

**ADMINISTRATIVE PROCEEDING  
BEFORE THE  
SECURITIES COMMISSIONER OF SOUTH CAROLINA**

**IN THE MATTER OF:**

**Morgan Gold, LLC, and  
David Allen,**

**Respondents.**

**ORDER TO CEASE AND DESIST  
File No. 14031**

**WHEREAS**, the Securities Division of the Office of the Attorney General of the State of South Carolina (the “Division”) has been authorized and directed by the Securities Commissioner of South Carolina (the “Securities Commissioner”) to administer the provisions of S.C. Code Ann. § 35-1-101, *et seq.*, the South Carolina Uniform Securities Act of 2005 (the “Act”); and

**WHEREAS**, the Division received information regarding alleged securities-related activities of Morgan Gold, LLC (“Morgan Gold”) and David Allen (“Allen”) (collectively, the “Respondents”); and

**WHEREAS**, based on the information received, the Division decided it was necessary and appropriate to open an investigation pursuant to S.C. Code Ann. § 35-1-602 to determine whether the Respondents had violated, were violating, or were about to violate the Act; and

**WHEREAS**, in connection with the investigation, the Division has determined that evidence exists to support the following findings of fact and conclusions of law:

**I. JURISDICTION**

1. The Securities Commissioner has jurisdiction over this matter pursuant to S.C. Code Ann. § 35-1-601(a).

## **II. RESPONDENTS**

2. Morgan Gold is a California limited liability company with a last known address of 19900 MacArthur Blvd., #150, Irvine, California 92612.

3. David Allen is a California resident and former vice president of Morgan Gold with a last known address of 19900 MacArthur Blvd., #150, Irvine, California 92612.

## **III. FINDINGS OF FACT**

4. In or about November, 2012, a South Carolina resident (the “Investor”) heard a radio advertisement for Respondent Morgan Gold, an entity which offered potential investors the opportunity to invest in precious metals.

5. After hearing the radio advertisement, the Investor contacted Respondent Morgan Gold and spoke with Respondent Allen.

6. The Investor informed Respondent Allen that he was interested in investing and sought Respondent Allen’s advice on the basics of investing in precious metals, including what to buy, when to buy, and when to sell.

7. Respondent Allen advised the Investor to invest in a mix of gold and silver proof coins.<sup>1</sup> Additionally, Respondent Allen alleged that the Investor’s account with Respondent Morgan Gold would be insured by “Lloyds of London.”

8. Following Respondent Allen’s advice, on or about December 26, 2012, the Investor wired \$50,000 to Respondent Morgan Gold to be invested in gold and silver proof

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<sup>1</sup> The term “proof” refers to “a grade assigned to certain coins produced by the United States Mint and is distinguished by its frosted foreground and mirror-like background.” Coin Term Glossary, The United State Mint Coins and Metals Program, <http://www.usmint.gov/collectorsClub/index.cfm?action=glossary> (last visited Sept. 19, 2014).

coins, of which \$49,681.09 was directed to the purchase of gold (the “Gold Coins”) and silver coins (the “Silver Coins”) (collectively, the “Coins”).

9. Neither Respondent Allen nor the Coins were registered with the United States Securities and Exchange Commission, the Division, or exempt from registration.

10. Respondent Morgan Gold charged the Investor \$2,689.19 each for eleven (11) Gold Coins and \$100.00 each for 201 Silver Coins.

11. Historical data reflect that at the time of the sale of the Coins, the Silver Coins were available directly from the United States Mint for \$59.95 and the Gold Coins were similarly available for between \$1,935.00 and \$1,985.00 each.

12. Respondent Morgan Gold charged the Investor a markup of at least \$704.19 for each of the Gold Coins, or at least 35%, and \$40.05 for each of the Silver Coins, or 66%.

13. Rather than shipping the Coins to the Investor, Respondent Morgan Gold allegedly placed the Coins in a depository in Delaware. This was consistent with Respondent Morgan Gold’s alleged business model, which involved the purchase and storage of precious metals for clients, as well as advice on and assistance in the sale thereof.

14. Subsequent to his investment in the Coins, the Investor inquired of Respondent Allen why the investment consisted of proof coins when ordinary gold and silver could have been purchased at a much lower price.

15. Respondent Allen attempted to justify the investment in the Coins, claiming that the Investor could benefit from an alleged “tax break” upon the sale of the Coins.

16. However, as the Investor subsequently learned, no such “tax break” exists.

17. In November, 2013, the Investor sold the Coins back to Respondent Morgan Gold at a substantial loss.

18. In connection with the offer and sale of the Coins to the Investor, the Respondents made numerous false and misleading statements and omissions, including, but not limited to the following:

- a. Falsely stating that the Investor would benefit from a “tax break” upon the sale of the Coins;
- b. Falsely stating that the Investor’s account with Respondent Morgan Gold was insured by “Lloyds of London”;
- c. Omitting to disclose that proof coins were a wholly unsuitable investment vehicle for the Investor; and
- d. Omitting to disclose the markup charged by Respondent Morgan Gold on the sale of the Coins to the Investor.

#### **IV. CONCLUSIONS OF LAW**

19. The South Carolina Uniform Securities Act of 2005, S.C. Code Ann. § 35-1-101, *et seq.*, governs the offer and sale of securities in this State.

20. Pursuant to S.C. Code Ann. § 35-1-102(29), investment contracts, *inter alia*, constitute securities.

21. 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 that security is registered, a federal covered security, or exempt from registration.

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

23. Pursuant to S.C. Code Ann. § 35-1-402 (d), 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 that issuer unless that agent is registered under S.C. Code Ann. § 35-1-402 (a).

24. Pursuant to S.C. Code Ann. § 35-1-501, it is unlawful for a person in connection with the offer or sale of a security in this State: (1) to employ a scheme, device, or artifice to defraud; (2) to make an untrue statement of material fact or to omit to state a material fact necessary in order to make the statements made, in light of the circumstances in 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.

25. 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.

26. Pursuant to S.C. Code Ann. § 35-1-604(b), an order issued under § 35-1-604(a) is effective on the date of issuance and must include a statement of any civil penalty or costs of investigation sought, a statement of the reasons for the order, and notice that, within fifteen (15)

days after the receipt of a request in a record from a Respondent, the matter will be scheduled for a hearing as to that Respondent.

27. The Coins as offered and sold by the Respondents constitute an investment contract and are therefore securities as defined by the Act.

28. The Coins offered and sold by the Respondents were neither federal covered securities, exempt from registration, nor registered with the Division and were therefore sold in violation of the Act.

29. Respondent Allen acted as an unregistered agent in violation of the Act.

30. Respondent Morgan Gold employed an unregistered agent in violation of the Act.

31. The Respondents sold securities in this State: (1) while employing a scheme, device, or artifice to defraud; (2) through the making of untrue statements of material fact or omitting to state a material fact necessary in order to make the statements made, in light of the circumstances in which they were made, not misleading; and (3) by engaging in an act, practice, or course of business that operated as a fraud or deceit upon another person.

32. It is in the public interest, for the protection of investors, and consistent with the purposes of the Act that the Respondents be ordered to cease and desist from engaging in the above enumerated practices which constitute violations of the Act and pay an appropriate civil penalty for their wrongdoing.

#### **V. CEASE AND DESIST ORDER**

**NOW THEREFORE**, pursuant to S.C. Code Ann. § 35-1-604(a)(1), it is hereby **ORDERED** that:

- a. The Respondents and every successor, affiliate, control person, agent, servant, and employee of each Respondent, and every entity owned, operated, or indirectly or directly controlled by or on behalf of any Respondent **CEASE AND DESIST** from transacting business in this State in violation of the Act, and, in particular, §§ 35-1-301, 35-1-402, and 35-1-501 thereof; and
- b. The Respondents shall jointly and severally pay a civil penalty in the amount of \$60,000.00 if this Order becomes effective by operation of law, or, if a Respondent seeks a hearing and any legal authority resolves this matter, pay a civil penalty in an amount not to exceed \$10,000.00 for each violation of the Act by that Respondent, and the actual cost of the investigation or proceeding.

**IT IS FURTHER ORDERED** that, pursuant to S.C. Code Ann. § 35-1-604(a)(2) and (3), any exemption from registration with the Division that the Respondents may claim to rely upon under S.C. Code Ann. §§ 35-1-201(3)(C), (7), or (8); 35-1-202; 35-1-401(b)(1)(D) or (F); or 35-1-403(b)(1)(C), has been and is **PERMANENTLY REVOKED**.

#### **VI. REQUIREMENT OF ANSWER AND NOTICE OF OPPORTUNITY FOR HEARING**

The 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 after the date of service of this Order to Cease and Desist, a written Answer specifically requesting a hearing. If a Respondent requests a hearing, the Division, within fifteen (15) days after receipt of a request in a record from a Respondent, will schedule the hearing for the requesting Respondent(s).

In the written Answer, a 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 the 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 and any assessed costs, becoming final as to that Respondent by operation of law.

This Order does not prevent the Division or any other law enforcement agency from seeking additional civil or criminal remedies that are available under the Act, including remedies related to the offers and sales of securities by the Respondents set forth above.

**ENTERED**, this the 10<sup>th</sup> day of October, 2014.

ALAN WILSON  
SECURITIES COMMISSIONER

By: Tracy A. Meyers  
TRACY A. MEYERS  
Deputy Securities Commissioner

**ISSUANCE REQUESTED BY:**



IAN P. WESCHLER  
Assistant Attorney General  
Securities Division  
Rembert C. Dennis Building  
1000 Assembly Street  
Columbia, South Carolina 29201

STATE OF SOUTH CAROLINA  
OFFICE OF THE ATTORNEY GENERAL  
SECURITIES DIVISION

CERTIFICATE OF SERVICE AND  
AFFIDAVIT OF COMPLIANCE  
File Number 14031

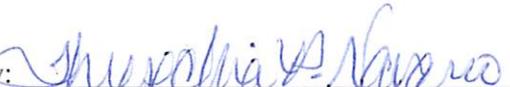
I hereby certify that I served upon the individual/entity listed below a copy of the document indicated below and dated October 16, 2014, by serving a copy of said document upon the Securities Commissioner of the State of South Carolina and by placing a copy of said document in the United States mail, certified mail, return receipt requested, first class postage prepaid and addressed to:

Morgan Gold, LLC  
19900 MacArthur Blvd., #150  
Irvine, CA 92612

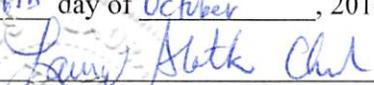
Document(s): Order to Cease and Desist

Mailed October 16, 2014 from Columbia, South Carolina.

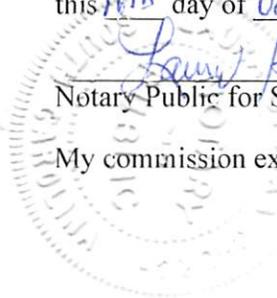
I further hereby certify, swear and affirm that, service of the above-listed entity is in compliance with Section 35-1-611, Code of Laws of South Carolina.

By:   
Thresechia P. Navarro  
South Carolina Attorney General's Office  
Securities Division  
Post Office Box 11549  
Columbia, SC 29211-1549  
(803) 734-4731

Subscribed and sworn to before me on  
this 16th day of October, 2014.

  
Notary Public for South Carolina

My commission expires: 3-10-18



STATE OF SOUTH CAROLINA  
OFFICE OF THE ATTORNEY GENERAL  
SECURITIES DIVISION

CERTIFICATE OF SERVICE AND  
AFFIDAVIT OF COMPLIANCE  
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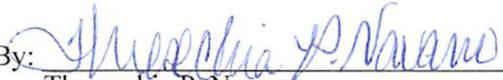
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Mr. David Allen  
Individually & as VP  
Morgan Gold, LLC  
19900 MacArthur Blvd., #150  
Irvine, CA 92612

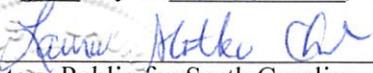
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By:   
Thresechia P. Navarro  
South Carolina Attorney General's Office  
Securities Division  
Post Office Box 11549  
Columbia, SC 29211-1549  
(803) 734-4731

Subscribed and sworn to before me on  
this 16<sup>th</sup> day of October, 2014.

  
Notary Public for South Carolina

My commission expires: 3-10-18

