

ADMINISTRATIVE PROCEEDING

BEFORE THE

SECURITIES COMMISSIONER OF SOUTH CAROLINA

IN THE MATTER OF:

**C P Smith Enterprises, Inc.,
Calvin C. Smith, and
Roger K. Hall,**

Respondents.

ORDER TO CEASE AND DESIST

File Number 08004

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

§§ 25-1-101 to 25-1-702 (Supp. 2009) covers all actions or proceedings initiated hereunder

on conduct concerning securities that occurred on or after January 1, 2006;

WHEREAS, the Securities Division of the Office of the Attorney General of the State of

South Carolina (the "Division") pursuant to the provisions of the Act, S.C. Code §§ 25-1-101 to 25-1-702

FACTUAL HISTORY

1. STAC is a [redacted] in connection with the South Carolina Secretary of State

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

protecting assets. . . . The following agents are insurance licensed and works [sic] through

~~and are: Carl Smith, Dick Decker, Tom Dandell, Jack Bowden, Jason Menech, and John~~

Blacklocke.”

13. Regarding these seminars, Smith stated the following during a telephone conversation

~~on 11/11/00. Smith stated that he had~~

a. “We talk about the volatility of the market.”

b. We ask attendees, “Are you concerned about the volatility of the market?”

empowering. With the help of a skilled advisor who is interested in your specific

“I would like to thank all of the advisors from Investment.com for their assistance.”

- d. “Carl Smith is a professional advisor who specializes in assisting people just like you in designing their preferred lifestyle.”

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

State Operations Division Association (SODA) - This information was obtained from SODA.

- a. "Your presenters will be Rick Beebe, Vice President of Smith Tax Advisory Group"
- b. "Protect your retirement assets in any market condition."
- c. "Have an income you can't outlive."
- d. "Receive a higher potential income than your pension plan is offering."

- e. "Avoid the common mistakes made at retirement with 401k's and IRA's."

22. Before January 29, 2008, STAG advertised two "no obligation," "COMPLIMENTARY DINNER" "event[s]" to be held in Columbia, South Carolina, on January 29 and 30, 2008.

The advertisement included the following statements regarding the events:

- a. "Your presenters will be Roger Hall, Vice President of Smith Tax Advisory Group"
- b. "Avoid common mistakes when planning for your future."

- b. A "Biography of Roger Hall" in which he stated, "It is my privilege and pleasure to work with seniors and assist them with their future personal tax, financial and income planning."

Group" and that identified his email address as rhall@smithtaxadvisors and his web site as www.smithtaxadvisors.us.

24. On one of the slides shown by Hall at the January 30, 2008, event, the following was written: "What is a market correction? The day after you buy a stock."

79. Hall sold two fixed annuity products as a result of the January 20, 2008 events. The

total commission earned from these two sales was \$5,105.86 of which Hall received

\$1,400.46

30. During the first seven months of 2008, CP Smith Enterprises earned commissions of

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Transfer, on January 12, 2009. In response to question 14G(2), Hall answered that he was

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

42. Pursuant to 52 Fed. Reg. 38,400 (1987) (S.E.C. Rel. No. IA-1092 titled "Applicability of the Investment Advisers Act to Financial Planners, Pension Consultants, and Other Persons Who Provide Investment Advisory Services as a Component of Other Financial Services"), a person is an IA if he satisfies the following three elements: (1) provides advice or issues

reports or analysis, regarding securities; (2) is in the business of providing such services; and (3) provides such services for compensation.

adviser or as one who provides investment advice or provides specific investment advice.

- c. Pursuant to 52 Fed. Reg. 38,400 (1987), one way in which a person can satisfy the third element, providing advice for compensation, is to receive any economic benefit from providing a variety of services to a client, including investment

advice or services. Such economic benefit may include receipt of a single fee or

commission upon the sale to the client of insurance products or investments.

- 43. Pursuant to S.C. Code Ann. § 35-1-102(16) of the Act, an IAR is an individual employed by or associated with an IA or a federal covered investment adviser and who, among other activities, makes any recommendations or otherwise gives investment advice regarding securities; manages securities accounts or portfolios of clients; determines which recommendation or advice regarding securities should be given; provides investment advice regarding securities; holds himself out as providing investment advice regarding securities;

Unlawful Acts

15 P. 35-1-403(d) of the Act it is unlawful for an IA to employ

transact business in South Carolina as an IA unless the person is registered under the Act as an IA or is exempt from registration as an IA under Section 35-1-403(b).

17 P. 35-1-403(d) of the Act it is unlawful for an IA to employ

a material fact necessary to make the statement made, in the light of the circumstances under which it was made, not false or misleading.

Administrative Remedies

51. Pursuant to S.C. Code Ann. § 35-1-604(a)(1) of the Act, if the Securities Commissioner determines that a person has engaged, is engaging, or is about to engage in an act, practice, or

o CD Smith Enterprises holds itself and its agents out as financial planners

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

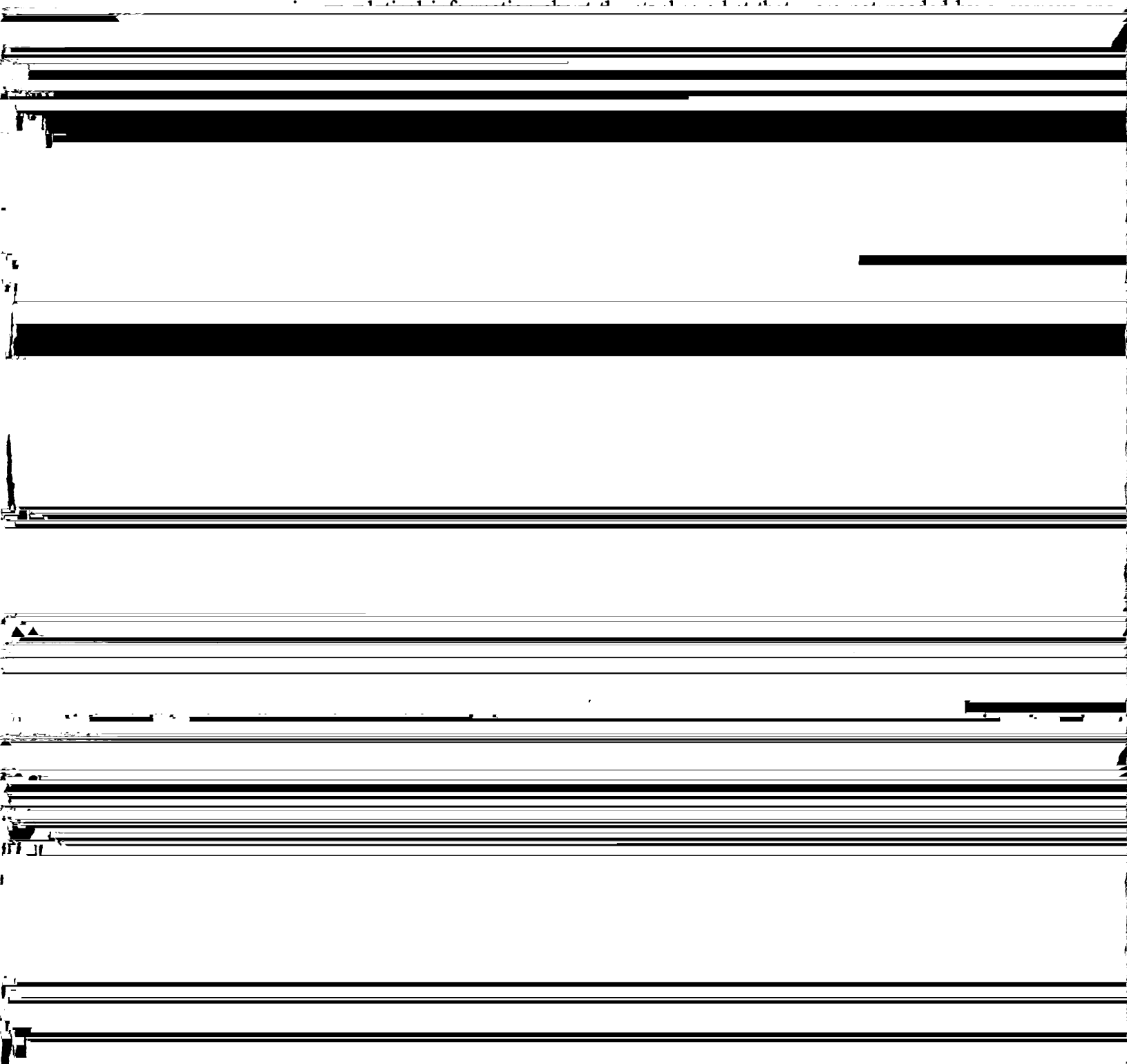
[REDACTED]

[REDACTED]

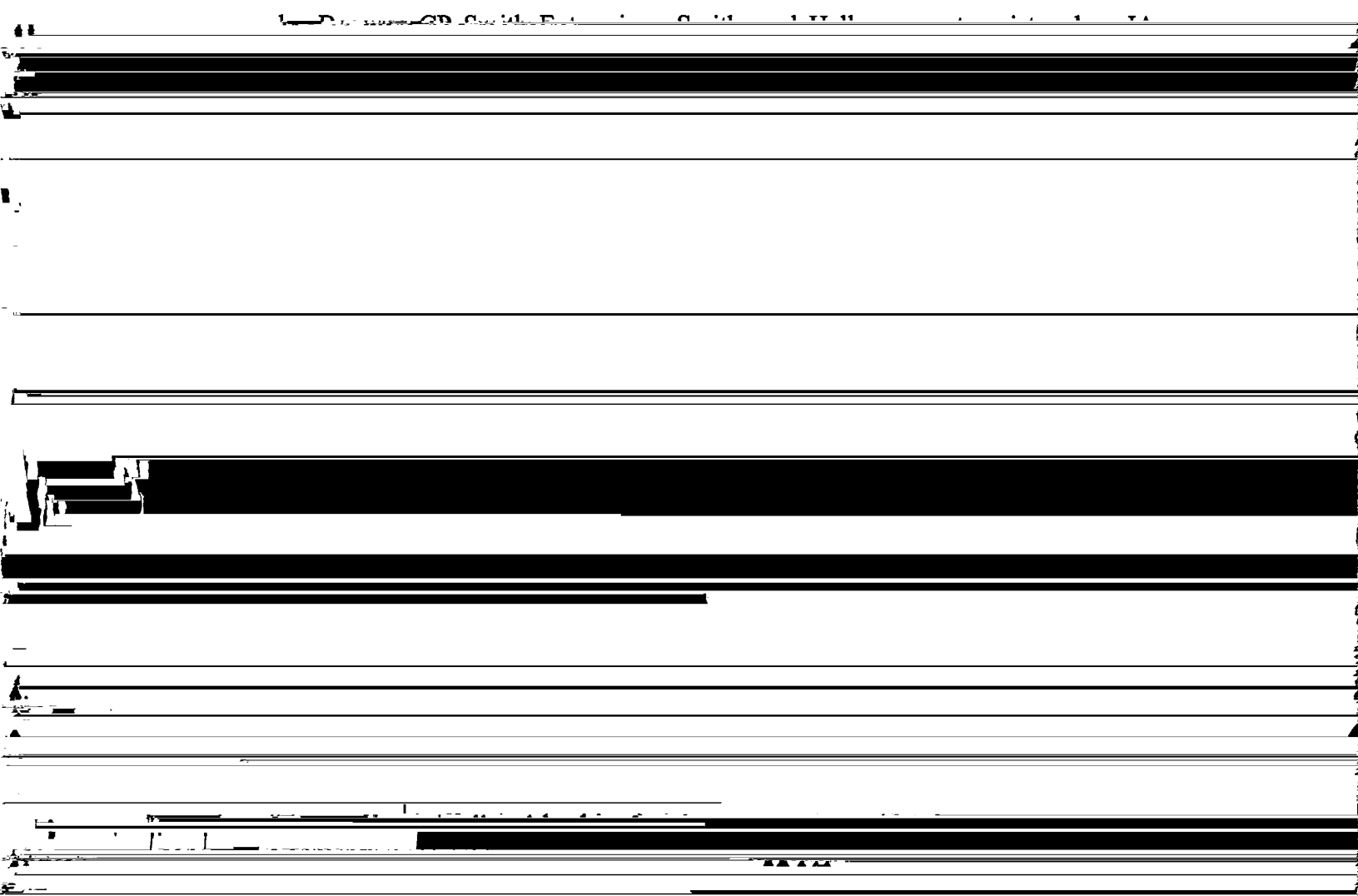
[REDACTED]

54. WHEREAS, based on the foregoing, the Division has determined that CP Smith Enterprises, Smith and Hall have engaged, are engaging, or are about to engage in an act, practice, or course of business constituting a violation of the Act or a rule adopted or order issued under the Act as follows:

a. In early 2008, CP Smith Enterprises's web site included stock price quotes and



- h. CP Smith Enterprises, Smith, and Hall did not disclose to clients or potential clients that they were not registered to transact business as IAs or IARs.
- i. On its web site, CP Smith Enterprises represented that the advisers employed by CP Smith Enterprises offered and sold and were knowledgeable about a wide range of financial products and made investment recommendations based on each person's individual needs and objectives.
- j. From 2006 through most of 2008, CP Smith Enterprises, Smith, and Hall primarily offered and sold only certain insurance, including annuity, products.
- k. Because the products offered and sold by CP Smith Enterprises and its agents did not include securities and other non-insurance products, CP Smith Enterprises did not offer or sell a wide range of financial products.



i. On September 24, 2008, and January 12, 2009, Smith and Hall, respectively, filed with the Division Form U4 as part of their application to register as IARs in South Carolina.

j. Each Form U4 contained a materially false statement that Smith and Hall had not been notified in writing that each was the subject of an investigation that could result in other disclosure questions on Form U4 having to be answered in the

Investigation Reporting Page. Because Smith and Hall answered "no" to the applicable question

Smith and Hall also omitted material information by not completing the Investigation Disclosure Reporting Page.

k. Before Smith and Hall filed their Form U4, each had received notification in

writing from the Division that they were under investigation by the Division and

ORDER CEASE AND DESIST

57. NOW THEREFORE, pursuant to S.C. Code Ann. § 35-1-604(a)(1) of the Act, IT IS

HEREBY **ORDERED** that CP Smith Enterprises:

- a. Cease and desist from violating S.C. Code Ann. § 35-1-403(d) of the Act;
- b. Cease and desist from violating S.C. Code Ann. § 35-1-403(a) of the Act;
- c. Cease and desist from violating S.C. Code Ann. § 35-1-502(a) of the Act; and
- d. Pay a civil penalty of \$1,000 and a reimbursement of certain costs of the investigation of \$1,000 if this Order becomes effective by operation of law, or, if

~~CP Smith Enterprises seeks a hearing and a hearing officer at another level~~

authority resolves this matter, pay an amount not to exceed \$10,000 for each violation of the Act by CP Smith Enterprises and the actual cost of the investigation.

58. NOW THEREFORE pursuant to S.C. Code Ann. § 35-1-604(a)(1) of the Act IT IS

REQUIREMENT OF ANSWER AND
NOTICE OF OPPORTUNITY FOR HEARING

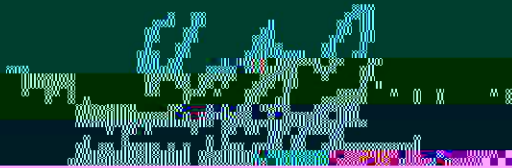
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Defendants are hereby notified that they have the right to a hearing on the matters

[REDACTED]

IT IS SO ORDERED

Executed and entered in full faith and authority this 15th day of May, 2009.



Commissioner of the Superior Court
County of San Diego, California
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San Diego, CA 92101
Tel: 619-481-1111