

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

IN THE MATTER OF:)	
)	ORDER TO CEASE AND DESIST
Daniel Y. Thomason, Sr.,)	
Daniel Y. Thomason, Jr.,)	
and Citizens Financial Services Inc.,)	
)	
)	
Respondents.)	File Number: 12001
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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 activities of Daniel Y. Thomason, Sr. (“Thomason, Sr.”), Daniel Y. Thomason, Jr. (“Thomason, Jr.”), and Citizens Financial Services, Inc. (“Citizens Financial”) (collectively, “Respondents”) which, if true, would constitute violations of the Act; and

WHEREAS, the information led the Division to open and conduct an investigation of the Respondent pursuant to S.C. Code Ann. § 35-1-602; and

WHEREAS, the Division has determined the following:

I. JURISDICTION

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

II. RESPONDENTS

2. Citizens Financial Services, Inc. is a South Carolina corporation with an address of 218 South Main Street, Fountain Inn, South Carolina.

3. Daniel Y. Thomason, Sr. is a South Carolina resident with an address of 107 Inn Circle, Fountain Inn, South Carolina.

4. Daniel Y. Thomason, Jr. is a South Carolina resident with an address of 201 Quail Run Trail, Fountain Inn, South Carolina.

III. FINDINGS OF FACT

5. Citizens Financial operated as a consumer loan business in Fountain Inn, South Carolina between 1988 and 2012.

6. Citizens Financial is owned and was operated by Thomason, Sr. and Thomason, Jr.

7. Citizens Financial financed its lending operations primarily through the sale of investments styled as promissory notes (the "Securities"), sold on its behalf by Thomason, Sr. and Thomason, Jr.

8. Between 2009 and 2012, Thomason, Sr. and Thomason, Jr. sold Securities to at least ten (10) South Carolina investors (the "Investors").

9. Thomason, Sr. and Thomason, Jr. each made misstatements and omissions in connection with their offer and sale of Securities to the Investors.

10. Thomason, Jr. told at least one (1) Investor that the Securities were "very secure" and "much like a C/D [certificate of deposit]," when they were not.

11. Thomason, Sr. told at least one (1) Investor that the proceeds of the Securities would only be used for “car loans,” when they were not.

12. Citizens Financial’s business bookkeeping records for the years 2009, 2010, 2011, and 2012 (the “Records”) note that the Records were not prepared in accordance with Generally Accepted Accounting Principles, due to a lack of information provided to an outside accounting firm by Citizens Financial, Thomason, Sr., and Thomason, Jr.

13. The Records show that Citizens Financial operated at a loss in 2009, 2010, 2011, and 2012.

14. Thomason, Sr. and Thomason, Jr., in addition to receiving salaries from Citizens Financial, made significant personal expenditures with funds belonging to Citizens Financial. These personal expenditures included car payments and purchases of groceries, other household items, and ongoing cash withdrawals from Citizens Financial’s daily cash drawer and materially contributed to Citizens Financial’s deteriorating financial condition between 2009 and 2012.

15. One (1) or more Investors were not informed that the proceeds from the sale of Securities would finance Thomason Sr. and Thomason, Jr.’s personal expenditures.

16. Investors were not adequately informed of the deteriorating financial condition of Citizens Financial.

17. Because of mounting losses, Citizens Financial was forced to cease operations.

18. On March 5, 2012, Citizens Financial filed for bankruptcy protection under Chapter 7 of the United States Bankruptcy Code.

19. On October 29, 2013, Thomason Sr. was interviewed by the Securities Division. During this interview Thomason Sr. stated that all the Securities were individually renewed on an annual basis. Thomason, Sr. would secure the permission of the Investors to renew the Securities for an additional year while omitting to state any information regarding the deteriorating financial condition of Citizens Financial to the Investors.

20. On November 19, 2013, Thomason, Jr. was interviewed by the Securities Division. During this interview, Thomason, Jr. denied making any representations to Investors, denied having offered and sold Securities, and denied any involvement in the management of Citizens Financial.

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 within the State of South Carolina.

22. Pursuant to S.C. Code Ann. § 35-1-102(29), promissory notes and investment contracts are securities.

23. The Securities sold by Respondents are securities as defined by the Act.

24. Pursuant to S.C. Code Ann. § 35-1-505, it is unlawful for a person to make or cause to be made, in a record that is used in an action or proceeding or filed under this chapter, a statement that, at the time and in the light of the circumstances under which it is made, is false or misleading in a material respect, or, in connection with the statement, to omit to state a material fact necessary to make the statement made, in the light of the circumstances under which it was made, not false or misleading.

25. Respondent Thomason, Jr. made or caused to be made, in a record that is used in an action or proceeding or filed under this chapter, a statement that, at the time and in the light of the circumstances under which it is made, is false or misleading in a material respect, or, in connection with the statement, to omit to state a material fact necessary to make the statement made, in the light of the circumstances under which it was made, not false or misleading.

26. Pursuant to S.C. Code Ann. § 35-1-501, it is unlawful for a person in connection with the offer or sale of a security in South Carolina: (1) to employ a scheme, device, or artifice to defraud; (2) to make an untrue statement of material fact or to omit to state a material fact necessary in order to make the statements made, in light of the circumstances in 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.

27. Respondents sold securities within the State of South Carolina (1) while employing a scheme, device, or artifice to defraud; (2) through the making of untrue statements of material fact or to omitting to state a material fact necessary in order to make the statements made, in light of the circumstances in which they were made, not misleading; and (3) by engaging in an act, practice, or course of business that operated as a fraud or deceit upon another person.

V. ORDER

WHEREAS, pursuant to S.C. Code Ann. §35-1-604(a)(1), if the Securities Commissioner determines that a person has engaged, is engaging, or is 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, the Securities Commissioner may issue an order directing the person to cease and

desist from engaging in the act, practice, or course of business or to take other action necessary or appropriate to comply with the Act; and

WHEREAS, pursuant to S.C. Code Ann. § 35-1-604(b), an order issued under Section 35-1-604(a) is effective on the date of issuance and must include a statement of any civil penalty or costs of investigation the Division will seek, a statement of the reasons for the order, and notice that a hearing will be scheduled within fifteen (15) days if one is requested; and

WHEREAS, by reason of the foregoing, it is in the public interest, for the protection of investors, and consistent with the purposes of the Act that Respondents be ordered to cease and desist from engaging in the above enumerated practices which constitute a violation of the Act and pay an appropriate civil penalty for their wrongdoing;

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

- a. Respondents and every successor, affiliate, control person, agent, servant, and employee of Respondents, and every entity owned, operated, or indirectly or directly controlled by or on behalf of the Respondents **CEASE AND DESIST** from transacting business in this State in violation of the Act, in particular, S.C. Code Ann. § 35-1-501; and
- b. Thomason, Sr. pay a civil penalty in the amount of **Twenty Five Thousand Dollars (\$25,000)** if this Order becomes effective by operation of law, or, if Thomason, Sr. seeks a hearing and any legal authority resolves this matter, pay a civil penalty in an amount not to exceed **Ten Thousand Dollars**

(\$10,000) for each violation of the Act by Thomason, Sr., and the actual cost of the investigation or proceeding; and

- c. Thomason, Jr. pay a civil penalty in the amount of **Twenty Five Thousand Dollars (\$25,000)** if this Order becomes effective by operation of law, or, if Thomason, Jr. seeks a hearing and any legal authority resolves this matter, pay a civil penalty in an amount not to exceed **Ten Thousand Dollars (\$10,000)** for each violation of the Act by Thomason, Jr., and the actual cost of the 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 that Respondents may claim to rely upon 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**.

THIS ORDER DOES NOT PREVENT THE DIVISION OR ANY OTHER LAW ENFORCEMENT AGENCY FROM SEEKING SUCH OTHER CIVIL OR CRIMINAL REMEDIES THAT ARE AVAILABLE UNDER THE ACT, INCLUDING REMEDIES RELATED TO OFFERS OR SALES OF SECURITIES BY THE RESPONDENTS WHICH ARE NOT SET FORTH ABOVE.

ENTERED at Columbia, South Carolina, this 27th day of November, 2013.

ALAN WILSON
SECURITIES COMMISSIONER

By: _____


IAN P. WESCHLER
Assistant Attorney General
Post Office Box 11549
Columbia, South Carolina 29211

REQUIREMENT OF ANSWER AND NOTICE OF OPPORTUNITY FOR HEARING

Respondents are hereby notified that each has the right to a hearing on the matters contained herein. To schedule such a hearing, a 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 of the date of service of this Order a written Answer specifically requesting that a hearing be held to consider rescinding the Order. If requested by a Respondent, a hearing shall be scheduled within fifteen (15) days.

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

STATE OF SOUTH CAROLINA
OFFICE OF THE ATTORNEY GENERAL
SECURITIES DIVISION

CERTIFICATE OF SERVICE AND
AFFIDAVIT OF COMPLIANCE
File Number 12001

I hereby certify that I served upon the individual/entity listed below a copy of the document indicated below and dated November 27, 2013, 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:

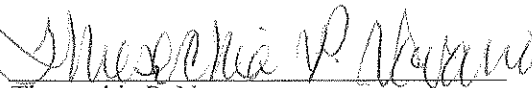
Citizens Financial Services, Inc.
218 South Main Street
Fountain Inn, SC 29644

Document(s): Order to Cease and Desist

Mailed November 27, 2013 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 27th day of November, 2013.



Notary Public for South Carolina

My commission expires: 6/8/2020

STATE OF SOUTH CAROLINA
OFFICE OF THE ATTORNEY GENERAL
SECURITIES DIVISION

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201 Quail Run Trail
Fountain Inn, SC 29644

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My commission expires: 5/8/2020

STATE OF SOUTH CAROLINA
OFFICE OF THE ATTORNEY GENERAL
SECURITIES DIVISION

CERTIFICATE OF SERVICE AND
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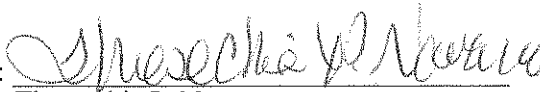
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Securities Division
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Columbia, SC 29211-1549
(803) 734-4731

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this 27th day of November, 2013.


Notary Public for South Carolina

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