

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

<b>IN THE MATTER OF:</b>	)	
	)	<b>CONSENT ORDER</b>
<b>East Coast Investments and</b>	)	
<b>Jonathan D. Patton,</b>	)	
	)	
<u>                    <b>Respondents.</b></u>	)	<b>File Number 10007</b>

WHEREAS, the Securities Division of the Office of the Attorney General of the State of South Carolina (the "Division"), after receiving information and pursuant to authority granted in the South Carolina Uniform Securities Act, S.C. Code Ann. § 35-1-10 *et. seq.* (Supp. 2011) (the "Act"), initiated an investigation into the activities of East Coast Investments ("East Coast") and Jonathan D. Patton ("Patton") (collectively, the "Respondents") involving possible violations of the South Carolina Uniform Securities Act; and

WHEREAS, in connection with its investigations, the Division determined certain acts or practices constituting violations of the Act had occurred; and

WHEREAS, the Respondents wish to resolve the above matters by Consent Order rather than by a formal hearing before the Securities Commissioner (the "Commissioner");

Now THEREFORE, as evidenced by their signatures on this Order, the Respondents hereby accept each and every Section of this Order for purposes of entering and enforcing the Order:

**I. Jurisdiction**

1. The Commissioner has jurisdiction over this matter pursuant to Section 35-1-601(a) of the Act.

## II. Statement of Facts

2. Respondent East Coast, at the time of the transactions below, had business addresses of 701 Gervais Street, Suite 150-277, Columbia, South Carolina 29201 and 1000 Johnnie Dodds Boulevard, Mount Pleasant, South Carolina 29464. East Coast is no longer in business and has no current business address.
3. Respondent Patton's home address during the time period relevant herein was 1720 Senate Street, Apt. 1, Columbia, South Carolina 29201. Since the time of the events below, Patton has moved out of the State of South Carolina. Patton's last known address is 2328 B Hartford Road, Austin, Texas 78703.
4. During the time period of the transactions herein, Respondent Patton served as principal, manager, agent, and owner of East Coast.
5. Beginning in 2005, and continuing until at least late 2006, Respondent Patton issued promissory notes to South Carolina residents, as well as to residents of other states.
6. The promissory notes issued by Patton represented Patton to be trustee for Respondent East Coast and/or another entity with which Patton and East Coast were involved, Southern Management Trust.
7. The promissory notes were issued in the State of South Carolina, and each represented on it the investment amount of the party or parties to whom the note was issued.
8. The rate of return promised on the majority of the notes was 10 or 12% per annum.
9. The terms of the promissory notes generally were either one or five years.
10. No representation was made in the promissory notes regarding what use would be made of the principal or how the Respondents intended to produce the stated returns.

11. Respondent Patton represented in correspondence, conversations with note purchasers, and literature touting investment in East Coast to purchasers, that investor funds would be used to purchase real estate.
12. Correspondence and sales materials given to some (but not all) of the investors solicited by Respondents represented:
  - a. An investment with Respondents was secure, hassle free, and high yield;
  - b. Borrower money given to Respondents would be used to purchase properties on which there would be a formal closing or closings and security for the investment;
  - c. Investors would receive 10% interest per year on their investments; and
  - d. The returns would be guaranteed.
13. Some investors were told by Respondent Patton, acting on behalf of both Respondents, that (a) they could earn a high percent by investing in low risk real estate investments; (b) their investment would be secured by a first or second mortgage on a single family home in the Charleston or Columbia area; (c) a recorded mortgage would secure their interest; and (d) a certificate of insurance also would secure the investment.
14. In some advertising materials, Respondents posed and answered the following question for investors: "Is my investment as safe as it sounds? Yes!"
15. Respondent Patton did not perform on promises made to some investors.
16. Specifically, some investors did not receive a mortgage that inured to the benefit of the investors; some investors did not receive a certificate of insurance securing the interest of the investor(s) to whom this statement was made; the investments were not "Secure, Hassle Free and High Yield"; and the interest associated with some investments was not guaranteed.

17. At the time of the transactions above, neither of the Respondents was registered with the Division as an agent authorized to offer or sell securities in or from the State of South Carolina.
18. At the time of the transactions above, the Promissory Notes offered and sold by the Respondents did not satisfy any of the conditions stated in S.C. Code Ann. § 35-1-301.

### **III. Conclusions of Law**

19. The promissory notes offered by Respondents constitute "securities" within the meaning of S.C. Code Ann. § 35-1-102(29).
20. The real estate investments offered by Respondents constitute investment contracts, and are "securities" within the meaning of S.C. Code Ann. § 35-1-102(29).
21. Respondent Patton, as described above, acted as an agent by effecting and/or attempting to effect sales of securities in or from this State.
22. Respondent Patton was not registered in South Carolina or exempt from registration as an agent within the meaning of the Act.
23. Respondent East Coast utilized Patton, who was not a registered or exempt agent, to offer and sell its securities in and from South Carolina.
24. The securities the Respondents offered and sold in and from South Carolina were (i) not registered, (ii) not federal covered securities, or (iii) otherwise exempt within the meaning of the Act.
25. Based on the foregoing, the Division has determined that the Respondents have engaged, are engaging, and/or are about to engage in acts and practices which violate S.C. Code Ann. §§ 35-1-301, 35-1-402(a) and (d), and 35-1-501.
26. This Order is appropriate, in the public interest, for the protection of investors and consistent with the purposes fairly intended by the policy and provisions of the Act.

#### **IV. Sanctions**

In view of the foregoing, the Commissioner deems it appropriate, in the public interest, and for the protection of investors and the capital markets of the State of South Carolina to impose the sanctions listed below on the Respondent.

NOW, THEREFORE, IT IS HEREBY ORDERED, and the Respondents expressly consent and agree that:

- A. The Respondents and all persons under the Respondents' direction or control and every successor, affiliate, control person, agent, servant, and employee of the Respondents, and every entity owned, operated, or indirectly or directly controlled by or on behalf of the Respondents shall immediately and permanently cease and desist from violating the Act and, in particular, S.C. Code Ann. §§ 35-1-301, 35-1-402(a) and (d) and 35-1-501 thereof; and
- B. The Respondents and other parties identified in item A above specifically shall cease and desist offering or selling promissory notes, real estate investment contracts and any other security in or from the State of South Carolina; and
- C. Pay a civil penalty in the amount of ten thousand dollars (\$10,000.00) per Respondent and two thousand five hundred dollars (\$2,500.00) to the Division as reimbursement of a portion of the Division's investigative costs incurred in connection with the matters referenced above.

#### **V. Conclusion**

Upon execution by the Securities Commissioner, this Order resolves Administrative Proceeding 10007 as it relates to the Respondents. This Order should not be interpreted to waive any (i) criminal cause of action, (ii) private cause of action that may have accrued to investors as a result of the Respondents' participation in the activities described herein, or (iii) other causes of action which may result from any activities of either Respondent not detailed above or which may hereafter arise.

IT IS SO ORDERED this 10<sup>th</sup> day of December, 2012.

By: Alan Wilson  
Alan Wilson  
Securities Commissioner  
State of South Carolina

WE CONSENT:

Securities Division of the Office of the Attorney General

By: Andrew J. MacLeod Date: 1-8-2013  
Andrew J. MacLeod  
Assistant Attorney General  
Securities Division

East Coast Investments

By: JDP, as trustee Date: 10 Dec 12

Jonathan D. Patton

By: JDP Date: 10 Dec 12