

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

IN THE MATTER OF: )

First Merchant Network, and )  
Edward Morgan, )  
Respondents. )

**ORDER TO CEASE AND DESIST  
Matter No. 2018573**

WHEREAS, the Securities Commissioner of South Carolina (the “Securities Commissioner”) has authorized and directed the Securities Division of the Office of the Attorney General of the State of South Carolina (the “Securities Division”) 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 First Merchant Network (“FMN”) and Edward Morgan (“Morgan”) (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. RESPONDENT**

2. Respondent FMN claims to be Nevada-based entity with a last known address of 2831 St. Rose Pkwy, Suite 200, Henderson, Nevada 89052.

3. Respondent Morgan claims to be the “Personal Business Development Manager” of FMN with a last known address of 2831 St. Rose Pkwy, Suite 200, Henderson, Nevada 89052.

### **III. FINDINGS OF FACT**

4. FMN alleges that it engages in the business of providing loans to entities which cannot secure such loans from traditional lending sources.

5. FMN claims that it is able to provide these loans through money raised from individual investors (the "Investment Opportunity").

6. As part of the Investment Opportunity, FMN's investors are promised a return of their funds with interest.

7. Further, FMN promises "a full return" of each investment within 90 days.

8. While FMN refers to its investors as "Referral Agents," no action is required by these investors beyond their initial investment in the Investment Opportunity.

9. The Investment Opportunity is not registered with the Division or with the United States Securities and Exchange Commission.

10. In October of 2017, on behalf of Respondent FMN, Respondent Morgan contacted a South Carolina resident (the "South Carolina Victim").

11. Respondent Morgan solicited the South Carolina Victim to invest in the Investment Opportunity, and the South Carolina Victim did so in October of 2017.

12. However, the South Carolina Victim's investment was not returned within ninety (90) days, and the South Carolina Victim has had no further contact with either Respondent.

13. In connection with the offer and sale of the Investment Opportunity to the South Carolina Victim, the Respondents made numerous false and misleading material misstatements and omissions, including, but not limited to the following:

- a. Omitting to disclose that the Investment Opportunity could not legally be offered for sale in the State of South Carolina;
- b. Omitting to disclose the contingent liability faced by the Respondents in light of their failure to register the Investment Opportunity with the Division and the lack of applicability of any exemption from registration;

- c. Falsely stating that the South Carolina Victim's investment would be returned in ninety (90) days; and
- d. Falsely promising that the South Carolina Victim would be entitled to "periodic appointments" with one of the Respondents' "campaign managers."

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

14. 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.

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

16. 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.

17. 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.

18. 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.

19. 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.

20. The Investment Opportunity as offered and sold by the Respondents constitutes an investment contract and is therefore a security as defined by the Act.

21. The Investment Opportunity offered and sold by the Respondents was neither a federal covered security, exempt from registration, nor registered with the Division and was therefore sold in violation of the Act.

22. 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.

23. 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, pay an appropriate civil penalty for their wrongdoing, and be barred from engaging in the securities business in this State.

#### **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 the Respondents, and every entity owned, operated, or indirectly or directly controlled by or on behalf of each Respondent **CEASE AND DESIST** from transacting business in this State in violation of the Act, and, in particular, §§ 35-1-301 and 35-1-501 thereof; and
- b. The Respondents and every successor, affiliate, control person, agent, servant, and employee of the Respondents, and every entity owned, operated, or indirectly or directly controlled by or on behalf of each Respondent is

**PERMANENTLY BARRED** from participating in any aspect of the securities industry in this State; and

- c. The Respondents shall jointly and severally pay a civil penalty in the amount of twenty thousand dollars (\$20,000.00) 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 the Respondents 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 each has 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: Securities Division, 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 that Respondent, will schedule a hearing for that Respondent.


In the written Answer, a Respondent, in addition to requesting a hearing, shall admit or deny each factual allegation in this Order to Cease and Desist, 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. If the Respondent is without knowledge or information sufficient to form a belief as to the truth of an allegation, it 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 to Cease and Desist, including the stated civil penalty and any assessed costs, becoming final as to that Respondent by operation of law.


This Order to Cease and Desist does not prevent the Division, or any other agency, including, without limitation, civil and criminal law enforcement agencies, 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 16<sup>th</sup> day of March, 2018.

ALAN WILSON  
SECURITIES COMMISSIONER

By:   
TRACY A. MEYERS  
Deputy Securities Commissioner  
Rembert C. Dennis Building  
1000 Assembly Street, Suite 501  
Columbia, South Carolina 29201

**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 2018573

I hereby certify that I served upon the individual/entity listed below a copy of the document indicated below and dated March 16, 2018, 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:

Edward Morgan  
First Merchant Network  
2831 Saint Rose Pkwy, Suite 200  
Henderson, NV 89052-4841

Document(s): Order to Cease and Desist

Mailed March 16, 2018 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: Sandra Matthews  
Sandra Matthews  
South Carolina Attorney General's Office  
Securities Division  
Post Office Box 11549  
Columbia, SC 29211-1549  
(803) 734-9916

Subscribed and sworn to before me on  
this 16<sup>th</sup> day of March, 2018.

Janet H. Ballinger  
Notary Public for South Carolina

My commission expires: 6/29/21

