

**ADMINISTRATIVE PROCEEDING**

**BEFORE THE**

**SOUTH CAROLINA SECURITIES COMMISSIONER**

<b>IN THE MATTER OF:</b>	)	<b>ADMINISTRATIVE PROCEEDING</b>
	)	
<b>Edward H. Johnson,</b>	)	<b>CEASE AND DESIST ORDER,</b>
	)	<b>PERMANENT BAR FROM REGISTRATION</b>
	)	<b>AND ADMINISTRATIVE FINE</b>
	)	
	)	
<b>Respondent.</b>	)	<b>File Number 05030</b>
_____)		

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, S.C. Code Ann. § 35-1-10 *et. seq.* (Supp. 2004) (the "Act"), initiated an investigation into the securities-related activities of Edward H. Johnson ("Johnson" or "Respondent"); and

WHEREAS, in connection with its Motion for a Cease and Desist Order, Permanent Bar from Registration, and Administrative Fine (the "Motion"), the Division has established that:

1. In an Administrative Complaint (the "Complaint") issued by the Division on December 14, 2006, Respondent was notified of and given a chance to respond to the Division's allegations that he had violated the Act and should be barred from the securities industry and fined for such violations;
2. Respondent was properly served with a copy of the Complaint;

3. Respondent has now had the Complaint for over thirty days and has not responded or objected to any of the allegations or to the issuance of the cease and desist order, permanent bar or administrative fine sought in the Complaint; and

4. Respondent has not requested a hearing in this matter and the time to do so has expired; and

WHEREAS, I make the following Findings of Fact and Conclusions of Law based on the uncontroverted facts presented by the Division and the Act:

#### **FINDINGS OF FACT**

1. Johnson was at all times material herein engaged in selling and offering for sale investments to South Carolina residents.

2. Johnson entered the securities industry in January, 1987, as an employee of Kavanaugh Securities, Inc.

3. Johnson first became registered to offer or sell securities in the State of South Carolina on January 22, 1987, and he continued to be registered with the Division as an agent of various firms until October 29, 2004.

4. During the period January 30, 2002, until March 10, 2003, Johnson was a Registered Representative of Packerland Brokerage Services, Inc. ("Packerland").

5. From on or around April 8, 2002, until on or around December 9, 2002, Johnson participated in the sale of high-interest, unregistered bonds issued by DBSI Guaranteed Capital Corporation. Johnson, who received a financial benefit from the sale of the bonds, did not give written notice to Packerland of his participation in the sales, nor did he receive written approval from Packerland to participate in their sale.

6. On or around June 3, 2002, Johnson sold to Mr. Leon Johnson, a South Carolina resident, a \$10,000 securitized bond of DBSI Guaranteed Capital Corporation. At the time of

the sale, Johnson represented to the investor that he was a Registered Representative of Life of South Carolina Securities Company.

7. On or around August 6, 2002, Johnson sold to Ms. Betty Sue Gandy, a South Carolina resident, a \$10,000 securitized bond of DBSI Guaranteed Capital Corporation. At the time of the sale, Johnson represented to the investor that he was a Registered Representative of Life of South Carolina Securities Company.

8. On or around August 29, 2002, Johnson sold to Ms. Mary S. McDaniel and Mr. G. Scott McDaniel, two South Carolina residents, a \$10,000 securitized bond of DBSI Guaranteed Capital Corporation. At the time of the sale, Johnson represented to the investors that he was a Registered Representative of Life of South Carolina Securities Company.

9. The Life of South Carolina Securities Company is not currently and during the time period of the transactions complained of herein, was not ever registered pursuant to the Act as a broker-dealer in the State of South Carolina.

10. Respondent is not currently and during the time period of the transactions complained of herein, was not ever registered or licensed to act as a broker dealer-agent of Life of South Carolina Securities Company.

11. When Respondent represented to investors that he was a Registered Representative of Life of South Carolina Securities Company, he violated Section 35-1-1210 of the Act and committed fraud upon the investors.

12. The issuance of a cease and desist order, permanent bar, and administrative fine to Respondent is in the public interest, for the protection of investors.

### **CONCLUSIONS OF LAW**

1. Respondent violated Section 35-1-1210 of the Act, which prohibits sellers of securities from making untrue statements of material fact or omitting to state a material

fact in connection with the offer, sale or purchase of any security when, in connection with the sale of the DBSI bonds above, the Respondent falsely represented to investors Leon Johnson, Betty Sue Gandy, Mary S. McDaniel and G. Scott McDaniel that he was a Registered Representative of Life of South Carolina Securities Company, when he was not.

NOW, THEREFORE, PURSUANT TO SECTIONS 35-1-60 AND 35-1-1475 OF THE ACT, IT IS HEREBY **ORDERED** that:

1. Respondent shall immediately cease and desist from violating the Act;
2. Respondent is permanently barred from conducting securities business in the State of South Carolina; and
3. Respondent shall pay an administrative fine of fifteen thousand and no/100 (\$15,000.00) dollars for the following violations:

- a. Five thousand and no/100 (\$5,000.00) dollars for violating Section 35-1-1210 of the Act by making the material misrepresentations or omissions detailed in paragraph 6 to Mr. Leon Johnson in connection with the offer and sale of a DBSI bond in South Carolina;
- b. Five thousand and no/100 (\$5,000.00) dollars for violating Section 35-1-1210 of the Act by making the material misrepresentations or omissions detailed in paragraph 7 to Ms. Betty Sue Gandy in connection with the offer and sale of a DBSI bond in South Carolina; and
- c. Five thousand and no/100 (\$5,000.00) dollars for violating Section 35-1-1210 of the Act by making the material misrepresentations or omissions detailed in paragraph 8 to Ms. Mary S. McDaniel and Mr. G. Scott McDaniel in connection with the offer and sale of a DBSI bond in South Carolina.

CONTINUING TO ENGAGE IN ACTS DETAILED BY THIS ORDER AND/OR SIMILAR ACTS WHICH VIOLATE THIS ORDER MAY BE GROUNDS FOR CRIMINAL PROSECUTION.

IT IS SO ORDERED.

A handwritten signature in black ink, appearing to read "Henry D. McMaster", written over a horizontal line.

Henry D. McMaster  
Securities Commissioner

March 27, 2007