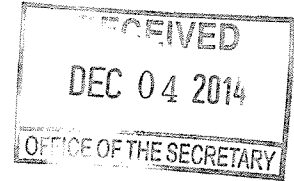


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**UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION**



**ADMINISTRATIVE PROCEEDING
File No. 3-16013**

In the Matter of

NICHOLAS D. SKALTSOUNIS,

Respondent.

**DIVISION OF ENFORCEMENT'S REPLY
TO RESPONDENT'S RESPONSE TO
DIVISION OF ENFORCEMENT'S
MOTION FOR SUMMARY DISPOSITION
AND MEMORANDUM OF POINTS
AND AUTHORITIES IN SUPPORT THEREOF**

Pursuant to the Order of September 22, 2014, in this matter and the SEC Rules of Practice, the Division of Enforcement, by and through its undersigned counsel, hereby submits this Reply in support of its Motion for Summary Disposition.

I. INTRODUCTION

Respondent Skaltsounis does not dispute—nor could he—that he has been permanently enjoined from future violations of the federal securities laws and that, at the time of his misconduct, he was associated with three broker-dealers and an investment adviser. With these statutory elements being uncontested, the only issue remaining is whether it is in the public interest to impose a permanent collateral bar.

The Commission recently had occasion to reiterate why it is in the public interest to bar a respondent who was found liable for securities fraud:

We have stated that conduct that violates the antifraud provisions of the federal securities laws . . . is subject to the severest of sanctions. Fidelity to the public interest requires a severe sanction when a respondent's misconduct involves fraud because the securities business is one in which opportunities for dishonesty recur constantly. Ordinarily, and in the absence of evidence to the contrary, it will be in the public interest to bar from participation in

the securities industry a respondent enjoined from violating the antifraud provisions¹

Skaltsounis says nothing to warrant deviation from this rule. His Response focuses almost entirely on the last of the Steadman factors,² the likelihood of future violations. But Skaltsounis ignores the fact that, in deciding to impose a permanent injunction, the district court necessarily determined that there was a “reasonable and substantial likelihood of future violations.”³ Further, Skaltsounis neglects the other five Steadman factors. For instance, he says nothing about the district court’s findings that his conduct was “egregious,” “repeated and extensive,” and taken against the advice of counsel and that his actions caused millions of dollars of investor losses. He ignores the jury’s finding (as well as that of the trial judge) that he acted knowingly. And he still hasn’t acknowledged the wrongfulness of his actions, or expressed any measure of remorse, contending, instead, that the “jury erred in its conclusion.” (Resp. at 1.)

Given the conclusive findings of the district court—and their relevance to the Steadman public interest inquiry—there can be no doubt where the public interest lies: that Skaltsounis be permanently and collaterally barred.

II. REPLY ARGUMENT

A. **This Follow-On Administrative Proceeding Should Be Resolved by Summary Disposition.**

Given the jury’s verdict, the district court’s summary judgment and post-trial opinions, the permanent injunction, and the substantial third-tier civil penalties imposed in this case—none of

¹ Toby G. Scammell, Release No. 3961, 2014 WL 5493265, at *5 (Oct. 29, 2014) (opinion of the Commission) (footnotes and internal quotation marks omitted).

² Steadman v. SEC, 603 F.2d 1126 (5th Cir. 1979), aff’d on other grounds, 450 U.S. 91 (1981).

³ SEC v. AIC, Inc., No. 3:11-CV-176-TAV-HBG, 2014 WL 3810667, at *2 (E.D. Tenn. Aug. 1, 2014) [Ex. A, slip op. at 4–5].

which Skaltsounis can collaterally attack in this follow-on administrative proceeding—there is no genuine issue with regard to any material fact, and the Division of Enforcement is entitled to a summary disposition as a matter of law. See, e.g., Joseph P. Galluzzi, Release No. 46,405, 2002 WL 1941502, at *3 (Aug. 23, 2002) (opinion of the Commission) (holding that a respondent may not re-litigate matters from the district court in an administrative proceeding).

1. Skaltsounis’s Argument About His Future Employment Plans Does Not Create a Genuine Dispute of a Material Fact.

In attempting to resist summary disposition of this matter, Skaltsounis argues that “[g]enuine issues of fact remain in dispute.” (Resp. at 9.) For instance, he contends that he is not presently in the securities industry and has no intention to re-enter, preferring instead to focus on his art business. (Resp. at 4.) But, even if true, Skaltsounis’s contentions about his future plans are not enough to constitute a material factual dispute. See 17 C.F.R. § 201.250(b).

In this regard the Honorable Cameron Elliot’s decision in Frank Bluestein, Release No. 534, 2013 WL 6175649 (ALJ Nov. 26, 2013), is instructive. In Frank Bluestein, Judge Elliot noted that the Division of Enforcement had put forth no evidence of the respondent’s present employment or investment-related activities, but nonetheless concluded:

[E]ven assuming arguendo that Bluestein is no longer involved in the securities industry and the likelihood-of-future-violations factor weighs in his favor, the balance of the Steadman factors weighs in favor of a full industry bar, particularly given Bluestein’s egregious and recurrent misconduct, scienter, and lack of assurances against future violations.

Id. at *7.

But, not only is Skaltsounis’s argument about whether he has expressed an intention to re-enter the securities industry ultimately immaterial, it is also disingenuous and wrong. In his post-

trial brief, Skaltsounis—incorrectly assuming that the district court could impose a securities industry bar—contended that “a permanent ban” was not warranted, arguing that “given the severity of the financial ‘punishment’, how is Skaltsounis ever going to pay the massive judgment requested by the SEC if he can never work again?” (Defs.’ Opp’n at 3 (Ex. L).⁴) In other words, not only has Skaltsounis expressed a desire to rejoin the securities industry but, as lately as post-trial briefing, has contended that a permanent industry bar would meaningfully stand in the way of his obtaining gainful employment. However, even if what he now says in his Response is taken at face value, it is not a reason to forego the imposition of a bar. See, e.g., Toby G. Scammell, 2014 WL 5493265, at *6 n.52 (“If Scammell is sincere in his intent not to work in the securities industry, then a bar will impose no substantial burden on him while prophylactically protecting the investing public.”).

2. Skaltsounis’s Disagreement with the Division of Enforcement’s Argument That He “Targeted” the Elderly and Unsophisticated Does Not Preclude Summary Disposition.

Likewise, Skaltsounis—while acknowledging that certain of AIC’s investors were “over 55 years of age” and “senior citizens” (Resp. at 4)—contends that the precise breakdown of AIC’s investors by “age and sophistication,” and thus whether he “targeted” the elderly and unsophisticated, remains in dispute (Resp. at 5).

Once again, Skaltsounis is being disingenuous. Having sat in court for three weeks, and having heard the testimony of numerous AIC investors, he knows full well the investors he defrauded, and their ages and levels of sophistication. These investors include:

⁴ References in this Reply to Exhibits A through N are to the exhibits attached to the Division of Enforcement’s October 17 Motion for Summary Disposition.

• [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Besides being wrong, Skaltsounis's argument that he did not target the vulnerable is also foreclosed by the district court's summary judgment ruling, in which the court found for the Commission on its Securities Act Section 5 claims (because of the defendants' sales of AIC securities to unaccredited investors), as well as the court's post-trial opinion.⁶

Given that Skaltsounis admits in his Response that he sold AIC securities to the elderly, and given the district court's holding regarding sales to unaccredited investors, his argument here

⁵ Attached hereto as Exhibits O through V are defense trial exhibit 14 and the Commission's trial exhibits 675, 658, 697, 663, 634, 900, and 924, respectively, which are account opening documents, subscription agreements, and a spreadsheet, maintained by Skaltsounis and his companies, of promissory note investors, all regarding the investors identified here. The Division of Enforcement is submitting, contemporaneously with this Reply, a declaration of Michael J. Rinaldi regarding the exhibits attached hereto. See generally Rinaldi Decl. ¶ 13 (stating that the district court's witness list lists the identified investors as among those having testified at trial). In addition, in the court's summary judgment opinion, the Honorable Thomas A. Varlan identified two other AIC investors, [REDACTED] whose account forms indicated that they were unaccredited. SEC v. AIC, Inc., No. 3:11-CV-176, 2013 WL 5134411, at *14 n.16 (E.D. Tenn. Sept. 12, 2013) [Ex. K, slip op. at 32 n.16]. According to her account forms, [REDACTED]—short of the \$1 million net worth and \$200,000 annual income (or \$300,000 joint income) thresholds for accredited investor status. Similarly, and as noted by Chief Judge Varlan, [REDACTED] account forms indicate that he did not meet any of the thresholds to be accredited. [REDACTED] account forms are attached hereto as Exhibits W and X. In the attached documents, social security and account numbers have been partially redacted.

⁶ AIC, 2013 WL 5134411, at *12–*15 [Ex. K, slip op. at 27–35] (crediting the Commission's argument that the Rule 506 safe harbor was unavailable to Skaltsounis and his companies because AIC securities were sold to unaccredited investors, who were not "otherwise sophisticated so as to understand the merits and risks of the prospective investment and who did not receive the requisite financial information"); AIC, 2014 WL 3810667, at *2 [Ex. A, slip op. at 5–6] ("AIC received investments in the form of promissory notes and subscription agreements from individuals who were unaccredited investors without registering their securities under Section 5 of the Securities Act. At least some of the account forms completed by investors showed on their face that the investors were not accredited." (citation omitted)).

amounts to, at most, a semantic disagreement with the characterization of his conduct as “targeting” the elderly and unsophisticated. But that disagreement is not, at bottom, a factual dispute, let alone one that materially affects the Steadman public interest inquiry.

B. Skaltsounis Makes a Variety of Arguments for Why the Imposition of a Bar Would Be Unfair, None of Which Has Any Validity.

Skaltsounis admits that he was “acting in a principal capacity” for AIC’s subsidiaries (i.e., the three broker-dealers and the investment adviser) but then contends that his being subject to an industry bar constitutes an inappropriate “additional penalty” because such relief would not be imposed upon someone not in the securities industry who committed similar acts. (Resp. at 6.) Putting aside whether Skaltsounis’s summary of the law is correct or not, his argument rests on an incorrect premise. As the Commission recently noted in John W. Lawton, Release No. 3513, 2012 WL 6208750 (Dec. 13, 2012), the congressionally granted authority to bar collaterally is prospective in nature, with the purpose of protecting investors from future harm, as opposed to being punitive. See id. at *4–*10.

Relatedly, Skaltsounis attacks the collateral nature of the bar, arguing that he has never participated in several of the identified activities (i.e., those other than broker, dealer, and investment adviser). (Resp. at 7 n.2.) But collateral bars are authorized under the Exchange Act and the Advisers Act, as amended by Section 925 of Dodd-Frank, 15 U.S.C. §§ 78o(b)(6)(A), 80b-3(f), and the Commission has previously upheld their use, John W. Lawton, 2012 WL 6208750, at *10.

Next, Skaltsounis says a bar is unnecessary because, should he ever seek re-entry into the securities industry, “FINRA would be reluctant to approve.” (Resp. at 7.) But it is completely unnecessary—and inappropriate—to engage in that sort of speculation. The pertinent statutes state

that the Commission “shall” sanction an industry respondent, who has been enjoined, where such sanction is in the public interest. 15 U.S.C. §§ 78o(b)(6)(A), 80b-3(f).

Finally, Skaltsounis argues that the Commission did not put the question of a bar before the district court and speculates that, had the Commission done so, the district court would not have granted it. But the only reason the industry bar came up at all in the post-trial opinion was because Skaltsounis—wrongly assuming the issue was before the court—argued strenuously against it. (Defs.’ Opp’n at 3 (Ex. L).) Far from indicating any inclination toward Skaltsounis’s position, Chief Judge Varlan explicitly made “no finding as to whether Mr. Skaltsounis should be banned from any future involvement in the securities industry,” because the pertinent statutory authority committed that power to the Commission. AIC, 2014 WL 3810667, at *4 n.5 [Ex. A, slip op. at 11 n.5] (citing 15 U.S.C. § 80b-3(f)).

C. Skaltsounis Still Has Not Acknowledged the Wrongfulness of His Actions Nor Made Any Assurances Against Future Violations.

Perhaps some of the best evidence in support of the Division of Enforcement’s position on the fourth and fifth Steadman factors is found in Skaltsounis’s own Response. After a year and a half of discovery, summary judgment, a full trial on the merits, post-trial relief, and the institution of this administrative proceeding, Skaltsounis still does not acknowledge that he did anything wrong. Further, he blithely contends that his failure to do so is part and parcel of the appellate and post-trial relief processes—but he has not filed a notice of appeal nor any post-trial motions, and the time for doing so has long since passed.

Further, Skaltsounis continues to stand by defenses (in particular, his equitable defenses alleging misconduct by the Commission’s examination staff and his advice-of-counsel defense) for which he could not even withstand his burden on summary judgment. See AIC, 2013 WL

5134411, at *3–*9 [Ex. K, slip op. at 7–20] (dismissing the defenses of estoppel, waiver, unclean hands, and advice-of-counsel on summary judgment). In this regard, Skaltsounis accuses the Division of Enforcement of “Monday morning quarterbacking.” (Resp. at 8 (emphasis omitted).) This demonstrates Skaltsounis’s refusal to accept responsibility for his actions. It also underscores why Skaltsounis is unfit to be in the securities industry and why it is in the public interest that he be barred: It is inappropriate for an industry professional, faced with allegations of illegal and fraudulent conduct, to launch baseless accusations against his lawyer (who, as it happens, advised him to follow the law) and the Commission’s examination staff—and to continue pressing them even after those matters have been decided by the court.

The Commission has recognized that the failure to acknowledge wrongdoing or to show remorse “indicates that there is a significant risk that, given the opportunity, [the respondent] would commit further misconduct in the future.” Justin F. Ficken, Release No. 2803, 2008 WL 4610345, at *4 (Oct. 17, 2008). The fact is that, despite everything that has transpired, Skaltsounis has learned nothing. He continues to blame others and to insist that the jury and trial judge were wrong for not seeing things his way. These facts strongly suggest that, in the absence of an industry bar, Skaltsounis would pose a significant threat to the investing public.

III. CONCLUSION

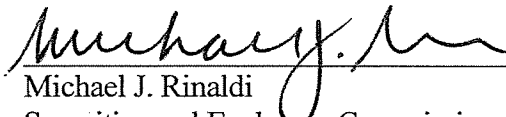
Skaltsounis committed a substantial fraud, over the course of years, involving dozens of investors, and resulting in millions of dollars of losses. Not only did Skaltsounis act with scienter, but his actions were taken knowingly and against the advice of his counsel. Far from showing remorse, he made false accusations against his former lawyer and the Commission’s examination staff and, even now, insists that the jury got it wrong. Though he now says that he prefers another

line of business, throughout the district court litigation he maintained a putative unclean hands defense focused on his exclusion from the industry, in post-trial briefing argued that an industry bar would prevent him from working, and, in this administrative proceeding, speculates about whether FINRA would approve his application should he seek readmission.

Taken together, these facts indicate that Skaltsounis poses a significant threat to the investing public and that it is in the public interest that he be permanently and collaterally barred. Accordingly, the Division of Enforcement's Motion for Summary Disposition should be granted.

Dated: December 3, 2014.

Respectfully submitted,



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RinaldiM@sec.gov

Counsel for the Division of Enforcement

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Member NASD, SIPC

DIRECT ACCOUNT FORM (NON-BROKERAGE ACCOUNTS)

Suite 601
RICHMOND, VA 23225
800-780-2989
FAX: 804-323-1718

- Individual, Corporation or Partnership*, Custodian for Minor, Trust*, Tenants in Common, Joint Tenants with Right of Survivorship,
- IRA* (Please specify IRA type _____) Other*
- *Additional documents are required to open these types of accounts.

Tell us about this account...

and your Joint Account owner, (if any)...

Name EMR

Joint Owner(s) EMR

Street Address

City, State

Social Security Number

Your Country of Citizenship

Evening Telephone Number

Mailing Address (if different)

Tell us how long you have been in the U.S. (See back)

Years of U.S. Residence

Income

Financial Worth

Total Net Worth

Tax Bracket

Investment Objective

Risk Tolerance

Time Frame

Are you, the holder, related to the joint owner(s)?
 No

Is the holder related to the joint owner(s) (2) closely?
If yes, identify the relationship

Please read the following disclosure:

This document is not a recommendation, offer of securities, or solicitation of an offer to sell securities. It is only for informational purposes. It does not constitute an offer to sell securities, nor does it constitute an offer to buy securities. It is not intended to be used as a basis for investment decisions. It is not intended to be used as a basis for investment decisions. It is not intended to be used as a basis for investment decisions.

I have read this disclosure and understand its contents.

Representative of

Institution

Branch Location

Referring Broker

Car

Signature of

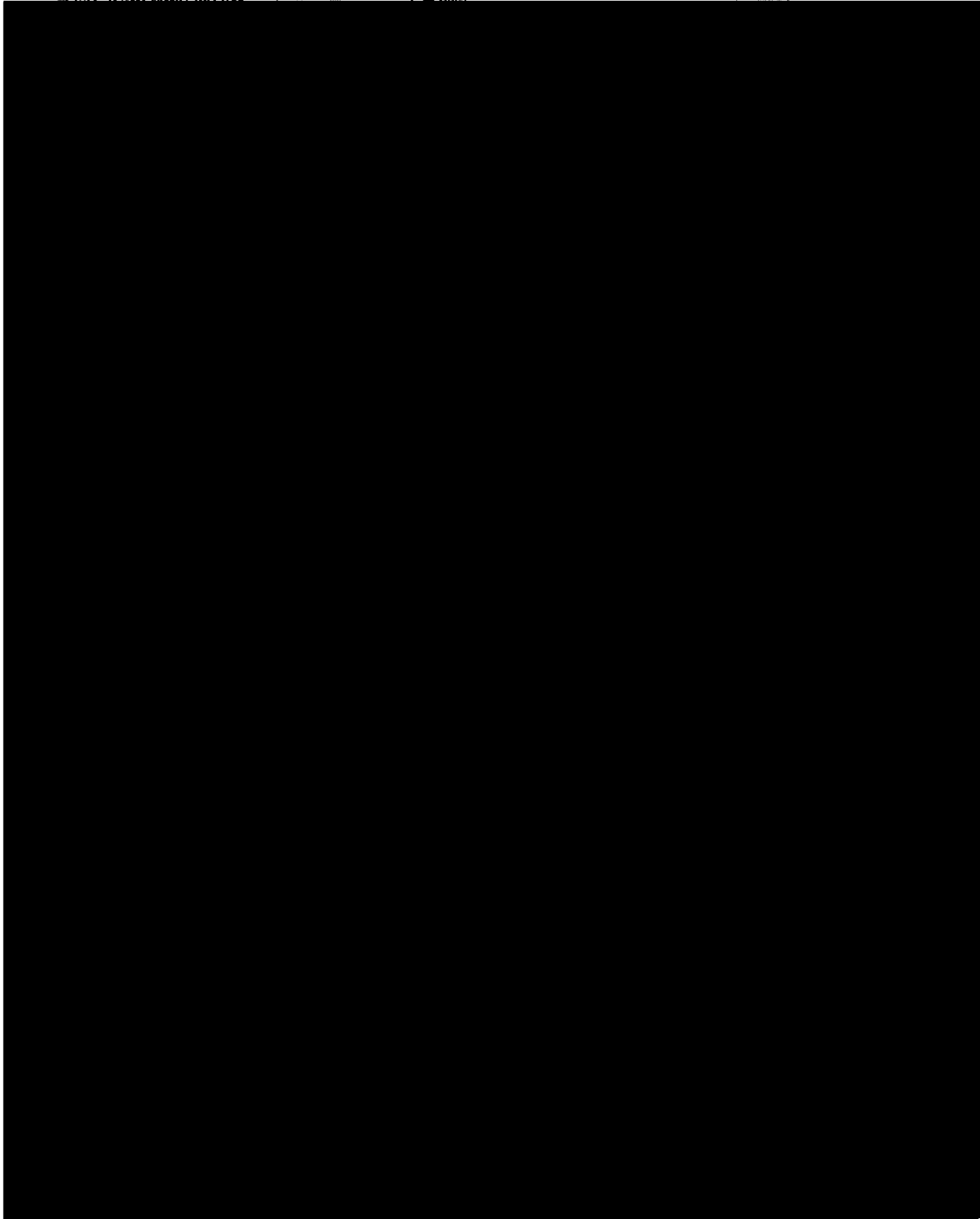
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COMMUNITY
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(NON-BROKERAGE ACCOUNTS)

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RICHMOND, VA 23225
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FAX: 804-323-1718

- Individual, Corporation or Partnership* Custodian for Minor Trust* Tenants in Common Joint Tenants with Right of Survivorship...
 IRA* (Please specify IRA type) Other*



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BANKERS
SECURITIES

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7001 BUSINESS VIEW DR
Suite 601
Richmond, VA 23225
800-780-2989
FAX 804-323-1718

and Customer Agreement

ACCOUNT CARRIED WITH
 Pershing LLC, serviced by UVEST Financial Services
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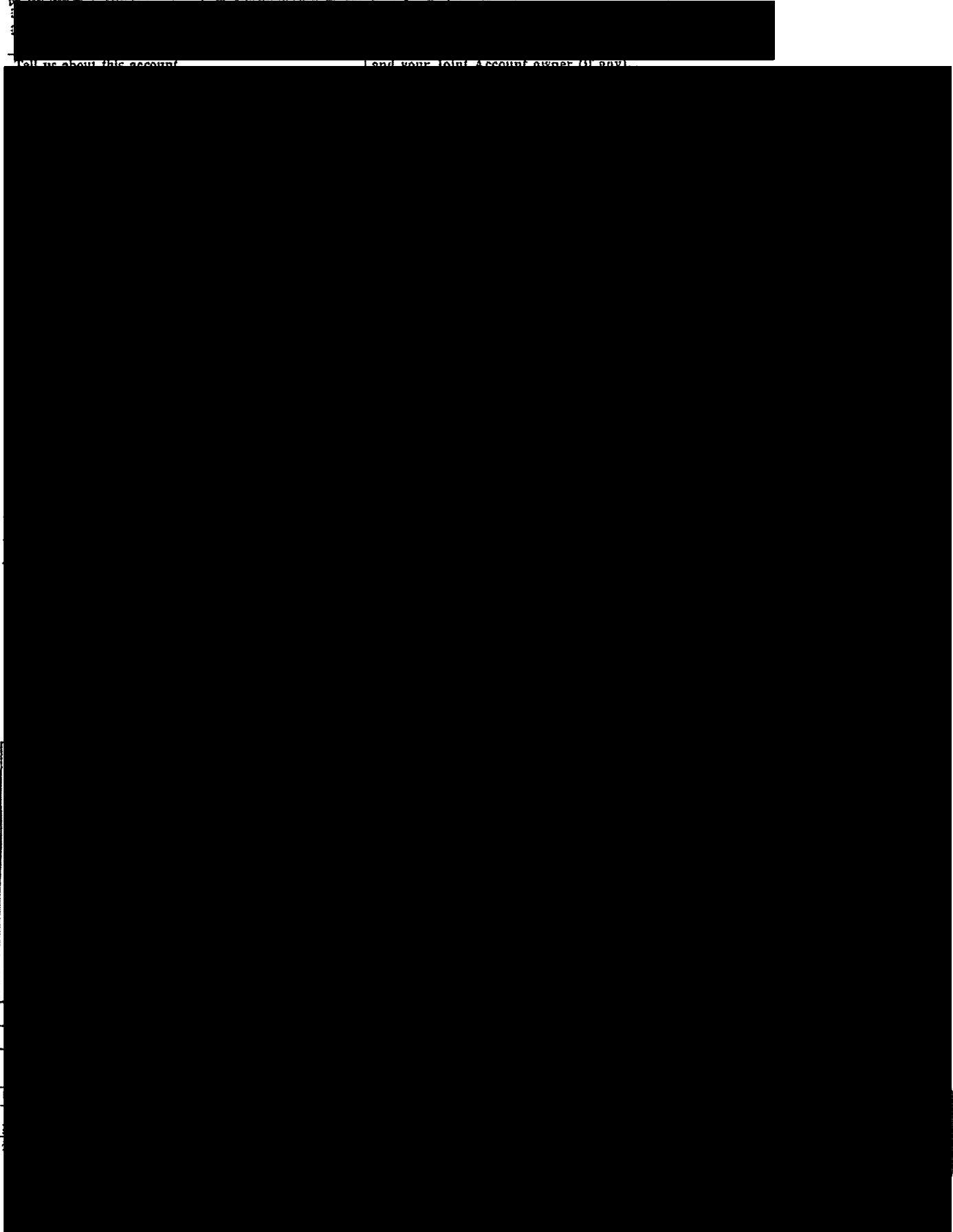
REGISTRATION

TYPE OF ACCOUNT

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and your joint account owner (if any):



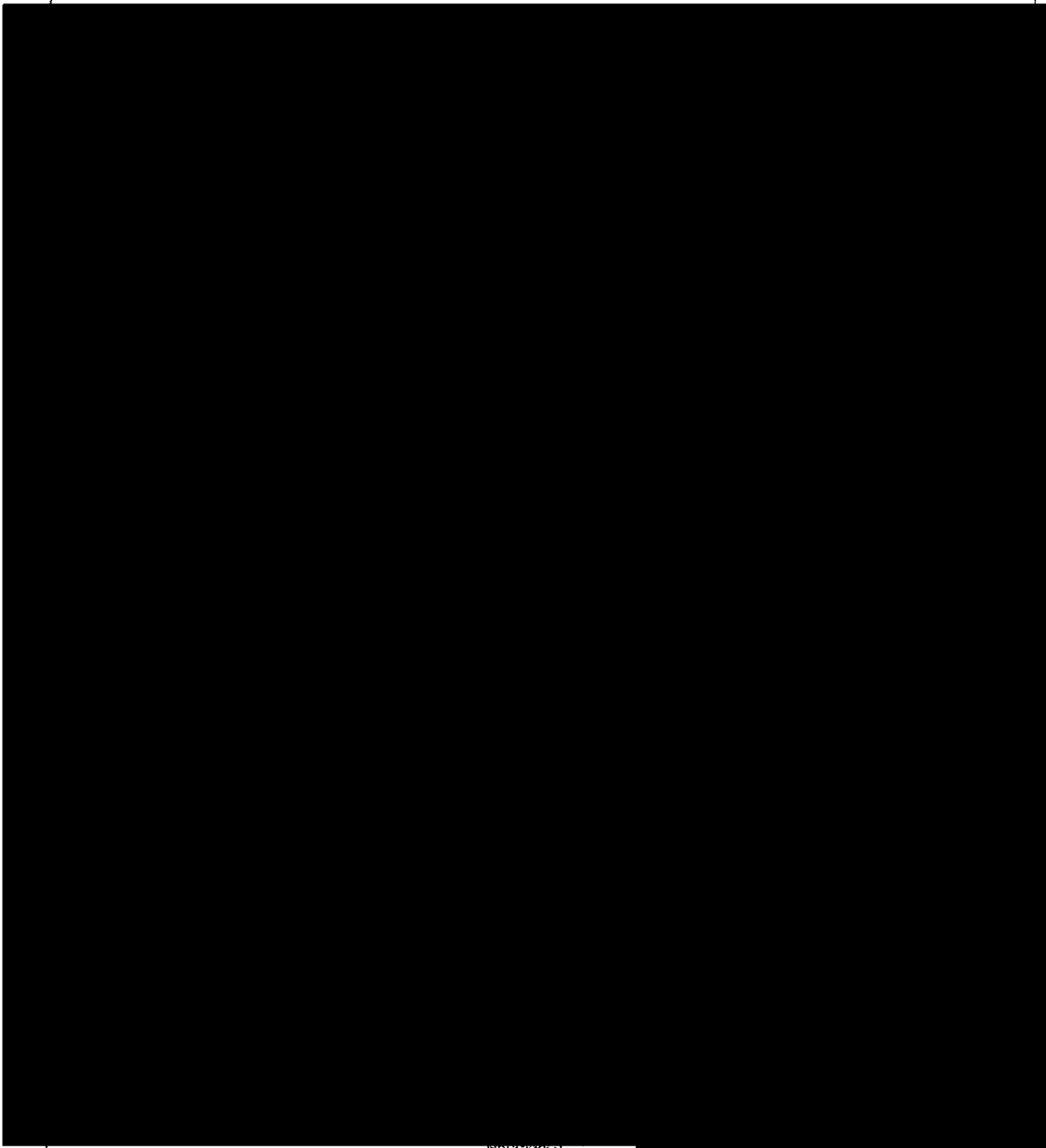
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COMMUNITY BANKERS
Member FDIC

**DIRECT ACCOUNT FORM
(NON-BROKERAGE ACCOUNTS)**

7501 Boulders View Dr.
Suite 601
RICHMOND, VA 23225
800-780-2989
FAX: 804-323-1718

- Individual Corporation or Partnership* Custodian for Minor Trust* Tenants in Common Joint Tenants with Right of Survivorship
 IRA* (Please specify IRA type ROTH) Other*



**BANKERS
SECURITIES**

Member NASD, SIPC

(NON-BROKERAGE ACCOUNTS)

RICHMOND, VA 23225

800-780-2989

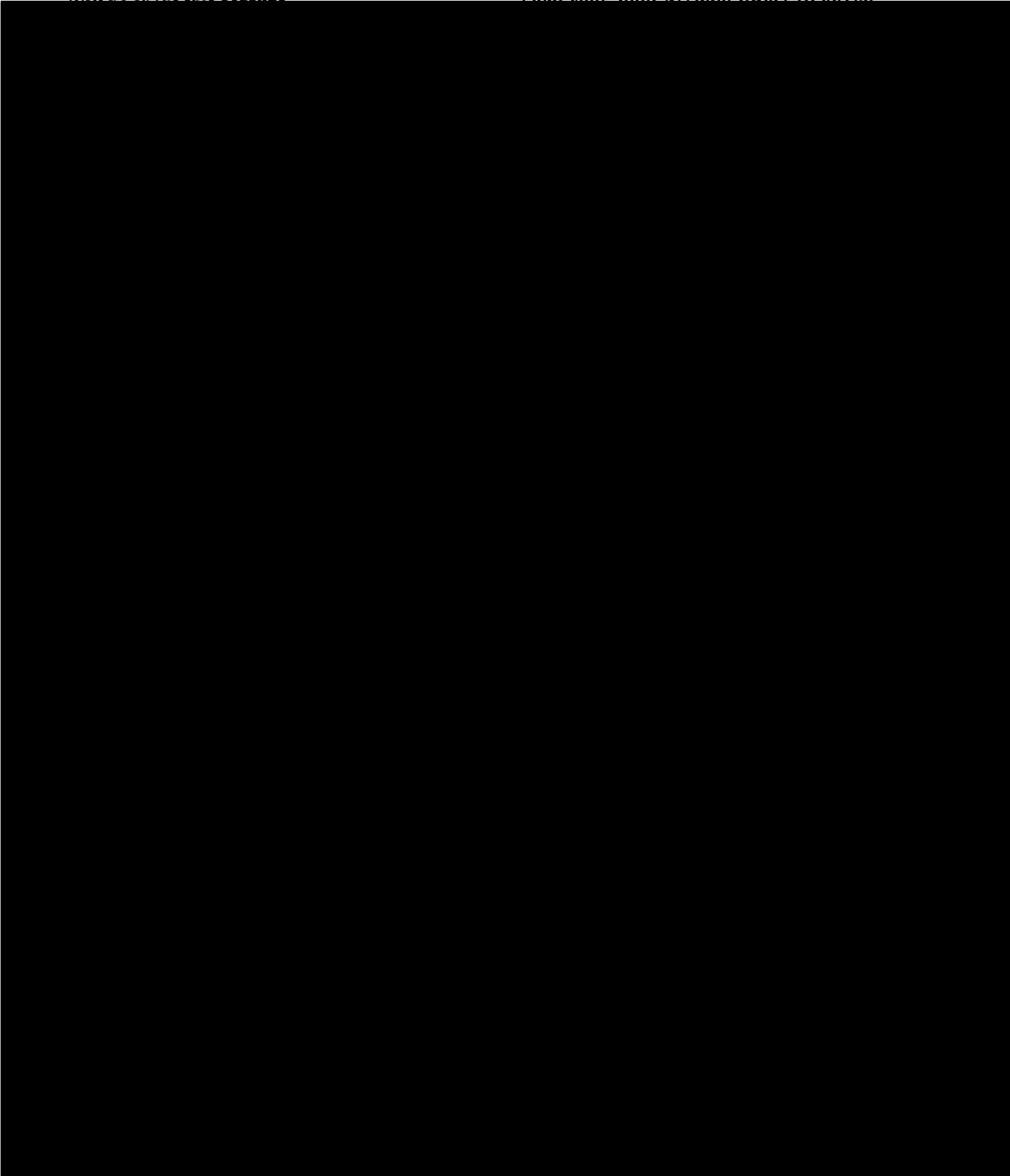
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Individual Corporation or Partnership* Custodian for Minor Trust* Tenants in Common Joint Tenants with Right of Survivorship

IRA* (Please specify IRA type _____) Other* _____

* Additional documents are required to open these types of accounts.

and your joint Account owner (if any)



SUBSCRIPTION AGREEMENT

THIS SUBSCRIPTION AGREEMENT between AIC, Inc., a Virginia corporation (the "Company"), and the person executing this Agreement (the "Subscriber"), provides:

1. **GENERAL.** This Agreement constitutes an offer by the Subscriber to purchase Shares in the Company (as defined below), pursuant to the terms and conditions described herein. This Agreement is being submitted to the Company by the Subscriber prior to the making of any offer to sell or the sale of the Shares or any interest in the Company by the Company or its authorized representatives. Furthermore, this Agreement, and the Subscriber's offer contained herein, will not be binding upon the Company unless accepted in writing by the President of the Company, as described below.

2. **DEFINITIONS.** The following definitions are relevant for purposes of this Agreement:

Act. Act shall mean the Securities Act of 1933, as amended.

President. President shall mean Nicholas D. Skaltsounis, the President of the Company.

Shares. Shares shall mean the shares of **Series B Convertible Preferred Stock** of the Company, no par value.

3. **SUBSCRIPTION.**

3.1 Amount of Subscription. The Subscriber hereby subscribes to the purchase of the number of Shares and for the purchase price (\$1,000.00 for each Share), set forth at the end of this Agreement.

3.2 Tender. Along with this Agreement, the Subscriber hereby tenders to the Company a check in the amount of **\$150,000.00** as set forth at the end of this Agreement, payable to "AIC, Inc."

4. **SUBSCRIBER'S REPRESENTATIONS.** The Subscriber hereby represents, warrants and covenants as follows:

(a) Subscriber Qualifications.

(i) The Subscriber, if an individual, is at least 21 years of age.

(ii) The Subscriber, if a corporation, partnership, business, trust or other unincorporated association or entity, was not formed for the specific purpose of making an investment in the Shares, or, if it is unable to make such warranty and representation, attached hereto is a list of the names and residence addresses of each beneficial owner of the tax equity

interests in such Subscriber. The Subscriber is not a "tax exempt entity" as defined in Section 168(h)(2) of the Internal Revenue Code of 1986, as amended.

(iii) The Subscriber, and his representative (the "Purchaser Representative"), if any, acknowledge that investment in the Shares involves both a high degree of risk, as well as illiquidity in the sense that there is no public trading market for the Shares and there are restraints on the transfer of such Shares.

(iv) The Subscriber can bear the economic risk of investment in the Shares in that he has adequate means of providing for his current needs and other possible contingencies, without regard to the liquidity of the Shares.

(v) The Subscriber, has had an opportunity prior to the execution of this Agreement to ask questions of and receive answers from the Company and the President thereof, concerning the Company and to obtain any additional information, to the extent that the Company possesses it or could acquire it without unreasonable effort or expense, that is necessary to verify the information furnished.

(vi) The Subscriber, has such knowledge and experience in financial and business matters and investments that the Subscriber is capable of evaluating the merits and risks of the undersigned's investment in the Shares and has obtained sufficient information relating to the Shares and the Company to enable the Subscriber to evaluate the merits and risks of such investment.

(vii) The Subscriber, if a natural person, (a) has an individual net worth, or joint net worth with that person's spouse, at the time of purchase exceeding \$1,000,000.00; or (b) had an individual income in excess of \$200,000.00 in each of the two most recent years or joint income with the person's spouse in excess of \$300,000.00 in each of those years and has a reasonable expectation of reaching the same income level in the current year. The Subscriber, if a corporation, has assets in excess of \$5,000,000.00.

(viii) The Subscriber is acquiring the Shares solely for his own account, for investment purposes only, and not with a view to the sale or other disposition of all or any part thereof or any interest therein. The Subscriber has no agreement or other arrangement with any person to sell, transfer or otherwise dispose of the Shares or any part thereof.

(ix) The Subscriber understands that the Shares to be purchased by him have not been registered under the Act and, therefore, cannot be resold unless registered under the Act or unless an exemption from registration is available.

(x) The Subscriber understands that the Company has no obligation to register the Shares under the Act or to comply with the requirements for any exemption which might otherwise be available, or to supply the Subscriber with any information necessary to enable the Subscriber to resell the Shares in compliance with the applicable federal or state securities laws and the rules and regulations thereunder. Further, an exemption from

registration under the Act might not be available. Additionally, the Shares may not be sold or disposed of without the submission of a written legal opinion in form and substance satisfactory to the Company that such sale or disposition is exempt from registration requirements. The Subscriber acknowledges and agrees that a legend referring to the aforementioned transfer limitation will be placed on each stock certificate evidencing Shares that he receives.

(xi) The Subscriber reaffirms the truth and accuracy of his information submitted or being submitted to the Company along with this Agreement.

(xii) The Subscriber certifies that he, she or it has answered the questions contained in the Subscriber Questionnaire attached hereto as Appendix A and made a part hereof to the best of his, her or its knowledge and that the answers thereto are complete and accurate. The Subscriber understand and agrees that, although such answers will be kept strictly confidential, the Company may present such Subscriber Questionnaire to such parties as it deems advisable if called upon to establish the availability under federal or state securities laws of an exemption from registration. The Subscriber agrees to indemnify the Company, its agents, officers, directors and shareholders, for any and all losses (including attorneys' fees) incurred by the Company as a result of its reliance on the representations Subscriber has made in this Agreement or any answers contained in the Subscriber Questionnaire.

(xiii) The Subscriber understands and agrees that the Company is issuing the Shares to him pursuant to exemptions from federal and state securities registration requirements set forth the Act. In connection therewith, the Subscriber represents and warrants that the Subscriber is an "Accredited Investor" as defined in Regulation D promulgated under the Act and has answered "yes" to Question Number 4 on the Subscriber Questionnaire attached as Appendix A.

(b) Risk Factors.

(i) The Subscriber understands that the Company is a newly-formed company, and has limited historical revenues and operating history. Although the Company intends to introduce new products and services, there can be no assurance that the Company will introduce any new products or services. It is difficult to assess or predict with assurance the Company's growth rate, if any, and the size of its potential market. There can be no assurance that the market for the Company's products or services will develop or that the Company will ever become profitable.

(ii) The Subscriber acknowledges that, although the Company believes that it has made adequate allowances for the costs and risks associated with expansion and growth, there can be no assurance that the Company's systems, procedures or controls will be adequate to support the Company's operations or that Company management will be able to carry out the rapid execution necessary to fully exploit the market for the Company's products and services. The Company's future operating results will also depend on its ability to expand its support organization commensurate with the increasing base of its customers. If the Company is unable to manage its growth effectively, the Company's business, results of operations and financial condition will be materially adversely affected.

(iii) The securities business, investment advisory and insurance agency business is intensely competitive and certain companies have developed services similar to the Company's products. Many of these companies may have substantially greater financial, technical, marketing, sales and customer support resources, as well as greater name recognition, than the Company. In addition, to the extent that the competitors achieve performance, price or other selling advantages, the Company could be adversely affected. There can be no assurance that the Company will have the resources required to respond effectively to market or technological changes or to compete successfully in the future. In addition, increasing competition in the securities, investment advisory and insurance agency market may cause prices to fall, which may adversely affect the Company's business, operating results and financial condition. Furthermore, existing financial services companies that do not compete currently with the Company may broaden their product lines to compete with the Company's products and services, resulting in even greater competition for the Company.

(iv) The subscriber acknowledges that he has received a copy of Articles of Serial Designation and Amendment to the Articles of Incorporation of AIC, Inc., which describes the Common Stock, Series A Convertible Preferred Stock and Series B Convertible Preferred Stock of the Company.

(v) The Subscriber understands that certain individuals, including but not limited to directors, officers and employees, have received options to purchase shares of the Company's common stock pursuant to the 2000 Stock Option Plan (the "Stock Option Plan") and the 2000 Stock Option Agreement (the "Stock Option Agreement"). Copies of the Stock Option Plan and the Stock Option Agreement are available for inspection and are on file with the Company. In addition, certain individuals (the "Creditors") possess rights to convert existing debt obligations payable by the Company to the Creditors into common stock of the Company. Each of the debt instruments exhibiting the debt obligations by the Company to the Creditors contain anti-dilution terms for any conversion of the existing debt obligation into shares of the Company's common stock.

(c) Receipt of Company Materials.

(i) The Subscriber acknowledges reviewing information describing the Company, its mission and strategic initiatives, including but not limited to descriptions of the Company's operations relating to the independent contractor market and recruiting, institutional sales, bank marketing programs, securitization, the reciprocal structure, business objectives, development of an independent contractor network, marketing agreements, Community Banker's Bank agreement, joint ventures, investment banking, and affiliated companies.

(ii) The Subscriber understands that any financial or operating projections included obtained by, viewed or communicated to the Subscriber, are based on assumptions which the Company believes to be reasonable and based on conditions and circumstances to be encountered in the future. Some assumptions inevitably will not materialize and unanticipated events and circumstances will occur. Therefore, the actual results achieved during the forecasted period may vary from the projections and such variations may be material.

5. **INDEMNIFICATION.** The Subscriber hereby indemnifies and holds harmless the Company and the President for any liability, expense or delays arising out of or in connection with (i) any misrepresentation made by Subscriber herein, and (ii) any warranties herein not performed by him.

6. **ASSIGNMENT.** The Subscriber shall not transfer or assign this Agreement, or any of his interest herein, except upon the prior written consent of the Company.

7. **REVOCATION.** The Subscriber agrees that he may not cancel, terminate or revoke this Agreement without the prior written consent of the Company.

8. **NOTICES.** All notices or other communications given or made hereunder to the Company shall be in writing and shall be delivered by hand or mailed by registered or certified mail, return receipt requested to the following address:

AIC, Inc.
7501 Boulders View Drive, Suite 601
Richmond, Virginia 23225
Attn: Nicholas D. Skaltsounis, President

9. **GOVERNING LAW.** This Agreement shall be governed and construed in accordance with the laws of the Commonwealth of Virginia, without regard to its conflict of laws provisions.

10. **BINDING EFFECT.** This Agreement and the rights, powers and duties set forth herein shall, except as set forth herein, be binding upon, and inure to the benefit of, the heirs, legatees, devisees, executors, administrators, personal representatives, successors and assigns of the parties hereto.

11. **INTERPRETATION.** When the context in which words are used in this Agreement indicates that such is the intent, words in the singular number shall include the plural, and vice versa, and words in the masculine gender shall include the feminine and neuter genders, and vice versa. The term "person" as used herein shall mean an individual, corporation, partnership or other entity.

12. **ENTIRE AGREEMENT.** This Agreement contains the entire agreement between the parties hereto and supersedes all prior and contemporaneous understandings and agreements of the parties, whether oral or written, regarding the within contained subject matter. The provisions of this Agreement may not be modified or waived except in writing and the representations, warranties and covenants contained herein shall survive the closing of the purchase of the Shares by the Subscriber and any investigation at any time made by any person.

IN WITNESS WHEREOF, the Subscriber has hereby executed this Agreement this
13 day of September, 2009.

Number of Shares to be Purchased:	<u>150</u>
Price per Share:	<u>\$ 1,000.00</u>
Total Purchase Price:	<u>\$ 150,000.00</u>
Amount Payable to AIC, Inc.	<u>\$ 150,000.00</u>

By: 

Name (Print): 

By: _____

Name (Print):

Appendix A

SUBSCRIBER QUESTIONNAIRE

AIC, INC.

THIS QUESTIONNAIRE DOES NOT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY A SECURITY. The sole purpose of this questionnaire is to establish whether the individual or entity on whose behalf this questionnaire is completed (the "Subscriber") is a qualified investor to whom securities of AIC, INC., a Virginia corporation (the "Company"), may be offered and sold under applicable federal and state securities laws. The completed statement should indicate whether the Subscriber has or can be attributed with such knowledge and experience in financial and business matters as to be able to evaluate the merits and risks of an investment and whether the Investor has the financial means to bear the economic risks involved.

IMPORTANT: This form of Subscriber Questionnaire has been prepared for use by individuals and by entities such as limited liability companies, partnerships, corporations and trusts. If the Investor is an entity, when completed this questionnaire should provide information regarding the entity and not particular members, partners, officers, directors, trustees or beneficiaries of the entity, unless specifically requested. Notwithstanding the foregoing, in the case of limited liability companies, partnership, corporations and trusts formed specifically for the purpose of participating in this investment, a questionnaire must be completed by each partner, member, shareholder, and beneficiary, as applicable.

I. IF THE SUBSCRIBER IS ONE OR MORE INDIVIDUALS:

a. Name(s) of individual(s):

b. Address(es) of individual(s):

c. Telephone number(s) of individual(s): () _____

d. Occupation(s) of individual(s): _____

e. Name(s) of employer(s): _____

f. Address(es) of employer(s): _____

2. IF THE SUBSCRIBER IS AN ENTITY:

- a. Name of entity: [REDACTED]
- b. Form of entity: Trust
(include state of organization, e.g., "VA corporation" or "NC LLC")
- c. Date of organization of entity: March 20, 2006
- d. Address of entity: [REDACTED]
[REDACTED]
- e. Telephone number of entity: [REDACTED]
- f. Please name the authorized representative(s) of the entity who will be acting for the entity in connection with its potential investment in the Company:
[REDACTED]
- g. Type of business entity is engaged in: _____

3. Please state the amount, in United States dollars, of the Subscriber's potential investment in the Company:

\$ 150,000

4. The Subscriber is one or more of the following (If yes, check appropriate lines):

Yes _____ No _____

_____ a natural person who had an individual income in excess of \$200,000 in each of the two most recent years or joint income with a spouse in excess of \$300,000 in each of those years and who reasonably expects to reach the same income level in the current year.

Ac [REDACTED] a natural person whose individual net worth, or joint net worth with that person's spouse, at the time of purchase exceeds \$1,000,000;

_____ a trust, with total assets in excess of \$5,000,000, not formed for the specific purpose of acquiring the securities offered, whose purchase is

directed by a person who has such knowledge and experience in financial and business matters that he is capable of evaluating the merits and risks of the prospective investment;

_____ a bank, as defined in Section 3(a)(2) of the Securities Act of 1933 (the "Act") or a savings and loan association or other institution as defined in Section 3(a)(5)(A) of the Act whether acting in its individual or fiduciary capacity;

_____ a broker-dealer registered pursuant to Section 15 of the Securities Exchange Act of 1934;

_____ an insurance company as defined in Section 2(13) of the Act;

_____ an investment company registered under the Investment Company Act of 1940 or a business development company as defined in Section 2(a)(48) of the Investment Company Act of 1940;

_____ a Small Business Investment Company licensed by the U.S. Small Business Administration under Section 301(c) or (d) of the Small Business Investment Act of 1958;


_____ a plan established and maintained by a state, its political subdivisions, or any agency or instrumentality of a state or its political subdivisions, for the benefit of its employees, where such plan has total assets in excess of \$5,000,000.

_____ an employee benefit plan within the meaning of Title 1 of the Employee Retirement Income Security Act of 1974, where the investment decision is made by a plan fiduciary, as defined in Section 3(21) of such Act, which is either a bank, savings and loan association, insurance company, or registered investment adviser, or an employee benefit plan that has total assets in excess of \$5,000,000, or if a self-directed plan the investment decisions are made solely by persons that are accredited investors;

_____ a private business development company, as defined in Section 202(a)(22) of the Investment Advisers Act of 1940;

_____ an organization described in Section 501(c)(3) of the Internal Revenue Code, a corporation, a Massachusetts or similar business trust, or a partnership, not formed for the specific purpose of acquiring the securities offered, with total assets in excess of \$5,000,000;

_____ a director or executive officer of the Company;

 an entity in which all of the equity investors is a person described above.

(If your answer to Item 4 was "No," please complete Items 5 and 6.)

5. [REDACTED]

6. [REDACTED]

7. The Subscriber has previously purchased securities which were sold in reliance upon the private offering exemption from registration under the Act (a private placement).

Yes [REDACTED] No [REDACTED]

(If your answer to Item 7 was "Yes," please complete Item 8.)

8. Please state the number of private placement transactions in which the Subscriber has invested:

Fewer than 3 [REDACTED] 8 to 15 [REDACTED]
3 to 8 [REDACTED] More than 15 [REDACTED]

9. Please indicate the frequency of the Subscriber's investment in publicly traded securities:

often [REDACTED] occasionally [REDACTED]
seldom [REDACTED] never [REDACTED]

10. Does the Subscriber have a "pre-existing relationship" with the Company or any of its officers, directors or controlling persons?

Yes [REDACTED] No [REDACTED]

11. If the answer to item 10 is yes, please name the individual or other person with whom the Subscriber has a pre-existing relationship:

[REDACTED]

12. How long has the Subscriber had the relationship with the individual or other person identified in item 11?

[REDACTED]

-
13. Please describe in detail the nature of the Subscriber's relationship with each individual or other person identified in Item 11.

14. Please describe briefly the Subscriber's experience in business and financial matters that makes it capable of evaluating the merits and risks of its potential investment in the Company.

15. In furnishing the above information, the Subscriber, and if the Subscriber is an entity, the individual executing and delivering this questionnaire on behalf of the entity, acknowledge that the Company will be relying thereon in determining, among other things, whether there is reasonable grounds to believe that the Investor qualifies as a purchaser of shares of the Company's securities. To the best of the Subscriber's information and belief, the above information supplied by the Subscriber is true and correct in all respects and the Investor represents and warrants to the Company as follows:

- (a) The answers to the above questions may be relied upon the Company in determining whether the offering in which the Subscriber proposes to participate is exempt from registration under the Act and from registration or qualification under the securities laws of various states:
- (b) The Subscriber will notify the Company immediately of any material change in any statement made herein occurring prior to the closing of any purchase by the Subscriber of securities of the Company.

16. Provide the name, address and professional affiliation of your Purchaser Representative, if any.

Name of Purchaser Representative _____

Address _____

Professional Affiliation _____

The named Purchaser Representative, if any, will complete a Purchaser Representative's Questionnaire, a copy of which will be delivered to the Company.

The Subscriber believes that the Subscriber alone or together with the named Purchaser Representative, if any, has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of an investment in securities of the Company.

17. The Subscriber is able to bear the economic risk of the proposed investment and at the present time could afford a complete loss of such investment.

IN WITNESS WHEREOF, the undersigned has executed this Investor Questionnaire as of Sept 13, 2009.

IF SUBSCRIBER IS AN ENTITY:

By: _____

IF SUBSCRIBER IS ONE OR MORE INDIVIDUALS (all individuals must sign)

By: _____
Print Name:

By: _____
Print Name:

IN RELIANCE ON THE INFORMATION CONCERNING THE SUBSCRIBER CONTAINED IN THIS AGREEMENT AND THE WARRANTIES AND COVENANTS SET FORTH IN THIS AGREEMENT, THE ABOVE SUBSCRIPTION OF THE SUBSCRIBER IS HEREBY ACCEPTED.

Dated: 9/29/09

AIC, Inc.

By: Nicholas D. Skaltsounis
Nicholas D. Skaltsounis, President

SUBSCRIPTION AGREEMENT

THIS SUBSCRIPTION AGREEMENT between AIC, Inc., a Virginia corporation (the "Company"), and the person executing this Agreement (the "Subscriber"), provides:

1. **GENERAL.** This Agreement constitutes an offer by the Subscriber to purchase Shares in the Company (as defined below), pursuant to the terms and conditions described herein. This Agreement is being submitted to the Company by the Subscriber prior to the making of any offer to sell or the sale of the Shares or any interest in the Company by the Company or its authorized representatives. Furthermore, this Agreement, and the Subscriber's offer contained herein, will not be binding upon the Company unless accepted in writing by the President of the Company, as described below.

2. **DEFINITIONS.** The following definitions are relevant for purposes of this Agreement:

Act. Act shall mean the Securities Act of 1933, as amended.

President. President shall mean Nicholas D. Skaltsounis, the President of the Company.

Shares. Shares shall mean the shares of **Series B Convertible Preferred Stock** of the Company, no par value.

3. **SUBSCRIPTION.**

3.1 **Amount of Subscription.** The Subscriber hereby subscribes to the purchase of the number of Shares and for the purchase price (\$1,000.00 for each Share), set forth at the end of this Agreement.

3.2 **Tender.** Along with this Agreement, the Subscriber hereby tenders to the Company a check in the amount of \$ 55,000 as set forth at the end of this Agreement, payable to "AIC, Inc."

4. **SUBSCRIBER'S REPRESENTATIONS.** The Subscriber hereby represents, warrants and covenants as follows:

(a) Subscriber Qualifications.

(i) The Subscriber, if an individual, is at least 21 years of age.

(ii) The Subscriber, if a corporation, partnership, business, trust or other unincorporated association or entity, was not formed for the specific purpose of making an investment in the Shares, or, if it is unable to make such warranty and representation, attached hereto is a list of the names and residence addresses of each beneficial owner of the tax equity

interests in such Subscriber. The Subscriber is not a "tax exempt entity" as defined in Section 168(h)(2) of the Internal Revenue Code of 1986, as amended.

(iii) The Subscriber, and his representative (the "Purchaser Representative"), if any, acknowledge that investment in the Shares involves both a high degree of risk, as well as illiquidity in the sense that there is no public trading market for the Shares and there are restraints on the transfer of such Shares.

(iv) The Subscriber can bear the economic risk of investment in the Shares in that he has adequate means of providing for his current needs and other possible contingencies, without regard to the liquidity of the Shares.

(v) The Subscriber, has had an opportunity prior to the execution of this Agreement to ask questions of and receive answers from the Company and the President thereof, concerning the Company and to obtain any additional information, to the extent that the Company possesses it or could acquire it without unreasonable effort or expense, that is necessary to verify the information furnished.

(vi) The Subscriber, has such knowledge and experience in financial and business matters and investments that the Subscriber is capable of evaluating the merits and risks of the undersigned's investment in the Shares and has obtained sufficient information relating to the Shares and the Company to enable the Subscriber to evaluate the merits and risks of such investment.

(vii) The Subscriber, if a natural person, (a) has an individual net worth, or joint net worth with that person's spouse, at the time of purchase exceeding \$1,000,000.00; or (b) had an individual income in excess of \$200,000.00 in each of the two most recent years or joint income with the person's spouse in excess of \$300,000.00 in each of those years and has a reasonable expectation of reaching the same income level in the current year. The Subscriber, if a corporation, has assets in excess of \$5,000,000.00.

(viii) The Subscriber is acquiring the Shares solely for his own account, for investment purposes only, and not with a view to the sale or other disposition of all or any part thereof or any interest therein. The Subscriber has no agreement or other arrangement with any person to sell, transfer or otherwise dispose of the Shares or any part thereof.

(ix) The Subscriber understands that the Shares to be purchased by him have not been registered under the Act and, therefore, cannot be resold unless registered under the Act or unless an exemption from registration is available.

(x) The Subscriber understands that the Company has no obligation to register the Shares under the Act or to comply with the requirements for any exemption which might otherwise be available, or to supply the Subscriber with any information necessary to enable the Subscriber to resell the Shares in compliance with the applicable federal or state securities laws and the rules and regulations thereunder. Further, an exemption from

registration under the Act might not be available. Additionally, the Shares may not be sold or disposed of without the submission of a written legal opinion in form and substance satisfactory to the Company that such sale or disposition is exempt from registration requirements. The Subscriber acknowledges and agrees that a legend referring to the aforementioned transfer limitation will be placed on each stock certificate evidencing Shares that he receives.

(xi) The Subscriber reaffirms the truth and accuracy of his information submitted or being submitted to the Company along with this Agreement.

(xii) The Subscriber certifies that he, she or it has answered the questions contained in the Subscriber Questionnaire attached hereto as Appendix A and made a part hereof to the best of his, her or its knowledge and that the answers thereto are complete and accurate. ~~The Subscriber understand and agrees that, although such answers will be kept strictly confidential, the Company may present such Subscriber Questionnaire to such parties as it deems advisable if called upon to establish the availability under federal or state securities laws of an exemption from registration. The Subscriber agrees to indemnify the Company, its agents, officers, directors and shareholders, for any and all losses (including attorneys' fees) incurred by the Company as a result of its reliance on the representations Subscriber has made in this Agreement or any answers contained in the Subscriber Questionnaire.~~

(xiii) The Subscriber understands and agrees that the Company is issuing the Shares to him pursuant to exemptions from federal and state securities registration requirements set forth the Act. In connection therewith, the Subscriber represents and warrants that the Subscriber is an "Accredited Investor" as defined in Regulation D promulgated under the Act and has answered "yes" to Question Number 4 on the Subscriber Questionnaire attached as Appendix A.

(b) Risk Factors.

(i) The Subscriber understands that the Company is a newly-formed company, and has limited historical revenues and operating history. Although the Company intends to introduce new products and services, there can be no assurance that the Company will introduce any new products or services. It is difficult to assess or predict with assurance the Company's growth rate, if any, and the size of its potential market. There can be no assurance that the market for the Company's products or services will develop or that the Company will ever become profitable.

(ii) The Subscriber acknowledges that, although the Company believes that it has made adequate allowances for the costs and risks associated with expansion and growth, there can be no assurance that the Company's systems, procedures or controls will be adequate to support the Company's operations or that Company management will be able to carry out the rapid execution necessary to fully exploit the market for the Company's products and services. The Company's future operating results will also depend on its ability to expand its support organization commensurate with the increasing base of its customers. If the Company is unable to manage its growth effectively, the Company's business, results of operations and financial condition will be materially adversely affected.

(iii) The securities business, investment advisory and insurance agency business is intensely competitive and certain companies have developed services similar to the Company's products. Many of these companies may have substantially greater financial, technical, marketing, sales and customer support resources, as well as greater name recognition, than the Company. In addition, to the extent that the competitors achieve performance, price or other selling advantages, the Company could be adversely affected. There can be no assurance that the Company will have the resources required to respond effectively to market or technological changes or to compete successfully in the future. In addition, increasing competition in the securities, investment advisory and insurance agency market may cause prices to fall, which may adversely affect the Company's business, operating results and financial condition. Furthermore, existing financial services companies that do not compete currently with the Company may broaden their product lines to compete with the Company's products and services, resulting in even greater competition for the Company.

(iv) The subscriber acknowledges that he has received a copy of Articles of Serial Designation and Amendment to the Articles of Incorporation of AIC, Inc., which describes the Common Stock, Series A Convertible Preferred Stock and Series B Convertible Preferred Stock of the Company.

(v) The Subscriber understands that certain individuals, including but not limited to directors, officers and employees, have received options to purchase shares of the Company's common stock pursuant to the 2000 Stock Option Plan (the "Stock Option Plan") and the 2000 Stock Option Agreement (the "Stock Option Agreement"). Copies of the Stock Option Plan and the Stock Option Agreement are available for inspection and are on file with the Company. In addition, certain individuals (the "Creditors") possess rights to convert existing debt obligations payable by the Company to the Creditors into common stock of the Company. Each of the debt instruments exhibiting the debt obligations by the Company to the Creditors contain anti-dilution terms for any conversion of the existing debt obligation into shares of the Company's common stock.

(c) Receipt of Company Materials.

(i) The Subscriber acknowledges reviewing information describing the Company, its mission and strategic initiatives, including but not limited to descriptions of the Company's operations relating to the independent contractor market and recruiting, institutional sales, bank marketing programs, securitization, the reciprocal structure, business objectives, development of an independent contractor network, marketing agreements, Community Banker's Bank agreement, joint ventures, investment banking, and affiliated companies.

(ii) The Subscriber understands that any financial or operating projections included obtained by, viewed or communicated to the Subscriber, are based on assumptions which the Company believes to be reasonable and based on conditions and circumstances to be encountered in the future. Some assumptions inevitably will not materialize and unanticipated events and circumstances will occur. Therefore, the actual results achieved during the forecasted period may vary from the projections and such variations may be material.

5. **INDEMNIFICATION.** The Subscriber hereby indemnifies and holds harmless the Company and the President for any liability, expense or delays arising out of or in connection with (i) any misrepresentation made by Subscriber herein, and (ii) any warranties herein not performed by him.

6. **ASSIGNMENT.** The Subscriber shall not transfer or assign this Agreement, or any of his interest herein, except upon the prior written consent of the Company.

7. **REVOCATION.** The Subscriber agrees that he may not cancel, terminate or revoke this Agreement without the prior written consent of the Company.

8. **NOTICES.** All notices or other communications given or made hereunder to the Company shall be in writing and shall be delivered by hand or mailed by registered or certified mail, return receipt requested to the following address:

AIC, Inc.
7501 Boulders View Drive, Suite 601
Richmond, Virginia 23225
Attn: Nicholas D. Skaltsounis, President

9. **GOVERNING LAW.** This Agreement shall be governed and construed in accordance with the laws of the Commonwealth of Virginia, without regard to its conflict of laws provisions.

10. **BINDING EFFECT.** This Agreement and the rights, powers and duties set forth herein shall, except as set forth herein, be binding upon, and inure to the benefit of, the heirs, legatees, devisees, executors, administrators, personal representatives, successors and assigns of the parties hereto.

11. **INTERPRETATION.** When the context in which words are used in this Agreement indicates that such is the intent, words in the singular number shall include the plural, and vice versa, and words in the masculine gender shall include the feminine and neuter genders, and vice versa. The term "person" as used herein shall mean an individual, corporation, partnership or other entity.

12. **ENTIRE AGREEMENT.** This Agreement contains the entire agreement between the parties hereto and supersedes all prior and contemporaneous understandings and agreements of the parties, whether oral or written, regarding the within contained subject matter. The provisions of this Agreement may not be modified or waived except in writing and the representations, warranties and covenants contained herein shall survive the closing of the purchase of the Shares by the Subscriber and any investigation at any time made by any person.

IN WITNESS WHEREOF, the Subscriber has hereby executed this Agreement this
12 day of SEPTEMBER, 2009.

Number of Shares to be Purchased:	<u>55</u>
Price per Share:	\$ <u>1,000.00</u>
Total Purchase Price:	\$ <u>55,000</u>
Amount Payable to AIC, Inc.	\$ _____

By: _____

By: _____

Name (Print):

Appendix A

SUBSCRIBER QUESTIONNAIRE

AIC, INC.

THIS QUESTIONNAIRE DOES NOT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY A SECURITY. The sole purpose of this questionnaire is to establish whether the individual or entity on whose behalf this questionnaire is completed (the "Subscriber") is a qualified investor to whom securities of **AIC, INC.**, a Virginia corporation (the "Company"), may be offered and sold under applicable federal and state securities laws. The completed statement should indicate whether the Subscriber has or can be attributed with such knowledge and experience in financial and business matters as to be able to evaluate the merits and risks of an investment and whether the Investor has the financial means to bear the economic risks involved.

IMPORTANT: This form of Subscriber Questionnaire has been prepared for use by individuals and by entities such as limited liability companies, partnerships, corporations and trusts. If the Investor is an entity, when completed this questionnaire should provide information regarding the entity and not particular members, partners, officers, directors, trustees or beneficiaries of the entity, unless specifically requested. Notwithstanding the foregoing, in the case of limited liability companies, partnership, corporations and trusts formed specifically for the purpose of participating in this investment, a questionnaire must be completed by each partner, member, shareholder, and beneficiary, as applicable.

I. IF THE SUBSCRIBER IS ONE OR MORE INDIVIDUALS:

a. Name(s) of individual(s):

[REDACTED]

b. Address(es) of individual(s):

[REDACTED]

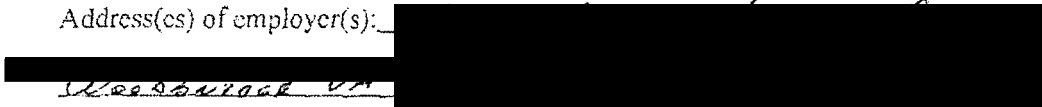
[REDACTED]

c. Telephone number(s) of individual(s): [REDACTED]

d. Occupation(s) of individual(s) [REDACTED]

e. Name(s) of employer [REDACTED] [REDACTED] [REDACTED]

f. Address(es) of employer(s):



Woodsburg VA

2. IF THE SUBSCRIBER IS AN ENTITY:

a. Name of entity: _____

b. Form of entity: _____
(include state of organization, e.g., "VA corporation" or "NC-LLC")

c. Date of organization of entity: _____

d. Address of entity: _____

e. Telephone number of entity: () _____

f. Please name the authorized representative(s) of the entity who will be acting for the entity in connection with its potential investment in the Company:

g. Type of business entity is engaged in: _____

3. Please state the amount, in United States dollars, of the Subscriber's potential investment in the Company:

\$ 55,000

4. The Subscriber is one or more of the following (If yes, check appropriate lines):

Yes No _____

_____ a natural person who had an individual income in excess of \$200,000 in each of the two most recent years or joint income with a spouse in excess of \$300,000 in each of those years and who reasonably expects to reach the same income level in the current year.

a natural person whose individual net worth, or joint net worth with that person's spouse, at the time of purchase exceeds \$1,000,000;

_____ a trust, with total assets in excess of \$5,000,000, not formed for the specific purpose of acquiring the securities offered, whose purchase is

directed by a person who has such knowledge and experience in financial and business matters that he is capable of evaluating the merits and risks of the prospective investment;

_____ a bank, as defined in Section 3(a)(2) of the Securities Act of 1933 (the "Act") or a savings and loan association or other institution as defined in Section 3(a)(5)(A) of the Act whether acting in its individual or fiduciary capacity;

_____ a broker-dealer registered pursuant to Section 15 of the Securities Exchange Act of 1934;

_____ an insurance company as defined in Section 2(13) of the Act;

_____ an investment company registered under the Investment Company Act of 1940 or a business development company as defined in Section 2(a)(48) of the Investment Company Act of 1940;

_____ a Small Business Investment Company licensed by the U.S. Small Business Administration under Section 301(c) or (d) of the Small Business Investment Act of 1958;

_____ a plan established and maintained by a state, its political subdivisions, or any agency or instrumentality of a state or its political subdivisions, for the benefit of its employees, where such plan has total assets in excess of \$5,000,000.

_____ an employee benefit plan within the meaning of Title 1 of the Employee Retirement Income Security Act of 1974, where the investment decision is made by a plan fiduciary, as defined in Section 3(21) of such Act, which is either a bank, savings and loan association, insurance company, or registered investment adviser, or an employee benefit plan that has total assets in excess of \$5,000,000, or if a self-directed plan the investment decisions are made solely by persons that are accredited investors;

_____ a private business development company, as defined in Section 202(a)(22) of the Investment Advisers Act of 1940;

_____ an organization described in Section 501(c)(3) of the Internal Revenue Code, a corporation, a Massachusetts or similar business trust, or a partnership, not formed for the specific purpose of acquiring the securities offered, with total assets in excess of \$5,000,000;

_____ a director or executive officer of the Company;

_____ an entity in which all of the equity investors is a person described above.

(If your answer to Item 4 was "No," please complete Items 5 and 6.)

5. The Subscriber's net worth, [REDACTED] (check one):

[REDACTED] 92 [REDACTED]

6. The Subscriber's joint gross income ([REDACTED] [REDACTED] [REDACTED] [REDACTED])

95 [REDACTED] [REDACTED]

7. The Subscriber has previously purchased securities which were sold in reliance upon the private offering exemption from registration under the Act (a private placement).

Yes [REDACTED] No [REDACTED]

(If your answer to Item 7 was "Yes," please complete Item 8.)

8. Please state the number of private placement transactions in which the Subscriber has invested:

Fewer than 3 [REDACTED] 8 to 15 [REDACTED]
3 to 8 [REDACTED] More than 15 [REDACTED]

9. Please indicate the frequency of the Subscriber's investment in publicly traded securities:

often [REDACTED] occasionally [REDACTED]
seldom [REDACTED] never [REDACTED]

10. Does the Subscriber have a "pre-existing relationship" with the Company or any of its officers, directors or controlling persons?

Yes [REDACTED] No [REDACTED]

11. If the answer to item 10 is yes, please name the individual or other person with whom the Subscriber has a pre-existing relationship:

12. How long has the Subscriber had the relationship with the individual or other person identified in item 11?

-
13. Please describe in detail the nature of the Subscriber's relationship with each individual or other person identified in Item 11.

14. Please describe briefly the Subscriber's experience in business and financial matters that makes it capable of evaluating the merits and risks of its potential investment in the Company.

15. In furnishing the above information, the Subscriber, and if the Subscriber is an entity, the individual executing and delivering this questionnaire on behalf of the entity, acknowledge that the Company will be relying thereon in determining, among other things, whether there is reasonable grounds to believe that the Investor qualifies as a purchaser of shares of the Company's securities. To the best of the Subscriber's information and belief, the above information supplied by the Subscriber is true and correct in all respects and the Investor represents and warrants to the Company as follows:

- (a) The answers to the above questions may be relied upon the Company in determining whether the offering in which the Subscriber proposes to participate is exempt from registration under the Act and from registration or qualification under the securities laws of various states:
- (b) The Subscriber will notify the Company immediately of any material change in any statement made herein occurring prior to the closing of any purchase by the Subscriber of securities of the Company.

16. Provide the name, address and professional affiliation of your Purchaser Representative, if any.

Name of Purchaser Representative _____

Address _____

Professional Affiliation _____

The named Purchaser Representative, if any, will complete a Purchaser Representative's Questionnaire, a copy of which will be delivered to the Company.

The Subscriber believes that the Subscriber alone or together with the named Purchaser Representative, if any, has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of an investment in securities of the Company.

17. The Subscriber is able to bear the economic risk of the proposed investment and at the present time could afford a complete loss of such investment.

IN WITNESS WHEREOF, the undersigned has executed this Investor Questionnaire as of Sept 12, 2009.

IF SUBSCRIBER IS AN ENTITY:

(Name of Entity - Please Print)

By: _____

Name:

IF SUBSCRIBER IS ONE OR MORE INDIVIDUALS (all individuals must sign)

By:  _____

Print Name:

By: _____

Print Name:.

IN RELIANCE ON THE INFORMATION CONCERNING THE SUBSCRIBER CONTAINED IN THIS AGREEMENT AND THE WARRANTIES AND COVENANTS SET FORTH IN THIS AGREEMENT, THE ABOVE SUBSCRIPTION OF THE SUBSCRIBER IS HEREBY ACCEPTED.

Dated: 9/17/09

AIC, Inc.

By: Nicholas D. Skaltsounis
Nicholas D. Skaltsounis, President

BANKERS
SECURITIES
Member NASD, SIPC

Suite 601
Richmond, VA 23225
800-780-2989
FAX 804-323-1718

CUSTOMER AGREEMENT
*ACCOUNT CARRIED WITH
Pershing LLC, serviced by UVEST Financial Services
RBC Data Correspondence Services

REGISTRATION

- Individual Corporation or Partnership* Custodian for Minors Cash Margin* Option* Investment Access* ProCash Plus* IRA*
 Trust* Tenants in Common Joint Tenants with Rights of Survivorship
 Other

Account Number: **4919** RPL **950**
(For Internal use only)

*Additional documents are required to open these types of accounts.

Tell us about this account...

Name MR. MS. **Elizabeth H. Green**
Street Address (Required)

and your Joint Account owner (if any)...

Joint Owner's Name MR. MS.
Joint Owner's Address



Δ π EXHIBIT 16
Deposition 30(B)(6) AIC
Date 4/21/13 Rpt. SN
WWW.DEPOBOOK.COM

CBS-P-01-0001262

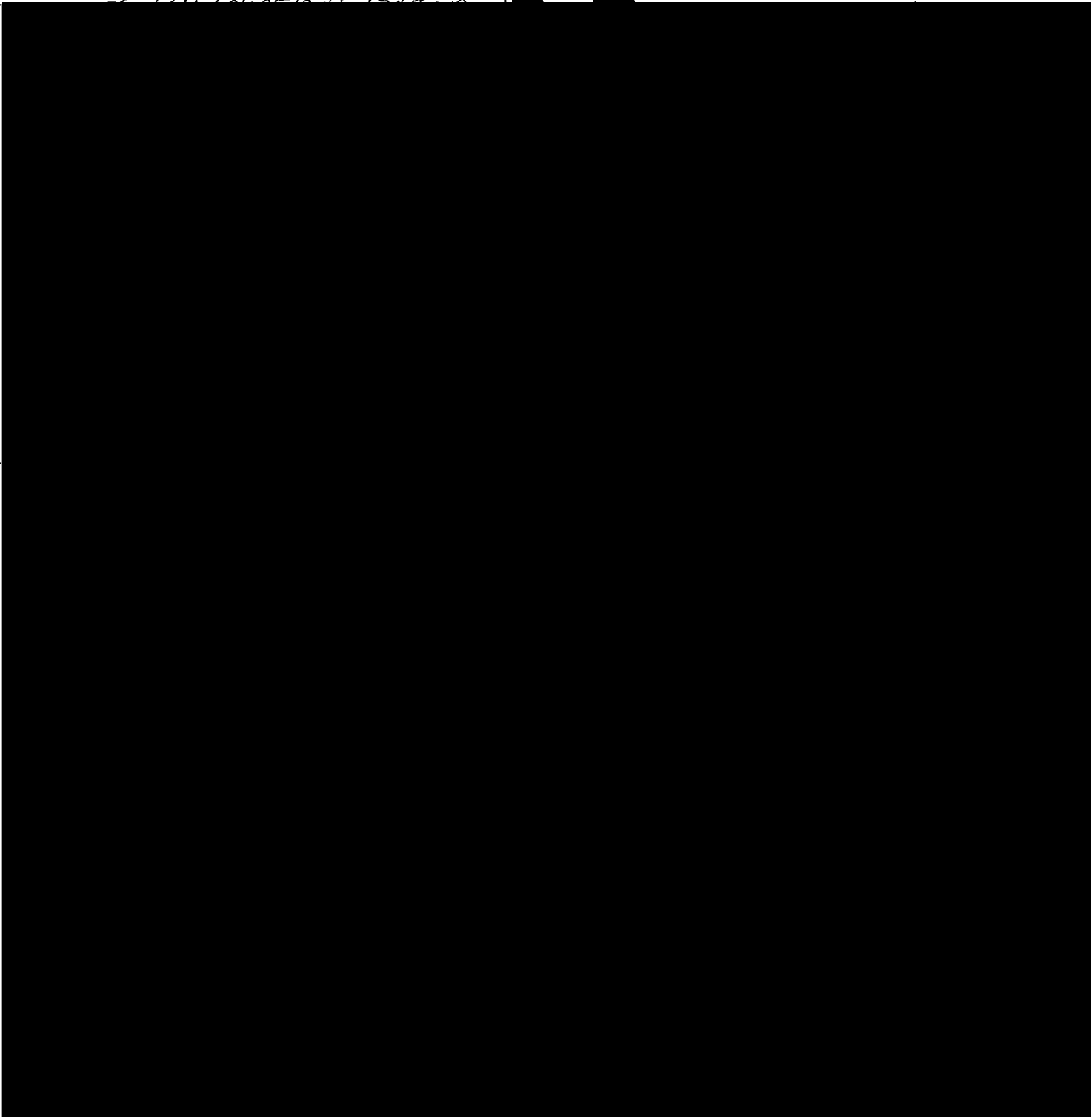
Individual Corporation or Partnership* Custodian for Minor Trust* Tenants in Common Joint Tenants with Right of Survivorship
 IRA* (Please specify IRA type _____) Other* _____

* Additional documents are required to open these types of accounts.

[Redacted]

[Redacted]

[Redacted] MR *Patricia A. DeLoe*



SPALUN HES

Member NASD, SIPC

(NON-DROVERAGE ACCOUNTS)

800 700 2000
FAX: 804-323-1718

- Individual Corporation or Partnership* Custodian for Minor Trust* Tenants in Common Joint Tenants with Right of Survivorship
 IRA* (Please specify IRA type _____) Other* _____

* Additional documents are required to open these types of accounts.

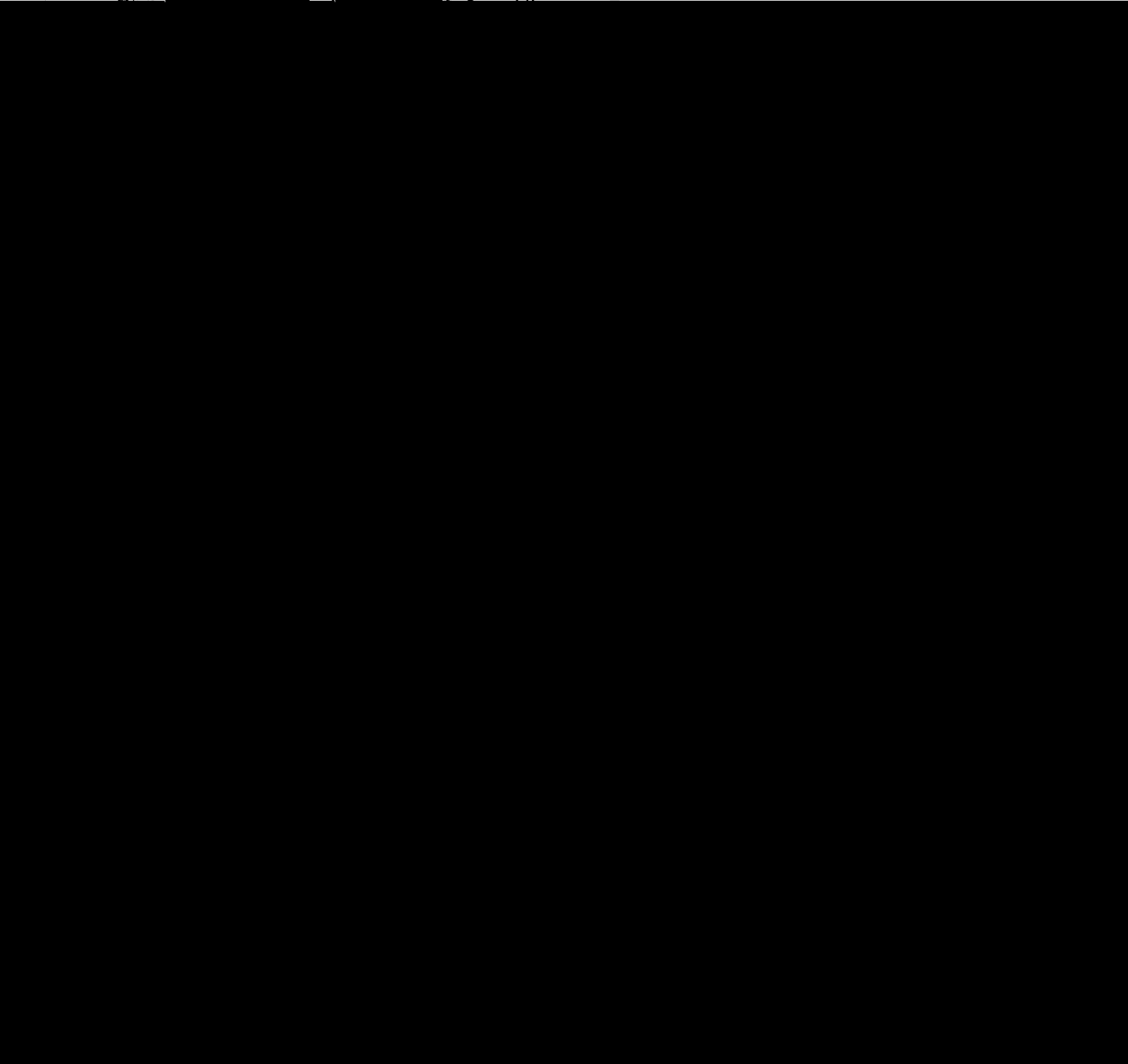
Tell us about this account...

Name

MR

and your Joint Account owner (if any)...

Joint Owner's MR



CBS-P-01-0001276

DANNERS
SECURITIES

Member NASD, SIPC

(NON-BROKERAGE ACCOUNTS)

RICHMOND, VA 23220

800-780-2989

FAX: 804-323-1718

- Individual Corporation or Partnership* Custodian for Minor Trust* Tenants in Common Joint Tenants with Right of Survivorship
 IRA* (Please specify IRA type _____) Other* _____

* Additional documents are required to open these types of accounts.

Tell us about this account...

Name

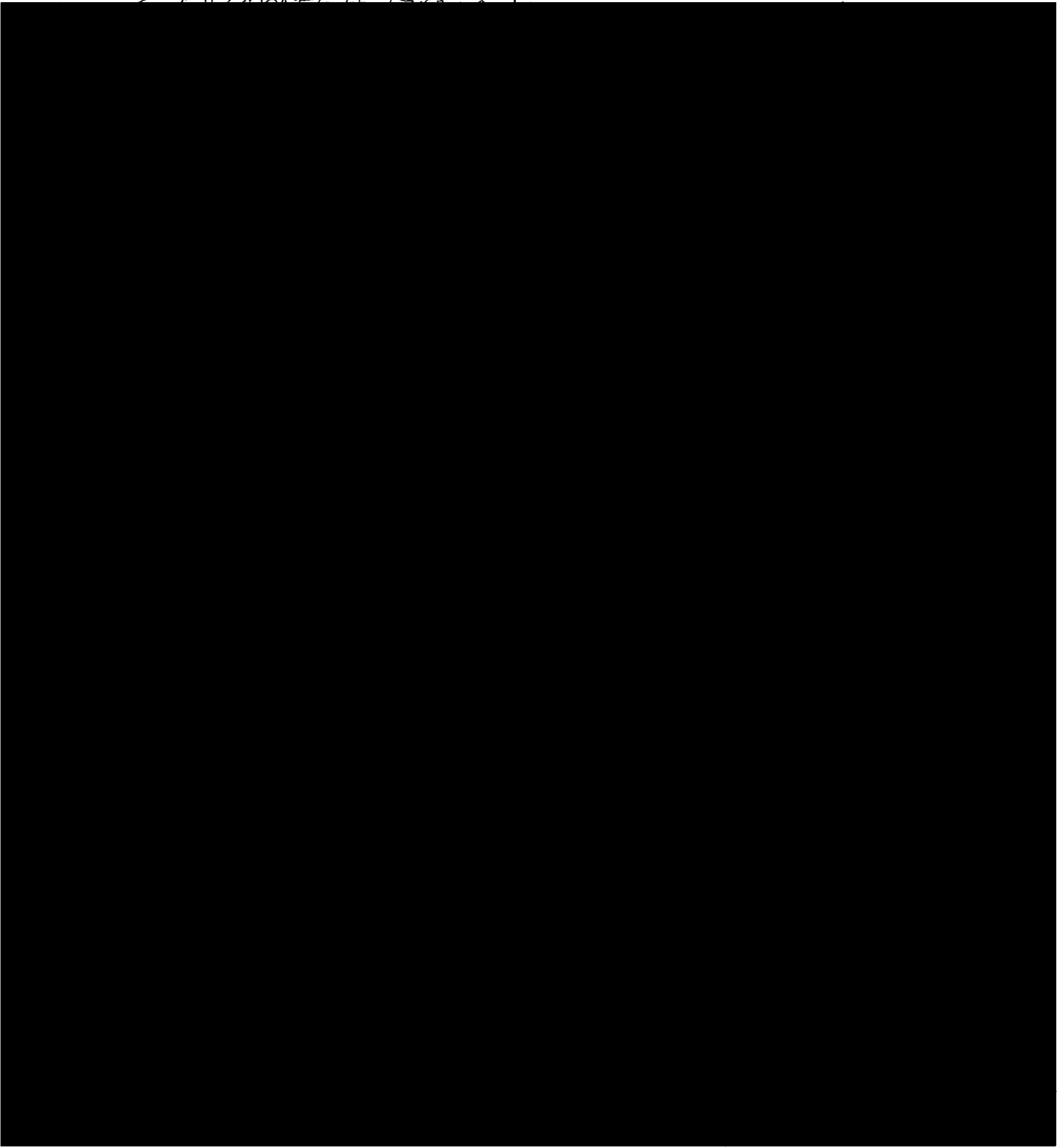
MR

Elizabeth H. Green

and your Joint Account owner (if any)...

Joint Owner's

MR





DIRECT ACCOUNT FORM (NON-BROKERAGE ACCOUNTS)

7501 Boulders View Dr.
Suite 601
RICHMOND, VA 23225
800-780-2989
FAX: 804-323-1718

Individual Corporation or Partnership* Custodian for Minor Trust* Tenants in Common Joint Tenants with Right of Survivorship

IRA* (Please specify IRA type _____) Other* _____

* Additional documents are required to open these types of accounts.

Tell us about this account...

Name MR MS

and your Joint Account owner (if any)...

Joint Owner's Name MR MS



BANKERS
SECURITIES

Member NASD, SIPC

DIRECT ACCOUNT FORM
(NON-BROKERAGE ACCOUNTS)

RICHMOND, VA 23225
800-780-2989
FAX: 804-323-1718

Individual Corporation or Partnership* Custodian for Minor Trust* Tenants in Common Joint Tenants with Right of Survivorship

IRA* (Please specify IRA type _____) Other* _____

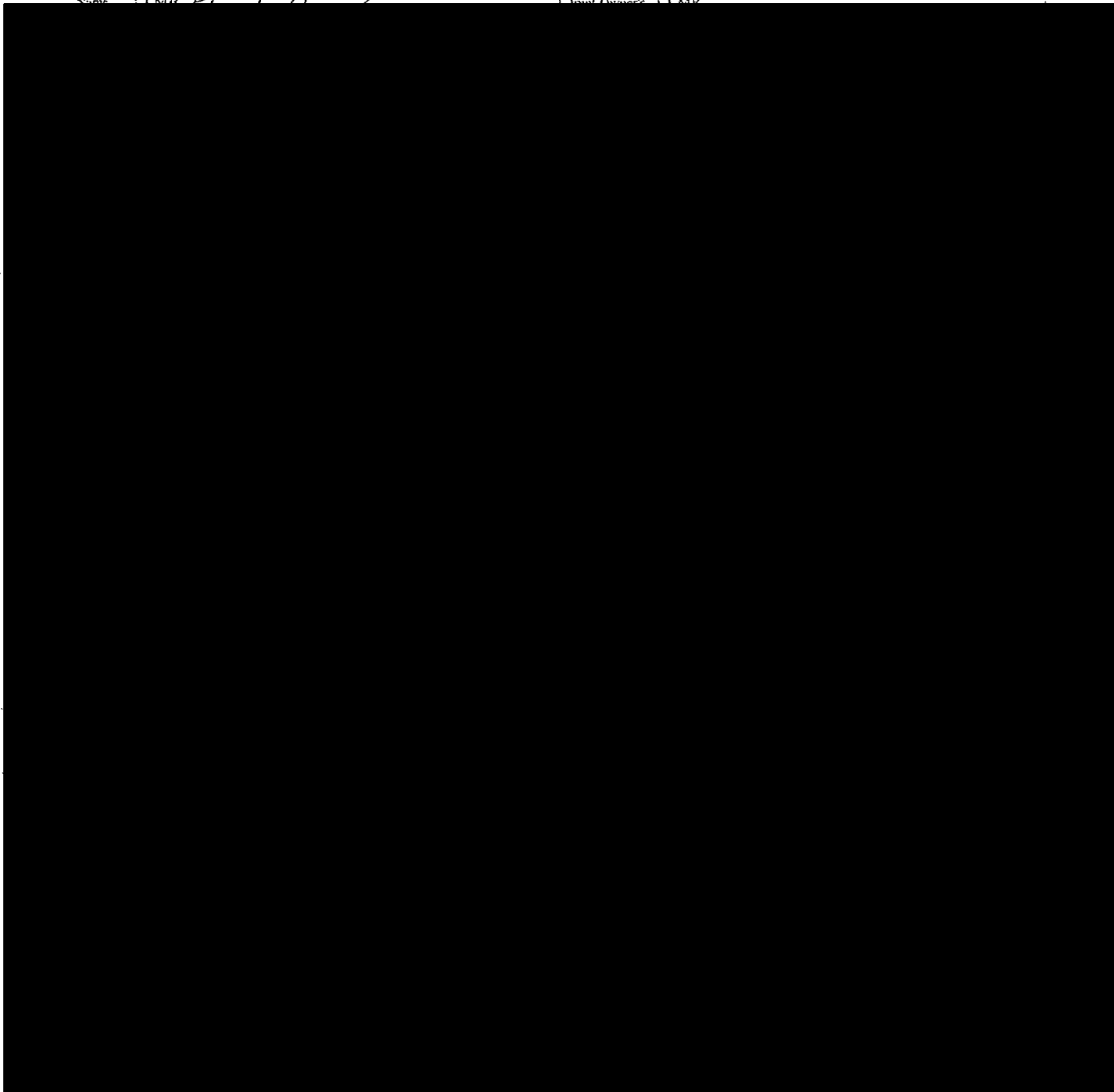
* Additional documents are required to open these types of accounts.

Tell us about this account...

and your Joint Account owner (if any)...

Name: MR MS MRS MISS

Joint Owner: MR



Direct Application 6/2005

CBS-P-01-0001320

(NON-BROKERAGE ACCOUNTS)

800-780-2989
FAX: 804-323-1718

Individual Corporation or Partnership Custodian for Minor Trust Tenants in Common Joint Tenants with Right of Survivorship

IRA* (Please specify IRA type _____) Other* _____

* Additional documents are required to open these types of accounts.

Tell us about this account...

Name

[Redacted Name]

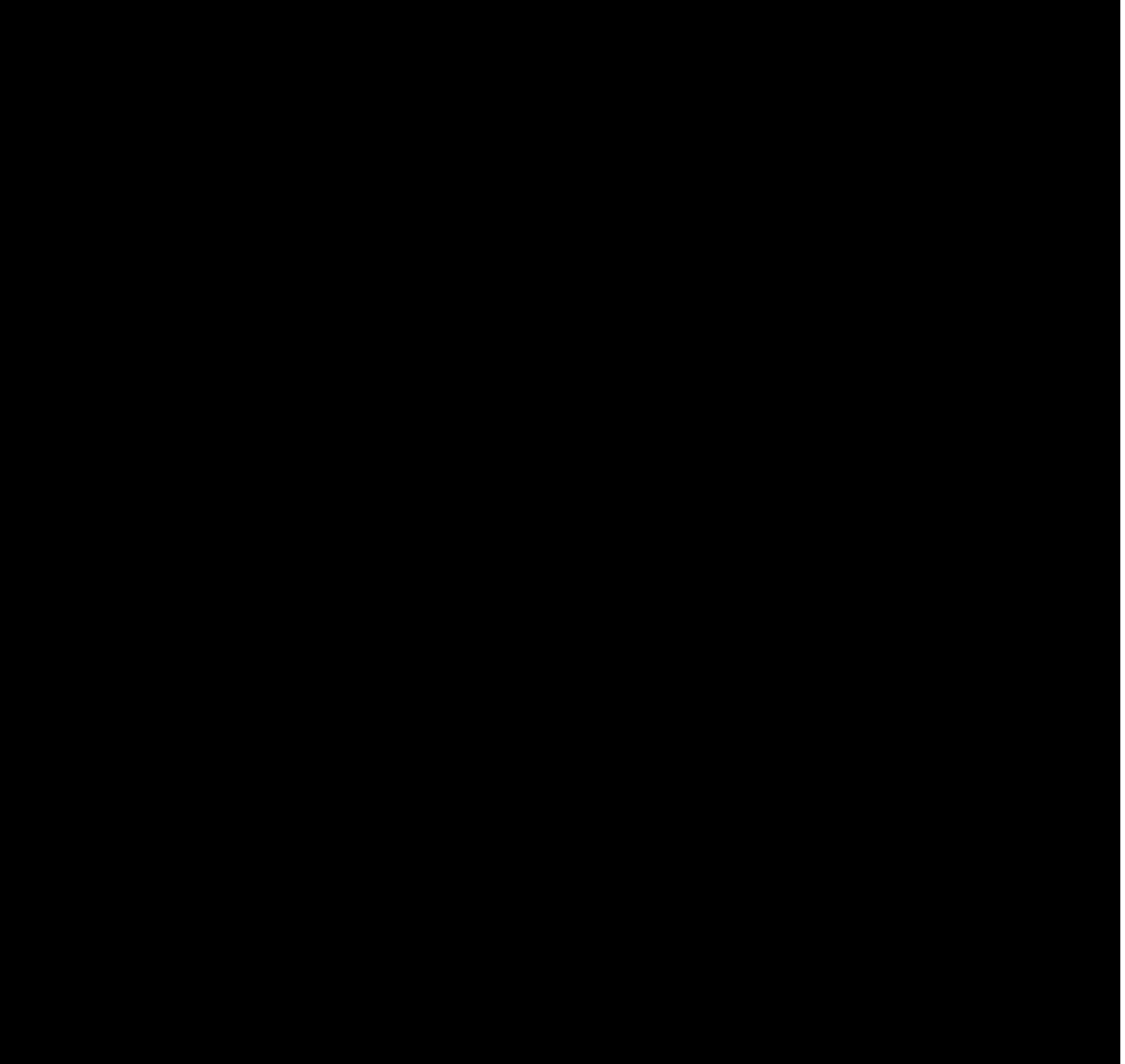
and your Joint Account owner (if any)...

Joint Owner's MR

Name MS

Joint Owner's Address

[Redacted Address] 20



SECURITIES

MEMBER SIPC

800-780-2989
FAX 804-323-1718

Member LLC, serviced by GVEST Financial Services
RBC Direct Correspondent Services

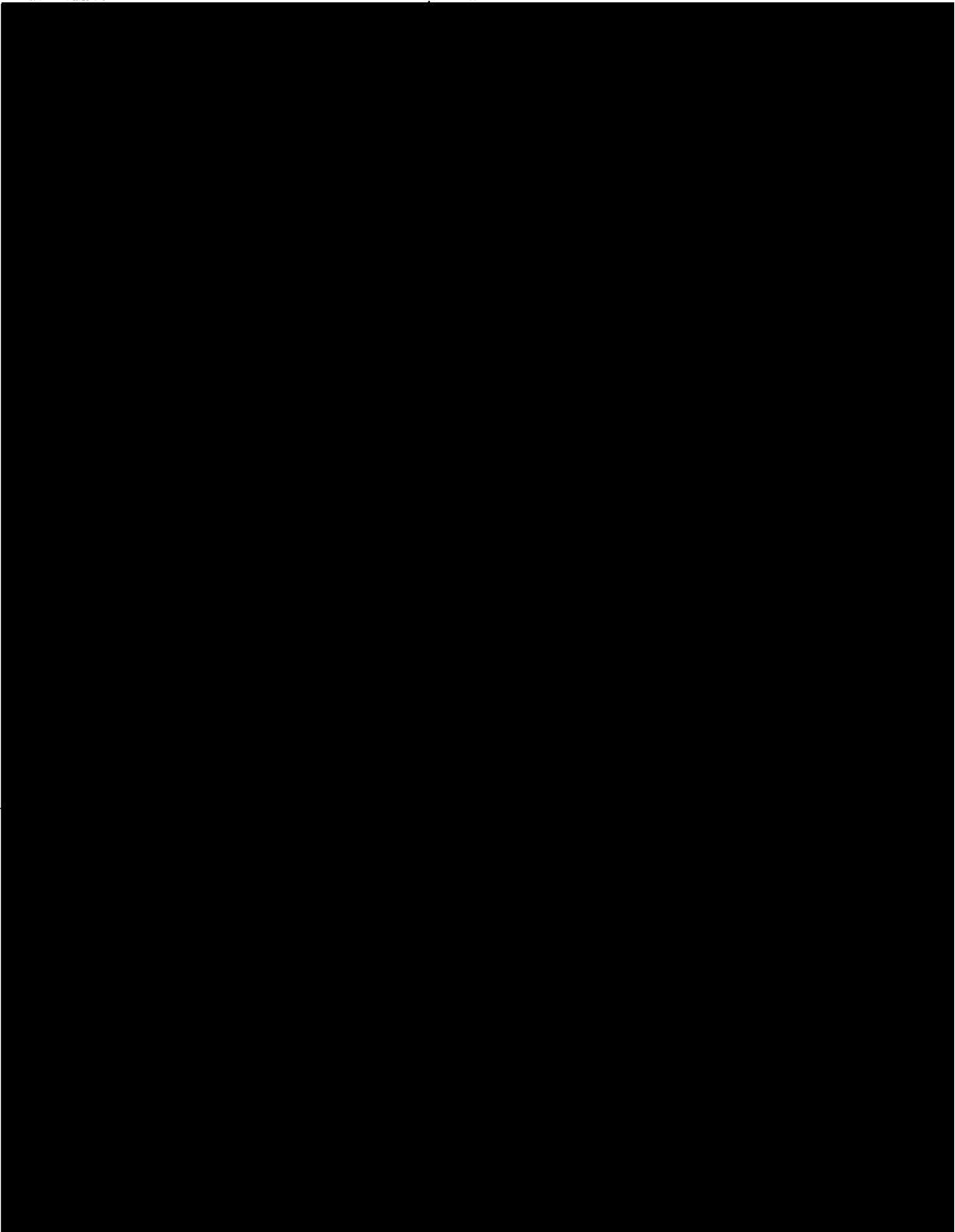
REGISTRATION

TYPE OF ACCOUNT

- Individual Corporation or Partnership Custodian for Minor Cash Margin Option Investment Access ProCash Plus IRA
- Trust Tenant in Common Joint Tenants with Rights of Survivorship
- Other _____

Account Number: [REDACTED]
(for internal use only)

*Additional documents are required to open these types of accounts.





DIRECT ACCOUNT FORM (NON-BROKERAGE ACCOUNTS)

Sure 001
RICHMOND, VA 23225
800-780-2989
FAX: 804-323-1718

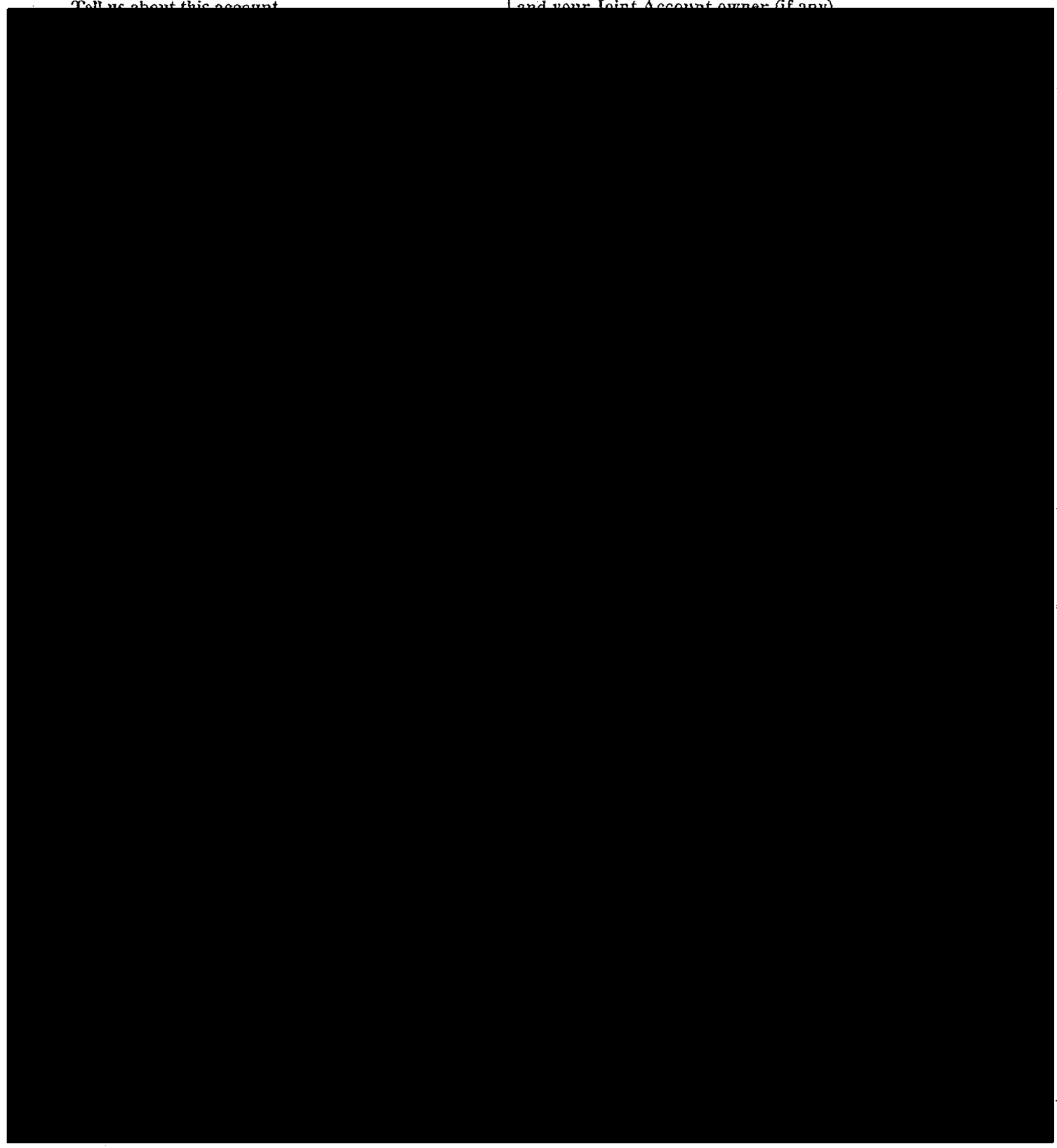
Individual Corporation or Partnership* Custodian for Minor Trust* Tenants in Common Joint Tenants with Right of Survivorship

IRA* (Please specify IRA type Traditional Other* _____)

* Additional documents are required to open these types of accounts.

Tell us about this account

and your Joint Account owner (if any)



HARD COPY

**UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION**

**ADMINISTRATIVE PROCEEDING
File No. 3-16013**

In the Matter of

NICHOLAS D. SKALTSOUNIS,

Respondent.

**DECLARATION OF
MICHAEL J. RINALDI**

I, Michael J. Rinaldi, to the best of my knowledge, information, or belief, hereby declare and state as follows:

1. I am over eighteen years of age and competent to make this declaration.
2. I am Senior Trial Counsel with the Division of Enforcement of the Securities and Exchange Commission, in its Philadelphia Regional Office. I am a member of the bars of the Commonwealth of Pennsylvania, the State of New Jersey, and the District of Columbia. I am counsel for the Division of Enforcement in the above-captioned administrative proceeding. I am submitting this declaration in connection with the Division of Enforcement's Reply to Respondent's Response to Division of Enforcement's Motion for Summary Disposition and Memorandum of Points and Authorities in Support Thereof ("Reply"), which accompanies this declaration. This declaration is made in support of the Reply, as well as the Division of Enforcement's Motion for Summary Disposition and Memorandum of Points and Authorities in Support Thereof (the "Motion for Summary Disposition"), and supplements the Declaration of Michael J. Rinaldi of October 17, 2014.

3. Attached as Exhibit O to the Reply is a true and correct copy of defense trial exhibit 14 in SEC v. AIC, Inc., No. 3:11-cv-00176 (E.D. Tenn.).

4. Attached as Exhibit P to the Reply is a true and correct copy of the Commission's trial exhibit 675 in SEC v. AIC, Inc., No. 3:11-cv-00176 (E.D. Tenn.).

5. Attached as Exhibit Q to the Reply is a true and correct copy of the Commission's trial exhibit 658 in SEC v. AIC, Inc., No. 3:11-cv-00176 (E.D. Tenn.).

6. Attached as Exhibit R to the Reply is a true and correct copy of the Commission's trial exhibit 697 in SEC v. AIC, Inc., No. 3:11-cv-00176 (E.D. Tenn.).

7. Attached as Exhibit S to the Reply is a true and correct copy of the Commission's trial exhibit 663 in SEC v. AIC, Inc., No. 3:11-cv-00176 (E.D. Tenn.).

8. Attached as Exhibit T to the Reply is a true and correct copy of the Commission's trial exhibit 634 in SEC v. AIC, Inc., No. 3:11-cv-00176 (E.D. Tenn.).

9. Attached as Exhibit U to the Reply is a true and correct copy of the Commission's trial exhibit 900 in SEC v. AIC, Inc., No. 3:11-cv-00176 (E.D. Tenn.).

10. Attached as Exhibit V to the Reply is a true and correct copy of the Commission's trial exhibit 924 in SEC v. AIC, Inc., No. 3:11-cv-00176 (E.D. Tenn.).

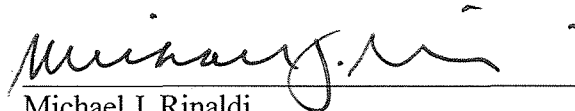
11. Attached as Exhibit W to the Reply is a true and correct copy of certain documents filed with the district court in support of the Commission's motion for partial summary judgment in SEC v. AIC, Inc., No. 3:11-cv-00176 (E.D. Tenn.).

12. Attached as Exhibit X to the Reply is a true and correct copy of certain documents filed with the district court in support of the Commission's motion for partial summary judgment in SEC v. AIC, Inc., No. 3:11-cv-00176 (E.D. Tenn.).

13. As reflected on the Witness List in SEC v. AIC, Inc., No. 3:11-cv-00176 (E.D. Tenn.) (Doc. 198), Delight Everett, Helen Huffstetler, Ted Frazier, Jovena L. Daniels, Clarice Newman, Barbara Wren, and Janice Robinson were among the persons who testified at the trial in SEC v. AIC, Inc., No. 3:11-cv-00176 (E.D. Tenn.).

14. The Division of Enforcement's Motion for Summary Disposition and Reply each comply with the length limitations set forth in the SEC Rules of Practice. According to the word count feature of Microsoft Word, the Motion for Summary Disposition, exclusive of the table of contents and table of authorities, consists of 4,384 words. According to the word count feature of Microsoft Word, the Reply consists of 2,398 words.

I declare under penalty of perjury that the foregoing is true and correct. Executed on December 3, 2014.



Michael J. Rinaldi
Securities and Exchange Commission
Philadelphia Regional Office
One Penn Center
1617 JFK Blvd., Ste. 520
Philadelphia, Pa. 19103
(215) 597-3100 (telephone)
(215) 597-2740 (facsimile)
RinaldiM@sec.gov

Counsel for the Division of Enforcement