

**ADMINISTRATIVE PROCEEDING
BEFORE THE
SECURITIES COMMISSIONER OF SOUTH CAROLINA**

IN THE MATTER OF:

_____)

FILE NO. 14-05001

Kenneth F. Brennan, and)
Gregory W. Sams,)
)
 Respondents.)

ORDER TO CEASE AND DESIST

WHEREAS the South Carolina Uniform Securities Act of 2005 (the "Act") S.C. Code

WHEREAS, LOCG, Kenneth F. Brennan (“Brennan”), and Gregory W. Sams (“Sams”) (collectively “Respondents”) have applied to be registered as an investment adviser (“IA”) or an

investment adviser representative (“IAR”) for 2007.

WHEREAS, the potential violations of the Act were not resolved by the Division’s investigation and review of the Respondents’ applications for registration.

6. For 2006, Brennan and Sams did not submit to the Division applications for registration as IARs.

7. LOCG was registered as an IA in South Carolina from November 13, 2002 through December 31, 2006;

8. On November 13, 2002, the Division registered LOCG as an IA in South Carolina for

two-year period expiring on November 12, 2004.

9. On or about November 16, 2004, LOCG paid \$210 as part of an application for registration as an IA in South Carolina.

10. On or about February 2, 2005, the Division registered Frank J. Parry ("Parry"), who is

- d. In 2006, per information provided by LOCG on the "LOCG Client Portfolio Roster 3/31/07," LOCG, Brennan, and/or Sams opened six (6) new investment advisory accounts.
- e. LOCG advertised presentations to prospective clients. These presentations were scheduled to be held on June 27, 2006 and October 19, 2006 in Bluffton, South

Carolina. The advertisements stated that Brennan, Sams, and Parry were "Starring," used the phrase "Registered Investment Advisor," and gave

projected returns for LOCG's Private Client Group portfolio, the Standard &

Poors 500 index, the Dow Jones Average, and the NASDAQ.

supervised or managed 113 accounts and had assets under management of \$21,000,000.

- i. Brennan stated that on April 4, 2007, LOCG purchased three (3) new positions in securities for its clients.

19. On April 4, 2007, the Division sent a letter to Respondents confirming that Respondents were not registered as an IA or IARs in South Carolina and informing Respondents that they should immediately cease and desist from transacting business in South Carolina as an IA or

- a. Brennan and Sams received approximately \$107,000 in distributions from LOCG in 2006.
- b. In 2006 and 2007, Brennan and Sams gave presentations to attract new clients to LOCG.
- c. In the Part II of Form ADV dated February 22, 2007, LOCG stated that Brennan and Sams are members of LOCG and have been registered investment advisors

from October 2002 to the present.

- d. LOCG stated that Brennan's principal business is to provide investment advice and investment management.

2005 for registration in South Carolina and only \$265 for 2006 registration in South

Carolina.

28. On May 18, 2007, the Division had a telephone conversation with Brennan concerning the open issues regarding Respondents' applications for registration.

29. After that telephone conversation, the Division sent a letter on May 18, 2007, to

~~Respondents' full names that are omitted from LOGG's records to the Division.~~

have at different times determined the length of that registration as follows:

- a. When LOCG first registered as an IA in South Carolina in 2002, pursuant to S.C. Code Ann. § 35-1-430 (Supp. 2002) of the Prior Act, every IA registration

expired two years from its effective date unless renewed.

- b. When LOCG renewed its registration as an IA in 2004, pursuant to S.C. Code Ann. § 35-1-430 (Supp. 2003) of the Prior Act, every IA registration expired at midnight on the last day of the calendar year in which it became effective unless renewed. This provision became effective on June 4, 2003.

- c. Since January 1, 2006, pursuant to S.C. Code Ann. § 35-1-406(d) (Supp. 2005) of the Act, every IA registration is effective until midnight on December 31 of the

~~year for which the application for registration is filed.~~

37. Pursuant to S.C. Code Ann. § 35-1-404(a) of the Act, it is unlawful for an individual to transact business in South Carolina as an IAP unless the individual is registered under the

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

business constituting a violation of the Act or a rule adopted or order issued under the Act

as follows:

2006 pursuant to S.C. Code Ann. § 35-1-406(a);

- b. The IAR registration fee of \$55 for Brennan and \$55 for Sams for 2006 was not paid to the State of South Carolina;
- c. Brennan and Sams did not apply for registration as IARs in South Carolina for 2007 pursuant to S.C. Code Ann. § 35-1-406(a) until on or about February 22, 2007;

b. On April 23, 2007, LOCG filed a complete 2007 application for registration as an IA in South Carolina. Since then, the Division has been reviewing LOCG's 2007 application pursuant to S.C. Ann. § 35-1-406(c) of the Act;

c. LOCG is not exempt from registration in South Carolina under S.C. Code Ann. §

35-1-407(b) - 64 - A - 4

d. In 2006 and 2007, LOCG, as an IA, has employed or associated with Brennan and

Sams, who were required to register as IARs under the Act, to transact business in

South Carolina on behalf of LOCG;

e. In 2006, LOCG compensated or made distributions to Brennan and Sams:

f. In 2006 and 2007, Brennan and Sams transacted business in South Carolina on behalf of LOCG;

g. LOCG advertised a presentation concerning securities to prospective clients and

South Carolina, opening new securities accounts in 2007 while not being registered as an IA in South Carolina, and making trades of securities in customer accounts in 2007 while not being registered as an IA in South Carolina.

44 The Division seeks a civil penalty of \$1,000 each from Brennan and Sams, a civil penalty

of \$2,000 from LOCG and \$1,000 from LOCG as reimbursement for the costs of this

investigation if this Order becomes effective by operation of law, or if a Respondent(s) seeks

- b. Cease and desist from transacting business, in violation of S.C. Code Ann. § 35-1-403(a), in South Carolina as an IA while not registered; and
- c. Pay a civil penalty of \$2,000 and a reimbursement of certain costs of the investigation of \$1,000 if this Order becomes effective by operation of law or if

LOCG seeks a hearing and a hearing officer or any other local authority resolves this

matter, an amount not to exceed \$10,000 for each violation of the Act by LOCG and the actual cost of the investigation.

REQUIREMENT OF ANSWER AND

50 CONTINUED FUTURE ENGAGEMENTS DETAILED BY THIS ORDER, AND/OR

CLAK AUGUST MAY RESIDE IN THE DIVISIONS FILING ADDRESS

ADMINISTRATIVE ACTIONS AND/OR SELF-HELP ACTIONS TO BE TAKEN

FOR THE PURPOSES OF THIS ORDER, WHICH SHALL BE ENFORCED

IN ACCORDANCE WITH THE RULES OF COURT AND THE ORDER OF THE COURT.

DO NOT SIGN

Respectfully submitted,  Clerk of Court



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