

**STATE OF ALABAMA
ALABAMA SECURITIES COMMISSION**

IN THE MATTER OF:)	
)	CONSENT ORDER
GOGGANS GROUP, INC.)	NO. CO-2022-0003
TOMMIE JACOB GOGGANS III)	
)	
<u>RESPONDENTS</u>)	

RESPONDENTS

1. **GOGGANS GROUP, INC., (“GOGGANS GROUP”)** (Central Registration Depository (“CRD”) #155039), is an Alabama domestic corporation. **GOGGANS GROUP** has been registered in the State of Alabama as an Investment Advisor since November 4, 2013, with a principal address of 931 Noble Street, Suite 301, Anniston, Alabama 36201.

2. **TOMMIE JACOB GOGGANS III (“GOGGANS”)**, CRD #3235292, has been registered in the state of Alabama, as an Investment Advisor Representative since November 4, 2013. **GOGGANS** is currently employed as the President and sole registered Investment Advisor Representative with **GOGGANS GROUP** with a principal address of 931 Noble Street, Suite 301, Anniston, Alabama 36201.

STATEMENT OF FACTS

3. On May 15, 2019, **GOGGANS** was served a civil lawsuit against **GOGGANS** and **GOGGANS GROUP** by a previous Alabama client (“Alabama client”) alleging negligence, wantonness, recklessness, breach of contract, unjust enrichment, conversion, and false imprisonment.

4. On November 21-22, 2019, the Commission initiated a routine audit of **GOGGANS GROUP**. During the audit interview, **GOGGANS** stated he was not currently involved in any civil complaints, arbitrations, or criminal proceedings. **GOGGANS** also stated he had no knowledge of senior exploitation and no complaints or other legal issues. This response was given

given approximately six months after being served a civil lawsuit in which he was named, and three months after the United States Secret Service, pursuant to a forfeiture in rem, seized \$5,503,376.88 from the E Trade account that **GOGGANS GROUP** managed for Lisa Daugherty ("Daugherty"). The account was seized because it was property that constituted or was derived from proceeds traceable to a violation or conspiracy to violate 18 U.S.C. § 1343 (wire fraud) and 18 U.S.C. § 1957 (engaging in monetary transactions in property derived from specified unlawful activity.)

5. On March 1, 2021, **GOGGANS GROUP** notified the Commission staff via their Form ADV Part 1 and **GOGGANS'** Form ADV Part 2b and Form U-4 of a civil lawsuit that was served against **GOGGANS** on May 15, 2019. **GOGGANS GROUP** failed to notify the Commission staff of this action within the required 30-day time period.

6. On March 11, 2021, the Commission staff was notified of an alleged financial exploitation case involving a client of **GOGGANS GROUP**. The notification indicated that **GOGGANS** was served with a complaint (Civil Action No.: CV-2018-900932), where both **GOGGANS** and **GOGGANS GROUP** were named defendants in the action which was filed by a client of **GOGGANS**. The information also indicated that Daugherty obtained Power of Attorney for **GOGGANS'** Alabama client on November 16, 2016, and that **GOGGANS** utilized 17 transfer request forms with copied signatures, which were used to transfer funds from a financial institution to **RESPONDENTS'** custodian. A handwriting analysis confirmed that all seventeen signatures were produced using office machine systems utilizing black toner, as employed by photocopiers and computer printers.

7. On April 1, 2021, the Commission staff sent a letter to **GOGGANS** requesting a detailed explanation of **GOGGANS'** civil lawsuit, as reflected on **GOGGANS GROUP's** Form ADV.

8. On April 1-2, 2021, the Commission staff conducted an onsite audit of **GOGGANS GROUP**. During the audit, books and records related to **GOGGANS GROUP** and **GOGGANS** were obtained for review by the Commission staff. On April 2, 2021, the Commission staff interviewed **GOGGANS**, where he was asked several questions related to the operation of

GOGGANS GROUP, Alabama client's accounts, and his relationship with Daugherty. **GOGGANS** stated during the interview that he did use copies of the transfer forms to consolidate accounts from the Alabama client's longstanding accounts at non-affiliated outside brokerage firms to Trust Company of America ("TCA"), the custodian utilized by **GOGGANS GROUP**.

9. On September 27, 2021, the Commission staff issued **GOGGANS GROUP** a deficiency letter that identified several deficiencies related to the April 1-2, 2021 audit. The following is a list of pertinent findings noted in the deficiency letter:

- Incorrect balance sheets for fiscal year end 2019 and 2020. The 2019 balance sheet failed to list all of **GOGGANS GROUP**'s liabilities, to include an outstanding loan balance of \$8,101.37 for a Streetshares, Inc. ("Streetshares") loan. The 2020 balance sheet failed to list the outstanding balance for the Streetshares loan and a Small Business Administration ("SBA") loan in the amount of \$60,100.00. The inclusion of these two items on the balance sheet would indicate that **GOGGANS GROUP** was insolvent in 2019 and 2020.
- **GOGGANS** told the Commission staff during the April 1-2, 2020 audit that **GOGGANS GROUP** did not have any current loan agreements, notes payable or notes receivables. The Commission staff found evidence of the two outstanding loan agreements with Streetshares and the SBA. Additionally, **GOGGANS GROUP** and **GOGGANS** has an undisclosed note payable in the amount of \$21,000.00, with Consolidated Capital Management ("CCM") dated December 31, 2017.
- **GOGGANS GROUP** entered into a discretionary investment advisory agreement with the Alabama client on January 10, 2017 while Daugherty maintained Power of Attorney for the Alabama client. **GOGGANS** assisted the Alabama client in opening three accounts during the first quarter of 2017. **GOGGANS GROUP** entered into a discretionary investment advisory agreement with Daugherty on March 3, 2017. **GOGGANS** assisted Daugherty in opening an account on the same day. **GOGGANS** then began transferring funds from two of the Alabama client's accounts to the sole

account of Daugherty. **GOGGANS** transferred \$5,792,126.68 and \$2,422,720.94 from the Alabama client's accounts to Daugherty's account in the first and third quarters of 2017, respectively. The Commission staff obtained an email from Daugherty to **GOGGANS** that indicates **GOGGANS** was aware of some of the purchases that Daugherty was making with the Alabama client's funds after they were transferred to Daugherty's account. The purchases included a house for Daugherty in Alabama, a house for Daugherty in Florida, approximately fourteen (14) undeveloped residential lots, contractor payments for house upgrades, furniture for houses, and multiple vehicles.

10. On November 2, 2021, **GOGGANS** responded to the Commission staff's September 27, 2021 deficiency letter. **GOGGANS'** response contained a copy of the settlement agreement between **GOGGANS**, **GOGGANS GROUP** and CCM. The agreement stipulated that **GOGGANS** was to pay a total of \$21,000.00 in equal installments in the amount of \$350.00 in 60 consecutive months. The records obtained in the April 1-2, 2021 audit indicate that **GOGGANS** last made a payment of \$350.00 to CCM in December 2019 and still owes an outstanding balance. On December 7, 2021 the Commission spoke with an attorney representing CCM in the Settlement Agreement. The attorney stated CCM has not received payment from **GOGGANS** since December 2019 and further stated CCM contacted him in the summer of 2021 to engage **GOGGANS'** attorney to seek payments. **GOGGANS** response also stated that the loan from Streetshares was a short-term loan, the loan paperwork was maintained on Streetshares' website, and that Streetshares is no longer in operation and no documents related to **GOGGANS GROUP's** account was available.

11. On November 10, 2021, the Commission staff responded to **GOGGANS GROUP's** deficiency response letter with a follow-up deficiency letter. The follow-up deficiency letter outlined additional items that required clarification from **GOGGANS**. Also, the follow-up letter requested a meeting with **GOGGANS** to discuss the audit findings.

12. On November 29, 2021, the Commission staff received information from Streetshares that **GOGGANS GROUP's** last payment was in December 2019 and the account had an

outstanding balance of \$8,707.37. The information submitted by Streetshares indicates that **GOGGANS GROUP** and Streetshares entered into a Hardship Program Agreement on March 5, 2020 that stipulated **GOGGANS GROUP's** payment would decrease from \$150.06 per month to \$120.00 per month. The Commission staff obtained an email that indicates the representatives of Streetshares made a final attempt to resolve the business loan prior to the filing of a lawsuit against **GOGGANS** on October 5, 2020. The email further stated that they have made repeated attempts to contact **GOGGANS** via email and phone.

13. On December 2, 2021, the Commission staff met with **GOGGANS** to discuss the deficiencies outlined in the September 27, 2021 and November 10, 2021 deficiency letters. During the interview, the Commission staff inquired about the status of the payments to CCM and **GOGGANS** stated he resumed payments as of November 2021. The staff also inquired about the status of the Streetshares loan. **GOGGANS** stated he attempted to contact Streetshares in August 2020 and was told the account was charged off and no additional information was available.

14. On February 17, 2022, the Commission issued a Show Cause Order naming **GOGGANS** and **GOGGANS GROUP** as respondents. On August 19, 2022, the Commission held an informal hearing with Goggans and his legal counsel. During the hearing, Goggans and his legal counsel agreed to enter into a Consent Order to resolve the matter.

CONCLUSIONS OF LAW

15. Pursuant to Section 8-6-3(j)(8), investment advisers registered under the Act cannot be insolvent, either in the sense that his or her liabilities exceed his or her assets or in the sense that he or she cannot meet his or her obligations as they mature. Evidence shows **GOGGANS GROUP** was insolvent for fiscal year end 2019 and 2020 and **GOGGANS GROUP** failed to meet its debt obligations to Streetshares and CCM. The circumstances outlined in this Show Cause Order indicate that **RESPONDENTS** have been, and continue to be insolvent.

16. Pursuant to Commission Rule 830-X-3-.03(2), whenever the information contained in an investment advisory firm's Form ADV becomes inaccurate, the information must be corrected

by filing an amendment to the applicable form(s) within 30 days of the change. **GOGGANS GROUP** failed to update the firm's Form ADV with the lawsuit notification disclosure within the required 30 days.

17. Pursuant to Commission Rule 830-X-.03(4), whenever the information contained in an investment adviser representative's Form U-4 becomes inaccurate, the information must be corrected by filing an amendment to the form within 30 days of the change. **GOGGANS** failed to update his Form U-4 with the lawsuit notification disclosure within the required 30 days.

18. Pursuant to Commission Rule 830-X-3-.21(2), an investment adviser representative is a fiduciary and has a duty to act primarily for the benefit of its clients. Based on **GOGGANS'** trainings, registrations and experience, he should have known that it was not in the Alabama client's best interest to facilitate a transfer of funds from the Alabama client's accounts to their Power of Attorney's individual account. **GOGGANS** failed to act in Alabama client's best interest when he allowed the transfer of funds.

19. Pursuant to Section 8-6-172, investment advisers registered under the Act are to notify the Commission of the financial exploitation of a vulnerable adult that may have occurred, may have been attempted, or is being attempted. **GOGGANS**, in the exercise of reasonable care, should have known that the Alabama client may have been financially exploited when the abnormal transfer of funds involving the Power of Attorney was taking place.

ORDER

On the basis of the Statement of Facts, Conclusions of Law, and **GOGGANS'** consent to the entry of this Order,

IT IS HEREBY ORDERED:

20. **GOGGANS** shall surrender his license for **GOGGANS GROUP** and be employed as an investment adviser representative with a firm that has an established compliance program that can monitor **GOGGANS'** performance or **GOGGANS** shall put approved measures in place to arrange for third party compliance monitoring of both **GOGGANS** and **GOGGANS GROUP**

to include compliance education, compliance training, and weekly review of investment advisory activities for a period of no less than five years.

21. This Order and any dispute related thereto shall be construed and enforced in accordance with, and governed by, the laws of the state of Alabama without regard to any choice of law principles.

22. This Order is not intended to state or imply negligent, willful, reckless, or fraudulent conduct by **GOGGANS**, or its affiliates, directors, officers, employees, associated persons, or agents.

23. **GOGGANS**, through its execution of this Order, voluntarily waives their right to a hearing on this matter and to judicial review of this Consent Order under Section 8-6-32, Code of Alabama 1975.

AGREED AND CONSENTED to on dates indicated:

GOGGANS GROUP, INC.

[Signature]
Authorized Signature

10/24/2023
Date

Tommie Jacob Goggans III
Printed Name

President
Title

TOMMIE JACOB GOGGANS III

[Signature]
Tommie Jacob Goggans III

10/24/2023
Date

APPROVED AND AGREED this 25th day of October 2023.



ALABAMA SECURITIES COMMISSION

445 Dexter Avenue, Suite 12000

Montgomery, AL 36104

(334) 242-2984

BY:

[Signature]
AMANDA L. SENN
Director