

ADMINISTRATIVE PROCEEDING

BEFORE THE

SECURITIES COMMISSIONER OF SOUTH CAROLINA

IN THE MATTER OF:

**Joel L. Gillespie,
Thomas G. Carls,
Carls Financial Group,
Bridgewater, Inc.**

Respondents.

ORDER TO CEASE AND DESIST

File Number 07017

WHEREAS, the Securities Division of the South Carolina Office of the Attorney General (“the Division”), pursuant to authority granted in the South Carolina Uniform Securities Act of 2005 (the “Act”), S.C. Code Ann. §35-1-101 to 35-1-703 (Supp. 2009), in or around April 1, 2007, received information regarding alleged activities of Joel L. Gillespie (“Gillespie”), Thomas G. Carls (“Carls”), Carls Financial Group, Inc. (“Carls Financial Group”), and Bridgewater, Inc. (“Bridgewater”), which could constitute violations of the Act;

WHEREAS, the information led the Division to open and conduct an investigation of Gillespie, Carls, Carls Financial Group and Bridgewater (collectively, the “Respondents”) pursuant to S.C. Code Ann. § 35-1-602, and this investigation is ongoing;

NOW THEREFORE, in connection with the investigation, the Division has determined that the Respondents have engaged, are engaging, and are about to engage in acts or practices constituting violations of the Act and hereby includes in this Order to Cease and Desist (“Order”) a statement of the reasons for the Order, a statement of the civil penalty and costs sought as a result, and a notice that a hearing will be scheduled if any Respondent requests a hearing.

JURISDICTION

1. The Securities Commissioner of the State of South Carolina (the “Commissioner”) has jurisdiction over this matter pursuant to Section 35-1-180 of the Act.

RESPONDENTS

2. Gillespie, Carls, Carls Financial Group and Bridgewater, at all times relevant herein, were residents of and/or based in South Carolina.

3. Upon information and belief, at all times relevant herein, Respondent Gillespie resided at 100 Chatsworth Drive, Easley, South Carolina, 29672.

4. Upon information and belief, at all times herein, Respondent Carls resided at 1622 South Arlington Drive, Seneca, South Carolina, 29672.

5. Upon information and belief, Carls Financial Group is a South Carolina corporation owned and controlled by Respondent Carls.

6. Upon information and belief, Bridgewater is a South Carolina corporation owned and controlled by Respondent Gillespie.

7. Respondent Carls is a tax accountant doing business as Carls Management Group, Inc. in Easley, South Carolina.

FACTS

8. Upon information and belief, Carls Financial Group, at times relevant herein, was a company in the business of making factoring loans.

9. Carls Financial Group was funded by Respondent Carls and previous customers of Carls Management Group, Inc., who lent Carls Financial Group money in return for securities in the form of promissory notes.

10. Carls Financial Group pooled money borrowed from investors and lent the money to local businesses to finance the businesses accounts' receivables.
11. In exchange for the loans, Carls Financial Group gave the investors promissory notes with stated interest rates.
12. Carls, individually and on behalf of Carls Financial Group, represented to investors that interest from the loans would pay the agreed upon interest rates to the investors.
13. During the relevant time period, neither Carls Financial Group nor Respondent Carls was registered with the Division in any capacity.
14. The notes offered and sold by Carls and Carls Financial Group were not registered or notice filed with the Division, nor has any claim of exemption been filed on their behalf.
15. In or around 2002, Respondent Gillespie started Bridgewater.
16. Bridgewater, according to Respondents Carls and Gillespie, was a factoring business. In connection with this business, Gillespie and Bridgewater issued promissory notes to investors in return for investment funds.
17. During the relevant time period, neither Bridgewater nor Respondent Gillespie was registered with the Division in any capacity.
18. During the relevant time period, Bridgewater was not registered with the South Carolina Secretary of State, though Bridgewater represented its name on promissory note agreements as "Bridgewater, Inc."
19. The notes offered and sold by Gillespie and Bridgewater were not registered or notice filed with the Division, nor has any claim of exemption been filed on their behalf.

20. During the relevant time period, Respondent Gillespie had sole control of the Bridgewater bank accounts.
21. Respondent Carls offered and sold promissory notes issued by Bridgewater to investors in and from the State of South Carolina. Certain of the investors who received Bridgewater issued promissory notes also were Carls Financial Group noteholders.
22. Investors in Bridgewater who were solicited by Carls were told that the money lent to Gillespie and Bridgewater would be pooled and lent to business clients in the same way it previously had been by Carls Financial Group.
23. During the time period in or around January 1, 2000, to November 30, 2006, at least twenty investors lent money to Carls Financial Group in return for promissory notes issued by Carls Financial Group. Respondent Carls represents Carls Financial Group received investments totaling approximately \$743,543.00 during the period.
24. During the time period in or around May 1, 2000, to November 30, 2006, at least twenty investors lent money to Bridgewater in return for promissory notes issued by Bridgewater. Upon information and belief, investors' invested approximately \$1,125,550.00 dollars with Bridgewater during the period.
25. Respondent Carls was responsible for selling all Carls Financial Group notes and making the representations made to investors on behalf of Carls Financial Group.
26. The notes issued by Carls Financial Group were of varying maturity dates. The notes had stated rates of interest between ten and eighteen percent.
27. Respondent Carls sold the Bridgewater notes and made the representations made to the investors on behalf of Bridgewater.
28. Respondent Gillespie signed the notes on behalf of Bridgewater.

29. The notes issued by Bridgewater were for varying terms, and had stated rates of interest between eight and twelve percent.

30. Respondent Carls would, at times, deliver the notes and the investments to Respondent Gillespie to get Gillespie's signature on the notes.

31. Respondent Gillespie would, at times, deposit investor money into Bridgewater bank accounts.

32. Respondent Gillespie would, at times, deposit investor money into Respondent Gillespie's personal bank account.

33. Respondent Gillespie misappropriated and spent money from Bridgewater investors for personal use.

34. The Bridgewater investors were not told by Respondents that their money would be utilized for personal expenses or other expenses unrelated to a factoring business.

35. Respondent Gillespie did not inform Bridgewater investors of a material fact in soliciting their investment, this fact being that Gillespie pled guilty to charges of tax evasion in 1994 in United States District Court.

36. Respondent Carls failed to inform new Carls Financial Group and Bridgewater investors that at some point he had determined Carls Financial Group could not pay the stated rates of interest on all its notes outstanding.

APPLICABLE LAW

37. Pursuant to Section 35-1-703 of the Act, the Act took effect on January 1, 2006.

38. Pursuant to Section 35-1-102(29) of the Act, both promissory notes and investment opportunities that involve investments of money, in a common enterprise, with the expectation of profits, to be derived primarily from the efforts of others are considered "securities" in this State.

39. Pursuant to Section 35-1-102(29) of the Act, the investment opportunities Respondents offered in and from South Carolina during the periods January 1, 2000, and May 1, 2000, to at least November 30, 2006, constitute securities under the Act and the Prior Act.

40. Pursuant to Section 35-1-301 of the Act, it is unlawful for a person to offer or sell a security in this State unless (1) the security is a federal covered security; (2) the security, transaction, or offer is exempted from registration under Sections 35-1-201 through 35-1-203; or (3) the security is registered under the Act.

41. Pursuant to Section 35-1-402(a) of the Act, it is unlawful for a person to transact business in this State as an agent unless the individual is registered as an agent under the Act or is exempt from registration as an agent under the Act.

42. Pursuant to Section 35-1-402(d) of the Act, it is unlawful for 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 the issuer unless the agent is registered under Section 35-1-402(a) or is exempt from registration under Section 35-1-402(b).

43. Pursuant to Section 35-1-503(a) of the Act, in a civil action or administrative proceeding under the Act, a person claiming an exemption, exception, preemption, or exclusion has the burden to prove the applicability of the claim.

44. Pursuant to Section 35-1-501 of the Act, 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.

45. Pursuant to Section 35-1-602(a)(1) of the Act, the Securities Commissioner may conduct public or private investigations within or outside South Carolina which the Securities Commissioner considers necessary or appropriate to determine whether a person has violated, is violating, or is about to violate the Act or a rule adopted or order issued under the Act, or to aid in the enforcement of the Act or in the adoption of rules and forms under the Act.

46. Regarding administrative remedies under the Act:

- a. Pursuant to Section 35-1-604(a)(1) of the Act, 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.
- b. Pursuant to Section 35-1-604(b) of the Act, a cease and desist order issued under Section 35-1-604(a)(1) of the Act, must include a statement of any civil penalty or costs of investigation the Securities Commissioner will seek, a statement of the reasons for the order, and notice about a hearing.
- c. Pursuant to Section 35-1-604(d) of the Act, in a final order, the Securities Commissioner may impose a civil penalty in an amount not to exceed ten thousand dollars (\$10,000) for each violation.
- d. Pursuant to Section 35-1-604(e) of the Act, in a final order, the Securities Commissioner may charge the actual cost of an investigation or proceeding for a violation of the Act or a rule adopted or order issued under the Act.

47. Pursuant to Section 35-1-701(a) of the Act, the predecessor Chapter, the South Carolina Uniform Securities Act (the “Prior Act”), S.C. Code Ann. § 35-1-10 to 35-1-1590 (Supp. 2004), governs actions or proceedings that are initiated based on conduct occurring before January 1, 2006, while the Act governs actions or proceedings that are initiated based on conduct occurring on or after January 1, 2006.

48. Pursuant to Section 35-1-410 of the Prior Act, it is unlawful for any person to transact business in this State as a broker-dealer or agent unless he is registered under the Prior Act or is exempt from licensing under the Prior Act.

49. Pursuant to Section 35-1-810 of the Prior Act, it is unlawful for any person to offer or sell any security in this State unless: (a) it is registered under the Prior Act, (b) the security or transaction is exempted under Section 35-1-310 or 35-1-320 of the Prior Act, or (c) it is a federal covered security.

50. Pursuant to Section 35-1-340 of the Prior Act, in any proceeding under the Prior Act, the burden of proving an exemption or an exception from a definition is upon the person claiming it.

51. Pursuant to Section 35-1-1210 of the Prior Act, it is unlawful for any person, in connection with the offer, sale, or purchase of any security, directly or indirectly, to:

- a. Employ any device, scheme, or artifice to defraud;
- b. Make any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they are made, not misleading; or
- c. Engage in any act, practice, or course of business, which operates or would operate as a fraud or deceit upon any person.

DIVISION'S DETERMINATION

WHEREAS, based on the application of the law to the facts, the Division has determined that Respondents Gillespie, Carls, Carls Financial Group and Bridgewater have engaged, are engaging, or are about to engage in an act, practice, or course of business constituting a violation of the Act or the Prior Act or a rule adopted or order issued under the Act or the Prior Act as follows:

- a. During the time period on or about January 1, 2000, to November 30, 2006, Respondents Carls and Carls Financial Group offered and sold investment opportunities in and from the State of South Carolina.
- b. During the time period on or about May 1, 2000, to November 30, 2006, Respondents Gillespie, Carls, and Bridgewater offered and sold investment opportunities in and from the State of South Carolina
- c. The investment opportunities constituted "securities" both pursuant to the Act and the Prior Act.
- d. The securities offered and sold by Respondents were not registered for sale in or from the State of South Carolina.
- e. Respondents are not now and during the time of the offers and sales described above were not licensed to sell securities in or from the State of South Carolina.
- f. No exemption from securities or agent registration has been filed or claimed by Respondents or anyone acting on Respondents' behalf.
- g. Respondents Gillespie and Carls violated Section 35-1-402 of the Act and Section 35-1-410 of the Prior Act when they offered and sold securities in and from this State without agent registration.

- h. Respondents Bridgewater and Carls Financial Group violated Section 35-1-402(d) of the Act and Section 35-1-410 of the Prior Act when they employed agents to offer and sell securities and allowed them to do so in and from this State without agent registration.
- i. Respondents violated Section 35-1-301 of the Act and Section 35-1-810 of the Prior Act when they offered and sold unregistered securities in and from this State.
- j. Respondents violated Section 35-1-501 of the Act and Section 35-1-1210 of the Prior Act and engaged in securities fraud when they used investor funds in a manner inconsistent with Respondents' representations to the investors, and misstated and omitted material facts when making representations to investors and potential investors. Respondents' fraudulent conduct in this respect includes, but is not limited too, the following: (i) failing to inform investors money from the sale of notes would not be used to run a factoring business, (ii) failing to tell investors some of the money invested was used to fund personal expenses of Respondent Gillespie; and (iii) failing to tell investors the returns Respondents represented were not capable of being achieved based on the way the funds investors provided were utilized.

CEASE AND DESIST ORDER

NOW THEREFORE, pursuant to Section 35-1-604(a)(1) of the Act, IT IS HEREBY **ORDERED** that each Respondent:

- a. Cease and desist from offering and/or selling securities, in violation of Sections 35-1-301 and 35-1-401 of the Act;

- b. Cease and desist from committing securities fraud, in violation of Section 35-1-501 of the Act; and
- c. Pay a civil penalty in the amount of fifty thousand dollars (\$50,000.00) if this Order becomes effective by operation of law, or, if any Respondent seeks a hearing and a hearing officer or any other legal authority resolves this matter, pay a civil penalty in an amount not to exceed five thousand dollars (\$5,000.00) for each violation of the Prior Act and ten thousand dollars (\$10,000.00) for each violation of the Act by each Respondent, and the actual cost of the investigation or proceeding.

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

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 of notification of the issuance of this Order to Cease and Desist a written Answer specifically requesting a hearing therein.

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.

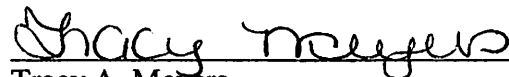
Failure by a Respondent to file a written request for a hearing in this matter within the thirty-day (30) period stated above shall be deemed a waiver by that Respondent of his right to such a hearing. Failure of a Respondent to file an Answer, including a request for a hearing,

shall result in this Order, including the stated civil penalty, becoming final as to that Respondent by operation of law.

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. REGARDING MATTERS DESCRIBED HEREIN, THIS ORDER DOES NOT PRECLUDE THE FILING OF PRIVATE CAUSES OF ACTION OR THE FILING OF CRIMINAL CHARGES UNDER S.C. CODE ANN. § 35-1-508 OF THE ACT OR S.C. CODE ANN. § 35-1-1590 OF THE PRIOR ACT.

IT IS ORDERED.

This 4th day of December, 2009.


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