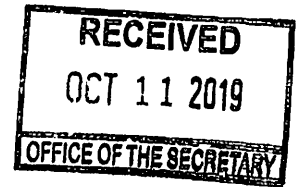


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**UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION**



**ADMINISTRATIVE PROCEEDING
File No. 3-19237**

**In the Matter of

ALEXANDER CHARLES WHITE,

Respondent.**

DIVISION OF ENFORCEMENT'S MOTION FOR DEFAULT AND OTHER RELIEF

I. Introduction

The Division of Enforcement ("Division") pursuant to Rule 155(a) and 220(f) of the Commission's Rules of Practice, 17 C.F.R. §§ 201.155(a) and 201.220(f), moves for entry of an Order finding Respondent Alexander Charles White in default and determining this proceeding against him upon consideration of the record. The Division sets forth the ground below:

II. History of the Case

The Commission issued the Order Instituting Proceedings ("OIP") on July 3, 2019 pursuant to Section 15(b) of the Securities Exchange Act of 1934 ("Exchange Act"). Exch. Act Rel. No. 86294. In summary, the OIP alleges that White acted as a broker and a person associated with a broker by soliciting investors and managing other sales agents who solicited and raised money from investors in unregistered fraudulent securities offerings conducted by Aegis Oil, LLC ("Aegis") and 7S Oil & Gas, LLC ("7S"). White did not hold any securities licenses; was not registered with the Commission; nor was he associated with Commission-registered broker dealers or qualified for an exemption. This conduct led to the issuance of a permanent injunction against White.

On July 5, 2019, White was personally served with the Order Instituting Proceedings.¹ White's answer was thus due July 26, 2019. *See* Rule of Practice 220(b), 17 C.F.R. § 201.220(b). That date passed without a response from White. On August 29, 2019, the Commission ordered White to show cause by September 12, 2019 why he should not be deemed in default and why this proceeding should not be determined against him due to his failure to file an answer or otherwise defend the matter. Exch. Act Rel. No. 86824. Again, White did not respond. Therefore, pursuant to the order to show cause, the Division is filing this motion for default and other relief.

III. Memorandum of Law

A. White's Permanent Injunction

On August 13, 2018, the Commission filed its Complaint for Injunctive and Other Relief.² On December 4, 2018, White was served with the Complaint.³ On January 30, 2019, the clerk entered a default against White.⁴ On February 20, 2019, the Commission moved for Default Judgment on Liability Against White.⁵ On June 28, 2019, the Court permanently enjoined White from future violations of Sections 5(a) and 5(c) of the Securities Act of 1933 ("Securities Act") and Section 15(a)(1) of the Exchange Act.⁶

B. Facts

The following facts are based on the OIP's allegations, which "may be deemed to be true" due to White's default, 17 C.F.R. § 201.155(a), plus additional evidence submitted herewith:

¹Exh. 1 (Division's Notice of Filing Proof of Service with attachment).

²Exh. 2 (DE 1, Complaint, *SEC v. Alexander Charles White*, 18-cv-61870 (S.D. Fla., Aug. 13, 2018). References in this form are to the *White* civil action.

³Exh. 3 (DE 18, Affidavit of Service).

⁴Exh. 4 (DE 20, Clerk's Default).

⁵Exh. 5 (DE 21, Plaintiff's Motion For Default Judgment).

⁶Exh. 6 (DE 26, Judgment).

From approximately October 2012 through January 2016, White acted as a broker and a person associated with a broker by soliciting investors and managing other sales agents who solicited and raised money from investors in unregistered, fraudulent securities offerings conducted by Aegis Oil, LLC (“Aegis”) and 7S Oil & Gas, LLC (“7S”). (OIP ¶ II.A.1) White’s marketing team consisted of about a dozen or so agents, with an office in California and two in South Florida.⁷ His agents used lead lists to solicit investors, but also had a list of “ready-made clients” available to possibly invest.⁸ White was paid a 35% commission for each investor his team brought on in the Aegis offering and a 28% to 35% commission for each investor in the 7S offering.⁹

Besides running his own boiler room, White served as a “team leader” for all of the other Aegis and 7S marketing groups.¹⁰ White was the team leader for Aegis from October 2012 until March 2015 and for 7S from around mid-2015 until January 2016.¹¹ As team leader, White trained and instructed other sales agents about what to say to investors.¹² He would also help them close on sales calls with investors.¹³ For this work as it relates to 7S, White was paid commission overrides of 2% on all investor proceeds raised from that offering.¹⁴

Between September 2013 through July 2016, White personally received approximately \$4,045,178 million from Aegis and 7S.¹⁵ From September 2013 to February 2015, he received

⁷Exh. 7, Declaration of Raynette R. Nicoleau, Oct. 10, 2019, ¶ 4.

⁸*Id.*

⁹*Id.*

¹⁰*Id.* ¶ 5.

¹¹*Id.*

¹²*Id.*

¹³*Id.*

¹⁴*Id.*

¹⁵Exh. 8 (DE 29-1, Declaration of Crystal C. Ivory, Aug. 21, 2019, ¶ 10). The Commission submitted the Ivory Declaration in support of its pending motion for disgorgement, prejudgment interest, and a civil penalty in the district court litigation. Because of the five-year statute of limitations, the Ivory Declaration did not

approximately \$3,815,265 from Aegis through CC Excel Energy, LLC, a company he controlled.¹⁶ Between July and October 2015, White received about \$32,697 from the 7S offering.¹⁷ Additionally, between August 2015 and July 2016, he received \$197,216 from 7S through another of his companies, Conservative Surveyors, LLC.¹⁸ White did not hold any securities licenses; was not registered with the Commission; nor was he associated with Commission-registered broker-dealers or qualified for an exemption. (OIP ¶ II.A.1)

During the Division's investigation, the staff served White with a subpoena for testimony and documents, but he did not comply or otherwise respond.¹⁹

C. Entry of Default is Appropriate

Under Rule 155(a) of the Commission's Rules of Practice, a party who fails to file a timely answer "may be deemed to be in default" and the Commission "may determine the proceeding against that party upon consideration of the record, including the order instituting proceedings, the allegations of which may be deemed to be true" 17 C.F.R. § 201.155(a). Here White has not filed an Answer. Therefore the proceeding should be determined against him based on the record.

The facts show that the Division is entitled to the relief it seeks under Exchange Act Section 15(b)(6)(A), which provides in relevant part:

With respect to any person . . . at the time of the alleged misconduct, who was associated with a broker . . . the Commission, by order, shall censure, place limitations on the activities or functions of such person, or suspend for a period not exceeding 12 months, or bar any such person from being associated with a broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization, or from participating in

include the amounts White received from Aegis between October 2012 and August 2013. *Id.* ¶ 6 n.1. We have not attached the lengthy exhibits to the declaration but can supply them upon request.

¹⁶*Id.* ¶ 6.

¹⁷*Id.* ¶ 7.

¹⁸*Id.* ¶ 8

¹⁹Nicoleau Dec. ¶ 6.

an offering of penny stock, if the Commission finds, on the record after notice and opportunity for a hearing, that such censure, placing of limitations, suspension, or bar is in the public interest and that such person—

* * * *

- (iii) is enjoined from any action, conduct or practice specified in subparagraph (C) of such paragraph (4).

Section 15(b)(4)(C) provides for such relief where such broker or dealer “is permanently . . . enjoined . . . from engaging in or continuing any conduct or practice . . . in connection with the purchase or sale of any security.”

1. White Is Enjoined

The district court permanently enjoined White from selling securities in unregistered transactions and from effecting transactions in securities for the accounts of others without being registered with the Commission or associated with a registered broker-dealer. Thus, White is enjoined from conduct and practices in connection with the sale of securities.

2. White was Associated with a Broker at the time of the Misconduct

Exchange Act Section 15(b)(6)(A) requires that White have been associated with a broker at the time of the misconduct. The broker in question need not have been a registered broker. *See Tzemach David Netzer Korem*, Exch. Act Rel. No. 70044, at 12 and n.68, 2013 WL 3864511 (July 26, 2013). Exchange Act Section 3(a)(4)(A) defines a “broker” as “any person engaged in the business of effecting transactions in securities for the account of others.” 15 U.S.C. § 78c(a)(4)(A). A “person associated with broker” includes any person “controlling . . . such broker.” Exchange Act § 3(a)(18), 15 U.S.C. § 78c(a)(18). The persons controlled can be other individuals or the respondent himself. *See Allen M. Perres*, Exch. Act. Rel. No. 10287, at 4, 2017 WL 280080 (Jan. 23, 2017) (a finding that an individual “acted as an unregistered broker also establishes that he was associated with a broker”), *petition for review denied*, 695 F. App’x 980

(7th Cir. 2017).

A person engages in the business of effecting securities transactions by “participat[ing] in purchasing and selling securities involving more than a few isolated transactions; there is no requirement that such activity be a person’s principal business or the principal source of income.” *Anthony Fields*, Securities Act Rel. No. 9727, at 30, 2015 WL 728005 (Feb. 20, 2015) (quotations and alterations omitted). Indications of broker activity “include holding oneself out as a broker-dealer, recruiting or soliciting potential investors, handling client funds and securities, negotiating with issuers, and receiving transaction-based compensation.” *Id.*; *James S. Tagliarferri*, Securities Act Rel. No. 10308, at 6-7, 2017 WL 632134 (Feb. 15, 2017) (respondent acted as a broker by actively finding investors, being closely involved in negotiations, and receiving transaction based compensation); *SEC v Imperiali, Inc.*, 594 F. App’x 957, 961 (11th Cir. 2014) (defendant was a broker because he “spoke with investors, acted as the ‘closer’ for his sales team, and drafted memoranda for potential investors,” even though he “did not receive proceeds from sales or initiate cold-calls to investors”).

Here, deemed admitted is the OIP’s allegation that White was a person associated with a broker. In addition, the evidence submitted shows that White controlled brokers—both himself and his sales team—and was therefore a person associated with a broker at the time of the misconduct. White acted as a broker through his management and training of his own sales team, his assistance in closing transactions, and his receipt of transaction-based compensation. White also controlled brokers, by managing his own sales team and by serving as team leader for all the other Aegis and 7S marketing teams.

3. Industry and Penny Stock Bars Are Appropriate Sanctions

In determining whether “industry and penny stock bars . . . are in the public interest,” the

Commission

considers, among other things, the egregiousness of the respondent's actions, the isolated or recurrent nature of the infraction, the degree of scienter involved, the sincerity of the respondent's assurances against future violations, the respondent's recognition of the wrongful nature of his conduct, and the likelihood that the respondent's occupation will present opportunities for future violations.

David R. Wulf, Exch. Act Rel. No. 77411, at 5-6, 2016 WL 1085661 (Mar. 21, 2016) (quotation and alterations omitted).

In *Perres*, the Commission imposed industry and penny stock bars with a right to reapply after five years upon an individual against whom the Commission entered a cease and desist order from violating the securities laws' securities and broker registration provisions. *Perres*, Securities Act Rel. No. 10287, at 3. With respect to the first three factors, in *Perres*, the Commission found the violations "egregious, recurrent, and committed with a high degree of scienter" where Perres raised \$2 million from 10 investors for investments in unregistered common stock of a single entity, received \$125,145 in commissions, and admitted in his filings that he knew his conduct was wrongful. *Id.* at 2-3. Here, White's conduct is worse—he violated the registration provisions for more than three years in connection with two separate offerings, he led a sales team, and he received over \$4 million for his efforts. While we do not have direct evidence that White acted knowingly, he has passed up numerous opportunities—the investigative subpoena, the civil action, and this proceeding—to explain himself.

With respect to the fourth, fifth and sixth factors, White has not participated in this matter, thus providing no assurances that he will avoid *future* violations of the law. Although "[c]ourts have held that the existence of a past violation, without more, is not a sufficient basis for imposing a bar, . . . the existence of a violation raises an inference that it will be repeated." *Korem*, Exchange Act Release No. 70044, at 10 n.50 (quotation and internal citations omitted). White has offered no

evidence to rebut that inference, and he has provided no information about his current activities from which the Commission could conclude that he no longer presents a threat to investors.

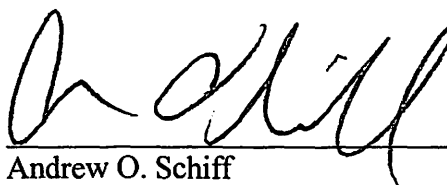
Finally, it serves the public interest to impose permanent associational and penny stock bars. In *Perres*, the Commission imposed bars notwithstanding Perres's various assertions of mitigating circumstances. The Commission provided Perres with a right to reapply because of "his relatively clean disciplinary history and cooperation with the Commission." *Perres*, Securities Act Rel. No. 10287, at 9. Here, White's conduct was more egregious than that of Perres, White has provided no explanation for his conduct, and he has not cooperated with the Commission. Therefore, the Commission should impose the bars without a stated right to reapply.

IV. Conclusion

For the reasons discussed above, the Division asks the Commission to sanction White by issuing a penny stock bar and barring him from association with any broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent or NRSRO.

October 10, 2019

Respectfully submitted,



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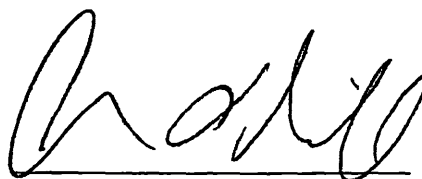
CERTIFICATE OF SERVICE

I hereby certify that an original and three copies of the foregoing were filed with the Securities and Exchange Commission, Office of the Secretary, 100 F Street, N.E., Washington, D.C. 20549-9303, and that a true and correct copy of the foregoing has been served on this 10th day of October, 2019, on the following persons entitled to notice:

VIA FIRST CLASS U.S. MAIL

Alexander Charles White

██████████
Martinez, GA ██████████



Andrew O. Schiff
Regional Trial Counsel