

ADMINISTRATIVE PROCEEDING

BEFORE THE

SECURITIES COMMISSIONER OF SOUTH CAROLINA

IN THE MATTER OF:)	
)	
Martin Hunter)	Case No. 07018
)	
and)	
)	
National Institute for Inventors,)	Order to Cease and Desist
)	
Respondents.)	

WHEREAS, the Securities Division of the Office of the Attorney General of the State of South Carolina (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. 2005), on May 15, 2007, received information regarding alleged activities of Martin Hunter ("Hunter") and the National Institute for Inventors (the "National Institute") which could constitute violations of the Act;

WHEREAS, the information led the Division to open and conduct an investigation of Respondents pursuant to S.C. Code Ann. § 35-1-602, and this investigation is ongoing;

NOW THEREFORE, in connection with the investigation, the Division 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 a statement of the reasons for the Order, a statement of the civil penalty sought as a result, and a notice that a hearing will be scheduled if either Respondent requests a hearing.

FACTUAL HISTORY

1. Respondent Hunter is a South Carolina resident who lives at 302 Goddard Avenue, Seneca, South Carolina 29672.
2. Respondent National Institute is an entity operating and doing business in Seneca, South Carolina.
3. Respondent Hunter is the Director of Respondent National Institute.
4. On or about April 22, 2007:
 - a. Respondents solicited a South Carolina resident to invest in "loan units," the proceeds of which Respondents represented they would invest in a foreign exchange market ("Forex"), which was to provide "[d]aily increases of from 3.1% to 3.5% in Forex trading and compounding with the original principal daily."
 - b. Respondents solicited a South Carolina resident to invest in loan units in a fund, which would have required the resident to pay a \$100.00 fee to join Respondents' "private financial club." Once the resident joined Respondents' "private financial club," he would have the opportunity to invest in "loan units." Respondents indicated they would charge \$200.00 for each \$175.00 loan unit they "line[d] up and handle[d]" for the resident. Respondents represented that at the end of eight (8) months, the Respondents would receive back the investment and returns, the Respondents would deduct 25% for themselves, and the resident would receive the remainder, which Respondents represented in writing, "should be large."
 - c. In one document, Respondents solicited a South Carolina resident to join a "Super Commission Plan." In connection with this solicitation, Respondents represented that the resident need only pay a \$100.00 fee if he joined by the end of July 2007. After payment of the \$100.00 fee, the resident would be eligible to purchase

investment loan units from Respondents. Respondents promised to freeze the cost of getting the investment loan units to “\$175.00 per unit and \$25.00 expense fee per loan unit,” through the end of July 2007. In addition, Respondents promised to pay to the resident a “referral fee of \$10.00 per \$25.00 expense fee [they] receive[d] per \$175.00 loan unit placed with [them] by any club members” recruited by the resident.

5. In offering materials Respondent Hunter, on behalf of himself and Respondent National Institute, makes false or misleading claims, including:
 - a. “I have a key inside financial connection. He is handling a \$500 million investment for a multi-billionaire you are very familiar with . . . Through him I also have access to a top Forex trader who in 20 years has made profits for all customers he ever had!”
 - b. “A man who took \$1000 and built it into one million dollars in 12 months off of Forex trading shared with me his secret system.”
6. Respondents also claim the Forex fund in which they are soliciting investments has averaged from 3.1% to 4.0% daily increases each day during the period of their trades.
7. On or about May 15, 2007, the Division sent a letter, via certified mail, to Hunter, individually and as agent of the National Institute, requesting Hunter provide a sworn statement outlining the details of Respondents’ investment business, offers of investment advice, and offers or sales of securities during the period since January 1, 2006.
8. Hunter was also asked to provide information regarding any exemption he or National Institute may be claiming.
9. Hunter was given until May 31, 2007 to provide the requested sworn statement to the Division.

10. Hunter did not provide the sworn statement or any of the requested information to the Division by May 31, 2007, nor has any of the information been provided to date.

APPLICABLE LAW

11. Pursuant to S.C. Code Ann. § 35-1-703, the Act took effect on January 1, 2006.

12. The “investment units” offered by Respondents involve investments of money, in a common enterprise, with the expectation of profits, to be derived from the efforts of others.

13. The “investment units,” as offered, constitute “investment contracts” under South Carolina law.

14. Pursuant to S.C. Code Ann. § 35-1-102(29), investment contracts are considered “securities” in this State.

15. 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 (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.

16. Pursuant to S.C. Code Ann. § 35-1-401(a), it is unlawful for a person to transact business in this State as a broker-dealer unless the person is registered under the Act or exempt from registration as a broker-dealer under the Act.

17. Pursuant to S.C. Code Ann. § 35-1-402(a), it is unlawful for an individual to transact business in this State as an agent unless the individual is registered under the Act as an agent or is exempt from registration as an agent under the Act.

18. Pursuant to S.C. Code Ann. § 35-1-503(a), 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.

19. 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: (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.
20. Pursuant to S.C. Code Ann. § 35-1-602(a)(1), 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.
21. Regarding administrative remedies under the Act:
 - a. 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, 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 S.C. Code Ann. § 35-1-604(b), a cease and desist order issued under S.C. Code Ann. § 35-1-604(a)(1) 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 S.C. Code Ann. § 35-1-604(d), 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 S.C. Code Ann. § 35-1-604(e), 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.

DIVISION'S DETERMINATION

22. WHEREAS, based on the foregoing, the Division has determined that Hunter and National Institute have engaged, are engaging, and/or are 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 as follows:

- a. On or around April 22, 2007, while in the State of South Carolina, Respondents offered securities to a South Carolina resident.
- b. The securities offered by Respondents are not now and during the time period of their offering in and from the State of South Carolina were not registered for sale in or from the State of South Carolina.
- c. Respondents are not now and during the time of the offering described above were not registered to offer or sell securities in or from the State of South Carolina.
- d. The Respondents have not asserted to the Division any claim of exemption from registration, either on their own behalf or on behalf of the security.
- e. Respondents violated S.C. Code Ann. § 35-1-501 and engaged in securities fraud when they (1) made misrepresentations of one or more material facts, and (2) omitted to state one or more material facts concerning themselves, their prior

investment experience and returns, and the security itself, in connection with the offer of the security to a South Carolina resident.

CEASE AND DESIST ORDER

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

- a. Cease and desist from offering and/or selling securities in South Carolina, in violation of S.C. Code Ann. §§ 35-1-301, 35-1-401, 35-1-402, and 35-1-501; and
- b. Pay a civil penalty in the amount of five thousand dollars (\$5,000.00) if this Order becomes effective by operation of law, or, if either 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 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**

24. 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.

25. 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.

26. 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 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.

27. 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 UNDER S.C. CODE ANN. § 35-1-508. 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.

IT IS SO ORDERED.

This 10th day of August, 2007

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