

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

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|---------------------------------|---|----------------------------------|
| IN THE MATTER OF: |) | |
| |) | ORDER TO CEASE AND DESIST |
| Charles A. Ruff, and |) | |
| Clemson Grande Lakefront |) | |
| Condominiums LLC, |) | |
| |) | |
| Respondents. |) | File Number: 13070 |
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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 Charles Ruff (“Ruff”) and Clemson Grande Lakefront Condominiums LLC (“Clemson Grande”) (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 Respondents 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. RESPONDENT

2. Ruff is a South Carolina resident with an address of 112 Tea Olive Road, Columbia, South Carolina 29223.

3. Clemson Grande is a South Carolina Limited Liability Company, which lists a business address at 2611 Forest Drive, Suite 100, Columbia, South Carolina.

III. FINDINGS OF FACT

4. Clemson Grande was formed to develop a piece of property in Clemson, South Carolina (the “Condo Project”).

5. Ruff owned a thirty percent (30%) share of the membership interest in Clemson Grande and acted as its manager.

6. In 2007, Clemson Grande purchased a former hotel, located on U.S. 123 in Clemson, South Carolina, which was to be the site of the Condo Project.

7. Between 2004 and 2010, acting on behalf of Clemson Grande, Ruff solicited investors (the “Investors”) to purchase investments styled as promissory notes (the “Investments”), ostensibly to finance various aspects of the Condo Project.

9. In exchange for an investment of money, Investors were promised profits which would be derived from Ruff’s efforts in developing the Condo Project.

10. The Investments were not registered with the Division and were not offered under any claim of exemption from registration.

11. Ruff failed to inform Investors that the Investments could not be legally offered for sale in South Carolina.

12. Between 2004 and 2010, from within the State of South Carolina Ruff directly sold at least \$1,041,500 in Investments to at least fourteen (14) Investors.

13. Ruff converted large amounts of money received from Investors through the sale of Investments to cash for personal use.

14. Between February 3, 2006 and June 19, 2009, Ruff and Clemson Grande also employed an unregistered agent to sell Investments to Investors.

15. The unregistered agent, acting on behalf of Ruff and Clemson Grande, sold at least \$415,000 in Investments to at least twenty (20) Investors.

16. The unregistered agent had previously been registered as a broker-dealer agent in South Carolina, but terminated his registration after he was indicted by the United States of America for bank fraud in violation of Title 18 U.S.C § 1344. He subsequently pled guilty to that offense.

17. On November 11, 2011, Clemson Grande filed for bankruptcy protection under Chapter 11 of the United States Bankruptcy Code.

18. As of the date of the bankruptcy filing, only \$15,500 of the outstanding \$1,041,500 Ruff directly solicited from Investors had been paid back.

19. Ruff did not intend to repay the Investors.

20. In Clemson Grande's bankruptcy filing, Ruff listed himself as the single largest creditor, failing to list the Investors as creditors.

21. Under examination by Clemson Grande's Bankruptcy Trustee, Ruff was unable to substantiate his claim that he was the "single largest investor" in Clemson Grande.

IV. CONCLUSIONS OF LAW

22. 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.

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

24. The Investments offered and sold by Respondents constituted an investment of money, in a common enterprise, with the expectation of profits, based on the efforts of others and are therefore securities as defined by the Act.

25. Pursuant to S.C. Code Ann. § 35-1-301, it is unlawful for a person to sell a security within South Carolina unless that security is a federal covered security, exempt from registration, or registered with the Division.

26. The Investments offered and sold by Respondents were not federal covered securities, exempt from registration, or registered with the Division, and were therefore sold in violation of the Act.

27. Pursuant to S.C. Code Ann. § 35-1-402 (d), it is unlawful for an issuer of securities to employ an agent sell securities within the South Carolina unless that agent is registered with the Division or exempt from registration.

28. Respondents employed an agent to sell securities within South Carolina who was not registered with the Division as an agent in violation of the Act.

29. 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.

30. Ruff 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 fairly intended by the policy and provisions 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;

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

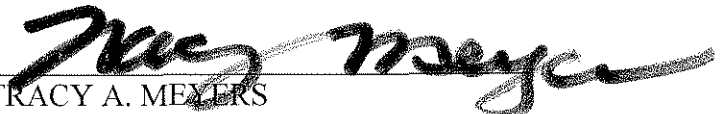
- a. Respondents and every successor, affiliate, control person, agent, servant, and employee of Respondents, and every entity owned, operated, or indirectly or directly controlled by or on behalf of Respondents **CEASE AND DESIST** from transacting business in this State in violation of the Act, and in particular, S.C. Code Ann. §§ 35-1-301, 35-1-402, and 35-1-501 thereof; and
- b. Respondent Ruff pay a civil penalty in the amount of **Twenty-Five Thousand Dollars (\$25,000.00)** if this Order becomes effective by operation of law, or, if Ruff seeks a hearing and any legal authority resolves this matter, pay a civil penalty in an amount not to exceed **Ten Thousand Dollars (\$10,000.00)** for each violation of the Act by Ruff, 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: 
TRACY A. MEYERS
Assistant Deputy 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.