

STATE OF WASHINGTON
DEPARTMENT OF FINANCIAL INSTITUTIONS
SECURITIES DIVISION

IN THE MATTER OF DETERMINING
whether there has been a violation
of the Securities Act of Washington by:

INVESTMENT & ESTATE STRATEGIES, LLC,

Respondent.

Order No. S-06-160-07-FO01

ENTRY OF FINDINGS OF FACT AND
CONCLUSIONS OF LAW AND FINAL
ORDER TO CEASE AND DESIST
AND BARRING FUTURE SECURITIES
REGISTRATIONS

INTRODUCTION

On January 2, 2007, the Securities Administrator of the State of Washington issued Statement of Charges, Order Number S-06-160-06-SC01, against Respondent Investment & Estate Strategies, LLC (“IES”). The Statement of Charges, together with a Notice of Opportunity to Defend and Opportunity for Hearing (“Notice of Opportunity for Hearing”) and an Application for Adjudicative Hearing (“Application for Hearing”), were personally served on Respondent IES on January 6, 2007. The Notice for Opportunity for Hearing advised IES that it had twenty days from the date of receipt of the Statement of Charges to request an adjudicative hearing. Respondent IES failed to request an administrative hearing within twenty days of receipt of the Statement of Charges, either on the Application for Hearing provided or otherwise.

Based on its failure to respond, the Securities Administrator hereby makes the following findings of fact and conclusions of law and enters this Final Order pursuant to RCW 34.05.440.

FINDINGS OF FACT

I. Respondent

1. Investment & Estate Strategies, LLC, IARD No. 115789, was a state-registered investment adviser managed by Ernest Marion Dill (“Dill”). The firm was organized October 10, 1994 as a Washington for-profit limited liability company. IES was first registered with the Division as an investment adviser in June

1 1995. In 2003, IES failed to renew its business license, and on October 31, 2003, IES was dissolved. The
2 investment adviser registration was terminated December 31, 2006, for failure to renew.

3 4 *II. Nature of the Conduct*

5 2. In 1997 Mrs. A, an Oregon resident and trustee of a \$6,000,000 estate, entered into an agreement
6 with Respondent IES. The "Investment Advisory Service Client Agreement" ("the Agreement") provided
7 that IES and Dill would manage the estate assets, dispense investment advice, and furnish financial, tax,
8 and estate planning services. In consideration, Mrs. A agreed to pay an advisory fee of .75% based on the
9 assets under management, calculated and billed quarterly in arrears.

10 3. In Section II, "Fees to Advisor," the Agreement provided that if Mrs. A requested termination of
11 services, she would receive "a refund for the pro-rated fees not yet earned at that time." In Section V,
12 "Termination," the Agreement provided that either party could cancel the Agreement "at any time or for
13 any reason upon five days written notice to the other party." The provision further provided that in the
14 event the Agreement was cancelled, "any fees paid to Advisor will be refunded on a pro-rated basis."

15 4. Mrs. A, was subsequently advised by associates of Dill that for tax planning purposes it would be
16 beneficial for the estate to pre-pay the investment advisory fees. Though the Agreement did not provide for
17 pre-payment of advisory fees, Respondent IES and Dill agreed to accept pre-paid fees subject to the
18 termination and refund provisions of the Agreement. On May 1, 2000, Dill sent Mrs. A an e-mail requesting
19 a check, made out to IES, for \$82,500 in pre-paid advisory fees. The advisory fees were to provide for nine
20 quarters of asset management, investment advice, and financial, tax, and estate planning services. The
21 nine-quarter period was to start June 1, 2000 and end September 30, 2002.

22 5. On June 7, 2000, Mrs. A sent Respondent IES a check for \$82,500 in pre-paid advisory fees. The
23 check was written to and deposited in IES's bank account.

1 6. In June 2001, Mrs. A discovered that the tax and estate planning services provided by Dill's
2 associates had been faulty. On August 22, 2001, pursuant to the terms of the Agreement, Mrs. A
3 terminated the Agreement and requested the pro-rated refund of her pre-paid advisory fees. Contrary to
4 their representations and the terms of the Agreement, Respondent IES and Dill failed to refund the
5 unearned portion of the pre-paid advisory fees. The failure to make a pro-rated refund resulted in Mrs. A.
6 being charged an unreasonable investment advisory fee.

7 **III. Public Interest**

8 7. The Securities Administrator finds that the conduct described above presents a threat to the
9 investing public, and that it is in the public interest to enjoin future violations of the Securities Act and to
10 deny future securities registrations for Respondent IES.

11
12 Based on the foregoing Findings of Fact, the following Conclusions of Law are made:

13 **CONCLUSIONS OF LAW**

14 Respondent Investment & Estate Strategies, LLC has willfully violated RCW 21.20.020, the
15 investment adviser anti-fraud provision of the Securities Act, by failing to make a pro-rated refund of the
16 pre-paid advisory fee, thereby charging Mrs. A an unreasonable advisory fee. RCW 21.20.020(1)(c)
17 provides that it is unlawful for an investment advisor to engage in any dishonest or unethical practice as
18 the director may define by rule. WAC 460-24A-220(10) defines charging an unreasonable advisory fee as
19 a dishonest and unethical practice. Pursuant to RCW 21.20.110(1)(g), the violation provides grounds to
20 deny Respondent's future securities registrations.

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1 **FINAL ORDER**

2 Based on the foregoing, IT IS HEREBY ORDERED, pursuant to RCW 21.20.390, that Respondent
3 Investment & Estate Strategies, LLC, shall cease and desist from violating RCW 21.20.020, the
4 investment adviser anti-fraud provision of the Securities Act.

5 It is further ORDERED, pursuant to RCW 21.20.110(1), that any future investment adviser, broker-
6 dealer, investment adviser representative, or securities salesperson application submitted by Respondent
7 Investment & Estate Strategies, LLC shall be denied for a term of five (5) years from the date of entry of this
8 Final Order.

9 **AUTHORITY AND PROCEDURE**

10 This Final Order is entered pursuant to the provisions of RCW 21.20.110 and RCW 21.20.390, and is
11 subject to the provisions of RCW 21.20.120 and Chapter 34.05 RCW. Respondent has the right to petition
12 the superior court for judicial review of this agency action under the provisions of chapter 34.05 RCW. For
13 the requirements for filing a Petition for Judicial Review, see RCW 34.05.510 and sections following.
14

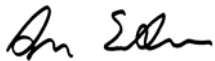
15 DATED and ENTERED this 26th day of February 2007.

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MICHAEL E. STEVENSON
18 Securities Administrator

19 Approved for entry by:

Presented by:

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21 _____
SUZANNE E. SARASON
22 Program Manager
Compliance & Examinations Unit

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ANTHONY W. CARTER
25 Enforcement Attorney
Compliance & Examinations Unit