

3. On or about June 25, 2014 the Commission staff received information involving a Broker Dealer Agent, identified as KEITH MICHAEL ROGERS (“ROGERS”), CRD #4987615 who, while employed at GLS, was alleged to have misappropriated funds from at least three GLS clients. In addition, on June 18, 2014, the same GLS clients filed a civil complaint in Madison County Circuit Court, Case #47CV2014901289.00, naming ROGERS, SMITH and GLS as

defendants. In summary, the civil suit alleges that beginning in October 2009, ROGERS, while employed by GLS and managed by SMITH, offered and sold “investment opportunities” in private placements, i.e. unregistered securities, to the GLS clients. In addition, ROGERS liquidated legitimate security holdings and transferred the funds to the client’s personal bank accounts to facilitate the acquisition of the funds paid by bank check. Furthermore, while employed with GLS, ROGERS made unauthorized fund transfers from the GLS client accounts to their personal accounts. ROGERS then conducted unauthorized bank transfers from the GLS client bank accounts to a bank account controlled by ROGERS and his private company, R&P DEVELOPMENT, LLC (“RPD”).

4. Documents obtained by the Commission during this inquiry revealed a fourth GLS client whose funds were misappropriated by ROGERS through a scheme of unregistered investments as well as theft through the fraudulent use of the client’s debit card. Additionally, documents obtained by the Commission revealed that ROGERS, while employed by GLS, provided a fifth GLS client with false and misleading financial statements from 2009 to 2012; falsely reporting to the client security positions which were not actually held by the client.

5. On July 21, 2014, a review of the Commission files disclosed ROGERS was currently not registered with an employer/firm, having termed from Concert Wealth Management (“CONCERT”) (CRD #141253) on June 22, 2014. A registration summary revealed ROGERS termed from Warren Averett Asset Management, LLC (“Warren Averett”) (CRD #115332) in May 2014 and termed from GLS & Associates, Inc (“GLS”) (CRD #47502) in January 2013. A registration summary revealed ROGERS was employed as a Registered Investment Advisor with GLS from December 2005 to January 2013. As of the December 18, 2012 internal audit, ROGERS was the Chief Executive Officer (“CEO”) or equivalent officer for GLS.

6. An online search of the Alabama Secretary of State website revealed ROGERS, while employed by GLS, organized RPD as a limited liability company on March 5, 2010. According to the articles of organization, RPD was formed by ROGERS as the sole member, for the purpose of “*purchasing new and existing residential listings for resale.*”

7. While employed with GLS, ROGERS serviced the accounts for the Alabama residents identified as DP, TP, DB and KD. In addition, ROGERS advised these same clients to move, and helped facilitate the transfer of, the client's pre-existing bank accounts to a new bank account with Servis First Bank.

8. Alabama resident DP represented to the Commission by sworn affidavit that beginning in October 2009, ROGERS, while employed as a Registered Investment Advisor with GLS met with DP, an advisory client, on numerous occasions to discuss investments. During these meetings, ROGERS, conducted "selling away" activities, by soliciting multiple private placement investments to DP. These private investments were to provide capital funding to local Huntsville, Alabama companies identified as Twickenham Concepts, LLC, Hedden, LLC and RPD. On or about October 30, 2009, and February 2010, respectfully, DP issued personal checks in the amount of \$150,000.00 to Twickenham and Hedden and delivered the checks to ROGERS. Unbeknownst to DP, ROGERS and RPD entered into funding agreements with Twickenham and Hedden whereby the principal and interest payments were to the benefit of ROGERS and RPD. Based on the representations by ROGERS, DP invested a total of \$750,000.00 in the three Huntsville companies from October 2009 to July 2013.

9. Furthermore, consistent with the previous solicitations, ROGERS solicited a private placement investment to DP involving a third Huntsville, Alabama business identified only as RPD. From July 2010 to July 2013, ROGERS made three such solicitations to DP who issued an aggregate of \$525,000.00 by personal checks to ROGERS for investments in RPD.

10. Alabama resident TP, represented to the Commission by sworn affidavit that within the 2010 calendar year, ROGERS, while employed as a registered investment advisor with GLS, conducted "selling away" activities, by soliciting private placement investments in RPD to his advisory client TP. Additionally, from October 2011 to February 2012, while TP was on active duty, ROGERS as well as other members of the GLS staff, were contracted and entrusted with TP's financial matters which included access to personal accounts and paying certain debtors for a prescribed fee. During this same period, ROGERS gained access to TP's check book within the GLS office and on numerous occasions ROGERS issued personal checks

in various amounts to RPD for an aggregate investment amount of \$81,350.00.

11. Alabama resident, DB represented to the Commission by sworn affidavit that on or about October 10, 2012, ROGERS, while a Registered Investment Advisor with GLS, liquidated securities in the amount of \$365,000.00 and made an unauthorized transfer of said funds to DB's personal bank account. DB further alleged that on or about October 19, 2012, ROGERS transferred said funds from DB's personal bank account to a bank account controlled by ROGERS and RPD.

12. On October 10, 2012, ROGERS, did, while employed with GLS, facilitate a second unauthorized transfer of funds in the amount of \$365,000.00 from the GLS account belonging to DP, to DP's personal bank account. ROGERS subsequently transferred the same funds from DP's personal bank account to a bank account controlled by ROGERS and RPD.

13. Alabama resident, KD represented to the Commission by formal statement that from June 2010 to December 2012, KD, a GLS advisory client, met with ROGERS on numerous occasions while at the GLS office. During these financial meetings, ROGERS solicited funds from KD to purchase additional security positions which were to be held within KD's investment account at GLS. As a result, and on twenty-eight (28) separate occasions, KD issued a signed blank personal check to ROGERS who in turn would allegedly issue said funds to purchase securities approved by the Broker Dealer. Unbeknownst to KD, ROGERS issued the various funds to RPD causing an aggregate total loss of \$296,650.00.

14. According to KD, ROGERS did while employed at GLS gain access to the client's banking and debit card information. From November 2010 to September 2012, ROGERS utilized KD's debit card information to make online purchases via websites such as "STUB HUB" and "Delta Airlines", to purchase airline tickets for personal and business use, including tickets to sporting events for the purpose of client perks and personal use. As a result, KD's debit cards were debited an aggregate total of \$30,986.59

15. GLS documents obtained by the Commission included ROGERS email correspondence for the email address [kr Rogers@glsainc.com](mailto:kr Rogers@glsainc.com). An analysis of those emails revealed that ROGERS utilized the GLS email to conduct personal business including but not

limited to; 1. The terms of the organization of RPD; 2. Discussions involving the terms of the Twickenham private placement and raising capital; 3. The purchase of airline tickets with KD's debit card; 4. The purchase of Stub Hub tickets with KD's debit card; 5. The purchase of sporting event tickets with KD's credit card; and 6. The purchase of \$4,400.00 in sporting event tickets with KD's debit card to be provided to another GLS client whose account was serviced by ROGERS.

16. On October 20, 2014, the Commission staff conducted an onsite audit of the GLS office in Huntsville, Alabama. During the audit, the GLS staff stated that on numerous occasions, client statements prepared by GLS staff were provided to the agents, to include ROGERS, for personal delivery to the client as opposed to being mailed to the address of record.

17. During the onsite audit the Commission staff conducted an interview of SMITH. According to SMITH, the GLS policy for "*29 years*" was to not have approval for funds being transferred from a client's GLS account to an account in their name. Additionally, and according to SMITH, the amount of funds and/or who the particular client was, determined the requirement for prior approval for the transfer of funds. During the calendar year of 2010, SMITH acknowledged that ROGERS was having financial difficulty and had received advances on his salary from GLS and SMITH "*eventually forgave those debts*" due to ROGERS' inability to repay the loans. Additionally, SMITH stated to the Commission staff that he did not understand how ROGERS was building a million dollar residence on his current salary.

18. A review by the Commission staff of the GLS Supervisory Policy and Procedures manual, for the relevant time period and revised on December 12, 2012, revealed NO written policy and approval procedures designed to review and monitor the transmittal of funds, i.e. wires or checks. This is contrary to NASD Rule 3012 enacted on January 2012, which requires all firms to establish, maintain and enforce written supervisory control policies and procedures that are reasonably designed to review and monitor the transmittal of funds or securities. Furthermore, on December 18, 2012, SMITH, acting as the designated chief compliance officer, reflected on the annual compliance certification that GLS has enacted supervisory procedures reasonably designed to achieve compliance with applicable FINRA rules.

19. On March 19, 2015, the Commission staff interviewed an Alabama resident identified as JR, an advisory client of GLS and whose account was serviced by ROGERS from 2009 to January 2013. In January 29, 2009, JR authorized the liquidation of his security positions with Citigroup Global Markets, Inc. for the purpose of transferring the funds to GLS to purchase the “*exact same security positions.*” Accordingly, the client’s intent was to electronically transfer or “ACAT” the security positions to GLS, therefore JR, was adamant the same positions be re-purchased. Beginning with the 2009 – 2010 “Quarterly Portfolio Update” statement issued by ROGERS and GLS to JR, the statement reflected security positions held with First Union and Ford Motor. From 2009 to 2012, ROGERS and GLS issued at least three subsequent quarterly statements to JR which reflected security positions with First Union and Ford Motor Co. which were not held by the client during those relevant periods.

20. On March 20, 2015, the Commission staff met with SMITH at the GLS office. During that conversation in the presence of other GLS staff, SMITH characterized the quarterly statements issued by ROGERS and GLS to JR as “misrepresentations” and not fraud.

### **CONCLUSIONS OF LAW**

21. The RESPONDENTS, during the period from October 2009 through January 2013, failed to exercise diligent supervision over all the securities activities of its associated person and failed to establish, maintain or enforce written procedures, which set forth the procedures adopted by the dealer, issuer or investment adviser to comply with the listed duties imposed in violation of rule 830-X-3-.13(1).

22. Pursuant to Section 8-6-3(j)(10), Code of Alabama 1975, the Commission may suspend, revoke, censor or bar any registrant or any officer, director, partner or person occupying a similar status or performing similar functions for a registrant, from employment with a dealer or investment advisor, or restrict or limit a registrant as to any function or activity of the business for which registration is required in this state if the Commission finds that the order is in the public interest and that the registrant or, in the case of a dealer or investment advisor, any partner, officer or director, any person occupying a similar status or performing similar functions, or any person directly or indirectly controlling the dealer or investment advisor has

failed reasonably to supervise his agents or employees if he is a dealer. GLS and SMITH failed reasonably to supervise ROGERS by not properly reviewing email correspondence, by allowing unsuitable transactions, allowing the offer and sale of unregistered securities, allowing the issuance of non-approved monthly statements, and by allowing unauthorized fund transfers, in violation of the Act.

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

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

**ACCORDINGLY, IT IS HEREBY ORDERED** that **RESPONDENTS SHOW CAUSE** to the Commission within 28 days of the date of this **ORDER**, why **RESPONDENTS** should not be suspended, revoked, censored or barred from the securities industry in the state of Alabama.

Entered at Montgomery, AL, this 6th day of May, 2015.

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