

Alabama Securities Commission



Annual Report

Fiscal Year Beginning October 1, 2018
and Ending September 30, 2019

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

Erratum from the original filed report are as follows:

- Restitution ordered to victims is changed to read \$6,531,148 on pages 10, 13, and 19.
- Professional Services listed under Expenditures changed from \$244,523 to read \$244,902 on page 15.



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 registration of Broker/Dealers and salesmen and regulation of their activities;

Requiring the registration 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 power to regulate money transmitters, including administrative and civil causes of action and establishes criminal penalties for violations of the Act.

The Commission’s functions also include pre-clearance of industrial revenue bonds, the investigation 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.

ASC Commission

The Alabama Securities Commission members are the Attorney General, the State Superintendent of Banks and 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 2018-2019 are below.

MARLENE M. MCCAIN, Chairwoman (as of 5/19)	Certified Public Accountant Birmingham, Alabama	05/12 - Present
STEVEN T. MARSHALL , Member	Attorney General Montgomery, Alabama	02/17 - Present
MIKE E. HILL, Member	Superintendent of Banks Montgomery, Alabama	07/16 - Present
JIM L. RIDLING, Member	Commissioner of Insurance Montgomery, Alabama	09/08 - 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
W. ALLEN CARROLL, JR. Member	Certified Public Accountant Mobile, Alabama	05/19 - Present
<u>PAST</u>		
JAMES L. HART Chairman	Certified Public Accountant Birmingham, Alabama	12/10 - 5/19

ASC Personnel (FY 2019)

Directorate

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

Legal Division

Gregory A. Bordenkircher, Chief Litigation Counsel
Jeffery A. Brown, Jr., Attorney IV
Anne W. Gunter, Attorney III
Leslie D. Worrell, Attorney III
Lisa M. Ray, Attorney II
James M. McDowell, Securities Analyst, Senior
Kimathy J. Booher, Paralegal
Shana T. Proctor, Paralegal
Patrick R. Smith, Student Aide

Accounting/Personnel Division

Renee S. Sanders, Accounting Director I
Kevin A. Jones, Accountant
Gwendolyn Lover, Account Clerk
Martha J. Thomas, Admin. Support Asst. III

Data Systems Division

David E. Gilmore, IT Systems Specialist
Bonnie, A. Traphan, IT Systems Specialist, Assoc.
Darren W. Boulware, IT Operations Specialist

Education and Public Affairs Division

Daniel G. Lord, Public Information Manager
Nick L. Vonderau, Dept. Marketing Specialist
Faith D. Feaga, Public Information Specialist

Enforcement Division

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. Planer, Special Agent
Robert W. Sharp, Special Agent
Charles A. Traywick, Special Agent
Anita F. Wilkerson, Executive Secretary
Kimberlee A. Hinson, Admin. Support Asst. III
Heather H. Grimes, Admin Support Asst. II
Amy Guttensohn, ASA II
Kathy R. Lassiter, Admin. Support Asst. III
Kendrick E. Webb, Jr., Clerical Aide

Registration Division (Auditing & Examinations)

Rena H. Davis, Manager Auditing and Examinations
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

Registration Division (Licensing & Registration)

Lisa M. Tolar, Manager Licensing and Registration
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
April F. Dunaway, ASA II
Patricia J. Wilson, ASA III
Josie A. Blanks, Clerical Aide

Regulatory Services Program

APPROPRIATION DESCRIPTION

The Commission is a self-funded agency which 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 is used by the Commission for the administration and enforcement of the 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 registration 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).

Fee Schedule

Registration of Securities			§ 8-6-8 Code of Alabama, 1975
Notification	Generally available for seasoned issuers and requires limited disclosure.	\$40 filing fee + registration fee of 1/10 of 1% of the aggregate offering price of the securities offered in this state. Registration fee not to exceed \$1,500 nor be less than \$100.	§ 8-6-8(d) Code of Alabama, 1975
Coordination	Registered statement has been filed in connection with the same offering. State filing in conjunction with SEC filing.	\$40 filing fee + registration fee of 1/10 of 1% of the aggregate offering price of the securities offered in this state. Registration fee not to exceed \$1,500 nor be less than \$100.	§ 8-6-8(d) Code of Alabama, 1975
Qualification	Any other security.	\$40 filing fee + registration fee of 1/10 of 1% of the aggregate offering price of the securities offered in this state. Registration fee not to exceed \$1,500 nor be less than \$100.	§ 8-6-8(d) Code of Alabama, 1975
Open End Management Company	Face amount certificate company or Unit Investment Trust registering indefinite amount.	\$100 filing fee + \$1,500 registration fee. Annual Renewal \$1,500	§ 8-6-8(d) Code of Alabama, 1975
Exemption	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)
Limited Offerings	(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

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
Mutual Fund Exemption	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	
	Total net assets greater than or equal to \$250 million	\$2,000	
	Unit Investment Trusts	\$200	
IRB	Industrial Revenue Bonds are bonds generally 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
Monetary Transmission Act	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
Opinions	Interpretations	\$150	§ 8-6-29(b) Code of Alabama 1975
Agent	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

Fee Schedule

Dealer	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
Investment Adviser	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
Investment Adviser Representative	Any partner, officer, director of 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
Administrative Assessment	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
Investigative Examinations	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

Statistical Summary (FY 2018- 2019)

ASC total staff - 60 (includes 8 attorneys, 11 special agents, and 14 securities analysts).

Licenses, Registrations and exemptions issued - 180,016

On site examinations/audits - 63

Complaints and corporate inquiries received - 216

Industrial Revenue Bonds reviewed - \$322,657,000

Administrative Orders issued - 38

Administrative Order respondents - 112

Restitution ordered to victims - \$6,531,148

Public warnings issued - 3

Indictments - 16

Convictions - 12

Arrests made - 13

Number of years sentenced - 70

Individuals awaiting grand jury action, arrest or trial - 29

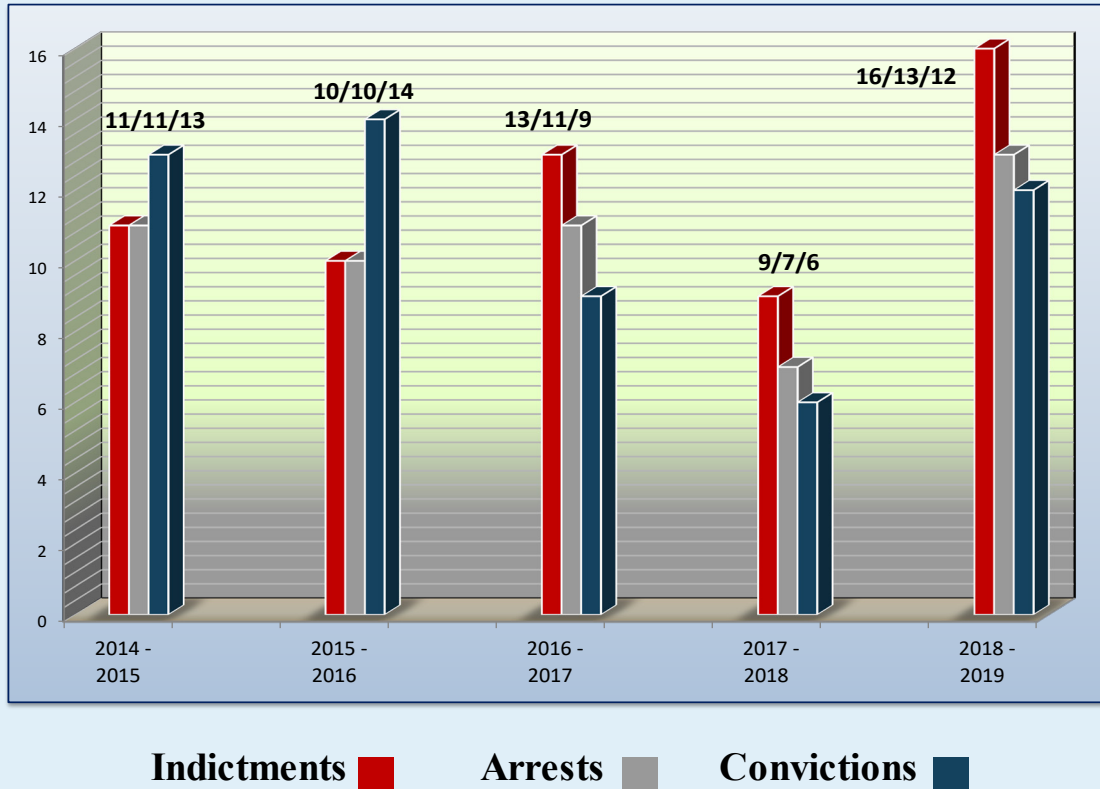
Contributed to State General Fund - \$ 13,210,813

Educational seminars on wise and safe investing - 107

Alabamians attending educational presentations – 8,000

ASC Statistics

Indictments, Arrests & Convictions Fiscal Years 2014-2015 to 2018-2019

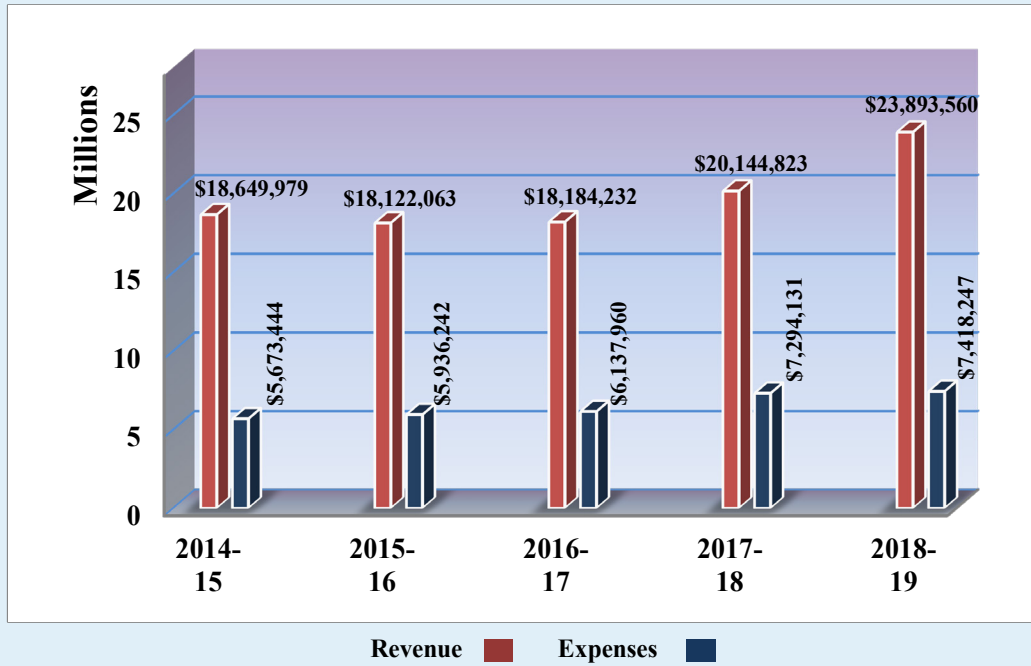


Complaints & Corporate Inquiries Fiscal Years 2014-2015 to 2018-2019

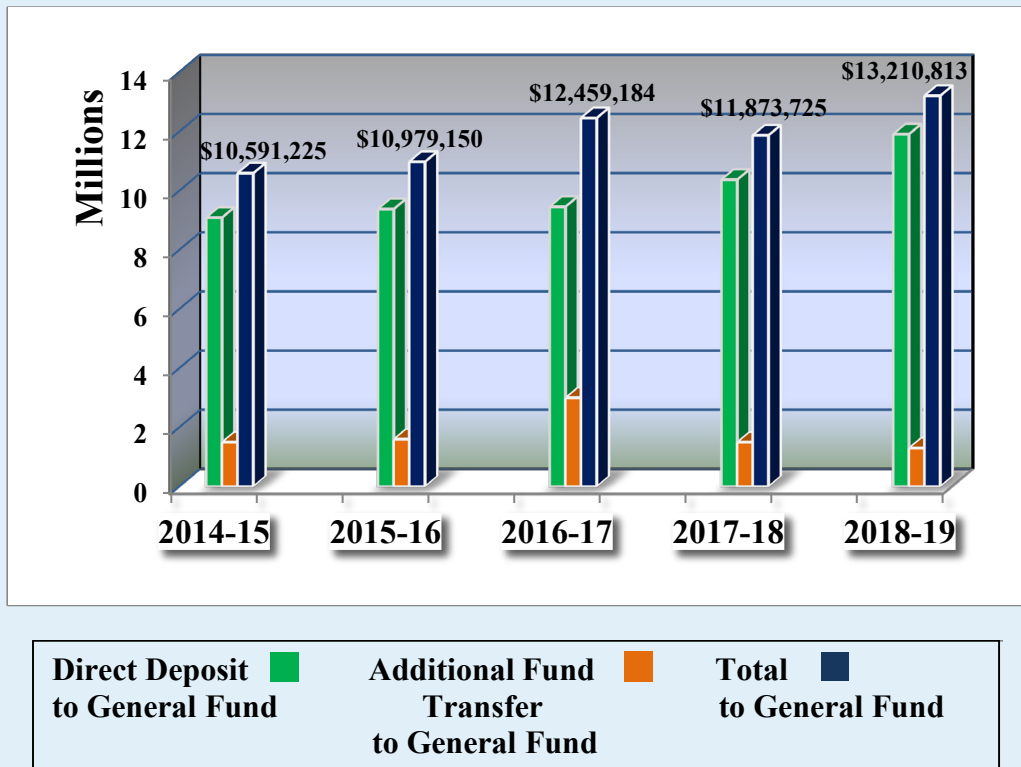


ASC Statistics

Combined Revenue and Expenses Fiscal Years 2014-2015 to 2018-2019

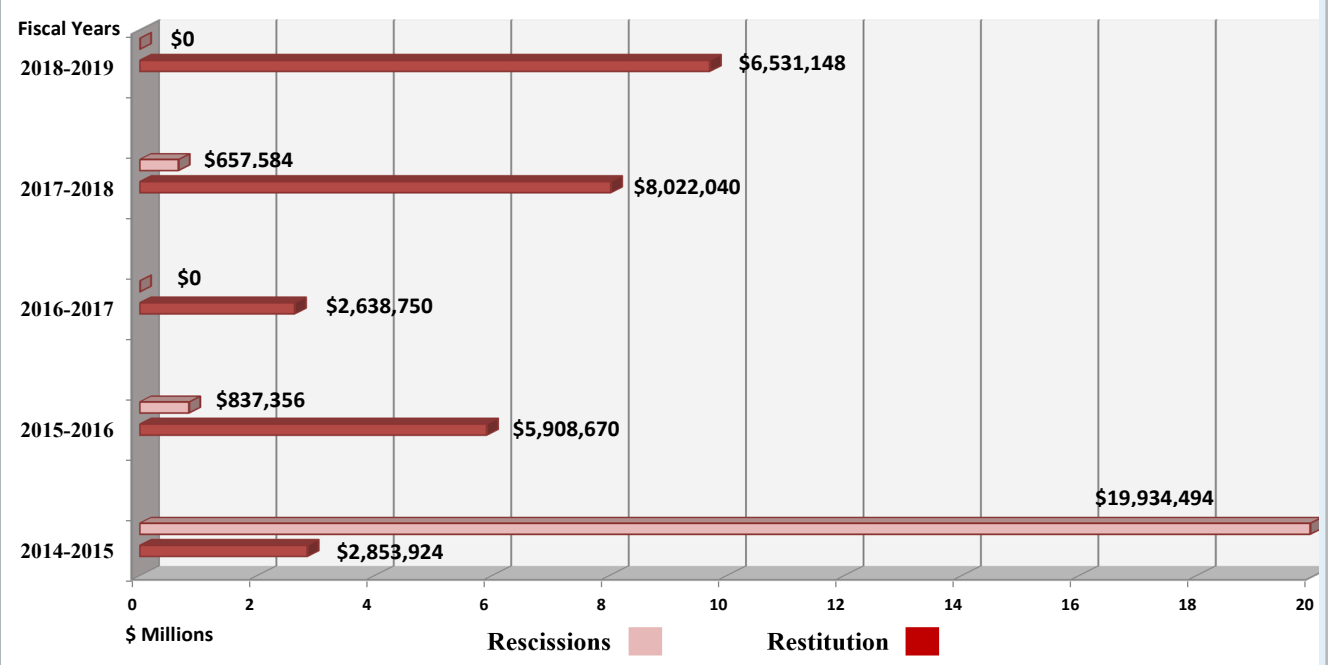


Total Revenue to General Fund Fiscal Years 2014-2015 to 2018-2019

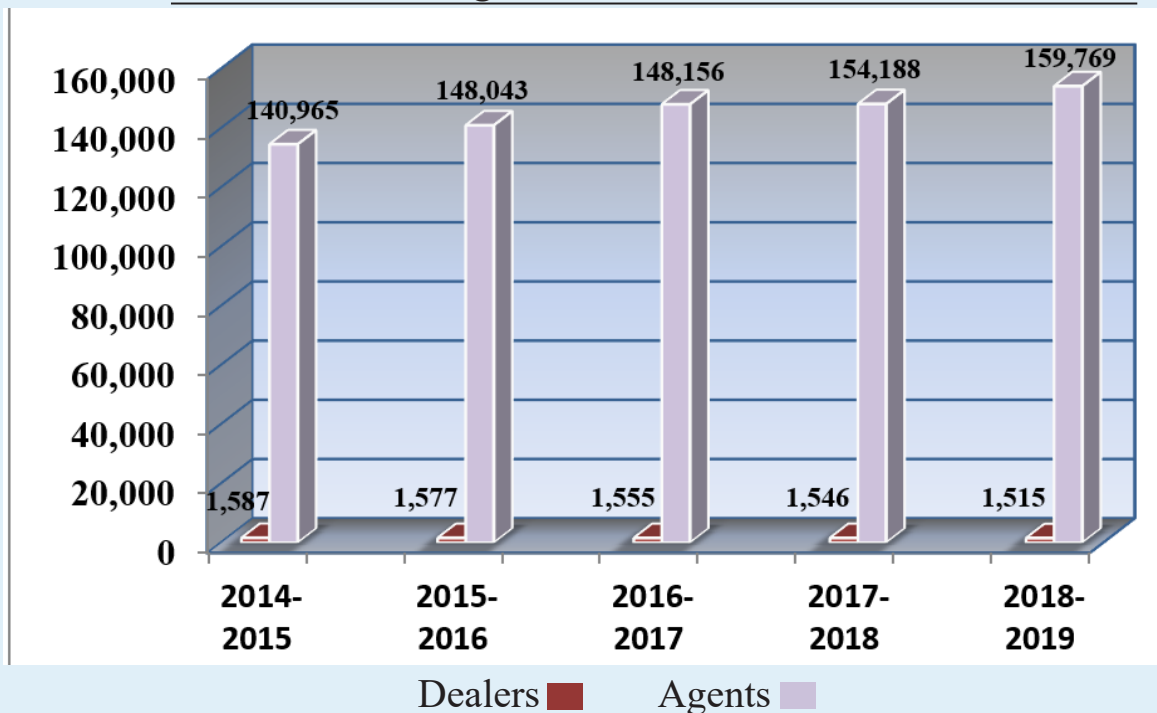


ASC Statistics

Recission & Restitution Fiscal Years 2014-2015 to 2018-2019

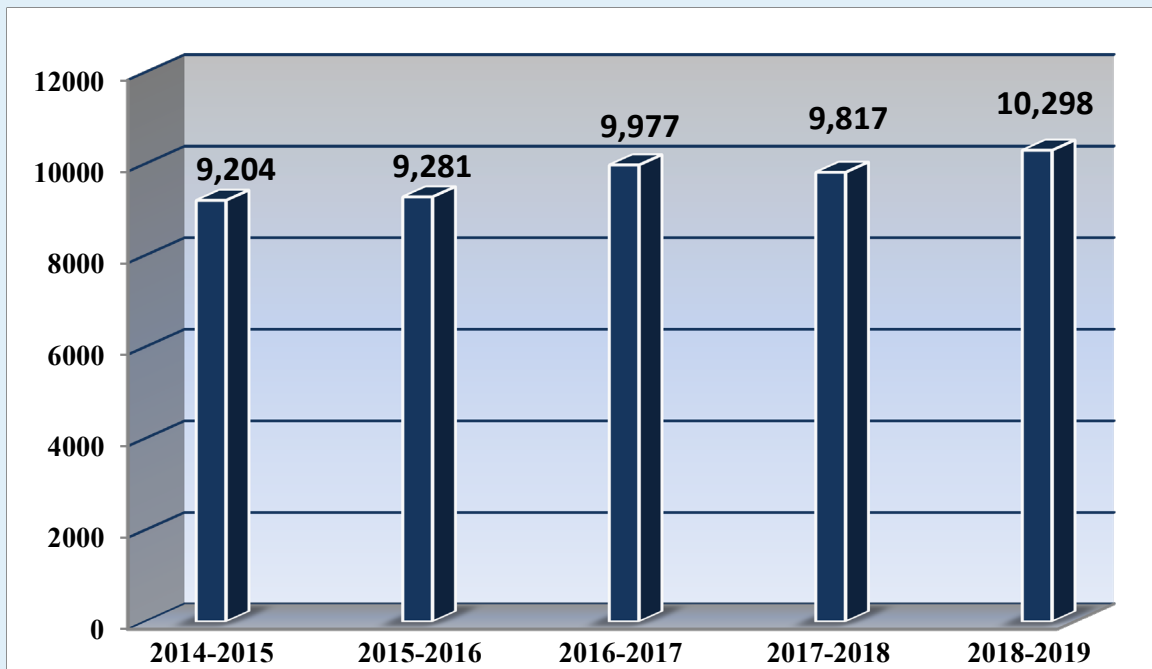


Broker Dealer Registrations 2014-2015 to 2018-2019



ASC Statistics

Mutual Fund Filings & Exemptions 2014-2015 to 2018-2019



Investment Adviser Registrations & Notice Filers 2014-2015 to 2018-2019



ASC Financial Statement

Agency Revenues for FY 2018-2019

<u>Authority</u>		
§ 8-6-3(h)	Investment Advisers & Representatives.....	\$12,446,460
	Broker-Dealers & Representatives	
§ 8-6-8	Securities Registration.....	45,016
§ 8-6-11	Exemptions.....	334,100
§ 8-6-19	Administrative Assessments/Investigative Executions.....	355,271
§ 8-6-10(11)a.2.	Mutual Fund Exemptions.....	10,554,490
§ 8-6-29	Opinions.....	2,500
§ 8-6-115	Industrial Revenue Bonds.....	7,458
§§ 8-7A-6; 8-7A-9	Monetary Transmission Act.....	117,300
	Miscellaneous Revenues.....	30,965
	TOTAL REVENUES.....	23,893,560
	To General Fund.....	\$11,910,813
	To Securities Commission Fund.....	11,975,289
	To Industrial Revenue Fund.....	7,458
	TOTAL.....	\$23,893,560

Expenditures for FY 2018-2019

	Personnel Costs.....	\$4,028,015
	Employee Benefits.....	1,485,166
	Travel (In-State).....	48,154
	Travel (Out of State).....	82,525
	Repairs & Maintenance.....	1,121
	Rentals & Leases.....	724,115
	Utilities & Communications.....	112,078
	Professional Services.....	244,902
	Supplies, Materials & Operating Expenses.....	244,523
	Transportation Equipment Operations.....	41,325
	Grants and Benefits.....	200,024*
	Transportation Equipment Purchases.....	95,778
	Other Equipment Purchases.....	110,521
	TOTAL.....	\$7,418,247
	Additional Transfer to State General Fund.....	\$1,300,000
	TOTAL EXPENDITURES.....	\$8,718,247
	TOTAL TO GENERAL FUND FOR FISCAL YEAR 2018-2019.....	\$13,210,813

*Total includes \$200,000 transfer to Intellectual Property Watch Program as determined by the Legislature.

Enforcement Division

Enforcement Activity

Activity	Number
Corporate Inquires Opened	125
Corporate Inquires Closed	121
Investigations Opened - "I"	26
Investigations Closed - "I"	24
Investigations Opened - "S"	65
Investigations Closed - "S"	53
Administrative Actions	38
Administrative Action Respondents	112
Indictments/Warrants Obtained	16
Arrest Made	13
Convictions Obtained	12
Public Warnings Issued	3
Referrals to Other Agencies	52

Administrative Orders Issues

A comparative summary of the Enforcement Division's Fiscal Year 2019 activities are shown on the following chart:

Type of Order Issues	Respondents	Orders
Cease and Desist	53	20
Consent	1	1
Show Cause	6	3
Consent Agreement	49	12
Order to Vacate	2	1
Order of Denial	1	1
Totals	112	38

Registrations & Exemptions

TOTAL NUMBER OF REGISTRATIONS AND EXEMPTIONS ISSUED IN FY 2019: 180,016 10/01/2018 - 09/30/2019					
	Application Filed	Application Approved	Renewal Processed	Application Withdrawn	Application Terminated
Broker/Dealer	80	68	1,447	13	83
Broker/Dealer Agent	n/a	30,542	129,227	284	27,021
Eleemosynary Financing Exemption	9	12	0	4	2
Exempt Consent	2	2	0	0	0
Expansion Order	1	1	0	0	1
Industrial Revenue Bond	8	8	0	0	0
Investment Adviser- Federal	120	114	1,187	0	110
Investment Adviser- State Registered	32	27	152	7	17
Investment Adviser Representative	n/a	1,010	5,392	42	984
Limited Offering	1,109	1,069	-	4	151
Mutual Fund Exemptions	1,918	2,231	6,983	0	220
Registration by Coordination	21	25	0	1	29
Registration by Qualification	0	0	0	0	0
Registration of Face Amount Certificate Company	0	0	4	0	0
Restricted Agent	34	35	281	6	46
Money Transmitter	28	30	169	0	13

INDUSTRIAL REVENUE BONDS FILED IN FY 2019

LESSEE	Fee Charged	Date Filed	Total Amount of Issue
The Industrial Development Board of the City of Prattville, AL (International Paper Co.)	\$1,000	6-Mar-19	\$5,500,000.00
The Industrial Development Board of the City of Andalusia, AL (SaeHaeSung Alabama Corp, Project);	\$1,000	26-Mar-19	Series 2019A \$5,505,000.00 Series 2019B \$385,000.00
The Industrial Development Board of the Town of Scottsboro, AL (Sanoh America, Inc.)	\$1,000	5-Apr-19	\$2,495,000.00
The Industrial Development Board of the Town of Hoover, AL (U. S. Steel Corp. Environmental Improvement Rev. Bonds, Series 2019)	\$1,000	29-Apr-19	\$250,000,000.00
The Industrial Development Board of the City of Sylacauga	\$458.50	30-Apr-19	\$917,000.00
The Industrial Development Board of the City of Selma, AL (International Paper Company)	\$1,000	26-Aug-19	\$50,000,000.00
The Industrial Development Board of the City of Prattville, AL (International Paper Company)	\$1,000	26-Aug-19	\$4,000,000.00
The Industrial Development Board of the City of Prattville, AL (International Paper Company)	\$1,000.00	26-Aug-19	\$3,855,000.00
Totals	\$ 7,458.50		\$322,657,000.00

Director's Report

The Alabama Securities Commission (ASC) is strongly committed to protecting 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 five important functions: registration, auditing, enforcement, legal and education. The ASC 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 130 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 20 active ICO inquiries or investigations and issued 9 Cease and Desist orders involving cryptocurrencies as part of the initiative by the end of FY 2018-2019. Operation Cryptosweep was originally conceived by the ASC for NASAA.

Accomplishments and Office/Division Functions

In FY 2018-2019 ASC generated \$13,210,813 for the General Fund. This fiscal year, the demand for services increased as markets surged in 2018 and the first three quarters of 2019. 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

Director's Report

illegal practices undermine confidence in our financial markets. When Alabama securities laws are believed to have been violated, the ASC's Enforcement Division takes the lead in conducting complex investigations in response to complaints or evidence of alleged securities fraud. Eleven 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 11 criminal indictments each FY for the violation of laws regulating the securities industry. In FY 2018- 2019 the Division's hard work resulted in more than \$6,531,148 ordered in restitution for victims from prosecuted cases; 13 arrests; 12 convictions; and helped secure 70 years sentenced, with approximately 25 years served, 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- 2019, the registration division issued 180,016 registrations, licenses and exemptions. 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 2018-2019, the Auditing and Examinations Division conducted 63 audits, with 17 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 70 events annually throughout the state,

Director's Report

including presentations for social, civic and professional groups, and manages a statewide and national news media program.

During Fiscal Year 2018-2019, the Education and Public Affairs Division supported 107 events that provided direct outreach and education to 8,000 citizens, ranging in age from high schools students to senior retirees. 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 21-38.

The Legal Division is comprised of five highly-skilled and dedicated attorneys who are ably assisted by two full-time paralegals. The Legal Division possesses 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 aid 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 is 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 & Fraud Prevention Outreach Programs



Dan Lord,
Manager



Nick Vonderau,
Marketing Specialist



Faith Feaga,
Public Information
Specialist

MESSAGE FROM OUR TEAM

ASC has orchestrated an all-time record number of over 100 events during Fiscal Year 2018-2019. Over 8,000 residents have learned about effectively protecting their assets, making safe and informed investment decisions and beginning a path to financial readiness. This achievement is directly attributed to the active involvement from our Director, senior staff and other professional staff. This team is well trained and armed with expertise to provide current financial education to all facets of our great society in Alabama. We are delighted to announce that Faith Feaga joined the division as a full time employee as of June 2019.

We are dedicated to bringing top-notch financial education and fraud prevention programs and supporting materials to Alabamians in rural and urban communities.

Often, people are surprised at our willingness to travel to towns that others might overlook. However, all residents of this state are deserving of the financial resources and education they need to assist them in accomplishing their financial goals and to protect their assets.

Investor Education & Fraud Prevention Outreach Programs

Alabamians can connect with The Alabama Securities Commission on Facebook and Twitter. Research has demonstrated that information retention is enhanced when there are multiple teaching sessions and examples are audience specific. The ASC social media presence is an avenue for creating additional interactions with the citizens of Alabama, and through specialized content creation the agency is able to provide audience-specific information. The ASC Education and Public Affairs Division is very excited about the recent purchase of additional Adobe programs which will allow staff to continue creating engaging material with some major updates. For example, the post to the right flashes when users visit the page. The purpose of these social media pages is to inform and continue to educate as many Alabamians as possible.

Alabama Securities Commission
Published by Al Sec · September 6 · 🌐

Always get a second opinion about a love interest who asks for money. Even if you know the person requesting the funds, talk with a trusted adviser, family member or pastor before handing over your money.

Sweet heart Scams

Fraudsters can create false identities to lure online daters into relationships, with the ultimate goal of enticing you to give them money. This technique is known as a sweetheart scam and anyone who goes online should be diligent about protecting their personal information.

Learn more about preventing sweetheart scams at:
www.asc.alabama.gov

234 People Reached 24 Engagements [Boost Post](#)

Alabama Securities Commission

DID YOU KNOW?
1 in 3 Americans has less than \$5,000 saved for retirement?

The Alabama Securities Commission provides free resources to help consumers learn the basics of saving & investing and how to protect their funds from fraudsters. You can access these resources by visiting the education section of the ASC website.
www.asc.alabama.gov



Alabama Securities @ALSecCommission

Fraudsters can pose as a romantic interest on an online dating site with the ultimate goal of having you give them your hard earned money. Every time you go online be diligent about protecting your personal information. Learn more at <http://www.finra.org/investors/highlights/online-dating-and-investment-fraud-always-check-your-sources> ... pic.twitter.com/XhUkZ8R86e

Investor Education & Fraud Prevention Outreach Programs



Military Outreach

Director Borg says, "Inquiries from any military personnel, in any status (active, reserve, guard or veterans), or from their dependents, will receive immediate attention to help provide information or to investigate complaints and concerns as necessary." Director Borg's position has remained the same since the creation of the ASC special military website area in 2009.

ASC staff have the experience to understand financial challenges of the military community. Nine ASC staff members have over 167 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. 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 & Fraud Prevention Outreach Programs

ASC Military Outreach Program with Special Website Area

Director Borg said, “We believe in our military and have supported past deployments of key ASC employees, who are members of the Guard/Reserves, in support of past Middle-East defense initiatives. Our Education and Public Affairs manager (Retired Lt. Col. USAF) has over 25 years of active, guard, enlisted and commissioned service and is the primary contact for our international military outreach programs and has worked as a non-profit partner with the Department of Defense, Financial Readiness Campaign. **“Be assured this Commission puts our best foot forward to help provide information or investigate complaints and concerns as necessary”** (Director Borg’s quote from June 16, 2009 and the policy still stands).

A recent AARP study confirmed that one in three victims of financial fraud in America are military veterans. Another disturbing statistic from the U.S. Federal Trade Commission’s Consumer Sentinel notes that there has been a 65 percent increase in fraud complaints from vets over the past five years. There are unfortunately numerous instances involving retirees from different areas of the military who have used

their past armed services associations to scam fellow veterans out of their life savings. This type of scam is referred to as “affinity fraud.” Military affinity fraud occurs when people manipulate the close connection between veterans, including active-duty personnel, to promote and sell unsuitable or fraudulent investment products. Regardless of the depth of the relationship or bond, always check to see if that person, as well as the product being offered, is properly registered with the ASC. Even if you fought beside another soldier, sailor or airman in a combat circumstance that was life-threatening, in the future, you should check if that person, as well as the product being offered, is properly registered with the ASC .

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



Investor Education for Professionals

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,
Nick.Vonderau@asc.alabama.gov or
Faith.Feaga@asc.alabama.gov
Call: 1-800-222-1253



Director Joseph P. Borg Presenting at
the Birmingham Bar Association on
March 19, 2019

Investor Education & Fraud Prevention Outreach Programs

Director Borg Briefing Certified Public Accountants (CPA) in Montgomery on June 13, 2019



Director Joseph Borg spoke to Certified Public Accountants (CPA), in Montgomery, AL, at the Alabama Society of CPA's 100th Annual Meeting. The presentation focused on blockchain, cryptocurrency and Initial Coin Offerings (ICO's). Director Borg explained the mechanics of blockchain and the dangers involving cryptocurrency. He provided examples of how cryptocurrency companies can deceive customers by using celebrity photos to portray a highly secured business. Director Borg also discussed ASC involvement in a nationally organized crypto-sweep.

Senior Securities Analyst James McDowell Briefs County Government Officials on Cyber Security and Blockchain.



Senior Securities Analyst James McDowell and Marketing Specialist Nick Vonderau presented to County Commissioners, in Prattville, AL, at the 49th Annual Alabama County Government Institute on June 20, 2019. The topic of the presentation focused on blockchain technology and cryptocurrency. The Commissioners learned that blockchain technology can be used in many different areas such as: cryptocurrency, inventory management, and tracking shipments. McDowell also shared ways to strengthen cyber security plans.

Investor Education & Fraud Prevention Outreach Programs

Deputy Director Amanda Senn addresses the Montgomery County Bar Association



Director Borg, Deputy Director Amanda Senn and Chief Litigation Counsel Greg Bordenkircher delivered training to the Montgomery County Bar Association, at ASC headquarters in Montgomery, AL on May 14, 2019. Their presentation instructed lawyers about applicable Alabama Securities Laws. ASC leadership discussed cases where lawyers violated the Alabama Securities Act. ASC staff shared protection measures and tools to assist lawyers as they strive to protect themselves and their clients from securities fraud.

Director Joseph P. Borg speaks to members of the National Association of Insurance and Financial Advisors (NAIFA)



Director Joseph P. Borg spoke to members of the National Association of Insurance and Financial Advisors (NAIFA), Alabama Chapter, at the Sales, Success & Strategy May 2, 2019 Conference in Gulf Shores, AL. He covered NASAA enforcement actions, cyber security, elaborate ponzi schemes, affinity fraud and ways to safeguard clients. Director Borg discussed churning and reverse churning. Churning is the practice of a broker over-trading in a client's account for the purpose of generating commissions. Placing a customer in a fee-based account when there is little to no activity to justify the fee is reverse churning.

Investor Education & Fraud Prevention Outreach Programs

The Alabama Securities Commission (ASC) was an honored partner with the Middle Alabama Area Agency on Aging (M4A) and the Investor Protection Trust to provide Alabama's First Responders, social workers and law enforcement officers training in Millbrook, AL. ASC staff discussed identifying, investigating and prosecuting financial crimes.

ASC Associate Counsel Leslie Worrell, discussed pertinent Alabama law in regards to elder justice. ASC Special Agents Mitchell and Harris discussed tips for investigating the crimes. They urged those involved with investigations to follow the money and use professional partners, like the ASC, to assist with complex financial investigations.

During this fiscal year the ASC also conducted a similar program in Bessemer, Alabama. ASC will continue to promote this type of training throughout Alabama in 2020.



Top Right: Special Agents Mitchell and Harris presenting to First Responders, social workers and law enforcement in Millbrook, Alabama.

Bottom Right: Associate Counsel Michelle Ray briefing law enforcement officials.

On August 7-8, 2019, the Alabama Securities Commission (ASC) Enforcement Division hosted 54 Alabama law enforcement personnel including representatives from the following: securities regulators, the Attorney General's Office, Alabama State Law Enforcement Agency (ALEA), Sheriff's offices as well as state county and local law enforcement agencies. The purpose of the meeting was to educate enforcement officials about developments in combating threats to investors. The symposium combined the latest research and legal strategies to help attendees protect citizens from financial crimes involving securities. ASC staff: Special Agent Mark Mitchell, Special Agent Chip Harrison, Special Agent Leighton Greenlee, Special Agent Randy Jones, Special Agent Bobby Moore, Special Agent Charles Traywick, Associate Counsel Michelle Ray and Deputy Director Enforcement Amanda Senn served as the trainers for the event and Fusion Center representatives Diana Perdue and Scott Mathus also briefed the audience. The training was accredited by the Alabama Peace Officers Standards and Training Commission (APOSTC).



Investor Education & Fraud Prevention Outreach Programs

Deputy Director Ed Reed was invited to speak to the Birmingham Business Alliance on crowdfunding for small business in Birmingham, AL on April 25, 2019. He explained the Alabama Securities Act in detail; defining “sale” and “offer” as well as exemption types. Reed discussed the potential outcomes for violators of the act.

Deputy Director Reed noted that ASC is committed to provide valuable information to small businesses and those involved in capitol formation. He encouraged attendees with additional questions to call the ASC.



Deputy Director Ed Reed discusses crowdfunding at the Birmingham Business Alliance

Financial Empowerment for Women

In today’s fast paced world, it seems like the only constant is change. The always-moving parts can leave you drained or exhilarated. In our opinion, one of the most exciting changes is seeing women empowered and armed with the financial knowledge they need to pursue their personal and financial goals. Beginning in 2020, an ASC financial education program for women will commence. As we construct the program and build it to the unique needs of women in Alabama, our anticipation for the generations of women who will benefit from this program is increasing. Be on the lookout for a news release announcing the program’s start in early 2020.

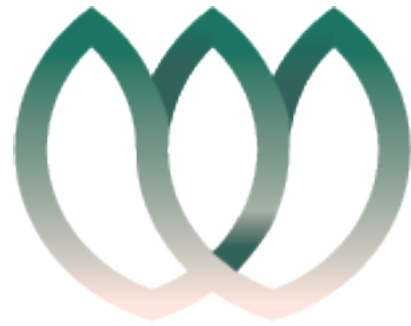
Montgomery County Bar Association Women’s Section Lunch and Learn

In partnership with the Montgomery County Bar Women’s Section, ASC hosted a financial lunch and learn for women on August 8, 2019. Professional investment advisor Sommer Morris spoke about the increasingly prominent role women play in today’s economic market and workplace. She emphasized the importance of taking responsibility for your wealth management and provided great information on what it means to have a balanced financial portfolio.

Investor Education & Fraud Prevention Outreach Programs



The Montgomery County Bar Association Women's Section event.



Women's Program showcase logo

Collegiate Women Gather for ASC Financial Program in Marion, AL

January 25, 2019 - Deputy Director of the ASC, Amanda Senn, presented to the American Association of University Women (AAUW) on making safe and wise investment decisions. She shared information about previous cases in small communities like Marion, AL. She explained how fraudsters penetrate social groups and commit affinity fraud. Senn closed by explaining the importance of doing your due diligence when researching an investment opportunity, despite the length of time you have known an individual.

National DONUT DAY!




Score freebies and put the savings in the bank.

#MondayMotivation

Set small incremental goals to achieve success. Research suggests too many lofty goals at once can actually hinder achievement.

Learn more at asc.alabama.gov



Investor Education & Fraud Prevention Outreach Programs

Protecting Alabama's Seniors

6.8 million

Seniors get taken advantage of each year

2.6 Billion

Yearly cost of frauds targeting seniors

70%

Of U.S wealth is held by seniors

The ASC participated in 48 events directly reaching 3,646 senior Alabamians to help them invest wisely and protect themselves from financial fraud.

The Alabama Securities Commission (ASC) is proud to conduct many events for seniors throughout the year. One of the main events is World Elder Abuse Awareness Day celebrated on June 15th. The ASC participated in 11 events throughout Alabama during the summer months to inform seniors, professional caregivers, law enforcement officials, government officials and financial professionals on how to identify, prevent and report financial exploitation.

Shockingly, elder abuse is a widespread problem in our country. Studies show that financial fraud targeting seniors costs about \$2.6 billion every year. According to an Investor Protection Trust study (2016), 6.8 million seniors get taken advantage of each year.

“Senior financial exploitation is a growing problem in our nation. Many in our elderly population are vulnerable due to social isolation and distance from family, caregiver and other support networks,” Director Joseph P. Borg said. “Taking the time to understand the warning signs and the steps that can be taken to report financial abuse are key to prevention.”



Investor Education & Fraud Prevention Outreach Programs

AARP organized two fraud hot lines for citizens on live television. The first fraud hotline was hosted by WSFA in Montgomery, AL on May 15th and the second was with WAFF in Huntsville, AL on July 10th. The viewers called in with questions and concerns about a variety of scams. The consistent message was never give out personal information to people that contact you via telephone, email or social media.

Alabamians who have questions about fraud are encouraged to contact the Education and Public Affairs Division of the Alabama Securities Commission (ASC). Additionally, citizens can contact the Commission to check the license of a financial professional and the registration of securities they are considering purchasing. This service and providing industry background reports on financial professionals are all offered free of charge to Alabamians.



Participating organizations: AARP, ASC, Alabama Attorney General's Office, Montgomery District Attorney's Office, CrimeStoppers, Better Business Bureau of North Alabama, Madison County Sheriff's Office, Madison Police Department, Top of Alabama Regional Council of Governments and more...



Deputy Director Amanda Senn briefing members of the Alabama Silver Haired Legislature.



No excuse for abuse
15 June 2017
World Elder Abuse Awareness Day

Investor Education & Fraud Prevention Outreach Programs

ASC is a long time board member and supporter of the Alabama Jump\$tart Coalition. During events, ASC staff provide information on the importance of incorporating personal finance and investor education into high school student curriculum. By training teachers, ASC is able to reach many more students than just visiting one classroom at a time. The ASC frequently partners with Jump\$tart to provide teacher training all over the state.

ASC Education and Public Affairs Manager Dan Lord and Leslie Jones, Consumer Financial Protection Bureau (CFPB) with other AJC members.



Investor Education & Fraud Prevention Outreach Programs

ASC provides financial training to over 500 students and faculty advisors at Distributive Education Clubs of America (DECA) conference in Birmingham, Alabama on February 20, 2019.



The ASC Public Affairs & Education Division provides education and materials to teachers to help them incorporate financial and investor education into the classroom. In addition, during FY 2018-2019, investor education was provided in person to over 5,000 high school students. One major objective is to motivate students to begin investing now, while time is on their side.

Marketing Specialist Nick Vondereau presenting to students.

Helping Students Make Safe & Informed Financial Decisions



ASC was invited to speak to Thompson High School students in Alabaster, Alabama by Principal Wesley Hester and Ken Snow (Information Technology Professor). ASC's Dan Lord and Nick Vondereau gave a presentation tailored to high school students. Approximately 500 students attended the event.

Lord taught the students the importance of starting to plan for their retirement at an early age. He explained to the students that they have time on their side and explained "The Rule of 72." Vondereau told the students their first investment should actually be themselves. He encouraged students to be smart with their financial aid and only borrow what they need for education because one day they will have to pay it back- with interest!

List of Investor Education & Fraud Prevention Outreach Programs in FY 2018-2019

<u>Date</u>	<u>Place</u>	<u>#</u>	<u>Audience Type</u>
9/24-25/19	Gulf Shores, AL at Gulf State Park	200	Members of ARSEA*/APEAL* at the annual meeting
9/24/19	Gadsden, AL at Gadsden Museum of Art	20	Etowah County teachers
9/23/19	Vestavia Hills, AL at Shades Mtn. Baptist Church	150	Community outreach to seniors
9/20/19	Camden, AL at Gee's Bend Ferry	30	Local chapter members of the ASHL*
9/20/19	Montgomery, AL at Crampton Bowl	250	Seniors attending ACES* Successful Aging Initiative Expo
9/18/19	Moulton, AL at Western Sirloin	41	N.BBB* Lunch and Learn
9/17/19	Huntsville, AL at Von Braun Center	250	HMCSS* Senior Lifestyle Expo
9/11/19	Albertville, AL at Catfish Cabin	20	Marshall County Retiree Association members
9/9/19	Birmingham, AL at JCBOE*	50	JCBOE Retiree Association members
8/29/19	Huntsville, AL at Redstone FCU*	100	Huntsville Chapter of AFWA*
8/29/19	Oxford, AL at Oxford House	20	Community outreach to seniors
8/28/19	Montgomery, AL at AOPS*	17	Certified Victim Service Officers
8/20/19	Montgomery, AL at ASC*	20	Members of the MCBA* Womens Section
8/18/19	Trussville, AL at First Baptist Church	100	Community outreach to seniors
8/7-8/2019	Montgomery, AL at ASC	54	Training event for law enforcement officials
07/31/19	Decatur, AL at Entrepreneurial Center	35	Community outreach to seniors and business
07/30/19	Birmingham, AL at BJCC*	200	Jump\$tart Teachers Conference
07/30/19	Center Point, AL at Victory City Church	90	Community outreach to seniors
07/26/19	Montgomery, AL at Capital City Club	6	River Region Round-table
07/19/19	Birmingham, AL at Bressler, Amory and Ross	24	Attorneys of Bressler, Amory and Ross law firm
07/18/19	Huntsville, AL at Jackson Center	25	AARP* and N. BBB round-table discussion
07/10/19	Huntsville, AL at WAFF television studio	*V	Viewers of WAFF Fraud Hotline
06/27/19	Huntsville, AL at HMCSS	10	N. BBB and Bancorp South local seniors
6/27/19	Montgomery, AL at RSA Activity Center	220	MCDAO* EJTF* community outreach to seniors
6/25/19	Opelika, AL at EAMC* Resource Center	68	LRCOG* caregivers conference
6/21/19	Huntsville, AL at Willowbrook Church	300	TARCOG* community outreach to seniors
6/20/19	Prattville, AL at Marriott Conf. Center	45	49th Annual Alabama County Government Institute
6/19/19	Tuscaloosa, AL at University of Alabama	170	WARC* community outreach to seniors
6/19/19	Gadsden, AL at Downtown Civic Center	180	COA* of Etowah County outreach to seniors
6/18/19	Millbrook, AL at Civic Center	100	M4A* training for first responders from River Region
6/13/19	Montgomery, AL at Wynlakes Country Club	165	ASCPA* 100th Annual Meeting
6/13/19	Birmingham, AL at United Way	60	UWAAA* of Jefferson County outreach to seniors
6/13/19	Wetumpka, AL at Civic Center	120	CAAC* Caregiver Conference
6/12/19	Florence, AL at University of North Alabama	20	University of N. Alabama Social Worker Alumni Club
6/8/19	Huntsville, AL at Huntsville Senior Center	20	HPCUG* monthly meeting
6/3/19	Decatur, AL at CAPNA*	140	NARCOG* Fraud Summit for the Decatur, AL area
5/21/19	Daphne, AL at Daphne City Hall	110	SARPC* community outreach to seniors
5/21/19	Birmingham, AL at Birmingham Urban League	12	HOPE* & BBRC* community outreach
5/21/19	Birmingham AL, at Park Place Apartments	25	HOPE & BBRC community outreach to seniors
5/20/19	Pelham, AL at Pelham Civic Center	75	M4A community outreach to seniors
5/15/19	Montgomery, AL at WSFA television studio	*V	Viewers of WSFA Fraud Hotline

Acronyms defined on page 38



List of Investor Education & Fraud Prevention Outreach Programs in FY 2018-2019

Date	Place	#	Audience Type
5/14/19	Montgomery, AL at ASC	46	MCBA attorneys attend education seminar
5/9/19	Montgomery, AL at ASC	35	I.T. professionals "7X24" meeting
5/8/19	Atmore, AL at Porch Creek Indian Reservation	65	Senior members of the Poarch Band of Creek Indians
5/2/19	Gulf Shores, AL at Gulf State Park	65	NAIFA* members at annual conference
4/30/19	Birmingham, AL at Princeton Tower	65	HOPE & BBRC community outreach to seniors
4/25/19	Birmingham, AL at Innovation Depot	35	Young business entrepreneurs
4/25/19	Montgomery, AL at Down the St. Café	10	Good Morning Kiwanis Club members
4/24/19	Union Town, AL at Community Rec. Ctr	20	AERA* retired teachers
4/23/19	Pleasant Grove, AL at Arbors at Ellington	15	HOPE & BBRC community outreach to seniors
4/22/19	Birmingham, AL at UAB Hill Student Center	100	ACEE* teachers and students awards banquet
4/17/19	Selma, AL at Dallas Cty. Family Resource Ctr.	45	Partner with ATRC* to train professional caregivers
4/15/19	Atmore, AL at Porch Creek Indian Reserv.	8	Train financial teachers and caregivers
4/11/19	Addison, Texas at Renaissance Hotel	100	NASAA* members received ASC investor edu. materials
4/11/19	Montgomery, AL at ASC	40	Senior Safe training audience
4/11/19	Huntsville, AL at Alabama A&M University Centre, AL at Lanny's Restaurant	65	College students (Partner with IPT* and SFEPD*)
4/10/19	Prattville, AL at Prattmont Baptist Church	25	AERA retired teachers
4/9/19	Tuskegee, AL at Municipal Complex	20	Community outreach to seniors
4/5/19	Alabaster, AL at Thompson High School	85	Partner with SCADC* to teach professional caregivers
4/2/19	Bessemer, AL at Bessemer Civic Center	500	High school students
3/26/19	Hayneville, AL at Jackson Steele Elementary	175	M4A training for first responders from Birmingham area
3/21/19	Montgomery, AL at ASC	9	Jackson Steele elementary teachers
3/21/19	Tuscaloosa, AL at Alabama One Credit Union	7	Consult with FINRA* representatives on senior outreach
3/19/19	Montgomery, AL at ASC	45	Senior Citizens from the Tuscaloosa, AL area
3/19/19	Birmingham, AL at Birmingham Bar Assoc.	10	Stanhope Elmore High School field trip to the ASC
3/11/19	Wetumpka, AL at Coaches Corner Restaurant	100	Lawyers from the Birmingham, AL area
3/8/19	Boaz, AL at Veterans of Foreign Wars Bldg.	20	Members of the Wetumpka Lions Club
3/7/19	Montgomery, AL at Beulah Baptist Church	120	Alabama DHR* professional caregivers
3/5/19	Daphne, AL at Eastern Shore Baptist Church	45	Town hall for seniors from local community
2/28/19	Andalusia, AL at First Baptist Church	85	Prime-Timers senior citizen club
2/27/19	Montgomery, AL at Huntingdon College	130	Citizens from Andalusia, AL & surrounding areas
2/26/19	Florence, AL at TVA* Credit Union	18	Huntingdon college students
		20	Members of the Florence Investment Club

Acronyms defined on page 38



List of Investor Education & Fraud Prevention Outreach Programs in FY 2018-2019

<u>Date</u>	<u>Place</u>	<u>#</u>	<u>Audience Type</u>
2/20/19	Orange Beach, AL at Perdido Beach Resort	45	ASCW* Conference
2/20/19	Birmingham, AL at BJCC	400	DECA* Conference for Alabama high school students
2/12/19	Cullman, AL at Chamber of Commerce	55	Fraud Summit for Cullman, AL & surrounding areas
2/7/19	Montgomery, AL at AL Center for Commerce	29	ADSS* professional staff training
2/5/19	Wetumpka, AL at Rotary Club Meeting Room	38	Wetumpka Rotary Club
2/5/19	Orange Beach, AL at Island House Hotel	40	AARB* conference
1/25/19	Marion, AL at Lottie's Restaurant	54	AAUW* Marion Chapter, women college graduates
1/10/19	Gadsden, AL at Civic Center	40	AERA members (retired teachers)
12/17/18	Andalusia, AL at First Baptist Church	8	Planning meeting for 2019 Andalusia outreach event
12/13/18	Montgomery, AL at Commerce Center	14	ADSS Senior Medicare Patrol training
12/12/18	Montgomery, AL at ASC	*V	WHNT TV Huntsville live interview
12/12/18	Florence, AL at Florence Coliseum	100	N. BBB, NACOLG* & ADSS caregiver training seminar
12/7/18	Huntsville, AL at Copper House	120	Huntsville-Madison County Bar Association
12/6/18	Cullman, AL at St. Johns Evangelical Church	60	Cullman Rotary Club
12/4/18	Montgomery, AL at Capital City Club	25	Stock Talks group
12/3/18	Montgomery, AL at Lakeview Baptist Church	100	Somerset Homeowners Association annual meeting
11/30/18	Trussville, AL at Senior Center	30	Partner with former Rep. DeMarco to reach seniors
11/29/18	Montgomery, AL at Federal Court House	30	MCBA and FBA* Bench and Bar Conference
11/15/18	Montgomery, AL at ASC	21	ADSS and Council for Prevention of Elder Abuse
11/14/18	Florence, AL at Lauderdale Cty Board of Edu.	25	AERA retired teachers
11/14/18	Chatom, AL at Scott House	29	AERA retired teachers
11/8/18	Montgomery, AL at Public Library Service	23	ARSEA Taylor Road Chapter, senior citizens
11/6/18	Tuskegee, AL at Tuskegee University	38	Students at Tuskegee University
11/2/18	Montgomery, AL at Wynlakes Country Club	210	Accountants, Montgomery Branch of AGA*
10/30/18	Montgomery, AL at Drury Inn	70	ASHL annual meeting
10/18/18	Hayneville, AL at Orchard Park Apartments	11	Residents at the Orchard Park Apartments
10/16/18	Atlanta, GA at Georgia State University	5	Citizen outreach & edu. planning meeting with IPT
10/12/18	Hayneville, AL at Lowndes Cty Courthouse	18	AERA members (retired teachers)
10/9/18	Guntersville, AL at Senior Center	105	N. BBB, TARCOG and ASC Scam Jam for local seniors
10/4/18	Boaz, AL at Snead State Community College	240	FBLA* high school students and advisors
10/4/18	Moulton, AL at First UMC*	32	N. BBB, NARCOG and ASC Scam Jam for local seniors
10/2/18	Hoover, AL at Hoover Public Library	30	FPA* of North Alabama Training Forum
10/2/18	Decatur, AL at Calhoun Community College	180	FBLA high school students and advisors
10/1/18	Huntsville, AL at Redstone FCU	105	N. BBB, TARCOG and ASC Scam Jam for local seniors

Acronyms defined on page 38

It's never too early or too late to start saving and investing for the future. You can learn the basics of saving and investing, financial fraud prevention, about your rights as an investor and much more at asc.alabama.gov in the education section.



List of Investor Education & Fraud Prevention Outreach

Programs in FY 2018-2019

- **AAA** = Area Agency on Aging
- **AAUW** = American Association of University Women
- **ASCPA** = Alabama Society of Certified Public Accountants
- **AGA** = Association of Government Accountants
- **AARB** = Alabama Association of Regulatory Boards
- **AARP** = American Association of Retired Persons
- **ACEE** = Alabama Council on Economic Edu.
- **ACES** = Alabama Cooperative Extension System
- **ADSS** = Alabama Dept. of Senior Services
- **AERA** = Alabama Education Retirees Association
- **AFWA** = Accounting & Financial Women's Alliance
- **AOPS** = Alabama Office of Prosecution Services
- **APEAL** = Alabama Public Employees' Advocacy League
- **ASC** = Alabama Securities Commission
- **ASCPA** = Alabama Society of Certified Public Accountants
- **ASCW** = Alabama Conference of Social Work
- **ASHL** = Alabama Silver Haired Legislators
- **ARSEA** = Alabama Retired State Employees' Assoc.
- **ATRC** = Alabama Tombigbee Regional Commission
- **BBRC** = Birmingham Business Resource Center
- **BJCC** = Birmingham-Jefferson Convention Complex
- **CAAC** = Central Alabama Aging Consortium
- **CAPNA** = Community Action Partnership of North AL
- **COA** = Council on Aging
- **DECA** = Distributive Education Clubs of America
- **DHR** = Department of Human Resources
- **EAMC** = East Alabama Medical Center
- **EJTF** = Elder Justice Task Force
- **FBA** = Federal Bar Association
- **FBLA** = Future Business Leaders of America
- **FCU** = Federal Credit Union
- **FINRA** = Financial Industry Regulatory Authority
- **FPA** = Financial Planning Association
- **HMCSS** = Huntsville- Madison County Senior Center
- **HOPE** = Operation Hope
- **HPCUG** = Huntsville PC User Group
- **IPT** = Investor Protection Trust, Washington, DC
- **JCBOE** = Jefferson County Board of Education
- **LRCOG** = Lee-Russel Council of Governments
- **M4A** = Middle Alabama Area Agency on Aging
- **MCBA** = Montgomery County Bar Association
- **MCDAO** = Montgomery County District Attorney's Office
- **NACOLG** = The Northwest Alabama Council of Local Governments
- **NARCOG** = N. Central Alabama Regional Council of Local Governments
- **NAIFA** = National Association of Insurance and Financial Advisors
- **NASAA** = North American Securities Administrators Association
- **N. BBB** = North Alabama Better Business Bureau
- **SARPC** = South Alabama Regional Planning Commission
- **SCADC** = South Central Alabama Development Commission
- **SFEPD** = Society for Financial Edu. and Professional Development
- **TARCOG** = Top of Alabama Regional Council of Governments
- **TVA** = Tennessee Valley Authority
- **UMC** = United Methodist Church
- **UWAAA** = United Way Area Agency on Aging
- ***V** = Viewers not counted in totals
- **WARC** = West Alabama Regional Commission

North American Securities Administrators Association

ASC Involvement During FY 2018-2019

The Commission continues its membership with the North American Securities Administrators Association (NASAA). NASAA is the oldest international organization devoted to investor protection organized in 1919. 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, Joseph P. Borg is 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, again from September 2006 thru September 2007, and September 2017 thru September 2018. 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 numerous committees and project groups, comprised of regulatory counterparts from other states and numerous countries, to develop policy guidelines and to consider issues of financial education, registration, licensing, litigation and enforcement.

ASC Deputy Director Amanda Senn Moderates a Panel Discussion During the 2019 NASAA Annual Conference



Enforcement Headline Summaries by County

Read complete articles at www.asc.alabama.gov

AUTAUGA COUNTY

Florida Man Pleads Guilty to Securities Fraud in Autauga County

(August 8, 2019) Randall Houston, District Attorney for the 19th Judicial Circuit, Autauga County, Alabama; and Joseph P. Borg, Director of the Alabama Securities Commission (ASC) announced that on August 6, 2019, Harry James Walker (Walker), who has recently been residing in Mississippi, pled guilty before the Honorable Circuit Court Judge Sibley G. Reynolds to Securities Fraud for fraudulent investments related to a water bottling plant.



Between June 2012 through July 2013, Walker, who held himself out as the owner of water bottling plant located in Autauga County, AL, sold promissory notes and shares of stock in companies he claimed were associated with the plant, including; Global First, Inc., Autauga Water Bottling, Inc., Atagi, Inc. The investigation revealed that Walker was not authorized to sell the shares of stock and, as part of his solicitations, he overstated the value of the company. Furthermore, investors were told that the money would be used to operate the water bottling plant, but instead investor funds were diverted to Walker's personal expenses and to expenses related to companies associated with Walker.

Walker was ordered by Judge Reynolds to make complete restitution of \$607,278 to the victim investors and Walker consented to a permanent bar from participating in the securities industry within the State of Alabama. A sentencing hearing will take place on November 5, 2019. Securities Fraud is a Class B felony, punishable by not less than two years, but no more than 20 years in prison, and a fine not to exceed \$30,000.

COLBERT COUNTY

Insurance Agent Pleads Guilty to Securities and Insurance Fraud in Colbert County

(December 11, 2018) Ronald Warren Powell pleaded guilty in the Colbert County Circuit Court on Monday to one count of Securities Fraud for engaging in an act, practice, or course of business which operated as a fraud or deceit upon investors and one count of Insurance Fraud.

The pleawas announced by Joseph Borg, Director of the Alabama Securities Commission (ASC) and Jim Ridling, Insurance Commissioner for the State of Alabama.

The offenses are Class B felonies, punishable by up to 20 years in prison and up to a \$30,000 fine per charge. Powell received a seven-year sentence for securities fraud and a five-year sentence for insurance fraud, to run concurrently. The court will hold a probation hearing on Feb. 25, 2019.



Enforcement Headline Summaries by County

Read complete articles at www.asc.alabama.gov

Powell's plea is the result of a March 2018 indictment by the Colbert County Grand Jury. Powell accepted more than \$800,000 of investor funds and misappropriated those funds for his personal benefit instead of investing the money as represented to investors. Powell also received money from two victims paying life insurance premiums, but he failed to remit those premiums to the appropriate insurance companies in a timely manner. The policies were subsequently canceled by the companies for non-payment of premium. Powell was notified of the cancellations, but kept the funds and did not refund them to the victims. The total amount exceeded \$30,000. Powell remains out on bond pending a probation determination.

HENRY COUNTY

JUDY MOREHEAD PLEADS GUILTY TO SECURITIES FRAUD IN HENRY COUNTY

(February 13, 2019) Patrick B. Jones III, District Attorney for the 20th Judicial Circuit, Henry County, Alabama; and Joseph Borg, Director of the Alabama Securities Commission (ASC) announced that on February 11, 2019, Judy Kay Morehead pled guilty in Henry County Circuit Court to Securities Fraud for engaging in an act, practice, or course of business which operated as a fraud or deceit upon investors.

Morehead's plea was a result of indictments returned by the March 2017 Henry County Grand Jury against Judy Morehead, Stanley Morehead, and Benjamin Morehead for accepting approximately \$300,000 dollars of investors' funds and then knowingly using the funds to pay personal debts, personal loans, and expenses unrelated to investments.



According to court documents of a pre-trial hearing, the defendants attempted to have one of the victims declared incompetent to testify at trial. The victim, Hazel Luksa, an 84-year-old woman who is suffering from dementia, had recently been deemed "incapacitated" under Alabama law and a guardian and conservator were appointed to protect her and her estate. During the hearing on Friday, February 8, 2019, Circuit Court Judge Larry Anderson, after hearing extensively from Hazel, adjudged her competent to testify at the trial.

The defendants were scheduled to begin trial on the following Monday, February 11, 2019, when Judy Morehead, through her counsel, contacted the state about pleading guilty. According to Morehead, she was the financial advisor to Hazel and in that capacity, she helped Hazel create a Revocable Trust. The trust was established to receive \$250,000 left to Hazel by her late sister, and which Hazel intended to leave to charity. Judy Morehead convinced Hazel to name Morehead's husband, Stan Morehead, as trustee of the trust and Judy Morehead named herself as the alternate trustee. Stan then moved to Florida to work, but Morehead continued to be Hazels only contact. Over the course of a few months, Judy Morehead orchestrated the use of the \$250,000 trust funds to pay Judy Morehead's personal mortgage loans and debts. During this time, Judy Morehead represented to Hazel through various reports that the money had been invested in arms-

Enforcement Headline Summaries by County

Read complete articles at www.asc.alabama.gov

length commercial transactions and never told Hazel that the money had been used by Judy Morehead personally.

William and Kim Nichols also invested with Judy Morehead and believed they were investing with Morehead's family-owned company, Southern Investment Group, Inc., for the purpose of "flipping houses." In exchange for \$59,000, Southern Investment Group issued a promissory note that Judy Morehead stated she directed her son, Ben Morehead, to sign. Rather than investing the money in real estate, as represented by Judy Morehead, the money was used by Judy Morehead to pay personal expenses. Judy Morehead concealed her activities by paying the interest rates according to the note and ultimately repaid the note in full in accord with its terms only after the indictments were returned in this case.

"The successful prosecution of this case marks a special victory for victims of elder abuse and financial exploitation," said Amanda Senn, prosecutor and Deputy Director of Enforcement for the Alabama Securities Commission. "Oftentimes, the victims are portrayed as too vulnerable or incapable of rendering assistance due to cognitive impairment. At one time, sadly, many of these victims would have been prevented from testifying, but the laws with the regard to competency have broadened in scope to allow them to have a voice."

"We want to especially thank Clayton Davis and Xiomara Rogers of the law firm Davis and Associates for their significant contributions in this case" said Amanda Senn. "Through their Senior Medicare Patrol Outreach Program with the Southern Alabama Regional Council on Aging (SARCOA), they were able to bring Hazel's case to light."

The ASC is always available to assist our law enforcement and community partners with financial exploitation cases involving Alabama's senior and vulnerable adults.

JUDY MOREHEAD SENTENCED TO 5 YEARS FOR SECURITIES SCHEME THAT VICTIMIZED AN ELDERLY WOMAN

(April 16, 2019) Judy Kay Morehead, 61, of Headland, Alabama, was sentenced to 5 years' incarceration for securities fraud, announced Patrick B. Jones III, District Attorney for the 20th Judicial Circuit, Henry County, Alabama; and Joseph P. Borg, Director of the Alabama Securities Commission. The charges stem from a scheme in which Morehead solicited and accepted over \$300,000 from an act, practice, or course of business intended to defraud two victims of their investment funds.

Morehead's sentence was a result of a plea to one count of securities fraud, a Class B felony, on February 11, 2019, with remaining charges dismissed. Along with a sentence of 5 years' incarceration, Morehead is ordered to pay a fine of \$3,000, a victim compensation assessment of \$1,000, and restitution of \$250,000.

Between February 2012 through August 2015, Morehead founded and managed a company

Enforcement Headline Summaries by County

Read complete articles at www.asc.alabama.gov

called Southern Investment Group, Inc., based in Henry County, Alabama. Through Southern Investment Group, Morehead advertised financial services. Morehead had a relationship with one of the victims, Hazel Luksa, 84, acting as Hazel's financial adviser and in that capacity she helped Hazel create a Revocable Trust. The trust was established to receive \$250,000 left to Hazel by her late sister, and which Hazel intended to leave to charity. Judy Morehead convinced Hazel to name Morehead's husband, Stan Morehead, as trustee of the trust and Judy Morehead named herself as the alternate trustee. Stan then moved to Florida to work, but Morehead continued to be Hazel's only contact. Over the course of a few months, Morehead stole the \$250,000 from the trust to pay Morehead's personal mortgage loans and debts. Furthermore, Morehead prepared, delivered and explained to Hazel fraudulent quarterly reports as to the nature of the investments made with trust money. Morehead falsely represented to Hazel that the money had been invested in arm's length commercial transactions and never told her it had been used to pay off Morehead's personal debts.

William and Kim Nichols also invested with Judy Morehead and believed they were investing with Morehead's family-owned company, Southern Investment Group, Inc., for the purpose of "flipping houses." In exchange for \$59,000, Southern Investment Group issued a promissory note that Judy Morehead stated she directed her son, Ben Morehead, to sign. Rather than investing the money in real estate, as represented by Judy Morehead, the money was used by Judy Morehead to pay personal expenses. Judy Morehead concealed her activities by paying the interest rates according to the note and ultimately repaid the note in full in accord with its terms and after the indictments were returned in this case.

Joseph P. Borg, Director of the Alabama Securities Commission said, "This Commission will utilize every available resource to prosecute those who victimize the elderly in Alabama. A special thanks to the District Attorney's Office of Patrick B. Jones III and Special Agent Charles Traywick of the Alabama Securities Commission for his contributions to the investigation of this case; and Deputy Attorney General Amanda W. Senn and Assistant Attorney General L. Michelle Ray for the successful prosecution of this case."

JEFFERSON COUNTY

HOOVER MAN PLEADS GUILTY TO SECURITIES FRAUD

(January 11, 2019) Danny Carr, District Attorney for the 10th Judicial Circuit, Jefferson County, Alabama; and Joseph Borg, Director of the Alabama Securities Commission (ASC) announced that on January 9, 2019, Kenneth Fitzgerald Lewis, of Hoover, Alabama, pleaded guilty in Jefferson County Circuit Court to one count of Securities Fraud for engaging in an act, practice, or course of business which operated as a fraud on an investor. 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, the Honorable Circuit Judge Laura Petro sentenced Lewis to three years in the custody of the Al-



Enforcement Headline Summaries by County

Read complete articles at www.asc.alabama.gov

Alabama Department of Corrections. That sentence was suspended, and Lewis was ordered to pay \$47,380 in restitution to the victim in the case. The Court ordered Lewis to serve two years on probation, to make monthly restitution payments, and informed him he would be subject to criminal contempt by the Court until all restitution is paid in full.

Lewis' plea is the result of a November 2017 indictment by the Jefferson County Grand Jury. From December 2013 through June 2014, Lewis offered and sold investments through his company Paradigm Real Estate Group, LLC to finance "flipping" three residential real estate properties. Lewis never purchased one of the properties and instead used the invested funds for personal expenses. One of the properties was purchased and sold, but Lewis kept the proceeds and never repaid the investor. Neither Lewis nor the investments he sold were registered with the ASC, as required by the Act.

LEE COUNTY

FOUNDER OF LEE COUNTY-BASED COMPANY SENTENCED FOR WIRE AND SECURITIES FRAUD

March 26, 2019– Today, Kyle Geoffrey Sandler, 43, of Auburn, Alabama, was sentenced to 63 months of imprisonment for wire and securities fraud, announced Louis V. Franklin, Sr., U.S. Attorney for the Middle District of Alabama, Joseph P. Borg, Director of the Alabama Securities Commission, and James E. Jewell, Special Agent in Charge for the FBI. Those charges stemmed from a scheme in which he solicited and accepted nearly \$2 million from over 70 investors while selling securities of a company that was not registered on a national securities exchange. Sandler's prison term will be followed by 3 years of supervised release. There is no parole in the federal system. Sandler was also ordered to pay \$1,903,000.00 in restitution to his victims.



Evidence showed that from 2015 through 2016, Sandler founded and managed a company called The Roundhouse LLC (Roundhouse), based in Lee County, Alabama. Throughout the Auburn and Opelika communities, Sandler advertised that Roundhouse was a business incubator that helped new and startup companies develop by providing services such as venture capital, office space, 1-gigabit Internet, and management training in return for equity in the companies. During the course of his business, Sandler accepted approximately \$1.9 million from at least 74 investors and he knowingly sold shares in Roundhouse that were not registered on a national securities exchange. In exchange for the fraudulently obtained investments, Sandler issued stock in Roundhouse and oversold the equity by approximately one hundred percent.

In addition, Sandler made false statements and omitted facts to investors. For example, Sandler misrepresented to potential Roundhouse investors in Lee County that he was a successful entrepreneur who was paid millions of dollars from Google as a former employee although he never actually worked for the tech company. He also failed to disclose to investors that he had two prior criminal convictions based on fraudulent conduct, nor did he tell Round-

Enforcement Headline Summaries by County

Read complete articles at www.asc.alabama.gov

house investors that he was using their funds for personal expenses such as childcare services, rent payments, the purchase of automobiles and other personal items and/or services.

“Mr. Sandler violated the trust of his investors with lies and deception,” said U.S. Attorney Franklin. “They trusted him with their hard earned money, and he used it as his personal piggy bank. My office will continue to work with our law enforcement partners to protect the community from these types of schemes.”

Joseph P. Borg, Director of the Alabama Securities Commission said, “The Commission is always proud to work with the U.S. Attorney’s Office, Middle District of Alabama, and the FBI, to protect Alabama citizens from illegal securities offerings and fraudulent activities. Today, the hard work and the collective professional efforts of all enforcement agencies involved provided justice and hopefully sends a message that financial fraud will not be tolerated in Alabama.”

FBI Special Agent in Charge James Jewell stated, “The men and women of the FBI stand ready to fight this type of deception of innocent investors. We appreciate the work of the Alabama Securities Commission as well as the United States Attorney’s Office and look forward to partnering with them in the future to eradicate this type of behavior.”

The case was investigated by the Federal Bureau of Investigation (FBI) and the Alabama Securities Commission. The case was prosecuted by Assistant United States Attorney Denise O. Simpson, Special Assistant United States Attorney Amanda W. Senn, and former Middle District Assistant United States Attorney Steven H. Lee.

TROY, AL MAN ARRESTED FOR ALLEGED SECURITIES LAW VIOLATIONS IN LEE & MONTGOMERY, AL COUNTIES

(August 13, 2019) Daryl Bailey, District Attorney for the 15th Judicial Circuit, Montgomery County, Alabama; Brandon Hughes, District Attorney for the 37th Judicial Circuit, Lee County, Alabama; and Joseph Borg, Director of the Alabama Securities Commission (ASC) announced that on August 9, 2019, Jesse Morgan Hinson, of Troy, Alabama, was arrested for alleged violations of the Alabama Securities Act after the July 2019 Lee County and Montgomery County Grand Juries returned indictments. Hinson was taken into custody and transported to the Lee County Sheriff’s office. Hinson has made bond in both cases.

Hinson is charged in each county with one count of Sale of Unregistered Securities and one count of Sale of Securities by an Unregistered Agent, which are Class C felonies, punishable by from one year and one day to 10 years’ imprisonment and a \$15,000 fine per charge, upon conviction. Additionally, the indictments charge Hinson with two counts of Fraud in Connection with the Sale of Securities for making misrepresentations or omissions of material fact to an investor and for engaging in an act, practice or course of business which operates as a fraud or deceit upon an investor. The fraud charges are Class B felonies, carrying a punishment of from two to 20 years’ incarceration and a \$30,000 fine per charge, upon conviction.

Enforcement Headline Summaries by County

Read complete articles at www.asc.alabama.gov

According to the indictments, Hinson represented to Alabama investors that he was the heir to a multi-billion-dollar fortune and promoted investment opportunities related to the buying and selling of real estate. Between January 2016 and July 2019, Hinson allegedly solicited investments in land deals and represented to the investors that the investments would return a profit in a short amount of time. The indictments further allege that the investment funds were not used in accordance with the representations made by Hinson. Hinson was not registered with the ASC as a dealer or agent of securities in Alabama, nor were the securities he offered and sold registered with the ASC as required by state law.

LIMESTONE COUNTY

LIMESTONE COUNTY MAN ARRESTED FOR ALLEGED FINANCIAL EXPLOITATION OF THE ELDERLY

(January 2, 2019) Brian C.T. Jones, District Attorney for the 39th Judicial Circuit, Limestone County, Alabama; and Joseph P. Borg, Director of the Alabama Securities Commission (ASC) announced that Rodney Jackson, a resident of Limestone County, Alabama, turned himself in, December 31, 2018, to the Limestone County Jail. This was a result of an arrest warrant based on a three-count indictment returned by a December 2018, Limestone County Grand Jury. Jackson was subsequently released on a \$15,000 bond.



Jackson is charged with three counts of Financial Exploitation of the Elderly in the First Degree. According to the indictment, he intentionally and knowingly used deception, intimidation, undue influence, force, or threat of force to obtain or exert unauthorized control over the property of 4 individuals, who were all aged 60 or older. The alleged property taken was U.S. currency exceeding a value of \$2,500.00. Financial Exploitation in the First Degree is a Class B felony punishable by a maximum of 20 years imprisonment and up to a \$30,000 fine for each count. A trial date has not been set.

MADISON COUNTY

MADISON COUNTY, ALABAMA BUSINESS OWNER PLEADS GUILTY TO SECURITIES FRAUD IN ATHLETIC ENHANCEMENT PERFORMANCE SCAM

(May 10, 2019) Robert L. Broussard, District Attorney for the 23rd Judicial Circuit, Madison County, Alabama; and Joseph P. Borg, Director of the Alabama Securities Commission (ASC) announced that on May 2, 2019, Edwin Eugene Blalack (Blalack) pled guilty before the Honorable Circuit Court Judge Ruth Ann Hall to five counts of Securities Fraud. The offenses are Class B felonies, punishable by not less than two years, but no more than 20 years in prison, and a fine not to exceed \$30,000. A sentencing hearing will take place on August 22, 2019.

Enforcement Headline Summaries by County

Read complete articles at www.asc.alabama.gov

According to the plea, between October 2014 through March 2015, Blalack founded a company called The TriRox Group, Inc. based in Madison County, Alabama. Blalack represented that the company would engage in the business of enhancing athletic performance through the use of a unique algorithm. After incorporating the company, which existed in name only, Blalack solicited investments and offered employment to five victim investors. Blalack falsely represented to the victim investors that he personally contributed \$500,000 in start-up capital for the company, that he had a functioning algorithm that would enhance athletic performance and abilities of future TriRox's customers, that there was more than enough operating capital to fund TriRox until revenue-producing contracts were acquired, and that TriRox was soon to merge with a legitimate and successful company in the Madison County area.



Blalack failed to tell victim investors that he had not been gainfully employed in over eight months and investment funds would be spent on his personal expenses, personal vacations, and to repay other investors. Blalack's actions not only caused a loss to the five victims totaling \$74,500 but exacerbated the impact of the damage to the victims because they resigned from their current jobs to go work at TriRox, and therefore the victims not only lost their investment, but also their jobs.

As part of the plea agreement with the State of Alabama Securities Commission, Blalack agreed that the appropriate sentence would be two years' incarceration with the Alabama Department of Corrections, to be followed by a period of probation to be determined by the Court. Blalack also agreed that his sentence should include an order that he make complete restitution of \$74,500 to the victim investors. Furthermore, Blalack consented to a permanent bar from participating in the securities industry within the State of Alabama.

Joseph P. Borg, Director of the Alabama Securities Commission said, "Alabama investors have a right to receive truthful and accurate information about the businesses they invest with, even when they are employee shareholders. In his case, Blalack's employees lost not only their investment money, but also their former and current employment."

Blalack's plea is a result of a November 2017 indictment by the Madison County Grand Jury. The seventeen count indictment charged Blalack with seven counts of Securities Fraud, five counts of Sale of Unregistered Securities, and five counts of Sale of Securities by an Unregistered Agent.

BLALACK SENTENCED TO 15 YEARS FOR CHEATING FIVE ALABAMA INVESTORS OUT OF \$74,500

(August 26, 2019) On August 22, 2019, Edwin Eugene Blalack, 58, of Germantown, Tennessee, was sentenced to 15 years on five counts of securities fraud, spilt to serve two years in the state penitentiary, followed by a period of five years probation announced Robert L. Broussard, District Attorney for the 23rd Judicial Circuit, Madison County, Alabama; and Joseph Borg, Director of

Enforcement Headline Summaries by County

Read complete articles at www.asc.alabama.gov

the Alabama Securities Commission (ASC). The sentences on each count will run concurrently. As part of his sentence, Blalack is required to make complete restitution of \$74,500 to the five victim investors. These charges stem from a scheme in which Blalack fraudulently solicited and accepted approximately \$74,500 from five Alabama investors. At the time he perpetrated the fraud, Blalack was neither registered as an agent, nor were the securities he sold properly registered with the ASC.

Evidence shows that from October 2014 through March 2015, Blalack incorporated a company called The TriRox Group, Inc. based in Madison County, Alabama. After incorporation, Blalack solicited the five victims to invest in the company and as part of the inducement to invest, Blalack offered them employment with the company. While soliciting the investments, Blalack falsely represented that he personally contributed \$500,000 in start-up capital for the company; that he had a functioning algorithm that would enhance the athletic performance of **future TriRox** customers; and that there was more than enough operating capital to fund TriRox until revenue-producing contracts were acquired; and that TriRox was soon to merge with a legitimate and successful company in the Madison County area. As a part of the fraud, Blalack did not tell victims that he had not been gainfully employed in over eight months and that investment funds would be spent on his personal expenses, personal vacations, and to repay other investors. Blalack's actions caused a financial loss of \$74,500 to the five victims but the damages were far greater because the victims resigned from their jobs to work for TriRox. The scheme caused the victims not only financial loss on their investment but also their employment.

Director Borg said, "We at the Alabama Securities Commission hope that the prosecution and resulting incarceration of Mr. Blalack sends a loud and clear message that individuals who defraud residents of Alabama will be severely and swiftly punished."

Blalack pleaded guilty to five counts of securities fraud, Class B felonies, on May 2, 2019 before the Honorable Circuit Court Judge Ruth Ann Hall. Blalack's plea is a result of a November 2017 indictment by the Madison County Grand Jury.

SHELBY COUNTY

CALIFORNIA MAN PLEADS GUILTY TO THEFT BY DECEPTION

(February 7, 2019) Jill Lee, District Attorney for the 18th Judicial Circuit, Shelby County, Alabama; and Joseph Borg, Director of the Alabama Securities Commission (ASC) announced that on January 28, 2019, Terrell Chambers of Thousand Oaks, California pleaded guilty in Shelby County Circuit Court to one count of Theft of Property by Deception in the First Degree relating to investments sold to an investor. 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, The Honorable Circuit Judge William H. Bostick



Enforcement Headline Summaries by County

Read complete articles at www.asc.alabama.gov

sentenced Chambers to 42 months in the custody of the Alabama Department of Corrections. That sentence was suspended in accordance with the Alabama Sentencing Guidelines, and Chambers was ordered to pay \$5,198.00 in restitution to the victim in the case. The Court ordered Chambers to serve 3 years of supervised probation and to make monthly restitution payments.

Chambers' plea is the result of a February 2016 indictment by the Shelby County Grand Jury. Chambers was arrested in Chicago, Illinois on May 20, 2016 and extradited to Shelby county. Chambers made bail and has been awaiting trial. In or about March 2014, Chambers solicited funds from Alabama investors misrepresenting that he would pay dividends based on profits realized through use of "gift tax" provisions of the United States Internal Revenue Code. The victims sent four wire transfers to Chambers totaling \$5,725.00. Chambers had previously taken money from other investors using the same promises and had civil judgments against him for failing to repay those investors. Chambers failed to tell the Alabama investors about the prior investors or the civil judgments resulting from the same scheme. Neither Chambers nor the investments he sold were registered with the ASC, as required by the Act.

ALLEGED SECURITIES FRAUD DEFENDANT ARRESTED IN MIAMI, FL AND TRANSPORTED TO SHELBY COUNTY, AL

(February 26, 2019) Jill Hall Lee, District Attorney for the 18th Judicial Circuit, Shelby County, Alabama; and Joseph Borg, Director of the Alabama Securities Commission (ASC) announced that John David Geraci was arrested by the Miami-Dade Police Department at Geraci's residence. Geraci waived extradition and was transported to Shelby County on February 17, 2019 based on outstanding warrants in a securities fraud case investigated by ASC. An arrest warrant was issued based on a five-count indictment returned by the Shelby County Grand Jury in October 2018. Geraci is out on a \$45,000 bond as of February 19, 2019.

The indictment against Geraci charged him with one count each of Sale of Unregistered Securities and Sale of Securities by an Unregistered Agent. Additionally, Geraci was charged with two counts of Fraud in Connection with the Sale of Securities (employing a device, scheme or artifice to defraud and making an untrue statement of material fact), and one count of Theft by Deception, 1st Degree. The registration charges are Class C felonies, punishable by incarceration in the state penitentiary between one year and a day to no more than 10 years, and a possible \$15,000 fine per charge upon conviction. The fraud and theft charges are Class B felonies, carrying a possible sentence of not less than two years and not more than 20 years' incarceration and a possible fine of \$30,000 per charge, upon conviction.

The indictment alleges that Geraci offered and sold an investment in the Meridian Matrix Long Short Equity Fund ("Fund"), which said security had not then been registered and recorded with the Alabama Securities Commission, nor had Geraci properly registered to effect the sale of the security into, within, or from Alabama as required by the Alabama Securities Act. The indictment also alleges that Defendant misrepresented that in exchange for the investment the Alabama resident would, according to a written agreement, receive

Enforcement Headline Summaries by County

Read complete articles at www.asc.alabama.gov

“\$2,000,000 of shares of the Fund” and misled the Alabama resident as to the performance and value of the Fund. Between approximately August 21, 2015 and August 26, 2015, the Alabama resident transmitted via three wire transfers a total of \$2,060,135 to Geraci.

The ASC is grateful for the cooperation and dedication of the Miami-Dade Police Department for locating, apprehending, and coordinating Geraci’s extradition.

PURPORTED MOVIE PRODUCER ARRESTED IN UTAH ON SHELBY COUNTY, ALABAMA INDICTMENT FOR ALLEGED SECURITIES FRAUD

(May 10, 2019) Jill Lee, District Attorney for the 18th Judicial Circuit, Shelby County, Alabama, and Joseph Borg, Director of the Alabama Securities Commission (ASC), announced that David Matthew Ranese, of Studio City, California, was arrested on Alabama warrants in Utah on February 27, 2019 by agents with the FBI’s Salt Lake City field office. The warrants were issued when a November 2016 Shelby County Grand Jury returned a ten-count indictment for multiple alleged violations of the Alabama Securities Act. Ranese was held in the Purgatory Correctional Facility in Hurricane, Utah under a \$150,000 bond before turning himself over to Alabama authorities on May 7, 2019. The indictment charges Ranese with seven 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. The securities fraud charges are Class B felonies, carrying a range of punishment of two to 20 years’ imprisonment and a fine of up to \$30,000 per charge, upon conviction. Additionally, the indictment charges Ranese with one count of Sale of Securities by an Unregistered Agent, one count of Selling Unregistered Securities, and one count of Conspiracy to Commit Securities Fraud; each of which is a Class C felony, carrying a range of punishment of one year and one day to 10 years’ imprisonment and a fine of up to \$15,000, upon conviction.

The indictment alleges that Ranese claimed to be a movie producer and solicited more than \$1,265,000 through the sale of investment contracts to Alabama investors. Ranese told investors that the funds would be used for movie production expenses, however records indicate that Ranese used most of the invested funds to pay personal expenses, co-conspirators, and to repay earlier investors. Ranese misrepresented the anticipated production dates of the films being funded and the date the investments would mature. Ranese further misrepresented to investors that large sums of additional funding had been committed, when in fact no such funding was secured. Ranese omitted to tell some Alabama investors that a prior investor was claiming ownership of the movie rights because Ranese was in default on a prior loan. Ranese also omitted to tell the investors that he had been trying unsuccessfully for years to produce the films for which the investments were made, and that his prior film production company was, at the time of investment, a debtor party in an involuntary bankruptcy. Neither Ranese, nor the investments he offered and sold to Alabama investors, were registered with the ASC, as required by the Alabama Securities Act. A trial date has not been scheduled.

The ASC is grateful for the cooperation and hard work of the FBI field offices in Los Angeles, CA and Salt Lake City, UT and the United States Marshals Service for their aid in locating and apprehending Ranese.

Announcements & Investor Alerts

Read complete articles at www.asc.alabama.gov

Personnel Announcements

COMMISSIONER MCCAIN ELECTED TO SERVE AS CHAIRWOMAN OF THE ALABAMA SECURITIES COMMISSION

August 26, 2019 – Alabama Securities Commissioner, Marlene M. McCain, has been elected Chairwoman of the Alabama Securities Commission by a unanimous vote of her fellow Commissioners.

McCain is currently completing a second 4-year term as a Commissioner for the ASC. She was recommended by peers from the Alabama Society of Certified Public Accountants (ASCPA) and appointed in 2012 by then Gov. Bob Riley. In 2016, McCain was appointed to serve another four-year term on the Commission.

In congratulating her as upcoming Chairwoman, Director Joe Borg said, “Commissioner McCain’s professional expertise and her extensive experience as a Commissioner have ensured the continued success of the ASC which is recognized throughout the state and nationwide. Her leadership will help the Commissioners and ASC staff maintain a high standard of industry compliance and to actively fight investment fraud.”

In accepting the appointment, McCain said, “Serving on the Commission for the past seven years has not only been an honor, but has also afforded me the opportunity to gain insight that I believe can contribute to the Commission’s continued mission success.”

ALABAMA SECURITIES COMMISSION WELCOMES NEW COMMISSIONER

May 3, 2019 - Joseph P. Borg, Director of the Alabama Securities Commission (ASC) is pleased to announce the appointment of W. Allen Carroll, Jr. as a Commissioner with the ASC. Commissioner Carroll is a partner with Wilkins Miller, a Mobile, Alabama based CPA firm. Director Borg stated: “We welcome Commissioner Carroll to the ASC and look forward to working with him over the next few years. We believe that his knowledge and experience will provide another great resource in protecting investors and promoting capital formation in Alabama.”

Commissioner Carroll was selected for appointment by Governor Ivey after being recommended by the Alabama Society of Certified Public Accountants. His appointment was confirmed by the Alabama Senate on May 2, 2019, and his four-year term begins immediately.

Commissioner Carroll’s practice with Wilkins Miller includes a focus on forensic accounting and consulting services. He has served as a witness and consulting expert in a variety of commercial disputes in both civil and criminal litigation. He has testified and consulted on issues ranging from the determination of economic damages, lost profits, accounting malpractice, white-collar criminal matters, forensic investigations and business valuations.

Announcements & Investor Alerts

Read complete articles at www.asc.alabama.gov

Commissioner Carroll is preceded by former Chairman James Hart who served the two-term maximum with the ASC. “We extend a special thanks to Chairman Hart for his dedication and distinguished service to the Commission and we are incredibly grateful for the work he has done on behalf of the citizens of Alabama,” said Director Borg.

Announcements & Investor Alerts

GREEDY FRAUDSTERS TAKE ADVANTAGE OF GRANDPARENTS

September 6, 2019 - Grandparents and seniors, they are known for their love of family, sweet demeanors and time-tested wisdom. Unfortunately, fraudsters are taking advantage of the good nature of grandparents and senior adults. This Grandparents Day, observed on September 8th, the Alabama Securities Commission (ASC) is offering tips on how families can protect themselves and their loved ones from grandparent and sweetheart scams. The ASC encourages Alabamians to talk to their grandparents and aging loved ones about these types of scams.

Fraudsters know grandparents will do whatever they can to help their family, particularly where their grandchildren are concerned. This familial bond is being exploited by scammers in the form of the “grandparent scam”. The “grandparent scam” is typically executed over the phone. Fraudsters call and inform the grandparent that their grandchild is in desperate need of money to cover the cost of bail or a medical procedure. The perpetrator may even mimic the voice of the grandchild. Once convinced, the grandparent will be instructed to purchase gift cards or wire money to an account. Emergencies and accidents do happen, but the best way to protect yourself and your family is to remain calm and verify the situation.

The grandparent scam is not the only scam that targets seniors, the “sweetheart scam” is another common fraud amongst the aging population. The sweetheart scam occurs when a fraudster creates a fake profile on a dating or social media website and initiates a romantic relationship with another user. Eventually, they will ask for money claiming to have had a medical or another emergency. This scam can occur hours after the first conversation or even months, maybe years.

Whether a grandparent scam, sweetheart scam, jury duty scam, IRS scam, social security scam or another financial investment pitch, the ASC advises citizens not to give money to someone they’ve never met in person. Even if you know the person requesting the funds, get a second opinion by talking with a trusted advisor, family member or pastor before handing over your money. If you find yourself in a situation like the ones outlined above, remain calm and think with your head and not with your heart.

ALABAMA SECURITIES COMMISSION UPDATES COORDINATED CRYPTO CRACKDOWN

August 7, 2019 – With news surrounding the surging price of cryptocurrencies such as bitcoin and a new product backed by Facebook poised to enter the market, investors and con artists alike have returned to cryptocurrency-related investment products looking for quick profits.

Announcements & Investor Alerts

Read complete articles at www.asc.alabama.gov

The Alabama Securities Commission (ASC) today reported that more than 130 new investigations of Initial Coin Offerings (ICOs) and cryptocurrency-related investment products have been initiated this year pursuant to “Operation Cryptosweep,” an initiative of the North American Securities Administrators Association (NASAA), of which ASC is a member. Operation Cryptosweep, originally conceived by the Alabama Securities Commission, was coordinated through a NASAA task force of its member state and provincial securities regulators in April of 2018 to begin a series of investigations into initial coin offerings (ICOs) and other cryptocurrency-related investment products. This coordinated regulatory focus has resulted in at least 85 pending or completed enforcement actions involving ICOs or cryptocurrency-related investment products and approximately 330 inquiries or investigations by securities regulators from U.S. states and Canadian provinces.

As of July 1, 2019, the Alabama Securities Commission has 25 active ICO inquiries or investigations and has issued 15 Cease and Desist orders involving cryptocurrencies. “Recent headlines of potentially new cryptocurrency products and the near tripling in value of some cryptocurrencies and the sharp increase in market capitalization for all cryptocurrencies are again creating an environment that attracts white-collar criminals, bad actors, and other promoters of illegal and fraudulent securities schemes,” said ASC Director Joseph P. Borg. “Investors should be mindful of the hype and be aware of the risks when considering whether to jump into cryptocurrency-related investment products.” The enforcement actions are located on the ASC website: www.asc.alabama.gov.

ALABAMA SECURITIES COMMISSION (ASC) ISSUES ADVISORY ON CONTRACTS FOR DIFFERENCE

August 5, 2019 - The Alabama Securities Commission today issued an investor awareness advisory (see attached) providing information to help investors better understand “Contracts for Difference”, and the risks associated with this alternative to traditional financial instruments used to speculate on financial markets.

Although these types of investments generally are available only to very high net worth individuals or institutional investors, state and provincial securities regulators are concerned that they may be marketed to retail investors by scammers looking to make a quick profit. The advisory also discusses the red flags to watch for when considering a contract for difference and the steps investors can take to protect themselves. The full advisory is available on the agency’s website here www.asc.alabama.gov.

ALABAMA SECURITIES COMMISSION ISSUES ADVISORY ON OPPORTUNITY ZONE INVESTMENTS

July 29, 2019 - The Alabama Securities Commission (ASC) today issued an advisory raising awareness of the risks associated with investments in opportunity zones, economically distressed communities where new investments, under certain conditions, may be eligible for preferential tax treatment as part of the 2017 Tax Cuts and Jobs Act. Investors attracted to opportunity zone investments for the potential tax benefits and promise

Announcements & Investor Alerts

Read complete articles at www.asc.alabama.gov

of return on investment should weigh various factors before deciding to invest. The advisory discusses how opportunity zone investments work, the risks investors should understand when considering opportunity zone investments, and steps investors can take to protect themselves

ALABAMA SECURITIES COMMISSION ISSUES ADVISORY ON INITIAL LOAN PROCUREMENTS

July 22, 2019 - Companies using blockchain technology need to raise capital just like any other company. One way these companies accomplish that is through initial coin offerings (ICOs), which require the new company to create tokens that can be sold to investors and used for the development of new projects. An alternative fundraising method is catching the interest of investors. Initial loan procurements allow companies to raise capital without the added burden of creating tokens.

The Alabama Securities Commission today issued an investor awareness advisory providing information to help investors better understand initial loan procurements. Initial loan procurements may appeal to investors who want to get into blockchain technology but are wary of the risks of ICOs. The advisory also discusses the red flags to watch for when considering initial loan procurements and the steps investors can take to protect themselves.

The full advisory (see attached) is available on the ASC website at www.asc.alabama.gov. Before making any financial decisions, ask questions and do your homework.

ALABAMA SECURITIES COMMISSION RECOGNIZES WORLD ELDER ABUSE AWARENESS DAY AND CONDUCTS OUTREACH EVENTS YEAR-ROUND WARNS OF DANGER SIGNS FOR SUSPECTED FINANCIAL ABUSE

June 18, 2019 - In recognition of World Elder Abuse Awareness Day (WEAAD) on June 15th, the Alabama Securities Commission (ASC) is participating in a number of events throughout Alabama to inform seniors, professional caregivers and financial professionals to be on the lookout for elder financial abuse, including potential exploitation by family members or caretakers. From the beginning of 2019 until the end of this month the ASC will have participated in and helped sponsor eleven senior or professional caregiver training events in Alabama.

“Senior financial exploitation is a growing problem. Many in our elderly population are vulnerable due to social isolation and distance from family, caregiver, and other support networks,” Director Joseph Borg said. “Taking the time to understand the warning signs and the steps that can be taken to report financial abuse are key to helping those who cannot help themselves.”

The North American Securities Administrators Association (NASAA), of which ASC is a member, has developed resources to help call attention to the red flags of fraud and suspected guardian financial abuse. For example, the “Guarding the Guardians” publication provides examples of exploitation and information on how to report suspected abuse.

Announcements & Investor Alerts

Read complete articles at www.asc.alabama.gov

GOVERNOR IVEY SIGNS BILL TO HELP ALABAMA VICTIMS OF THEFT BY DECEPTION RECEIVE RESTITUTION

June 11, 2019 - The Alabama Legislature passed “The Aggravated Theft by Deception” Act which creates an unclassified felony for fraud cases that involves theft of large sums of money. Governor Kay Ivey signed the Act into law on June 10, 2019.

State House Representative Chris Sells (R), 90th District and State Senator Greg Albritton (R), 22nd District, worked together in introducing this bill to their respective branches (HB 57 and SB 70). The new law was drafted by the Alabama Securities Commission (ASC) in consultation with State Representative Mike Jones (R), 92nd District, and passage in the Senate was supported by State Senator Rodger Smitherman (D), 18th District.

The new law is narrowly tailored to specifically address fraudulent conduct that results in theft committed by fraudsters who deceive victim(s) in a long-term scheme for amounts of \$100,000 or more from public funds (derived from taxpayers of Alabama) or \$200,000 or more of individual or business funds. The bill focuses on theft of cash and cash equivalents such as investments, trust accounts and nest egg accounts. The Aggravated Theft by Deception Law is specifically written to grant prosecutors greater ability to obtain repayment of restitution for the victims of such fraudulent schemes. The new statute of limitations allows prosecution of the crime for up to six years from the time that the theft is discovered. The new law will assist in preventing fraudsters from escaping prosecution from a well-executed scheme that may take years to discover. Additionally, the period of probation is extended from 5 years to 10 years in order to address restitution to victims. The law is intended to address complex frauds such as the scheme executed by Bernie Madoff and other long-term schemes by means of fraudulent accounting.

Alabama State Representative Chris Sells said, “I was honored to introduce this bill. This law is an important step in the right direction to make accountable those white collar criminals who victimize Alabamians who have worked hard and sacrificed to prepare for a comfortable retirement.”

Alabama State Senator Greg Albritton said, “To protect our citizens and our businesses I am pleased to have introduced this bill which will deter criminals from stealing from Alabamians. In addition, our small business entrepreneurs can be protected from con artists who destroy their hard work. Victims who lose their life savings often decline rapidly in physical and mental health and some may lose their homes and ability to pay for health care.”

ASC Director Borg commented: On behalf of the citizens and business owners in Alabama, the ASC thanks Representative Chris Sells and Senator Greg Albritton for sponsoring their respective bills, Representative Mike Jones for his support in the drafting of the law and Senator Rodger Smitherman for his support for passage in the Senate. To all the Senators and Representatives, the ASC extends its appreciation for their dedication and advocacy on behalf of all Alabamians. With their help, this bill passed with broad support from all in the Alabama Legislature.

Announcements & Investor Alerts

Read complete articles at www.asc.alabama.gov

ALABAMA SECURITIES COMMISSION ISSUES ADVISORY ON ROBO-ADVISERS

April 9, 2019 - Investors are increasingly turning to robo-advisers to help them manage their portfolios. Easy-to-use smartphone apps and online portals make setting up an account with a robo-adviser convenient and quick, which is contributing to their increasing popularity.

The Alabama Securities Commission today issued an investor awareness advisory providing information and resources to help investors better understand robo-advisers. The advisory discusses how robo-advisers work and things to consider when investing with a robo-adviser.

The full advisory is attached and may be viewed on the agency's website: www.asc.alabama.gov. Robo-advisers are relatively new to the investing landscape. Before making any financial decisions, ask questions, do your homework.

ALABAMA JOINS IN NATIONAL "FACTS ON SAVING AND INVESTING" INVESTOR EDUCATION INITIATIVE; GOVERNOR IVEY SIGNS PROCLAMATION.

March 29, 2019 - Alabama Securities Commission (ASC) Director Joseph Borg and Deputy Director Amanda Senn, announced today that the Securities Commission is taking part in a national grass-roots investor education campaign to help provide current and future investors with the information they need to make wise financial decisions and protect themselves from financial fraud.

Alabama Governor Kay Ivey signed a proclamation on March 27, 2019 declaring the month of April 2019 as 'Facts on Saving and Investing Campaign Month.' A photo of the proclamation will be posted on the ASC website with this release, along with other valuable information at www.asc.alabama.gov. The month-long investor education campaign, the 'Facts on Saving and Investing Campaign,' began as a joint effort of State and Canadian securities regulators over 20 years ago.

Borg said, "We are pleased once again to partner with members of the Alabama Jump\$tart Coalition to visit schools and participate in media events to generate an awareness in all Alabama citizens to learn and apply proven savings and investment strategies. Effective management of income and assets will have a major impact on the quality of life today and tomorrow. The Commission and members of the Alabama Jump\$tart Coalition are also proud to provide a vast array of professionally-produced educational materials free of charge."

"It is never too early, or too late, to start saving and investing for your future" said Senn. ASC staff is available to visit high schools and colleges, make presentations to all types of organizations representing a wide cross-section of Alabama citizens, and conduct news media interviews. All these activities occur year-round to educate Alabamians about topics such as investing, credit and fraud prevention. "Making smart financial choices – from using credit wisely to saving and investing on a monthly basis for retirement and avoiding fraud – is the best way to ensure you can meet your financial goals," says Borg.

Announcements & Investor Alerts

Read complete articles at www.asc.alabama.gov

CRYPTO-CURRENCY INVESTOR ALERT: SECURITIES COMMISSION ISSUES FIVE CEASE AND DESIST ORDERS TO PROTECT INVESTORS.

March 20, 2019 - The Alabama Securities Commission (ASC) issued emergency Cease and Desist Orders against five crypto-currency entities 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. The suspected businesses have been ordered to immediately cease and desist from sales of any securities (ICOs) in the State of Alabama.

ASC claims that POTPONS, Inc., FUNDSOPTIONS, AWAX, LTD, YSIGN AND GOS-SAMER have been misleading potential clients with false statements, material misrepresentations and material omissions relating to the sale of their investment contracts.

Unverified statements of profitability and growth by out of state corporations who 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 issued 14 Cease and Desist Orders involving crypto-currency as part of its initiative to protect investors. 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.

To view the five administrative orders in their entirety, go to: www.asc.alabama.gov; click the Enforcement tab and then Administrative Actions.

“Be cautious when dealing with promoters who claim their ICO offering is exempt from securities registration but do not ask about your income, net worth or level of investing sophistication,” Director Borg said. “Do your homework and contact the ASC with any concerns before parting with your hard-earned money – afterwards may be too late.”

ALABAMA SECURITIES COMMISSION PARTICIPATES IN NATIONAL INVESTOR AWARENESS CAMPAIGNS

February 25, 2019 - The Alabama Securities Commission (ASC) is participating in America Saves Week and Military Saves Week, February 25-March 2, to help raise awareness among investors, especially those entering the workforce or those early in their careers, of the importance of safeguarding their financial futures.

Announcements & Investor Alerts

Read complete articles at www.asc.alabama.gov

“Building a safe and secure financial future is critical for all generations and we must ensure this vital information reaches and influences Millennials by promoting financial education outreach,” said Director Joseph Borg.

The nation’s 75 million Millennials, those born between 1981 and 1996, have surpassed Baby Boomers as the largest demographic in the United States. With nearly a quarter of the entire U.S. population, Millennials also make up nearly two-fifths of all working age Americans – those saving and investing to build retirement nest eggs.

“Millennials who have finished their education and entering the workforce are just beginning to think about building wealth for their financial futures. At the same time, many are saddled with student loan debt, and are ill-equipped with the financial education tools necessary to build their future. Because of this, they may become susceptible to high risk investments like Cryptocurrency, deceptive marketing and con artists touting high returns for low risk,” Director Borg said.

ALABAMA SECURITIES COMMISSION ANNOUNCES IARD SYSTEM FEE WAIVER FOR INVESTMENT ADVISER FIRMS REDUCED SYSTEM FEES CONTINUED FOR INVESTMENT ADVISER REPRESENTATIVES

November 26, 2018 - The Alabama Securities Commission today announced the waiver of the Investment Adviser Registration Depository (IARD) system fees for state-registered investment adviser firms and the continuation of substantially reduced initial set-up and annual system fees paid by investment adviser representatives (IARs).

The IARD system is an Internet-based national database sponsored by the North American Securities Administrators Association (NASAA) and the U.S. Securities and Exchange Commission. The system provides investment advisers and their representatives a single source for filing state and federal registration and notice filings.

“We are pleased that we are able to continue waiving system fees while maintaining a quality IARD system,” Director Joseph Borg said.

The IARD serves state and federal regulators as a nationwide database for the collection and dissemination of information about individuals and firms in the investment advisory field. IARD system fees are used for user and system support and for enhancements to the system.

The system contains the employment and disciplinary histories of more than 30,000 investment adviser firms and more than 351,000 individual investment adviser representatives. This information is used to help the public research an investment adviser’s background through the Investment Adviser Public Disclosure (IAPD) database.

Announcements & Investor Alerts

Read complete articles at www.asc.alabama.gov

ALABAMA SECURITIES COMMISSION ISSUES ADVISORY – MARIJUANA RELATED INVESTMENTS

October 15, 2018 - The Alabama Securities Commission is cautioning investors about schemes and risks associated with marijuana-related investments.

Investments in marijuana business ventures are becoming more prevalent and are receiving increased media coverage. Fraudsters may attempt to use this attention to convince investors to hand over money for risky or outright fraudulent marijuana ventures.

The advisory provides information about common marijuana-related investment schemes and the unique risks associated with marijuana-related investments, including reverse merger and pump-and-dump schemes, and jurisdictional legality.

The full advisory is available on the agency's website at: www.asc.alabama.gov. Before you invest your hard-earned money, ask questions, do your homework and contact the Alabama Securities Commission.

National News Coverage During Fiscal Year 2018-2019

(Samples of coverage received)

WITH SENIORS AND CRYPTO IN CROSSHAIRS, STATE ENFORCEMENT CASES TOP \$1B



By Tobias Salinger September 11, 2019, 4:41 p.m. EDT

AUSTIN, Texas — State enforcement cases take on many forms due to the varying lengths of time and agencies involved. But after enforcement cases yielded more than \$1 billion in res-

titution, fines and penalties related to securities crimes in 2018, monetary relief soared 85% year-over-year. The North American Securities Administrators Association — which compiled the data from 51 U.S. jurisdictions — released its annual enforcement study on Sept. 10, focusing on members' crackdown on cryptocurrency fraud and 700 different schemes targeting seniors last year. "The crooks are coming out of the woodwork; it's gone from greed factor to fear factor," says Joe Borg, the chairman of NASAA's enforcement section and director of the Alabama Securities Commission. Concerns about a looming recession are working in scam artists' favor, he says. "The fear factor affects seniors a lot more," Borg continued in an interview at the conference. "What drives it is that everybody realizes that the over-65 crowd has all the assets."

National News Coverage During Fiscal Year 2018-2019

(Samples of coverage received)



ALABAMA BUSINESS OWNER GETS 15 YEARS IN \$74K FRAUD SCHEME

By ASSOCIATED PRESS, WIRE SERVICE CONTENT AUG. 27, 2019

HUNTSVILLE, Ala. (AP) — A Tennessee man was sentenced to 15 years in prison for fraudulently soliciting approximately \$74,500 from five Alabama investors. A press release from Alabama Securities Commission says Blalack incorporated The TriRox Group in Madison County from October 2014 through March 2015 and used it to misleadingly receive investment funds. The release says Blalack falsely told investors he contributed \$500,000 in start-up capital to the company and claimed TriRox was a viable investment. It says Blalack used the investment funds on personal expenses, vacations and to repay other investors.



WHEN TO FIRE YOUR ADVISER HERE ARE SIX SIGNS THAT THE RELATIONSHIP WITH YOUR FINANCIAL PROFESSIONAL IS NOT WORKING

By Eileen Ambrose, Senior Editor July 3, 2019

Communication is spotty. When you call or send an e-mail, you should expect to hear back within 24 hours. But if days or weeks go by without a word—or you only hear from the adviser when he’s trying to sell you something—it’s time to move on. “It could be simply that he’s very busy, in which case he doesn’t have time for your account,” says Joseph Borg, director of the Alabama Securities Commission. “And you need someone who is going to pay attention.”



WELLS FARGO ADVISORS TEAM MEMBERS WORK TO HELP SENIORS BY MANAGING RISK AND PUTTING SAFEGUARDS IN PLACE (RECEIVED JUNE 2019)

The Elder Client Initiatives team also worked with lawmakers in Alabama on legislation to help protect seniors from financial crimes. Joe Borg, director of the Alabama Securities Commission, worked with Long to come up with proposed provisions, such as requiring the reporting of certain transactions and authorizing financial advisors to speak with the clients’ trusted contacts about suspected problems.

“If a hospital has to report when someone falls out of bed, why shouldn’t we as an industry have to report attempts to wipe out someone’s bank or retirement account?” said Borg. “The Alabama legislature shared our concerns, and the law passed.”

(Left: Wells Fargo Advisors’ Ron Long, right, with Joe Borg in Montgomery, Alabama)



National News Coverage During Fiscal Year 2018-2019

(Samples of coverage received)

THE BATTLE OVER BROKER RULES GOES LOCAL SOME STATES WANT TO FORCE ADVISERS TO ACT IN CLIENTS' BEST INTERESTS
By Neil Weinberg March 12, 2019, 4:00 AM CDT

The logo for Bloomberg Businessweek, featuring the word "Bloomberg" in a large, bold, white serif font above the word "Businessweek" in a smaller, bold, white sans-serif font, both set against a black rectangular background.

Alabama Securities Commission Director Joe Borg, representing state regulators, wrote to the SEC in August lauding Regulation Best Interest as a good first step. But he also called for major modifications. Among them: Change the name from Best Interest to something more neutral, such as "Broker-Dealer Standard of Conduct," to avoid misleading investors about what they're getting.

MASSACHUSETTS FLAGS EX-MORGAN STANLEY BROKER FIRED OVER EMAIL
by AdvisorHub Staff May 30, 2019

The logo for AdvisorHub, featuring the word "ADVISORHUB" in a bold, white, sans-serif font, all-caps, set against a black rectangular background.

If the allegations are true, the case points to the increasing intolerance among firms and regulators for lapses in judgement and also heightened sensitivity to inappropriate language and behavior. The order also comes as regulators have been encouraging firms to bolster their heightened supervision programs in recent years.

State securities regulators review broker registration applications on a case-by-case basis and have broad discretion in deciding who to approve or subject to additional screening, according to Alabama Securities Commission Director Joseph Borg.

STARTUP MAESTRO DUPED ALABAMA TOWN THROUGH NETWORK OF LIES
By Jay Reeves February 26, 2017 at 10:47 AM

The logo for The Washington Post, featuring the words "The Washington Post" in a large, white, serif font, with the tagline "Democracy Dies in Darkness" in a smaller, white, serif font below it, all set against a black rectangular background.

OPELIKA, Ala. — Looking back, there are so many reasons Kyle Sandler was able to separate so many people from so much of their money. Soon, everyone who mattered had heard Sandler's captivating story: He was one-time Google executive who got rich on the West Coast and moved to their east Alabama town. He drove a sporty Jaguar and had, in his own words, "a heart of gold."

In all, authorities said, Sandler raked in investments totaling about \$1.9 million from more than 50 investors, all the while diverting their money for his personal expenses like child care, rent and cars. Wacker said he lost about \$35,000.

"He swindled an entire community," said Amanda Senn, deputy director of the Alabama Securities Commission.

National News Coverage During Fiscal Year 2018-2019

(Samples of coverage received)



THE WALL STREET JOURNAL.

CRYPTO CRAZE DREW THEM IN; FRAUD, IN MANY CASES, EMPTIED THEIR POCKETS

By Jean Eaglesham & Dave Michaels December 26, 2018 5:30 a.m. ET

SEC and state regulators have brought more than 90 crypto cases over the past two years, but tracing funds is hard because of the elusive nature of the currency. Joseph Borg, Alabama's securities commissioner, said state enforcers' focus is on stopping frauds, not recovering money. "We're trying to do the vaccine, not cure the problem."



FATHER AND SON CHARGED WITH MULTI-MILLION DOLLAR INVESTMENT FRAUD AND BANK FRAUD SCHEME

Donald V. Watkins Sr., 70, of Atlanta, Georgia, and Donald V. Watkins Jr., 46, of Birmingham, Alabama, were charged in a 10-count indictment filed in the Northern District of Alabama with seven counts of wire fraud, two counts of bank fraud and one count of conspiracy to commit wire fraud and bank fraud.

Special Assistant U.S. Attorney Beau Brown of the Northern District of Alabama (the latter of whom is on detail from the Alabama Securities Commission) are prosecuting the case.

Special Assistant U.S. Attorney Beau Brown of the Northern District of Alabama (the latter of whom is on detail from the Alabama Securities Commission) are prosecuting the case.



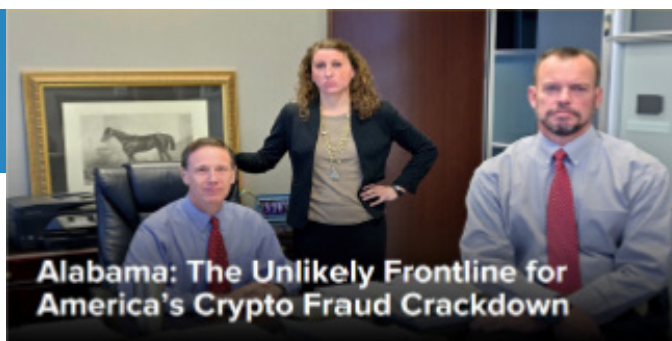
Brady Dale Nov 20, 2018 at 05:01 UTC Updated Nov 20, 2018 at 12:41

"Of the states, I think we've got about 20 percent of all the active cease-and-desists."

That's Greg Bordenkircher, the chief litigator

at the Alabama Securities Commission, describing the extent to which his state, just the 24th largest by population, has nonetheless come to play a leading role in the ongoing fight against U.S. crypto fraud.

"We've issued nine orders shutting down businesses that are advertising in Alabama," he told CoinDesk. "We have another 20, 22 that we are looking at right now."



National News Coverage During Fiscal Year 2018-2019

(Samples of coverage received)

LOBBYISTS WANT TO SHAPE THE REGULATORY AGENDA WHILE INVESTOR FRAUD IS ON THE Rise

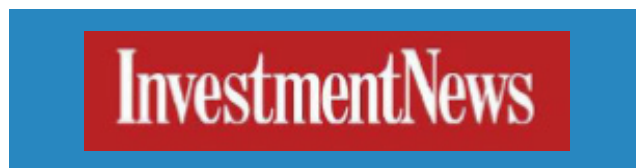
By Alex Padalka - October 26, 2018



State securities regulators, meanwhile, reported actions against 675 unregistered individuals and firms in 2017 and 647 registered individuals and firms, a 24% and a 9% increase, respectively, the publication writes. "A lot of the scamsters are getting a lot smarter," Joe Borg, director of the Alabama Securities Commission, tells InvestmentNews

REMEMBER BERNIE MADOFF? BIG TIME FINANCIAL FRAUD IS BACK

By Bruce Kelly Oct 24, 2018 @ 11:42 am



Ten years ago this December, Bernard Madoff, known as a "broker's broker" to many on Wall Street, told his sons that his business was one big, \$65 billion lie. It turned out that Mr. Madoff wasn't the only financial adviser stealing from clients.

"A lot of the scamsters are getting a lot smarter," said Joe Borg, director, Alabama Securities Commission. "For example, if you asked me 10 years ago, do you have a problem with lawyers, I would have said no. Now, there are a slew of cases where lawyers are roped in by the crooks. They recruit the attorney to open an LLC or create an operating agreement."

"Scams are based on trust," Mr. Borg said. "If you bring in lawyers or accountants, it gives the scheme the look of respectability."

Statement of Policy

Read complete articles at www.asc.alabama.gov

MONTGOMERY, ALABAMA (June 11, 2019) The Alabama Legislature passed “The Aggravated Theft by Deception” Act which creates an unclassified felony for fraud cases that involves theft of large sums of money. Governor Kay Ivey signed the Act into law on June 10, 2019.

State House Representative Chris Sells (R), 90th District and State Senator Greg Albritton (R), 22nd District, worked together in introducing this bill to their respective branches (HB 57 and SB 70). The new law was drafted by the Alabama Securities Commission (ASC) in consultation with State Representative Mike Jones (R), 92nd District, and passage in the Senate was supported by State Senator Rodger Smitherman (D), 18th District.

The new law is narrowly tailored to specifically address fraudulent conduct that results in theft committed by fraudsters who deceive victim(s) in a long-term scheme for amounts of \$100,000 or more from public funds (derived from taxpayers of Alabama) or \$200,000 or more of individual or business funds. The bill focuses on theft of cash and cash equivalents such as investments, trust accounts and nest egg accounts. The Aggravated Theft by Deception Law is specifically written to grant prosecutors greater ability to obtain repayment of restitution for the victims of such fraudulent schemes. The new statute of limitations allows prosecution of the crime for up to six years from the time that the theft is discovered. The new law will assist in preventing fraudsters from escaping prosecution from a well-executed scheme that may take years to discover. Additionally, the period of probation is extended from 5 years to 10 years in order to address restitution to victims. The law is intended to address complex frauds such as the scheme executed by Bernie Madoff and other long-term schemes by means of fraudulent accounting.



*Senator
Greg Albritton*



*Representative
Chris Sells*



*Representative
Mike Jones*



*Senator
Rodger Smitherman*



JOSEPH P. BORG
Director

EDWIN L. REED
Deputy Director
Administration

AMANDA SENN
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GREGORY BORDENKIRCHER
Chief Litigation Counsel

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ALABAMA SECURITIES COMMISSION MEETING August 22, 2019

The Alabama Securities Commission held a meeting on August 22, 2019 at 10:00 a.m. in the main conference room of the Alabama Securities Commission offices, 12th Floor of the Dexter Building, 445 Dexter Avenue, Montgomery, Alabama. Notice of the time and place of this meeting was published with the Secretary of State.

Commission Members Present:

Hon. Marlene M. McCain, CPA, Chair
Hon. Clay Crenshaw (Attorney General Designee)
Hon. Mike Hill (Banking Commissioner)
Hon. Austin Huffaker, Jr., Attorney at Law
Hon. Jim Ridling (Insurance Commissioner)
Hon. Dag Rowe, Attorney at Law
Hon. Allen Carroll, Jr., CPA

Commission Members Absent:

Hon. Steven Marshall (Attorney General)

Staff Members Present:

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

Public Attendees/Guests:

Mr. Tripp DeMoss, Alabama Association of Realtors
Mr. Matt Boullion and Mr. Chris Young, New Mexico Securities Division

The meeting was called to order at 10:02 a.m. by Acting Chair Marlene McCain and she noted that there was a quorum present. Director Borg asked for a roll call and each present member (as detailed above) was accounted for. Acting Chair McCain then asked for a motion to approve the current agenda and the minutes from the June 4, 2019 meeting and said motion was made by Commissioner Huffaker and was seconded by Commissioner Hill. The motion carried unanimously. Mr. Tripp DeMoss, Alabama Association of Realtors introduced himself as a guest of the meeting. Director Borg introduced the guests from the New Mexico Securities Division to the Commission and also announced that Commissioner Austin Huffaker had been selected by President Trump as a US District Judge for the Middle District of Alabama subject to confirmation and congratulations for this achievement were expressed by all in attendance.

At this time, Director Borg addressed the fact that since former Commissioner Hart's term had ended, the Commission needed to vote on a new Chair. In the absence of a Chairman, Commissioner Marlene McCain was voted in as Interim Chair for purposes of the previous meeting held on June 4, 2019. The Commission determined that a vote would be taken to elect a Chair and Commissioner Hill nominated Commissioner McCain to fill the position. Said motion was seconded by Commissioner Huffaker. A vote was taken and Commissioner McCain was unanimously elected to the position to serve as Chair until her term ends and a replacement is appointed by the Governor.

Director Borg gave a brief Legislative Update regarding the Aggravated Theft Bill, the Victims Compensation Bill and also reviewed the findings of the Department of Public Examiners audit recently completed on the Securities Commission. Within the findings of the audit, a rule change was needed. Deputy Director Reed asked for a motion to certify a rule change on the Monetary Transmissions Act. A motion was made by Commissioner Huffaker and seconded by Commissioner Hill to pass the Rule and was voted on with all "ayes" and no "nays" and was passed unanimously. Deputy Director Senn updated the Commission on the Financial Investigator Training Session that was held by the ASC and was attended by approximately 50 law enforcement officers from across the State and discussed future trainings to be held by the ASC.

Director Borg then moved into the Accounting section of the Quarterly report followed by a review of the remaining reports of the Registration Division, Enforcement Divisions and IT Division. Director Borg concluded the review of the monthly report with Investor Education and Public Relations.


Deputy Director Reed reviewed for the Commission several NASAA Model Rules that the ASC is considering implementing. He advised the Commission that if these rules were implemented, the Commission would be notified at that time.

Deputy Director Reed then advised the Commission that pending litigation and confidential enforcement matters needed to be discussed. The guests were asked to leave the meeting and were invited to return at the end of the Executive Session. 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. Commissioner Carroll moved to go into Executive Session. Said motion was seconded by Commissioner Huffaker and the meeting went into Executive Session at 10:48 a.m. after a unanimous vote of all Commissioners present. The following Commissioners voted: Huffaker, Hill, Carroll, Crenshaw, Rowe, Ridling and McCain. The Executive Session ended by motion of Commissioner Carroll and seconded by Commissioner Hill and a unanimous vote by all present Commissioners. The following Commissioners voted unanimously to exit Executive Session: Huffaker, Hill, Carroll, Crenshaw, Rowe, Ridling and McCain. Each Commissioner that was present at the beginning of the Executive Session was also present when the Executive Session ended. At 11:05 a.m., the open meeting was reconvened.

Chair McCain asked for a motion to pay the appropriate Commissioner expenses. Commissioner Hill made the motion and Commissioner Ridling seconded it, the motion was approved by all. Chair McCain then asked for a motion to adjourn. Commissioner Hill motioned and Commissioner Huffaker seconded and the motion to adjourn. The meeting adjourned at 11:07 a.m.



MARLENE McCAIN
CHAIR



JOSEPH BORG
DIRECTOR



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ALABAMA SECURITIES COMMISSION MEETING June 4, 2019

The Alabama Securities Commission held a meeting on June 4, 2019 at 10:00 a.m. in the main conference room of the Alabama Securities Commission offices, 12th Floor of the Dexter Building, 445 Dexter Avenue, Montgomery, Alabama. Notice of the time and place of this meeting was published with the Secretary of State.

Commission Members Present:

Hon. Mike Hill (Banking Commissioner)
Hon. Marlene M. McCain, CPA
Hon. Austin Huffaker, Jr., Attorney at Law
Hon. Allen Carroll, Jr., CPA
Hon. Reyn Norman (Representing Insurance Commission)

Commission Members Absent:

Hon. Steven Marshall (Attorney General)
Hon. Jim Ridling (Insurance Commissioner)
Hon. Dag Rowe, Attorney at Law

Staff Members Present:

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

Public Attendees/Guests:

Mr. Tripp DeMoss, Alabama Association of Realtors

The meeting was called to order at 10:05 a.m. by Director Borg and he noted that there was a quorum present. Director Borg asked for a roll call and each present member (as detailed above) was accounted for. Director Borg then asked for a motion to approve the current agenda and the minutes from the March 18, 2019 meeting and said motion was made by Commissioner Hill and was seconded by Commissioner Huffaker. The motion carried unanimously.

At this time, Director Borg addressed the fact that since former Commissioner Hart's term had ended, the Commission needed to vote on a new Chairman. In the absence of a Chairman, Director Borg suggested that an Interim Chairman be appointed for this meeting. All Commissioners present voted that Commissioner Marlene McCain would act as Interim Chairman for purposes of the meeting and Commissioner McCain accepted this position. It was determined that a vote for Chairman would be addressed at the next scheduled meeting of the Commission.

Director Borg gave a brief Legislative Update and stated that the Aggravated Theft Bill (SB 70, HB 57) passed and that the Crime Victims Compensation Bill (HB 180) did not. Director Borg informed the Commissioners that the Commission had a visit from representatives of FINRA's New Orleans and Washington, D.C. offices. On a separate occasion, the ASC was visited by senior officers the SEC Regional office.

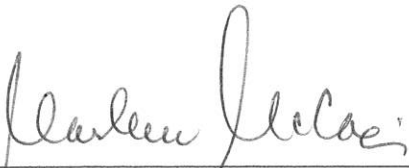
Director Borg then moved into the Accounting section of the Quarterly report followed by a review of the remaining reports of the Registration Division and Enforcement Divisions. During the report on Data Systems, Deputy Director Reed gave the Commission an update regarding the IT Division's Laserfiche and NMLS systems. Director Borg concluded the review of the monthly report with Investor Education and Public Relations.

Deputy Director Reed then advised the Commission that pending litigation and confidential enforcement matters needed to be discussed. Mr. Tripp DeMoss was asked to leave the meeting and was invited to return at the end of the Executive Session. Mr. DeMoss declined the invitation to return 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. Commissioner McCain moved to go into Executive Session. Said motion was seconded by Commissioner Huffaker and the meeting went into Executive Session at 11:10 a.m. after a unanimous

vote of all Commissioners present. The following Commissioners voted: Huffaker, Hill, Carroll and McCain. The Executive Session ended by motion of Commissioner Hill and seconded by Commissioner Huffaker and a unanimous vote by all present Commissioners. The following Commissioners voted unanimously to exit Executive Session: Huffaker, Hill, Carroll and McCain. Each Commissioner that was present at the beginning of the Executive Session was also present when the Executive Session ended. At 11:16 a.m., the open meeting was reconvened.

Interim Chairman McCain asked for a motion to pay the appropriate Commissioner expenses. Commissioner Hill made the motion and Commissioner Huffaker seconded it, the motion was approved by all. Interim Chairman McCain then asked for a motion to adjourn. Commissioner Hill motioned and Commissioner Huffaker seconded and the motion to adjourn. The meeting adjourned at 11:32 a.m.



MARLENE McCAIN
INTERIM CHAIRMAN



JOSEPH BORG
DIRECTOR



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Deputy Director
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GREGORY BORDENKIRCHER
Chief Litigation Counsel

ALABAMA SECURITIES COMMISSION MEETING March 18, 2019

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Attorney General

MIKE HILL
Superintendent of Banks

JIM L. RIDLING
Commissioner of
Insurance

MARLENE M. McCAIN
Certified Public
Accountant

S. DAGNAL ROWE
Attorney at Law

R. AUSTIN HUFFAKER, Jr.
Attorney at Law

W. ALLEN CARROLL, JR.
Certified Public
Accountant

The Alabama Securities Commission held a meeting on March 18, 2019 at 10:00 a.m. in the main conference room of the Alabama Securities Commission offices, 12th Floor of the Dexter Building, 445 Dexter 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 (Designee)
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) (Present through Designee)
Hon. Mike Hill (Banking Commissioner)
Hon. Jim Ridling (Insurance Commissioner)

Staff Members Present:

Hon. Joseph Borg, Director
Hon. Edwin Reed, Deputy Director, Administration
Hon. Amanda Senn, Deputy Director, Enforcement
Hon. Greg Bordenkircher, Chief Litigation Counsel
Ms. Bonnie Traphan, IT Division
Mr. James McDowell, Senior Securities Analyst
Ms. Christie Rhodes, Executive Assistant

Public Attendees/Guests:

Mr. Allen Carroll, CPA, Commissioner pending Senate Confirmation

The meeting was called to order at 10:01 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 December 4, 2018 meeting and said motion was made by Commissioner Huffaker and was seconded by Commissioner McCain. The motion carried unanimously.

At this time, Chairman Hart welcomed Mr. Allen Carroll to the Commission as the new CPA appointee pending his upcoming Senate confirmation, Chairman Hart gave a brief history of Mr. Carroll's career and accomplishments. Mr. Carroll then spoke briefly to the Commission and expressed that he was looking forward to becoming a member of the Commission.

Chairman Hart addressed the Commission and commented that since this meeting would be his last, he expressed his feeling of privilege for having been on the Commission for so long and that he would certainly miss his role on the Commission.

Director Borg spoke of Mr. Hart's contributions to the Commission and presented Chairman Hart with a Certificate of Appreciation from the Commission and staff that commemorated Mr. Hart's leadership, professionalism and loyalty to the Commission during his 8-year term.

The meeting continued with Director Borg introducing two new staff members, Mr. James McDowell, Senior Securities Analyst and Ms. Anne Gunter, Associate Legal Counsel. The Commission was also informed that Mr. James Eubank, Associate Legal Counsel, would be leaving the Commission to take a position at the Beasley Allen Law Firm.

Director Borg then encouraged the Commissioners to read through the Annual Report and turned the meeting over to Deputy Director Reed for the Legislative Update.

Deputy Director Reed explained that there were a few minor changes needed to the Monetary Transmission Act and that a rule needed to be passed by the Commission in order to finalize those changes. Chairman Hart called for a vote to update the Monetary Transmission Act establishing a Renewal Fee. A motion was made by Commissioner McCain to pass the rule and was seconded by Commissioner Huffaker. In a unanimous vote with no discussion, the rule was passed (attached to Minutes in ASC Minute Book).

Director Borg then took up the topic of the aggravated fraud bills, HB57 and SB 70 and updated the Commissioners on the status of the bill as it pertains to the Commission.

Director Borg then moved on to the findings of the Commission's recent audit by the Department of Public Examiners. There were 3 minor issues found by the Examiners and each issue has been addressed by the Commission.

Director Borg then moved into the Accounting section of the Quarterly report followed by a review of the remaining reports of the Registration Division and Enforcement Divisions. During the report on Data Systems, Ms. Bonnie Traphan (IT) gave the Commission an update regarding the IT Division's Laserfiche and NMLS systems. Following Ms. Traphan's IT update, Chief Litigation Counsel Greg Bordenkircher reported on an upcoming Cyber Training event being planned at the Commission. Director Borg informed the Commission that he has offered the use of our training room to other agencies who may need training space. Director Borg concluded the review of the monthly report with Investor Education and Public Relations.

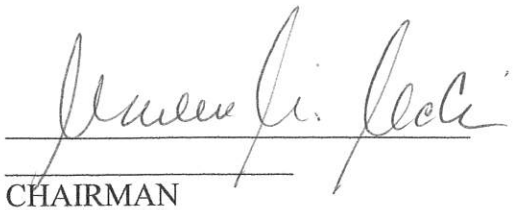
Following the report, Director Borg advised the Commissioners that the Commission staff had updated the Commission's Personnel Manual. The draft of the updated manual was approved by the State of Alabama Personnel Department and needed to be approved by the Commission. Chairman Hart called for a motion to approve the updated ASC Personnel Manual. The motion to approve was made

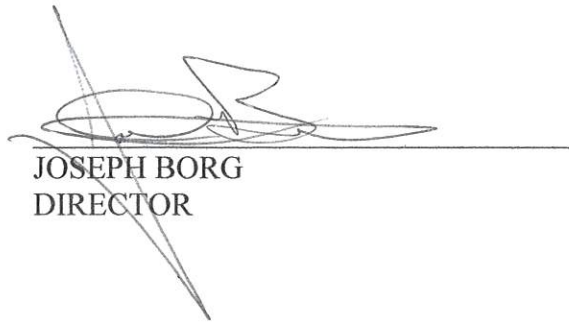
by Commissioner Huffaker and seconded by Commissioner McCain. The vote was taken and approved unanimously with no discussion. The approved Personnel Manual was signed by all attending Commissioners.

Deputy Director Reed then advised the Commission that pending litigation and confidential enforcement matters needed to be discussed. Mr. Allen Carroll was asked to leave the meeting and was invited to return at the end of the Executive Session. Mr. Carroll 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. Commissioner McCain moved to go into Executive Session. Said motion was seconded by Commissioner Huffaker and the meeting went into Executive Session at 11:05 a.m. after a unanimous vote of all Commissioners present. The following Commissioners voted: Hart, Huffaker, Rowe, Garrett and McCain. 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, Huffaker, Rowe, Garrett and McCain. Each Commissioner that was present at the beginning of the Executive Session was also present when the Executive Session ended. At 11:32 a.m., the open meeting was reconvened.

Chairman Hart asked for a motion to pay the appropriate Commissioner expenses. Commissioner Rowe made the motion and Commissioner Garrett seconded it, the motion was approved by all. Commissioner Hart then asked for a motion to adjourn. Commissioner McCain motioned and Commissioner Rowe seconded and the motion to adjourn. The meeting adjourned at 11:35 a.m.


CHAIRMAN


JOSEPH BORG
DIRECTOR



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ALABAMA SECURITIES COMMISSION MEETING December 4, 2018

The Alabama Securities Commission held a meeting on December 4, 2018 at 10:00 a.m. in the main conference room of the Alabama Securities Commission offices, 12th Floor of the Dexter Building, 445 Dexter Avenue, Montgomery, Alabama. Notice of the time and place of this meeting was published with the Secretary of State.

Commission Members Present:

- Hon. James Hart, CPA – Chairman
- Hon. Jim Ridling (Insurance Commissioner)
- Hon. Marlene M. McCain, CPA
- Hon. Austin Huffaker, Jr., Attorney at Law

Commission Members Absent:

- Hon. Steven Marshall (Attorney General)
- Hon. Mike Hill (Banking Commissioner)
- Hon. Dag Rowe, Attorney at Law

Staff Members Present:

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

Public Attendees/Guests:

Mr. Tripp DeMoss, Alabama Association of Realtors

The meeting was called to order at 10:12 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 offered congratulations on behalf of the Commission to Attorney General Steve Marshall on his election. Chairman Hart also recognized Chief of Litigation Greg Bordenkircher and Senior Special Agent Gantt for their work in support of the Commission. Chairman Hart asked for a motion to approve the current agenda and the minutes from the August 29, 2018 meeting and said motion was made by Commissioner Huffaker and was seconded by Commissioner Ridling. The motion carried unanimously.

Director Borg began the meeting by welcoming the Commissioners to the new building and then moved into the Accounting section of the monthly report. It was noted that there are still some items that need to be completed due to the move. Deputy Director Reed updated the Commission on the Monetary Transmission Act and also informed the Commissioners that the ASC is proposing an aggravated theft statute in the new legislative session that is upcoming.

Director Borg returned to the Personnel section of the Monthly Report and informed the Commission that the ASC has hired Ms. April Dunaway in an open ASA2 position and Mr. James McDowell who was hired to work on Data Analytics. Director Borg continued the monthly report by reviewing the remaining reports of the Registration Division and Enforcement Divisions. During the report on Data Systems, Director Borg and Deputy Director Reed updated the Commission on the data server protocol in the new building. Bonnie Trapham (IT) was also involved in the discussion that ensued. Director Borg concluded the review of the monthly

report with the Investor Education and Public Relations report, in which he highlighted the ASC leadership's involvement on many NASAA project groups and boards, specifically, in addition to Director Borg being on the Board of Directors, Deputy Director Amanda Senn is Vice Chair of the Market and Regulatory Group and the Broker-Dealer Training Group and Chair of the Cybersecurity Committee and is a member of several other committees as well. Senior Special Agent Ricky Locklar is the Chair of the Southeast Zone (Enforcement), and is on Broker Dealer Training Operation groups. In addition, Analyst Sandra Smith is on a Business Organizations and Accounting Group, Greg Bordenkircher is on the Enforcement Technology Group, and Senior Special Agent Mike Gantt is on the Enforcement Training Committee.

Director Borg outlined the plan to host several in-house training sessions for some outside groups, including the National White Collar Crime Center.

It should be noted that Deputy Director Amanda Senn left the meeting at 10:55 am in order to attend a previously scheduled conference call.

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

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 Ridling moved to go into Executive Session. Said motion was seconded by Commissioner Huffaker and the meeting went into Executive Session at 11:05 a.m. after a unanimous vote of all Commissioners present. The following Commissioners voted: Hart, Ridling, Huffaker and McCain. (As previously stated, Deputy Director Senn left the meeting before the Executive Session at 10:55 a.m.). The Executive Session ended by motion of Commissioner McCain and seconded by Commissioner Ridling and a unanimous vote by all present Commissioners. The following Commissioners voted unanimously to exit Executive Session: Hart, Ridling, Huffaker and McCain. Each Commissioner that was present at the beginning of the Executive Session was also present when the Executive Session ended. At 11:15 a.m., the open meeting was reconvened.

Chairman Hart asked for a motion to pay the appropriate Commissioner expenses. Commissioner Ridling made the motion and Commissioner McCain seconded it and the motion was approved by all. Commissioner Hart then asked for a motion to adjourn. Commissioner Huffaker motioned and Commissioner Ridling seconded and the motion to adjourn was carried. The meeting was adjourned at 11:23 a.m.



JAMES HART
CHAIRMAN



JOSEPH BORG
DIRECTOR



JOSEPH P. BORG
Director

EDWIN L. REED
Deputy Director
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AMANDA SENN
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Chief Litigation Counsel

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