

Alabama Securities Commission



Annual Report  
**Fiscal Year Ending  
September 30, 2018**

**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 2018

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Prepared and submitted pursuant to *Code of Alabama, 1975, § 8-6-53(d)*.

# Mission and 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 primarily administers and enforces the Alabama Securities Act, Alabama Monetary Transmission 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 possible investor protection and will continue to apply all its resources and expertise to ensure fair and transparent markets for Alabama investors and to continue to aggressively enforce applicable laws for the protection of investors as the source of capital for the creation and continued development of Alabama's capital markets.

# ASC Statutory Authority

The Commission is responsible for administering and enforcing the laws of State of Alabama relative to:

Sec. 8-6-1, *et seq.* - Securities Act No. 740  
(1969 Regular Session) and as amended

Sec. 8-6-110, *et seq.* - Industrial Revenue Bonds Act

Sec. 8-7a-1, Alabama Monetary Transmission Act

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 of, 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.

The Commission regulates and enforces the laws relating to the transmission of monetary value. This includes the transmission of digital assets such as bitcoin, the regulation of money transmission methods such as stored value cards, the electronic transmission of money, bill payment services as well as more traditional transmission methods such as money orders.

Through its legislative mandate, the Commission and its staff assist Alabama businesses during capital formation and protects Alabama issuers, businesses, and residents from fraudulent securities transactions. The Commission does not recommend or endorse broker/dealer firms, salesmen, investment adviser firms, representatives, or the purchase of any securities, nor does it pass upon the accuracy or completeness of any prospectus, private placement memorandum or sales literature.

# ASC Purpose

The Alabama Securities Commission (the “Commission”) administers and enforces the following Alabama statutes: The Alabama Securities Act, including the Alabama Monetary Transmission 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) License and Registration/Audits and Examinations.

The function of the Commission and its staff is to regulate the sale of securities and the securities industry when conducting business 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 otherwise exempted. 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. The ASC retains anti-fraud authority with respect to securities exempt from registration.

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 registered by the Commission prior to engaging in such activities.

The Alabama Monetary Transmission Act codifies a broad definition of monetary transmissions to include “virtual” currency such as Bitcoin, and specifies records that licensees are required to maintain. The Act grants the ASC administrative authority to audit/review the records of any licensee, including individuals, officers, directors and other persons who may control the actions of the licensee. Additionally, licensees are required to maintain a surety bond to cover potential compensation to any person damaged by any failure to comply with the law or by any breach of conditions. The law also codifies the ASC’s authority and powers to regulate money transmitters, including administrative and civil causes of action and establishes criminal penalties for violation of the Act.

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 purposes 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 and to promote the financing of legitimate business and industry in the state.

# ASC Commission

The Alabama Securities Commission members are the Attorney General, the State Superintendent of Banks, the State Insurance Commissioner (by virtue of their offices). Also, two attorneys and two certified public accountants are appointed by the Governor from lists of nominees submitted by the Alabama Bar Association and the Alabama Society of Certified Public Accountants and confirmed by the Senate. The Commission maintains oversight, provides policy guidance and establishes rules for the performance of its functions and the accomplishment of its purpose. The members of the Commission during Fiscal Year 2018 were:

JAMES L. HART, Chairman	Certified Public Accountant Birmingham, Alabama	12/10 - Present
STEVE T. MARSHALL Member	Attorney General Montgomery, Alabama	02/17 - Present
MIKE E. 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

# ASC Personnel (FY 2018)

<p><b>Directorate</b> Joseph P. Borg, Director Edwin L. Reed, Deputy Director, Administration Amanda L. Senn, Deputy Director, General Counsel Christie A. Rhodes, Executive Assistant III Amy D. Creamer, Clerk Jamey R. Selfridge, Clerk</p> <p><b>Legal Division</b> Gregory A. Bordenkircher, Chief Litigation Counsel Jeffery A. Brown, Jr., Attorney IV David B. Byrne, Jr., Attorney III James B. Eubank, Attorney III Leslie D. Worrell, Attorney III Lisa M. Ray, Attorney I/II Kimathy J. Booher, Paralegal Shana T. Proctor, Paralegal</p> <p><b>Accounting/Personnel Division</b> Renee S. Sanders, Accounting Director I Kevin A. Jones, Accountant Gwendolyn Lover, Account Clerk Martha J. Thomas, Admin. Support Asst. III</p> <p><b>Data Systems Division</b> David E. Gilmore, IT Systems Specialist Bonnie, A. Traphan, IT Systems Specialist, Assoc. Darren W. Boulware, IT Operations Specialist Thomas P. Ogburn, Clerical Aide</p>	<p><b>Education and Public Affairs Division</b> Daniel G. Lord, Training Specialist II Nick L. Vonderau, Dept. Marketing Specialist Faith D. Feaga, Student Aide</p> <p><b>Enforcement Division</b> Ricky G. Locklar, Sr. Special Agent Manager/Enforcement Michael L. Gantt, Sr. Special Agent Manager/Administrative Leighton B. Greenlee, Special Agent Paul A. Gugliotta, Special Agent Charles G. Harrison, Special Agent Charles R. James, Jr., Special Agent Steven R. Jones, Special Agent Mark L. Mitchell, Special Agent Elizabeth M. Planner, Special Agent Robert W. Sharp, Special Agent Charles A. Traywick, Special Agent Michael D. Wilkerson, Special Agent Anita F. Wilkerson, Executive Secretary Kimberlee A. Hinson, Admin. Support Asst. III Heather H. Grimes, Admin Support Asst. II Kathy R. Lassiter, Admin. Support Asst. III Kendrick E. Webb, Jr., Clerical Aide</p>
<p><b>Registration Division</b></p>	
<p>Lisa M. Tolar, Manager Department of Licensing and Registration</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 III Patricia J. Wilson, ASA III Mary C. Sanders, Clerical Aide Haley R. Long, Clerical Aide</p>	<p>Rena H. Davis, Manager Department of Auditing and Examinations</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, Senior Sarah J. Pike, ASA II</p>

# Alabama Securities Commission

## Regulatory Services Program

### APPROPRIATION DESCRIPTION

The Commission is self-funded and self-sustained; 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 represents the state in trials as 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 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 of or reviewing 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 violations of 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).



# ASC Fee Schedule

<b>Registration of Securities</b>			§ 8-6-8 Code of Alabama, 1975
<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 \$1,500 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 \$1,500 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. Annual Renewal \$1,500	§ 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.		§ 8-6-10 (exempt securities) § 8-6-11 (exempt transactions)
<b>Limited Offerings</b>	(1) 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	§ 8-6-11(c) Code of Alabama, 1975
	Extension of the term up to 12 months.	\$300	Commission Rule 830-X-6-.12(1)(d)(iv)
	5) Regulation A Tier 1 and Tier II are federal exemptions filed in connection with offerings in this state. Offerings require limited disclosure.	\$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 \$1,500 nor be less than \$100.	§ 8-6-8(d) Code of Alabama, 1975 (Registration required pre-JOBS Act) Notice Filing

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# ASC Fee Schedule

	6) Federal Crowdfunding Offerings created under the JOBS Act is a method of raising capital through the internet subject to certain investment limits.	\$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 \$1,500 nor be less than \$100.	§ 8-6-8(d) Code of Alabama, 1975 Commission Rule 830-X-6-.13(1)(a)3 Notice Filing
<b>Mutual Fund Exemption</b>	Registration exemptions for Open-Ended Management Investment Company:		§ 8-6-10(11)a.2. Code of Alabama, 1975
	Total net assets less than or equal to \$25 Million	\$350	
	Total net assets greater than \$25 million, less than \$100 million	\$700	
	Total net assets equal to or greater than \$100 million, less than \$250 million	\$1,200	
(fee change effective June 1, 2018)	Total net assets greater than or equal to \$250 million	\$2,000	
	Unit Investment Trusts	\$200	
<b>IRB</b>	Industrial Revenue Bonds are municipal bonds issued for purpose of constructing facilities.	1/20 of 1% of principle amount of described bonds. No less than \$25, but not to exceed \$1,000.	§ 8-6-115 Code of Alabama, 1975
<b>Monetary Transmission Act</b>	Selling or issuing payment instruments, stored value or receiving money or monetary value for transmission.		
	(1) Filing Fee	\$500	§ 8-7A-6c. Code of Alabama 1975
	(2) License Fee	\$500	
	(3) Renewal Fee	\$500	§ 8-7A-9b. Code of Alabama, 1975
	Late renewal fee - up to 20 days from expiration date	\$100 per day	§ 8-7A-9e. Code of Alabama, 1975
	4) Interpretive opinion or no action letter	\$500	§ 8-7A-27b Code of Alabama 1975
<b>Opinions</b>	Interpretations	\$150	§ 8-6-29(b) Code of Alabama 1975
<b>Agent</b> (fee increase effective June 1, 2018)	Any individual, other than a dealer, who represents a dealer or issuer in affecting or attempting to affect sales of securities.	\$70	§ 8-6-3(h) Code of Alabama, 1975

(Continued on next page)

# ASC Fee Schedule

<b>Dealer</b>	Any person engaged in the business of affecting 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> (fee increase effective June 1, 2018)	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.	\$70	§ 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.		§ 8-6-19(j)(2) Code of Alabama, 1975
<b>Investigative Examinations</b>	Investigation 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

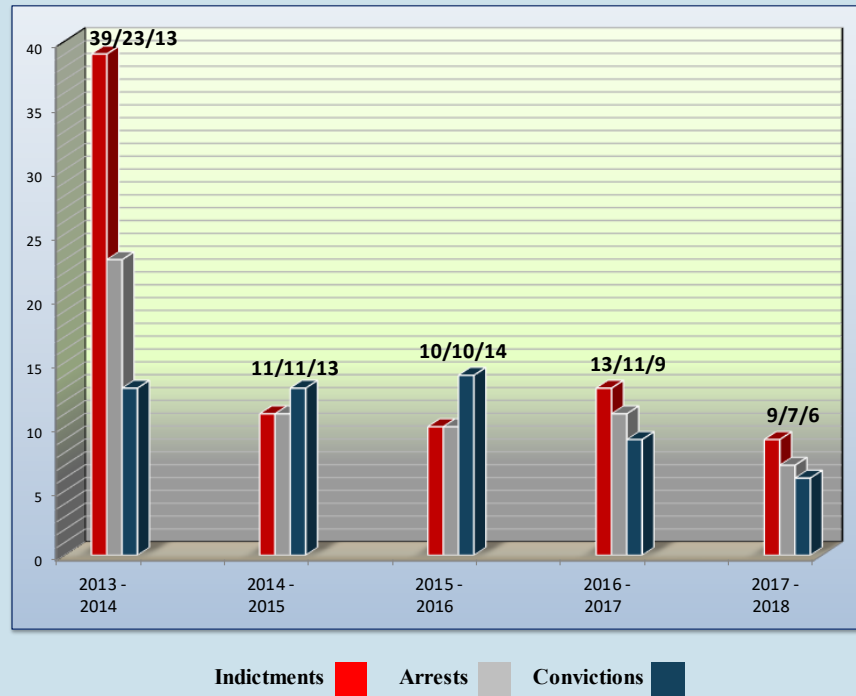
# ASC Statistical Summary from FY 2018

- **ASC total staff - 60 (includes 9 attorneys, 12 special agents, and 13 securities analysts)**
- **Registrations and exemptions issued - 173,874**
- **Onsite examinations/audits - 62**
- **Complaints and corporate inquiries received - 200**
- **Industrial Revenue Bonds reviewed - \$21,000,000**
- **Administrative Orders issued - 26**
- **Administrative Order respondents - 58**
- **Restitution ordered to victims - \$8,022,040**
- **Public warnings issued - 8**
- **Indictments - 9**
- **Convictions - 6**
- **Arrests made - 7**
- **Years of incarceration ordered - 22**
- **Individuals awaiting grand jury action, arrest or trial - 38**
- **Contributed to State General Fund - \$ 11,873,725**
- **Educational seminars on wise and safe investing - 75**
- **Alabamians attending educational presentations – 7,813**

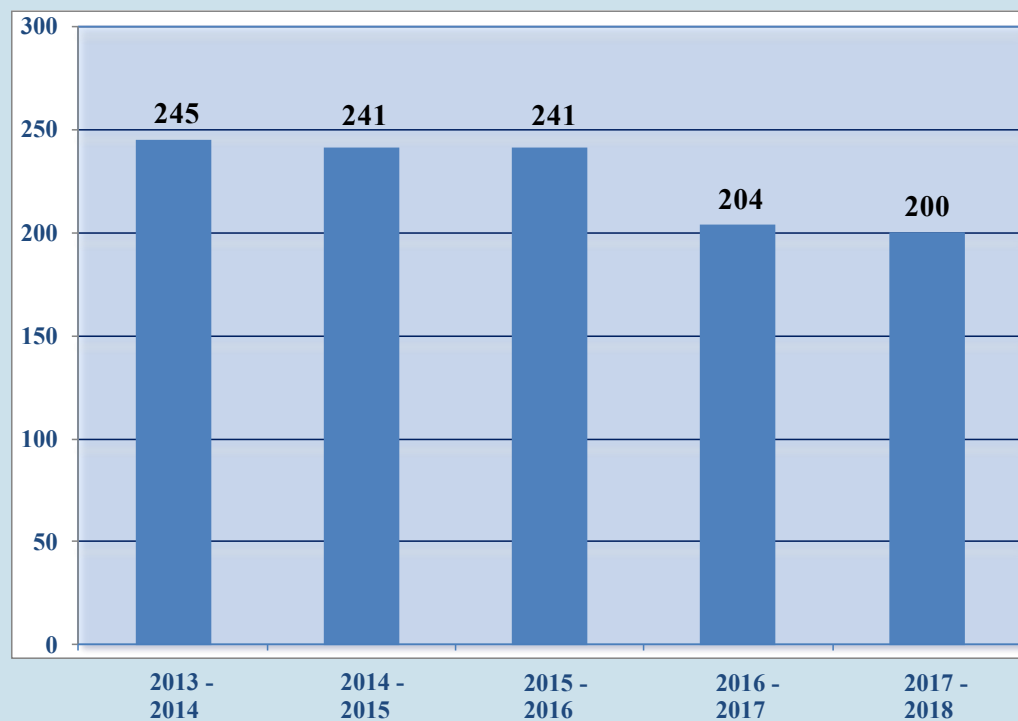
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# ASC Statistics

**Indictments, Arrests and Convictions**  
Fiscal Years 2013-2014 to 2017-2018

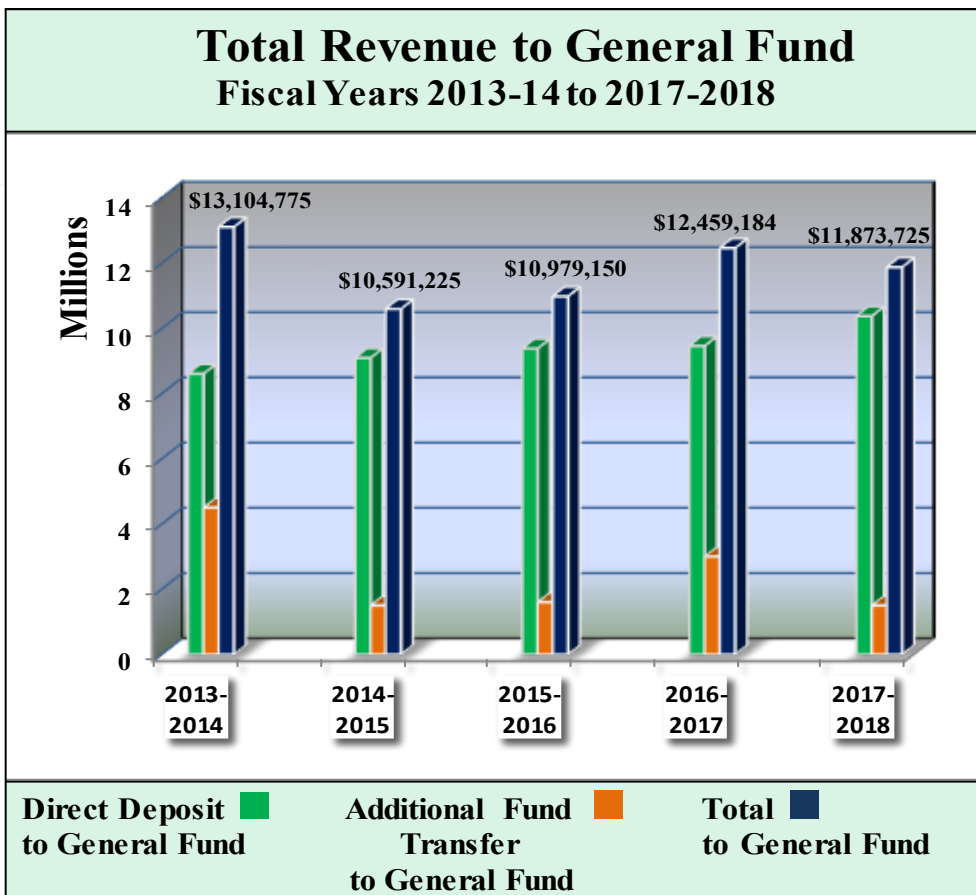
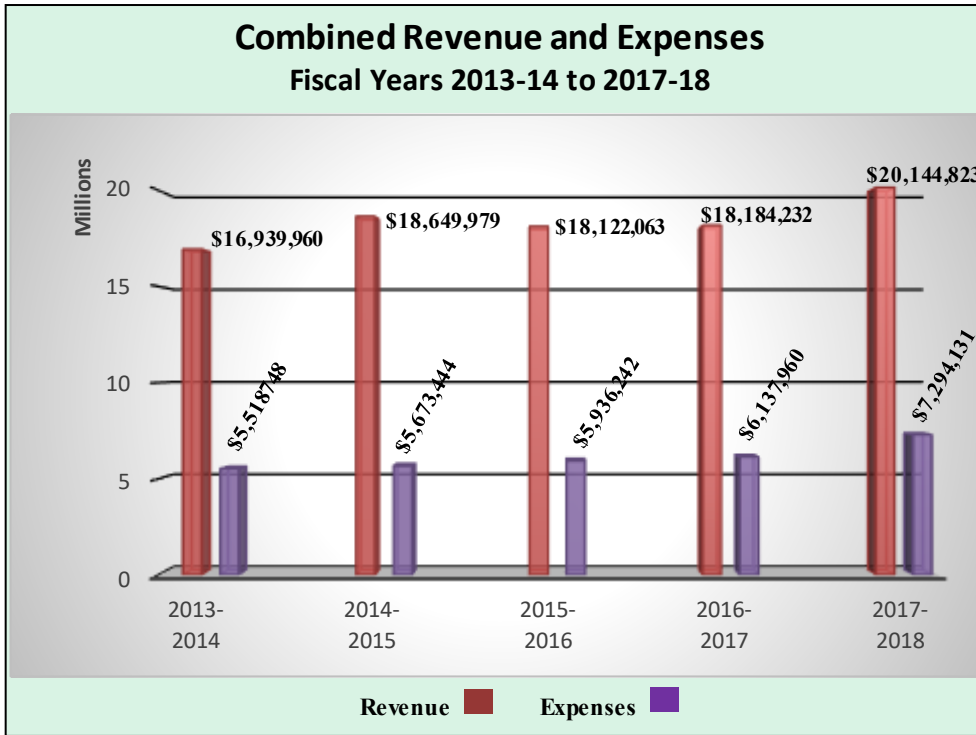


**Complaints and Corporate Inquiries**  
Fiscal Years 2013-2014 to 2017-2018



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# ASC Statistics

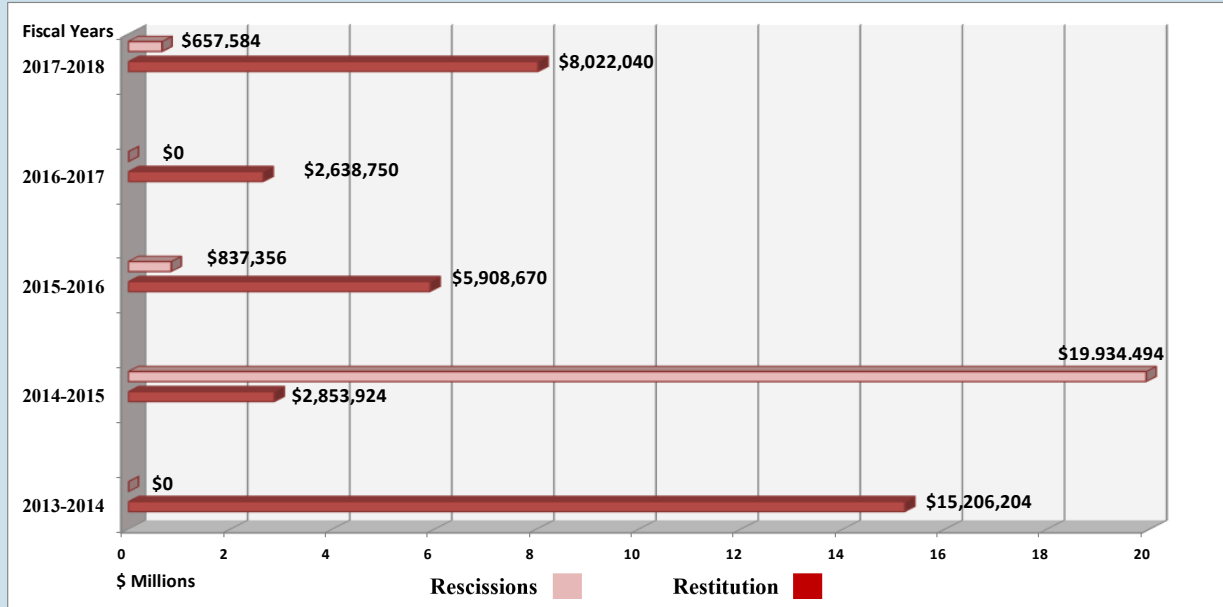


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# ASC Statistics

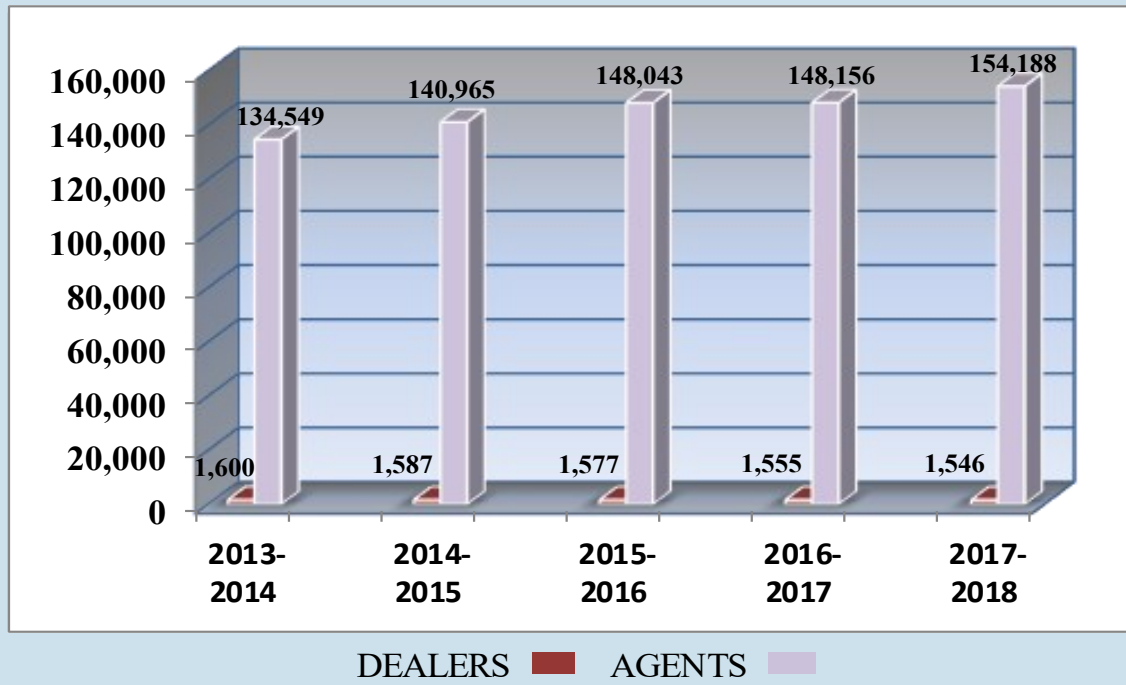
## Rescissions and Restitution

Fiscal Years 2013-2014 to 2017-2018



## Broker Dealer Registrations

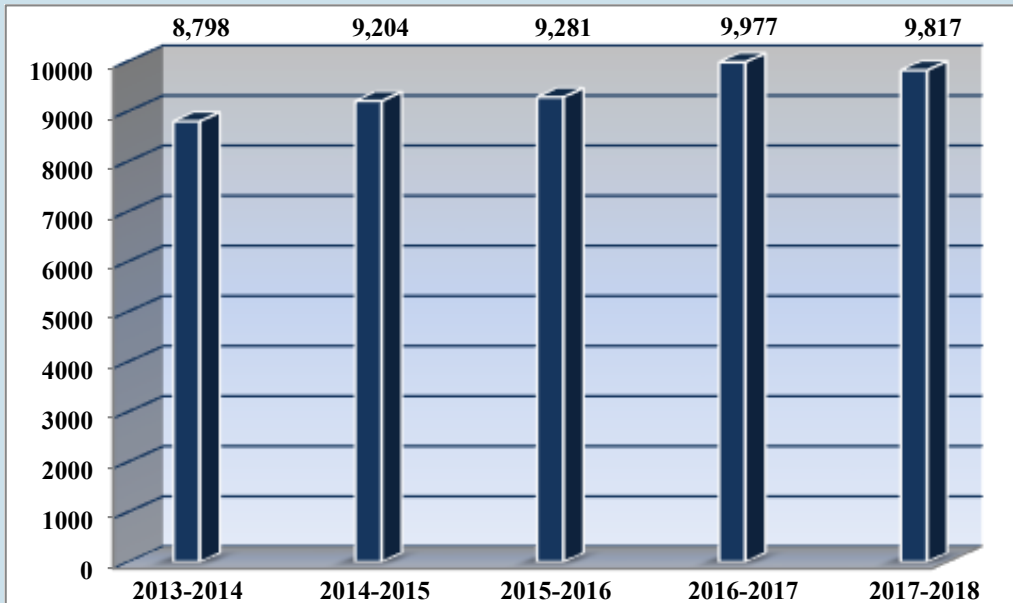
Fiscal Years 2013-14 to 2017-18



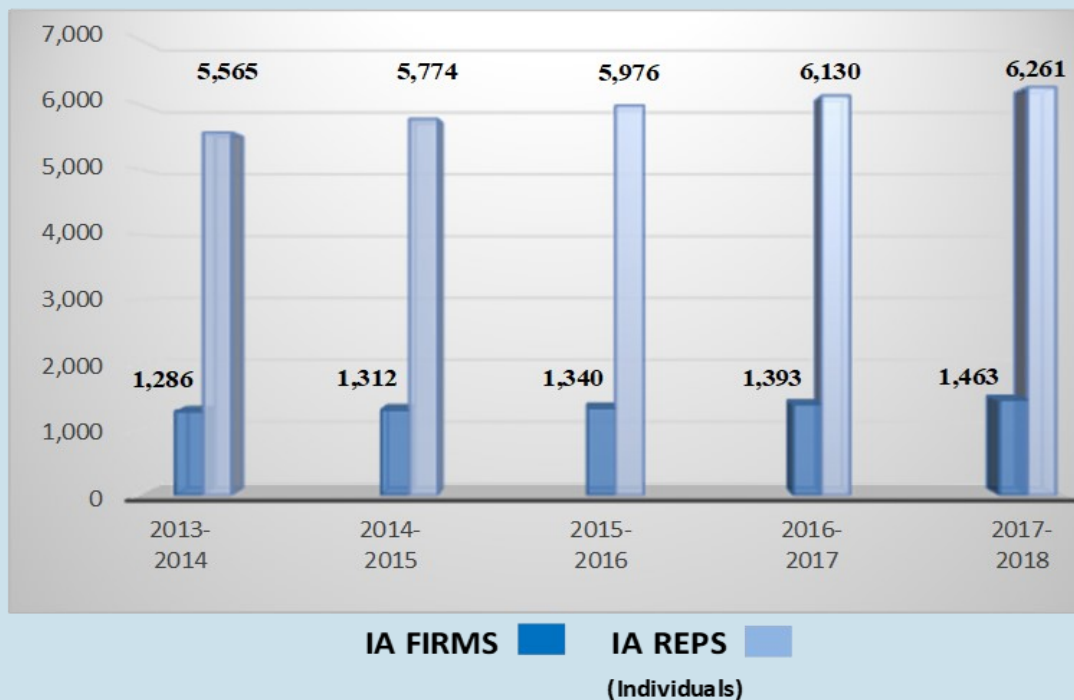
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# ASC Statistics

**Mutual Fund Filings and Exemptions**  
Fiscal Years 2013-2014 to 2017-2018



**Investment Adviser Registrations and Notice Filers**  
Fiscal Years 2013-2014 to 2017-2018





# ASC Financial Statement

## FISCAL YEAR 2018

### Agency Revenues

Authority

§ 8-6-3(h)	Investment Advisers & Representatives .....	\$10,548,470
	Broker-Dealers & Representatives	
§ 8-6-8	Securities Registration.....	48,780
§ 8-6-11	Exemptions.....	376,200
§ 8-6-19	Administrative Assessments/Investigative Executions.....	494,200
§ 8-6-10(11)a.2.	Mutual Fund Exemptions.....	8,516,850
§ 8-6-29	Opinions.....	0
§ 8-6-115	Industrial Revenue Bonds.....	3,000
§§ 8-7A-6; 8-7A-9	Monetary Transmission Act .....	103,640
	Miscellaneous Revenues .....	53,683
	<b>TOTAL REVENUES .....</b>	<b>20,144,823</b>
	To General Fund .....	\$10,373,725
	To Securities Commission Fund .....	9,768,098
	To Industrial Revenue Fund .....	3,000
	<b>TOTAL .....</b>	<b>\$ 20,144,823</b>

### Expenditures

Personnel Costs .....	\$ 3,756,878
Employee Benefits .....	1,356,699
Travel (In-State).....	34,610
Travel (Out of State).....	51,672
Repairs & Maintenance .....	4,262
Rentals & Leases .....	996,356
Utilities & Communications .....	58,261
Professional Services .....	389,242
Supplies, Materials & Operating Expenses.....	229,554
Transportation Equipment Operations .....	39,837
Grants and Benefits.....	0
Transportation Equipment Purchases.....	117,588
Other Equipment Purchases .....	259,172
<b>TOTAL .....</b>	<b>\$ 7,294,131</b>
Additional Transfer to State General Fund .....	\$ 1,500,000
<b>TOTAL EXPENDITURES .....</b>	<b>\$ 8,794,131</b>
<b>TOTAL TO GENERAL FUND FOR FISCAL YEAR 2018 .....</b>	<b>\$11,873,725</b>

# Alabama Securities Commission Enforcement Division

## Enforcement Activity

Corporate Inquires Opened-----	113
Corporate Inquires Closed-----	117
Investigations Opened - "I"-----	32
Investigations Closed - "I"-----	37
Investigations Opened - "S"-----	55
Investigations Closed - "S"-----	47
Administrative Actions-----	26
Administrative Action Respondents-----	58
Indictments/Warrants Obtained-----	9
Arrest Made-----	7
Convictions Obtained-----	6
Public Warnings Issued-----	8
Referrals to Other Agencies-----	29

## Administrative Orders Issued

A comparative summary of the Enforcement Division's  
Fiscal Year 2018 activities are shown on the following chart:

TYPE OF ORDER ISSUED	RESPONDENTS	ORDERS
Cease and Desist	47	17
Consent	2	2
Show Cause	1	1
Consent Agreement	8	6
<b>TOTALS:</b>	<b>58</b>	<b>26</b>

# Registrations and Exemptions

TOTAL NUMBER OF REGISTRATIONS, LICENSES AND EXEMPTIONS ISSUED IN FY 2018: 173,874 10/01/2017 - 09/30/2018					
	Application Filed	Application Approved	Renewal Processed	Application Withdrawn	Application Terminated
Broker/Dealer	94	84	1,462	11	81
Broker/Dealer Agent	n/a	29,331	124,857	195	25,252
Eleemosynary Financing Exemption	26	18	0	7	47
Exempt Consent	1	1	0	0	0
Expansion Order	1	1	0	0	3
Industrial Revenue Bond	1	1	0	0	0
Investment Adviser- Federal	133	129	1167	3	88
Investment Adviser- State Registered	38	24	143	10	11
Investment Adviser Representative	n/a	1,085	5,176	41	1,053
Limited Offering	1,029	1,009	0	6	52
Mutual Fund Exemptions	1,785	1,780	7,026	1	460
Registration by Coordination	30	49	0	15	36
Registration by Qualification	0	0	0	0	0
Registration by Notification	1	1	0	1	1
Restricted Agent	45	41	295	1	43
Money Transmitter	18	18	163	1	1
Sale of Check Vendor	0	0	0	1	5

\*The new Alabama Monetary Transmission Act §8-7A, replaced The Sale of Checks Act §8-7, effective August 2017. All Sale of Checks Licensees renewed pursuant to the new Monetary Transmissions Act in 2018.

INDUSTRIAL REVENUE BONDS FILED IN FY 2018				
File#	Fees	Name of Filing	Date Filed	Total Amount of Offering
41718	\$1,000.00	Aerojet Rocketdyne, Inc (Industrial Dev. Board of City of Huntsville, AL)	10/31/2017	\$21,000,000.00
<b>Totals</b>	<b>\$1,000.00</b>			<b>\$21,000,000.00</b>



# Director's Report

## ASC Continues to Protect Alabamians

The Alabama Securities Commission (ASC) is strongly committed to protect Alabama citizens (individuals, small business, corporations, endowments), 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.



Joseph P. Borg, Director

### Key Events/Issues

#### Protection of Senior Citizens from Financial Exploitation

Fighting elder fraud and financial abuse in Alabama is a priority for the ASC. In April 2016 Alabama became one of the first states to enact legislation requiring securities and investment adviser firms to report suspected financial exploitation of persons deemed to be "vulnerable clients" to regulatory authorities (Protection of Vulnerable Adults from Financial Exploitation Act). ASC has also promoted federal legislation enacted in March 2018 (the Senior Safe Act). The act enlists financial institutions as allies in the fight against financial abuse of vulnerable adults by allowing banks, credit unions, investment advisors and brokers to report suspected fraud to regulatory and law enforcement authorities. Similar to the Alabama act, the Senior Safe Act provides qualified immunity to the financial firms for reporting, if they have trained their employees in how to identify suspicious activity.

#### Operation Cryptosweep

The North American Securities Administrators Association (NASAA) reported that more than **200** active investigations of Initial Coin Offerings (ICOs) and cryptocurrency-related investment products were underway by state and provincial securities regulators in the United States and Canada as part of "Operation Cryptosweep," an initiative from NASAA, of which ASC is a member. The ASC had **21** active ICO inquiries or investigations and issued **7** Cease and Desist orders involving cryptocurrencies as part of the initiative by the end of FY 2018. Operation Cryptosweep was originally conceived by the ASC for NASAA.

#### Accomplishments and Office/Division Functions

In FY 2018 ASC generated **\$11,873,725** for the General Fund. This fiscal year, the demand for services increased as markets surged in 2017 and the first three quarters of 2018. ASC maintains a high level of efficiency by applying proven management techniques, efficient performance of duties, effective use of available technologies and adherence to financial and budget guidelines. The ASC is sensitive to the 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 confidence in our financial markets. When Alabama securities laws are believed to have been

(Continued on next page)

# Director's Report

violated, 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, when appropriate, with 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 **16** criminal indictments each FY for the violation of laws regulating the securities industry. In FY 2018 the Division's hard work resulted in more than **\$8,022,040** in victim restitution from prosecuted cases; **7** arrests; **6** convictions; and helped secure **22** years of incarceration for defendants found in violation of laws regulating the securities industry.

The **Registration Division** is charged with the initial and ongoing registration process for individuals and firms that market and sell securities and financial services to Alabama citizens. Any person or company that offers and/or sells securities or provides investment advice within, into or from Alabama must be registered with the ASC in order to legally conduct business. In FY 2018, **173,874** 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.

The **Auditing and Examinations Division** is responsible for conducting a full schedule of onsite routine and for-cause examinations. Every three years on average, the division auditors examine each of the state-regulated investment advisers domiciled in Alabama, while continuing to audit broker-dealers, their branch offices, and monetary transmission 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 2018, the Auditing and Examinations Division conducted **62** audits, with **22** of these being for-cause examinations driven by investigations, customer complaints or licensing issues.

The Commission firmly believes that investor education and fraud prevention training can assist in shielding our citizens from being victimized by financial criminals. The **Education and Public Affairs Division** conducts an average of over **75** events annually throughout the state, including presentations for social, civic and professional groups.

(Continued on next page)

# Director's Report

During FY 2018, the Division supported **75** events that provided direct outreach and education to over **7,813** citizens, ranging in age from high schools students to senior retirees.

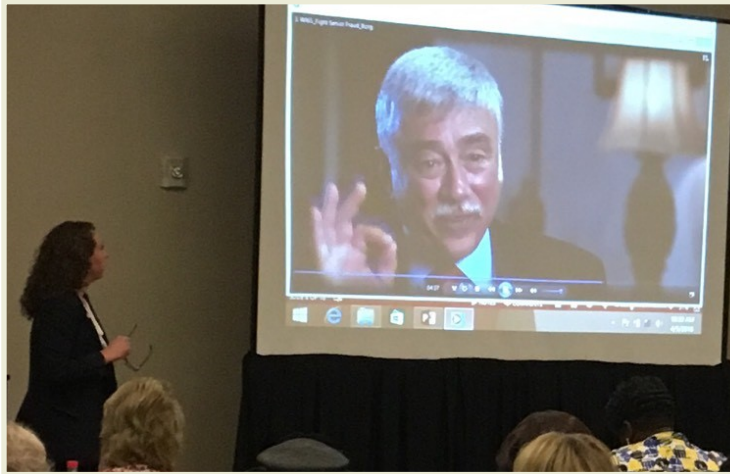
During FY 2018, the Division helped acquire over **\$38,000** in grant money from the Investor Protection Trust (IPT). These funds helped provide personal finance and investor education events for teachers and students in grades 7-12, college students, as well as for senior Alabamians concerned with the protection of their life savings and a need to make informed investment decisions. Learn more about ASC investor education and fraud prevention programs at ASC Education Corner, pages 21-33.

The **Legal Division** is comprised of six highly-skilled and dedicated attorneys who are ably assisted by two full-time paralegals. The Legal Division possesses over **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 including 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. ASC attorneys consult with other states on legal issues involving overlapping jurisdictions and aids federal prosecutors, the U.S. Securities and Exchange Commission (SEC), the Commodity Futures Trading Commission (CFTC), the Financial Industry Regulatory Authority (FINRA) 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 Programs



## Education Corner

### Promoting Investor Education

ASC's Education and Public Affairs Division provides timely and relevant information to help educate and protect citizens so they can make safe and 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.

Contact by email: [Dan.lord@asc.alabama.gov](mailto:Dan.lord@asc.alabama.gov) or [Nick.vonderau@asc.alabama.gov](mailto:Nick.vonderau@asc.alabama.gov).

Call: 1-800-222-1253.

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# Investor Education and Fraud Prevention Outreach Programs

## Educating Working Adults and Seniors

During FY 2018 outreach to seniors was a total success. The ASC, in collaboration with Alabama Department of Senior Services and its statewide network of Area Agencies on Aging, the Better Business Bureau of North Alabama, AARP and other valued partners hosted hundreds of working Alabama adults, senior citizens and professional caregivers in celebration of World Elder Abuse Awareness Day (WEAAD) starting in June, 2018. Governor Kay Ivey signed a proclamation declaring June 15, 2018 as Elder Abuse Awareness Day.

At 22 events about 1856 senior citizens and working Alabamians 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 ASC worked with the Washington, D.C. based Investor Protection Trust (IPT) to acquire a generous grant to defray the cost of many of these events.

## ASC Facebook and Twitter programs

Like, follow, friend and retweet are key social media buzz words. Being out-front in state securities enforcement and education, it didn't take ASC leadership long to realize the value in establishing a social media presence to further the ASC mission of protecting investors from securities fraud. Faith Feaga, a graduate of The University of Alabama School of Communication and Information Sciences and Master's candidate at Texas A&M University, was hired to develop and implement a communication plan to reach audiences online.

One major objective of the communication plan was to create content, which revolved around safe investing and fraud prevention, for the social media platforms. Based on research about target audiences content is developed to engage specific age groups on the sites they are most active on. For example, millennials are heavy Twitter

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Dan Lord, Manager



Nick Vonderau, Marketing Specialist



Faith Feaga, Student Aide & Social Media

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TWITTER: @ALSecCommission





# Investor Education and Fraud Prevention Outreach Programs

users and they believe most messages they see. They also prefer inspirational messages and content. On the other hand, the GenX - Boomer generations may be categorized as heavy Facebook users, skeptical and their preference is for more relatable stories and content. **Here are samples of social media content as well as the June 2018 Twitter analytics.**



**Alabama Securities Commission**  
August 27 · 🌐

This weekend is #collegefootball kickoff. You probably already know where you're going to watch the game, who with and what you'll eat while watching. Have you taken as much time to plan for retirement? The Alabama Securities Commission offers free resources about making wise financial decisions and how to protect your assets from financial fraud. Visit [asc.alabama.gov](http://asc.alabama.gov) for details.

**ARE YOU AS READY FOR RETIREMENT AS YOU ARE FOR COLLEGE FOOTBALL KICK OFF?**

LEARN TIPS AND TOOLS FOR MAKING WISE FINANCIAL DECISIONS AND AVOIDING FINANCIAL FRAUD BY VISITING [ASC.ALABAMA.GOV](http://ASC.ALABAMA.GOV)

## Twitter Analytics June 2018

Profile Visits	Tweet Impressions	New Followers
603	7,487	19

(Continued on next page)

## Investor Education and Fraud Prevention Outreach Programs



Redstone Arsenal , AL



Air Force selects 187th Fighter Wing for F-35 jet program  
Montgomery, AL



US Coast Guard - Mobile, AL



A UH-60A Black Hawk helicopter , Fort Rucker, AL

## Military Outreach

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

ASC staff have the experience to understand financial challenges of the military community. Nine ASC staff members have a total of **109** years (combined) of honorable service in the United States military to protect the freedom of the United States of America.

ASC's 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, are made available to anyone affiliated with the military in Alabama.

# Investor Education and Fraud Prevention Outreach Programs

## Investor Education for Working Adults and Seniors

### ASC presents & displays at Beulah Primitive Baptist Church's May-Fest in Hope Hull, AL

The ASC displayed and presented at the Beulah Primitive Baptist Church on Friday, May 4, 2018. The church hosted a Seniors' Health Expo called "May-Fest 2018." Approximately 400 senior citizens from the local area attended.

The expo theme was baseball and the Montgomery Biscuits' mascot Big Mo made an appearance! Local businesses provided door prizes and a delicious lunch as well.



Education & Public Affairs Manager Dan Lord speaks

Diverse topics discussed included senior health issues and the importance of checking and using smoke detectors. ASC Public Affairs Manager, Dan Lord focused on identity theft, affinity fraud and informing the audience on how to properly check the registration of financial professionals and the investment products offered.

### ASC joined with the United States Postal Service and the Alabama Department of Senior Services to present "Fighting Senior Exploitation"

Former House Representative, Paul DeMarco, hosted an "Fighting Senior Exploitation" event at the Hoover Senior Center in Hoover, Alabama, February 27, 2018. Attendees were members of the Hoover New Horizons organization. Amanda Senn, Acting Deputy Director & General Counsel, represented ASC. The focus of the event was to provide educational tools on how to protect yourself from financial investment scams.

Deputy Senn provided information on the rising popularity to invest in risky "Cryptocurrency" and possible pitfalls related to "Free dinner or lunch seminars."



Deputy Director Senn speaking

All three organizations share the same interest in helping seniors become more aware of financial scams, how to report suspected fraud and minimize the chances of becoming a victim themselves.

(Continued on next page)

# Investor Education and Fraud Prevention Outreach Programs

## **Auburn University Retirees Association (AURA) host a seminar on “Fraud Targeting Seniors”**

The ASC presented to members of AURA on February 23, 2018 at the Harris Center in Auburn, Alabama. Topics discussed included Affinity Fraud, Sweet Heart Scams and Red Flag Phrases for Investment Fraud. Affinity fraud is an investment scam that preys upon members of identifiable groups, which include churches, the elderly, ethnic groups, and professional groups. Sweet Heart Scams is when a new love may be interested in your life savings rather than you! Red Flag Phrases for Investment Fraud include “Guaranteed to double your Money”, “Low risk for high returns” and “It takes advantage of a little known loop hole in tax laws” etc.

## **Alabama Rep. Terri Collins and Sen. Arthur Orr speak at the Decatur-Morgan Entrepreneurial Center**

The ASC, BBB of North Alabama, and the Decatur-Morgan Entrepreneurial Center organized a seminar, held on May 22, 2018, and invited State Senator Orr and State Representative Collins to speak at the event. Topics of the seminar included laws pertaining to capital formation through crowdfunding, successful business practices and how to avoid financial fraud schemes. The audience included graduates and current students of the Decatur-Morgan Entrepreneurial Center as well as new business entrepreneurs from the local area. ASC’s Ed Reed, Deputy Director Administration, spoke about capital sources, legal compliance, crypto currencies and financial fraud. BBB of North Alabama’s Robin Isbell (Vice President of Finance) spoke about identity theft liability, scams, and other local concerns. Rep. Terri Collins discussed Business Growth and Future Opportunities in North Alabama. Sen. Arthur Orr discussed capital formation and the Great Outlook for Business in North Alabama. Sen. Arthur Orr and Rep. Collins have both sponsored ASC bills to promote capital formation and to help protect Alabama citizens from securities fraud.

## **Youth, High School Student and Teacher Programs**

### **Alabama Securities Commission (ASC) partners with Alabama Jump\$tart Coalition (AJC) to educate Alabama Teachers on the importance Saving and Investing**

ASC is a long time board member and supporter of the Alabama Jump\$tart Coalition and provided a seminar to teachers on the importance of incorporating personal finance and investor education into high school student curriculum. Bill Cheeks (Regional Director for Jump \$tart), Buffy Murphy (President of Jump\$tart), Dan Lord, (ASC Public Affairs Manager), Ashley Mabry (Assistant Vice President for Trustmark National Bank) and Leah Wiggins (owner of Leah Wiggins Agency of Farmers Insurance and Financial Services) were presenters.



**High School Teachers Receive Training**

The teachers can be awarded continuing education credits at the end of the two day seminar. Day one of the conference focused on subjects centered around managing credit and debit, saving and investing, financial services and identity fraud, risk management services. Day two of the conference focused on subjects: Spending and Financial Planning, Enhancing Your Earning Capacity, and Economics and Personal Finance. The teachers received ASC’s free education materials as well as Field Trip Request forms.

(Continued on next page)

# Investor Education and Fraud Prevention Outreach Programs

## Youth, High School Student and Teacher Programs

### **Alabama Jump-\$tart Coalition (AJC) Promotes Financial Education at the Career and Technical Education Professional Development Conference (July 31, 2018)**

About 200 teachers benefited from free financial education curricula, resource materials for Alabama classrooms, and a lunch sponsored by numerous business and other agencies including a grant from the Investor Protection Trust arranged by ASC. The key note speaker at the luncheon was ASC's Education and Public Affairs Manager, Dan Lord. ASC and other AJC members provided financial education seminars to teachers. ASC staff is proud to be a member of the AJC and to assist in the operation of this event to provide financial and investor education to high school teachers from all over Alabama.



*Group picture of teachers and AJC board members*

### **Future Business Leaders of Alabama (FBLA) Students and Advisors**

As members of the FBLA, high school students explore college and career opportunities through a number of cocurricular educational programs. Members take part in academic competitions, networking events with accomplished business professionals at conferences, and community service projects. Plus, members have exclusive access to scholarships from a select group of academic institutions.

The ASC partnered with the FBLA and conducted investor education presentations at district meetings in FY2018. Over 430 high school students and their advisors received investor education & financial training at Enterprise State Community College, Enterprise, AL and Lawson State Community College, Birmingham, AL.

At the annual FBLA conference in Birmingham held at the BJCC, (April 13, 2018), the ASC presented an investor education program to over 2,400 high school students and their advisors. ASC assisted FBLA in receiving a grant from the Investor Protection Trust, Washington D.C., to defray the cost of these events.

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# Investor Education and Fraud Prevention Outreach Programs

## Distributive Education Clubs of America (DECA) Students and Advisors

DECA prepares emerging leaders and entrepreneurs in marketing, finance, hospitality and management. The high school student members of DECA are smart, dedicated individuals actively involved in preparing for successful careers in marketing, finance, hospitality and management. The ASC assisted DECA in receiving a generous grant from the Investor Protection Trust to defray the conference costs. ASC made an investor education presentation to over 500 high school students and advisors at the annual DECA conference in Birmingham at the BJCC on February 21, 2018.



## VISIT THE ASC DURING YOUR HIGH SCHOOL FIELD TRIP!


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.

## ASC Launches Partnered Investor Education Program for Historical Black Colleges and Universities (HBCUs)


During this fiscal year ASC partnered with the Society for Financial Education and Professional Development, Inc. (SFE&PD) and the Investor Protection Trust (IPT), both from Washington D.C., to provide investor education events at HBCUs in Alabama. IPT provided funds in support of events for programs at Miles College in Fairfield, Alabama and Tuskegee University, Tuskegee, Alabama.



**"Mind Over Money Skills"  
Investor Education Seminar**



**Theodore R. Daniels, Presenter**



**Daniel G. Lord, Presenter**

(Continued on next page)

# Investor Education and Fraud Prevention Outreach Programs

## ASC Professional Training Programs

### ASC Participates in the Alabama Gerontological Society's (AGS) 2018 Conference

The ASC displayed and presented at the AGS conference, April 4-6, 2018, at the Embassy Suites in Hoover, Alabama. The AGS is a non-profit membership organization devoted to improving the well being of older persons throughout Alabama. AGS brings together individuals, service providers, educators, policy makers, students, and other groups who work in the area of aging or who have an interest in and concern for Alabama's elderly.

ASC staff talked with the healthcare professionals at their exhibitor booth and passed out free education materials. Acting Deputy Senn presented "The Financial Exploitation of Senior Alabamians: The Scams, the Pain, and Tactics for Prevention." Senn highlighted the "Protecting Alabama Elders Act" and "The Protection of Vulnerable Adults From Financial Exploitation Act." Deputy Senn closed by outlining the steps to take if anyone suspects a senior Alabamian is being victimized



Acting Deputy Senn lectures at AGS Conference

### Alabama Department on Senior Services, Alabama Department of Public Health Training Network and ASC hold webinar on May 11, 2018. Title: "Financial Exploitation of Senior Alabamians - the Scams, Pain, and Tactics for Prevention"

Acting Deputy Director Enforcement & General Counsel Amanda Senn (shown below) and Julie Waters, Program and Planning Division Chief with Alabama Department of Senior Services gave a presentation about Financial Exploitation of Senior Alabamians and Medicare Card information.



The target audience included nurses, social workers, public health professionals, health educators, family caregivers, and others who work with the aging population. Topics covered included health care fraud and senior scams.

Credit hours in continuing education (1.5) are awarded for nurses and social workers for attending the webinar and a questionnaire. The webinar can be found on the Alabama Public Health website.

### ASC presents at the 2018 Elder Justice and Caregiver Conference

Central Alabama Aging Consortium (CAAC) organized a conference that featured ASC Director Joseph Borg, State Representative Paul Beckman, Chief Deputy District Attorney for the 19<sup>th</sup> Judicial Circuit CJ Robinson, Faulkner University- Jones School of Law's Clinical Associate Professor of Law John Craft and American Senior Assistance Programs, Inc. CEO Chanda Crutcher. The event was held at the Doster Memorial Community Center in Prattville. The theme of the conference was "Protecting Seniors from Exploitation and Abuse". The audience included social workers, nurses, and other professionals from the caregiver profession. Attendees could also receive Continuing Education credits.

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# Investor Education and Fraud Prevention Outreach Programs FY 2018

Representative Paul Beckman spoke at this event. Beckman sponsored ASC bills that helped protect Alabama senior citizens from financial fraud. ASC has worked cases with the 19<sup>th</sup> Judicial Circuit District Attorney's office and looks forward to combining our efforts to protect citizens of Autauga, Chilton and Elmore Counties from securities fraud. ASC and CAAC are continuing their strong partnership with future events.

## **ASC speaks at an ACAMS (Alabama Chapter of Certified Money Laundering Specialist) event on Fraud Related to Virtual/Crypto Currencies (June 7, 2018)**

ASC's Director Borg was invited to be the featured speaker for ACAMS June event. The members of ACAMS are financial and law enforcement professionals. The event was held at Samford University.

The main topic of discussion was the current International Crypto crackdown that ASC is participating in. Borg showed examples of how some companies misrepresent themselves by using celebrities pictured as board members or using plagiarized movie scenes to illustrate the high level of security used in their organization. Borg also stated that he feels that the Blockchain technology is useful in tracking inventory, shipments, and etc. However, Cryptocurrency is still relatively new and there are risks associated with investing in new technologies often due to the lack of regulation.



## **Alabama Securities Commission (ASC) presents at the Gulf States Financial Planning Association "Forum for Financial Planning" (August 24, 2018)**

Gulf States Financial Planning Association is a regional chapter of the Financial Planning Association (FPA).

ASC was invited to attend 2018's "Forum for Financial Planning". This event allows financial professionals to earn continuing education credits.



Director Borg participated in a panel discussion along with Deborah Shaw, Securities Compliance Examiner for the Securities and Exchange Commission, and Tiffany Chamberlain, Managing Director, Polaris Compliance Consulting, LLC. (shown at table in front).

The topic of the panel discussion was "Hot Topics in Compliance". The discussion was unique because state, federal and the private sector were able to give their views on compliance issues. The presenters explained the difference between State and SEC examinations, most frequent deficiencies, senior issues, scams and States' securities regulators enforcement statistics.

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## List of Investor Education and Fraud Prevention Outreach Programs in FY 2018

Date	Place	#	Audience Type
9/20/18	Mobile, AL at the State Docks	30	Empower State Employee Retirement Seminars
9/19/18	Montgomery, AL - Dept. of Agriculture & Industries	100	Empower State Employee Retirement Seminars
9/19/18	Montgomery, AL at the Capital City Club	40	Montgomery Federalist Society
9/18/18	Birmingham, AL at Lawson State Comm. College	250	FBLA* high school students and their advisors
9/18/18	Hoover, AL at the Hoover Public Library	43	Empower State Employee Retirement Seminars
9/17/18	Huntsville, AL at AL Dept. of Rehab Services	42	Empower State Employee Retirement Seminars
9/14/18	Montgomery, AL at Auburn Univ. Montgomery	55	Baptist Hospice CEU Day for nurses and social workers
9/11/18	Montgomery, AL at the Renaissance Hotel	75	ARSEA* 38th Annual Convention
8/24/18	Mobile, AL at the Convention Center	50	FPA* of Gulf States Forum
8/7/18	Vestavia Hills, AL at Vestavia Hills UMC*	230	Seniors and Caregivers from the Vestavia Hills area
8/4/18	Gadsden, AL at the Church at Wills Creek	175	Ms. Alabama Senior Pageant (family/friends of contestants)
8/3/18	Gadsden, AL at the Church at Wills Creek	55	Ms. Alabama Senior America Pageant Reception Dinner
8/1/18	Perdido Beach, AL at the Perdido Beach Resort	54	Alabama Circuit Court Clerks
7/31/18	Birmingham, AL at the BJCC	200	Jump\$tart Coalition providing training at teacher conference
7/24/18	Millbrook, AL at Hamilton Place Apartments	11	Residence of Hamilton Place (55+)
7/17/18	Huntsville, AL at Redstone Arsenal	70	Redstone Operations Security event for military/civilian employees
7/14/18	Huntsville, AL at Huntsville-Madison Senior Center	18	Members of the HPCUG*
7/11/18	Union Springs at the Community Bank	20	Employees of Community Bank
7/11/18	Troy, AL at the New Beginning for You Center	49	SCADC* Elder Abuse Caregiver Summit
6/29/18	Destin, FL at the Hilton Sandestin Beach	70	Alabama State Bar Annual Meeting Breakout Session
6/28/18	Destin, FL at the Hilton Sandestin	220	Alabama State Bar Annual Meeting General Session
6/28/18	Montevallo, AL at the American Village	70	M4A* caregivers form Shelby County
6/28/18	Muscle Shoals, AL at NW Shoals Comm. College	28	NACOLG* Advisory Council
6/20/18	Vestavia Hills, AL at the City Hall	10	Senior event planning with Mayor, FBI and community officials
6/18/18	Birmingham, AL at the Birmingham Marriott	28	Jump\$tart Coalition Teacher Training Program
6/15/18	Huntsville, AL at the Redstone FCU* Atrium	80	Partner with BBB* of N. AL. to train nurses and senior caregivers
6/13/18	Union Springs, AL at the Richard Stone Complex	25	DHR* training event for Social Workers and caregivers
6/13/18	Atlanta, Georgia at Georgia State University	85	SEC* Investing in America Town Hall, citizens from GA and AL
6/7/18	Birmingham, AL at Samford University	35	ACAMS* Chapter Meeting
5/23/18	Montgomery, AL at the Folsom Building	13	State of Alabama Personnel Board

(Continued on next page)

# List of Investor Education and Fraud Prevention Outreach Programs in FY 2018

Date	Place	#	Audience Type
5/22/18	Decatur, AL at Decatur-Morgan Entrepreneurial Ctr.	55	Partner with BBB to train Entrepreneurial Center Students
5/18/18	Florence, AL at the Florence Lauderdale Coliseum	150	NACOLG Senior Citizen Appreciation Day
5/15/18	Prattville, AL at the Doster Center	70	CAAC* Justice and Caregiver conference
5/10/18	Montgomery, AL at the RSA Tower	**450	ADSS* webinar for Social Workers, Nurses & Healthcare
5/9/18	Hamilton, AL at the Hamilton Police Department	40	ASC and NACOLG train professional caregivers
5/4/18	Hope Hull, AL at Beulah Primitive Baptist Church	400	May fest 2018 - Seniors' Health Expo
4/25/18	Birmingham, AL at the UAB Hill Student Center	50	ACCE* annual Teacher Awards ceremony
4/25/18	Florence, AL at University of North Alabama	12	ASC and NACOLG train professional caregivers
4/18/18	Prattville, AL at the Chapter One Center	22	Autauga County AERA* Chapter- retired teachers
4/17/18	Selma, AL at Morningstar Baptist Church	19	Dallas County AERA Chapter- retired teachers
4/13/18	Birmingham, AL at the BJCC convention center	2400	FBLA high school students and their advisors
4/13/18	Andalusia, AL at the Central Church of Christ	42	Health Community Resource Fair
4/5/18	Hoover, AL at the Embassy Suites	56	AGS* 2018 Annual Conference - visitors at display
4/5/18	Prattville, AL at the Doster Center	40	Lions Club meeting
4/4/18	Hoover, AL at the Embassy Suites	50	AGS 2018 Annual Conference- professional caregivers
4/4/18	Phoenix City, AL at the Central Activities Center	28	Russell County AERA Chapter- retired teachers
3/20/18	Huntsville, AL at University of Alabama in Huntsville	30	NW3C* & FINRA* event for police officers and enforcement
3/14/18	New Orleans, LA at the NASAA* Training Conf.	70	Investor Educators from North America
3/8/18	Montgomery, AL at the Troy University radio studio		Listeners in the broadcasting area
3/3/18	Birmingham, AL at the UAB Financial Expo	52	Citizens from the surrounding community
3/2/18	Birmingham, AL at the UAB Prof. Dev. Summit	10	Professionals in education and business
2/27/18	Hoover, AL at the Hoover New Horizons Center	115	Senior citizens from the surrounding community
2/27/18	Montgomery, AL at the RSA Plaza	45	Members of National Assoc. of Ins. & Financial Advisors
2/23/18	Auburn, AL at the Hubert & Grace Harris Center	19	Members of AURA*
2/21/18	Birmingham, AL at the BJCC convention center	400	DECA* high school students & advisors from all over Alabama
2/20/18	Union Springs, AL at the Macedonia Baptist Church	45	Senior citizens from the surrounding community
2/16/18	Montgomery, AL at the AL Securities Comm.	22	Stanhope Elmore High School financial education students
2/8/18	Montgomery, AL at Down the Street Café	15	Members of the Montgomery Good Morning Kiwanis
2/1/18	Montgomery, AL at the AL Securities Commission		WSFA TV audience - Dir. Borg on Cryptocurrency
1/24/18	Birmingham, AL at the Botanical Gardens	60	Train prof. caregivers with Human Resource Options LLC.

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# List of Investor Education and Fraud Prevention Outreach Programs in FY 2018

Date	Place	#	Audience Type
1/23/18	Montgomery, AL at the Jubilee restaurant	20	AARB* members & state legislators
11/30/17	Vestavia Hills, AL at the Vestavia Hills City Hall	30	Members of the Sunrise Rotary Club
11/16/17	Tuskegee, AL at the Tuskegee University	40	Partner with the SFEPD* to teach college students
11/15/17	San Diego at the AFCPE* annual conference	40	Present with IPT* to members of AFCPE
11/13/17	Montgomery, AL at the Drury Inn	100	Present to the Alabama Silver Haired Legislature
11/8/17	Montgomery, AL at the AL Attorney General's Office	8	Prosecutors and Enforcement Officials -- about Elder Abuse
11/2/17	Mountain Brook, AL at the Grand Bohemian Hotel	100	FPA members and state officials
10/31/17	Montgomery, AL at Holiday Inn Express--East Chase	40	Assoc. of Fund Raising Professionals--Central Alabama
10/24/17	Hoover, AL at the Hoover Public Library	70	Local citizens, a partnered event with the FPA of N. Alabama
10/18/17	Birmingham, AL at downtown 1st Presbyterian Church	15	Caregivers, Victim Action Training with FINRA and NCVIC*
10/17/17	Andalusia, AL at the Blue Lake Methodist Camp	70	Partner with AAA* to teach caregivers
10/16/17	Fairfield, AL at Miles College	30	Partner with the SFEPD to teach college students
10/13/17	Montgomery, AL at the AL Securities Commission	2	Provide program training to new Tennessee counterpart
10/11/17	Montgomery, AL at the RSA Plaza	70	ASC event for Enforcement professionals from AL and USA
10/4/17	Enterprise, AL at Enterprise State Community College	180	FBLA high school students and their advisors

**During FY 2018, the ASC conducted 75 events that provided direct outreach and instruction to over 7,813 citizens, ranging in age from high schools students to senior retirees.**

Explanation of asterisked items:	
*AAA = Area Agency on Aging	*FCU = Federal Credit Union
*AARB = Alabama Association of Regulatory Boards	*FINRA = Financial Industry Regulatory Authority
*ACAMS = AL Ch. of Cert. Anti Money Laundering Spec.	*FPA = Financial Planning Association
*ACEE = Alabama Council on Economic Edu.	*HPCUG = Huntsville PC User Group
*ADSS = Alabama Dept. of Senior Services	*IPT = Investor Protection Trust, Washington, DC
*AERA = Alabama Education Retirees Association	*M4A = Middle Alabama Area Agency on Aging
*AFCPE = Assoc. for Financial Counseling & Planning Edu.	*NACOLG = The Northwest Alabama Council of Local Governments
*AGS = Alabama Gerontological Society	*NCVC = National Center for Victims of Crime
*ARSEA = Alabama Retired State Employee's Assoc.	*NASAA = North American Securities Administrators Association
*AURA = Auburn University Retiree Association	*NW3C = National White Collar Crime Center
*BBB = Better Business Bureau	*SEC = U.S. Securities and Exchange Commission
*CAAC = Central Alabama Aging Consortium	*SCADC= South Central Alabama Development Commission
*DECA = Distributive Education Clubs of America	*SFEPD = Society for Financial Edu. and Professional Development
*DHR = Department of Human Resources	*UMC = United Methodist Church
*FBLA = Future Business Leaders of America	**450 = Number of professionals that viewed webinar this FY

## North American Securities Administrators Association ASC Involvement During FY 2018

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 Borg was President for NASAA starting in the fall of 2017, this term made him the only three term president of the North American Securities Administrators Association (NASAA). During this FY he served on the Board of Directors, the Capital Formation 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 sixteen 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 2018, ASC staff served on or participated in the following: Capital Formation Committee, Cybersecurity Committee, Enforcement Section Committee, Finance & Audit Committee—Working Group, Professional Development Committee, Business Organizations & Accounting Project Group (PG), Cybersecurity and Technology PG, Deposition & Litigation Skills Training PG, Enforcement Training PG, Life Stages PG, Market and Regulatory Policy and Review PG, and Operations PG.

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.

## Enforcement Headline Summaries by County

Read complete articles at [www.asc.alabama.gov](http://www.asc.alabama.gov)

### Baldwin County

#### **California Man Pleads Guilty to Securities Fraud in Baldwin County**

**September 28, 2018** - Robert Wilters, District Attorney for the 28th Judicial Circuit, Baldwin County, Alabama; and Joseph Borg, Director of the Alabama Securities Commission (ASC) announced that on September 20, 2018 Vahak Dino Awadisian (Awadisian), of California, pleaded guilty in Baldwin County Circuit Court to one count of Securities Fraud for making misstatements and omissions of material fact to investors. The offense was a Class C felony at the time it was committed, punishable by not less than one year and one day, but no more than 10 years in prison, and a fine not to exceed \$15,000.



After the plea was entered, The Honorable Circuit Court Judge C. Joseph Norton sentenced Awadisian, as part of his plea agreement, to 36 months in the custody of the Alabama Department of Corrections. That sentence was suspended, and Awadisian was placed on supervised probation for 24 months. There was no restitution due to any investors. As part of the plea, Awadisian also consented to be permanently barred from the securities industry in Alabama.

Awadisian's plea is the result of a November 2013 indictment by the Baldwin County Grand Jury. Awadisian participated in a conference call with a co-defendant in Baldwin County during which they promoted a "Trading Platform Program." They told investors that they had successfully traded billions of dollars in these programs, when in fact they had not. Awadisian also omitted to inform the investors that he had twice filed for bankruptcy. The fact that a broker or agent has filed for bankruptcy is a material fact for an investor to consider when deciding whether to invest, which the broker or agent must disclose when offering or selling a security.

The ASC is grateful for the cooperation and dedication of the United States Marshals Service, Interpol, and the Baldwin County Sheriff's office for locating, apprehending, and coordinating Awadisian's extradition from Moldova to Baldwin County, Alabama.

### Calhoun County

#### **California Man Pleads Guilty to Securities Fraud**

**September 5, 2018** - Brian A. McVeigh, District Attorney for the 7th Judicial Circuit, Calhoun County, Alabama; and Joseph Borg, Director of the Alabama Securities Commission (ASC) announced that Daniel Scott Register ("Register"), of Valencia, California, pled guilty before Circuit Judge Bud Turner to one count of Securities Fraud in violation of the Alabama Securities Act and agreed to pay restitution in the amount of \$26,240.30 to the Alabama victim.



The charge stems from a fraudulent investment in gold and precious metals. In 2011, Register advised an Alabama investor to liquidate a retirement account, holding approximately \$26,000, and further directed him to transfer the money to an individual retirement account for the purpose of purchasing gold or other precious metals. Register, leading the victim to believe that the money had been invested in gold and precious metals, provided the victim a Wall Street Bullion Exchange invoice which falsely represented a purchase of gold on behalf of the investor.

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## Enforcement Headline Summaries by County

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The investigation revealed, however, that Register stole the money and used it to pay personal expenses. Register was released to the Calhoun County Sheriff's Office in April 2016 after serving time in a California correctional facility for violating the terms of his probation which he was serving on an unrelated offense.

### Colbert County

#### **Colbert County Man Arrested for Alleged Securities Fraud and Financial Exploitation of the Elderly**

**April 6, 2018** - Joseph Borg, Director of the Alabama Securities Commission (ASC) announced that Ronald Warren Powell, a resident of Colbert County, Alabama, turned himself in, April 5, 2018, to the Colbert County Jail upon an arrest warrant based on a five-count indictment returned by the March 2018, Colbert County Grand Jury. Powell was subsequently released on a \$15,000 bond.



The Grand Jury indictment charged Powell with two counts of Fraud in connection with the Sale of Securities, including: engaging in an act, practice, or course of business which operated as a fraud and making untrue statements of material facts or omitting to state a material fact. The five-count indictment further charged Powell with one count of Financial Exploitation of the Elderly in the First Degree, one count of Sale of Unregistered Securities, and one count of Sale of Securities by an Unregistered Agent. According to the indictment, Powell participated in illegal securities transactions by selling promissory notes and misappropriating the investment funds received in exchange for the notes. The crimes of Securities Fraud and Financial Exploitation of the Elderly are Class B felonies, punishable by possible imprisonment of two to 20 years and up to a \$30,000 fine per charge upon conviction. The securities registration charges are Class C felonies, punishable by possible imprisonment of one year and one day to 10 years and up to a \$15,000 fine per charge upon conviction.

### Etowah County

#### **Former Financial Advisor Sentenced to Prison for Securities Fraud**

**April 25, 2018** - Jody Willoughby, District Attorney for the 16th Judicial Circuit, Etowah County, Alabama; and Joseph Borg, Director of the Alabama Securities Commission (ASC), announced that on April 24, 2018, Gadsden resident Derek Neal York appeared in Etowah County Circuit Court before the Honorable Judge George C. Day to be sentenced for two counts of Securities Fraud, for misstatements and omissions of material fact made to two investors. Each 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.



York was sentenced on each count to seven years in the custody of the Alabama Department of Corrections. The Court ordered York's sentences on the two counts to run concurrently. York was taken into custody at the end of the sentencing hearing and placed in the Etowah County Jail, where he will be held until he is transferred to the custody of the Alabama Department of Corrections. The Court also ordered York to pay \$932,567 in restitution to the victims in the case.

York, once a registered financial advisor from 2010 to 2012, solicited investments from an Alabama resident

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## Enforcement Headline Summaries by County

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and her father, a Texas resident. The Alabama resident invested approximately \$620,000 with York, some of which came from an IRA account. The investor directed, and York told the investor, that her funds would be invested in publicly traded stocks, bonds, and mutual funds. Instead, York sent all the invested funds to an unregistered movie production company in California. For this, York received a commission of \$75,000 from the production company, which was not disclosed to the Alabama investor. York provided periodic updates to the investor, misrepresenting the value of her investments and the rate of return they were generating. York sold securities valued at approximately \$312,000 to the Texas victim: \$207,000 in a Canadian energy company, and \$105,000 to be invested in the Messier Corporation. All the Texas victim's funds came from an IRA account. York received another undisclosed commission of \$12,000 for the investment into the Canadian energy company. York retained the entire \$105,000 investment for the Messier Corporation, and then used the funds for personal expenses and to repay prior investors. At the time of the Texas victim's investments, York was no longer registered to offer securities within, to, or from the State of Alabama. Neither of the investors' funds were transferred to an IRA account, as promised by York, which subjected the investors to IRS tax withholding on the withdrawals. Neither York, the movie production company in California, nor the Canadian energy company returned any funds to the investors. Also, none of the investment offerings sold were registered as securities with the ASC, as required by law.

### Jefferson County

#### **Alabama, Georgia Men Arrested for Alleged Violations of the Alabama Securities Act**

**October 10, 2017** - Danny Carr, District Attorney Pro Tern for the 10th Judicial Circuit, Jefferson County, Alabama; and Joseph Borg, Director of the Alabama Securities Commission (ASC) announced that Steven Clyde Reed Brown of Birmingham, Alabama, and Edward Malcolm Portman of Atlanta, Georgia were arrested on September 19th and 25th, 2017 respectively, by the Jefferson County Sheriff's Office for their alleged involvement in a securities fraud scheme. The arrests stem from an August 2017 Jefferson County Grand Jury indictment charging each with multiple violations of the Alabama Securities Act. Both men have been released from the Jefferson County jail after each posted a \$195,000 bond.



The Grand Jury indictment charged each defendant with eight total counts, including one count of Conspiracy to Commit Securities Fraud; one count of Sale of Unregistered Securities; one count of Sale of Securities by an Unregistered Agent; five counts of Fraud in Connection with the Sale of Securities (making untrue statements of material fact or omitting to state a material fact; and engaging in an act, practice or course of business which operated or would operate as a fraud or deceit upon any person). The conspiracy and securities registration charges are Class C felonies, punishable by possible imprisonment from one year and one day to 10 years and not more than a \$15,000 fine per charge upon conviction. The remaining charges are Class B felonies, punishable by possible imprisonment of from two to 20 years and up to a \$30,000 fine per charge upon conviction.

The indictment of Brown and Portman alleged illegal securities transactions involving investment contracts and/or certificates of interest or participation in a profit-sharing

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## Enforcement Headline Summaries by County

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agreement with Alabama investors for the development of medical technology and products. The indictment further alleged that Brown and Portman omitted to inform investors that no one had ever received any return of principal or profit for their investments and that, in a previous instance, the men continued to illegally solicit investor funds after having been previously issued a Cease and Desist Order by the Alabama Securities Commission. ASC records revealed that neither Brown nor Portman were registered with the Commission to lawfully offer and/or sell securities within, into or from Alabama, as required by law.

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

**December 20, 2017** - Michael Anderton, District Attorney for the 10th Judicial Circuit, Jefferson County, Alabama; and Joseph Borg, Director of the Alabama Securities Commission (ASC) announced that on November 29, 2017, Kenneth Fitzgerald Lewis, of Hoover, Alabama, was arrested and placed in the Jefferson County Jail, based on a warrant issued after the November 2017 Jefferson County Grand Jury returned a four-count indictment for alleged violations of the Alabama Securities Act. Lewis was released on a \$61,000 bond.

The indictment charges Lewis 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 Lewis 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, carrying a range of punishment from two to 20 years' imprisonment and a fine of up to \$30,000 per charge, upon conviction.

The indictment alleges that, from December 2013 through June 2014, Lewis sold investment contracts, which are defined as securities under the Alabama Securities Act, to one victim in Jefferson County. The investment contracts were issued by Lewis' company Paradigm Real Estate Group, LLC to finance "flipping" real estate. Lewis allegedly misrepresented to the investor that invested funds would be used to purchase and resell residential real estate, and omitted to tell the investor that he would use the funds for personal expenses. Lewis also allegedly misrepresented that he would use investor money to purchase a particular property, and omitted to tell the investor that another property, purchased with investor money, had been sold, the proceeds of which he failed to distribute to the investor. Neither Lewis nor the investment contracts he sold were registered with the ASC, as required by the Alabama Securities Act.

### **Lauderdale County**

#### **DreamVision Promoter Pleads Guilty to Securities Fraud**

**March 20, 2018** - Chris Connolly, District Attorney for the 11<sup>th</sup> Judicial Circuit, Lauderdale County, Alabama; and Joseph Borg, Director of the Alabama Securities Commission (ASC) announced that on March 20, 2018, Bryan Kevin Robinson, of Killen, Alabama pleaded guilty in Lauderdale County Circuit Court to one count of Securities Fraud for engaging in an act, practice, or course of business which operated as a fraud or deceit upon more than 40 Alabama

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## Enforcement Headline Summaries by County

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investors. 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.

After the plea was entered, Circuit Court Judge Gilbert P. Self sentenced Robinson, as part of his plea agreement to ten (10) years in the custody of the Alabama Department of Corrections. Robinson waived application for probation. Judge Self further ordered Robinson to pay court costs and fees, a \$50 victim compensation assessment fee, and more than \$7,000,000.00 in restitution to the victims in the case. As part of the plea, Robinson is also permanently barred from the securities industry in Alabama.

The Commission's action started with a Cease and Desist Order against Robinson and his company, Robinson Capital Investments, LLC for selling unregistered securities in a real estate program. The investigation into Robinson Capital led to the discovery of investments into other ventures, including an amusement park to be constructed in the Muscle Shoals area of Alabama. Investors were told that their funds would be used to finance a specific investment, but instead Robinson diverted the funds to personal expenses or other investments not related to the stated purposes and for which the investors would not have agreed, and used some of the funds to make Ponzi style payments to earlier investors. Robinson's actions ultimately resulted in a total loss to the victims of \$7,017,790.33.

Director Borg said, "This Commission is unwavering in its commitment to protect and maintain sound capital markets in Alabama. Bryan Robinson engaged in a course of business which operated as a fraud upon Alabama investors. Robinson sought to profit by stealing millions of dollars from over 40 Alabama investors who trusted him with their life savings; this conduct will not be tolerated in Alabama. A special thanks goes to the Atlanta Regional Office of the Securities and Exchange Commission for their support in this case."

### Lee County

#### **Founder of Lee County-Based Company Convicted of Securities Fraud**

**August 22, 2018** - Kyle Geoffrey Sandler, 42, of Auburn, Alabama, pleaded guilty to one count of wire fraud and one count of securities fraud, announced Louis V. Franklin, Sr., U.S. Attorney for the Middle District of Alabama, James E. Jewell, Special Agent in Charge for the FBI, and Joseph P. Borg, Director of the Alabama Securities Commission.

The charges stemmed from Sandler soliciting and accepting over \$1.8 million dollars from more than 50 investors in a scheme to defraud them. According to court records, from 2015 through 2016, Sandler founded and managed The Roundhouse LLC (Roundhouse), based in Lee County, Alabama. Throughout the Auburn and Opelika communities, Sandler advertised that Roundhouse was a business incubator company that helped develop new and startup companies by providing services such as venture capital, office space, 1-gigabit internet and management training.

During the course of business, Sandler made numerous misrepresentations and failed to share important information about his past. For example, he held himself out as a successful entrepreneur and former



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## Enforcement Headline Summaries by County

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employee of Google, which, according to Sandler, paid him millions of dollars for his work during the time he worked there. Investors, relying on Sandler's represented experience and expertise, turned over approximately \$1.8 million dollars in investment funds to be used to further the business of Roundhouse. However, Sandler never actually never worked for Google and he was using the investor funds for personal expenses such as childcare services, rent payments, purchases of automobiles and other personal needs.

In exchange for the fraudulent obtained investments, Sandler issued stock in Roundhouse and oversold the equity by approximately one hundred percent. Further, Sandler had prior convictions based on fraudulent conduct. He was required by law to disclose these prior felonies to potential investors.

Sandler faces a maximum sentence of 20 years' imprisonment on each count of wire fraud and securities fraud, and a fine of not more than \$5,000,000 on securities fraud.

This case was investigated by the Federal Bureau of Investigation (FBI) and the Alabama Securities Commission, with assistance from the District Attorney's Office for the 37th Judicial Circuit and the Opelika Police Department. The case was prosecuted by Assistant United States Attorneys Steven H. Lee and Denise O. Simpson, and Special Assistant United States Attorneys Amanda W. Senn and Stephen P. Feaga.

### Madison County

#### **Madison County, Alabama Woman Pleads Guilty, Sentenced for Illegal Investment Scheme**

**Oct. 24, 2017** - Robert L. Broussard, District Attorney for the 23<sup>rd</sup> Judicial Circuit, Madison County, Alabama; and Joseph Borg, Director of the Alabama Securities Commission (ASC) announced that on October 20, 2017, Kingirl Joy Bias, also known as Kimberly Joy Dixson Scott, of Huntsville, was sentenced to four years' imprisonment for her role in an illegal investment scheme.

Bias pled guilty to one count of Fraud in Connection with the Sale of Securities (employing a device, scheme or artifice to defraud), a Class B felony; and agreed to be permanently barred from registration and engaging in any securities activities into, within or from the state of Alabama. Madison County Circuit Judge Alan Mann handed down the sentence based on a recommendation by the state and ordered Bias to pay \$10,000 in restitution. At the time the charges were brought, Bias was serving a sentence (with more than two years remaining) on unrelated charges in an Ohio correctional facility. Bias was transported to Alabama in September 2017 to face the securities related charges and will soon be returned to Ohio to complete that sentence. The four year sentence imposed on Bias by the Madison County Circuit Judge will run concurrent with her Ohio incarceration period.

Bias as an agent for Modernday Multimedia, Inc., a Huntsville, Alabama-based company took investment money from the victims promising a significant return of \$100,000 within a short period of time. The victims never received their shares of stock in Modernday Multimedia, Inc, any return on their investment, or the principal amount of their invested funds. Bias took some of the victim's investment money for personal use.

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## Enforcement Headline Summaries by County

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

**November 17, 2017** - Robert L. Broussard, District Attorney for the 23rd Judicial Circuit, Madison County, Alabama; and Joseph Borg, Director of the Alabama Securities Commission (ASC) announced that Edwin Eugene Blalack, a Madison County resident, was arrested on November 14, 2017 by the Madison County Sheriff's Department for his alleged involvement in a securities fraud scheme. Blalack's arrest stems from a November, 2017 Madison County Grand Jury indictment charging him with 17 violations of the Alabama Securities Act . Blalack was subsequently released on a \$5,000 bond.

The Grand Jury indictment charged Blalack with seven counts of Fraud in Connection with the Sale of Securities, including: employing a device, scheme or artifice to defraud; making untrue statements of material facts or omitting to state a material fact; and engaging in an act, practice or course of business which operates or would operate as a fraud or deceit upon any person. Blalack was also charged with five counts of Sale of Unregistered Securities and five counts of Sale of Securities by an Unregistered Agent. The securities fraud charges are Class B felonies, punishable by possible imprisonment of from two to 20 years and up to a \$30,000 fine per charge upon conviction. The securities registration charges are Class C felonies, punishable by possible imprisonment of from one year and one day to 10 years and up to a \$15,000 fine per charge upon conviction.

The indictment of Blalack alleged illegal securities transactions involving the sale/ownership of "common stock" and/or "founders stock" in Trirox, Inc., a Delaware-registered corporation with a physical address in Huntsville, Alabama, to multiple investors. It was also alleged that Blalack misappropriated investors' funds for his personal benefit instead of investing said funds for the benefit of the company and its investors. ASC records revealed that Blalack was not registered with the Commission to lawfully offer and/or sell securities within, into or from Alabama as required by law.

### **Morgan County**

#### **Morgan County, Alabama Man Indicted for Alleged Theft, Forgery, and Securities Fraud**

**August 9, 2018** - Scott Anderson, District Attorney for the 8th Judicial Circuit, Morgan County, Alabama; and Joseph Borg, Director of the Alabama Securities Commission (ASC) announced that on August 2, 2018, Gregory Steenson, of Priceville, Alabama, was indicted by a Morgan County Grand Jury, which returned two separate indictments. The first indictment consists of 9 counts of theft and forgery brought by Mr. Anderson's office. The second indictment brought by the ASC consists of five counts alleging violations of the Alabama Securities Act and Financial Exploitation of an Elderly Person. Steenson is being held without bond in the Limestone County Jail following a bond revocation hearing today before Circuit Judge Glenn Thompson.



The first indictment brought by District Attorney Scott Anderson, 8th Judicial Circuit, Morgan County, Alabama, charges Steenson with seven counts of Theft of Property, First Degree; each of which are Class B felonies, carrying a range of punishment from two to 20 years imprisonment and

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## Enforcement Headline Summaries by County

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a fine of up to \$30,000 per charge, upon conviction. Additionally, the indictment charges Steenson with one count of Theft of Property, Second Degree; which is a Class C felony, 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. Finally, Steenson was charged with two counts of Forgery, Second Degree; 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.

The indictment alleges that between April and December 2015, Steenson sold or traded vehicles to eight victims for which he did not hold a legal title. The victims either paid cash to Steenson or traded their vehicle, or a combination of the two, for vehicles for which the victims were unable to obtain titles. Additionally, Steenson allegedly forged the signature of two victims on title applications.

The second indictment brought by the ASC charges Steenson 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 Steenson 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 employing any device, scheme, or artifice to defraud. Each of the securities fraud charges are Class B felonies, carrying a range of punishment from two to 20 years imprisonment and a fine of up to \$30,000 per charge, upon conviction. Finally, Steenson was charged with one count of Financial Exploitation of an Elderly Person, which is also a Class B felony, carrying a range of punishment from two to 20 years imprisonment and a fine of up to \$30,000 per charge, upon conviction.

The indictment alleges that in June 2015, Steenson sold an investment contract and/or participation in any profit sharing agreement, which are defined as securities under the Alabama Securities Act, to at least one victim in Morgan County. The investment contract/profit-sharing agreement was issued by Steenson to finance a quick "flip" of real estate. Steenson allegedly misrepresented to the investor that invested funds would be used to purchase real estate in Tennessee, and omitted to tell the investor that the funds would not be used for that purpose. Neither Steenson nor the investment contract/profit-sharing agreement he sold were registered with the ASC, as required by the Alabama Securities Act. The victim was 60 years of age or older at the time of the alleged conduct.

### Tuscaloosa County

#### **Arizona Man Sentenced for Securities Fraud in Tuscaloosa County**

**May 5, 2018** - Hays Webb, District Attorney for the 6th Judicial Circuit, Tuscaloosa County, Alabama; and Joseph Borg, Director of the Alabama Securities Commission (ASC) announced that on May 2, 2018, James Friend Liebes, of Paradise Valley, Arizona, pleaded guilty in Tuscaloosa County Circuit Court to one count of Securities Fraud for misstating or omitting to state material facts to an Alabama investor in connection with the sale of securities. 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. The charges stem from a May 2016 indictment by the Tuscaloosa County Grand Jury. Liebes, operating as Lanesborough Financial, sold stock in Careview Communications, Inc. to an Alabama investor, in exchange for \$39,683.00.



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## Enforcement Headline Summaries by County

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The investor was not told, however, that Liebes didn't actually own the stock, nor did he have the rights to sell the stock, but merely owned warrants to obtain the stock and had assigned those warrants to third parties prior to the sale. Further, Liebes diverted the invested funds to personal expenses, but told the investor that he would repay him with 7,000 shares of stock he owned in Lifelock, Inc. Liebes never transferred the purportedly owned shares in Lifelock, Inc., and failed to inform the investor that neither Liebes, nor his company, were registered to sell securities in Alabama as required by the Alabama Securities Act.

Liebes who has been incarcerated in the Maricopa County, Arizona jail since January 17, 2018 for failing to appear for the trial in this case, was transported last week to Tuscaloosa County and agreed to plead guilty to securities fraud. Pursuant to the plea agreement, the Honorable Judge John H. England sentenced Liebes to four years incarceration. During the sentencing phase, the Court credited Liebes with the time he served in jail and suspended the remainder of his sentence. Liebes will remain on probation pending any violation of the conditions of probation, including complete restitution and a permanent bar from the securities industry in Alabama.

## Announcements and Investor Alerts

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

### Alabama Securities Commission cracks down on unregulated Crypto-currency Initial Offerings

**September 24, 2018** - The Alabama Securities Commission (ASC) issued emergency Cease and Desist Orders against three crypto-currency scammers selling illegal investment contracts to Alabama citizens posing as Initial Coin Offers (ICO).

ASC Director Joseph P. Borg indicated that the commission has taken this action in the public interest for the protection of Alabama investors and is consistent with the purposes of the Alabama Securities Act (ACT). The suspected businesses have been ordered to immediately cease and desist from sales of any securities in the State of Alabama.

ASC claims that Zanfau LTD, Hashkon Inc. and JINBI Limited have been misleading potential customers with false statements and material misrepresentations relating to the sale of their investment contracts. The three companies, Zanfau LTD, based out of Sofia, Bulgaria; Hashkon Inc., based out of Toronto, Canada; and JINBI Limited, based out of London, England all made outrageous claims of immense profits to be made from these fledgling companies based on alleged cutting-edge block chain technology and unspecified advances in software development. Namely, JINBI Limited falsely claims that their crypto-currency is based on an unspecified production of physical gold and that each shareholder will receive a biannual dividend in physical gold. Hashkon Inc. through its website, YouTube videos and a public white paper claims to make transactions anonymously and makes the patently false claim that "shareholders" will receive minimum monthly returns starting at 10%. They also falsely state that the value of Hashkon coins cannot go below its initial offering value.

These types of claims made by companies that sell securities in the State of Alabama which are not registered or regulated by Alabama offer no protections for investors and are highly speculative. At this time ASC has 21 active ICO ongoing investigations and has issued 8 Cease and Desist Orders involving crypto-currency as part of its initiative which began in May of this year.

(Continued on next page)

## Announcements and Investor Alerts

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

While not every ICO or crypto-currency related investment is fraud, it is important for individuals purchasing these products to realize they are highly speculative and very often based outside the United States and are rarely regulated. If you choose to invest in this type of business, do your own research and due diligence and be aware of the risk.

### WATCH FOR SCAMS IN FLORENCE'S WAKE

**September 18, 2018** - In the wake of widespread damage caused by Hurricane Florence, the Alabama Securities Commission (ASC) today cautioned investors to watch out for opportunistic investment or charitable scams.

"Natural disasters bring out the best and worst in people. While news stemming from Hurricane Florence has rightfully focused on the tireless efforts of first responders and neighbors helping neighbors, we know from experience that financial predators are lurking like snakes in the water to seek profit from the misfortune of others," said Director Joseph Borg. "Unsolicited investment offers seeking to capitalize on the aftermath of Hurricane Florence should be approached with extreme caution."

Borg reminded investors to watch for red flags of hurricane-related scams, including unsolicited email, social media messages, crowdfunding pitches or telephone calls promoting investment pools or bonds to help storm victims, water-removal or purification technologies, electricity-generating devices and distressed real estate remediation programs. He said scam artists may linger long after the storm has passed to prey on victims who anticipate receiving large lump-sum insurance settlements for damaged property and other losses.

### ALABAMA SECURITIES COMMISSION UPDATES COORDINATED CRYPTO CRACKDOWN

**August 28, 2018** - The Alabama Securities Commission (ASC) today reported that more than 200 active investigations of Initial Coin Offerings (ICOs) and cryptocurrency-related investment products are underway by state and provincial securities regulators in the United States and Canada as part of "Operation Cryptosweep," an initiative of the North American Securities Administrators Association (NASAA), of which ASC is a member.

The ASC said, it has 21 active ICOs ongoing inquiries or investigations and issued 7 Cease and Desist orders involving cryptocurrencies as part of the initiative.

Since its launch in May, this ongoing coordinated initiative has resulted in 47 enforcement actions involving ICOs or cryptocurrency-related investment products throughout North America by state and provincial securities regulators.

"The ASC is committing the necessary regulatory resources to protect investors in Alabama from financial harm involving fraudulent ICOs and cryptocurrency-related investment products and also is raising awareness among industry participants of their regulatory responsibilities," said Director Joseph Borg.

Director Borg noted that while some of the investigations initiated as part of Operation Cryptosweep involve suspected securities fraud, regulators are finding many other potential violations of state and provincial

(Continued on next page)

## Announcements and Investor Alerts

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securities laws, including failure to properly register a product before it was offered to investors.

“While not every ICO or cryptocurrency-related investment is a fraud, it is important for individuals and firms selling these products to be mindful that they are not doing so in a vacuum; Alabama laws or regulations may apply, especially securities laws. Sponsors of these products should seek the advice of knowledgeable legal counsel to ensure they do not run afoul of the law. A strong culture of compliance should be in place before, not after, these products are marketed to investors.”

### **Alabama Securities Commission Director Borg receives a Lifetime Achievement Award from the Alabama Senior Citizens Hall of Fame**

**August 9, 2018** - The Alabama Securities Commission (ASC) announced today that Director Joseph P. Borg received the “Lifetime Achievement Award” from the Alabama Senior Citizens Hall of Fame. The Alabama Senior Citizens Hall of Fame was created by the Alabama Legislature on July 28, 1983. On May 16, 2008 the Hall of Fame became a part of the Alabama Department of Senior Services.

The nomination committee recognized Director Borg with this Lifetime Achievement Award for leading the ASC to a continued record of success in the areas of legislation, information initiatives and successful prosecutions supporting the wellbeing of senior citizens in Alabama. As a member of North American Securities Administrators Association (NASAA), he led or participated in study groups on such issues as the effect of diminished capacity on sound financial decisions. Borg has testified before the U.S. Senate Committee on Aging in support of senior initiatives and has drafted legislation to mandate reporting of financial exploitation of senior Alabamians and successfully drafted enhanced penalties for those who defraud seniors. Borg, since his arrival in 1994, has consistently led ASC to become one of the nation’s highest regarded securities regulatory agencies with the protection of senior Alabamians as a priority. Director Borg was nominated by Ms. Liane Kelly, the Executive Director of the Alabama Retired State Employees’ Association (ARSEA).

### **Alabama Securities Commission Appoints Senn to Deputy Director of Enforcement**

**July 9, 2018** - Joseph P. Borg, Director of the Alabama Securities Commission (ASC) announced today that Amanda W. Senn has been appointed to the permanent position of Deputy Director of Enforcement for the Commission.

Attorney Senn joined the Alabama Securities Commission in 2009 and has held several positions with the ASC. Since December, 2017 she has served as the Acting Deputy Director, Enforcement and has been the agency’s General Counsel since December of 2014, where she was responsible for advising the Commission on securities matters, and investigating and prosecuting illegal and fraudulent actions surrounding the sales of securities throughout the state of Alabama.

Senn has played a critical role in coordinating and litigating numerous multi-jurisdictional administrative, civil, and criminal actions and is actively involved in the North American Securities Administrators Association (NASAA) in which she holds positions in the Broker-Dealer, Investment Adviser, and Enforcement sections, and serves as Chairman of the Cybersecurity and Technology Project Group. As the Acting Deputy Director, she began assisting Director Borg with additional administrative

(Continued on next page)

## Announcements and Investor Alerts

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responsibilities in the overall operation of the Commission and enforcement functions of the Commission.

Director Borg said, “Ms. Senn’s outstanding leadership, performance, and expertise as an attorney earned her the permanent position of Deputy Director.”



### **ALABAMA SECURITIES COMMISSION RECOGNIZES WORLD ELDER ABUSE AWARENESS DAY WARNS OF THE DANGER SIGNS FOR SUSPECTED ABUSE BY GUARDIANS**

**June 12, 2018** - In recognition of World Elder Abuse Awareness Day (WEAAD) on June 15, the Alabama Securities Commission (ASC) reminds financial professionals and the public throughout Alabama to be on the lookout for the red flags of suspected financial abuse, including potential abuse by guardians assigned to oversee the financial matters of seniors no longer able to do so for themselves.

“A trusted guardian can be a wonderful resource. But sometimes guardians may take advantage of the trust placed in them to look after the people or assets in their care,” Director Joseph Borg said. A guardian is a person or entity appointed by a court to exercise some or all authority over a person and/or estate. A guardian has power to make decisions related to the health and safety of the incapacitated person. Financial abuse by guardians occurs when the guardian improperly uses the protected individual’s financial assets.

“Fraudsters often target seniors for financial exploitation because they may be isolated from family, caregivers, and other support networks. That’s why it is important to know the red flags that could signal a senior’s savings may be in danger,” Director Borg said.

### **ALABAMA SECURITIES COMMISSION PARTICIPATES IN COORDINATED INTERNATIONAL CRYPTO CRACKDOWN**

*Joseph Borg: “This is just the tip of the iceberg.”*

**May 21, 2018** - The Alabama Security Commission today announced it has taken enforcement actions in five investigations as part of an international crackdown on fraudulent Initial Coin Offerings (ICOs) and cryptocurrency-related investment products. The sweep is being coordinated by the North American Securities Administrators Association (NASAA), of which Alabama Securities Commission is a member.

As part of “Operation Cryptosweep,” the Alabama Securities Commission has issued five Cease and Desist Orders to protect Alabamians. Copies of the Cease and Desist orders may be accessed at the ASC website: [www.asc.alabama.gov](http://www.asc.alabama.gov); go to Enforcement; then Administrative Orders.

The Respondents named below were issued Cease and Desist orders today:

- **Extrabit Ltd. ("EXB")**
- **LEVERAGE ("LEV")**
- **POOL TRADE ("POOLTRADE")**
- **CHAIN GROUP ESCROW SERVICE ("CGES")**
- **Platinum Coin ("PLATINUM")**

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## Announcements and Investor Alerts

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“Fraudulent activity involving ICOs and cryptocurrency-related investment products is a significant threat to Main Street investors in Alabama,” Joseph Borg, Director of Alabama Securities Commission, said. “Cryptocriminals need to know that the Alabama Securities Commission is committed to swiftly and effectively protecting investors from schemes and scams involving these products.”

The Alabama Securities Commission has joined with more than 40 other state and provincial securities regulators in the United States and Canada in “Operation Cryptosweep,” resulting in nearly 70 inquiries and investigations and 35 pending or completed enforcement actions since the beginning of the month. NASAA members are conducting additional investigations into potentially fraudulent conduct that may result in additional enforcement actions. These actions are in addition to more than a dozen enforcement actions previously undertaken by NASAA members regarding these types of products.

### INFORMED INVESTOR ADVISORY Are Unicorns a Myth?

**March 7, 2018** - Unicorns are not just the stuff of fairy tales; some financial unicorns exist today. But investing in unicorns is speculative, and generally is unavailable to retail investors. Retail investors looking to bet on a unicorn may be able to do so indirectly through a mutual fund, exchange-traded fund or business development company. But beware; investing in unicorns is risky. This investment may bite. What Does it Mean to be a Financial Unicorn?

In the area of financing businesses and start-up companies, the term “unicorn” has come to refer to a privately held company with a supposed valuation on paper of more than \$1 billion. A privately held company is one that generally cannot sell shares to the public and is owned by a limited number of investors. Private companies can raise capital to fund their businesses in a variety of ways, and recent changes in federal and state securities laws have expanded these options.

Investors in unicorns typically are private funds (such as venture-capital, private-equity or hedge funds), wealthy individuals, and direct owners or employees of the unicorn itself. SEC-registered mutual funds, exchange-traded funds (ETFs) and business development companies (BDCs) also may invest in unicorns.

Investing in unicorns carries very real risks, however, particularly when investing directly into a unicorn. As privately held companies, there is no public market to trade the securities of unicorns. This means that the securities are illiquid, or not easily sold or exchanged for cash. The market valuations of unicorns therefore may not reflect the intrinsic value of these businesses. Unicorns also are unlikely to have the same level of robust public disclosures required of publicly-traded companies.

Historically, investors in start-ups had limited opportunities to sell shares before the company held an IPO and a secondary trading market opened. Start-ups’ securities accordingly were highly illiquid. Federal legislation that came into effect on December 4, 2015, though, eased the way for early investors to resell shares. This enabled unicorns to expand their investor base and develop market awareness prior to making a public offering (though unicorns should still be considered illiquid). In addition, regulatory changes enacted in 2012 raised the ceiling on the number of investors a private company could have before the company would be obligated to register its securities and become publicly-traded. This regulatory change has helped unicorns stay private for longer periods of time.

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## Announcements and Investor Alerts

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### Alabama Securities Commission Appoints Acting Deputy Director and Announces New Chief Litigation Counsel

**January 12, 2018** - Joseph Borg, Director of the Alabama Securities Commission (ASC) announced today that Amanda W. Senn, General Counsel has been appointed Acting Deputy Director for Enforcement and that Gregory A. Bordenkircher has joined the ASC as Chief Litigation Counsel.

Attorney Senn joined the Alabama Securities Commission in 2009 and has served in several capacities with the ASC. For the past three years she has served as General Counsel of the ASC, where she is responsible for advising the Commission on securities-related matters, and investigating and prosecuting illegal and fraudulent actions surrounding the sales of securities throughout the state of Alabama. Senn has played a critical role in coordinating and litigating numerous multi-jurisdictional administrative, civil, and criminal actions and is actively involved in the North American Securities Administrators Association (NASAA) and serves as Chairman of the Cybersecurity and Technology Project Group. As Acting Deputy Director, Senn will assist the Director with additional administrative responsibilities in the overall operation of the Commission and supervise the enforcement functions of the Commission. She will continue the role of General Counsel.

Attorney Bordenkircher joins the ASC as Chief Litigation Counsel where he will be responsible for supervising the investigation and prosecution of securities violations in Alabama. Mr. Bordenkircher comes to the ASC from the U.S. Department of Justice, where he served as Assistant United States Attorney for the Southern District of Alabama from August 1991 until he retired on December 31, 2017. During that time, Bordenkircher worked extensively with the F.B.I., D.E.A, U.S. Secret Service, I.R.S., I.C.E., A.T.F. and state and local authorities in investigating and prosecuting large, complex criminal matters. He has experience in coordinating multi-jurisdictional and multi-agency investigations, including large-scale drug conspiracies and complex white collar public corruption and fraud cases.

During his tenure with the U.S. Attorney's Office, Bordenkircher served as Chief of Complex Litigation Unit and Senior Litigation Counsel, where he supervised and litigated hundreds of federal jury trials which included public corruption cases, complex white-collar cases, large drug conspiracy cases, firearm violations cases and violent crimes cases. In addition, he represented the government in digital evidence challenges in search warrants, suppression hearings, pretrial motions and delivered digital evidence presentations in numerous trials involving white collar fraud, medical fraud, counter espionage, undercover cyber investigations and other federal crimes involving computer and cellular evidence. Additionally, he served the United States in Iraq as an Assistant U.S. Attorney to the Regime Crimes Liaison's Office in Iraq, where he was the lead American advisor to the Iraqi prosecution team on the Genocide and War Crimes trial of Saddam Hussein and Ali Hassan al Majid (Chemical Ali).

Director Borg said, "The promotion of Ms. Senn and the addition to our staff of Mr. Bordenkircher will ensure that the ASC provides the highest caliber of professionalism in our continuing mission to protect the citizens of Alabama. Acting Deputy Director and General Counsel Senn and Chief Litigation Counsel Bordenkircher both have proven track records in the field of law. Also, I would like to commend our previous Deputy Director for Enforcement and Prosecution, Stephen P. Feaga, for his topnotch and professional performance at the ASC since February 2012. Feaga left the Commission and is now a partner at Balch and Bingham LLP, a regional law firm, and specializes in White Collar Compliance, Investigations, and Litigation."

(Continued on next page)

## Announcements and Investor Alerts

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

### Alabama Securities Commission Reminds Investors to Approach Cryptocurrency with Caution

**January 4, 2018** - With cryptocurrencies continuing to attract headlines, the Alabama Securities Commission (ASC) today reminded Alabama investors to be cautious about investments involving cryptocurrencies.

“Investors should go beyond the headlines and hype to understand the risks associated with investments in cryptocurrencies, as well as cryptocurrency futures contracts and other financial products where these virtual currencies are linked in some way to the underlying investment,” said Director Joseph Borg.

Cryptocurrencies are a medium of exchange that are created and stored electronically in the blockchain, a distributed public database that keeps a permanent record of digital transactions. Current common cryptocurrencies include Bitcoin, Ethereum and Litecoin. Unlike traditional currency, these alternatives have no physical form and typically are not backed by tangible assets. They are not insured or controlled by a central bank or other governmental authority, cannot always be exchanged for other commodities, and are subject to little or no regulation.

A survey of state and provincial securities regulators by the North American Securities Administrators Association (NASAA), of which ASC is a member, shows 94 percent believe there is a “high risk of fraud” involving cryptocurrencies. Regulators also were unanimous in their view that more regulation is needed for “Cryptocurrencies and investments tied to them are high-risk products with an unproven track record and high price volatility. Combined with a high risk of fraud, investing in cryptocurrencies is not for the faint of heart.”

Last month, NASAA identified Initial Coin Offerings (ICOs) and cryptocurrency-related investment products as emerging investor threats for 2018. Unlike an Initial Public Offering (IPO) when a company sells stocks in order to raise capital, an ICO sells “tokens” in order to fund a project, usually related to the blockchain. The token likely has no value at the time of purchase. Some tokens constitute, or may be exchangeable for, a new cryptocurrency to be launched by the project, while others entitle investors to a discount, or early rights to a product or service proposed to be offered by the project.

NASAA offers a short animated video to help investors understand the risks associated with ICOs and cryptocurrencies. NASAA and its members first alerted investors of the risks associated with cryptocurrencies in 2014.

### ALABAMA SECURITIES COMMISSION ANNOUNCES TOP INVESTOR THREATS Promissory Notes, Real Estate Investments and Ponzi Schemes Top the List

**December 13, 2017** - The Alabama Securities Commission (ASC) today released its annual list of top investor threats and reminded investors to use caution when approached with any unsolicited investment opportunities. “All investments involve a degree of risk. Investors can help protect themselves by taking time to research both the investment product and the person selling it. It’s best to learn before you get burned,” Joseph Borg, ASC Director, said.

The top threats to investors were determined by surveying members of the North American Securities Administrators Association, of which the ASC is a member, to identify the most frequently identified source of current investor complaints or investigations. Promissory note scams seemed to be the most prevalent in Alabama.

**STATEMENT OF POLICY THAT ISSUERS OF A PRIMARY OFFERING OF SECURITIES MAY BE CONSIDERED A SELLER WITHIN THE MEANING OF ALABAMA CODE§ 8-6-19.**

The Alabama Securities Commission ("ASC") has reviewed and considered the question of whether an issuer of a primary offering of securities should be considered a seller within the meaning of Alabama Code Section 8-6-19 where the form of the underwriting or distribution prevents strict privity between the issuer and buyer. The ASC has determined that, dependent upon the nature and materiality of the misrepresentation(s) or omission(s) in a registration, prospectus, or other offering materials, that issuers who are found to be responsible for the origination or use of such misrepresentations or omissions are "sellers" for purpose of this section.

The preface to the Alabama Securities Act ("Act") states that its purpose is to guard against securities fraud and to preserve legitimate capital markets. This purpose is achieved by, among others, providing civil remedies for violations of the Act, and by providing administrative, civil and criminal penalties for those who violate the Act.

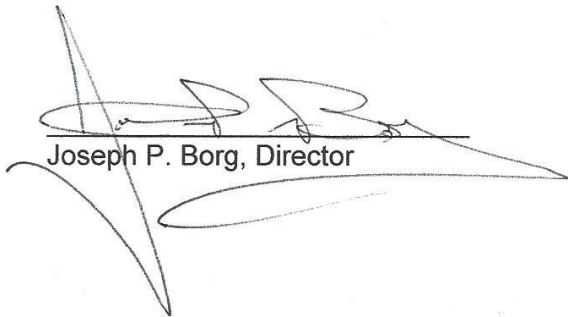
Section 8-6-17(a)(2) states, "It is unlawful for any person, in connection with the offer, sale, or purchase of any security, directly or indirectly, to: ... (2) Make any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they are made, not misleading... ". The purpose of this section is to prohibit all fraudulent schemes in connection with a securities transaction. This is true whether the scheme or action is of a garden variety or whether the deception is novel or atypical. Atypical or novel methods should not provide immunity from the Act. *Buffo v. State*, 415 So.2d 1158 (Ala. 1982).

Further, section 8-6-19(a)(2), provides civil liability for violations of the anti-fraud provisions stating that any person who: "Sells or offers to sell a security by means of any untrue statement of a material fact or any omission to state a material fact necessary in order to make the statements made, in light of the circumstances under which they are made, not misleading, the buyer not knowing of the untruth or omission, and who does not sustain the burden of proof that he did not know and in the exercise of reasonable care could not have known of the untruth or omission, is liable to the person buying the security from him."

While this section creates liability for direct sales relating to any secondary sale of a security, it also creates a defense from liability if the person selling did not know of the misstatement or omission and in the exercise of reasonable care could not have known of the misstatement or omission. This circumstance may occur when the initial purchaser is himself a victim of the misrepresentation or omission. In this situation, the subsequent buyer may not have a cause of action in fraud against the person from whom he or she purchased the security in question. The section is silent on whether, in cases of immunity from liability for a secondary seller, liability would or should pass through to the previous seller or issuer, if that previous seller or issuer is the person who caused the misstatement or omission.

The immunity extended to subsequent sellers under this section is intended to protect those who are innocent of fraudulent intent, not to foreclose civil remedies to subsequent purchasers. Likewise, the section was not designed to insulate any person who makes a material misrepresentation or omission- from subsequent liability just because the material misrepresentation or omission was not made directly to the person ultimately harmed. To interpret the statute in such a way would clearly create an atypical or novel immunity from prosecution for fraud under the Act.

In fact, the language of section 8-6-17(a)(2) specifically addresses such issues by providing anti-fraud liability to any person who "directly or indirectly" (emphasis added) makes a material misrepresentation or omission. Any argument that would interpret section 8-6-19(a)(2) to exclude indirect misrepresentations and omissions simply because the section does not specifically include the "directly or indirectly" language is defeated by the previous subsection (a)(1), which incorporates



Joseph P. Borg, Director

# ASC National News Coverage During FY 2018 (Samples of coverage received)



Darla Mercado | @darla\_mercado Published 4:00 PM ET Sat, 22 Sept 2018 NBC.com

## Why investing in the next big start-up could be a disaster for your finances

State securities regulators have warned that because these investments are exempt from registration requirements, they expose investors to greater risk. "It's an important segment of the market, it's not very transparent and, by the time we see it, the damage has been done," said Joseph P. Borg, director of the Alabama Securities Commission and president of NASAA.



By Uma Johnson - Sep 22, 2018

## How To Minimize The Risks Of Being Scammed In Digital Currencies

Joseph Borg – who headed the probe of the state regulators, said that “while not every digital currency or Initial Coin Offering-related investment is a scam, it is crucial for individuals and companies selling these products to be aware that they aren’t doing so in a vacuum, adding that state and provincial regulations and laws may apply, especially securities laws.

Bloomberg  
Law

Bloomberg  
Tax

Bloomberg  
Government

Bloomberg  
Environment

September 10, 2018

## INSIGHT: EU Token Offerings: 10 Questions for an Issuer to Consider

NASAA president and Alabama Securities Commission director, Joseph Borg, recommended that: “sponsors of [cryptocurrency] products should seek the advice of knowledgeable legal counsel to ensure they do not run afoul of the law.



## Hurricane Florence May Leave Investment Scams In Its Wake, Regulators Warn

September 21, 2018 • Tracey Longo

While news stemming from Hurricane Florence has rightfully focused on the tireless efforts of first responders and neighbors helping neighbors, we know from experience that financial predators are lurking like snakes in the water to seek profit from the misfortune of others,” said Joseph P. Borg...

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Environment

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NASAA president and Alabama Securities Commission director, Joseph Borg, recommended that: “sponsors of [cryptocurrency] products should seek the advice of knowledgeable legal counsel to ensure they do not run afoul of the law.



## North American agency cracks down on over 200 ICO, crypto cases

By Paul How August 30, 2018

NASAA President Joseph Borg said, noting that offenses other than fraud, such as failure to register an offered product, were prevalent.



By Barbara Friedberg Contributor | July 18, 2018, at 4:23 p.m.

## 7 Ways to Prepare Your Investments for a Disaster Start today to assemble your money preparedness tool kit.

(Joe Borg) “The most effective and dangerous scams are ripped right out of the headlines. Con artists read the headlines and have a track record of tailoring investment scams to fit the latest disaster.”

(Continued on next page)

# ASC National News Coverage During FY 2018 (Samples of coverage received)

## THE WALL STREET JOURNAL

MARKETS

By Jean Eaglesham and Coulter Jones

Updated July 2, 2018 6:11 p.m. ET

### Regulators Step Up Scrutiny of Sales of Private Stakes

"Based on the Journal's reporting, state and federal regulators need to work even more closely together," said Joseph Borg, president of the state regulators association and Alabama securities commissioner. "And that's exactly what we're planning."



### United States: House Subcommittee Considers Legislation On SEC Enforcement Of Securities Laws H.R. 5037

Last Updated: June 20 2018 Article by Kyle DeYoung Cadwalader, Wickersham & Taft LLP

The Securities Fraud Act would preempt state civil actions for securities fraud involving issuers listed on a major national exchange, and provide federal courts with exclusive jurisdiction over these actions. It would also require any criminal enforcement actions brought by a state to "comply in all respects with the legal requirements for securities fraud under federal law." Mr. Borg testified against H.R. 5037 as "misguided and dangerous."



### LPL agrees to \$26 million settlement with states over unregistered securities

In July 2017, NASAA established a task force with Massachusetts and Alabama as lead states to investigate LPL's failure to establish and maintain reasonable policies and procedures to prevent the sale of unregistered, non-exempt securities by LPL to its customers. LPL fully cooperated with the NASAA task force, according to NASAA.



### Wall Street Titan Takes Aim at Law That Tripped Him Up

By [DANNY HAKIM](#) APRIL 15, 2018

Joseph P. Borg, the longtime director of the Alabama Securities Commission, said, "Any way you look at it, this bill is going to put investors at not only a disadvantage, but deep in harm's way."

### Forbes / Personal Finance #CyberSecurity APR 3, 2018 @ 03:47 PM/

Who better to learn FinTech from the NASAA President, Director of the Alabama Securities Commissioner, and Hofstra University Law School alumni, Joseph Borg? "Dollar wise, baby boomers are a greater target to the fraudster, than most millennials," said Borg.



### Buyers beware: It could be the next Bitcoin -- or a scam Susan Tompor, May 21, 2018

"Not every ICO or cryptocurrency-related investment is fraudulent, but we urge investors to approach any initial coin offering or cryptocurrency-related investment product with extreme caution," said Joe Borg,



### State regulators unveil nationwide crackdown on suspicious cryptocurrency investment schemes

"We're putting ourselves in the shoes of investors. We're seeing what's being promoted to investors. And then we're taking the next step and then we're finding out whether they're complying with securities laws," said Joseph Borg...

(Continued on next page)

## ASC National News Coverage During FY 2018 (Samples of coverage received)

### **Bloomberg BNA** **Meet the State Enforcers on the Frontline of Crypto Fraud Fight** *By Lydia Beyoud and Andrew Ramonas March 20, 2018*

The states are in discussion with the SEC on how to assist with those investigations, Alabama Securities Commission Director and NASAA President Joseph Borg told Bloomberg Law.

### **CR Consumer Reports** **New Ways to Prevent Elder Financial Abuse** *By Penelope Wang February 02, 2018*

The NASAA model rule also protects brokers and advisers from liability if they stop account disbursements, says Joseph Borg, Alabama Securities...



At the Alabama Securities Commission, Amanda Senn, Ricky Lockman

**Kiplinger**

SCAMS

#### **Fighting Financial Fraud and**

By ANNE KATES SMITH, Senior Editor [🐦](#), and LISA GERSTNER, Contributing Editor [🐦](#) and KIMBERLY LANKFORD, Contributing Editor [🐦](#)  
From Kiplinger's Personal Finance, January 2018

By ANNE KATES SMITH, Senior Editor [🐦](#), and LISA GERSTNER, Contributing Editor [🐦](#) and KIMBERLY LANKFORD, Contributing Editor [🐦](#)  
From Kiplinger's Personal Finance, January 2018 |

The commission can bring both civil and criminal charges against those accused of breaking the rules or defrauding investors. An inside joke explains who gets hit with what kind of charge: "You lie, cheat or steal, you go to jail. Everything else we'll work out with an administrative order," says commission director Joseph Borg, who is also president of the North American Securities Administrators Association.

*The Atlantic*

### **Bitcoin 'Is Just Likethe Dot-Com Bubble'**

ANNIE LOWREY | 8:00 AM ET | BUSINESS December 2017

Joseph Borg: From our office's point of view, we have money transmitters and securities. If Bitcoin is being used as a transmission vehicle for money, those businesses have to be licensed.

**CITYLAB**  
www.citylab.com

### **Don't Take Out a Second Mortgage to Buy Bitcoin** **SARAH HOLDER DEC 14, 2017**

Borg says, he's seeing people taking big financial risks, similar to those that preceded the housing crash of 2008. Some tell him that they've begun taking out second mortgages on their homes to buy bitcoin.





JOSEPH P. BORG  
Director

EDWIN L. REED  
Deputy Director  
Administration

AMANDA SENN  
Deputy Director  
General Counsel

GREGORY BORDENKIRCHER  
Chief Litigation Counsel

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R. AUSTIN HUFFAKER, Jr.  
Attorney at Law

## ALABAMA SECURITIES COMMISSION MEETING August 29, 2018

The Alabama Securities Commission held a meeting on August 29, 2018 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. Clay Crenshaw (Office of the Attorney General)  
Hon. Jim Ridling (Insurance Commissioner)  
Hon. Marlene M. McCain, CPA  
Hon. Austin Huffaker, Jr., Attorney at Law  
Hon. Dag Rowe, Attorney at Law

### Commission Members Absent:

Hon. Steven Marshall (Attorney General) (Represented by Clay Crenshaw)  
Hon. Mike Hill (Banking Commissioner)

### Staff Members Present:

Hon. Joseph Borg, Director  
Hon. Edwin Reed, Deputy Director, Administration  
Hon. Amanda Senn, Deputy Director, Enforcement  
Hon. Greg Bordenkircher  
Ms. Christie Rhodes, Executive Assistant

### Public Attendees/Guests:

Mr. Tripp DeMoss, Alabama Association of Realtors

The meeting was called to order at 10:07 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 asked for a motion to approve the current agenda and the minutes from the June 26, 2018 meeting and said motion was made by Commissioner Huffaker and was seconded by Commissioner McCain. The motion carried unanimously.

Director Borg began the meeting with new business and reviewed projected revenues for FY 2019 and an update on automated Mutual Fund filings. Deputy Director Reed discussed progression on Laserfiche and cloud server updates for the agency.

Director Borg moved on to the Monthly Report and he reviewed the separate reports of the Accounting Division, the Registration Division and Enforcement Divisions. During the report on the Registration Division, the Commissioners were informed that there have been discussions involving systemic issues regarding adding a specialized analyst unit to handle large administrative cases. No decision has been made at this time with regard to that discussion. Also included in the Registration Division's section of the report were fee increases, and their effect on ASC revenues was discussed. The monthly report was concluded with the information that the Commission has participated in several panels for the Alabama Bar Association on the subjects of cryptocurrency, blockchain and the Securities Act. Director Borg referred the Commissioners to Exhibits A, B and C in the meeting materials which were Comment Letters signed by the Director on behalf of NASAA. Also discussed was an update to HR 5037 and an op-ed released on that bill. In addition, the Commissioners were brought up-to-date on a Statement of Policy regarding the corporate securities definition and were also presented (Exhibit

F) with a copy of the final signed MOU with CFTC, as well as the final executed Order (Exhibit G) on LPL.

Director Borg stated that after the conclusion of the meeting, the Commissioners were invited for a tour of the new building space at 445 Dexter Avenue.

Mr. Bordenkircher then advised the Commission that pending litigation and confidential enforcement matters needed to be discussed. At this time, the guest visiting, Mr. Tripp DeMoss, was asked to leave the meeting and was invited to return at the end of the Executive Session. Mr. DeMoss stated that he would not be returning after his departure and thanked the Commission for allowing him to attend the meeting.

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 during the Executive session. Deputy Director Reed estimated the Executive Session would last ten (10) minutes. At that time, Commissioner McCain moved to go into Executive Session. Said motion was seconded by Commissioner Ridling and the meeting went into Executive Session at 10:57 a.m. after a unanimous vote of all Commissioners present. The following Commissioners voted: Hart, Ridling, Huffaker, Rowe, and McCain. Deputy Director Senn left the meeting during the Executive Session at 10:57 a.m. in order to attend another meeting off-site. The Executive Session ended by motion of Commissioner Huffaker and seconded by Commissioner McCain and a unanimous vote by all present Commissioners. The following Commissioners voted unanimously to exit Executive Session: Hart, Ridling, Huffaker, Rowe, and McCain. Each Commissioner that was present at the beginning of the Executive Session was also present when the Executive Session ended. At 11:10 a.m., the open meeting was reconvened.

Chairman Hart asked for a motion to pay the appropriate Commissioner expenses.


Commissioner McCain made the motion and Commissioner Ridling seconded it and the motion was approved by all. Commissioner Hart then asked for a motion to adjourn. Commissioner

Huffaker motioned and Commissioner McCain seconded and the motion to adjourn was carried.

The meeting was adjourned at 11:11 a.m.



JAMES HART  
CHAIRMAN



JOSEPH BORG  
DIRECTOR



JOSEPH P. BORG  
Director

EDWIN L. REED  
Deputy Director  
Administration

AMANDA SENN  
Deputy Director  
General Counsel

GREGORY BORDENKIRCHER  
Chief Litigation Counsel

## ALABAMA SECURITIES COMMISSION

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MONTGOMERY, ALABAMA 36104

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### COMMISSIONERS

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Certified Public  
Accountant

STEVEN T. MARSHALL  
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 26, 2018

The Alabama Securities Commission held a meeting on June 26, 2018 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. Clay Crenshaw (Office of the Attorney General)  
Hon. Reyn Norman (Insurance Department)  
Hon. Mike Hill (Banking Commissioner)  
Hon. Marlene M. McCain, CPA  
Hon. Austin Huffaker, Jr., Attorney at Law

### Commission Members Absent:

Hon. Steven Marshall (Attorney General) (Represented by Clay Crenshaw)  
Hon. Jim Ridling (Insurance Commissioner) (Represented by Reyn Norman)  
Hon. Dag Rowe, Attorney at Law

### Staff Members Present:

Hon. Joseph Borg, Director  
Hon. Edwin Reed, Deputy Director, Administration  
Hon. Amanda Senn, General Counsel  
Hon. Greg Bordenkircher  
Ms. Christie Rhodes, Executive Assistant

### Public Attendees/Guests:

No guests in attendance.

The meeting was called to order at 10:02 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 asked for a motion to approve the current agenda and the minutes from the March 8, 2018 meeting and said motion was made by Commissioner Huffaker and was seconded by Commissioner McCain. The motion carried unanimously.

Chairman Hart announced that Director Borg had a personal matter that he wished to address with the Commission. Director Borg presented the Commission with a letter to the Hon. Steven Marshall, Attorney General expressing the Commission's sympathy to General Marshall on the death of his wife. Commissioner Mike Hill moved to approve and issue the letter on behalf of the Commission and Commissioner McCain seconded the motion. The letter was signed by each member of the Commission and at that point, Chairman Hart asked for a moment of silence. Chairman Hart then turned the agenda over to Director Borg.

Director Borg reported on the NASAA Spring Conference and Congressional Hill visits with Alabama's legislators. At that time Mr. Borg asked Acting Deputy Director and General Counsel Amanda Senn to elaborate on some of the highlights.

In addition to general commentary on ASC participation in the Washington, D.C. conference activities, Ms. Senn informed the Commission of an Award that was given on behalf of NASAA for Outstanding Service to Senior Special Agent Ricky Locklar.

Director Borg then introduced the second item on the agenda, a federal bill designated HR 5037, "Securities Fraud Act". Director Borg discussed issues he had with the bill itself and how it is drafted. Director Borg mentioned his Congressional testimony before the Capital

Markets Subcommittee of the U.S. House of Representatives on the bill and noted that a copy of his testimony was included in the meeting materials.

Director Borg discussed “Operation Crypto Sweep” which Alabama participates in along with 40 other states. He informed the Commission that a MOU has been drafted with the CFTC which enables the Commission staff to prosecute cryptocurrency cases on behalf of the CFTC. Director Borg then turned the meeting over to Greg Bordenkircher for an update on the Commission’s cryptocurrency investigations.

Director Borg then discussed a settlement reached with LPL relating to certain Blue Sky registration issues.

Director Borg then moved on to the Commission’s pending move to the Dexter Avenue building, which should occur approximately mid-September of this year. As part of this move, Deputy Director Reed gave the Commission an update regarding the IT systems for the new office space.

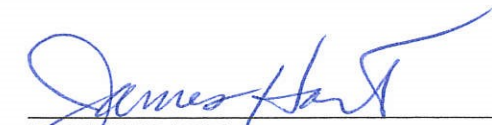
Director Borg moved on to the Monthly Report and he reviewed the separate reports of the Accounting Division, the Registration Division and Enforcement Divisions. During the report on the Data Systems Division, the Commissioners were informed that Mr. Darren Boulware has been hired as the new IT operations specialists. Mr. Boulware, in addition to Ms. Traphan, are helping the IT Division complete many projects that would have normally have been handled by outside sources. The monthly report was concluded with the information that the Public Affairs Division has held 52 events year-to-date with an estimated 85-90 events to be completed by the end of the year.

The Commission did not enter Executive Session at any time during this meeting.

Chairman Hart asked for a motion to pay the appropriate Commissioner expenses.

Commissioner McCain made the motion and Commissioner Huffaker seconded it and the motion was approved by all. Commissioner Hart then asked for a motion to adjourn. Commissioner Huffaker motioned and Commissioner McCain seconded and the motion to adjourn was carried.

The meeting was adjourned at 11:02 a.m.



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JAMES HART  
CHAIRMAN



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JOSEPH BORG  
DIRECTOR





# ALABAMA SECURITIES COMMISSION

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Administration

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Acting Deputy Director  
General Counsel

GREGORY BORDENKIRCHER  
Chief Litigation Counsel

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JIM L. RIDLING  
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Certified Public  
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S. DAGNAL ROWE  
Attorney at Law

R. AUSTIN HUFFAKER, Jr.  
Attorney at Law

## ALABAMA SECURITIES COMMISSION MEETING

March 8, 2018

The Alabama Securities Commission held a meeting on March 8, 2018 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. Clay Crenshaw (Office of the Attorney General)  
Hon. Jim Ridling (Insurance Department)  
Hon. Dag Rowe, Attorney at Law  
Hon. Marlene M. McCain, CPA  
Hon. Austin Huffaker, Jr., Attorney at Law

### Commission Members Absent:

Hon. Steven Marshall (Attorney General)  
Hon. Mike Hill (Banking Commissioner)

### Staff Members Present:

Hon. Joseph Borg, Director  
Hon. Edwin Reed, Deputy Director, Administration  
Hon. Amanda Senn, General Counsel  
Hon. Greg Bordenkircher  
Hon. Beau Brown  
Ms. Christie Rhodes, Executive Assistant

### Public Attendees/Guests:

No guests in attendance.

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 with the exception of Commissioner Rowe who entered the meeting shortly thereafter at 10: 11 a.m. Chairman Hart asked for a motion to approve the current agenda and minutes and a motion was made by Commissioner

Ridling to approve the meeting agenda, as well as the minutes of the previous meeting held December 7, 2017 which was seconded by Commissioner McCain. The motion carried unanimously.

Chairman Hart noted that Commissioner Jim Ridling had received a commendation and read that commendation into the record. Director Borg then noted that Commissioner Huffaker's birthday was that day and congratulations and well wishes were exchanged.

Director Borg then introduced two new staff members to the Commission. Greg Bordenkircher, Esq, and Beau Brown, Esq. were introduced to the Commission and each gave a brief history of their background. Deputy Director and General Counsel Amanda Senn gave a brief summation on the cybersecurity issue that the Commission has been involved in and will continue to be working on.

Director Borg updated the Commission on the status of the move to the Dexter Avenue building. The build-out is on target and the ASC is continuing to work on possible AV systems along with receiving bids for the actual moving expenses.

Chairman Hart asked Director Borg to begin his report. Director Borg began discussing the monthly report. Director Borg discussed the Accounting Department, Registration Division, and the Enforcement Division sections of the monthly report. Director Borg concluded the monthly report with a summary of the activities with regard to Training and Travel of the staff then went on to detail the activities of the Public Affairs and Education Division. Director Borg informed the Commission that the agency has hired another person to work alongside Dan Lord in the Public Affairs Division, Mr. Nick Vondarau.

At this time, Director Borg left the meeting in order for the Commission to discuss SB77. After discussion between the Commissioners, Chairman Hart asked for a motion and motion was made by Commissioner McCain and seconded by Commissioner Huffaker that the Director's Salary Range be set at a 93 Pay Grade with a minimum salary of \$135,000 and a maximum

salary of \$206,000. He then requested that Director Borg's salary be set as Step 16 within that range upon the approval of the Personnel Board and the Governor. Chairman Hart then asked for a vote to determine Director Borg's new salary and/or pay grade and a vote was taken with Attorney General Designee Crenshaw voting "yes", Commissioner Ridling voting "yes", Commissioner Rowe voting "yes", Commissioner McCain voting "yes", Commissioner Huffaker voting "yes", and Chairman Hart voting "yes". The vote passed unanimously.

Director Borg reentered the meeting and Deputy Director Reed briefed the Commissioners on the details of the fee bill pending. Director Borg is working on an effort to stop federal legislation that would further preempt state anti-fraud authority. Director Borg is working with our legislative contingents and NASAA to either amend or kill the legislation.

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. Deputy Director Reed estimated the Executive Session would last approximately ten (10) minutes. At that time, Commissioner Huffaker moved to go into Executive Session. Said motion was seconded by Commissioner McCain and Ms. Rhodes did a roll call to approve the motion. Mr. Crenshaw, Mr. Huffaker, Mr. Rowe, Ms. McCain, Mr. Hart, and Mr. Ridling all voted "yes" when called upon and the motion to enter Executive Session was passed. The Executive Session began at 12:00 p.m. after a unanimous roll call vote of all present Commissioners.

At 12:22 p.m., the open meeting was reconvened and the Executive Session ended by motion of Commissioner McCain, 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 Ridling and seconded by Commissioner Huffaker. The motion carried unanimously. Motion to Adjourn was then made by Commissioner McCain and seconded by Commissioner Ridling and was unanimously carried. The meeting adjourned at 12:24 p.m.



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JAMES HART  
CHAIRMAN



---

JOSEPH BORG  
DIRECTOR



# ALABAMA SECURITIES COMMISSION

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Attorney at Law

R. AUSTIN HUFFAKER, Jr.  
Attorney at Law

March 8, 2018

Hon. Jim Ridling  
Insurance Commissioner  
Department of Insurance  
State of Alabama

Dear Jim:

The Alabama Securities Commission and staff wish to extend our congratulations for your appointment to the Executive Committee of the National Association of Insurance Commissioners (NAIC) by serving as Chairman of the Southeastern Zone. We understand that a national appointment requires an additional dedication of time and energy, over and above your responsibilities as Commissioner of the Alabama Department of Insurance and as a Commissioner of the Alabama Securities Commission. We wish to thank you for your commitment to the financial services industry by protecting the public interests and ensuring the integrity of the insurance industry in Alabama and nationally through your service with NAIC. The Commission has appreciated your guidance and we look forward to any contributions from a national perspective on matters that may affect the financial services industry in Alabama.

Thank you for successfully representing the State of Alabama in these capacities. As always, we appreciate your continued service to the Alabama Securities Commission.

Sincerely,

James L. Hart  
Chairman  
Alabama Securities Commission

JLH:cr



JOSEPH P. BORG  
Director

EDWIN L. REED  
Deputy Director  
Administration

STEPHEN P. FEAGA  
Deputy Director  
Enforcement

AMANDA W. SENN  
General Counsel

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Attorney at Law

R. AUSTIN HUFFAKER, Jr.  
Attorney at Law

## ALABAMA SECURITIES COMMISSION MEETING

December 7, 2017

The Alabama Securities Commission held a meeting on December 7, 2017 at 10:00 a.m. in the main conference room of the Alabama Securities Commission offices, 2nd Floor of the Center for Commerce Building, 401 Adams Avenue, Montgomery, Alabama. Notice of the time and place of this meeting was published with the Secretary of State.

#### Commission Members Present:

Hon. James Hart, CPA – Chairman  
Hon. Bill Garrett (Office of the Attorney General)  
Hon. Dag Rowe, Attorney at Law  
Hon. Marlene M. McCain, CPA  
Hon. Austin Huffaker, Jr., Attorney at Law  
Hon. Reyn Norman (Banking Commission)

#### Commission Members Absent:

Hon. Steven Marshall (Attorney General)  
Hon. Mike Hill (Banking Commissioner)  
Mr. Jim Ridling (Insurance Commissioner)

#### Staff Members Present:

Hon. Joseph Borg, Director  
Hon. Edwin Reed, Deputy Director, Administration  
Hon. Amanda Senn, General Counsel  
Ms. Christie Rhodes, Executive Assistant  
Mike Gantt, Senior Special Agent  
Ricky Locklar, Senior special Agent  
Bonnie Trapham, IT  
Elizabeth Planer, Special Agent  
Leighton Greenlee, Special Agent

#### Public Attendees/Guests:

No guests in attendance.

The meeting was called to order at 10:00 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 asked for a motion to

approve the current agenda and minutes and a motion was made by Commissioner Huffaker to approve the meeting agenda, as well as the minutes of the previous meeting held September 13, 2017 which was seconded by Commissioner McCain. The motion carried unanimously. Chairman Hart then advised the Commission that Director Borg was beginning his third term as President of NASAA and congratulated Director Borg on this achievement. In addition, the Chairman noted that Commissioner Jim Ridling, Chairman of the Banking Commission was recently installed as the Chair of the Southeastern Region of the NAIC. Chairman Hart asked that the Commission present Mr. Ridling with a Letter of Commendation in recognition of this accomplishment.

Chairman Hart asked Director Borg to begin his report. Director Borg introduced new hires Mr. Leighton Greenlee and Ms. Elizabeth Planer. Both were hired by the Enforcement Division as Special Agents. Agent Greenlee began his career as a police officer in Waco, Texas and then transferred to the Secret Service for 21 years. Agent Planer started her career with the Montgomery Police Department, briefly worked for Pardons and Paroles and then transferred to the ASC. Also recently hired was Ms. Bonnie Traphan. (At this point, the guest staff members left the meeting at 10:10).

Director Borg began discussing the monthly report. Director Borg discussed the Accounting Department, Registration Division, and the Enforcement Division sections of the monthly report. Director Borg concluded the monthly report with a summary of the activities with regard to Training and Travel of the staff then went on to detail the activities of the Public Affairs and Education Division.

Director Borg spoke about the possibility of the Commission raising the Registration fees with the Legislature and Chairman Hart briefly discussed the Director Salary bill also in the Legislature.

Director Borg informed the Commission of two retirements, both Greg Biggs and Steve Feaga. Mr. Feaga retired as of December 1, 2017 and Mr. Biggs would be leaving soon. With those retirements, Director Borg announced that Amanda Senn would become Acting Deputy Director and that Attorney Greg Bordenkircher will be coming to the ASC from the United States Attorney's Office, Southern District of Alabama, Mobile, Alabama.

At this time, Chairman Hart brought to the attention of the Commission that the Legislature's House of Representatives presented Director Borg with a Resolution (HIR136) commending Mr. Joseph Borg on his third term as President of NASAA, as well as his outstanding record of achievement for the citizens of the State of Alabama. Chairman Hart requested that a copy of the Resolution become a part of this record and be attached to these Minutes so as to become incorporated into the permanent record. (Copy attached.) A motion was made to do so by Chairman McCain and was seconded by Commissioner Huffaker and was approved unanimously.

David Gilmore, IT Manager gave a presentation pertaining to the ASC's IT Department and the various projects being worked on within. (Copy attached hereto.)

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. Deputy Director Reed estimated the Executive Session would last approximately ten (10) minutes. At that time, Commissioner Huffaker moved to go into Executive Session. Said motion was seconded by Commissioner McCain and Ms. Rhodes did a roll call to approve the motion. Mr. Garrett, Mr. Huffaker, Mr. Rowe, Ms. McCain, Mr. Hart, and Mr. Norman all voted "yes" when called upon and the motion to enter Executive Session was passed. The Executive Session began at 11:04 a.m. after a unanimous roll call vote of all present Commissioners.



At 11:16 a.m., the open meeting was reconvened and the Executive Session ended by motion of Commissioner McCain, seconded by Commissioner Huffaker. Each Commissioner that was present at the beginning of the Executive Session was present when the Executive Session ended. Ms. Rhodes did a roll call to approve the motion. Mr. Garrett, Mr. Huffaker, Mr. Rowe, Ms. McCain, Mr. Hart, and Mr. Norman all voted “yes” when called upon and the motion to exit Executive Session was passed.

The final meeting item was a motion to pay expenses for the Commissioners. Motion was made by Commissioner Huffaker and seconded by Commissioner McCain. The motion carried unanimously. Motion to Adjourn was then made by Commissioner Huffaker and seconded by Commissioner McCain and was unanimously carried. The meeting adjourned at 11:20 a.m.



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JAMES HART  
CHAIRMAN



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JOSEPH BORG  
DIRECTOR

State of Alabama  
House of Representatives



MONTGOMERY, ALABAMA

Resolution

HIR136

By Representative Howard Sanderford

**COMMENDING ALABAMA SECURITIES COMMISSION DIRECTOR JOSEPH BORG ON HIS THIRD TERM AS PRESIDENT OF THE NORTH AMERICAN SECURITIES ADMINISTRATORS ASSOCIATION**

*WHEREAS, highest commendations are herein proudly presented to Alabama Securities Commission Director Joseph Borg on beginning his unprecedented third term as President of the North American Securities Administrators Association; he is the first administrator elected to three terms as chief of the international investor protection organization; and*

*WHEREAS, with an unwavering commitment to excellence, Joseph Borg served as the North American Securities Administrators Association president-elect for the past year; he also served as NASAA President in 2001 and 2006; and*

*WHEREAS, his extensive record of achievement includes serving as a member of NASAA's Board of Directors, chair of NASAA's Enforcement Section, Cybersecurity, and International Committees, member of the Board of Directors of the National White Collar Crime Center, and member of the Board of Directors of the Investor Protection Trust; and*

*WHEREAS, through the years, Joseph Borg has earned widespread admiration and respect for his tireless dedication and exceptional abilities, and his successes are indicative of the brilliance he will bring to his third tenure as NASSA President; now therefore*

*BE IT RESOLVED, That Joseph Borg is highly honored and commended, and this resolution is offered to him in deepest admiration and appreciation for his invaluable service, as well as with sincere best wishes for continued success in all future endeavors.*

*I hereby certify that the above interim resolution was approved on this the 17th day of October, 2017 pursuant to HR201 adopted in the 1988 1st Special Session of the Alabama Legislature.*

A handwritten signature in black ink, appearing to read "Jeff Woodard".

JEFF WOODARD, CLERK



# Alabama Securities Commission

IT Division

# UNIX Based Server

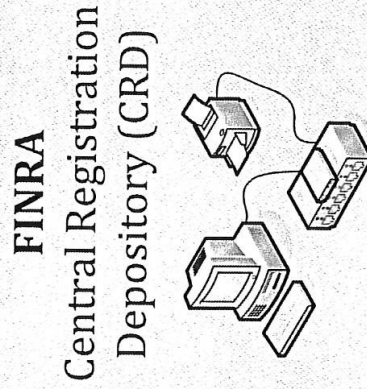
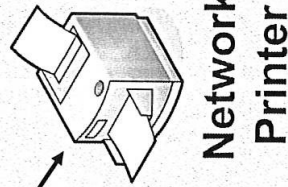
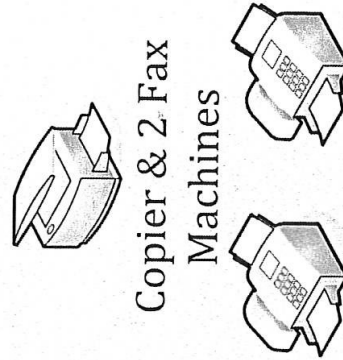
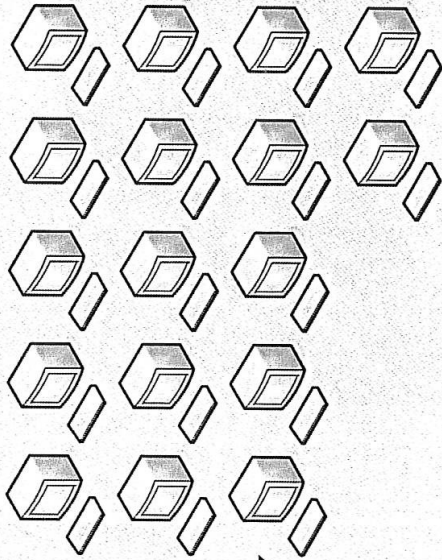
Login Assignments

Messaging

Registration/Licensing &  
Enforcement Database

Word Processing and Printing

17 Dumb Terminals

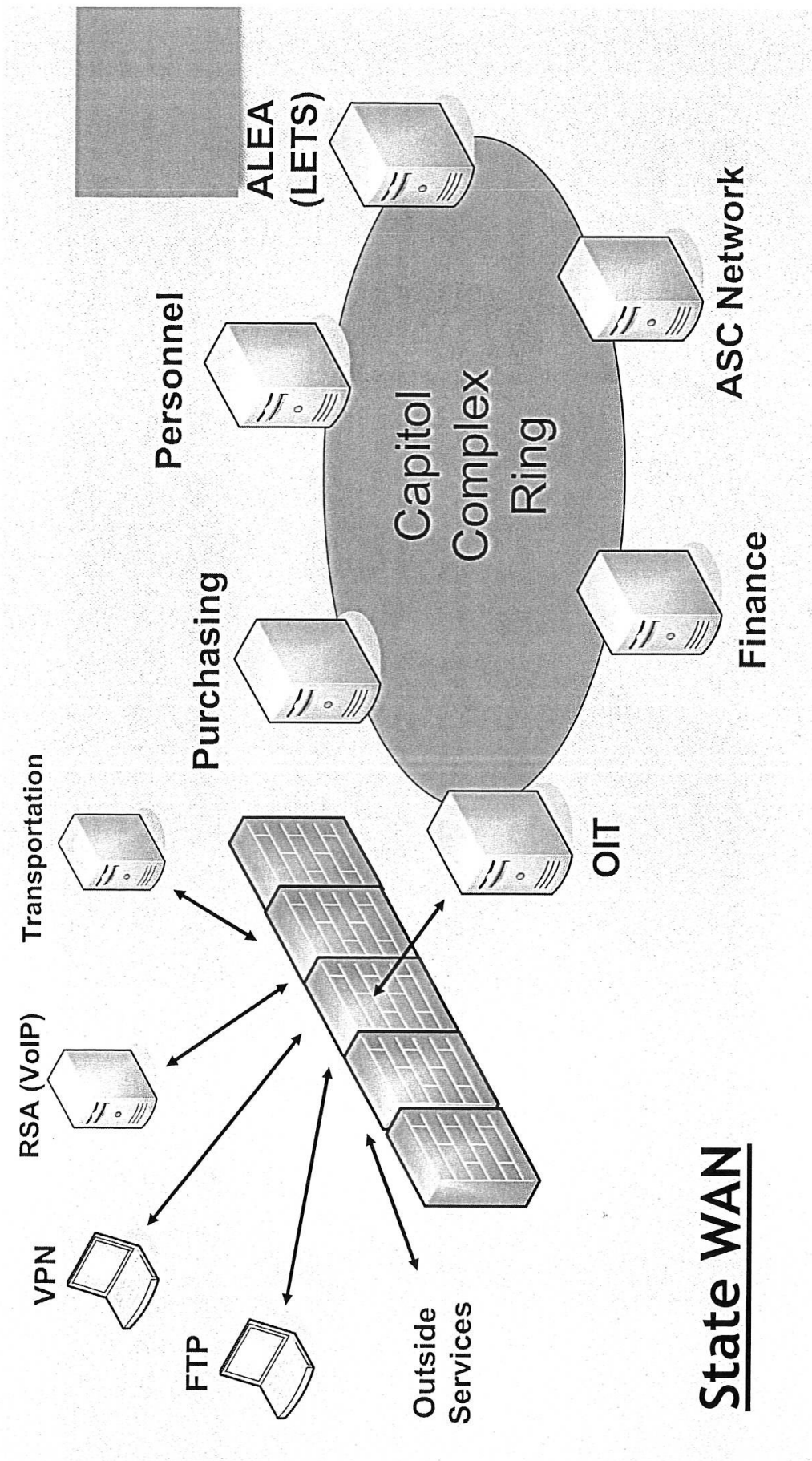


## ASC Servers

- Primary Domain Controller
- Backup Domain Controller
- SQL Server
- Backup Server
- Web Server
- Fax Server (OIT)

## Stand-Alone Client

- (3) Scanning Stations - (Accounting, Auditing, and Enforcement)
- Bait Machine (DSL) - (Enforcement)
- LETS (ALEA) - (Enforcement)
- Application and Peripheral Device Testing
- File Access (Access to potentially unsafe data)



## S/A - (Accounting, Personnel, Property)

- STAARS
- CGI Info-Advantage (Report Writing)
- STAR
- GHRS
- Personnel Mainframe (PDDO)
- Department of Homeland Security - (e-Verify)
- Department of Labor New Hire Registration



## S/A - (Registration, Auditing)

- Financial Industry Regulatory Authority (FINRA)
- Central Registration Depository (CRD)
- Investment Advisor Registration Depository (IARD)
- North American Securities Administrations Association (NASAA)
- Electronic Filing Depository (NASAA)
- NASAA Electronic Examination Modules (NEMO)
- Securities and Exchange Commission (SEC)
- BlueExpress Mutual Filing System (BNY Mellon)
- STAR

## S/A - (Director, Legal, Enforcement)

- CRD/IARD Databases
- NASAA SID (Enforcement Database)
- CRIMEDEX (Investigative Information)
- NCIC
- NASAA.org
- Commodities Futures Trading Commission
- National Futures Trading Commission
- Department of Insurance Online Search
- Google
- Facebook

## S/A - (Information Technology)

- Alabama WiFi
- EverBridge - Emergency Contact System
- SharePoint
- ASC FTP
- ASC Website
- ASC Facebook
- ASC Twitter
- Alabama Press
- Verizon - (Cell Phones)
- Training

## Electronic Payments

- EFD - NASAA - Limited Offering Filings
- EFT - BNY Mellon - Mutual Fund Filings (BlueExpress)
- ACH Payments - Blue Sky MLS - Mutual Fund Filings
- FINRA - Broker Dealer Firms  
Broker Dealer Agents  
Investment Adviser Firms  
Investment Adviser Representatives

## IT Staff

- David Gilmore - 1993 DSMD Contractor  
1994 Transferred from DSMD
- Stephen Brantley - 2007 Enforcement Division  
2008 Transferred to the IT Division  
2017 Transferred to Department of Transportation
- Bonnie Traphan - 2017 The Link, LLC  
(Networking and Databases)

## Current Projects

- STAR .Net Framework upgrade
- BlueExpress
- Server Upgrades
- Paperless Environment
- Audio/Video Recording Systems
- Audio/Video Environment for Classroom
- 2018 Replacement Machines
- Cell phone replacements





JOSEPH P. BORG  
Director

EDWIN L. REED  
Deputy Director  
Administration

AMANDA SENN  
Deputy Director  
General Counsel

GREGORY BORDENKIRCHER  
Chief Litigation Counsel

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