STATE OF WASHINGTON DEPARTMENT OF FINANCIAL INSTITUTIONS SECURITIES DIVISION

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IN THE MATTER OF determining

Securities Act of Washington by:

Whether there has been a violation of the

INVESTMENT AND ESTATE STRATEGIES, LLC, and

ERNEST MARION DILL, JR.,

Respondents.

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STATEMENT OF CHARGES AND NOTICE OF INTENTION TO ENTER ORDER SUSPENDING REGISTRATION

Case No. 98-04-112

SUSPENDING REC

THE STATE OF WASHINGTON TO: INVESTMENT AND ESTATE STRATEGIES, LLC

114 W. MAGNOLIA ST. SE, #406 BELLINGHAM, WA 98225

and

ERNEST MARION DILL, JR. 3127 BAY ROAD FERNDALE, WA 98248

STATEMENT OF CHARGES

Please take notice that the Securities Administrator of the State of Washington has reason to believe that Respondents, Investment and Estate Strategies, LLC., and Ernest Marion Dill, Jr., have violated the Securities Act of Washington and that those violations justify the entry of an order of the Securities Administrator under RCW 21.20.110 suspending Respondents' investment adviser and investment adviser representative registration. The Securities Administrator finds as follows:

TENTATIVE FINDINGS OF FACT

RESPONDENT

1. Investment and Estate Strategies, LLC ("IES") is registered with the State of Washington as an investment adviser and has been so registered since June 1995. IES is located at 114 W. Magnolia St. SE #406, Bellingham, Washington 98225.

STATEMENT OF CHARGES AND NOTICE OF 1 INTENTION TO ENTER ORDER SUSPENDING REGISTRATION DEPARTMENT OF FINANCIAL INSTITUTIONS Securities Division PO Box 9033 Olympia, WA 98507-9033 360-902-8760 2. Ernest Marion Dill, Jr. ("Dill") is the principal of IES and has been so since June 1995. Dill is also registered with the State of Washington as an investment adviser representative, and has been so registered since June 1995.

NATURE OF DILL'S CONDUCT

Dill Engaged in Unauthorized Trading

- 4. Dill sold several mutual funds, in the account of at least one customer, without the prior permission of the customer. The unauthorized sales are described in paragraphs 5 through 9, below.
- 5. On or about September 30, 1998, Dill sold 265.607 units of Babson Value Fund, Inc. ("BVALX"), having a net asset value ("NAV") of \$42.13, for \$11,190.02, without obtaining the prior approval of the customer. When BVALX was priced on November 25, 1998 it's NAV had risen to \$48.40, resulting in a constructive loss of \$1,665.36 to the customer.
- 6. On or about September 30, 1998, Dill sold 325.329 units of Dreyfus Appreciation Fund D. ("DGAGX"), having a net asset value ("NAV") of \$35.15, for \$11,435.31, without obtaining the prior approval of the customer. When DGAGX was priced on November 25, 1998 it's NAV had risen to \$41.27, resulting in a constructive loss of \$1991.02 to the customer.
- 7. On or about September 30, 1998, Dill sold 474.838 units of Oakmark Fund ("OAKMX"), having a net asset value ("NAV") of \$33.54, for \$15926.06, without obtaining the prior approval of the customer. When OAKMX was priced on November 25, 1998 it's NAV had risen to \$37.58, resulting in a constructive loss of \$1,918.35 to the customer.
- 8. On or about September 30, 1998, Dill sold 424.642 units of Selected American Shares ("SLASX"), having a net asset value ("NAV") of \$25.62, for \$10,879.33, without obtaining the prior approval of the customer. When SLASX was priced on November 25, 1998 it's NAV had risen to \$30.54, resulting in a constructive loss of \$2,089.24 to the customer.
- 9. On or about October 2, 1998, Dill sold 1098.653 units of Mutual Beacon Fund ("BEGRX"), having a net asset value ("NAV") of \$12.32, for \$13,595.40, without obtaining the prior approval of the customer. When BVALX

STATEMENT OF CHARGES AND NOTICE OF 2 INTENTION TO ENTER ORDER SUSPENDING REGISTRATION DEPARTMENT OF FINANCIAL INSTITUTIONS Securities Division PO Box 9033 Olympia, WA 98507-9033 360-902-8760

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was priced on November 25, 1998 it's NAV had risen to \$14.20, resulting in a constructive loss of \$2065.47 to the customer.

10. Dill did not contact the customer prior to selling the five mutual funds in her account.

Dill Failed to Execute Written Discretionary Agreements

- 11. The customer had not signed an agreement giving Dill discretionary authority over her account. Dill's practice over the years had been to make trades in the customer's account without prior authorization. Dill failed to obtain written discretionary agreement that would have allowed him to trade without consulting the customer first.
- 12. On or about April 23, 1999 Dill sent a letter to the customer in response to a complaint the customer had sent to the Securities and Exchange Commission, regarding the unauthorized trades. In that letter Dill wrote "I have always managed your securities with discretion as to timing . . . I have always selected the securities and executed your investments on the basis of the soundest judgment I could exercise."

Based upon the above Tentative Findings of Fact, the following Conclusions of Law are made:

CONCLUSIONS OF LAW

- 13. Dill, as described above, engaged in dishonest and unethical practices in the securities business, as defined by WAC 460-24A-220(4), by executing transactions on behalf of customers without authorization to do so. Such practice is grounds for the suspension or revocation of Respondents' investment adviser and investment adviser representative registration pursuant to RCW 21.20.110(1)(g).
- 14. Dill, as described above, engaged in dishonest and unethical practices in the securities business, as defined by WAC 460-24A-220(2), by exercising discretionary power in effecting transactions for customers accounts without first obtaining written discretionary authority form his customer. Such practice is grounds for the suspension or revocation of Respondents' investment adviser and investment adviser representative registration pursuant to RCW 21.20.110(1)(g).

STATEMENT OF CHARGES AND NOTICE OF 3 INTENTION TO ENTER ORDER SUSPENDING REGISTRATION DEPARTMENT OF FINANCIAL INSTITUTIONS Securities Division PO Box 9033 Olympia, WA 98507-9033 360-902-8760

NOTICE OF INTENTION TO ORDER SUSPENSION OF REGISTRATION

Based upon the above Tentative Findings of Fact and Conclusions of Law, the Securities Administrator intends to order that the registration of Investment and Estate Strategies, LLC as an investment adviser and Ernest Marion Dill, Jr., as an investment adviser representative in the State of Washington be suspended for 90 days.

AUTHORITY AND PROCEDURE

This STATEMENT OF CHARGES AND NOTICE OF INTENTION TO ENTER ORDER SUSPENDING REGISTRATION is entered pursuant to the provisions of RCW 21.20.110, and is subject to the provisions of ch. 34.05 RCW. The respondent, Ernest Marion Dill, Jr., may make a written request for a hearing as set forth in the NOTICE OF OPPORTUNITY TO DEFEND AND OPPORTUNITY FOR HEARING accompanying this order. If Respondent does not request a hearing, the Securities Administrator intend to adopt the above Tentative Findings of Fact and Conclusions of Law as final and will make the Notice of Intent to Order Denial of Future Registration permanent as to the Respondent.

DATED this _____ day of August 1999.

DEBORAH R. BORTNER Securities Administrator

Presented by:

Kristina L. Kneip Securities Examiner

Approved by:

Michael E. Stevenson Chief of Compliance

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INTENTION TO ENTER ORDER SUSPENDING

INTENTION TO ENTER ORDER SUSPENDING REGISTRATION

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