

UNITED STATES DISTRICT COURT  
FOR THE NORTHERN DISTRICT OF ALABAMA  
Southern Division

2008 APR 30 AM 10:06  
DISTRICT COURT  
N.D. OF ALABAMA

CASE NO.:

SECURITIES AND EXCHANGE  
COMMISSION,

Plaintiff,

v.

CV-08-B-0761-S

LARRY P. LANGFORD,  
WILLIAM B. BLOUNT,  
BLOUNT PARRISH & CO., INC. AND  
ALBERT W. LAPIERRE,

Defendants.

COMPLAINT

Plaintiff Securities and Exchange Commission alleges as follows:

I. INTRODUCTION

1. This case involves a public official accepting undisclosed payments from a broker-dealer in connection with the offer, purchase and sale of almost \$2.9 billion of Jefferson County, Alabama municipal bonds and \$3.5 billion of Jefferson County security-based swap agreements. The broker-dealer and his firm reaped millions of dollars in fees in connection with these bond offerings and swap agreements.

2. Larry Langford, the current mayor of Birmingham, Alabama and former president of the Jefferson County commission, received more than \$156,000 in cash and benefits from July 2002 through August 2004 from his friend, William Blount, chairman of a Montgomery, Alabama broker-dealer and municipal securities dealer. To conceal Blount's direct role in conferring benefits on Langford, Blount and Langford employed their long-time friend, Albert LaPierre, a registered political lobbyist, as a conduit to make the payments.

3. In connection with Blount's undisclosed payments to Langford, Langford awarded County business to Blount's firm, Blount Parrish & Co., Inc., in every County bond offering or swap agreement from March 2003 through December 2004. During this time, Blount Parrish received more than \$6.7 million in fees relating to County bond underwriting and swap agreements, comprising more than 70 percent of the firm's annual revenue.

4. Langford, Blount and Blount Parrish failed to disclose any of the payments and benefits to Langford, either to the County or investors in bond offerings, or to the County in the swap agreements at issue. Furthermore, their course of conduct operated as a fraud and deceit on the County and investors by depriving the County and investors of objective and impartial bond underwriting processes and swap agreement negotiations.

5. By engaging in the conduct described above and more fully below: (1)

Langford, Blount and Blount Parrish violated Section 17(a) of the Securities Act of 1933 (“Securities Act”) and Section 10(b) of the Securities Exchange Act of 1934 (“Exchange Act”) and Rule 10b-5; (2) Blount and Blount Parrish violated Section 15B(c)(1) of the Exchange Act and Municipal Securities Rulemaking Board (“MSRB”) Rules G-17 and G-20; and (3) LaPierre aided and abetted Blount and Blount Parrish’s violations of the aforementioned statutes and rules. Unless the Court enjoins the four defendants, they are reasonably likely to continue to violate the federal securities laws.

## **II. DEFENDANTS**

6. Langford, 60, is the mayor of Birmingham, Alabama. From November 2002 until November 2007, Langford was the President of the Jefferson County commission, in charge of finance and general services for the commission.

7. Blount, 54, of Montgomery, Alabama, is co-owner and chairman of Blount Parrish, a broker-dealer and municipal securities broker-dealer registered with the Securities and Exchange Commission. Blount holds Series 7, 24, and 53 securities licenses.

8. Blount Parrish is an Alabama corporation with its principal place of business in Montgomery, Alabama. It has been registered with the Commission as a broker-dealer since 1987 and is also a registered municipal securities broker-dealer. In August 1991, the National Association of Securities Dealers (“NASD”)

censured and fined Blount Parrish and Blount \$150,000 for violations of MSRB Rule G-17 for failing to disclose material facts to purchasers in connection with the offering of municipal bonds. In June 1996, the NASD also charged Blount Parrish with violations of MSRB Rules G-17 and G-37, and Blount with violations of MSRB Rule G-37, for engaging in municipal securities business on nine bond offerings within two years of making indirect contributions to officials of state and local bond issuers using a lobbyist and a political action committee. In January 1997, Blount Parrish and Blount settled the NASD action, agreeing: to pay a \$55,000 fine; not to make contributions to any political action committee; and to refrain from doing business with any lobbyist who controlled or operated a political action committee.

9. LaPierre, 57, is a lobbyist registered in the State of Alabama and a former executive director of the Alabama Democratic Party. LaPierre has never been licensed in the securities industry. LaPierre served as a consultant to Blount Parrish on three Jefferson County bond and swap transactions in 2003 and 2004, for which Blount Parrish paid LaPierre approximately \$219,500.

### **III. JURISDICTION AND VENUE**

10. This complaint concerns conduct, fees, and payments in connection with five County bond offerings and four security-based swap agreements between March 2003 and December 2004.

11. The five bond offerings are: (1) a \$94 million capital improvement bond offering that closed on March 1, 2003 (“the 2003-A bonds”); (2) a \$1.1 billion sewer bond offering that closed on May 1, 2003 (“the 2003-B bonds”); (3) a \$1.05 billion sewer bond offering that closed on August 7, 2003 (“the 2003-C bonds”); (4) a \$51 million general obligation bond offering that closed on August 1, 2004 (“the 2004-A bonds”); and (4) a \$650 million limited obligation school bond offering that closed on December 20, 2004 (“the 2004 school bonds”).

12. The four County swap agreements are: (1) a \$1.1 million swap agreement with JP Morgan Chase Bank (“JP Morgan”) executed in connection with the 2003-B bonds; (2) a \$789 million swap agreement with JP Morgan executed in connection with the 2003-C bonds; (3) a \$111 million swap agreement with JP Morgan with an effective date of May 1, 2004; and (4) a \$1.5 billion swap agreement with Bear Stearns & Co. with an effective date of June 24, 2004.

13. The Court has jurisdiction over conduct involving these transactions and this action pursuant to Sections 2(a)(1), 17(a), 20(b), 20(d) and 22(a) of the Securities Act, 15 U.S.C. §§ 77b(a)(1), 77q(a), 77t(b), 77t(d), and 77v(a); and Sections 3(a)(10), 10(b), 21(d), 21(e), and 27 of the Exchange Act, 15 U.S.C. §§ 78c(a)(10), 78j(10), 78u(d), 78u(e), and 78aa.

14. More specifically, the Court has jurisdiction over the five bond offerings and fraudulent conduct in connection with them because bonds are

included in the definition of the term “security” in Section 2(a)(1) of the Securities Act and Section 3(a)(10) of the Exchange Act.

15. The Court also has jurisdiction over the fraudulent conduct in connection with the four swap agreements because they were security-based swap agreements. Security-based swap agreements are defined in Section 206B of the Gramm-Leach-Bliley Act, as amended by the Commodity Futures Modernization Act of 2000, as agreements “of which a material term is based on the price, yield, value, or volatility of any security or any group or index of securities, or any interest therein.”

16. The terms of the three County swap agreements with JP Morgan stated the County was entitled to receive floating interest rate payments from JP Morgan based on the value of The Bond Market Association’s Municipal Swap Index (“BMA”), an index of securities used to establish the floating rate yield (the Bond Market Association is now known as the Securities Industry and Financial Markets Association). Furthermore, the June 2004 swap agreement with Bear Stearns specified the County had to make interest rate payments to Bear Stearns based in part on the floating value of the BMA’s Municipal Swap Index. Thus, all four transactions constituted security-based swap agreements because a material term in each agreement was based on an index of securities.

17. The express terms of Section 17(a) of the Securities Act, Section

10(b) of the Exchange Act, and Rule 10b-5 (among other statutes and rules) give the Commission the authority to prosecute anti-fraud violations of those sections in connection with security-based swap agreements.

18. An additional basis for the Court's jurisdiction over fraudulent conduct in connection with the 2003-B and 2003-C swap agreements is that the County negotiated, executed, and entered into these two swap agreements simultaneously with the 2003-B and 2003-C bonds, respectively. The swap agreements were therefore part of the bond offerings over which the Court already has jurisdiction.

19. The Court has personal jurisdiction over the defendants and venue is proper in the Northern District of Alabama because: (1) Langford and LaPierre reside in the Northern District of Alabama; (2) all of the bond offerings and swap agreements at issue in the complaint were executed by, on behalf of, and in Jefferson County, which is located in the Northern District of Alabama; and (3) Blount and Blount Parrish solicited business from and conducted it with Jefferson County, Langford, and LaPierre in the Northern District of Alabama.

20. The defendants, directly and indirectly, have made use of the means and instrumentalities of interstate commerce, the means and instruments of transportation and communication in interstate commerce, and the mails, in

connection with the acts, practices, and courses of business set forth in this complaint.

#### **IV. FACTS**

##### **A. County Sewer Bond Offerings And Swap Agreements**

21. Jefferson County's sewer revenue bond offerings began in the 1990s pursuant to a consent decree with the U.S. Environmental Protection Agency and the U.S. Department of Justice to renovate the County's sewer system. To fund the improvements, the County commission approved issuing more than \$3 billion in variable interest rate bonds between 2001 and 2004.

22. In connection with the bond offerings, the County simultaneously entered into 18 swap agreements, with a current notional amount of \$5.6 billion. A swap agreement is an agreement between two parties to exchange interest payments on a specified principal amount (referred to as the notional amount) for a specified period of time.

##### **B. The Relationship Between Langford, Blount, And LaPierre**

23. Langford, Blount and LaPierre have long-standing personal, political, and professional relationships with each other. For example, Langford and Blount have known each other almost 30 years, and describe each other as close friends. Langford and LaPierre have known each other for more than two decades. Blount and LaPierre have known each other for close to 30 years, including when Blount



served as chairman of the Alabama Democratic Party at the same time LaPierre was the party's executive director.

24. Langford hired LaPierre as a lobbyist for the city of Fairfield, Alabama for part of the time when Langford was mayor there from 1988 to 2002. In addition, LaPierre's political action committees were among the largest campaign contributors to Langford's 2002 campaign for County commissioner.

25. Langford and Blount also have professional ties. In 1998, Blount Parrish served as lead underwriter for a \$90 million bond offering by a Fairfield, Alabama authority, headed by Langford, to finance the construction of a local theme park. However, the park defaulted on its bond debt and bondholders put the park into receivership in 2001 due to mismanagement and accounting irregularities.

26. From at least 1997 through 2002, Blount Parrish did not participate in any Jefferson County bond offerings. However, that changed almost immediately after Langford took office as County commission president in November 2002.

27. When Langford served as president of the County commission, he met with Blount and LaPierre a minimum of once a week, including a dinner meeting at a Birmingham restaurant the three had almost every Wednesday which other local political figures sometimes attended. Most of Blount's payments to or on

behalf of Langford (through LaPierre) occurred in close proximity to those Wednesday meetings.

### **C. Blount's Payments And Benefits To Langford**

#### **1. Blount Helps Langford Obtain A \$50,000 Loan**

28. Blount's financial favors to Langford began immediately after Langford won his primary election for County commissioner in June 2002. The following month, Langford was having personal financial difficulties, owing about \$70,000 in credit card debt and department store clothing bills.

29. Langford discussed his need for money with his longtime friends LaPierre and Blount, and told LaPierre he was trying to obtain a bank loan to pay off his debts. LaPierre suggested to Langford that he approach Colonial Bank, N.A. in Birmingham for a loan.

30. Langford heeded the suggestion and applied to Colonial Bank for a loan in July 2002. The bank approved him for an unsecured \$50,000 loan with a six-month term, even though Langford's loan file showed he had considerable debt and a poor credit score.

31. Blount was influential in Langford obtaining the \$50,000 loan, which Langford knew through his discussions about the loan with Blount. Blount contacted his then-girlfriend, who was the chief credit officer for Colonial Bank's parent corporation and a member or chairwoman of all of the bank's loan

committees, and personally requested the loan for Langford. Although it was not her normal practice to approve loans of this size, Blount's girlfriend reviewed and approved Langford's loan. At no time did she speak to Langford about the loan, and, in fact, she only met Langford once in her life.

2. Blount And LaPierre Help Langford Repay The \$50,000 Loan

32. When Langford's Colonial Bank loan came due in January 2003, he did not make any of the required principal or interest payments. Instead, he asked LaPierre to pay off the entire \$50,000 plus interest.

33. Blount, Langford, and LaPierre met together on January 15, 2003 and February 6, 2003, at which time they discussed the fact that Langford needed help paying off his \$50,000 loan and how that would be accomplished. The three also discussed Blount, Blount Parrish and LaPierre's work on Jefferson County financing transactions at these meetings.

34. LaPierre did not use his own funds to satisfy Langford's loan. Instead, LaPierre himself applied for, and received, a six-month unsecured loan from Colonial Bank for the same amount as Langford's loan, plus interest, listing Blount as a reference on his loan application. At Blount's request, his girlfriend, Colonial Bank's chief credit officer, also personally approved LaPierre's loan.

35. Colonial Bank memorialized the purpose of LaPierre's loan in a one-page signed agreement between the bank and LaPierre, dated February 14, 2003,

which stated Langford's loan, "will be paid in full and the balance transferred to a new contracted note in the name of Albert W. LaPierre."

36. On March 1, 2003 – only two weeks after LaPierre repaid Langford's loan – Jefferson County closed on the first bond offering of Langford's administration, the \$94 million 2003-A bonds. Langford and the County commission selected Blount Parrish to serve as lead underwriter in that offering, for which Blount Parrish received \$251,685 in underwriting fees from the County.

3. Blount Pays Langford \$75,000 Using Concealed Payments To LaPierre

37. Langford continued to have financial difficulties in the spring of 2003, which he discussed in conversations with Blount and LaPierre. As a result, Blount and LaPierre made efforts to get Langford another loan from Colonial Bank, this time for \$75,000. Blount communicated extensively by e-mail with his girlfriend at the bank for weeks in May and June 2003, trying to convince the bank to approve a new loan for Langford.

38. Around this same time, on May 9, 2003, Blount sent an e-mail to Langford regarding County business, during which he specifically told Langford "need to know loan request from Colonial."

39. A series of e-mails in June 2003 between Blount and his girlfriend show Blount was lobbying her, a bank director, and the bank's CEO to approve the new \$75,000 loan for Langford. But before considering Langford's new loan

request, e-mails show the bank required complete satisfaction of the “Langford note,” as Blount referred to the February 2003 LaPierre loan in an e-mail.

40. In an effort to induce Colonial Bank to approve a new loan for Langford, Blount himself provided more than \$50,000 to pay off the “Langford note” now in LaPierre’s name. On May 28, 2003, Blount wrote a \$50,000 check to LaPierre’s lobbyist firm. Blount and Langford met the same day, at which time they discussed Blount’s payment of the \$50,000 to LaPierre.

41. Prior to receiving the \$50,000 check from Blount, LaPierre’s firm only had about \$8,000 in its bank account. Two days after receiving the check, LaPierre wrote a \$20,000 check to Colonial Bank to pay off a portion of the \$50,000 loan. He used the rest of Blount’s money to pay various office and personal expenses.

42. Following this series of checks, Blount continued to e-mail his girlfriend at Colonial Bank asking about the status of the proposed \$75,000 loan to Langford. On June 4, 2003, Blount sent her an e-mail stating the “Langford note will be paid by LaPierre today . . . Think we will be ok by then?”

43. That same day, Blount wrote another check to LaPierre’s lobbyist firm for \$30,000. The next day, June 5, 2003, LaPierre wrote a \$31,644 check to Colonial Bank to pay off the remaining principal and interest balance of his \$50,000 loan.

44. Despite arranging to pay off the \$50,000 loan, Blount's attempts to secure a new loan for Langford were unsuccessful. Having failed to persuade Colonial Bank to loan Langford money, Blount provided the funds himself.

45. On June 12, 2003, Blount wrote a \$69,000 check to LaPierre's lobbyist firm. At the time, the firm had just \$37,000 in its bank account. Four days later, LaPierre used Blount's money to write a \$69,000 check to Langford. All of this occurred after Blount and Langford met on June 11, at which time they discussed Blount loaning money to Langford through LaPierre.

46. Langford received an additional \$6,000 in cash from Blount through LaPierre. On June 6, 2003, Blount issued a \$6,000 check to LaPierre's consulting firm with the reference "loan proceeds." The same day, LaPierre wrote a \$6,500 check to cash, \$6,000 of which he gave to Langford.

47. Langford used the \$75,000 to, among other things, pay \$12,000 to a clothing store, \$9,410 to a jewelry store, and \$14,000 to a home entertainment store.

#### 4. Blount Pays Langford \$30,000 Using Further Concealed Payments To LaPierre

48. In August 2004, just weeks after Blount Parrish participated in a \$1.5 billion County swap agreement and served as co-underwriter for a \$51 million County bond offering, and a month before Langford and the County selected Blount Parrish to serve as co-underwriter on another bond offering, Blount again

bailed Langford out of tens of thousands of dollars of debt.

49. On August 11, 2004, Blount wrote a \$30,000 check to LaPierre's lobbyist firm, the same day he met with Langford and LaPierre to discuss the payment. The next day, LaPierre wrote a \$30,000 check to Langford. Langford used the funds to pay \$29,283 in taxes to the Internal Revenue Service.

5. Further Efforts By Langford And LaPierre To Conceal Payments

50. As an elected official, Langford is required under Alabama law to file an annual Statement of Economic Interests with the Alabama Ethics Commission. On annual statements filed on April 20, 2004, March 29, 2005, and March 16, 2006, Langford did not disclose LaPierre's payment to Colonial Bank on his behalf in February 2003, or the \$75,000 he received from Blount through LaPierre in June 2003.

51. It was only on September 21, 2007 that Langford filed an amended Statement with the Ethics Commission disclosing he owed debts to an individual, instead of a bank as he previously reported, of between \$100,000 and \$150,000.

52. As a registered lobbyist in Alabama, LaPierre is required to file a Quarterly Statement of Lobbying Activities. LaPierre did not disclose his payments to or on behalf of Langford in February or June 2003 on any of his quarterly forms from the third quarter of 2003 through the second quarter of 2007. Like Langford, on September 21, 2007 he wrote a letter to the Ethics Commission

in which he disclosed the payments for the first time.

53. Furthermore, neither Langford nor LaPierre has ever identified the \$30,000 payment in August 2004 on any required Ethics Commission filing.

**D. Langford Returns Blount's Favors By Selecting Blount Parrish To Participate In County Bond And Swap Transactions In 2003 And 2004**

54. Langford quickly made sure Blount and Blount Parrish benefited from Blount's financial assistance to him. Although Blount Parrish had not received any County bond business for years before 2003, early in his administration Langford met with the County's financial advisor and told him he wanted Blount involved in County financing transactions.

55. Langford provided vague explanations of what services he thought Blount and Blount Parrish would provide the County, at one point stating he wanted Blount to help evaluate proposed bond deals and swap agreements and whether the financial institutions involved in them were appropriate and could do the work. Yet the County had a written agreement with a large bank to provide exactly the same advice for a percentage of the fees realized in each transaction.

56. As discussed above, Blount and Blount Parrish were involved in every County bond offering and swap agreement in 2003 and 2004 – this despite being a six-person firm far smaller than most of the other underwriters the County selected during the same time period.

57. Blount Parrish received more than \$6.7 million in fees relating to the



five bond offerings and four swap agreements that are the subject of this complaint, which comprised more than 70 percent of Blount Parrish's annual revenue in 2003 and 2004.

58. In none of these transactions did Langford, Blount, or Blount Parrish disclose to investors or the County the payments Blount made to Langford through LaPierre, or Blount's assistance to Langford in obtaining and paying off his loan with Colonial Bank.

1. The 2003-A Bonds

59. On January 28, 2003, Langford and the other Jefferson County commissioners voted to approve a resolution authorizing the first bond offering of Langford's administration – a \$94 million County capital improvement offering known as the 2003-A bonds. The resolution also approved Blount Parrish as underwriter. The transaction closed on March 1, 2003, just two weeks after Blount and LaPierre arranged to repay Langford's \$50,000 loan to Colonial Bank.

60. Langford signed the official statement for the transaction on behalf of the County, and in so doing certified the accuracy and completeness of the official statement. In none of the actions he took or documents he signed in connection with the 2003-A bonds did Langford disclose the assistance Blount had given him in obtaining the Colonial Bank loan, or Blount and LaPierre's help in repaying the loan.

61. In its role as lead underwriter, Blount Parrish (and Blount) offered and sold the 2003-A bonds to investors. In doing so, Blount and Blount Parrish transmitted the official statement to investors. At no time during this process did Blount or Blount Parrish disclose the assistance Blount had given Langford in obtaining the Colonial Bank loan, or Blount and LaPierre's help in repaying the loan.

62. Furthermore, a Blount Parrish representative signed a tax certificate in connection with the 2003-A bonds in which the firm represented it had made a "bona fide" offering of the County's bonds to investors. That statement was materially misleading because it did not disclose the assistance Blount had provided to Langford in obtaining the Colonial Bank loan, or Blount and LaPierre's help in repaying the loan.

63. Blount Parrish received \$251,685 in fees for its work as underwriter on the 2003-A bonds.

## 2. The 2003-B Bonds And Simultaneous Swap Agreement

64. Langford also included Blount Parrish in the County's next major finance transaction, a \$1.1 billion sewer bond offering that closed on May 1, 2003 known as the 2003-B bonds. Blount solicited Langford in e-mails and meetings to include Blount Parrish as a participant in the transaction. In addition, Blount traveled with county officials to New York City on March 11-14, 2003 to meet

with bond rating agencies and bond insurers to discuss the bond issue.

65. Langford and other Jefferson County commissioners voted on April 22, 2003 to approve a resolution authorizing the 2003-B bonds. The resolution included Blount Parrish as remarketing agent for a \$55 million sub-series of the bonds.

66. Langford signed the official statement for this bond offering on behalf of the County, and in so doing again certified the accuracy and completeness of the official statement.

67. In its role as remarketing agent, Blount Parrish (and Blount) offered and sold the \$55 million sub-series being remarketed to investors, and in so doing transmitted the official statement relating to those bonds to investors. Furthermore, pursuant to the remarketing agreement executed by Blount Parrish and signed by Langford on behalf of the County, dated May 1, 2003, Blount Parrish specifically agreed to comply with the federal securities laws, including Exchange Act Rule 15c2-12 governing the obligations of underwriters to avoid fraudulent conduct, and to prepare an official statement relating to the bonds to be remarketed.

68. Blount and Blount Parrish's role was not limited to the bond offering, however. To coincide with this offering, Langford and the other County commissioners also approved a resolution authorizing a \$1.1 billion swap agreement with JP Morgan, executed on March 28, 2003 and with an effective date

of May 1, 2003. The resolution authorized Langford, acting with the advice of the County's swap advisor, to approve the specific terms of the swap agreement and execute the transaction confirmation. The 2003-B bonds' official statement included a section regarding the swap agreement stating, among other things: "In connection with the issuance of the 2003-B [bonds], the County has entered into an interest rate swap agreement with JP Morgan."

69. Because an Alabama law requiring counterparties to swap transactions to have a net worth of at least \$100 million meant Blount Parrish could not be a counterparty, Blount solicited Langford to select Goldman Sachs Capital Markets to participate in this swap agreement. Blount Parrish had a consulting agreement with Goldman Sachs.

70. Blount's efforts were successful, as Jefferson County hired Goldman Sachs and Blount Parrish to participate in the swap agreement at Langford's request. The hirings are evidenced by two letters to Langford, one which JP Morgan sent and the other which Goldman Sachs sent, disclosing payments in connection with the swap agreement.

71. JP Morgan's letter to Langford, dated March 28, 2003, stated in relevant part that the County had specifically requested JP Morgan to use Goldman Sachs in the swap agreement as a condition to selecting JP Morgan as the counterparty so Goldman Sachs would receive "a specified percentage of

JPMorgan's net economic benefit." Langford signed this letter on behalf of the County.

72. Goldman Sachs also sent a letter to Langford, dated March 28, advising him it intended to pay "consulting fees in connection with [its] participation in the above-noted swap to Blount Parrish."

73. The terms of the May 1, 2003, 39-year swap agreement with JP Morgan required the County to make a fixed 3.6 percent interest rate payment to JP Morgan, and had JP Morgan making payments to the County based on the floating rate of the BMA's Municipal Swap Index. Langford signed the swap agreement on behalf of the County.

74. In none of the actions he took or documents he signed on behalf of the County in connection with the 2003-B bonds, including the swap agreement with JP Morgan, did Langford disclose the assistance Blount had provided to Langford in obtaining the Colonial Bank loan, or Blount and LaPierre's help in repaying the loan.

75. At no time in its remarketing of the 2003-B bonds to investors, or at no time during its work with the County on either the bond offering or the swap agreement in which Blount Parrish served as a consultant did Blount or Blount Parrish disclose the assistance Blount had provided to Langford in obtaining the Colonial Bank loan, or Blount and LaPierre's help in repaying the loan.

76. Blount Parrish received a fee from the County of \$500,000 for its remarketing services, which was the highest fee paid to any remarketing agent on this transaction. Furthermore, Goldman Sachs wired a \$300,000 fee to Blount Parrish on May 27, 2003, for services to the County in connection with the swap agreement.

3. The 2003-C Bonds And Simultaneous Swap Agreement

77. From May through August 2003, Blount actively solicited Langford to involve Blount Parrish in another County sewer bond offering (the 2003-C bonds) and to enter into another simultaneous swap agreement. Blount had frequent meetings with Langford and other County officials during this time period in which they discussed the proposed bond offering and swap agreement. LaPierre was present at some of those meetings.

78. For example, on June 11, 2003, the day after Blount Parrish submitted a formal proposal to the County to hire the firm on new transactions, Langford and Blount met to discuss the 2003-C bonds and swap agreement. As discussed above, the following day Blount wrote a \$69,000 check to LaPierre's consulting firm in order for LaPierre to pay the money to Langford, which LaPierre did on June 16.

79. Langford and the other County commissioners voted to approve a resolution on July 1, 2003 authorizing the 2003-C \$1 billion bond offering, with JP Morgan Securities (also "JP Morgan") serving as lead underwriter.

80. In the same resolution, Langford and the other commissioners also authorized a swap agreement “in connection with” the offering. The resolution authorized Langford, acting with the advice of the County’s swap advisor, to approve the specific terms of the swap agreement and execute the transaction confirmation. While the resolution specifically listed the underwriters, swap providers, advisors, legal counsel and remarketing agents selected to serve on the 2003-C bond offering and swap agreement, it made no mention of Blount Parrish.

81. The County then executed a \$789 million swap agreement with JP Morgan on July 14, 2003, with an effective date of August 7 to coincide with the 2003-C bond offering closing date. The terms of the 39-year swap agreement required the County to make a fixed 3.6 percent interest rate payment to JP Morgan, and for JP Morgan to make a payment to the County based on the floating rate of the BMA’s Municipal Swap Index through February 2005, and thereafter based on the floating value of the London Inter-Bank Offering Rate.

82. Langford signed the agreement on behalf of the County. Although the agreement had a separate category called “Fees,” in which payments to the County’s swap advisor, financial advisor, and legal advisor were listed, the agreement did not mention fees to Blount Parrish.

83. On August 6, 2003, the 2003-C bond offering closed. On behalf of the County, Langford signed and certified the accuracy of the official statement,

which included a statement that “In connection with the issuance of the 2003-C [bonds], the County has entered into separate interest rate swap transactions with JP Morgan Chase Bank” and another financial institution.

84. For Blount Parrish’s role in the swap agreement and bond offering, which according to the County’s finance director and its financial advisor amounted to little more than attending some meetings and traveling to New York with County officials to meet with bond rating agencies and insurers, Blount submitted a three-line invoice to JP Morgan for \$2.6 million stating “Directed Fee payment pursuant to instructions from Jefferson County Commission related to Interest Rate Swap executed between JP Morgan and Jefferson County as part of the 2003C [bonds].” JP Morgan promptly paid the invoice. The \$2.6 million was more than seven times as large as fees the County paid to any other consultant or advisor in the swap agreement, including its swap and financial advisors and legal counsel.

85. Out of this money, Blount Parrish paid \$100,000 to LaPierre as a purported consultant on the swap agreement. During the course of the transaction, LaPierre attended some meetings where Blount, Langford, and other County officials discussed the structure of and participants in the swap agreement, and was included on e-mails discussing the same topics.

86. Langford had, in fact, approved the County hiring Blount Parrish and



JP Morgan paying the firm on behalf of the County, as set forth in a letter the firm drafted confirming it had paid Blount Parrish at the County's direction.

87. Nowhere in any of the actions he took or documents he signed on behalf of the County in connection with the 2003-C bonds and the simultaneous swap agreement with JP Morgan did Langford disclose the payments Blount had made to him through LaPierre in June 2003, or the assistance Blount and LaPierre had provided to Langford in obtaining and repaying the Colonial Bank loan.

88. Similarly, Blount and Blount Parrish never disclosed the same information in connection with their work on the transaction.

4. The \$111 Million Swap Agreement In November 2003

89. On the closing date of the 2003-C transaction, Langford met with Blount, LaPierre, a JP Morgan representative, the County's finance director, and the County's financial advisor, during which Blount asked the County to enter into another swap agreement.

90. Again, Blount succeeded, as on November 24, 2003, the County executed a \$111 million swap agreement with JP Morgan (related to interest payments on the County's 2003-C sewer bonds) with an effective date of May 1, 2004, in which Blount Parrish was compensated as a consultant.

91. Pursuant to the terms of the swap agreement, which Langford signed on behalf of the County, the County was required to make a fixed 3.5 percent

interest rate payment to JP Morgan, and JP Morgan was required to make a payment to the County based on the floating rate of the BMA's Municipal Swap Index.

92. Blount Parrish sent an invoice to JP Morgan for its services on this agreement very similar to the invoice for the 2003-C swap agreement, stating that its \$225,000 fee on this transaction also was pursuant to instructions from the County commission.

93. On November 24, the same day the swap agreement was executed, JP Morgan sent a letter to Langford disclosing payments to Blount Parrish in connection with the deal. The letter, which Langford signed on behalf of the County, stated:

The County has requested, as a condition to entering into the Transaction with JPMorgan, that JPMorgan make payments to Blount Parrish & Company, Inc. in the amount of \$225,000 . . . for services rendered to or on behalf of the County in connection with the Transaction. Such payments are an expense that was incorporated into JPMorgan's pricing of the Transaction at the time of execution thereof, which pricing has been approved by the County and its advisors. The purpose of this letter is to provide written disclosure to the County that . . . such payments were made at the direction of the County. The County acknowledges that such payments were made at its sole discretion, and that JPMorgan had no involvement in the decision to make such payments, the determination of the amounts of such payments, or whether such payments represent fair consideration for any services.

94. At no time during the execution of this transaction or in documents he signed in connection with it did Langford disclose the payments Blount had made

to him through LaPierre in June 2003, or the assistance Blount and LaPierre had provided to Langford in obtaining and paying off the Colonial Bank loan.

95. Similarly, Blount and Blount Parrish never disclosed the same information in connection with their work on this swap agreement.

96. Out of the \$225,000 it received in fees, Blount Parrish paid LaPierre \$18,500, again as a purported consultant.

97. For 2003, Blount Parrish received more than \$4 million from serving as underwriter and remarketing agent on County bond offerings and participating in County interest rate swap agreements. This represented 72 percent of Blount Parrish's 2003 total revenue.

#### 5. The \$1.5 Billion Swap Agreement In June 2004

98. Langford next selected Blount and Blount Parrish to participate in the largest swap agreement in the history of the County, a \$1.5 billion transaction completed in June 2004.

99. The deal had its genesis in December 2003, when Bear Stearns, Blount Parrish and another Birmingham broker-dealer submitted a proposal to the County to conduct a swap agreement and debt offering. Langford and Blount traveled to New York together in April 2004 to meet with ratings agencies and bond insurers for this transaction.

100. Langford and the other County commissioners approved a resolution

on April 27, 2004, authorizing a swap agreement between the County and Bear Stearns. As in the resolution approving the 2003-C swap agreement, this resolution authorized Langford to approve the specific terms of the swap agreement. The resolution furthermore listed participants in the transaction, including the County's swap advisor, financial advisor, counsel, tax counsel and counsel to the financial advisor, but did not mention Blount or Blount Parrish.

101. As evidenced by e-mails Blount sent to Langford and others in the days leading up to the April 27 meeting, Langford and Blount did not want to name Blount Parrish as a participant in the County resolution. E-mails dated April 26 indicated Blount and Langford were well aware that at least one other commissioner was questioning Blount Parrish's involvement in the transaction. Blount was so intent on not having Blount Parrish publicly identified in the resolution that he e-mailed Langford reasons he could give other Commissioners why Blount Parrish should not be identified in the resolution.

102. Ultimately, the County executed three simultaneous swap agreement confirmations with Bear Stearns on June 10, 2004. Although all three confirmations listed fees paid at the request of the County for advisory and legal services, none listed Blount Parrish as a participant. Langford signed all three confirmations on behalf of the County.

103. The three confirmations, related to interest payments on the County's

2002-A, 2002-C and 2003-B sewer bonds, were worth a total of \$1.5 billion and had an average term of 32 years. Each confirmation stated that all three “together shall constitute one and the same instrument.” One of the agreements, worth \$110 million, required Bear Stearns to pay an interest rate to the County based on the value of the BMA’s Municipal Swap Index.

104. Because of the way the swap transaction was structured, for tax purposes the County’s finance director requested in an e-mail to all transaction participants that they disclose to the County any payments they made to advisors, consultants, or others in connection with the deal.

105. In response to the e-mail, Blount wrote a letter to Langford as president of the County commission dated April 19, 2004, in which he disclosed he had hired a former JP Morgan representative as a consultant in connection with this transaction. The letter did not disclose any of his assistance to Langford in obtaining and paying off Langford’s loan with Colonial Bank, or any of Blount’s payments to Langford through LaPierre.

106. For its work on this transaction, Bear Stearns paid Blount Parrish \$2.4 million on behalf of the County. This was a significantly higher amount than the fees the County paid to its legal counsel and swap and financial advisors on the transaction.

107. Bear Stearns disclosed the payments in three letters it sent to Langford

on June 22, 2004. All three letters contained the same language, stating the County had decided to employ Blount Parrish “in the role of bankers with special knowledge of the background and structure of the County’s outstanding bond issue to which the Transaction relates,” and that Blount Parrish performed services for the County on the swap deal. Langford signed all three letters on behalf of the County.

108. The letters also stated Bear Stearns was paying Blount Parrish and another consulting broker-dealer directly out of proceeds from the transaction that otherwise would have gone to the County. Therefore, while the County received \$23 million in upfront payments from Bear Stearns in the swap agreement, it lost an additional \$2.4 million through fee payments made to Blount Parrish. Blount Parrish used a portion of its \$2.4 million fee to pay a \$101,000 fee to LaPierre for purported services on this swap agreement. LaPierre had attended some meetings involving Blount and Langford where they discussed the transaction.

109. At no time during the execution of this transaction or in documents he signed in connection with it did Langford disclose the payments Blount had made to him through LaPierre in June 2003, or the assistance Blount and LaPierre had provided to Langford in obtaining and paying off the Colonial Bank loan. Similarly, Blount and Blount Parrish never disclosed the same information in connection with their work on this swap agreement.

6. The 2004-A Bonds

110. On July 27, 2004, Langford and the other County commissioners voted to approve a resolution authorizing a \$51 million general obligation bond offering (the 2004-A bonds), which closed on August 1, 2004. The resolution selected Blount Parrish to serve as a co-underwriter, for which the firm would receive \$31,350 in fees.

111. Langford signed the official statement for the offering on behalf of the County, and in so doing certified the accuracy and completeness of the official statement. In none of the documents he signed or actions he took in connection with the 2004-A bonds did Langford disclose the assistance Blount and LaPierre had provided in obtaining and paying off his Colonial Bank loan or the \$75,000 payment Blount had made to him through LaPierre.

112. In its role as co-underwriter, Blount Parrish (and Blount) offered and sold the 2004-A bonds to investors. In doing so, Blount and Blount Parrish transmitted the official statement to investors. At no time during this process did Blount or Blount Parrish disclose the assistance Blount and LaPierre had provided in obtaining and paying off Langford's Colonial Bank loan or the \$75,000 payment to Langford through LaPierre.

113. Just ten days after this offering closed, as discussed above, Blount wrote a \$30,000 check to LaPierre's lobbyist firm. The next day, LaPierre wrote a

\$30,000 check directly to Langford, which Langford used to pay taxes.

7. The 2004 School Bonds

114. Just three weeks after that \$30,000 payment, on September 7, 2004, Langford and the other County commissioners voted to approve a resolution authorizing a \$650 million school bond offering that closed on December 20, 2004 (the 2004 school bonds). The resolution also approved Blount Parrish as co-underwriter, for which the firm would receive \$445,000 in underwriting fees.

115. Langford signed the official statement for the offering on behalf of the County, and in so doing certified the accuracy and completeness of the official statement. In none of the documents he signed or actions he took in connection with the 2004 school bonds did Langford disclose the assistance Blount and LaPierre had provided in obtaining and paying off his Colonial Bank loan or any of the payments Blount had made to him through LaPierre.

116. In its role as underwriter, Blount Parrish (and Blount) offered and sold the 2004 school bonds to investors. In doing so, Blount and Blount Parrish transmitted the official statement to investors. At no time during this process did Blount or Blount Parrish disclose the assistance Blount and LaPierre had provided in obtaining and paying off Langford's Colonial Bank loan or the payments to Langford through LaPierre.

117. For 2004, Blount Parrish received more than \$3.4 million from



serving as underwriter on County bond offerings and participating in County interest rate swap agreements. This revenue represented more than 70 percent of Blount Parrish's 2004 total revenue.

## **V. CLAIMS FOR RELIEF**

### **COUNT I**

#### **Fraud In Violation Of Section 17(a)(1) Of The Securities Act**

##### **(Against Langford, Blount And Blount Parrish)**

118. The Commission repeats and realleges Paragraphs 1 through 117 of this complaint as if fully restated herein.

119. From at least 2003 through 2004, the Defendants directly and indirectly, by use of the means or instruments of transportation or communication in interstate commerce and by use of the mails, in the offer or sale of securities, as described in this complaint, knowingly, willfully or recklessly employed devices, schemes or artifices to defraud.

120. By reason of the foregoing, the Defendants have directly or indirectly violated and, unless enjoined, are reasonably likely to continue to violate, Section 17(a)(1) of the Securities Act, 15 U.S.C. §77q(a)(1).

## COUNT II

### Fraud In Violation Of Sections 17(a)(2) And 17(a)(3) Of The Securities Act

#### (Against Langford, Blount And Blount Parrish)

121. The Commission repeats and realleges Paragraphs 1 through 117 of the complaint as if fully restated herein.

122. From at least 2003 through 2004, the Defendants, directly and indirectly, by use of the means or instruments of transportation or communication in interstate commerce and by the use of the mails, in the offer or sale of securities, as described in this complaint: (a) obtained money or property by means of untrue statements of material facts and omissions to state material facts necessary to make the statements made, in the light of the circumstances under which they were made, not misleading; and/or (b) engaged in transactions, practices and courses of business which are now operating and will operate as a fraud or deceit upon purchasers and prospective purchasers of such securities.

123. By reason of the foregoing, the Defendants have directly or indirectly violated and, unless enjoined, are reasonably likely to continue to violate, Sections 17(a)(2) and 17(a)(3) of the Securities Act, 15 U.S.C. §§77q(a)(2) and 77q(a)(3).

### **COUNT III**

#### **Fraud In Violation Of Section 10(b) Of The Exchange Act And Rule 10b-5**

##### **(Against Langford, Blount And Blount Parrish)**

124. The Commission repeats and realleges Paragraphs 1 through 117 of the complaint as if fully restated herein.

125. From at least 2003 through 2004, the Defendants directly and indirectly, by use of the means and instrumentality of interstate commerce, and of the mails in connection with the purchase or sale of the securities, as described in this complaint, knowingly, willfully or recklessly: (a) employed devices, schemes or artifices to defraud; (b) made untrue statements of material facts and omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; and/or (c) engaged in acts, practices and courses of business which have operated as a fraud upon the purchasers of such securities.

126. By reason of the foregoing, the Defendants have directly or indirectly violated and, unless enjoined, are reasonably likely to continue to violate, Section 10(b) of the Exchange Act, 15 U.S.C. §78j(b), and Rule 10b-5, 17 C.F.R. §240.10b-5.

## COUNT IV

### Violation Of Sections 15B(c)(1) Of The Exchange Act And MSRB Rule G-17

#### (Against Blount And Blount Parrish)

127. The Commission repeats and realleges Paragraphs 1-67, 75-76, and 110-117 of the complaint as if fully restated herein.

128. Section 15B(c)(1) of the Exchange Act, 15 U.S.C. §78o-4(c)(1), makes it unlawful for any broker, dealer or municipal securities dealer to make use of the mails or any means or instrumentality of interstate commerce to effect any transaction in, or to induce or to attempt to induce the purchase or sale of any municipal security in contravention of any rule of the MSRB.

129. Pursuant to Section 15B(b)(2) of the Exchange Act, 15 U.S.C. §78o-4(b)(2), the MSRB proposes and adopts rules governing the conduct of brokers and dealers and municipal securities dealers in connection with municipal securities. Pursuant to Section 21(d)(1) of the Exchange Act, 15 U.S.C. §78u(d)(1), the Commission is charged with enforcing the MSRB rules.

130. MSRB Rule G-17 requires every broker, dealer and municipal securities dealer, and their associated persons, in the conduct of their municipal securities business, to deal fairly with all persons and not to engage in any deceptive, dishonest or unfair practice.

131. From at least 2003 through 2004, through the actions set forth in this complaint and in the conduct of Blount Parrish's municipal securities business, Blount and Blount Parrish engaged in deceptive, dishonest or unfair practices, and failed to deal fairly with all persons in connection with the 2003-A bonds, the 2003-B bonds, the 2004-A bonds, and the 2004 school bonds.

132. From at least 2003 through at least 2004, Blount and Blount Parrish made use of the mails or means or instrumentality of interstate commerce to effect transactions in, or to induce or attempt to induce the purchase or sale of, municipal securities in contravention of MSRB Rule G-17.

133. By reason of the foregoing, Blount and Blount Parrish have directly or indirectly violated and, unless enjoined, are reasonably likely to continue to violate, Section 15B(c)(1) of the Exchange Act, 15 U.S.C. §78o-4(c)(1), and MSRB Rule G-17.

## COUNT V

### Violation Of Sections 15B(c)(1) Of The Exchange Act And MSRB Rule G-20

#### **(Against Blount And Blount Parrish)**

134. The Commission repeats and realleges Paragraphs 1-67, 75-76, and 110-117 of the complaint as if fully restated herein.

135. Section 15B(c)(1) of the Exchange Act, 15 U.S.C. §78o-4(c)(1), makes it unlawful for any broker, dealer or municipal securities dealer to make use

of the mails or any means or instrumentality of interstate commerce to effect any transaction in, or to induce or to attempt to induce the purchase or sale of any municipal security in contravention of any rule of the MSRB.

136. Pursuant to Section 15B(b)(2) of the Exchange Act, 15 U.S.C. §78o-4(b)(2), the MSRB proposes and adopts rules governing the conduct of brokers and dealers and municipal securities dealers in connection with municipal securities. Pursuant to Section 21(d)(1) of the Exchange Act, 15 U.S.C. §78u(d)(1), the Commission is charged with enforcing the MSRB rules.

137. MSRB Rule G-20 makes it unlawful for any municipal securities broker or dealer, and their associated persons, to give or permit to be given, directly or indirectly, any thing or service of value, including gratuities, in excess of \$100 per year to a person other than an employee or partner of the municipal securities broker or dealer, where such payments or services relate to the municipal securities activities of the employer of the recipient of the payment or service.

138. From at least 2003 through 2004, in relation to the municipal securities activities of Langford and Jefferson County, Blount and Blount Parrish, directly or indirectly, gave or permitted to be given to Langford, things or services of value in excess of \$100 per year in connection with the 2003-A bonds, the 2003-B bonds, the 2004-A bonds, and the 2004 school bonds.

139. From at least 2003 through 2004, Blount and Blount Parrish made use of the mails or means or instrumentality of interstate commerce to effect transactions in, or to induce or attempt to induce the purchase or sale of, municipal securities in contravention of MSRB Rule G-20.

140. By reason of the foregoing, Blount and Blount Parrish have directly or indirectly violated and, unless enjoined, are reasonably likely to continue to violate, Section 15B(c)(1) of the Exchange Act, 15 U.S.C. §78o-4(c)(1), and MSRB Rule G-20.

#### **COUNT VI**

#### **Aiding And Abetting Blount And Blount Parrish's Violations Of Section 17(a) Of The Securities Act, Section 10(b) Of The Exchange Act, Rule 10b-5, Section 15B(c)(1) Of The Exchange Act And MSRB Rules G-17 And G-20**

#### **(Against LaPierre)**

141. The Commission repeats and realleges Paragraphs 1 through 117 of the complaint as if fully restated herein.

142. From at least 2003 through 2004, Blount and Blount Parrish, directly and indirectly, by use of the means or instruments of transportation or communication in interstate commerce and by use of the mails, in the offer or sale of securities, as described in this complaint: (1) knowingly, willfully or recklessly employed devices, schemes or artifices to defraud; (2) obtained money or property by means of untrue statements of material facts and omissions to state material

facts necessary to make the statements made, in the light of the circumstances under which they were made, not misleading; and/or (3) engaged in transactions, practices and courses of business which are now operating and will operate as a fraud or deceit upon purchasers and prospective purchasers of such securities, in violation of Section 17(a) of the Securities Act, 15 U.S.C. §77q(a).

143. From at least 2003 through 2004, Blount and Blount Parrish, directly and indirectly, by use of the means and instrumentality of interstate commerce, and of the mails in connection with the purchase or sale of the securities, as described in this Complaint, knowingly, willfully or recklessly: (a) employed devices, schemes or artifices to defraud; (b) made untrue statements of material facts and omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; and/or (c) engaged in acts, practices and courses of business which have operated as a fraud upon the purchasers of such securities, in violation of Section 10(b) of the Securities Act, 15 U.S.C. § 78j(b), and Rule 10b-5, 17 C.F.R. § 240.10b-5.

144. From at least 2003 through 2004, through the actions set forth in this complaint and in the conduct of Blount Parrish's municipal securities business, Blount and Blount Parrish: engaged in deceptive, dishonest or unfair practices, and failed to deal fairly with all persons in violation of MSRB Rule G-17; and in relation to the municipal securities activities of Langford and Jefferson County,



directly or indirectly, gave or permitted to be given to Langford, things or services of value in excess of \$100 per year in violation MSRB Rule G-20. By reason of the foregoing, Blount and Blount Parrish also violated Section 15B(c)(1) of the Exchange Act, 15 U.S.C. §78o-4(c)(1).

145. LaPierre, directly and indirectly, from at least 2003 through 2004, aided and abetted Blount and Blount Parrish's violations of Section 17(a) of the Securities Act, Section 10(b) of the Exchange Act and Rule 10b-5, and Section 15B(c)(1) of the Exchange Act and MSRB Rules G-17 and G-20.

146. By reason of the foregoing, LaPierre has directly or indirectly violated and, unless enjoined, is reasonably likely to continue to violate, Section 17(a) of the Securities Act, 15 U.S.C. §77q(a)(1); Section 10(b) of the Securities Act, 15 U.S.C. § 78j(b); Rule 10b-5, 17 C.F.R. § 240.10b-5; Section 15B(c)(1) of the Exchange Act, 15 U.S.C. §78o-4(c)(1); and MSRB Rules G-17 and G-20.

## **VI. RELIEF REQUESTED**

**WHEREFORE**, the Commission respectfully requests that the Court:

### **I. Declaratory Relief**

Declare, determine and find the Defendants have committed the violations of the federal securities laws alleged herein.

### **II. Permanent Injunction**

Issue a Permanent Injunction, enjoining the Defendants, their officers, agents, servants, employees, attorneys, and representatives, and all persons in active concert or participation with them, and each of them, from violating Section 17(a) of the Securities Act, 15 U.S.C. §77q(a); Section 10(b) and Rule 10b-5 of the Exchange Act, 15 U.S.C. §78j(b) and 17 C.F.R. §240.10b-5; and Section 15B(c)(1) of the Exchange Act, 15 U.S.C. §78o-4(c)(1) and MSRB Rules G-17 and G-20.

### **III. Disgorgement**

Issue an Order directing the Defendants to disgorge all profits or proceeds that they have received as a result of the acts and/or courses of conduct complained of herein, with prejudgment interest.

### **IV. Penalties**

Issue an Order directing all Defendants to pay civil money penalties pursuant to Section 20(d) of the Securities Act, 15 U.S.C. § 77t(d), and Section 21(d) of the Exchange Act, 15 U.S.C. § 78u(d).

### **V. Further Relief**

Grant such other and further relief as may be necessary and appropriate.

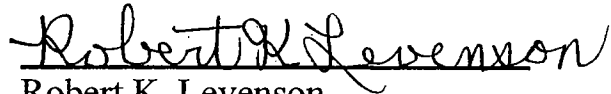
### **VI. Retention Of Jurisdiction**

Further, the Commission respectfully requests that the Court retain jurisdiction over this action in order to implement and carry out the terms of all orders and decrees that may hereby be entered, or to entertain any suitable

application or motion by the Commission for additional relief within the jurisdiction of this Court.

April 30, 2008

Respectfully submitted,



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**Lead attorney, trial attorney and attorney  
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