

**ADMINISTRATIVE PROCEEDING**

**BEFORE THE**

**SECURITIES COMMISSIONER OF SOUTH CAROLINA**

IN THE MATTER OF: )  
 )  
**Investment Advisory Center, Inc.,** )  
**IARD #153495, and** )  
 )  
**Jesse Clifton Dove,** )  
**CRD #1661883,** )  
 )  
  **Respondents.** )

**RULE TO SHOW CAUSE**  
  
**File Number 13045**

**WHEREAS**, the Securities Division of the Office of the Attorney General of the State of South Carolina (the “Division”), has been authorized and directed by the Securities Commissioner of South Carolina (the “Securities Commissioner”) to administer the provisions of S.C. Code Ann. § 35-1-101, *et seq.*, the South Carolina Uniform Securities Act of 2005 (the “Act”); and

**WHEREAS**, the Division alleges the following:

**I.     JURISDICTION**

1. The Securities Commissioner has jurisdiction over this matter pursuant to S.C. Code Ann. § 35-1-601(a).

**II.    RESPONDENTS**

2. Respondent Jesse Clifton Dove (“Dove”) is a South Carolina resident with a last known address of Coosaw Creek Country Club, 8757 E. Fairway Woods Circle, North Charleston, South Carolina 29420.

3. Respondent Investment Advisory Center, Inc. (“IAC”) is a South Carolina company with a last known business address of Coosaw Creek Country Club, 8757 E. Fairway Woods Circle, North Charleston, South Carolina 29420.
4. Dove is currently registered as an investment advisor representative with the Division and has been registered as such since March 8, 1993.
5. IAC is registered as an investment adviser with the Division and has been registered as such since March 8, 1993.
6. Dove, at all times relevant to this order, was owner, registered agent, an associated investment adviser representative, and principal control person of IAC (collectively, Dove and IAC may be referred to within as the “Respondents”).

### **III. FACTUAL BACKGROUND**

7. On or about May 21, 2013, the Division notified Dove of its intent to conduct the onsite portion of a special audit of IAC.
8. On or about May 29, 2013, the Division, by and through Auditor Richard Broad (the “Examiner”), conducted the onsite portion of a special audit of IAC (the “May, 2013, Audit”).
9. During the May, 2013, Audit, the Examiner learned that IAC had received a complaint from investment advisory clients KC and FG.
10. KC is the daughter of FG. The two were joint account holders of retail investment account number \*\*\*-\*\*1480 managed by the Respondents during the time in question (the “KC FG Account”).
11. Upon information and belief, FG passed away in or around April, 2014.

12. The only advisory agreement for the KC FG Account indicates an advisory fee of 1.50% and was agreed upon by KC, FG, and Dove, on July 6, 2004.
13. No other advisory agreement was found during the audit, and no other agreement was offered by the Respondents or KC.
14. During the course of the May, 2013, Audit, Dove stated he had increased the advisory fee for the KC FG Account on two occasions, going from 1.50% to 2.00%, then to 3.00%.
15. The KC FG Account file did not contain any authorization or documentation of approval for increasing fees from the 1.50% indicated in the advisory agreement.
16. For the KC FG Account, in the calendar year of 2009, fees were deducted by the Respondents in January, March, and August, and represented a 1.55% annual advisory fee.
17. For the KC FG Account, in the calendar year of 2010, fees were deducted by the Respondents in January, March, May, October, November, and three times in December. The advisory fees for the calendar year 2010 represented a 2.92% annual fee.
18. For the KC FG Account, in the month of January, 2011, alone, a full 2.00% advisory fee was deducted.
19. Dove stated during the May, 2013, Audit, in response to a question by the Examiner, that he had provided a financial plan for a client for a \$1,500 fee.
20. Dove further stated the \$1,500 financial plan was transacted pursuant to a verbal agreement between him and the client and there was no written agreement for that advisory service.
21. During the May, 2013, Audit, the Examiner audited seven client files.
22. Of the seven client files examined, five did not have adequate suitability information on which to base investment recommendations.

23. Of the seven client files examined during the May, 2013, Audit, five contained agreements that did not specify the annual rate for the advisory fee, whether the fee would be deducted annually, monthly, or quarterly, or the periodic rate to be applied.
24. For the calendar year 2013, the Respondents charged at least four clients as follows: 1.00% in January, .67% in April, .67% in July, and .60% in October, for a total annual fee of 2.94%.
25. For the calendar year 2013, RV, an investment advisory client of IAC, account number \*\*\*\*-\*189, had an average quarterly account value of approximately \$1,298,000.
26. RV's advisory agreement does not specify the annual rate for the advisory fee.
27. RV paid approximately \$37,900.00 in advisory fees for that same year. Those fees equal an approximate annual rate of 2.90%.
28. For the calendar year 2013, trades were made in RV's account only in the months of August and November.

#### **IV. APPLICABLE LAW**

29. Pursuant to S.C. Code Ann. § 35-1-412(c), if the Securities Commissioner finds that the order is in the public interest and subsection (d)(1) through (6), (8), (9), (10), or (12) and (13) authorizes the action, an order under this chapter may censure, impose a bar, and/or impose a civil penalty in an amount not to exceed \$10,000 for each violation, on a registrant.
30. Pursuant to S.C. Code Ann. § 35-1-412(d)(13), a person may be disciplined under subsection (c) if the person has engaged in dishonest or unethical practices in the securities, commodities, investment, franchise, banking, finance, or insurance business within the previous ten (10) years.
31. Pursuant to S.C. Code of Regulations R. 13-502(A), the following acts and practices are considered contrary to standards of commercial honor and just and equitable principles and

constitute dishonest or unethical practices by investment advisers and investment adviser representatives:

- a. (1) Recommending to a client to whom investment supervisory, management or consulting services are provided the purchase, sale or exchange of any security without reasonable grounds to believe that the recommendation is suitable for the client on the basis of information furnished by the client after reasonable inquiry concerning the client's investment objectives, financial situation and needs, and any other information known or acquired by the adviser after reasonable examination of the client's records as may be provided to the adviser.
  - b. (8) Misrepresenting to any advisory client, or prospective advisory client, the qualifications of the adviser, its representatives or any employees, or misrepresenting the nature of the advisory services being offered or fees to be charged for such services or omitting to state a material fact necessary to make the statements made regarding qualifications, services or fees, in light of the circumstances under which they are made, not misleading.
  - c. (10) Charging a client an advisory fee that is unreasonable.
  - d. (16) Entering into, extending, or renewing any investment advisory contract unless such contract is in writing and discloses, in substance, the services to be provided, the term of the contract, and the advisory fee or the formula for computing the fee.
  - e. (21) Employing any device, scheme, or artifice to defraud or engaging in any act, practice or course of business which operates or would operate as fraud or deceit.
32. Pursuant to S.C. Code Ann. § 35-1-502(a), it is unlawful for a person who advises others for compensation, either directly or indirectly or through publications or writings, as to the value

of securities or the advisability of investing in, purchasing, or selling securities or that, for compensation and as part of a regular business, issues or promulgates analyses or reports relating to securities, to employ a device, scheme, or artifice to defraud another person, or to engage in an act, practice, or course of business that operates or would operate as a fraud or deceit upon another person.

33. Pursuant to S.C. Code Ann. § 35-1-411(c), investment advisers registered or required to be registered under the Act shall make and maintain required accounts, correspondence, memoranda, papers, books, and other records.
34. Pursuant to S.C. Code of Regulations R. 13-408(A)(18), investment advisers registered or required to be registered under the Act shall make and keep true, accurate, and current written information about each investment advisory client that is the basis for making any recommendation or providing any investment advice to such client.
35. Pursuant to S.C. Code of Regulations R. 13-408(A)(10) investment advisers registered or required to be registered under the Act shall make and keep true, accurate, and current a copy in writing of each agreement entered into by the investment adviser with any client, and all other written agreements otherwise relating to the investment adviser's business as an investment adviser.
36. Pursuant to S.C. Code of Regulations R. 13-502(B), engaging in conduct such as non-disclosure, incomplete disclosure, or deceptive practices shall be grounds for denial, suspension or revocation of registration, imposition of administrative fines, or such other action authorized by statute.
37. On at least one occasion, the Respondents increased the KC FG Account's advisory fee to a rate greater than 1.50% without an amended advisory agreement or other written approval by

the account holders, in violation of S.C. Code Ann. § 35-1-412(d)(13) and S.C. Code of Regulations R. 13-502(A)(8).

38. On at least one occasion each, the Respondents charged clients KC and FG through the KC FG Account and client RV an advisory fee that is unreasonable in violation of S.C. Code Ann. § 35-1-412(d)(13) and S.C. Code of Regulations R. 13-502(A)(10).
39. On at least one occasion, the Respondents provided investment advisory services for compensation by charging a client \$1,500 for a financial plan without a written agreement in violation of S.C. Code Ann. § 35-1-411(c) and S.C. Code of Regulations R. 13-408(A)(10), and S.C. Code Ann. § 35-1-412(d)(13) and S.C. Code of Regulations R. 13-502(A)(16).
40. On at least five occasions, the Respondents failed to maintain proper suitability documentation for their clients in violation of S.C. Code Ann. § 35-1-411(c) and S.C. Code of Regulations R. 13-408(A)(18), and S.C. Code Ann. § 35-1-412(d)(13) and Rule 13-502(A)(1).
41. On at least four occasions, the Respondents employed a device, scheme, or artifice to defraud another person, or engaged in an act, practice, or course of business that operates or would operate as a fraud or deceit upon another person by deducting fees that varied from quarter to quarter without a written and signed agreement disclosing such practice in violation of S.C. Code Ann. § 35-1-502(a).
42. On at least four occasions, the Respondents engaged in conduct such as non-disclosure, incomplete disclosure, or deceptive practices by deducting fees that varied from quarter to quarter without a written and signed agreement disclosing such practice in violation of S.C. Code of Regulations R. 13-502(B).

43. On at least five occasions, the Respondents entered into investment advisory contracts which do not state the advisory fee or formula for computing the fee and do not disclose whether the contract grants discretionary power to the adviser or its representatives in violation of S.C. Code Ann. § 35-1-411(c) and S.C. Code of Regulations R. 13-408(A)(10), and S.C. Code Ann. § 35-1-412(d)(13) and S.C. Code of Regulations R. 13-502(A)(16).

#### V. CONCLUSION

Based on the foregoing facts and applicable law, the investment adviser and investment adviser representative registrations of the Respondents should be revoked, suspensions of two years from the date of such final order should be issued against each Respondent, and administrative fines imposed. If this Order becomes effective by operation of law, each Respondent's license is revoked for a period of no less than two years after which time each Respondent may reapply for registration, and each Respondent is ordered to pay a penalty in the amount of fifteen thousand dollars (\$15,000). If one or both Respondents seek a hearing and any legal authority resolves this matter, such Respondent should be ordered to pay a civil penalty in an amount not to exceed ten thousand dollars (\$10,000) for each violation of the Act committed by that Respondent, and the actual cost of the investigation and proceeding.

**NOW THEREFORE**, it is hereby **ORDERED**, that Respondents **SHOW CAUSE**, if any there be, why the Securities Commissioner should not enter an Order, pursuant to S.C. Code Ann. §§ 35-1-412(c) and 35-1-604, revoking their investment adviser representative and investment adviser registrations, imposing a two year suspension on each Respondent, and imposing a civil penalty in an amount not to exceed \$10,000 for each violation of the Act or rule adopted or order issued under the Act.

### **NOTICE AND OPPORTUNITY FOR A HEARING**

Each Respondent is hereby notified that he has the right to a hearing on the matters contained herein. To schedule such a hearing, the Respondent must file with the Securities Division, Post Office Box 11549, Rembert C. Dennis Building, Columbia, South Carolina, 29211-1549, attention: Thresechia Navarro, within thirty (30) days after the date of service of this Rule to Show Cause, a written Answer specifically requesting a hearing. If a Respondent requests a hearing, the Division, within fifteen (15) days after receipt of a request in a record from the Respondent, will schedule the hearing for that Respondent.

In the written Answer, the Respondent, in addition to requesting a hearing, shall admit or deny each factual allegation in this Rule to Show Cause, shall set forth specific facts on which the Respondent relies, and shall set forth concisely the matters of law and affirmative defenses upon which the Respondent relies. If the Respondent is without knowledge or information sufficient to form a belief as to the truth of an allegation, he shall so state.

Failure by a Respondent to file a written request for a hearing in this matter within the thirty-day (30) period stated above shall be deemed a waiver by that Respondent of the right to such a hearing. Failure of a Respondent to file an Answer, including a request for a hearing, shall result in this Order, including the stated civil penalty and any assessed costs, becoming final as to that Respondent by operation of law.

This Order does not prevent the Division or any other law enforcement agency from seeking additional civil or criminal remedies as are available under the Act, including remedies related to the offers and sales of securities by the Respondent set forth above.

ENTERED, this the 10<sup>th</sup> day of December, 2014.

ALAN WILSON  
SECURITIES COMMISSIONER

By: Tracy Meyers  
TRACY A. MEYERS  
Deputy Securities Commissioner

**ISSUANCE REQUESTED BY:**

By: Jordan M. Crapps  
JORDAN M. CRAPPS  
Assistant Attorney General  
Post Office Box 11549  
Columbia, South Carolina 29211

STATE OF SOUTH CAROLINA  
OFFICE OF THE ATTORNEY GENERAL  
SECURITIES DIVISION

CERTIFICATE OF SERVICE AND  
AFFIDAVIT OF COMPLIANCE  
File Number 13045

I hereby certify that I served upon the individual/entity listed below a copy of the document indicated below and dated December 10, 2014, by serving a copy of said document upon the Securities Commissioner of the State of South Carolina and by placing a copy of said document in the United States mail, certified mail, return receipt requested, first class postage prepaid and addressed to:

Mr. Jesse Clifton Dove  
Individually & as Registered Agent  
Investment Advisory Center, Inc.  
Coosaw Creek Country Club  
8757 E. Fairway Woods Circle  
North Charleston, SC 29420

Document(s): Summary Suspension  
Rule to Show Cause

Mailed December 10, 2014 from Columbia, South Carolina.

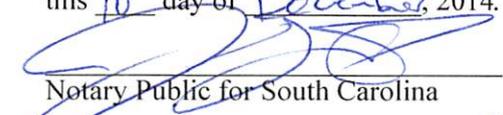
I further hereby certify, swear and affirm that, service of the above-listed entity is in compliance with Section 35-1-611, Code of Laws of South Carolina.

By:



Thresechia P. Navarro  
South Carolina Attorney General's Office  
Securities Division  
Post Office Box 11549  
Columbia, SC 29211-1549  
(803) 734-4731

Subscribed and sworn to before me on  
this 10 day of December, 2014.



Notary Public for South Carolina

My commission expires: 7/2/15