

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 KCM PARTNERS, LLC,
CLIFTON K. ORAM, KIRK L. ORAM,
AISLING OPPORTUNITIES II, LP, AND
MICHAEL P MCLAUGHLIN**

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 KCM Partners, LLC, Clifton K. Oram, Kirk L. Oram, Aisling Opportunities II, LP and Michael P. McLaughlin (collectively, “the KCM Respondents”), hereby stipulate and agree as follows:

1. The KCM Respondents have been the subject of an investigation by the Division into allegations that they 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 the KCM Respondents and others. The actions against the other respondents are currently pending.
3. The KCM Respondents have 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 the KCM Respondents pertaining to the May 14, 2009 Order to Show Cause.
4. The KCM Respondents admit the jurisdiction of the Division over them and over the subject matter of this action.
5. The KCM Respondents waive any right to a hearing to challenge the Division’s evidence and present evidence on their behalf.
6. The KCM Respondents have read the Order, understand its contents, and submit to this Order voluntarily. No promises or other agreements have been made by the Division, nor by any representative of the Division, to induce them to enter into this Order, other than as described in this Order.
7. The KCM Respondents are represented by Bud Headman, and are satisfied with the legal representation they have 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. 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.
13. 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.
14. 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.
15. 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 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
16. Michael Evenhuis is a Utah resident who acted as an agent of KCM. He has never been licensed in the securities industry.

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.

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

17. 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.
18. KCM and AAMPS were the only members of Audience Alliance.
19. Audience Alliance was formed for the purpose of producing, marketing, and distributing family-friendly films.
20. Audience Alliance intended to finance its business plan through the sale of debt securities in the form of loan agreements.

The Offering

21. 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.
22. 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.
23. 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.
24. 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.

25. 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.
26. 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

27. 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
28. 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

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.

\$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.

29. 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

30. KCM agents who are not Utah residents sold the offering to non-Utah residents and received compensation for such sales 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

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.

Craig Billings (NV) 8,298

Sheldon Hunsaker (NV) 8,298

31. 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.

II. CONCLUSIONS OF LAW

32. The KCM Respondents violated Section 61-1-1(2) by misrepresenting and omitting material facts as described in paragraph 31 in connection with the offer and sale of the offering.
33. The KCM Respondents 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. KCM agents were not licensed as issuer-agents or broker-dealer agents when selling the offering to Utah investors, as required by the Act.

III. REMEDIAL ACTIONS/SANCTIONS

34. The KCM Respondents admit they sold securities while unlicensed, based upon their understanding from prior legal counsel that licensing was not required. They neither admit nor deny the Division's other findings and conclusions, but consent to the sanctions below being imposed by the Division.
35. 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 fines, jointly and severally as to each, as follows:
- Clifton K. Oram and KCM Partners, LLC: \$12,500
- Kirk L. Oram and KCM Partners, LLC: \$12,500
- Michael P. McLaughlin, KCM Partners, LLC, Aisling Opportunities II, LP: \$12,500
36. Respondents shall pay at least \$250.00 per month, to be received by the 20th day of each month, until the fine is paid in full. The first payments shall be made within thirty (30) days of the entry of this Order. If Respondents fail to make a payment as set forth in this Order, such failure will be deemed a material breach of this Order, and payment of the remaining fine amount(s) shall become due in full within thirty (30) days of the breach.
37. The KCM Respondents shall cease and desist from violating the Utah Uniform Securities Act and comply with the requirements of the Act in all future business in this state.

IV. FINAL RESOLUTION

38. The KCM Respondents represent that the information they have provided during the Division's investigation of this matter is accurate and complete, and that they have

identified to the Division all investors to whom they sold the offering.

39. The KCM Respondents acknowledge that this Order, upon approval by the Utah Securities Commission shall be the final compromise and settlement of this matter. The KCM Respondents further acknowledge 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.
40. The KCM Respondents acknowledge that the Order does not affect any civil or arbitration causes of action that third-parties may have against them arising in whole or in part from their actions, and that the Order does not affect any criminal causes of action that may arise as a result of their conduct referenced herein.
41. 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

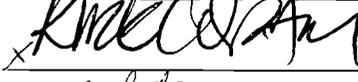
Dated this 10th day of September, 2009.

By: 

George A. Robison
Director of Licensing

KCM Partners, LLC

Dated this 20 day of July, 2009.

x 

KCM Partners, LLC
Its Member


Clifton K. Oram

Clifton K. Oram

Kirk L. Oram

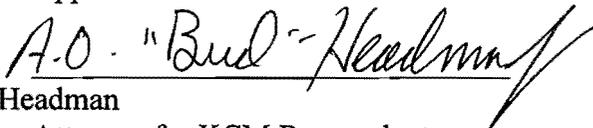
Michael P. McLaughlin
Aisling Opportunities II, LP

Approved:



D. Scott Davis
Assistant Attorney General

Approved:



Bud Headman
Attorney for KCM Respondents

ORDER

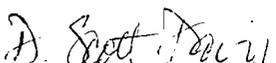
IT IS HEREBY ORDERED THAT:

1. The Division has made a sufficient showing of Findings of Fact and Conclusions of Law to form a basis for this settlement.
1. The KCM Respondents pay fines as set forth in paragraphs 35 and 36 above. The first payments shall be made within thirty (30) days following entry of this Order. If Respondents fail to make a payment as set forth in this Order, such failure will be deemed a material breach of this Order, and payment of the fine shall be due in full within thirty (30) days of the breach.
2. The KCM Respondents cease and desist from violating the Utah Uniform Securities Act and comply with the requirements of the Act in all future business in this state.


Kirk L. Oram

Michael P. McLaughlin
Aisling Opportunities II, LP

Approved:



D. Scott Davis
Assistant Attorney General

Approved:

Bud Headman
Attorney for KCM Respondents

ORDER

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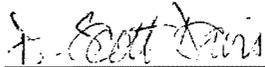
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Kirk L. Oram



Michael P. McLaughlin
Aisling Opportunities II, LP

Approved:



D. Scott Davis
Assistant Attorney General

Approved:

Bud Headman
Attorney for KCM Respondents

ORDER

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3. The KCM Respondents cease and desist from violating the Utah Uniform Securities Act and comply with the requirements of the Act in all future business in this state.

BY THE UTAH SECURITIES COMMISSION:

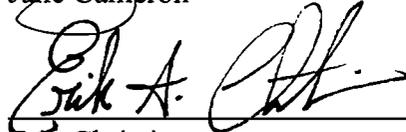
DATED this 17th day of September, 2009.



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:

Bud Headman
COHNE RAPPAPORT & SEGAL
257 East 200 South 7th Floor
Salt Lake City, UT 84111
Attorney for KCM Respondents



Pamala Radzinski
Executive Secretary