

STATE OF ALABAMA  
ALABAMA SECURITIES COMMISSION

IN THE MATTER OF:	)	
	)	
ALABAMA CAPITAL VENTURES LLC	)	
ALABAMA ENTERTAINMENT ENTERPRISES LLP	)	
THREE RIVERS CONVERGE LLC	)	
THOMAS FLOYD WORTHY	)	ADMINISTRATIVE ORDER
DAVID DANIEL ADAMS	)	NO. CO 2014-0020
	)	
	)	
<u>RESPONDENTS</u>	)	

CONSENT ORDER FOR THOMAS FLOYD WORTHY AND DAVID DANIEL ADAMS

The Alabama Securities Commission ("Commission"), having the authority to administer and provide for the enforcement of all provisions of Title 8, Chapter 6, Code of Alabama 1975, the Alabama Securities Act ("Act"), upon due consideration of the subject matter hereof, and having confirmed information of the offers for sale and/or sale of securities into, within or from the state of Alabama, has determined as follows:

RESPONDENTS

1. **ALABAMA CAPITAL VENTURES, LLC., ("VENTURES")** is an Alabama Limited Liability Company with a principal business address of 1321 Broad Street, Suite C, Phenix City, Alabama 36867.
  
2. **ALABAMA ENTERTAINMENT ENTERPRISES, LLP., ("ENTERPRISES")** is an Alabama Limited Liability Partnership with a principal business address of 1321 Broad Street, Suite C, Phenix City, Alabama 36867.
  
3. **THREE RIVERS CONVERGE, LLC., ("CONVERGE")** is an Oklahoma Limited Liability Company with a principal address of 702 East Main Street, Henryetta, Oklahoma 74437.
  
4. **THOMAS FLOYD WORTHY ("WORTHY")** during all times relevant was represented in **VENTURES** documents to be a Managing Member and Principal of **ENTERPRISES** with a principal business address of 1321 Broad Street, Suite C, Phenix City, Alabama 36867.

5. **DAVID DANIEL ADAMS ("ADAMS")** during all times relevant was represented in **ENTERPRISES** documents to be a Principal of **ENTERPRISES** with a principal business address of 1321 Broad Street, Suite C, Phenix City, Alabama 36867.

### STATEMENT OF FACTS

6. On June 18, 2013, the Commission Staff sent a corporate inquiry to the office of **WORTHY** to obtain details on the possible solicitation of investments from Alabama residents on behalf of **ENTERPRISES** and/or **VENTURES**. The Commission Staff requested details of the solicitation to include name, address and telephone number of those individuals that had been approached to invest funds into an Indian Tribe Casino in East Alabama.

7. On July 2, 2013, **WORTHY** submitted a response to the June 18, 2013, corporate inquiry. **WORTHY** responded, "We have neither offered nor sold any shares of a construction project or anything else in the State of Alabama. We are also aware that we are required to submit a filing fee in the amount of \$300.00, a form U-2, a manually executed form D, and two copies of all documents to be distributed to offerrees at least five (5) business days before the first offer in the State of Alabama. These documents are being prepared and will be received by you prior to July 5, 2013." **WORTHY** and **ADAMS** submitted the notice filing information to the Commission Staff on July 2, 2013, and the United States Securities and Exchange Commission on July 16, 2013. The notice filing submitted by **WORTHY** and **ADAMS** indicates reliance on Regulation D, Rule 505.

8. On July 11, 2013, the Commission Staff contacted **WORTHY** and **ADAMS** to discuss the response to the Corporate Inquiry dated June 18, 2013. In the conversation, the Commission Staff requested that **WORTHY** and **ADAMS** provide a list of all Alabama residents with whom the investment offering had been discussed.

9. On July 12, 2013, **WORTHY** submitted a list of all potential investors that had been contacted about the investment into **ENTERPRISES**. Through subsequent interviews with potential investors listed in the July 12, 2013 correspondence, the Commission staff determined that solicitation and/or offer of the venture was conducted prior the notice filing.

10. The **ENTERPRISES'** Investment Summary stated:

*"The partnership intends to acquire the rights to a portion of the gaming revenue received through Alabama Capital Ventures, LLC from Three Rivers Converge, LLC. Three Rivers Converge, LLC has an exclusive economic development agreement with an Alabama Native American Tribe (the TRIBE) to develop, finance, construct and manage casinos in Alabama for the benefit of the TRIBE. Once the casino is opened and producing gaming revenue, Three Rivers Converge, LLC will receive 15% of the net gross revenue from gaming operations at the casino for the following six years and eleven months. Alabama Capital Ventures, LLC, through its commitment to, investment in, and contract with Three Rivers Converge, LLC has retained the rights to up to 25% of the gaming revenue received by Three Rivers Converge, LLC. This exclusive agreement with the Tribe will terminate six years and eleven months after the opening of the casino."*

11. The **ENTERPRISES** Summary of the Offering stated:

*"The partnership will acquire and own up to 25% of the Gaming Revenue interest in Alabama Capital Ventures, LLC, an Alabama limited liability company. A substantial majority of the governance rights in the Partnership are vested with the General Partner and Alabama Capital Ventures, LLC will act as the General Partner and will be referred to herein as the "General Partner". The General Partner is responsible for the management of the business and the affairs of the Partnership, and has substantially all rights, powers and authority to manage, operate and control the business of the Partnership. The Partnership is seeking to raise up to \$3,400,000 (The maximum offering size) through the sale of Limited Liability Shares in the Partnership. A minimum total investment of \$50,000 is required from each investor or investor entity or group of investors subscribing to purchase Limited Liability shares. The Limited Partners will derive all or substantially all of their cash flow from the distributions made by the Limited Partnership. To the extent the General Partner determines, in his sole and absolute discretion, that there is Net Cash Flow, distributions of such available cash will be made as follows:*

*I. On the first \$5,000,000 of gaming revenues received from Three Rivers Converge, LLC to Alabama Capital Ventures, LLC, 20% will be distributed to the Limited Partners.*

*II. Between \$5,000,001 and \$10,000,000 of gaming revenue received from Three Rivers Converge, LLC to Alabama Capital Ventures, LLC, 30% will be distributed to the Limited Partners.*

*III. Between \$10,000,001 and \$15,000,000 of gaming revenue received from Three Rivers Converge, LLC, 40% will be distributed to the Limited Partners.*

*IV. Any excess of \$15,000,000 of gaming revenue received from Three Rivers Converge, LLC to Capital Ventures, LLC, 50% will be distributed to the Limited Partners.*

*Profits and losses from the Partnership will be allocated among the Limited Partners in order to align their capital accounts with the amount of*

*distributions that the Limited Partners would be entitled to receive upon the liquidation of the Partnership."*

12. The **ENTERPRISES** Private Offering Memorandum identifies **WORTHY** and **ADAMS** as Co-Managers.

13. On January 16, 2014, the Commission Staff issued a subpoena for information that included, among other items, a list of investors in **ENTERPRISES**.

14. On January 27, 2014, **WORTHY** contacted the Commission Staff to request an extension for the production of items relating to the subpoena issued on January 16, 2014. The request for extension was granted by the Commission Staff with a new due date of February 21, 2014.

15. On February 20, 2014, **WORTHY** responded to all requested items listed in the subpoena dated January 16, 2014. The response indicated the following regarding the current list of investors: *"There are no investors in Alabama Entertainment Enterprises, LLP. No subscription agreements have been executed by investors in Alabama Enterprises, LLP. Since this "investigation" began we have not solicited any business, sold any shares, nor contacted any individuals regarding raising any funds."*

16. On April 23, 2014, the Commission staff held an informal meeting with **WORTHY** and **ADAMS** at their request. **WORTHY** and **ADAMS** conveyed there were instances where offers and/or solicitations were made to potential investors prior to the Reg D, Rule 505 notice filing with the Commission. Additionally, **WORTHY** and **ADAMS** provided written affidavits to the Commission Staff that affirm the following: *"There have been no sales from Alabama Capital Ventures, LLC or Alabama Entertainment Enterprises, LLC, to any person or organization. Further, there have been no sales between Alabama Capital Ventures, LLC and Alabama Entertainment Enterprises, LLC."*

17. During the investigation, the Commission staff examined multiple records related to the possible offer, solicitation and/or sale of interest into **ENTERPRISES** and **VENTURES**. The Commission Staff concluded that **WORTHY** and **ADAMS** did not sell interest into **ENTERPRISES** or **VENTURES** but did solicit and/or offer to sell interest in **ENTERPRISES** and **VENTURES**.

## CONCLUSIONS OF LAW

18. Pursuant to Section 8-6-2(10), Code of Alabama 1975, the definition of security includes any "investment contract." **RESPONDENTS WORTHY** and **ADAMS** solicited an investment of money in **RESPONDENTS ENTERPRISES** and **VENTURES** while promising an investment return to be derived from **RESPONDENTS'** efforts. The solicited investment is an "investment contract" and is a security under the ACT.

19. Pursuant to Section 8-6-4, Code of Alabama, 1975, it is unlawful for any person to offer or sell any security in this state unless said security: (1) is registered under the Act; (2) the security is exempt from registration under section 8-6-10; or (3) the transaction is exempt under section 8-6-11. The security offered by **RESPONDENTS**; to wit: the investment contract, was neither registered nor subject to a perfected exemption from registration in Alabama and was offered in violation of the Act.

WHEREAS, **RESPONDENTS** state that the information and assertions presented to the Commission during its investigation of this matter are true and correct; that **RESPONDENTS** understand the Commission's reliance upon such information and assertions in its determination to accept this Order; and that should this information or these assertions prove to be incorrect or misrepresented, the Commission may seek such other administrative, civil, or criminal remedies that may be available to it under the provisions of the Act.

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

WHEREAS, the Commission and **RESPONDENTS** are desirous of settling this matter as hereafter set forth and agree;

### ACCORDINGLY, IT IS HEREBY ORDERED:

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

2. That **RESPONDENTS** shall ensure that they follow proper procedures to preclude any future non-compliance with the Act.

3. That in accordance with Section 8-6-19(j)(1), Code of Alabama 1975, **RESPONDENTS** shall pay to the state of Alabama an administrative assessment of \$1,000.00; said funds to be tendered in certified funds contemporaneously with the entry of this Order.

4. That in accordance with Section 8-6-19(k)(1), Code of Alabama 1975, **RESPONDENTS** shall pay to the Alabama Securities Commission, as partial reimbursement for the Commission's cost of investigating this matter, the sum of \$1,000.00; said funds to be tendered in certified funds contemporaneously with the entry of this Order.

AGREED AND CONSENTED to on date indicated:

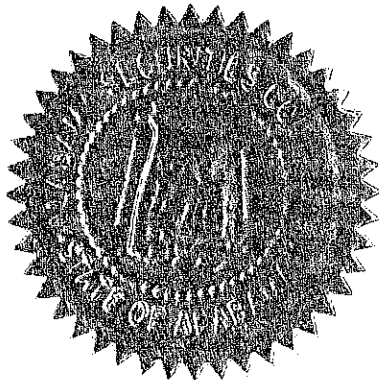
RESPONDENTS

THOMAS FLOYD WORTHY

\_\_\_\_\_  
DAVID DANIEL ADAMS

*David Daniel Adams*  
DATE: 10/23/14

APPROVED AND AGREED this 20<sup>th</sup> day of October, 2014.



ALABAMA SECURITIES COMMISSION  
401 Adams Avenue, Suite 280  
Montgomery, AL 36104  
(334) 242-2984

BY: \_\_\_\_\_

Joseph P. Borg  
Director

2. That **RESPONDENTS** shall ensure that they follow proper procedures to preclude any future non-compliance with the Act.

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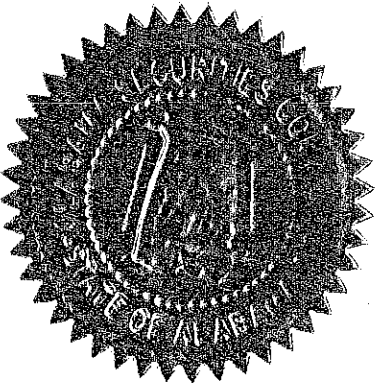
RESPONDENTS

THOMAS FLOYD WORTHY

Thomas Floyd Worthy  
DAVID DANIEL ADAMS <sup>SR.</sup>

DATE: October 8, 2014

APPROVED AND AGREED this 20<sup>th</sup> day of October, 2014.



ALABAMA SECURITIES COMMISSION  
401 Adams Avenue, Suite 280  
Montgomery, AL 36104  
(334) 242-2984

BY: [Signature]

Joseph P. Borg  
Director