, ALABAMA (August 29, 2016) The Alabama Securities Commission is providing the following information in collaboration with the North American Securities Administrators Association (NASAA) for the protection of investors. In an effort to stimulate the U.S. economy through job creation and capital investment by foreign investors, the U.S. Congress in the early 1990s authorized the creation of a new type of immigrant visa known as the Employment-Based, Fifth Preference (EB-5) visa. Under the EB-5 program, foreign investors who meet certain eligibility requirements can apply for conditional resident alien status (i.e., a conditional "green card") in the United States by investing in the American economy.

#### **ALABAMA SECURITIES COMMISSION RECOGNIZES WORLD ELDER ABUSE AWARENESS DAY BY ASKING CITIZENS TO WATCH FOR SIGNS OF ELDER FINANCIAL EXPLOITATION**

MONTGOMERY, ALABAMA (June 15, 2016) In recognition of World Elder Abuse Awareness Day the Alabama Securities Commission (ASC) spotlights the importance of safeguarding Alabama's senior population by keeping a watchful eye for signs of elder financial exploitation and promptly reporting possible abuse to

*(Continued on next page)*

## ENFORCEMENT HEADLINE SUMMARIES (*Continued*)

appropriate officials. The ASC is partnering with the Alabama Department of Senior Services, Area Agencies on Aging, the Better Business Bureau of North Alabama and other businesses to conduct six senior outreach initiatives in June 2016.

### **Alabama Securities Commission Reaches Settlement with LPL Financial Firm Agrees to Return Alabama Investors' Money for Inappropriate Real Estate Investment Sales**

MONTGOMERY, ALABAMA (May 17, 2016) Joseph Borg, Director of the Alabama Securities Commission (ASC) announced the finalization of a Consent Order with LPL Financial, LLC, a Boston, Massachusetts-based investment firm, in connection with an investigation of the firm's sales transactions of non-traded Real Estate Investment Trusts (REITs) to Alabama investors. The Alabama Consent Order requires LPL to offer to pay Alabama investors a total of \$737,356.01.

### **Alabama Legislature Passes Bill To Help Protect Vulnerable Adults From Financial Exploitation-Governor Bentley Signs Into Law**

MONTGOMERY, ALABAMA (April 18, 2016) The Alabama Legislature passed SB 220 and Governor Robert Bentley signed the bill into law. State Senator Arthur Orr (R), 3<sup>rd</sup> District and State Senator Tim Melson (R), 1<sup>st</sup> District co-sponsored the bill, which passed the Alabama Senate on April 12, 2016 and was then forwarded to the Alabama House. The bill was drafted by the Alabama Securities Commission (ASC).

### **Alabama Securities Commission Releases Top Investor Threats Investors Urged to Approach Unsolicited Offers with Caution**

MONTGOMERY, ALABAMA (December 21, 2015) – The Alabama Securities Commission (ASC) today released its annual list of top investor threats and urged investors to use caution when approached with unsolicited investments, especially those involving promissory notes, oil and gas deals and real estate investment opportunities, including non-traded real estate investment trusts.

### **Citizen Alert – Telephone scams to watch out for now!**

MONTGOMERY, ALABAMA (December 16, 2015) Luther Strange, Alabama's Attorney General, and Joseph Borg, Director of the Alabama Securities Commission (ASC), warn Alabama citizens to be wary of recurring telephone scams!

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

### **Alabama Securities Commission Welcomes New Commissioner R. Austin Huffaker and Recognizes Re-appointment of Commissioner Marlene M. McCain**

MONTGOMERY ALABAMA (May 2, 2016) The Alabama Senate has confirmed the appointment of two Commissioners to the Alabama Securities Commission (ASC). New Commissioner R. Austin Huffaker, Jr., a partner at Rushton Stakely Johnston & Garrett, PA (Montgomery, AL) was appointed to replace Commissioner Everett Price who completed his 4-year term with the Commission and Marlene M. McCain, a Member at Warren, Averett, LLC, was reappointed by Governor Bentley and confirmed by the Senate for an additional 4-year term.

### **Alabama Securities Commission Senior Special Agent Recognized for Assistance to U.S. Attorney's Office**

MONTGOMERY, ALABAMA (Feb. 26, 2016) Alabama Securities Commission Senior Special Agent (SSA) Michael Gantt was recognized today for his assistance to the United States Attorney's Office for the Southern District of New York in helping secure the arrest and conviction of Mikhail Zemlyansky on racketeering, securities, mail and wire fraud and money laundering.

## ASC in National News Headlines

### The Intercept

#### The Money Is Gone

David Dayen, Sep. 22 2016, 11:49 a.m.

After a stock analyst lost \$1 million on one penny stock, he set off to find out how...

“They don’t have the same standards,” said Joseph Borg, director of the Alabama Securities Commission, who [achieved fame](#) by investigating Jordan “The Wolf of Wall Street” Belfort’s company Stratton Oakmont for penny stock fraud in the 1990s.



Jun 30, 2016 @ 1:44 pm

By **Mark Schoeff Jr.**

### Three states make elder-financial-abuse reporting mandatory starting Friday

But Mr. Borg said the **Alabama law** for advisers had to be consistent with other state statutes that require the reporting of physical and emotional abuse of seniors.



By *LawFuel Editors* on January 29, 2016

### “Insatiable Greed” Of No-Fault Insurance Fraudster Leads to 15 Years’ Jail

U.S. Attorney Preet Bharara thanked the Federal Bureau of Investigation and the New York City Police Department for their continued outstanding work in this investigation. Mr. Bharara also thanked the National Insurance Crime Bureau, the investigative units of the insurance companies, the Manhattan District Attorney’s Office, and the Alabama Securities Commission for their valuable assistance with the investigation.



FORT WORTH JANUARY 25, 2016 5:30 PM BY SANDRA BAKER

### Investor behind Fort Worth amusement park runs afoul of Alabama regulators

The Alabama Securities Commission in December ordered the head of the investor group backing proposed DreamVision amusement parks planned for Fort Worth and Muscle Shoals, Alabama, to stop illegally selling residential real estate investments.

### THE WALL STREET JOURNAL.

By JENNIFER LEVITZ and ANNA PRIOR  
Dec. 29, 2015 7:11 p.m. ET

“In the long run we’ve got to say the greater good is served by making it mandatory and trying to protect the vast amount of people,” said Joseph Borg, Alabama’s securities commissioner. He plans to introduce such legislation early next year.



By **Mark Schoeff Jr.**  
October 13, 2015

### Regulators target free lunches for elderly clientele

Free lunches were once used as a way to market a brokerage’s services to a large group of people, said Joseph Borg, director of the Alabama Securities Commission. Now, firms are using the lunches to gather information about attendees’ assets and fashion sales pitches for financial products.



JOSEPH P. BORG  
Director

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

AMANDA W. SENN  
General Counsel

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Commissioner of  
Insurance

MARLENE M. McCAIN  
Certified Public  
Accountant

S. DAGNAL ROWE  
Attorney at Law

R. AUSTIN HUFFAKER, Jr.  
Attorney at Law

## ALABAMA SECURITIES COMMISSION MEETING September 21, 2016

The Alabama Securities Commission held a meeting on September 21, 2016 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. Jim Ridling (Insurance Commissioner)  
Hon. Mike Hill (Banking Commissioner)  
Hon. Marlene M. McCain, CPA  
Hon. Dag Rowe, Attorney at Law  
Hon. Austin Huffaker, Jr., Attorney at Law

#### **Commission Members Absent:**

Hon. Luther Strange, Attorney General  
Hon. Alice Martin (Attorney General's Office Designee)

#### **Staff Members Present:**

Hon. Joseph Borg, Director  
Hon. Steve Feaga, Deputy Director, Enforcement  
Hon. Edwin Reed, Deputy Director, Administration  
Hon. Amanda Senn, General Counsel  
Mr. Dan Lord, Public Affairs and Education  
Ms. Christie Rhodes, Executive Assistant

#### **Public Attendees:**

No member of the public attended this meeting.

The meeting was called to order at 10:10 a.m. by Commissioner Hart, Chairman and the Chair noted that there was a quorum present. Chairman Hart asked for a roll call and each present member (as detailed above) was accounted for. Chairman Hart welcomed and introduced Commissioner Huffaker to the Commission. In addition, Chairman Hart welcomed

the new Superintendent of Banking, Mike Hill who came on board after the retirement of long-time Commissioner John Harrison. Chairman Hart also informed the Commission that Director Borg was elected as President-Elect of NASAA for the forthcoming year, 2017-2018. Chairman Hart asked for a motion to approve the current agenda and a motion was made by Commissioner Ridling to approve the meeting agenda which was seconded by Commissioner Huffaker. A motion was made by Commissioner Ridling to approve the minutes of the previous meeting held June 29, 2016 and said motion was seconded by Commissioner Huffaker. Both motions carried unanimously.

Chairman Hart asked Director Borg to begin his report. At that time, Director Borg began discussing the monthly report. Director Borg discussed the Accounting Department report, beginning with the position allocations with a brief overview of qualifications necessary for Special Agents and Senior Securities Analysts. As Director Borg continued on with the "Receipts" section of the Accounting Report, he gave an overview of the funds that Commission monies are deposited into. Following the Accounting Division report, the Director continued on through the Registration Division and then moved on to the Enforcement Division section report. Director Borg continued the report by updating the Commissioners on the Data Systems Division with a short report on the Commission's wish to upgrade the office to a paperless environment. Director Borg concluded the monthly report with a summary of the activities of the Public Affairs Division which will be expanded on by Mr. Dan Lord, Manager of the Public Affairs and Education Division. Director Borg and the Commission had a short discussion on a public warning issued by the Commission staff concerning EB-5 Fraud.

Mr. Dan Lord, Manager of the Public Affairs and Education division gave a presentation on his division and demonstrated to the Commission the far-reaching effect his division has on the citizens of the State of Alabama, including descriptions of the various educational programs, specialized military outreach, high school programs and senior investor events.

Director Borg then gave the Commission members an update on the Vulnerable Adults bill that went into effect on July 1, 2016, as well as an overview of the Commission's proposed drafting of a "Whistleblower" bill.

At 11:45 a.m., Commissioner Jim Ridling left the meeting for another scheduled appointment and the meeting continued with the remaining (quorum still maintained) Commissioners.

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 applied, in that pending litigation would be discussed and at that time.

Commissioner McCain moved to go into Executive Session. Said motion was seconded by Commissioner Hill and the meeting went into Executive Session at 11:46 a.m. after a unanimous vote of all present Commissioners. Deputy Director Feaga estimated the Executive Session would last approximately thirty (30) minutes.

At 12:17 p.m., the open meeting was reconvened and the Executive Session ended by motion of Commissioner Hill and seconded by Commissioner Rowe 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 Rowe and seconded by Commissioner Hill. The motion carried unanimously. Motion to Adjourn was then made by Commissioner Huffaker and seconded by Commissioner Hill and was unanimously carried. The meeting adjourned at 12:20 p.m.



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JAMES HART  
CHAIRMAN



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JOSEPH BORG  
DIRECTOR



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AMANDA W. SENN  
General Counsel

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Accountant

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Attorney General

MIKE HILL  
Superintendent of Banks

JIM L. RIDLING  
Commissioner of  
Insurance

MARLENE M. McCAIN  
Certified Public  
Accountant

S. DAGNAL ROWE  
Attorney at Law

R. AUSTIN HUFFAKER, Jr.  
Attorney at Law

## ALABAMA SECURITIES COMMISSION MEETING June 29, 2016

The Alabama Securities Commission held a meeting on June 29, 2016 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. John Harrison (Banking Commissioner)  
Hon. Jim Ridling (Insurance Commissioner)  
Hon. Marlene M. McCain, CPA

### Commission Members Absent:

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

### 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:

Hon. Everette Price, Jr., Attorney at Law  
Mr. Burton Walker (Attorney General’s Office law clerk)

The meeting was called to order at 10:10 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 Ridling to approve the meeting agenda the minutes of the previous meeting held March 9, 2016 and said motion was seconded by Commissioner McCain. The motion carried unanimously.

Director Borg notified the Commission that Mr. Everette Price's term as a Commissioner had come to an end and that he would be leaving the Commission. A replacement Commissioner has been appointed by the Governor and confirmed by the Senate and Mr. Austin Huffaker would be stepping into Mr. Price's seat. Mr. Huffaker had a previous engagement for the date of this meeting and would be introduced to the Commission at the next scheduled meeting. Director Borg and the staff of the Commission presented Mr. Price with a commemorative plaque which praised Mr. Price for his exemplary service to the Commission during his tenure. Other Commissioners also thanked Mr. Price for his service to the Commission. Chairman Hart informed the Commission that Commissioner John Harrison had just shared that he had retired from State service and this would be his last meeting as the Banking Commissioner for the State of Alabama. Mr. Harrison was thanked by all for his generous and valuable service to the Commission and the State of Alabama.

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 "Protection of Vulnerable Adults" bill and its passage which was effective July 1, 2016. Following that update, Director Borg turned to a proposal to adopt Commission Rule 830-x-6-.13, Regulation Crowdfunding. Deputy Director Ed Reed briefed the Commission on this proposal and the

Chairman entertained a motion to adopt this Rule pending publication and approval of the final draft. It was moved by Commissioner Martin and seconded by Commissioner McCain and passed unanimously.

Commissioner Harrison stood and announced that he had to leave the meeting to attend another meeting and expressed his satisfaction with serving on the Alabama Securities Commission and hope that he would continue to be involved in the Commission's work with the citizens of Alabama, as important work is being accomplished. Mr. Harrison left the meeting at 10:56 a.m.

Director Borg returned the focus back to the Agenda and began a discussion regarding the possibility of raising the ASC's annual licensing fees. No action was required by the Commissioners at this time.

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.

Mr. Burton Walker (guest) and Mr. Everette Price left the meeting at this time.

Commissioner McCain moved to go into Executive Session. Said motion was seconded by Commissioner Martin and the meeting went into Executive Session at 11:04 a.m. after a unanimous vote of all present Commissioners. Deputy Director Feaga estimated the Executive Session would last approximately thirty (30) minutes.

At 11:20 a.m., the open meeting was reconvened and the Executive Session ended by motion of Commissioner Ridling and seconded by Commissioner McCain and a unanimous vote by all present Commissioners. Each Commissioner that was present at the beginning of the Executive Session was present when the Executive Session ended. At this time, former Commissioner Price returned to the meeting.

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

Former Commissioner Price stood and again commended the Commission on its good works and stated how much he enjoyed serving and was once again, wished the best by Commission and staff members.

Motion to Adjourn was then made by Commissioner McCain and seconded by Commissioner Martin and was unanimously carried. The meeting adjourned at 11:25 a.m.



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JAMES HART  
CHAIRMAN



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JOSEPH BORG  
DIRECTOR



JOSEPH P. BORG  
Director

EDWIN L. REED      STEPHEN P. FEAGA  
Deputy Director    Deputy Director  
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S. DAGNAL ROWE  
Attorney at Law

R. AUSTIN HUFFAKER, Jr.  
Attorney at Law

## ALABAMA SECURITIES COMMISSION MEETING March 9, 2016

The Alabama Securities Commission held a meeting on March 9, 2016 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. Jim Ridling (Insurance Commissioner)  
Hon. John Harrison (Banking Commissioner)  
Hon. Marlene M. McCain, CPA  
Hon. Everette Price, Jr., Attorney at Law  
Hon. Alice Martin (Attorney General's Office Designee)

#### Commission Members Absent:

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

#### Staff Members Present:

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

#### Public Attendees:

No member of the public attended this meeting.

The meeting was called to order at 10:05 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 which was seconded by Commissioner Martin. A motion was made by Commissioner Price to approve the minutes of the previous meeting held December 9, 2015 and said motion was seconded by Commissioner Martin. The motion carried unanimously.

Chairman Hart asked Director Borg to begin his report. At that time, Director Borg began discussing the monthly report. Director Borg discussed the Accounting Department report, which included the newly implemented e-Start Time Management System, then moved on to the Registration Division statistics, where a brief discussion ensued with regard to the Sale of Checks Act, as well as a discussion regarding the possibility of raising the ASC registration fees. Director Borg then moved on to the Enforcement Division section report. Director 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.

Chairman Hart notified the Commission that he and Deputy Director Reed wished to give an update on the Director's salary legislation. Director Borg stepped out of the meeting at 10:31 am and the update was delivered. The Commissioners agreed that if the Bill passes, the ASC would request a desk audit from the Department of Personnel for the purposes of setting the Director's new salary upon passage of the bill. A motion was made to the effect by Commissioner McCain and seconded by Commissioner Harrison. Director Borg returned to the meeting at 10:51 am.

Director Borg then resumed the agenda items by delivering a status report on the proposed 2016-2017 budget before the Legislature, as well as the status of the "Vulnerable Adults" bill also pending before the Legislature. Director Borg also briefed the Commission on an upcoming public service announcement being put together to be presented to Bar Associations across the United States.

Deputy Director Feaga gave an update of current enforcement cases of note to the Commissioners. In addition, Deputy Director Feaga also informed the Commissioners that Special Agent Michael Gantt was honored by the United States Attorney General in New York for his important, critical witness in obtaining convictions in a major case.

The final meeting item was a motion to pay expenses for the Commissioners. Motion was made by Commissioner Ridling and seconded by Commissioner McCain. The motion carried unanimously. Motion to Adjourn was then made by Commissioner Price and seconded by Commissioner McCain and was unanimously carried. The meeting adjourned at 11:18 a.m.



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JAMES HART  
CHAIRMAN



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JOSEPH BORG  
DIRECTOR



JOSEPH P. BORG  
Director

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

AMANDA W. SENN  
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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 December 9, 2015

The Alabama Securities Commission held a meeting on December 9, 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 Designee)  
Hon. Jim Ridling (Insurance Commissioner)  
Hon. John Harrison (Banking Commissioner)  
Hon. Dag Rowe, Attorney at Law  
Hon. Marlene M. McCain, CPA  
Hon. Everette Price, Jr., Attorney at Law

#### **Commission Members Absent:**

Hon. Luther Strange, Attorney General

#### **Staff Members Present:**

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

#### **Public Attendees:**

Alice Ann Byrne, Department Director, Personnel

The meeting was called to order at 10:05 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 which was seconded by Commissioner McCain. A motion was

made by Commissioner Harrison to approve the minutes of the previous meeting held September 8, 2015 and said motion was seconded by Commissioner McCain. The motion carried unanimously.

Chairman Hart began the meeting by asking Alice Ann Byrne, Director, Alabama State Personnel Department to update the Commission on the effort to raise the pay scale of Director Borg. Director Borg excused himself from the meeting at this time. Deputy Director Reed introduced the reasons that the Commission has for this proposed change and Ms. Byrne outlined the Personnel Department's affirmative stand on this issue and advised the Commission on possible methods to affect this upgrade. Discussion among the Commissioners ensued and the proposed legislation was reviewed and approved to submit to the Legislature. Commissioner Price moved to approve submitting this legislation and was seconded by Commissioner McCain. The motion carried unanimously. Director Borg returned to the meeting at 10:45 a.m.

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.

The final meeting item was a motion to pay expenses for the Commissioners. Motion was made by Commissioner Price and seconded by Commissioner McCain. The motion carried unanimously. Motion to Adjourn was then made by Commissioner Harrison and seconded by Commissioner Martin and was unanimously carried. The meeting adjourned at 11:12 a.m.

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

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





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