

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

<b>IN THE MATTER OF:</b>	)	
	)	<b>ORDER TO CEASE AND DESIST</b>
<b>Claude D. McDougal and</b>	)	
<b>US Financial Alliance Consultants, LLC</b>	)	<b>File No. 13036</b>
	)	
	)	
<b>Respondents.</b>	)	

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 Claude D. McDougal and US Financial Alliance Consultants, LLC (the "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, 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. Claude D. McDougal ("McDougal") is a North Carolina resident with a last known address of 6000 Fairview Road, Suite 1425, Charlotte, North Carolina 28210.

3. US Financial Alliance Consultants (“USFAC”) is a North Carolina limited liability company with a last known address of 5401 South Boulevard, Suite 166, Charlotte, North Carolina 28210.

### **III. FINDINGS OF FACT**

4. USFAC was in the business of issuing promissory notes with varying interest rates and terms to investors (“Investors”) for investment purposes.
5. Several Investors had previously purchased annuities through McDougal. In several instances, those annuities were surrendered to finance the purchase of USFAC promissory notes.
6. During the time period in which USFAC was in business, the Respondents issued at least seven promissory notes to at least six South Carolina investors totaling approximately \$683,000 in principal invested.
7. Investor A, a South Carolina resident at the time, purchased a promissory note offered by the Respondents on or around December 29, 2009. The principal amount listed on the note is \$146,927.83.
8. Upon information and belief, the note was signed on behalf of Investor A by her power of attorney.
9. Investor B, a South Carolina resident at the time, purchased a promissory note offered by the Respondents on or around November 13, 2009. The principal amount listed on the note is \$102,063.79.
10. Correspondence to Investor B from USFAC memorializing the transaction indicates that “Securities [are] offered through Centaurus Financial, Inc. Member, FINRA and SIPC.”
11. In fact, McDougal had been discharged from Centaurus Financial, Inc., on or around August 26, 2009.
12. Investor C, a South Carolina resident, purchased a promissory note offered by the Respondents on or around December 18, 2009. The principal amount listed on the note is \$221,851.83, which is inclusive of a principal investment of approximately \$160,000 and a credit amount of approximately \$61,851.83.

13. Investor C surrendered an annuity initially purchased through the Respondents to purchase the promissory note. Because the annuity had lost value and would have surrender charges, the Respondents enticed Investor C to proceed with the surrender by promising to make up for the loss and charges with the credit listed above added to the principal value of the promissory note.
14. In connection with the offer and sale of the security at issue, the Respondents stated or implied that the money invested would be used to make an investment on behalf of Investor C and return eight percent (8%) to Investor C.
15. In connection with the offer and sale of the security at issue, the Respondents omitted to tell Investor C that a significant portion of his money would be used for the personal benefit of the Respondents.
16. Contrary to the statements made in connection with the offer and sale of the security at issue, the Respondents diverted material amounts of Investor C's money for the personal benefit of the Respondents.
17. Investor D, a South Carolina resident, purchased two promissory notes offered by the Respondents on or around December 23, 2009. The principal amounts of the investments listed on the promissory notes were \$30,000 for a term of six months, and \$132,892.06 for a term of two years.
18. The Respondents stated, in connection with the offer and sale of the promissory notes at issue to Investor D, that the money would be used for an investment on Investor D's behalf and return fixed rates of interest.
19. In connection with the offer and sale of the securities at issue, the Respondents omitted to tell Investor D that a significant portion of his money would be used for the personal benefit of the Respondents.
20. Contrary to the statements made in connection with the offer and sale of the securities at issue, the Respondents diverted material amounts of Investor D's money for the personal benefit of the Respondents.

21. Further, contrary to the statements made in connection with the offer and sale of the securities at issue, Investor C and Investor D's money was comingled and was used to make payments back out to other investors.
22. Investors E and F, South Carolina residents and husband and wife at the time of the investments, purchased two promissory notes offered by the Respondents on or around January 27, 2010. The principal amounts listed on the notes are \$35,967.54 and \$13,382.40.
23. The Respondents, in connection with the offer and sale of Investor E and F's promissory notes, stated that the money invested would be used for investment purposes, have an eight percent (8%) annual return over a two year term, and the principal plus interest would be paid back in a lump sum payment in January, 2012.
24. Contrary to what the Respondents stated and implied to Investors E and F in connection with the offer and sale of the securities at issue, a significant portion of their investment was diverted to the personal benefit of the Respondents.
25. Further, in classic Ponzi scheme fashion, Investor E and F's investments were used to pay other investors' returns.
26. At no time relevant to the offer and sale of the securities at issue, were the USFAC securities registered with the Division or federal covered, and no exemption from registration has been claimed.
27. At no time relevant to the offer and sale of the securities at issue was McDougal registered as an agent in this State or exempt from registration.

#### **IV. CONCLUSIONS OF LAW**

28. 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 the security is registered, a federal covered security, or exempt from registration under S.C. Code Ann. Sections 35-1-201 through 35-1-203.
29. 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.

30. Pursuant to S.C. Code Ann. § 35-1-402(a), it is unlawful for an individual to transact business as an agent in this State unless registered or exempt from registration.
31. 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, to employ a device, scheme, or artifice to defraud, 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 in which they were made, not misleading, or to engage in an act, practice, or course of business that operates or would operate as a fraud or deceit on another person.
32. On at least seven instances during the relevant time period, the Respondents offered and sold securities in this State in violation of S.C. Code Ann. § 35-1-301.
33. On at least seven instances during the relevant time period, Respondent McDougal transacted business in this State as an agent in violation of S.C. Code Ann. § 35-1-402.
34. On at least five instances during the relevant time period, the Respondents, in connection with the offer or sale of a security in this state, employed a device, scheme, or artifice to defraud, made an untrue statement of 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 engaged in an act, practice, or course of business that operates or would operate as a fraud or deceit upon another person, in violation of S.C. Code Ann. § 35-1-501.

#### **V. CEASE AND DESIST 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 or that a person has materially aided, is materially aiding, or is about to materially aid 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 § 35-1-604(a) is effective on the date of issuance and must include a statement of any civil penalty or costs of investigation sought, a statement of the reasons for the order, and notice that a hearing will be scheduled if one is requested;

NOW THEREFORE, pursuant to S.C. Code Ann. § 35-1-604(a), IT IS HEREBY ORDERED that:

- a. The Respondents immediately 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; and
- b. From the date of the issuance of this order, all exemptions created under S.C. Code Ann. § 35-1-201(3)(C), (7), and (8) or § 35-1-202, and exemptions created under § 35-1-203 are revoked and are unavailable to either Respondent; and
- c. The Respondents, jointly and severally, pay a civil penalty in an amount of twenty thousand dollars (\$20,000) if this Order becomes effective by operation of law, but if either Respondent 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 committed by that Respondent, and the actual cost of the investigation and proceeding.

**VI. REQUIREMENT OF ANSWER AND NOTICE OF OPPORTUNITY FOR HEARING**

The Respondents are hereby notified that they each have 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 after the date of service of this Order to Cease and Desist a

written Answer specifically requesting a hearing. If either Respondent requests a hearing, the Division, within fifteen (15) days after receipt of a request in a record from a Respondent, will schedule the hearing for the requesting Respondent(s).

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. A Respondent without knowledge or information sufficient to form a belief as to the truth of an allegation shall so state.

Failure by a Respondent to file a written request for a hearing in this matter within the thirty (30) day 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 fees, 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 that are available under the Act, including remedies related to the offers and sales of securities by the Respondents set forth above.

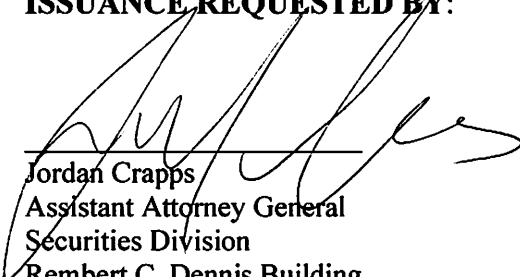
CONTINUING TO ENGAGE IN ACTS DETAILED BY THIS ORDER AND/OR SIMILAR ACTS MAY RESULT IN THE DIVISION'S FILING ADDITIONAL ADMINISTRATIVE ACTIONS AND/OR SEEKING FURTHER ADMINISTRATIVE FINES. WILLFUL VIOLATION OF THIS ORDER COULD RESULT IN CRIMINAL PENALTIES PURSUANT TO S.C. CODE ANN. § 35-1-508.

**ENTERED**, this the 11<sup>th</sup> day of March, 2014.

ALAN WILSON  
SECURITIES COMMISSIONER

By: Tracy Meyers  
TRACY A. MEYERS  
Assistant Deputy Attorney General

**ISSUANCE REQUESTED BY:**

  
\_\_\_\_\_  
Jordan Crapps  
Assistant Attorney General  
Securities Division  
Rembert C. Dennis Building  
1000 Assembly Street  
Columbia, S. C. 29201



STATE OF SOUTH CAROLINA  
OFFICE OF THE ATTORNEY GENERAL  
SECURITIES DIVISION

CERTIFICATE OF SERVICE AND  
AFFIDAVIT OF COMPLIANCE  
File Number 13036


I hereby certify that I served upon the individual/entity listed below a copy of the document indicated below and dated March 11, 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:

Claude D. McDougal  
6000 Fairview Road  
Suite 1425  
Charlotte, NC 28210

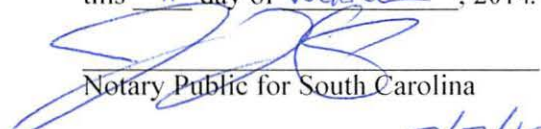
Document(s): Order to Cease and Deist

Mailed March 11, 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 11 day of March, 2014.

  
Notary Public for South Carolina

My commission expires: 7/2/18

STATE OF SOUTH CAROLINA  
OFFICE OF THE ATTORNEY GENERAL  
SECURITIES DIVISION

CERTIFICATE OF SERVICE AND  
AFFIDAVIT OF COMPLIANCE  
File Number 13036


I hereby certify that I served upon the individual/entity listed below a copy of the document indicated below and dated March 11, 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:

US Financial Alliance Consultants, LLC  
5401 South Boulevard  
Suite 166  
Charlotte, NC 28210

Document(s): Order to Cease and Deist

Mailed March 11, 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 11 day of March, 2014.

  
Notary Public for South Carolina

My commission expires: 7/2/18