

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.

**STIPULATION AND CONSENT ORDER
AS TO AUDIENCE ALLIANCE
PARTNERS(1), LLC**

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 Utah Division of Securities (“Division”), by and through its Director of Licensing, George Robison, and Audience Alliance Partners (1), LLC, hereby stipulate and agree as follows:

1. Audience Alliance Partners (1), LLC, (“Audience Alliance”) has been the subject of an investigation by the Division into allegations that it violated the Utah Uniform Securities Act (“Act”), Utah Code Ann. §61-1-1, *et seq.*
2. On May 14, 2009, the Division filed an Order to Show Cause against Audience Alliance and others. The actions against the other respondents are currently pending.

3. Audience Alliance has agreed with the Division to settle this matter by way of this Stipulation and Consent Order (“Order”). If entered, the Order will fully resolve all claims the Division has against Audience Alliance pertaining to the May 14, 2009 Order to Show Cause.
4. Audience Alliance admits the jurisdiction of the Division over it and over the subject matter of this action.
5. Audience Alliance waives any right to a hearing to challenge the Division’s evidence and present evidence on its behalf.
6. Audience Alliance has read the Order, understands its contents, and submits to this Order voluntarily. No promises or other agreements have been made by the Division, nor by any representative of the Division, to induce Audience Alliance to enter into this Order, other than as described in this Order.
7. Respondent is represented by Matthew B. Tenney, and is satisfied with the legal representation it has received.

I. FINDINGS OF FACT

8. Audience Alliance Partners (1), LLC (“Audience Alliance”) is a Wyoming limited liability company with a place of business in Provo, Utah.
9. KCM Partners, LLC (“KCM”) is a Wyoming limited liability company with a place of business in Kaysville, Utah.
10. 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.

11. 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.
12. Clif Oram, Kirk Oram, and McLaughlin have all been previously licensed in the securities industry as broker-dealer agents, but are not currently licensed in any capacity.
13. Michael Evenhuis is a Utah resident who acted as an agent of KCM. He has never been licensed in the securities industry.
14. 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.
15. KCM and AAMPS were the only members of Audience Alliance.
16. Audience Alliance was formed for the purpose of producing, marketing, and distributing family-friendly films.
17. Audience Alliance intended to finance its business plan through the sale of debt securities in the form of loan agreements.

The Offering

18. 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.
19. 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 investment and duration of the note, annual interest rates ranged from 12% for one-year

notes to 22% for five-year notes.

20. 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.
21. 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 KCM and agents of KCM, 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.
22. 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. KCM engaged thirteen agents to sell the notes.
23. 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.

Sales to Utah Investors

24. 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.¹

25. 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. The remaining commissions of an additional 8% (\$6,400) were to be paid out later.
26. 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 \$89,249.²
27. KCM agents who are not Utah residents sold the offering to non-Utah residents and received compensation for such sales.
28. 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

¹Mr. 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.

²Following 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.

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.

II. CONCLUSIONS OF LAW

- 29. Audience Alliance violated Section 61-1-1(2) by misrepresenting and omitting material facts as described in paragraph 28 in connection with the offer and sale of the offering.
- 30. Audience Alliance violated Section 61-1-3(2) of the Act by engaging an unlicensed entity, KCM, and unlicensed agents to sell the offering.

III. REMEDIAL ACTIONS/SANCTIONS

- 31. Audience Alliance neither admits nor denies the Division’s findings and conclusions, but consents to the sanctions below being imposed by the Division.
- 32. Pursuant to Utah Code Ann. § 61-1-20(1)(f) and in consideration of the guidelines set forth in Utah Admin. Code Rule R164-31-1, the Division imposes a fine of \$10,000.
- 33. Audience Alliance shall offer rescission, in compliance with Section 61-1-7 of the Act, to investors who purchased the offering and shall inform the Division whether the rescission offer is accepted or rejected.
- 34. Audience Alliance shall disclose this Order to potential investors in any future securities

offerings.

35. Audience Alliance shall comply with the requirements of the Utah Uniform Securities Act in all future business in this state.

IV. FINAL RESOLUTION

36. Audience Alliance represents that the information it has provided during the Division's investigation of this matter is accurate and complete, and that it has identified to the Division all investors in the offering.
37. Audience Alliance acknowledges that this Order, upon approval by the Utah Securities Commission shall be the final compromise and settlement of this matter. Audience Alliance further acknowledges that if the Securities Commission does not accept the terms of the Order, it shall be deemed null and void and without any force or effect whatsoever.
38. Audience Alliance acknowledges that the Order does not affect any civil or arbitration causes of action that third-parties may have against it arising in whole or in part from its actions, and that the Order does not affect any criminal causes of action that may arise as a result of its conduct referenced herein.
39. This Order constitutes the entire agreement between the parties herein and supersedes and cancels any and all prior negotiations, representations, understandings, or agreements between the parties. There are no verbal agreements which modify, interpret, construe, or otherwise affect this Order in any way.

Utah Division of Securities

Dated this 3rd day of September, 2009.

By: George A. Robison

George A. Robison
Director of Licensing

Audience Alliance Partners (1), LLC

Dated this 1st day of Sept., 2009.

[Signature]

Its CFO

Approved:

D. Scott Davis

D. Scott Davis
Assistant Attorney General

Approved:

Matthew B. Tenney

Matthew B. Tenney
Attorney for Respondent Audience Alliance
Partners (1), LLC

ORDER

IT IS HEREBY ORDERED THAT:

1. The Division has made a sufficient showing of Findings of Fact and Conclusions of Law to form a basis for this settlement.
2. Audience Alliance pay a fine of \$10,000 within thirty (30) days of entry of this Order.
3. Audience Alliance offer rescission, in compliance with Section 61-1-7 of the Act, to investors who purchased the offering and shall inform the Division whether the rescission offer is accepted or rejected.
4. Audience Alliance shall disclose this Order to potential investors in any future securities offerings.
5. Audience Alliance comply with the requirements of the Utah Uniform Securities Act in all future business in this state.

BY THE UTAH SECURITIES COMMISSION:

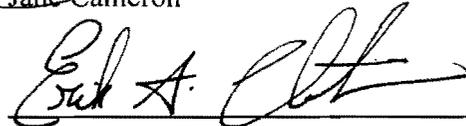
DATED this 17th day of September, 2009.



Tim Bangerter



Jane Cameron



Erik Christiansen



Michael O'Brien

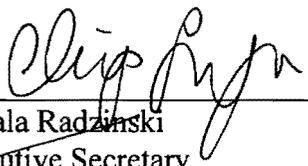


Laura Polacheck

CERTIFICATE OF SERVICE

The undersigned certifies that on the 23 day of September, 2009, I mailed a true and correct copy of this Stipulation and Consent Order to:

Matthew B. Tenney
Parr, Brown, Gee & Loveless
185 South State Street, Suite
Salt Lake City, Utah 84111
Attorney for Respondent Audience Alliance Partners (1), LLC



Pamala Radzinski
Executive Secretary