

**BEFORE THE COMMISSIONER OF COMMERCE AND INSURANCE
FOR THE STATE OF TENNESSEE**

IN THE MATTER OF:)
) **Order No. 15-012**
WORTHAM LABORATORIES, INC.)

CONSENT ORDER

The Tennessee Securities Division (“TSD”) and Wortham Laboratories, Inc. (“Wortham Labs”) agree, subject to the approval of the Commissioner of the Tennessee Department of Commerce and Insurance (“Commissioner”), to the entry of this Consent Order (“Order”) in accordance with TENN. CODE ANN. § 48-1-116 of the Tennessee Securities Act of 1980, as amended, TENN. CODE ANN. §§ 48-1-101, *et seq.* (the “Act”), which states that the Commissioner may from time to time make such orders as are necessary to carry out the provisions of the Act.

GENERAL STIPULATIONS

1. It is expressly understood that this Order is subject to the Commissioner’s acceptance and has no force and effect until such acceptance is evidenced by the entry of the Commissioner.
2. This Order is executed by Wortham Labs by and through their authorized representative for the purpose of avoiding further administrative action with respect to this cause. Furthermore, should this Order not be accepted by the Commissioner, it is agreed that presentation to and consideration of this Order by the Commissioner shall not unfairly or illegally prejudice the Commissioner from further participation or resolution of these proceedings.

3. Wortham Labs fully understands that this Order will in no way preclude additional proceedings by the Commissioner against Wortham Labs for acts or omissions not specifically addressed in this Order or for facts and/or omissions that do not arise from the facts or transactions herein addressed.

4. Wortham Labs fully understands that this Order will in no way preclude proceedings by state government representatives, other than the Commissioner, for the violations of the Act addressed specifically in this Order, against Wortham Labs for violations of law under statutes, rules, or regulations of the State of Tennessee, which may arise out of the facts, acts, or omissions contained in the Findings of Fact and Conclusions of Law stated herein, or which may arise as a result of the execution of this Order by Wortham Labs.

GENERAL PROVISIONS

WHEREAS, Respondent Wortham Labs is a Tennessee Corporation authorized and doing business in Tennessee at a current business address of 6340 Bonny Oaks Dr. Chattanooga, Tennessee, 37416-3513;

WHEREAS, on at least one occasion, Wortham Labs caused an investment in the company that met the definition of a security within the meaning of the Act to be offered and sold to a Tennessee investor;

WHEREAS, Wortham Labs admits that the security / investment contract that is the subject of this matter was not registered with the TSD as required by TENN. CODE ANN. §48-1-104;

WHEREAS, the security / investment contract was sold directly to the Tennessee investor by

Wortham Labs and not by an agent or broker properly registered with the TSD as required by TENN. CODE ANN. §48-1-109;

WHEREAS, Wortham Labs has made full restitution of the investment funds to the Tennessee investor and has achieved a resolution of any dispute between Wortham Labs and the Tennessee investor;

WHEREAS, Wortham Labs has advised the TSD of this agreement to resolve the matter and has provided documentary proof of the restitution made and received;

WHEREAS, Wortham Labs expressly waives all further procedural steps, and expressly waives all rights to seek judicial review of or to otherwise challenge or contest the validity of the Consent Order, the stipulations and imposition of discipline contained herein, and the consideration and entry of said Order by the Commissioner; and

WHEREAS, Wortham Labs elects to permanently waive any right to a hearing and appeal under TENN. CODE ANN. §§ 4-5-101 *et seq.*, with respect to this Order.

NOW THEREFORE, the Commissioner, as administrator of the Act (TENN. CODE ANN. §§ 48-1-101 *et seq.*), hereby enters this Order:

FINDINGS OF FACT

1. TENN. CODE ANN. §48-1-116 provides that the Commissioner may make, promulgate, amend, and rescind such rules, forms and orders as are necessary to carry out this part of the Act, upon a finding that such order is in the public interest, necessary for the protection of investors and consistent with the purposes fairly intended by the policy and provisions of the Act.

2. The sale of unregistered, non-exempt securities in Tennessee is prohibited by the provisions of TENN. CODE ANN. §48-1-104.

3. The investment contract made with the Tennessee investor in Wortham Labs that is the subject of this matter met the definition of a security within the meaning of the Act.

4. The security sold by Wortham Labs to the Tennessee investor was not registered with the TSD, in violation of TENN. CODE ANN. §48-1-104.

5. The security sold by Wortham Labs to the Tennessee investor was not sold by an agent or broker properly registered with the TSD as required by TENN. CODE ANN. §48-1-109.

6. TENN. CODE ANN. §48-1-112(d) provides for a civil penalty of up to five thousand dollars (\$5,000) per violation of the aforementioned statutes.

7. In addition to making full restitution, Wortham Labs has voluntarily complied and fully cooperated with the investigation by the TSD and all requests for information.

8. No client from whom Wortham Labs borrowed money has been harmed financially or otherwise as a result of the subject loan activity.

CONCLUSIONS OF LAW

Pertaining to the Commissioner's Authority to Carry Out the Provisions of the Tennessee Securities Act of 1980

1. The State of Tennessee has jurisdiction over this matter pursuant to the Tennessee Securities Act of 1980, as amended (the "Act") (TENN. CODE ANN. §§ 48-1-101 *et seq.*).

2. TENN. CODE ANN. § 48-1-116 provides that the Commissioner may make, promulgate, amend, and rescind such Orders as are necessary to carry out the provisions of the Act

upon a finding that such Order is in the public interest, necessary for the protection of investors and consistent with the purposes fairly intended by the policy and provisions of the Act.

Pertaining to Wortham Labs' Rule Violations

3. The sale of unregistered, non-exempt securities in Tennessee is a violation of TENN. CODE ANN. §48-1-104.

4. The sale of securities by unregistered individuals or entities in Tennessee is a violation of TENN. CODE ANN. §48-1-109.

5. TENN. CODE ANN. §48-1-112(d) provides for a civil penalty of up to five thousand dollars (\$5,000) per violation of the aforementioned statutes and rules.

ORDER

NOW, THEREFORE, on the basis of the foregoing, and Wortham Labs' waiver of the right to a hearing and appeal under the Tennessee Securities Act, the Tennessee Uniform Administrative Procedures Act, TENN. CODE ANN. §§ 4-5-101 *et seq.*, and Wortham Labs' admission of jurisdiction of the Commissioner, the Commissioner finds that Wortham Labs, for the purpose of settling this matter, admits the Findings of Fact and neither admits nor denies the Conclusions of Law herein, has agreed to the entry of this Order and that the following Order is appropriate, in the public interest and necessary for the protection of investors.

IT IS ORDERED, pursuant to TENN. CODE ANN. § 48-1-116(a) of the Act, that Wortham Labs:

1. **COMPLY** with the provisions of the Tennessee Securities Act, as amended;

2. **CEASE AND DESIST** in any future conduct in violation of any rule, regulation or statute under the Act;

3. **PAY A CIVIL PENALTY** to the State of Tennessee in the total amount of one thousand dollars (\$1,000) within thirty (30) days of the entry of this Order. Payment shall be mailed to:

**State of Tennessee
Department of Commerce and Insurance
Securities Division – Enforcement Section
Attn: Charles S. Herrell, Attorney
8th Floor, Davy Crockett Tower
500 James Robertson Parkway
Nashville, Tennessee 37243**

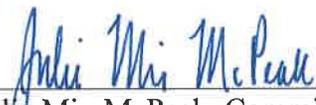
4. If payment is not made by Wortham Labs according to the terms described above, the TSD may vacate this Order, at its sole discretion, upon ten (10) days' notice to Wortham Labs and without opportunity for an administrative hearing.

IT IS FURTHER ORDERED, that this Order represents the complete and final resolution of, and discharges with respect to all administrative and civil, claims, demands, actions and causes of action by the Commissioner against Wortham Labs for violations of the Act alleged by the TSD to have occurred with respect to the transactions involving the above-referenced facts. However, excluded from and not covered by this paragraph are any claims by the TSD arising from or relating to enforcement of the Order provisions contained herein.

This Order is in the public interest and in the best interests of the parties, and represents a compromise and settlement of the controversy between the parties and is for settlement purposes only. By the signatures affixed below, Wortham Labs affirmatively states that it has freely agreed to

the entry of this Order, that it waives the right to a hearing on the matters underlying this Order and to a review of the Findings of Fact and Conclusions of Law contained herein, and that no threats or promises of any kind have been made to it by the Commissioner, the Division, or any agent or representative thereof. The parties, by signing this Order, affirmatively state their agreement to be bound by the terms of this Order and aver that no promises or offers relating to the circumstances described herein, other than the terms of settlement as set forth in this Order, are binding upon them.

ENTERED this 25th day of April, 2016.



Julie Mix McPeak, Commissioner
Department of Commerce and Insurance

APPROVED FOR ENTRY:



Frank Borger-Gilligan
Assistant Commissioner for Securities
Department of Commerce and Insurance



Charles S. Herrell (BPR # 18035)
Assistant General Counsel
Department of Commerce and Insurance
500 James Robertson Parkway, 8th Floor
Nashville, Tennessee 37243
(615) 253-1378/Fax (615) 741-4000

**CONSENT TO ENTRY OF ORDER BY
WORTHAM LABORATORIES, INC.**

1. Wortham Laboratories, Inc., hereby acknowledges that it has been served with a copy of this Order, has read the foregoing Order, is aware of its right to a hearing and appeal in this matter, and has waived the same.

2. Wortham Laboratories, Inc. admits the jurisdiction of the State of Tennessee, admits the Findings of Fact and Conclusions of Law contained in this Order; and consents to entry of this Order by the Commissioner, Tennessee Department of Commerce and Insurance, as settlement of the issues contained in this Order.

3. Wortham Laboratories, Inc. states that no promise of any kind or nature whatsoever was made to induce it to enter into this Order and that it has entered into this Order voluntarily.

Dated this 25 day of March, 2016.

Wortham Laboratories, Inc.

by: Leon Wortham, Authorized Representative