

**STATE OF ALABAMA  
ALABAMA SECURITIES COMMISSION**

**IN THE MATTER OF:**

**JEFFERSON CAPITAL PARTNERS, LLC  
KEVIN LEE JEFFERSON**

**RESPONDENTS**

**ADMINISTRATIVE ORDER  
NO. SC-2010-0018**

**SHOW CAUSE ORDER**

The Alabama Securities Commission ("Commission"), having authority to administer and provide for the enforcement of all provisions of Title 8, Chapter 6, Code of Alabama 1975, the Alabama Securities Act ("Act"), upon due consideration of the subject matter hereof, has determined as follows:

**RESPONDENTS**

1. JEFFERSON CAPITAL PARTNERS ("JCP") was a branch office of WallStreet\*E Financial Services, Inc. (CRD #43896) from February 2005 to September 2008, with a business address of 400 Meridian Street, Suite 105, Huntsville, Alabama 35801. JCP is described as a full service investment advisory firm.

2. KEVIN LEE JEFFERSON ("JEFFERSON") is the Managing Partner of JCP, with a business address of 400 Meridian Street, Suite 105, Huntsville, Alabama 35801. JEFFERSON was registered with WallStreet\*E Financial Services, Inc. as an agent from February 21, 2005 to September 5, 2008.

**STATEMENT OF FACTS**

3. JEFFERSON was a registered agent of Wallstreet\*E Financial Services, Inc. for the period February 21, 2005, through September 5, 2008. WallStreet\*E

Financial Services, Inc. has been a registered broker-dealer in Alabama since July 9, 1998. JEFFERSON remains employed with JCP as the managing partner. However, neither JEFFERSON nor JCP are currently registered with the Commission in any capacity.

4. On August 2, 2008, the Commission received information from an Alabama resident who opened a brokerage account with Wallstreet\*E Financial Services, Inc. on or about March 5, 2006. The referenced brokerage account was opened through JCP.

5. On or about March 31, 2005, the Alabama resident received \$175,000 as the beneficiary of his deceased wife's life insurance policy, which was issued by State Farm Insurance. The Alabama resident deposited the insurance proceeds into a money market account at AmSouth Bank.

6. On or about March 5, 2006, the Alabama resident approached JEFFERSON regarding investment options concerning the \$175,000 held in the money market account at AmSouth Bank. The Alabama resident explained to JEFFERSON that the purpose of this money was for the benefit of his daughter's education. The Alabama resident's investment goal was to buy and hold an investment so that the investment proceeds would be available at the time the daughter entered college. At the time of this meeting with JEFFERSON, the Alabama resident's daughter was approximately eight (8) years from entering college.

7. JEFFERSON recommended various mutual funds as the appropriate investment vehicle to achieve the Alabama resident's investment goal. Once JEFFERSON and the Alabama resident decided on a mix of funds, the \$175,000 was transferred into the escrow account of JCP and invested in four (4) mutual funds.

8. On June 11, 2006, the Alabama resident was remarried. Following the marriage, the Alabama resident wished to have his new wife added to his investment account. On October 11, 2006, a "LETTER of AUTHORIZATION" was executed by the Alabama resident and his current wife for the purpose of transferring ownership in-kind

of the investments held in his brokerage account to the registered name of the Alabama resident and his wife.

9. On two (2) occasions the Alabama resident and his wife executed a "LETTER of AUTHORIZATION" and delivered same to JEFFERSON for the purpose of adding his wife to the investment account. Subsequent to executing and delivering the first "LETTER of AUTHORIZATION", JEFFERSON contacted the Alabama resident and requested that another authorization be executed and delivered. JEFFERSON explained to the Alabama resident that he had misplaced the first authorization and as a result, a second authorization was executed and delivered to JEFFERSON.

10. In December of 2006, JEFFERSON contacted the Alabama resident by telephone and advised him that the two previous authorizations had not been processed and that the Alabama resident's wife had not been added to his investment account as requested. JEFFERSON stated that a third "LETTER of AUTHORIZATION" was needed in order to have the wife added to the investment account. During this telephone conversation, JEFFERSON arranged to visit the Alabama resident's office for the purpose of delivering the documents necessary to have the Alabama resident's wife added to the account.

11. Upon arrival at the Alabama resident's office, JEFFERSON provided four (4) documents to the Alabama resident for his signature. During this meeting, JEFFERSON was apologetic for having to ask for a third set of documents be executed so the wife could be added to the investment account. The Alabama resident signed the documents presented by JEFFERSON without examining the documents. JEFFERSON then requested that the Alabama resident take the documents home for his wife's signature and then JEFFERSON would pick up the signed documents from the Alabama resident the following day.

12. Before the Alabama resident's wife signed the documents delivered by JEFFERSON, he discovered that the documents JEFFERSON requested be executed by the Alabama resident and his wife, were actually documents relating to the purchase of a variable annuity from Allianz Life Insurance Company of North America. Upon

discovering the true purpose of the documents provided by JEFFERSON, the Alabama resident's wife did not execute the documents, and thus did not give the documents to JEFFERSON for processing.

13. On October 9, 2008, a Cease and Desist Order was issued against JEFFERSON for selling unregistered securities, to wit: the sale of investment contracts involving fractionalized Life Settlement Agreements on behalf of Lakeside Equity Partners and/or Life Partners, Inc. As of this date, the Cease and Desist Order is still in effect.

14. On October 28, 2008, the Registration Division of the Commission conducted an audit of JCP. When the Commission's auditors asked JEFFERSON about the reference to "non-market related alternative investments", as noted on JCP's website, JEFFERSON explained that the term refers to Life Settlement Agreements.

15. JCP maintained a website at [www.jcapitalp.com](http://www.jcapitalp.com). On May 4, 2009, a tab on this website labeled "Our Associates", included a link to the profile of Diana M. Pates. Pates' profile on the website identified her association with the firm as an "Investment Counselor". On the same date, a review of the files of the Alabama Securities Commission revealed no registration for Pates, in any capacity.

16. On December 1, 2009, a check of JCP's website revealed that under a tab entitled, "What We Do", was the following description:

"Investments - Determining your asset allocation needs. Helping you understand your risk tolerance. Recommending the appropriate investment vehicles to help you reach and exceed your goals."

17. Also, as of December 1, 2009, there was a link on JCP's website entitled "About Us", which described JCP as a full service investment advisory firm specializing in retirement transition planning, retirement plan rollovers, asset protection, etc.

18. An additional tab on JCP's website entitled "Account Login" included the following links:

Life Partners Client Account Access

## Wallstreet\*E Client Account Access

19. As of December 1, 2009, the professional networking website "Linked In," identified one of JEFFERSON's specialties as "non-market related alternative investments". This website also described JCP as a full service investment advisory firm, specializing in retirement transition planning, 401k rollovers, etc.

20. As of December 1, 2009, there were additional website references to JEFFERSON as someone active within the securities industry such as:

- Hotfrog – a free business listing website. Entries must be made directly by the business owner. In a section titled "About Jefferson Capital Partners" there is the entry "Private Equity Investments".
- Yahoo! – a search engine that allows a user to search for business information based on location and/or category. This is typically used when looking for local businesses. On this website JCP was listed in the categories of "Securities" and "Investments" and identifies JCP as a full service investment advisory firm.

21. Research performed by information technology personnel employed by the Commission, revealed that JEFFERSON is the webmaster of the JCP website. As a result, JEFFERSON has control over the on-line references to JCP as offering security related services such as investments and investment advice.

### **CONCLUSIONS OF LAW**

22. Pursuant to Section 8-6-2(18), Code of Alabama, 1975, the definition of Investment Adviser includes 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. Investment adviser also

includes financial planners and other persons who, as an integral component of other financially related services, provide the foregoing investment advisory services to others for compensation and as part of a business or who hold themselves out as providing the foregoing investment advisory services to others for compensation. RESPONDENT, JCP, provided investment advisory services to an Alabama resident for compensation and is an Investment Adviser as defined under the Act.

23. Pursuant to Section 8-6-2(19), Code of Alabama, 1975, the definition of Investment Adviser Representative includes an individual employed by or associated with an investment adviser that makes any recommendation or renders advice regarding securities, determines which recommendation or advice regarding securities should be given, and manages accounts or portfolios involving securities. RESPONDENT, JEFFERSON, was acting as an investment adviser representative as defined under the Act.

24. Pursuant to Section 8-6-3(b)(1), Code of Alabama, 1975, it is unlawful for any person to transact business in this state as an investment adviser or as an investment adviser representative unless he is so registered under this article. RESPONDENTS have acted in the capacity of an investment adviser and investment adviser representative while not being properly registered in Alabama in violation of the Act.

25. Pursuant to Section 8-6-3(c), Code of Alabama, 1975, it is unlawful for an investment adviser required to be registered to employ an investment adviser representative unless the representative is properly registered. RESPONDENTS have violated this provision by employing individuals, as described herein, who are acting as investment adviser representatives on behalf of JCP, while not being properly registered with the Commission in violation of the Act.

26. Pursuant to the provisions of Section 8-6-3(j)(2), Code of Alabama 1975, the Commission may suspend, revoke, censor or bar any officer, director, partner, or

any person occupying a similar status or performing similar functions from employment with a dealer or investment adviser if the Commission finds that the Order is in the public interest, and that the officer, director, partner, or any person occupying a similar status or performing similar functions has violated or failed to comply with any provision of the Alabama Securities Act, or any rule or order issued by the Commission. RESPONDENTS are transacting business as an investment adviser and investment adviser representative with an Alabama resident without being properly registered in violation of the Act. Further, RESPONDENTS' website, which is described herein, provides a link for Life Partners Client Accounts, which is in direct violation of the Cease and Desist Order issued against RESPONDENT, JEFFERSON, on October 9, 2008.

27. Pursuant to Section 8-6-3(j)(7), Code of Alabama, 1975, the Commission may suspend, revoke, censor or bar any officer, director, partner, or any person occupying a similar status or performing similar functions from employment with a dealer or investment adviser if the Commission finds that the Order is in the public interest, and that the officer, director, partner, or any person occupying a similar status or performing similar functions has engaged in dishonest or unethical practices in the securities business. RESPONDENT, JEFFERSON'S, failure to amend the investment account as requested by his client on several occasions, as well as JEFFERSON deceiving the Alabama resident, as described herein, for the purpose of executing a variable life annuity contract, amounts to dishonest and unethical practices.

This Order is appropriate in the public interest for the protection of investors and consistent with the purposes of the Alabama Securities Act.

This Order does not prevent the Commission from seeking such other civil or criminal remedies which may be available to it under the Alabama Securities Act.

**ACCORDINGLY, IT IS HEREBY ORDERED** that RESPONDENTS **SHOW CAUSE** to the Commission, within 28 days of the date of this Order, why

RESPONDENT should not be barred from the securities industry in the State of Alabama.

Entered at Montgomery, AL, this 6th day of April, 2010.



ALABAMA SECURITIES COMMISSION  
401 Adams Avenue, Suite 280  
Montgomery, AL 36104  
(334) 242-2984

BY:

A handwritten signature in black ink, appearing to read "Joseph P. Borg", is written over a horizontal line. The signature is stylized with large loops and a long horizontal stroke extending to the right.

JOSEPH P. BORG  
Director