

STATE OF ALABAMA
ALABAMA SECURITIES COMMISSION

IN THE MATTER OF:)	
)	ADMINISTRATIVE ORDER
STEVEN CLYDE REED BROWN)	NO. CD-2015-00 ²⁵
EDWARD MALCOLM PORTMAN)	
PHARMA-DERM SOLUTIONS, INC.)	
AKA: PHARMA-DERM PRODUCTS, INC.)	
)	
<u>RESPONDENTS</u>)	

CEASE AND DESIST ORDER

The Alabama Securities Commission ("Commission"), having the 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, 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:

RESPONDENTS

1. STEVEN CLYDE REED BROWN ("BROWN") is a licensed attorney in the State of Alabama, with a listed address of 2152 Mountain View Drive, Vestavia, Alabama 35216.

2. EDWARD MALCOLM PORTMAN ("PORTMAN") is a current resident of Georgia, with a listed address of 538 East Lake Drive, Marietta, Georgia 30062. PORTMAN was a licensed medical doctor in Georgia during most of the relevant time period.

3. PHARMA-DERM SOLUTIONS, INC., DBA PHARMA-DERM PRODUCTS, INC. ("PHARMA") is a Nevada corporation, with a listed address of 1426 3rd Avenue West, Birmingham, Alabama 35208 and incorporated by BROWN and PORTMAN in

November 2001. PORTMAN is the designated Director/Chairman and President of PHARMA and BROWN is identified as the Director/Secretary and Treasurer.

STATEMENT OF FACTS

4. In late October of 2014, the Commission received information from a referring law enforcement agency which indicated BROWN and PORTMAN were soliciting investment funds from residents of Alabama. Following a review of information, the Commission initiated an investigation to identify possible violations of the Alabama Securities Act.

5. During the course of the investigation, Commission staff located and interviewed individuals who had invested with BROWN and PORTMAN. According to the investors, BROWN and PORTMAN needed funds to assist PORTMAN in developing certain medical technology, which PORTMAN claimed to have discovered and patented.

6. Investor interviews further revealed that BROWN and PORTMAN were also soliciting funds to pay fees and taxes purportedly owed by PORTMAN to a foreign bank, which, according to BROWN and PORTMAN, was holding funds for the benefit of PORTMAN. The investors understood that once the fees and taxes were paid, the foreign bank would then release a substantial sum of money, which would be used to further PORTMAN'S project.

7. In exchange for their investment funds, investors were provided a "Memorandum of Agreement," purportedly entitling the investor to a cash payment totaling his or her principal plus interest at five (5) times the original investment. According to the Agreement, the investor funds were to be used "in furtherance of his (Dr. Portman's) technology project," and would be "repaid from the first tranche of

released funds to arrive in the Trust Account of Steven C.R. Brown.”

8. In addition to the cash payment, some of the Agreements provided investors, “at no charge,” a one percent “global profit-participation interest in the company’s gross profits.”

9. Beginning on or about January 24, 2012, during meetings with potential investors, BROWN and PORTMAN presented Deutsche Bank drafts and bank statements to the investors and represented the documents as proof that the funds were legitimate.

10. On May 29, 2013, BROWN and PORTMAN presented the Deutsche Bank drafts to Wells Fargo Bank and attempted to use them as collateral to obtain a loan. The bank staff referred the matter to Wells Fargo internal investigators.

11. On June 27, 2013, after consulting with the Federal Bureau of Investigation (FBI), a Wells Fargo Bank investigator called BROWN and PORTMAN to inform them that the Deutsche Bank drafts were fraudulent. The bank investigator cautioned BROWN and PORTMAN not to present the drafts in an effort to obtain loans or to obtain funds of any kind. On the same day, the investigator followed up with BROWN, via email, to further notify him that the bank drafts were fraudulent and to provide the name and contact information for an FBI agent willing to discuss the fraudulent scheme with BROWN and PORTMAN. Neither BROWN nor PORTMAN contacted the FBI to discuss the fraudulent bank drafts.

12. On June 28, 2013, BROWN and PORTMAN met with a prospective investor and presented the knowingly fraudulent Deutsche Bank drafts as proof the funds were real and legitimate. During the meeting, BROWN and PORTMAN successfully solicited an investment of \$140,000.00, which BROWN and PORTMAN

represented was to be used to pay fees and taxes associated with the fraudulent bank drafts. According to the investor, once the funds were received, the bank would “activate the first (bank) draft” of funds from the account. BROWN and PORTMAN further represented that the investment funds would be returned in a matter of weeks and the investor would receive interest totaling 5 times the principal.

13. On or about November 4, 2014, Commission Staff met with RESPONDENTS. According to BROWN and PORTMAN, PORTMAN was still in the process of developing the medical technology, but would need additional funds to complete the project. PORTMAN claimed he was approached by a foreign diplomat in 2003-2004 with an offer to provide the requisite funding. BROWN and PORTMAN further claimed that in 2004, the diplomat deposited approximately \$150 million into a bank account in Madrid, Spain, and named PORTMAN as the beneficiary on the account. According to BROWN and PORTMAN, the diplomat died shortly after the funds were deposited, and PORTMAN has been trying to establish ownership of the account and take control of the alleged funds.

14. During the November 4, 2014 meeting, BROWN and PORTMAN admitted to soliciting investment funds and stated that the funds were to be applied to various fees and taxes associated with transferring control of the alleged account and releasing the funds. BROWN and PORTMAN claim they have been raising the monies to pay the foreign banks and governments, which were charging the fees, for approximately 10 years. At the conclusion of the meeting, Commission staff advised BROWN and PORTMAN to cease and desist from making further solicitations.

15. On or about March 23, 2015, the Commission received information that BROWN had contacted, via telephone, a previous investor seeking additional funds for

the project. Following the call, the investor received an Addendum to the Memorandum of Agreement entitling the investor to an additional 1% profit-participation interest in the technology. The Addendum is signed by BROWN, on behalf of PORTMAN.

16. On December 3, 2015, the Commission received information from an investor that indicated BROWN and PORTMAN are continuing to solicit investment funds for the payment of fees and taxes associated with the alleged funds.

17. A search of the registration files maintained by the Commission reveals that neither BROWN nor PORTMAN is registered to conduct business in the securities industry in Alabama.

18. In addition, no record of registration was disclosed for the Memorandum Agreements and profit participation interests offered and sold by RESPONDENTS.

CONCLUSIONS OF LAW

19. Pursuant to Section 8-6-2(10), Code of Alabama 1975, the definition of a security includes any "investment contract." Further, an "investment contract" includes any instrument which constitutes an investment of money, in a common enterprise, made with an expectation of profit from the efforts of another. **PHARMA**, through **BROWN** and **PORTMAN**, offered "Memorandum of Agreements" and "profit participation interests". Such instruments represented an investment of money, in respondent **PHARMA**, promising investment return to investors based on the efforts of **PORTMAN** and **BROWN**, and are "investment contracts" and securities as defined by the Act.

20. Pursuant to Section 8-6-2(5), Code of Alabama 1975, the definition of "Issuer" includes every person who proposes to issue, has issued, or hereafter will issue

any security. **PHARMA** issued investment contracts and is an issuer as defined by the Act.

21. Pursuant to Section 8-6-2(2), Code of Alabama 1975, the definition of “agent” includes any individual who represents a dealer or an issuer in effecting or attempting to effect sales of securities. Respondents **BROWN** and **PORTMAN**, allowed and caused the solicitation and sale of securities, to wit: the investment contracts issued by **PHARMA** to Alabama residents, and are “Agents” as defined by the Act.

22. Pursuant to Section 8-6-3(a), Code of Alabama 1975, it is unlawful for an agent to offer or sell securities in Alabama unless such agent is first registered as an agent with the Commission. Respondents **BROWN** and **PORTMAN** are neither registered, nor subject to a perfected exemption from registration as agents. Respondents **BROWN** and **PORTMAN** have acted as, and continue to act as, agents of **PHARMA** in the sale of investment contracts in the state of Alabama in violation of the Act.

23. Pursuant to Section 8-6-3(a), Code of Alabama 1975, it is unlawful for any issuer to employ an unregistered agent to solicit or sell securities in this State. **PHARMA**, employed **BROWN** and **PORTMAN** to solicit sales of its securities, to wit: investment contracts, while **BROWN** and **PORTMAN** were not registered with the Commission in violation of the Act.

24. Pursuant to Section 8-6-4, Code of Alabama 1975, it is unlawful to offer or sell any security in Alabama unless; (1) the security is first registered with the Commission, (2) the security offered or sold is exempt from registration, or (3) the transaction in which the security is offered or sold is exempt from registration. The securities, to wit: investment contracts, issued by Respondent **PHARMA**, offered and or

sold by Respondents **BROWN** and **PORTMAN** were neither registered with the Commission nor subject to a perfected exemption from registration and were offered and sold in violation of the Act.

25. Pursuant to Section 8-6-17(a)(2), Code of Alabama, 1975, it is unlawful for any person, in the connection with the offer, sale or purchase of any security, directly or indirectly to make any untrue statement of a material fact. **BROWN** and **PORTMAN**, after having been advised that the Deutsche Bank drafts were fraudulent, presented them to a prospective investor and represented the bank drafts as legitimate. **BROWN** and **PORTMAN** made such false representations in violation of the ACT.

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

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

Additionally, if the allegations set forth herein are found to be true, through either administrative adjudication, failure of the **RESPONDENTS** to make a timely request for hearing, or default of the **RESPONDENTS**, it is the intention of the Commission to impose sanctions upon the **RESPONDENTS**. Such sanctions may include, inter alia, an administrative assessment imposed on **RESPONDENTS**, an additional administrative assessment for investigative costs arising from the investigation of the violation(s) described herein against **RESPONDENTS**, and a permanent order to bar **RESPONDENTS** from participation in any securities related industry in the state of Alabama.

Failure to respond within 28 days of service of this Order shall be deemed a waiver of the right to a hearing and will result in the entry of a final order directing

RESPONDENTS to cease and desist from violating the Alabama Securities Act and permanently barring **RESPONDENTS** from participation in any securities related industry in the state of Alabama.

ACCORDINGLY, IT IS HEREBY ORDERED that RESPONDENT immediately **CEASE AND DESIST** from further offers or sales of any security into, within or from the state of Alabama.

Entered at Montgomery, Alabama, this 18th day of December, 2015.



ALABAMA SECURITIES COMMISSION
401 Adams Ave., Suite 280
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(334) 242-2984

BY:

A handwritten signature in blue ink, appearing to read "J. P. Borg", is written over a horizontal line. The signature is stylized and extends above and below the line.

JOSEPH P. BORG
Director