

STATE OF OKLAHOMA
DEPARTMENT OF SECURITIES
FIRST NATIONAL CENTER, SUITE 860
120 NORTH ROBINSON
OKLAHOMA CITY, OKLAHOMA



In the Matter of:

Stock-to-Cash® Program

ODS File No. 05-013

AGREEMENT RELATING TO ACTIVITIES OF EMERGING MONEY CORPORATION

THIS AGREEMENT is entered into by and among Emerging Money Corporation (Emerging Money), a Nevada corporation; Robert K. Strauss (Strauss), the chief executive officer of Emerging Money; and the Administrator of the Oklahoma Department of Securities (Department), as of the Effective Date specified below.

Background

Pursuant to the Oklahoma Uniform Securities Act of 2004 (Act), Okla. Stat. tit. 71, §§ 1-101 through 1-701 (Supp. 2003), and the Oklahoma Securities Act (Predecessor Act), Okla. Stat. tit. 71, §§1-413, 501, 701-703 (2001 and Supp. 2003), an investigation was conducted by the Department into a financing program operated under the name *Stock to Cash*®.

The *Stock to Cash*® program was marketed as a non-callable, nonrecourse loan program that required the borrower to use a portfolio of one or more stocks as collateral for a *Stock to Cash*® loan (Collateral Shares). Emerging Money marketed the *Stock to Cash*® program but did not fund the loans. Pursuant to a joint venture agreement, Emerging Money arranged for funding of the loans by Alexander Capital Markets, LLC (Alexander Capital), a Delaware limited liability company.

The findings of the investigation as to *Stock to Cash*® loans made to Oklahoma residents include, but are not limited to, the following:

- a. The Oklahoma borrowers received customized marketing materials from Emerging Money relating to their *Stock to Cash*® loans. Emerging Money attempted to show the necessary appreciation in the securities portfolio for the borrowers to break

even with a *Stock to Cash*® loan and the benefits to borrowers of entering into such a loan.

b. The calculations contained in the materials described in subparagraph a. above excluded from consideration the upfront fees paid by the Oklahoma borrowers to those persons marketing the *Stock to Cash*® program in and/or from the state of Oklahoma. The persons marketing the program did not disclose such fees to Emerging Money.

c. Certain Oklahoma borrowers did not have existing stock portfolios at the time they were solicited to participate in the *Stock to Cash*® program. Certain other Oklahoma borrowers had existing stock portfolios that were liquidated by the borrowers prior to implementation of their loans. All Oklahoma borrowers used available cash to purchase the securities that collateralized their loans. Emerging Money did not recommend the purchase, sale or retention of any security.

d. Alexander Capital funded all of the loans to the Oklahoma borrowers with the proceeds from the sales of the very securities that the borrowers transferred to Alexander Capital as collateral under the *Stock to Cash*® program. Alexander Capital did not disclose such sales to the Oklahoma borrowers or Emerging Money and instead, disclosed that the securities would be the subject of a proprietary hedging strategy.

e. In the loan agreements between Alexander Capital and the Oklahoma borrowers, Alexander Capital agreed to return the Collateral Shares to the borrowers upon payment of all outstanding loan balances. In certain of the loan agreements, Alexander Capital also agreed to arrange a hedge through investment-grade counterparties in order to fulfill its obligation to return the Collateral Shares at the end of the loan term. Alexander Capital did not enter into a proprietary hedging transaction, a custodial relationship with a third party, or any transaction involving an investment-grade back-end assurance to fulfill its obligation to return the Collateral Shares at the end of the loan term.

f. During the term of the loans, Alexander Capital prepared and distributed quarterly statements titled "Hedged Stock Loan Quarterly Report." The reports falsely implied that Alexander Capital had arranged for a hedge in connection with the Collateral Shares and did not disclose that the Collateral Shares were immediately sold in the market upon transfer to Alexander Capital. In spite of the sales of the Collateral Shares, Alexander Capital

reflected the receipt of dividends on the shares with credits for the amount of such dividends to partially offset the interest charged on the *Stock to Cash*® loan. At the end of the loan terms, Alexander Capital provided borrowers with the option to "liquidate" their Collateral Shares to pay back their loans.

g. The proceeds from the sale of the Collateral Shares by Alexander Capital were commingled into a single account owned and controlled by Alexander Capital. The sales proceeds were not deposited into an account, or otherwise maintained, in the name of the individual borrower.

h. Alexander Capital has performed its obligations upon maturity of more than 30 loans to Oklahoma borrowers; however, as of the Effective Date of this Agreement, Alexander Capital is attempting a financial restructuring in connection with seven loans to Oklahoma borrowers due to a potential inability to satisfy its obligations to return the Collateral Shares at the end of the *Stock to Cash*® loan terms.

i. Emerging Money has cooperated with the Department in its investigation.

j. Emerging Money has terminated its relationship with Alexander Capital.

As a result of the investigation, Emerging Money and Strauss desire to expeditiously settle this matter, without admitting or denying the findings described above, without the adjudication of any issue of law or fact. Emerging Money and Strauss voluntarily waive their right to a hearing as provided by the Act, the Rules of the Oklahoma Securities Commission and the Administrator of the Department of Securities, and the Oklahoma Administrative Procedures Act.

NOW THEREFORE, the undersigned parties hereby agree as follows:

1. **Scope of Agreement.** This Agreement applies only to Emerging Money and Strauss and to no others. The application of this Agreement is limited to the following: supervision over the activities of marketing agents operating from the state of Oklahoma and oversight over the activities of Alexander Capital as the lender in connection with the *Stock to Cash*® program; disclosures made to Oklahoma borrowers regarding the *Stock to Cash*® program; suitability of the *Stock to Cash*® program for Oklahoma borrowers; and registration violations under the Act. This Agreement concludes the investigation as to Emerging Money and Strauss.

2. **Termination of Oklahoma Activities.** Emerging Money and Strauss agree to terminate all activities involving the *Stock to Cash*® program or any other similar program in and/or from the state of Oklahoma until such time that Emerging Money and/or Strauss have satisfied the provisions of paragraphs 4 and 5 of this Agreement.

3. **Prohibition Against Activity with Certain Lender.** In connection with the *Stock to Cash*® program or any other similar program offered in and/or from the state of Oklahoma, Emerging Money and/or Strauss shall not arrange funding with, through or by Alexander Capital and/or any other entity owned or controlled by William Dean Chapman, Jr., the current president of Alexander Capital.

4. **Compliance with Securities Registration Provisions.** In order to offer the *Stock to Cash*® program or any other similar program in and/or from the state of Oklahoma, Emerging Money and/or Strauss shall comply with the securities registration provisions under the Act, that is, the *Stock to Cash*® product shall be registered, or excluded or qualified for an exemption from registration, under the Act.

5. **Compliance with Securities Professionals Registration Provisions.** In order to offer the *Stock to Cash*® program or any other similar program in and/or from the state of Oklahoma, Emerging Money, Strauss, and any other person acting on behalf of Emerging Money and/or Strauss to offer such program shall comply with the broker-dealer, agent, investment adviser, and/or investment adviser representative registration provisions under the Act, that is, such persons shall be registered or qualify for an exemption from registration under the Act. Emerging Money and/or Strauss shall not otherwise associate or affiliate with any independent marketing agent or agents in connection with the *Stock to Cash*® program or any other similar program offered in and/or from the state of Oklahoma.

6. **Failure to Comply.** If Emerging Money fails to comply with a term of this Agreement in any material respect, or if Emerging Money has made any false or misleading statements to the Administrator in connection with this matter, this Agreement shall be deemed null and void, and the parties shall proceed with a hearing in the above-captioned proceeding.

7. **Entire Agreement; Amendment.** This writing is intended to resolve all controversies between the undersigned parties regarding all *Stock to Cash*® loans made to Oklahoma residents prior to the Effective Date of this Agreement. This writing constitutes the entire agreement of the parties with respect to the subject matter hereof and supersedes any and all prior and contemporaneous agreements, representations, and understandings of the parties. No supplement, modification, or amendment to this Agreement shall be binding unless executed in writing by each of the parties hereto.

8. **Limitation on Agreement.** Nothing in this Agreement shall prohibit the Administrator from conducting future investigations of the *Stock to Cash*® program or from furnishing information to any other properly constituted agency or authority. In the event any other agency or authority commences an action in connection with information obtained by the Administrator relating to the *Stock to Cash*® program, the Administrator may assist in such actions as authorized by law.

9. **Governing Law.** The validity, construction, interpretation and administration of this Agreement shall be governed by the laws of the State of Oklahoma.

10. **Severability.** If any provision of this Agreement is held to be illegal, invalid or unenforceable under present or future laws effective during the term of this Agreement, such provision shall be fully severable and the remainder of the Agreement fully enforceable.

11. **Effective Date.** This Agreement shall be effective as of the date on which it is signed by the Administrator as set forth below his signature hereto.

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date and year set forth below their signatures hereto.

EMERGING MONEY CORPORATION

By:



Robert K. Strauss, Chief Executive Officer

Address: 184 Atlantic Street
Stamford, CT 06901

Date: May 28th, 2008

ROBERT K. STRAUSS



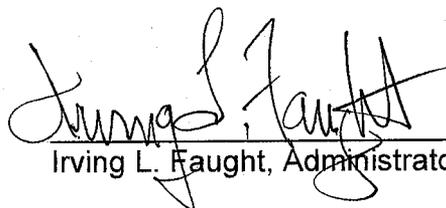
Robert K. Strauss

Address: 17 Deep Well Farms Road
South Salem, NY 10590

Date: May 28th, 2008

OKLAHOMA DEPARTMENT OF SECURITIES

By:



Irving L. Faught, Administrator

Date:

June 9th, 2008