

ADMINISTRATIVE PROCEEDING

BEFORE THE

SECURITIES COMMISSIONER OF SOUTH CAROLINA

IN THE MATTER OF:)	
)	ORDER TO CEASE AND DESIST
Drummond & Associates Financial)	
Services, LLC and Calvert Drummond,)	File No. 15087
)	
Respondents.)	

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 received information regarding alleged securities-related activities of Drummond & Associates Financial Services, LLC (“Drummond & Associates”) and Calvert Drummond (“Drummond”) (collectively, the “Respondents”); and

WHEREAS, based on the information received, the Division decided it was necessary and appropriate to open an investigation pursuant to S.C. Code Ann. § 35-1-602 to determine whether the Respondents had violated, were violating, or were about to violate the Act; and

WHEREAS, in connection with the investigation, the Division has determined that evidence exists to support the following findings of fact and conclusions of law:

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 Drummond & Associates is a South Carolina corporation with a last known address of 126 Alpha Drive, Greenville, South Carolina 29605.
3. Respondent Drummond incorporated Respondent Drummond & Associates on or about September 15, 2009.
4. Respondent Drummond is a South Carolina resident with a last known address of 18 Vickilyn Court, Greenville, South Carolina 29611.

III. FINDINGS OF FACT

5. At all times relevant to this Order, Respondent Drummond was the CEO, registered agent, and chief control person of Drummond & Associates.
6. In or about August 2014, the Respondents began communicating with a California resident (the "Investor") about a possible investment opportunity with the Respondents.
7. In connection with the offer of the investment opportunity, the Respondents stated that the Investor should provide two hundred and fifty thousand dollars (\$250,000) to the Respondents to secure ten million dollars (\$10,000,000), of which two million dollars (\$2,000,000) would be sent to the Investor.
8. The Respondents further stated that the Investor could expect payment of two million dollars (\$2,000,000) within forty-five (45) days of the date on which the Investor invested.
9. The Respondents further stated that the Investor's investment would be used for the procurement of a ten-million-dollar (\$10,000,000) standby letter of credit (the "SBLC").
10. In connection with the offer of the investment opportunity, the Respondents provided the Investor a copy of Respondent Drummond's résumé, which contained, *inter alia*,

numerous representations regarding Respondent Drummond's professional experience and expertise in the financial sector.

11. Based on the Respondents' representations, on or about August 20, 2014, the Investor invested two hundred and fifty thousand dollars (\$250,000) with the Respondents.
12. Contrary to the Respondents' representations in connection with the offer of the investment opportunity, the Respondents did not use the Investor's investment to procure the SBLC or any similar such instrument.
13. Contrary to the Respondents' representations in connection with the offer of the investment opportunity, the Respondents used the Investor's investment for, *inter alia*, the Respondents' personal expenses, including, but not limited to:
 - a. Over \$2,000 in purchases at a premium clothing store;
 - b. Over \$5,000 in purchases at a designer leather goods store;
 - c. Over \$5,000 in purchases at a jewelry store; and
 - d. At least \$57,500 in debts owed to third parties unrelated to the Investor's investment.
14. Contrary to the Respondents' representations in connection with the offer of the investment opportunity, the Investor did not receive payment of two million dollars (\$2,000,000) within forty-five (45) days of the date of the Investor's investment.
15. The copy of Respondent Drummond's résumé the Respondents provided to the Investor in connection with the offer of the investment opportunity also contained numerous misrepresentations of material fact, including, but not limited to, false claims that Respondent Drummond had experience as a commodities broker and compliance director with two large financial institutions.

16. In connection with the offer of the investment opportunity, the Respondents omitted to disclose that on April 26, 2010, Respondent Drummond pled guilty to breach of trust with fraudulent intent.
17. Respondent Drummond represented Respondent Drummond & Associates in effecting the transaction referenced above.
18. At no time relevant to the events stated herein was Respondent Drummond & Associates registered with the Division as a broker-dealer, and no exemption from registration has been claimed by Respondent Drummond & Associates.
19. At no time relevant to the events stated herein was Respondent Drummond registered with the Division as an agent, and no exemption from registration has been claimed by Respondent Drummond.
20. At no time relevant to the events stated herein was the security at issue registered with the Division or a federal covered security, and no exemption from registration has been claimed by the Respondents.

IV. CONCLUSIONS OF LAW

21. The South Carolina Uniform Securities Act of 2005, S.C. Code Ann. § 35-1-101, *et seq.*, governs the offer and sale of securities in this State.
22. Pursuant to S.C. Code Ann. § 35-1-102(29), investment contracts, stock, and certificates of interest or participation in profit-sharing agreements, *inter alia*, constitute securities.
23. Pursuant to S.C. Code Ann. § 35-1-301, it is unlawful for a person to offer or sell a security in this State unless that security is a federal covered security, exempt from registration, or registered.
24. Pursuant to S.C. Code Ann. § 35-1-102(4), a “broker-dealer” is a person engaged in the

business of effecting transactions in securities for the account of others or for the person's own account.

25. Pursuant to S.C. Code Ann. § 35-1-102(2), an “agent” is an individual, other than a broker-dealer, who represents a broker-dealer in effecting or attempting to effect purchases or sales of securities, or represents an issuer in effecting or attempting to effect purchases or sales of the issuer’s securities.
26. Pursuant to S.C. Code Ann. § 35-1-401(a), it is unlawful for a person to transact business in this State as a broker-dealer unless that person is registered or exempt from registration.
27. Pursuant to S.C. Code Ann. § 35-1-402(a), it is unlawful for an individual to transact business in this State as an agent unless that individual is registered or exempt from registration.
28. Pursuant to S.C. Code Ann. § 35-1-402(d), it is unlawful for a broker-dealer, or an issuer engaged in offering, selling, or purchasing securities in this State, to employ or associate with an agent who transacts business in this State on behalf of broker-dealers or issuers unless the agent is registered or exempt from registration.
29. Pursuant to S.C. Code Ann. § 35-1-501, it is unlawful for a person, in connection with the offer, sale, or purchase of a security, directly or indirectly (1) to employ a device, scheme, or artifice to defraud; (2) to make an untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; or (3) to engage in an act, practice, or course of business that operates or would operate as a fraud or deceit upon another person.

30. The security offered and sold by the Respondents was not a federal covered security, exempt from registration, nor registered with the United States Securities and Exchange Commission or the Division and was therefore offered and sold in violation of S.C. Code Ann. § 35-1-301.
31. Respondent Drummond & Associates, on at least one occasion, transacted business in this State as an unregistered broker-dealer.
32. Respondent Drummond, on at least one occasion, transacted business in this State as an unregistered agent.
33. Respondent Drummond & Associates, on at least one occasion, employed or associated with an unregistered agent who transacted business on behalf of Drummond & Associates while that agent was not registered.
34. The Respondents, on at least one occasion and in connection with the offer, sale, or purchase of a security, directly or indirectly (1) employed a device, scheme, or artifice to defraud; (2) made an untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; or (3) engaged in an act, practice, or course of business that operated or would operate as a fraud or deceit upon another person, in violation of S.C. Code Ann. § 35-1-501.
35. It is in the public interest, for the protection of investors, and consistent with the purposes of the Act that the Respondents be ordered to cease and desist from engaging in the above-enumerated practices, which constitute violations of the Act and pay an appropriate civil penalty for their wrongdoing.

V. CEASE AND DESIST ORDER

NOW THEREFORE, pursuant to S.C. Code Ann. § 35-1-604(a)(1), it is hereby **ORDERED** that:

- a. Respondent Drummond & Associates Financial Services, LLC and every successor, affiliate, control person, agent, servant, and employee of Drummond & Associates Financial Services, LLC and every entity owned, operated, or indirectly or directly controlled by or on behalf of Drummond & Associates Financial Services, LLC **CEASE AND DESIST** from transacting business in this State in violation of the Act, and, in particular, §§ 35-1-301, 35-1-401, 35-1-402, and 35-1-501 thereof;
- b. Respondent Calvert Drummond **CEASE AND DESIST** from transacting business in this State in violation of the Act, and, in particular, §§ 35-1-301, 35-1-402, and 35-1-501 thereof;
- c. Respondent Drummond & Associates Financial Services, LLC pay a civil penalty in the amount of forty thousand dollars (\$40,000) if this Order becomes effective by operation of law, or, if Drummond & Associates seeks a hearing and any legal authority resolves this matter, pay a civil penalty in an amount not to exceed \$10,000 for each violation of the Act by Drummond & Associates and the actual cost of investigation or proceeding; and
- d. Respondent Calvert Drummond pay a civil penalty in the amount of thirty thousand dollars (\$30,000) if this Order becomes effective by operation of law, or, if Drummond seeks a hearing and any legal authority resolves this matter, pay a civil penalty in an amount not to exceed \$10,000 for each violation of the Act by Drummond, and the actual cost of investigation or proceeding.

IT IS FURTHER ORDERED that, pursuant to S.C. Code Ann. §§ 35-1-604(a)(2) and (3), any exemption from registration with the Division upon which the Respondents may claim to rely under S.C. Code Ann. §§ 35-1-201(3)(C), (7), or (8); 35-1-202; 35-1-401(b)(1)(D) or (F); or 35-1-403(b)(1)(C), has been and is **PERMANENTLY REVOKED**.

VI. REQUIREMENT OF ANSWER AND NOTICE OF OPPORTUNITY FOR 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 issuance of this Order to Cease and Desist, 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 a 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 Order, 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 Respondents set forth above.

ENTERED, this the 23rd day of February, 2017.

ALAN WILSON
SECURITIES COMMISSIONER

By: Tracy Meyers
TRACY A. MEYERS
Deputy Securities Commissioner

ISSUANCE REQUESTED BY:



TAYLOR FAW
Assistant Attorney General
Securities Division
Rembert C. Dennis Building
1000 Assembly Street
Columbia, South Carolina 29201

STATE OF SOUTH CAROLINA
OFFICE OF THE ATTORNEY GENERAL
SECURITIES DIVISION

CERTIFICATE OF SERVICE AND
AFFIDAVIT OF COMPLIANCE

File Number 15087

I hereby certify that I served upon the individual/entity listed below a copy of the document indicated below and dated February 23, 2017, 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:

Calvert Drummond
Individually & as Representative of
Drummond & Associates Financial Services, LLC
18 Vickilyn Court
Greenville, SC 29611

Document(s): Order to Cease and Desist

Mailed February 23, 2017 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
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 23rd day of February, 2017.

David Stoltra
Notary Public for South Carolina

My commission expires: 3-10-18

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