

STATE OF ALABAMA  
ALABAMA SECURITIES COMMISSION

IN THE MATTER OF: )  
 )  
COASTAL DISCOUNT )  
STOCKBROKERS, INC. )  
 )  
RESPONDENT )

ADMINISTRATIVE ORDER  
NO. CO-2002-0010

CONSENT ORDER

The Alabama Securities Commission ("Commission"), having the power 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, and having confirmed information of the offers for sale and/or sale of securities into, within or from the state of Alabama, has determined as follows:

RESPONDENT

1. COASTAL DISCOUNT STOCKBROKERS, INC. ("RESPONDENT"), is represented to be a North Carolina domiciled corporation, registered as a BD in the state of North Carolina, et al, with a business address of 5710 Oleander Drive, Suite 211, Wilmington, NC 28403.

STATEMENT OF FACTS

2. On February 5, 2002, RESPONDENT electronically filed a Form BD, through the National Association of Securities Dealers, Inc., Central Registration Depository ("NASDCRD"), for registration as a dealer in the state of Alabama. Subsequently, by letter dated February 5, 2002, RESPONDENT provided the Commission information that it would not have custody of Alabama customer funds and that **"Coastal Discount Stockbrokers, Inc. has not undertaken to offer or sell securities for any Alabama resident prior to application for registration."** On

February 21, 2002, a letter was dispatched to RESPONDENT which enumerated certain documentation and information that must be provided as part of the application for registration, in particular an item-by-item accounting of all disciplinary items enumerated in CRD. By letter, dated February 28, 2002, RESPONDENT provided a response; however, additional information was subsequently requested on April 5, 2002 and May 24, 2002.

3. On February 21, 2002, a visitation letter was dispatched to RESPONDENT's clearing firm, Advanced Clearing, Inc. ("Advanced"), for a listing of Alabama clients of RESPONDENT, and documents, including transaction reports detailing transactions and date of transactions, if any.

4. On March 5, 2002, the Commission received transaction information from Advanced reflecting RESPONDENT has 3 open accounts with Alabama residents numbered 449-022059 opened 02/01/02 (no activity); 449-021819 opened 12/27/01 (no activity) and 449-008283 opened 12/09/97 (5 buys and 2 sales during the period 12/09/97 to 03/09/00).

5. Review of the files of the Commission, disclosed no record of registration or exemption from registration of RESPONDENT as a dealer in the state of Alabama.

6. On June 19, 2002, a Cease and Desist Order was issued to RESPONDENT alleging violations of Sections 8-6-3(a) and 8-6-3(j)(1), Code of Alabama 1975 for transacting securities activities in the state of Alabama prior to registration and for filing an application for registration containing a false statement (**see highlighted portion of paragraph 2, page 1, above**).

7. By letter, dated June 27, 2002, William H. Formy-Duval, president of RESPONDENT, advised "Please accept my apology for responding in error regarding trades for Alabama residents. I could not find a 2001 form 1099 and responded accordingly."

8. By letter, dated July 1, 2002, RESPONDENT was advised that a rescission offer was required to be made to the 1 Alabama account reflecting activity in paragraph 4, page 2, above. On September 20, 2002, RESPONDENT furnished evidence that the rescission offer, in the amount of \$13,600.22, had been made to and accepted by the Alabama resident. RESPONDENT also furnished evidence that the Alabama resident had been paid the rescission amount.

### CONCLUSIONS OF LAW

9. RESPONDENT is not registered nor exempt from registration as a dealer in the state of Alabama, and has effected securities transactions with a resident of the state of Alabama.

10. Transacting business in the state of Alabama as a dealer, without benefit of registration or exemption from registration, is a violation of Section 8-6-3(a), Code of Alabama 1975.

11. RESPONDENT has filed an application for registration which, as of its effective date, or as of any date after filing, was incomplete or contained a false statement (**see highlighted portion of paragraph 2, page 1, above**).

12. The filing of an application for registration, containing a false statement, is a violation of Section 8-6-3(j)(1), Code of Alabama 1975.

**WHEREAS**, RESPONDENT admits that securities transactions were effected in the state of Alabama prior to registration, and states that the information and assertions presented to the Commission during its investigation of this matter are true and correct; that RESPONDENT understands the Commission relied upon such information and assertions in its determination to accept this Order and that should information or assertions prove to be incorrect or misrepresented, the Commission may seek such other administrative, civil or criminal remedies that may be available to it under the

provisions of the Act, and

**WHEREAS**, RESPONDENT has voluntarily waived all rights to a hearing upon entry of this Order and has consented to the entry of this Order, and

**WHEREAS**, the Commission finds this Order necessary and appropriate in the public interest for the protection of investors and consistent with the purposes fairly intended by the policy and provisions of the Act, and

**WHEREAS**, the Commission and RESPONDENT are desirous of settling this matter as hereafter set forth and agree to the entry of this Order,

**ACCORDINGLY, IT IS HEREBY ORDERED:**

1. That RESPONDENT shall, until such time as properly registered in the state of Alabama, refrain from effecting securities transactions into, within or from the state of Alabama.

2. That RESPONDENT shall ensure that proper procedures are enacted to preclude any future non-compliance with the Act.

3. That in accordance with Section 8-6-19(j)(1), Code of Alabama 1975, RESPONDENT shall pay to the **state of Alabama** an administrative assessment in the sum of One Thousand Dollars (\$1,000), said funds to be tendered in certified funds contemporaneously with the entry of this Order.

4. That in accordance with Section 8-6-19(k)(1), Code of Alabama 1975, RESPONDENT shall pay to the **Alabama Securities Commission**, as partial reimbursement for the Commission's cost for investigating this matter, the sum of Five Hundred Dollars (\$500), said funds to be tendered in certified funds contemporaneously with the entry of this Order.

5. That the entry of this Order resolves the Cease and Desist Order, Administrative Order No. CD-2002-0010, issued on June 19, 2002.

**AGREED AND CONSENTED** to on date indicated:

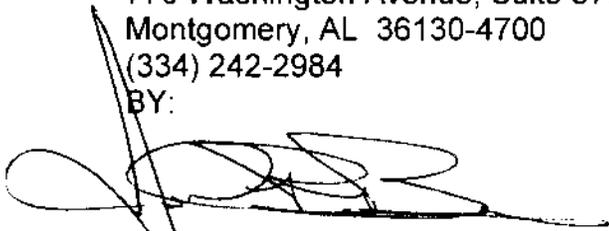
RESPONDENT  
COASTAL DISCOUNT STOCKBROKERS, INC.

BY:   
TITLE: President  
DATE: 9/30/02

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**APPROVED AND ORDERED** this 16<sup>th</sup> day of Oct., 2002

ALABAMA SECURITIES COMMISSION  
770 Washington Avenue, Suite 570  
Montgomery, AL 36130-4700  
(334) 242-2984

BY: 

JOSEPH P. BORG  
Director