

Division of Securities
Utah Department of Commerce
160 East 300 South
P.O. Box 146760
Salt Lake City, Utah 84114-6760
Telephone: 801 530-6600

**BEFORE THE DIVISION OF SECURITIES
OF THE DEPARTMENT OF COMMERCE
OF THE STATE OF UTAH**

IN THE MATTER OF:

**AUDIENCE ALLIANCE PARTNERS (1),
LLC;
KCM PARTNERS, LLC;
CLIFTON K. ORAM, CRD#2410730;
KIRK L. ORAM, CRD#4502819;
AISLING OPPORTUNITIES II, LP;
MICHAEL P. MCLAUGHLIN,
CRD#2255902; and
MICHAEL EVENHUIS**

Respondents.

ORDER TO SHOW CAUSE

Docket No. SD-09-0029

Docket No. SD-09-0030

Docket No. SD-09-0031

Docket No. SD-09-0032

Docket No. SD-09-0033

Docket No. SD-09-0034

Docket No. SD-09-0035

It appears to the Director ("Director") of the Utah Division of Securities ("Division") that Respondents Audience Alliance Partners (1), LLC, KCM Partners, LLC, Clifton K. Oram, Kirk L. Oram, Aisling Opportunities II, LP, Michael P. McLaughlin, and Michael Evenhuis may have engaged in acts and practices that violate the Utah Uniform Securities Act ("Act"), Utah Code Ann. § 61-1-1, *et seq.* Those acts and practices are more fully described herein. Based upon the Division's investigation into this matter, the Director issues this Order to Show Cause in accordance with the provisions of § 61-1-20(1) of the Act.

STATEMENT OF FACTS

The Respondents

1. Audience Alliance Partners (1), LLC (“Audience Alliance”) is a Wyoming limited liability company with a place of business in Provo, Utah.
2. KCM Partners, LLC (“KCM”) is a Wyoming limited liability company with a place of business in Kaysville, Utah.
3. During the relevant period, Utah residents Clifton K. Oram (“Clif Oram”) and Kirk L. Oram (“Kirk Oram”), together with Aisling Opportunities II, LP (“Aisling”), were the principals and members of KCM.
4. Aisling is an Arizona limited partnership affiliated with and controlled by Arizona resident Michael P. McLaughlin (“McLaughlin”). Aisling is not registered as a foreign limited partnership in Utah.
5. Between 1993 and 2003, Clif Oram was licensed in Utah as a broker-dealer agent of several broker-dealer firms. He is not currently licensed in the securities industry.
6. Between 2003 and 2006, Kirk Oram was licensed in Utah as a broker-dealer agent of a broker-dealer firm. He is not currently licensed in the securities industry.
7. Between 1993 and 2002, McLaughlin was licensed in Utah as a broker-dealer agent of eight different broker-dealer firms. He is not currently licensed in the securities industry.
8. According to records contained on the Central Registration Depository¹ (“CRD”), in 2004 McLaughlin was the subject of a regulatory action filed by the Alabama Securities

¹CRD is a computerized database maintained by the Financial Industry Regulatory Authority (“FINRA”). CRD contains employment, licensing and disciplinary information on broker-dealers, agents, investment advisers and investment adviser representatives.

Commission, involving the sale of unregistered securities by unregistered agents.

McLaughlin is also currently a respondent in a pending unrelated matter filed by the Division in 2008, which alleges securities fraud against McLaughlin and others.²

9. Michael Evenhuis is a Utah resident who acted as an agent of KCM. He has never been licensed in the securities industry.
10. During the relevant period, Audience Alliance was a joint venture between Audience Alliance Motion Picture Studios Limited, which was then a Hong Kong limited liability company (“AAMPS”), and KCM. AAMPS has a place of business in Provo, Utah.
11. KCM and AAMPS were the only members of Audience Alliance.
12. Audience Alliance was formed for the purpose of producing, marketing, and distributing family-friendly films.
13. Audience Alliance intended to finance its business plan through the sale of debt securities in the form of loan agreements.

General Allegations

The Offering

14. On June 11, 2007, the Division’s Corporate Finance section (“Corporate Finance”) received a Form D Rule 506 notice filing (“Form D”) for a private placement offering by Audience Alliance (“the offering”), Division File No. B00680264.
15. Under the terms of the offering, an investor could purchase notes of at least \$50,000 and select from different interest rates and repayment options. Depending on the amount of

²Docket No. SD-08-0029. See <http://www.securities.utah.gov/dockets/08003001.pdf>

investment and duration of the note, annual interest rates ranged from 12% for one-year notes to 22% for five-year notes.

16. Because of deficiencies in the Form D, Corporate Finance requested additional information from Audience Alliance. Audience Alliance revised its Form D and responded to the Division's requests for information and documentation.
17. The Division's examination of this matter revealed that between May and December 2007, sales of the offering totaling \$5.7 million were made by and through the Respondents, none of whom were licensed to sell securities. In addition, the Private Placement Memorandum ("PPM") for the offering contained misrepresentations of material fact concerning the background of Kirk Oram, and failed to disclose a prior regulatory action against McLaughlin.
18. Pursuant to a Relationship Agreement between KCM and Audience Alliance, KCM agreed to provide various services for Audience Alliance relating to the offering, including sales of the notes to investors.
19. KCM was compensated for sale of the notes according to a schedule. Depending on the term of the note, the gross compensation paid was between 6% of the invested monies for one-year term notes and 18% for five-year term notes. Most of the compensation was paid at the time of sale, with remaining compensation to be paid out over the term of a note. KCM shared 50% of its compensation with the agent who sold each note.
20. KCM engaged thirteen agents, including Clif Oram and Michael Evenhuis, to sell the notes.
21. In April 2007, Clif Oram sold a note to Utah investor R.M., who invested \$100,000 of

IRA money in a 5-year note accruing interest of 22% annually, for a repayment value of \$270,271. Pursuant to the Relationship Agreement, KCM was paid initial compensation of 10%, or \$10,000. Remaining commissions totaling an additional 8% (\$8,000) were to be paid out later. Clif Oram was not paid any of this amount.³

22. In November 2007, Evenhuis sold a note to Utah investor A.E., who invested \$80,000 in a 5-year note accruing interest of 22% annually, for a repayment value of \$216,216.

Pursuant to the Relationship Agreement, KCM was paid initial compensation of 10%, or \$8,000, half of which was paid to Evenhuis.⁴ The remaining commissions of an additional 8% (\$6,400) were to be paid out later.

23. According to information provided to the Division by Audience Alliance and KCM, KCM sold \$5.7 million in notes and was paid \$565,466 in sales compensation. With the exception of the sale by Clif Oram described above, in each transaction half of the sales compensation was paid to the selling agent. In addition, Clif Oram, Kirk Oram, and McLaughlin were each paid \$89,249.⁵

24. KCM agents who are not Utah residents sold the offering to non-Utah residents and

³Mr. Oram represents that he made the sale as an officer of Audience Alliance. Nonetheless, KCM, of which Mr. Oram was also an officer, received a full commission for the sale.

⁴In correspondence to the Division, KCM denied that Evenhuis was paid, although a chart included in earlier correspondence showing agent compensation indicated Evenhuis was paid \$4,000 for this transaction.

⁵Following a meeting between Audience Alliance and Division staff, on November 29, 2007 KCM signed a promissory note agreeing to pay back to AAMPS the sales compensation in its entirety. It has not yet made any payments, however, and has not sought disgorgement of any commissions paid to the unlicensed KCM agents.

received compensation as follows:

Jim Jordan / Jordan Garza & Associates (TX)	\$17,910
Bryan Coates (NC)	94,460
William C. Rose (CO)	5,000
Jeffrey Toft (FL)	36,886
Victoria Parker (MS)	20,638
Michael Murphy (MN)	41,547
Chad Sloat (MO)	7,470
Roy Scarboro (NC)	33,225
Craig Billings (NV)	8,298
Sheldon Hunsaker (NV)	8,298

25. The Audience Alliance PPM misrepresented or omitted material facts in connection with the offer and sale of the offering, including:

- a. failing to disclose that neither KCM nor any of the agents selling the offering were licensed to sell the securities.
- b. falsely representing that Kirk Oram “has been a licensed securities dealer for more than 20 years.” Mr. Oram has never been a licensed securities dealer. His only experience working in the securities industry was as a broker-dealer agent of Allstate Financial Services, LLC, from 2003 to 2006.
- c. failing to disclose that McLaughlin was previously a named respondent in a 2004 regulatory action filed by the Alabama Securities Commission, involving the sale of unregistered securities by unregistered agents.

FIRST CAUSE OF ACTION

(All Respondents)

Misrepresentations and Omissions of Material Fact Under § 61-1-1(2) of the Act

26. Respondents Audience Alliance, KCM, Clif Oram, Kirk Oram, Aisling and McLaughlin violated Section 61-1-1(2) by misrepresenting and omitting material facts as described in paragraph 25 in connection with the offer and sale of the offering.

SECOND CAUSE OF ACTION

(All Respondents)

Unlicensed Activity Under § 61-1-3 of the Act

27. KCM, Clif Oram, Kirk Oram, Aisling, McLaughlin, and Evenhuis violated Section 61-1-3(1) of the Act by transacting securities business in Utah while unlicensed. KCM and its members were not licensed as a broker-dealer as required by the Act. In addition, KCM engaged unlicensed agents outside of Utah to sell the offering in other states.
28. KCM agents were not licensed as issuer-agents or broker-dealer agents when selling the offering to Utah investors, as required by the Act.
29. Audience Alliance violated Section 61-1-3(2) of the Act by engaging an unlicensed entity, KCM, and unlicensed agents to sell the offering.

REQUEST FOR RELIEF

The Director, pursuant to Utah Code Ann. § 61-1-20, hereby orders the Respondents to appear at a formal hearing to be conducted in accordance with Utah Code Ann. §§ 63G-4-202 and 63G-4-204 through -209, and held before the Division. As set forth in the Notice of Agency Action accompanying this Order, Respondents are required to file a written response with the Division, and an initial hearing on this matter has been scheduled for June 30, 2009 at 10 a.m. The initial hearing will take place at the Division of Securities, 2nd floor, 160 East 300 South,

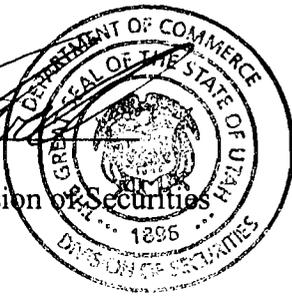
Salt Lake City, Utah. The purpose of the initial hearing is to establish a scheduling order and address any preliminary matters. If Respondents fail to file a written response or appear at the initial hearing, findings may be entered, a permanent Order to Cease and Desist may be issued, and a fine may be imposed against Respondents, as provided by Utah Code Ann. §§ 63G-4-206 or -209.

At the Order to Show Cause hearing, Respondents may show cause, if any they have:

1. Why Respondents should not be found to have engaged in the violations of the Act alleged by the Division in this Order to Show Cause;
2. Why Respondents should not be ordered permanently to cease and desist from engaging in any further conduct in violation of Utah Code Ann. § 61-1-1, -3 or any other section of the Act;
3. Why Respondents should not be barred from associating with a broker-dealer or investment adviser licensed in this State, and from acting as an agent for any issuer soliciting investor funds in this State;
4. Why Respondents should not be ordered to pay fines to the Division as follows:
 - a. Audience Alliance: \$10,000.
 - b. KCM, Clif Oram, Kirk Oram, Michael McLaughlin, Aisling, jointly and severally: \$50,000.
 - c. Michael Evenhuis: \$5,000.

Dated this 14th day of May, 2009


Keith M. Woodwell
Director, Utah Division of Securities



Approved:



D. Scott Davis
Assistant Attorney General

Division of Securities
Utah Department of Commerce
160 East 300 South, 2nd Floor
Box 146760
Salt Lake City, UT 84114-6760
Telephone: (801) 530-6600
FAX: (801)530-6980

**BEFORE THE DIVISION OF SECURITIES
OF THE DEPARTMENT OF COMMERCE
OF THE STATE OF UTAH**

IN THE MATTER OF:

**AUDIENCE ALLIANCE PARTNERS (1),
LLC;
KCM PARTNERS, LLC;
CLIFTON K. ORAM, CRD#2410730;
KIRK L. ORAM, CRD#4502819;
AISLING OPPORTUNITIES II, LP;
MICHAEL P. MCLAUGHLIN,
CRD#2255902; and
MICHAEL EVENHUIS**

Respondents.

NOTICE OF AGENCY ACTION

Docket No. SD-09-0029

Docket No. SD-09-0030

Docket No. SD-09-0031

Docket No. SD-09-0032

Docket No. SD-09-0033

Docket No. SD-09-0034

Docket No. SD-09-0035

THE DIVISION OF SECURITIES TO THE ABOVE-NAMED RESPONDENTS:

You are hereby notified that agency action in the form of an adjudicative proceeding has been commenced against you by the Utah Division of Securities (Division). The adjudicative proceeding is to be formal and will be conducted according to statute and rule. See Utah Code Ann. §§ 63G-4-201 and 63G-4-204 through 209; see also Utah Admin. Code R151-46b-1, *et seq.* The legal authority under which this formal adjudicative proceeding is to be maintained is Utah Code Ann. § 61-1-20. You may be represented by counsel or you may represent yourself in this proceeding. Utah Admin. Code R151-46b-6.

You must file a written response with the Division within thirty (30) days of the mailing date of this Notice. Your response must be in writing and signed by you or your representative. Your response must include the file number and name of the adjudicative proceeding, your version of the facts, a statement of what relief you seek, and a statement summarizing why the relief you seek should be granted. Utah Code Ann. § 63G-4-204(1). In addition, pursuant to Utah Code Ann. § 63G-4-204(3), the presiding officer requires that your response:

- (a) admit or deny the allegations in each numbered paragraph of the Order to Show Cause, including a detailed explanation for any response other than an unqualified admission. Allegations in the Order to Show Cause not specifically denied are deemed admitted;
- (b) identify any additional facts or documents which you assert are relevant in light of the allegations made; and
- (c) state in short and plain terms your defenses to each allegation in the Order to Show Cause, including affirmative defenses, that were applicable at the time of the conduct (including exemptions or exceptions contained within the Utah Uniform Securities Act).

Your response, and any future pleadings or filings that should be part of the official files in this matter, should be sent to the following:

Signed originals to:

Administrative Court Clerk
c/o Pam Radzinski
Utah Division of Securities
160 E. 300 South, 2nd Floor
Box 146760
Salt Lake City, UT 84114-6760
(801) 530-6600

A copy to:

D. Scott Davis
Assistant Attorney General
160 E. 300 South, Fifth Floor
Box 140872
Salt Lake City, UT 84114-0872
(801) 366-0310

An initial hearing in this matter has been set for June 30, 2009 at the Division of Securities,

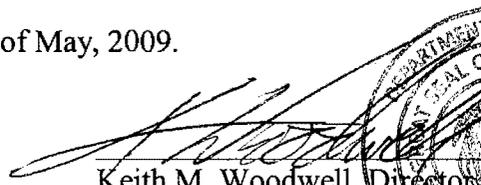
Room 210, 160 East 300 South, Salt Lake City, Utah, at 10 a.m.

If you fail to file a response, as described above, or fail to appear at any hearing that is set, the presiding officer may enter a default order against you without any further notice. Utah Code Ann. § 63G-4-209; Utah Admin. Code R151-46b-10(11). After issuing the default order, the presiding officer may grant the relief sought against you in the Order to Show Cause, and will conduct any further proceedings necessary to complete the adjudicative proceeding without your participation and will determine all issues in the proceeding. Utah Code Ann. § 63G-4-209(4); Utah Admin. Code R151-46b-10(11)(b). In the alternative, the Division may proceed with a hearing under § 63G-4-208.

The Administrative Law Judge will be J. Steven Eklund, Utah Department of Commerce, 160 East 300 South, P.O. Box 146701, Salt Lake City, UT 84114-6701, telephone (801) 530-6648. This adjudicative proceeding will be heard by Mr. Eklund and the Utah Securities Commission. At any hearings, the Division will be represented by the Attorney General's Office. You may appear and be heard and present evidence on your behalf at any such hearings.

You may attempt to negotiate a settlement of the matter without filing a response or proceeding to hearing. To do so, please contact the Utah Attorney General's Office. Questions regarding the Order to Show Cause should be directed to D. Scott Davis, Assistant Attorney General, 160 E. 300 South, Fifth Floor, Box 140872, Salt Lake City, UT 84114-0872, Tel. No. (801) 366-0310.

Dated this 14th day of May, 2009.


Keith M. Woodwell, Director



Certificate of Mailing

I certify that on the 14th day of May, 2009, I mailed, by certified mail, a true and correct copy of the Notice of Agency Action and Order to Show Cause to:

Audience Alliance Partners (1), LLC

Attn: Nathan Archibald

150 W 1450 N

Provo, UT 84604

Certified Mail # 70041160000301959031

KCM Partners, LLC

358 W. Creekside Ln

Kaysville, UT 84037

Certified Mail # 70041160000301959048

Clifton K. Oram

514 S. Joshua Dr

Kaysville, UT 84037

Certified Mail # 70041160000301959055

Kirk L. Oram

358 W. Creekside Ln

Kaysville, UT 84037

Certified Mail # 70041160000301960525

Aisling Opportunities II, LP

Attn: Michael P. McLaughlin

7556 East Sierra Morena Circle

Mesa, AZ 85207

Certified Mail # 70041160000301960532

Michael P. McLaughlin

7556 East Sierra Morena Circle

Mesa, AZ 85207

Certified Mail # 70041160000301960549

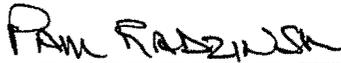
Michael P. McLaughlin

3214 N University Ave

Provo, UT 84604-4405

Certified Mail # 70041160000301960556

Michael Evenhuis
2595 Eastwood Blvd.
Uinta, UT 84403
Certified Mail # 7004 1160 00030196 0563



Executive Secretary