STATE OF NORTH CAROLINA

Department of The Secretary of State

THE NORTH CAROLINA SECURITIES DIVISION,	)	
Petitioner,	)	
vs.	)	**CONSENT ORDER**
BRIAN K. COATS,	)	
	)	**FILE NO. 07-005-CC**
	)	**FILE NO. 07-SEC-008**
Respondent.	)	

THIS CAUSE coming on to be heard and being heard before the Secretary of State of the State of North Carolina (the "Secretary of State"), as Administrator of the North Carolina Securities Act; and

IT APPEARING to the Administrator that the undersigned Respondent has stipulated to certain facts and legal conclusions and to the entry of a Consent Order in conformity therewith;

FINDNGS OF FACT

IT IS HEREBY STIPULATED by the undersigned that:

(1) Brian K. Coats, hereinafter Respondent Coats, is a natural person whose primary place of residence is in or near the Town of Clayton, North Carolina.

(2) Respondent Coats is not now, and has not been at any time relevant herein, registered as a securities dealer or salesman as required by N.C.G.S. §78A-36. Respondent Coats, with regard to the acts and conduct specified here is not exempt from the requirement of registration under said statute.

(3) Beginning in November 2006 and continuing into 2007, until subjected to a temporary cease-and-desist order issued by the Administrator in case #07-005-CC, Respondent Coats offered for sale in North Carolina and did sell to various persons in North Carolina two different "movie production loan" programs issued by Alliance Group Entertainment (hereinafter "AGE"). In its "Option A" program, AGE promised a 25% fixed return for a 12 month fixed term investment with interest to be paid annually. The "Option B" program offered by AGE promised an 18% fixed return for a 12 month fixed term investment with a 1.5% monthly interest payment.

(4) Each of these AGE programs constituted a security as defined in N.C.G.S. §78A-2 (11). None of the AGE securities were registered as required by N.C.G.S. §78A-24 and none were entitled to any exemption from registration.

(5) During 2007 Respondent Coats offered for sale and did sell to persons in North Carolina promissory notes of Audience Alliance Partners (1), LLC (hereinafter AAP-1). These promissory notes, sold in units of $50,000.00, bore an annual interest rate of 22%. Each of the AAP-1 promissory notes constituted a security as defined in N.C.G.S. §78A-2 (11). None of the

AAP-1 securities were registered as required by N.C.G.S. §78A-24 and none were entitled to any exemption from registration.

(6) Respondent Coats was compensated by commission for selling these notes to North Carolina investors.

(7) The solicitation and sale of AGE and AAP-1 promissory notes by Respondent Coats in 2006 and 2007 to persons in North Carolina constituted sales of securities without registration or exemption in violation of N.C.G.S. 78A-24. For the purpose of settlement of this matter, Respondent Coats claims that he received advice from lawyers for both firms indicating his conduct in these sales was lawful. The Administrator is unable to verify such claims and notes that there is no claim that any of these attorneys were licensed to practice in North Carolina.

(8) Respondent Coats admits that his conduct in this matter is within the subject matter jurisdiction of the Administrator and that he is personally subject to the jurisdiction of the Administrator.

(9) Respondent Coats expressly waives any right to Notice of Rights and Opportunity for Hearing, a Notice of Hearing, a hearing, the making of findings of fact and conclusions of law, and all further proceedings before the Administrator to which he may be entitled by law.

(10) Respondent expressly waives all rights to seek judicial review or otherwise challenge the validity of this **CONSENT ORDER**.

(11) This **CONSENT ORDER** contains the entire agreement between the undersigned, there being no agreement of any kind, verbal or otherwise, which varies, alters, or adds to this **CONSENT ORDER**. The undersigned Respondent agrees that the presentation of this **CONSENT ORDER** to the Administrator without the undersigned Respondent or counsel for Respondent being present shall not constitute an improper *ex parte* communication between the

Administrator and Petitioner or counsel for Petitioner. This **CONSENT ORDER** shall be effective only after approval and execution by the Administrator.

BASED UPON THE FOREGOING Stipulations of Fact, and consistent with the consent and stipulation of the Respondents, the Administrator makes the following:

CONCLUSIONS OF LAW

(1) The promissory notes of AGE and AAP-1 sold by Respondent Coats in 2006 and 2007 are securities under N.C.G.S. §78A-2 (11).

(2) Sale of the promissory notes of AGE and AAP-1 by Respondent Coats to persons in North Carolina in 2006 and 2007 were sales of securities under N.C.G.S. §78A-2 (8).

(3) Sales of the promissory notes of AGE and AAP-1 to persons in North Carolina in 2006 and 2007 violated N.C.G.S. §78A-24.

(4) The Administrator has jurisdiction of the subject matter of the securities transactions with persons in North Carolina and the person of Respondent.

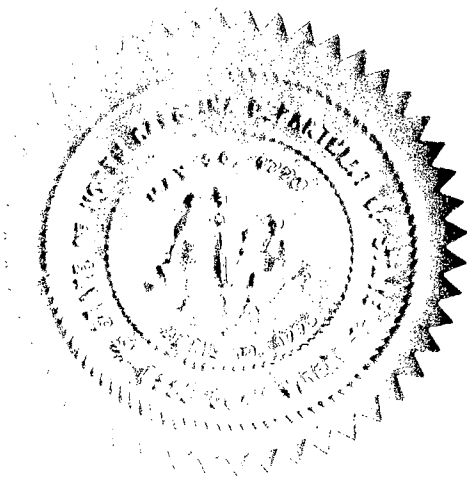
ORDER

NOW, THEREFORE, the Administrator, acting through her duly appointed Deputy Securities Administrator, pursuant to and under all authority granted by the North Carolina Securities Act, and with the consent of Respondent Coats, does hereby enter into this **CONSENT ORDER** in settlement of the above-captioned matter.

NOW, THEREFORE, with the consent, stipulation and agreement of Respondent Coats, it is **HEREBY ORDERED** that Respondent shall immediately cease and desist from offering to sell or selling securities of any kind in the State of North Carolina, including, but not limited to, promissory notes of AGE and AAP-1, or any other entity, to persons residing or located in the State of North Carolina, without first complying with Chapter 78A, N.C.G.S., the North Carolina Securities Act.

This **CONSENT ORDER** shall become final upon entry.

WITNESS MY HAND AND THE OFFICIAL SEAL of the North Carolina Department of Secretary of State, this the 11th day of March, 2008



ELAINE F. MARSHALL
SECRETARY OF THE STATE OF
NORTH CAROLINA and
SECURITIES ADMINISTRATOR

By:
DAVID S. MASSEY
DEPUTY SECURITIES ADMINISTRATOR

CONSENT TO ENTRY OF CONSENT ORDER BY BRIAN K. COATS

Brian K. Coats hereby acknowledges that he has read, understands and consents to the entry of the foregoing **CONSENT ORDER.** By agreeing to the stipulations in this **CONSENT ORDER**, Respondent Coats admits the jurisdiction of the North Carolina Secretary of State, admits the Stipulations of Fact and Conclusions of Law contained in this Order; and consents to entry of this Order by the North Carolina Secretary of State as settlement of the issues contained in this Order.

Dated this the 6 day of MARCH, 2008.

By: _____

Brian K. Coats

SUBSCRIBED AND SWORN TO before me this 6th day of March, 2008.

_____
Notary Public

My Commission expires:

9-15-10

KATHRYN B. WATT NOTARY PUBLIC WAKE COUNTY, N.C.

CONSENT TO ENTRY OF CONSENT ORDER BY COUNSEL FOR RESPONDENT

The undersigned counsel for Respondent Coats, on behalf of Respondent, hereby consents to the submission of this **CONSENT ORDER** to the Administrator for acceptance and entry as a final administrative order in this matter.

Dated this the 13 day of March, 200__.

McDaniel & Anderson, LLP
Counsel for Respondents

By: _____
L. Bruce McDaniel
Attorney at Law