

MELANIE SENTER LUBIN	*	IN THE
Securities Commissioner		
for the State of Maryland	*	CIRCUIT COURT
Plaintiff,	*	FOR
v.	*	BALTIMORE CITY
RONALD D. MORLEY	*	CASE NO. _____
and		
DIANE MORLEY	*	
(a/k/a J. Diane Burda, Diane Burda, Jennie		
Burda, J. Diane Morley, and Jennie	*	
Morley)		
and	*	
THE NEW WEALTH, LLC,		
and	*	
MAIN STREET ESTATE GROUP, INC.,		
and	*	
JENNY DB PROPERTIES, LLC,		
	*	
Defendants.	*	

* * * * *

COMPLAINT FOR INJUNCTIVE RELIEF

Plaintiff Melanie Senter Lubin, the Securities Commissioner for the State of Maryland (the “Securities Commissioner”), by her attorneys Brian E. Frosh, Attorney General, and Arzhang Navai, Assistant Attorney General, complains that defendants Ronald D. Morley, Diane Morley (together the “Morley Defendants” or the “Morleys”), and the Morley’s companies, The New Wealth, LLC, Main Street Estate Group, Inc., and Jenny DB Properties, LLC (collectively the “Defendants”) have engaged in acts and practices that constitute violations of sections 11-301, 11-302, 11-401, 11-402, and 11-501 of the Maryland Securities Act, Title 11, Corporations and Associations Article, Annotated Code of Maryland (2014 Repl. Vol. & Supp. 2018) (the

“Securities Act” or “Act”). The Securities Commissioner considers it appropriate and in the public interest that this action be instituted to enjoin further violations of the Securities Act.

The Securities Commissioner asks the Court to issue the attached Final Judgment and Consent Order for Permanent Injunction, and to thereby approve the terms of the attached Settlement Agreement entered into between the Defendants and the Securities Commissioner in settlement of the allegations contained in this Complaint.

I. JURISDICTION AND VENUE

1. This Court has jurisdiction over the subject matter of this action pursuant to section 11-702(b) of the Securities Act, which authorizes the Securities Commissioner to bring an action to enjoin any act or practice that constitutes a violation of the Securities Act, and to enforce compliance with the Securities Act or any rule or order promulgated thereunder.

2. This Court has personal jurisdiction over Defendants pursuant to sections 6-102 and 6-103 of the Courts and Judicial Proceedings Article, Annotated Code of Maryland (2013 Repl. Vol. & Supp. 2017) in that, at all relevant times, Defendants were domiciled in the State of Maryland and transacted business in the State of Maryland, or were organized under the laws of the State of Maryland. Furthermore, venue is properly in this Court.

II. PARTIES

3. Plaintiff is the Securities Commissioner for the State of Maryland, acting pursuant to the authority granted to her under the Securities Act to administer and enforce the Securities Act’s provisions.

4. Defendants Ronald D. Morley and Diane Morley (also known as J. Diane Morley and Jennie Morley, and formerly known as J. Diane Burda, Diane J. Burda, and Jennie Burda) are a married couple residing in Westminster, Maryland. At all relevant times, the Morleys owned and operated Defendants The New Wealth, LLC and Jenny DB Properties, LLC.

Defendant Ronald Morley owned and operated Defendant Main Street Estate Group, Inc. In 2016, the Morleys filed a Chapter 7 bankruptcy proceeding in the United States Bankruptcy Court for the District of Maryland.

5. Defendant The New Wealth, LLC (“New Wealth”), at all relevant times, was a Maryland limited liability company with a principal office located in Westminster, Maryland and a second office located in Ocean Pines, Maryland. The New Wealth’s business is aimed at senior investors.

6. Defendant Main Street Estate Group, Inc. (“Main Street” or “MSEG”), at all relevant times, was a Maryland corporation with a principal office located in Westminster, Maryland.

7. Defendant Jenny DB Properties, LLC (“Jenny DB Properties”), at all relevant times, was a Maryland limited liability company with a principal office located in Westminster, Maryland.

8. Ronald D. Morley, Diane Morley, New Wealth, Main Street, and Jenny DB Properties have never been registered in Maryland as a broker-dealer or broker-dealer agent, or as an investment adviser or investment adviser representative.

9. The Morley Defendants, New Wealth, Main Street, and Jenny DB Properties have never been registered with FINRA or the SEC in any capacity.

10. The Morley Defendants are each licensed by the Maryland Insurance Administration to sell life insurance, annuities, and long-term care.

III. FACTS GIVING RISE TO THIS COMPLAINT

The 2006 Consent Orders

11. In 2006, the Securities Commissioner issued Consent Orders against each of the Morley Defendants and Defendant MSEG finding violations of the Securities Act, including the

antifraud provisions of section 11-301 of the Act, in connection with their offer and sale of Mexican-based real estate investments (the “2006 Consent Orders”).

12. The Securities Commissioner issued one of the 2006 Consent Orders against Defendant Ronald D. Morley in Securities Division Case No. 2005-0223, permanently barring him from engaging in the securities and investment advisory business in Maryland, assessing a \$650,000 fine to be waived by payment of \$161,621 in restitution to injured investors, and ordering him to cease and desist from engaging in activities in violation of the Securities Act and to comply with the Securities Act in all future activities in Maryland.

13. The Securities Commissioner issued another of the 2006 Consent Orders against Defendant Diane Morley in Securities Division Case No. 2004-0552, permanently barring her from engaging in the securities and investment advisory business in Maryland, assessing a \$500,000 fine to be waived upon payment of \$91,981 in restitution to injured investors, and ordering her to cease and desist from engaging in activities in violation of the Securities Act and to comply with the Securities Act in all future activities in Maryland.

14. The Morley Defendants paid the restitution owed to investors in accordance with the provisions of the 2006 Consent Orders.

15. On April 15, 2015, the Securities Commissioner issued a Summary Order To Cease And Desist against the Defendants (the “2015 Summary Order”) in connection with the facts related to this Complaint that occurred prior and subsequent to the issuance of the 2006 Consent Orders (the “relevant period”) ordering them to cease engaging in violations of the Act and of the 2006 Consent Orders pending a hearing in the matter or until such time as the Commissioner modifies or rescinds that order.

16. On December 7, 2016, the Securities Commissioner issued an Amended Summary Order To Cease And Desist And Order to Show Cause (the “Amended Summary Order”) in connection with the facts related to this Complaint.

Defendants’ Financial Advisory Business

17. Defendants, although not registered as an investment adviser or investment adviser representative, during the relevant period offered to and did perform, for a fee, investment advisory services.

18. Defendants, although never registered to offer or sell securities as defined in the Securities Act, during the relevant period engaged in or from Maryland in the solicitation of investment funds for investments in the form of stock, notes, bonds, debentures, LLC interests, charitable annuity investments, and others. In addition, Defendants sold annuities and engaged in various real estate transactions with clients.

19. During the relevant period, Defendants provided a variety of investment-related services, including retirement and financial planning, to individual investors in the State of Maryland.

20. Defendant New Wealth held itself out to the public as an investment adviser by, among other things, providing retirement and financial planning services, and marketing itself as offering financial planning services on its website and in communications with clients and prospective clients.

21. Defendant New Wealth has acted as, and the Morley Defendants have caused New Wealth to act as, an investment adviser by, among other things, executing financial planning agreements with clients, soliciting investment funds from investors, investing the funds in securities products, managing the securities portfolios on behalf of the investors, and discussing advisory and securities-related matters using New Wealth letterhead.

22. In communications with clients, Defendants offered financial planning services.

23. In a letter dated February 2, 2015 to a Maryland investor, MI, Defendants Ronald Morley and New Wealth invited MI to have an “annual financial review,” the purpose of which was, in part, “[t]o assure that the assets we have positioned continue to provide the maximum value to you. . . [t]o review any changes in your personal financial requirements that may require adjustment to your assets or income. . . [t]o counsel you on any other options you may now be considering.” Defendants’ letter also states, “[o]ur review is not just a brief look at your current circumstances, but rather a holistic examination of how each part of your plan is functioning to support your financial goals.”

24. In February 2013, RT, of Manchester, Maryland, received a flyer inviting him to a financial planning seminar offered by Defendants at a local restaurant, “Maggie’s.” The flyer was titled “Guarantee Your Retirement Income!” and stated: “Join National Retirement Expert, and Fox Business Contributor, Ron Morley for a COMPLIMENTARY DINNER and educational presentation focused on asset protection for pre-retirees and retirees. Learn how you can Guarantee Your Retirement Income and how successful investors keep more of what they make, rather than giving it back to market downturns, taxes, and excess fees. You will learn about: Increasing Taxes (Including Double Taxation on Social Security); Market Volatility; Low, Fixed Interest Rates; High Fees & Commissions. If you would like some NEW IDEAS in this uncertain economic environment, please join us for a FREE, ONE-HOUR presentation with dinner to follow. Ron will review a key financial solution Guaranteeing Your Retirement Income.”

25. On or about February 8, 2013, RT received a letter from Defendants that stated: “Dear Mr. & Mrs. T. Thank you for attending our seminar at Maggie’s Restaurant. We are looking forward to meeting with you, on Wednesday, February 13, 2013 at 5:00 pm in our office

to discuss your financial plans. . . Please feel free to invite anyone who assists you in making these kinds of financial decisions. . . Our first meeting will be focused on a simple discussion of your finances, plans and goals. If it makes sense to both of us, we would then schedule a second meeting, at which we would present your plan. . .”

26. On or about February 13, 2013, RT met with Defendant Diane Morley at the New Wealth office in Westminster. Defendant Diane Morley suggested and RT invested in securities recommended by Defendant Diane Morley.

Securities Offered and Sold by Defendants

Summit Trust Company (“STC”) Preferred Shares

STC’s Ownership Structure and Operations

27. Defendants offered and sold the securities of various issuers and also sold securities for which they were the issuers. Chief among the securities Defendants offered and sold during the relevant period were the preferred shares of Summit Trust Company (“STC”), a Nevada-chartered trust company that allegedly provided a full range of trust services for entities and individuals. In fact, STC had been operating as a Ponzi-like scheme whereby earlier investors were paid with investment funds raised from new investors. STC is the subject of a U.S. Securities and Exchange Commission civil injunctive action settled in October 2015.

28. To promote its trust services and generate new business, STC historically relied upon, and entered into written solicitor agreements with, representatives whom STC generally referred to individually as an “Independent Trust Consultant” (“Independent Consultant” or “IC”). When an Independent Consultant referred clients to STC, the IC received a portion of the annual fee that STC charged client accounts, which was typically a percentage of the client’s assets held at STC. Defendant Ronald D. Morley was an STC Independent Consultant.

Overview of the STC Preferred Stock Offering

29. From February 2008 through February 2014 (the “Offering Period”), STC raised approximately \$33.2 million through an unregistered offering of its non-voting preferred stock (the “STC Offering”). As an STC Independent Consultant, Defendant Ronald Morley actively solicited investors to purchase STC preferred stock.

30. STC preferred stock ostensibly included a 6% annual cash dividend, paid quarterly. STC remained current on its dividend obligation by paying approximately \$3.8 million to the preferred stock shareholders until STC halted its preferred dividend payments in April 2014, pursuant to a consent order issued by the Financial Institutions Division of the State of Nevada.

Defendants Solicited the Vast Majority of Investors in the STC Offering

31. Of the eight Independent Consultants who sold STC preferred stock during the Offering Period, the Defendants were responsible for soliciting approximately \$31.3 million of the total \$33.2 million raised in the STC Offering, constituting roughly 94% of the total amount raised.

32. In exchange for the Defendants’ role in soliciting investors to purchase STC Preferred Stock, STC paid the Defendants transaction-based compensation ranging from 6 to 10% of the amount invested. Defendants were paid commissions totaling \$3,113,204 for their sales to more than one hundred investors.

33. The Defendants identified prospective investors, and then through face-to-face meetings, phone calls, and emails solicited them to invest in STC preferred stock. Defendants specifically recommended to their clients STC preferred stock as a means of obtaining a consistent future income stream through the receipt of dividends. Defendants claimed the company had continually paid a 6% dividend and that investors could access their funds at any

time. In addition, Defendants took customer orders, handled investor funds, and completed paperwork necessary for prospective investors to open STC accounts and subscribe to the STC preferred stock offering.

Certain Maryland Investors in STC

34. On or about December 17, 2011, Defendant Ronald Morley met with JM at his home in Maryland to discuss investing \$500,000, a gift to him from his mother from part of the proceeds from her sale of a family owned farm. During the meeting, Defendant Ronald Morley advised JM to invest the money in STC preferred stock, although Defendant Ronald Morley did not explain to JM that he would be purchasing preferred stock in a private offering. Rather, Defendant Ronald Morley described the investment as safe, secure, and liquid, and claimed the money would be FDIC-insured and offered guaranteed interest of six percent annually. Based on Defendant Ronald Morley's recommendations and advice, JM agreed to invest the \$500,000 in the STC preferred stock. JM and other members of his family made at least three additional investments, totaling \$148,000, in STC preferred stock through Defendant Ronald Morley.

35. In 2010 and 2012, Maryland resident AG invested approximately \$115,000 in STC Preferred Stock through Defendant Ronald Morley.

36. In 2012, Defendant Ronald Morley advised his client CH to liquidate approximately \$339,000 in blue chip stocks, mutual funds and other investments at Edward Jones to invest in STC preferred stock.

37. In July 2014 Defendant Ronald Morley sent clients a letter regarding concerns over the STC preferred stock investment. Defendant Ronald Morley advised that his "paramount focus is to get these issues resolved to your satisfaction," and that he was working with STC's

principals to resolve outstanding concerns. He claimed that he too was a significant STC investor.

38. In that same letter, Defendant Ronald Morley extended Defendants' investment advisory services to investors indefinitely by asking that they "call and schedule an appointment with me . . . to finalize appropriate paperwork" or to obtain "customized forms." He further claimed that he would do everything possible to help investors who wished to redeem their STC preferred stock.

39. In September 2014 Defendant Ronald Morley sent several other letters to investors, advising that they were working with STC to learn details of their future business plans. The letters offered opinions on STC's new management, and mentioned several meetings with STC principals to obtain current information.

40. No prospectus or other disclosure document was provided to investors in connection with the Summit Trust Preferred Stock investments.

Defendants' Issued Securities

41. In addition to selling the securities of other issuers, Defendants issued and sold their own securities to investors.

MSEG Promissory Note

42. JW is a resident of Maryland and a retired farmer. For over 10 years, Defendant Ronald Morley worked with JW and his wife, RW, as the family's financial adviser and wealth manager. In 2002, Defendant Morley purported to establish a trust for JW and RW (the "W Trust").

43. On or about November 11, 2005, Defendant Ronald Morley offered and sold to JW a "Main Street Estate Group, Inc. – Direct Access Note" ("MSEG Note"), which was to pay

a guaranteed eight percent interest annually and was renewable every nine months. JW and RW, as the trustees of the W Trust, initially invested \$25,000 in the MSEG Note offered and sold by Defendant Morley. Defendant Morley generated and delivered to JW and RW false statements, purporting to be from STC though in fact generated by Defendants, which lead JW and RW to believe they were receiving an eight percent annual return. Based on this mistaken belief, JW and RW continued to renew their MSEG note over the next several years as well as to invest additional principal: on or about September 8, 2006 JW and RW added another \$30,000 to their MSEG Note, and on or about April 29, 2008, added \$12,500 more to the MSEG Note.

44. Even after the 2006 Consent Order prohibited Defendants from doing so, Defendants Ronald Morley and MSEG continued to accept investments from JW and RW and continued to make interest payments on the MSEG Note. Defendants Ronald Morley and MSEG were obligated, but failed, to disclose this activity to the Securities Commissioner as part of the terms of the 2006 Consent Orders.

45. No prospectus or other disclosure documents were provided to investors in connection with the MSEG Note investments.

Jenny DB Properties Promissory Notes

46. Defendants also sold their own securities in the form of Jenny DB Properties promissory notes. In or around January 2012, Defendants sold NB, an 84-year-old resident of Salisbury, Maryland, those notes in exchange for an investment of \$66,666, placing the notes into an account at Summit Trust.

47. Jenny DB Properties used funds from NB and other Maryland investors who purchased Jenny DB Properties promissory notes to buy a real estate rental property in Baltimore County, Maryland. NB was not, however, told that her money was being used by Diane Morley's

company, Jenny DB Properties, to invest in that property. NB was told that she was investing in a safe, liquid investment paying her guaranteed interest at above-market rates.

48. In another Jenny DB Properties promissory note transaction, on or about September 23, 2009, Defendant Ronald Morley met with Maryland resident JH to establish a trust for JH (the “H Trust”) at Summit Trust and established Kevin Brown, the President and one of the co-founders of STC, as the trustee for the H Trust. JH placed two parcels of land into the H Trust.

49. Subsequently, on or about November 13, 2009, the Morley Defendants, acting in concert with Kevin Brown, transferred the property to Jenny DB Properties, which, in turn, gave the H Trust a promissory note for \$499,000.

50. The 2006 Consent Orders, *inter alia*, prohibited Defendants from engaging in the securities sales activities described in this Complaint.

51. No prospectus or other disclosure documents were provided to investors in connection with the Jenny DB Properties promissory note investments.

52. Defendants New Wealth, MSEG, and Jenny DB Properties employed at least two agents, the Morley Defendants, and out of state agents, including TT of Kansas, to engage in the offer and sale of securities, including the STC preferred stock, the MSEG Promissory Note, and the Jenny DB Properties Promissory Notes.

53. Even after the 2006 Consent Order prohibited Defendants from doing so, Defendants continued to offer and sell investments in Maryland. Defendants were obligated, but failed, to disclose this activity to the Securities Commissioner as part of the terms of the 2006 Consent Orders.

54. In connection with the investments in STC preferred stock, the MSEG Promissory Note, and the Jenny DB Properties Promissory Notes (collectively, the “Subject Securities”), Defendants did not disclose to investors material information relating to the investments, including the actual use of investors’ funds, the risk involved in the investments, and the fact that the investments were being offered and sold in violation of applicable law.

55. Defendants did not disclose to investors in the Subject Securities, that Defendants were barred from the securities and investment advisory business in Maryland pursuant to the 2006 Consent Orders. Defendants, despite acting as investment advisers, did not provide investors with a Form ADV.

56. In connection with the sale of the Subject Securities, Defendants were paid \$3,999,715.

57. The records of the Division reflect that there is no record of any securities registration, or claim of exemption, or status as federal-covered securities for “Summit Trust” in connection with the offer and sale of preferred stock – only a filing made in 2008 in connection with the offer and sale of common stock.

58. The records of the Division reflect that there is no record of any securities registration, or claim of exemption or status as federal-covered securities for “MSEG” or “Jenny DB Properties” in connection with the offer and sale of promissory note investments, limited liability company investments, or any other investments.

59. In November 2016, the United States Securities and Exchange Commission (“SEC”) instituted public administrative and cease-and-desist proceedings against Defendants Ronald Morley and The New Wealth. *In the Matter of Ronald D. Morley and The New Wealth, LLC*, Securities Exchange Act of 1934 Release No. 79208 (November 1, 2016), Investment

Company Act of 1940 Release No. 32346 (November 1, 2016), Administrative Proceeding File No. 3-17658. In connection with those proceedings, Defendants Ronald Morley and The New Wealth consented to the entry of an Order (the “SEC Order”) that, among other things, ordered Defendants Ronald Morley and The New Wealth to pay disgorgement of \$3,113,204, prejudgment interest of \$383,802.82, and a civil monetary penalty of \$150,000 for the violations described therein.

COUNT I
(Offer and Sale of Unregistered Securities)
(All Defendants)

60. The Securities Commissioner alleges and incorporates by reference paragraphs 1 through 58 above as if fully set forth in this count.

61. Section 11-501 of the Securities Act makes it unlawful for any person to offer or sell a security in Maryland unless the security is registered, is exempt from registration under the Act, or is a federal covered security.

62. Defendants offered and sold the Subject Securities to Maryland residents.

63. The Subject Securities each meet the definition of security under the Act.

64. The Subject Securities offered and sold by Defendants, are not registered with the Division, nor has any claim of exemption from registration or claim that the securities are federal-covered securities been filed with respect to any of the offerings.

65. Defendants have offered and sold securities in Maryland in violation of the registration requirements of section 11-501 of the Securities Act.

COUNT II
(Acting as an Unregistered Broker-Dealer and/or Agent)
(All Defendants)

66. The Securities Commissioner alleges and incorporates by reference paragraphs 1 through 58 above as if fully set forth in this count.

67. Section 11-401(a) of the Securities Act makes it unlawful for any person to transact business in the offer and sale of securities in this State as a broker-dealer or agent unless that person is registered as such pursuant to the Securities Act.

68. Section 11-101(k) of the Securities Act defines an “issuer” as a person, including a corporation, that issues or proposes to issue a security.

69. Section 11-101(c) of the Securities Act defines a “broker-dealer” as a person engaged in the business of effecting transactions in securities for the account of other or for his own account.

70. Section 11-101(b) of the Securities Act defines “agent” as an individual other than a broker-dealer who represents a broker-dealer or issuer in effecting or attempting to effect the purchase or sale of securities.

71. Defendants Ronald Morley, Diane Morley, The New Wealth, Main Street, and Jenny DB Properties acted as a broker-dealer, and engaged in the offering and/or selling of securities issued by STC, Main Street, and Jenny DB Properties.

72. Defendants Ronald D. Morley and Diane Morley each have solicited offers to purchase, offered to sell, and sold securities and, under section 11-101(b) of the Securities Act, and have acted as an agent in the issuance, offer and sale of those securities in this State by

representing a broker-dealer or issuer in effecting or attempting to effect the purchase and sale of securities.

73. Defendants Ronald Morley, Diane Morley, the New Wealth, Main Street, and Jenny DB Properties are not now, nor have they even been registered with the Division as a broker-dealer or an agent to transact securities business in this State.

74. Defendants have transacted business in the offer and sale of securities in this State as a broker-dealer or agent without having been registered as such under the Act in violation of section 11-401(a) of the Act.

COUNT III

(Employment of Unregistered Agent for Sale of Securities)
(Defendants New Wealth, MSEG, and Jenny DB Properties)

75. The Securities Commissioner alleges and incorporates by reference paragraphs 1 through 58 above as if fully set forth in this count.

76. Under section 11-402(a) of the Securities Act, it is unlawful for any broker-dealer or issuer to employ or associate with an agent for the offer or sale of securities in this State unless the agent is registered pursuant to the Securities Act.

77. Section 11-101(k) of the Securities Act defines an “issuer” as a person, including a corporation, that issues or proposes to issue a security.

78. Section 11-101(c) of the Securities Act defines a “broker-dealer” as a person engaged in the business of effecting transactions in securities for the account of others or for his own account.

79. Section 11-101(b) of the Securities Act defines “agent” as an individual other than a broker-dealer who represents a broker-dealer or issuer in effecting or attempting to effect the purchase or sale of securities.

80. In connection with the Subject Securities Defendants New Wealth, MSEG, and Jenny DB Properties acted as an issuer or broker-dealer under the Securities Act.

81. Defendants Ronald D. Morley and Diane Morley each have solicited offers to purchase, offered to sell, and sold securities and, under section 11-101(b) of the Securities Act, acted as an agent in the issuance, offer and sale of those securities in this State by representing a broker-dealer or issuer in effecting or attempting to effect the purchase and sale of securities.

82. Defendants New Wealth, MSEG, and Jenny DB Properties employed at least two agents, the Morley Defendants, and out of state agents including TT, to engage in the offer and sale of securities, including the STC preferred stock, the MSEG Promissory Note, and the Jenny DB Properties Promissory Notes.

83. Neither of the Morley Defendants are registered with the Division as a broker-dealer or an agent to transact securities business in this State.

84. Defendants New Wealth, MSEG, and Jenny DB Properties have each violated section 11-402(a) of the Act by employing or associating with an unregistered agent in this State.

COUNT IV
(Unregistered Investment Adviser)
(All Defendants)

85. The Securities Commissioner alleges and incorporates by reference paragraphs 1 through 58 above as if fully set forth in this count.

86. Section 11-401(b) of the Securities Act makes it unlawful for any person to transact business in this State as an investment adviser or investment adviser representative unless that person is registered as such pursuant to the Securities Act.

87. Section 11-101(h) of the Securities Act defines “investment adviser” as a person who engages in the business of advising others, either directly or through publications or writings, as to the value of securities or as to the advisability of investing in, purchasing, or selling securities, or who, for compensation and as part of a regular business, issues or promulgates analyses or reports concerning securities.

88. Section 11-101(h) of the Securities Act further defines “investment adviser” as a person who provides or offers to provide, directly or indirectly, financial advice and investment counseling or advice, on a group or individual basis; gathers information relating to investments, establishes financial goals and objectives, processes and analyzes the information gathered, and recommends a financial plan; or holds himself out as an investment adviser in any way, including indicating by advertisement, card or letterhead, or in any other manner that he is, a financial or investment “planner,” “counselor,” “consultant,” or any other similar type of adviser or consultant.

89. Defendant New Wealth held itself out to the public as an investment adviser by, among other things, providing retirement and financial planning services, and marketing itself as offering financial planning services on its website and in communications with clients and prospective clients.

90. Defendant New Wealth has acted as, and the Morley Defendants have caused New Wealth to act as, an investment adviser by, among other things, executing financial planning agreements with clients, soliciting investment funds from investors, investing the funds

in securities products, managing the securities portfolios on behalf of the investors, and discussing advisory and securities-related matters using New Wealth letterhead.

91. Defendant New Wealth and the Morley Defendants are not now, nor have they ever been, registered with the Division as an investment adviser.

92. Defendant New Wealth and the Morley Defendants violated section 11-401(b) of the Securities Act by acting as unregistered investment advisers in this State.

COUNT V

(Employment of Unregistered Investment Adviser Representative)
(Defendant New Wealth)

93. The Securities Commissioner alleges and incorporates by reference paragraphs 1 through 58 above as if fully set forth in this count.

94. Under section 11-402(b) of the Act, it is unlawful for any investment adviser to employ or associate with an investment adviser representative unless the representative is registered pursuant to the Act.

95. Section 11-101(i) of the Securities Act defines an “investment adviser representative” as any partner, officer, director of (or a person occupying a similar status or performing similar functions) or other individual employed by or associated with an investment adviser, except clerical or ministerial personnel, who: makes any recommendations or otherwise renders advice regarding securities to clients; manages accounts or portfolios of clients; determines which recommendation or advice regarding securities should be given with respect to a particular client account; solicits, offers, or negotiates for the sale of or sells investment advisory services, directly supervises employees who perform any of the foregoing; or any other person as the Securities Commissioner designates by rule or order.

96. The Morley Defendants acted as investment adviser representatives of New Wealth by representing New Wealth in rendering advisory services to clients.

97. Defendant New Wealth violated section 11-402(b) of the Securities Act by employing or associating with unregistered investment adviser representatives in this State.

COUNT VI
(Fraud in Connection with the Offer or Sale of Securities)
(All Defendants)

98. The Securities Commissioner alleges and incorporates by reference paragraphs 1 through 58 above as if fully set forth in this count.

99. Section 11-301 of the Securities Act prohibits any person, in connection with the offer, sale or purchase of any security, directly or indirectly to: (1) employ any device, scheme or artifice to defraud; (2) make any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they are made, not misleading; or (3) to engage in any act, practice, or course of business that operates or would operate as a fraud or deceit on any person.

100. In connection with the offer and sale of the Subject Securities, Defendants violated section 11-301 of the Securities Act by making untrue statements of material fact including, but not limited to, claims regarding the profits or returns on the investments, and the safety and degree of risk carried by the investments.

101. In connection with the offer and sale of the Subject Securities, Defendants violated section 11-301 of the Securities Act by omitting material facts that were necessary to make statements that Defendants made not misleading, including, but not limited to, facts concerning Defendants' lack of registration with securities regulators, the financial conditions of

the issuers of the Subject Securities, and the Morleys' permanent bars from the securities and investment advisory business.

102. In connection with the offer and sale of the Subject Securities, Defendants violated section 11-301 of the Securities Act by engaging in activities that operated as a fraud or deceit on investors by offering and selling unregistered, non-exempt securities that are not federal-covered securities and by making misrepresentations and omissions of material fact with respect to the offer and sale of those investments.

COUNT VII
(Investment Adviser Antifraud Provisions)
(Morley Defendants and New Wealth)

103. The Securities Commissioner alleges and incorporates by reference paragraphs 1 through 58 above as if fully set forth in this count.

104. Under section 11-302 of the Securities Act, it is unlawful for any person who receives consideration from another person for advising the other person as to the value of securities or their purchase or sale, or for acting as an investment adviser or investment adviser representative whether through the issuance of analyses, reports, or otherwise, to: (1) employ a device, scheme or artifice to defraud the other person; (2) engage in any act, practice, or course of business which operates or would operate as a fraud or deceit on the other person; or (3) engage in dishonest or unethical practices as the Securities Commissioner may define by rule.

105. Defendants are "investment advisers" and/or "investment adviser representatives" within the meaning of section 11-101(h) and (i) of the Securities Act.

106. Defendants violated section 11-302 of the Securities Act by engaging in activities that operated as a fraud or deceit on investors by misrepresenting to clients that the securities

investments they were recommending were safe and secure and that it was appropriate for investors to liquidate existing investments to purchase the new investments.

COUNT VIII
(Investment Adviser Fiduciary Duty)
(Morley Defendants and New Wealth)

107. The Securities Commissioner alleges and incorporates by reference paragraphs 1 through 58 above as if fully set forth in this count.

108. The Code of Maryland Regulations, COMAR 02.02.05.03B, provides that an investment adviser is a fiduciary, and has a duty to act primarily for the benefit of its clients, and that an investment adviser may not engage in unethical business practices.

109. Defendants are “investment advisers” and/or “investment adviser representatives” within the meaning of section 11-101(h) and (i) of the Securities Act.

110. Defendants, as investment advisers and/or investment adviser representatives, were fiduciaries in relation to their clients.

111. Defendants, as fiduciaries and in contravention of COMAR 02.02.05.03B, failed to act in the best interests of their clients in connection with providing individualized investment advice regarding securities investments, including the Subject Securities, by, *inter alia*, recommending investments to clients that were per se unsuitable for those clients, and therefore not in the best interests of those clients.

COUNT IX
(Failure to Disclose)
(Morley Defendants and New Wealth)

112. The Securities Commissioner alleges and incorporates by reference paragraphs 1 through 58 above as if fully set forth in this count.

113. Sections 11-302 and 11-411 of the Securities Act require that certain information be furnished or disseminated by investment advisers as appropriate in the public interest or for the protection of investors and advisory clients.

114. The Code of Maryland Regulations, COMAR 02.02.05.05, sets out the disclosure requirements of the Securities Act relating to the disclosure of information by investment advisers to their clients.

115. Defendants failed to provide the information required by the Securities Act and the rules promulgated under it, including, *inter alia*, information regarding conflicts of interest, the Morley Defendants' permanent bars from the securities and investment advisory business, the Morley Defendants' qualifications as investment advisers, the nature of the advisory services, and the fees charged for those services.

116. Defendants violated sections 11-302 and 11-411 of the Securities Act by acting as investment advisers on behalf of clients without providing those individuals with the disclosure information required by the Securities Act and the rules promulgated under it.

COUNT X
(Investment Adviser Prohibited Practices Provisions)
(Morley Defendants and New Wealth)

117. The Securities Commissioner alleges and incorporates by reference paragraphs 1 through 58 above as if fully set forth in this count.

118. Under section 11-302 of the Securities Act, it is unlawful for any person who receives consideration from another person for advising the other person as to the value of

securities or their purchase or sale, or for acting as an investment adviser or investment adviser representative whether through the issuance of analyses, reports, or otherwise, to: (1) employ a device, scheme or artifice to defraud the other person; (2) engage in any act, practice, or course of business which operates or would operate as a fraud or deceit on the other person; or (3) engage in dishonest or unethical practices as the Securities Commissioner may define by rule.

119. The Code of Maryland Regulations, COMAR 02.02.05.03B, provides that an investment adviser may not engage in dishonest or unethical business practices.

120. COMAR 02.02.05.03B further provides that certain enumerated business practices are dishonest or unethical, including, *inter alia*, recommending to a client to whom investment advisory services are provided the purchase, sale, or exchange of a security without reasonable grounds to believe that the recommendation is suitable for the client; guaranteeing a client that a certain or specific result will be achieved as a result of the advice that will be rendered; publishing, circulating, or distributing an advertisement that does not comply with 17 CFR §275.206(4)-1 (SEC Rule 206(4)-1, Advertisements by Investment Advisers); entering into, extending, or renewing an investment advisory contract unless the contract is in writing and discloses, among other things, the services to be provided, the term of the contract, and the advisory fee or the formula for computing the fee.

121. Defendants recommended investments, including the Subject Securities, that were not suitable for the client, guaranteed specific dividend returns on the STC preferred shares, distributed letters and flyers advertising advisory services that did not comply with SEC Rule 206(4)-1, and entered into, extended, or renewed investment advisory contracts that were not in writing and did not disclose the services, term, and fees for advisory services.

122. Defendants violated section 11-302 and COMAR 02.02.05.03B by engaging in the dishonest and unethical business practices described in this Complaint.

COUNT XI
(Violation of 2006 Consent Orders)
(Morley Defendants and MSEG)

123. The Securities Commissioner alleges and incorporates by reference paragraphs 1 through 58 above as if fully set forth in this count.

124. As described in this Complaint, the Morley Defendants have engaged in violations of terms of the 2006 Consent Orders issued against them by the Securities Commissioner, including violating the permanent bar from engaging in the securities and investment advisory business, failing to cease and desist from engaging in violations of the Securities Act, and breaching the requirement to in all future activities in Maryland comply with the Securities Act.

PRAYER FOR RELIEF

WHEREFORE, the Maryland Securities Commissioner respectfully requests the following relief:

125. An Order permanently enjoining Defendants, their agents, servants, employees, successors and assignees, and all persons in active concert or participation with Defendants, from directly or indirectly engaging in acts and practices that violate the Securities Act and the regulations adopted thereunder.

126. An Order permanently enjoining Defendants from engaging in the securities business in Maryland, including but not limited to the offer, sale or issuance of securities including promissory notes, investment contracts, viatical settlement contracts, and pyramid and equipment leasing schemes.

127. An Order permanently enjoining Defendants from engaging in the investment advisory business in Maryland, including but not limited to holding out or acting as an investment adviser, financial planner, or other financial adviser or financial consultant.

128. An Order adopting the administrative consent order, and the relief contained therein, issued in connection with this Complaint by the Securities Commissioner in Securities Division Case No. 2015-0098A, attached hereto as Exhibit A.

129. Such other and further equitable relief as this Court may find just and appropriate.

Respectfully submitted,
BRIAN E. FROSH
Attorney General of Maryland

Signature on File w/Original Documents

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*Attorneys for Plaintiff Maryland Securities
Commissioner*

Dated: December 12, 2018

**ADMINISTRATIVE PROCEEDING
BEFORE THE
SECURITIES COMMISSIONER OF MARYLAND**

IN THE MATTER OF:

RONALD D. MORLEY
and
DIANE MORLEY
(a/k/a J. Diane Burda, Diane Burda,
Jennie Burda, J. Diane Morley, and
Jennie Morley)
and
THE NEW WEALTH, LLC,
and
MAIN STREET ESTATE GROUP,
INC.,
and
JENNY DB PROPERTIES, LLC,

Case No. 2015-0098A

RESPONDENTS.

* * * * *

CONSENT ORDER

WHEREAS, the Securities Division of the Office of the Maryland Attorney General (the “Division”), pursuant to the authority granted in section 11-701 of the Maryland Securities Act, Title 11, Corporations and Associations Article, Annotated Code of Maryland (2014 Repl. Vol. & Supp. 2018) (the “Securities Act” or “Act”), initiated an investigation into the securities-related activities of Respondents Ronald D. Morley, Diane Morley (together the “Morley Respondents”), and the Morley’s companies, The New Wealth, LLC, Main Street Estate Group, Inc., and Jenny DB Properties, LLC (collectively the “Respondents”); and

WHEREAS, on the basis of that investigation, the Maryland Securities Commissioner (the “Commissioner”) determined that grounds exist to allege that Respondents violated certain registration and antifraud provisions set forth at sections 11-301, 11-302, 11-401, 11-402, 11-411, and 11-501 of the Securities Act; and

WHEREAS, the Commissioner determined that grounds exist to allege that the Morley Respondents violated the terms of Consent Orders the Commissioner issued in 2006 against each of those Respondents (the “2006 Consent Orders”); and

WHEREAS, the Commissioner had reason to believe that Respondents were engaging in continuing violations of the Securities Act, and on April 15, 2015, the Commissioner issued a Summary Order To Cease And Desist to the Respondents (the “2015 Summary Order”) ordering them to cease engaging in violations of the Act and of the 2006 Consent Orders pending a hearing in the matter or until such time as the Commissioner modifies or rescinds that order; and

WHEREAS, the Commissioner had reason to believe that Respondents continued to breach the 2006 Consent Orders and to violate the Securities Act; and

WHEREAS, pursuant to section 11-701.1(a) of the Securities Act, on December 7, 2016, the Commissioner issued an Amended Summary Order To Cease And Desist And Order to Show Cause (the “Amended Summary Order”) ordering each Respondent to show cause why that Respondent should not be found in violation of the Act, the 2006 Consent Order, and the 2015 Summary Order, to show cause why a fine of up to \$5,000 per violation should not be imposed on that Respondent, and to show cause why that Respondent should not permanently be barred from engaging in the securities and investment advisory business in Maryland; and

WHEREAS, before holding a hearing in this matter, without trial or adjudication of any issue of fact or law, and prior to the issuance of a final order in this proceeding, the Commissioner and Respondents have reached an agreement to resolve this matter; and

WHEREAS, Respondents expressly consent to the Commissioner’s jurisdiction in this matter and to the terms of this Order; and

WHEREAS, Respondents waive their rights to a hearing and any rights they may have to seek judicial review or otherwise challenge or contest the terms and conditions of this Consent Order; and

WHEREAS, the Commissioner has determined that it is in the public interest to issue this Consent Order.

NOW, THEREFORE, IT IS HEREBY AGREED AND THE COMMISSIONER ORDERS:

1. JURISDICTION

2. The Commissioner has jurisdiction in this proceeding pursuant to section 11-701.1 of the Act.

3. RESPONDENTS

4. Ronald D. Morley and Diane Morley, a married couple, reside in Westminster, Maryland. At all relevant times they owned and operated Respondents The New Wealth, and Jenny DB Properties. Respondent Ronald Morley owned and operated Respondent Main Street Estate Group.

5. Diane Morley also goes by the names J. Diane Morley and Jennie Morley, and she was formerly known as J. Diane Burda, Diane J. Burda, and Jennie Burda. In the 2006 Consent Order issued against her she was identified as Diane J. Burda.

6. The New Wealth, LLC (“New Wealth”), at all relevant times was a Maryland limited liability company with a principal office located in Westminster, Maryland and a second office located in Ocean Pines, Maryland. The New Wealth’s business is aimed at senior investors.

7. Main Street Estate Group, Inc. (“Main Street” or “MSEG”), at all relevant times was a Maryland corporation with a principal office located in Westminster, Maryland.

8. Jenny DB Properties, LLC (“Jenny DB Properties”), at all relevant times was a Maryland limited liability company with a principal office located in Westminster, Maryland.

9. The Commissioner issued the 2006 Consent Orders against the Morley Respondents in connection with their offer and sale of Mexican-based real estate investments. The 2006 Consent Order also named Respondent Ronald D. Morley’s former company, MSEG.

10. The 2006 Consent Orders permanently barred the Morley Respondents from the securities and investment advisory business, and ordered that those Respondents pay restitution to investors in lieu of fines and cease and desist from engaging in activities in violation of the Securities Act. Those Respondents agreed to comply with the Securities Act in connection with all future activities in Maryland. The Morley Respondents paid the restitution owed to investors in accordance with the provisions of the 2006 Consent Orders.

11. Neither Ronald D. Morley, Diane Morley, The New Wealth, Main Street, nor Jenny DB Properties have ever been registered in Maryland as a broker-dealer or broker-dealer agent, or as an investment adviser or investment adviser representative. Nor have the Morley Respondents, New Wealth, Main Street, or Jenny DB Properties ever been registered with FINRA or the SEC in any capacity. The Morley Respondents are each licensed by the Maryland Insurance Administration to sell life insurance, annuities, and long-term care.

12. FINDINGS OF FACT

Respondents’ Financial Advisory Business

13. Respondents, although not registered as an investment adviser or investment adviser representative, offered to and did perform, for a fee, investment advisory services.

14. Respondents, although never registered to offer or sell securities as defined in the Securities Act, engaged in or from Maryland in the solicitation of investment funds for investments in the form of stock, notes, bonds, debentures, LLC interests, charitable annuity investments, and others. In addition, Respondents sold annuities and engaged in various real estate transactions with clients.

15. Respondents provided a variety of investment-related services, including retirement and financial planning, to individual investors in the State of Maryland.

16. Respondent New Wealth held itself out to the public as an investment adviser by, among other things, providing retirement and financial planning services, and marketing itself as offering financial planning services on its website and in communications with clients and prospective clients.

17. Respondent New Wealth has acted as, and the Morley Respondents have caused New Wealth to act as, an investment adviser by, among other things, executing financial planning agreements with clients, soliciting investment funds from investors, investing the funds in securities products, managing the securities portfolios on behalf of the investors, and discussing advisory and securities-related matters using New Wealth letterhead.

18. In communications with clients, Respondents offered financial planning services.

19. In a letter dated February 2, 2015, to a Maryland investor, MI, Respondents Ronald Morley and New Wealth invited MI to have an “annual financial review,” the purpose of which was, in part, “[t]o assure that the assets we have positioned continue to provide the maximum value to you. . . [t]o review any changes in your personal financial requirements that may require adjustment to your assets or income. . . [t]o counsel you on any other options you may now be considering.” Respondents’ letter also says, “[o]ur review is not just a brief look at

your current circumstances, but rather a holistic examination of how each part of your plan is functioning to support your financial goals.”

20. In February 2013, RT, of Manchester, Maryland, received a flyer inviting him to a financial planning seminar offered by Respondents at a local restaurant, “Maggie’s.” The flyer was titled “Guarantee Your Retirement Income!” and stated: “Join National Retirement Expert, and Fox Business Contributor, Ron Morley for a COMPLIMENTARY DINNER and educational presentation focused on asset protection for pre-retirees and retirees. Learn how you can Guarantee Your Retirement Income and how successful investors keep more of what they make, rather than giving it back to market downturns, taxes, and excess fees. You will learn about: Increasing Taxes (Including Double Taxation on Social Security); Market Volatility; Low, Fixed Interest Rates; High Fees & Commissions. If you would like some NEW IDEAS in this uncertain economic environment, please join us for a FREE, ONE-HOUR presentation with dinner to follow. Ron will review a key financial solution Guaranteeing Your Retirement Income.”

21. On or about February 8, 2013, RT received a letter from Respondents that stated: “Dear Mr. & Mrs. T. Thank you for attending our seminar at Maggie’s Restaurant. We are looking forward to meeting with you, on Wednesday, February 13, 2013 at 5:00 pm in our office to discuss your financial plans. . . Please feel free to invite anyone who assists you in making these kinds of financial decisions. . . Our first meeting will be focused on a simple discussion of your finances, plans and goals. If it makes sense to both of us, we would then schedule a second meeting, at which we would present your plan. . .”

22. On or about February 13, 2013, RT met with Respondent Diane Morley at the New Wealth office in Westminster. Respondent Diane Morley suggested and RT invested in securities recommended by Respondent Diane Morley.

Securities Offered and Sold by Respondents

Summit Trust Company (“STC”) Preferred Shares

STC’s Ownership Structure and Operations

23. Respondents offered and sold the securities of various issuers and also sold securities for which they were the issuers. Chief among the securities Respondents offered and sold during the relevant period were the preferred shares of Summit Trust Company (“STC”), a Nevada-chartered trust company that allegedly provided a full range of trust services for entities and individuals. In fact, STC had been operating as a Ponzi-like scheme whereby earlier investors were paid with investment funds raised from new investors. STC is the subject of a U.S. Securities and Exchange Commission civil injunctive action settled in October 2015.

24. To promote its trust services and generate new business, STC historically relied upon, and entered into written solicitor agreements with, representatives whom STC generally referred to as an “Independent Trust Consultant” (“Independent Consultant” or “IC”). When an Independent Consultant referred clients to STC, the IC received a portion of the annual fee that STC charged client accounts, which was typically a percentage of the client’s assets held at STC. Respondent Ronald D. Morley was an STC Independent Consultant.

Overview of the STC Preferred Stock Offering

25. From February 2008 through February 2014 (the “Offering Period”), STC raised approximately \$33.2 million through an unregistered offering of its non-voting preferred stock (the “STC Offering”). As an STC Independent Consultant, Respondent Ronald D. Morley actively solicited investors to purchase STC preferred stock.

26. STC preferred stock ostensibly included a 6% annual cash dividend, paid quarterly. STC remained current on its dividend obligation by paying approximately \$3.8 million

to the preferred stock shareholders until STC halted its preferred dividend payments in April 2014, pursuant to a consent order issued by the Financial Institutions Division of the State of Nevada.

Respondents Solicited the Vast Majority of Investors in the STC Offering.

27. Of the eight Independent Consultants who sold STC preferred stock during the Offering Period, Respondents were responsible for soliciting approximately \$31.3 million of the total \$33.2 million raised in the STC Offering, constituting roughly 94% of the total amount raised.

28. In exchange for Respondents' role in soliciting investors to purchase STC preferred stock, STC paid Respondents transaction-based compensation ranging from 6 to 10% of the amount invested. Respondents were paid commissions totaling \$3,113,204 for their sales to more than one hundred investors.

29. Respondents identified prospective investors, and then through face-to-face meetings, phone calls, and emails solicited them to invest in STC preferred stock. Respondents specifically recommended to their clients STC preferred stock as a means of obtaining a consistent future income stream through the receipt of dividends. Respondents claimed the company had continually paid a 6% dividend and that investors could access their funds at any time. In addition, Respondents took customer orders, handled investor funds, and completed paperwork necessary for prospective investors to open STC accounts and subscribe to the STC preferred stock offering.

Certain Maryland Investors in STC

30. On or about December 17, 2011, Respondent Ronald Morley met with JM at his home in Maryland to discuss investing \$500,000, a gift to him from his mother from part of the

proceeds from her sale of a family owned farm. During the meeting, Respondent Ronald Morley advised JM to invest the money in STC preferred stock, although Respondent Ronald Morley did not explain to JM that he would be purchasing preferred stock in a private offering. Rather, Respondent Ronald Morley described the investment as safe, secure, and liquid, and claimed the money would be FDIC-insured and offered guaranteed interest of six percent annually. Based on Respondent Ronald Morley's recommendations and advice, JM agreed to invest the \$500,000 in the STC preferred stock. JM and other members of his family made at least three additional investments, totaling \$148,000, in STC preferred stock through Respondent Ronald Morley.

31. In 2010 and 2012, Maryland resident AG invested approximately \$115,000 in STC preferred stock through Respondent Ronald Morley.

32. In 2012, Respondent Ronald Morley advised his client CH to liquidate approximately \$339,000 in blue chip stocks, mutual funds and other investments at Edward Jones to invest in STC preferred stock.

33. In July 2014 Respondent Ronald Morley sent clients a letter regarding concerns over the STC preferred stock investment. Respondent Ronald Morley advised that his "paramount focus is to get these issues resolved to your satisfaction," and that he was working with STC's principals to resolve outstanding concerns. He claimed that he too was a significant STC investor.

34. In that same letter, Respondent Ronald Morley extended Respondents' investment advisory services to investors indefinitely by asking that they "call and schedule an appointment with me . . . to finalize appropriate paperwork" or to obtain "customized forms." He further claimed that he would do everything possible to help investors who wished to redeem their STC preferred stock.

35. In September 2014 Respondent Ronald Morley sent several other letters to investors, advising that they were working with STC to learn details of their future business plans. The letters offered opinions on STC's new management, and mentioned several meetings with STC principals to obtain current information.

36. No prospectus or other disclosure document was provided to investors in connection with the STC preferred stock investments.

Respondents' Issued Securities

37. In addition to selling the securities of other issuers, Respondents issued and sold their own securities to investors.

MSEG Promissory Note

38. JW is a resident of Maryland and a retired farmer. For over 10 years, Respondent Ronald Morley worked with JW and his wife, RW, as the family's financial adviser and wealth manager. In 2002, Respondent Morley purported to establish a trust for JW and RW (the "W Trust").

39. On or about November 11, 2005, Respondent Ronald Morley offered and sold to JW a "Main Street Estate Group, Inc. – Direct Access Note" ("MSEG Note"), which was to pay a guaranteed eight percent interest annually and was renewable every nine months. JW and RW, as the trustees of the W Trust, initially invested \$25,000 in the MSEG Note offered and sold by Respondent Morley. Respondent Morley generated and delivered to JW and RW false statements, purporting to be from STC though in fact generated by Respondents, which lead JW and RW to believe they were receiving an eight percent annual return. Base on this mistaken belief, JW and RW continued to renew their MSEG Note over the next several years as well as

add to the principal: on or about September 8, 2006 JW and RW added another \$30,000 to their MSEG Note, and on or about April 29, 2008, added \$12,500 more to the MSEG Note.

40. Even after the 2006 Consent Order prohibited Respondents from doing so, Respondents Ronald Morley and MSEG continued to accept investments from JW and RW and continued to make interest payments on the MSEG Note. Respondents Ronald Morley and MSEG were obligated, but failed, to disclose this activity to the Securities Commissioner as part of the terms of the 2006 Consent Orders.

41. No prospectus or other disclosure documents were provided to investors in connection with the MSEG Note investments.

Jenny DB Properties Promissory Notes

42. Respondents also sold their own securities in the form of Jenny DB Properties promissory notes. In or around January 2012, Respondents sold NB, an 84-year-old resident of Salisbury, Maryland, those notes in exchange for an investment of \$66,666, placing the notes into an account at Summit Trust.

43. Jenny DB Properties used funds from NB and other Maryland investors who purchased Jenny DB Properties promissory notes to buy a real estate rental property in Baltimore County, Maryland. NB was not, however, told that her money was being used by Diane Morley's company, Jenny DB Properties, to invest in that property. NB was told she was investing in a safe, liquid investment paying her guaranteed interest at above-market rates.

44. In another Jenny DB Properties promissory note transaction, on or about September 23, 2009, Respondent Ronald Morley met with Maryland resident JH to establish a trust for JH (the "H Trust") at Summit Trust and established Kevin Brown, the President and one

of the co-founders of STC, as the trustee for the H Trust. JH placed two parcels of land into the H Trust.

45. Subsequently, on or about November 13, 2009, the Morley Respondents, acting in concert with Kevin Brown, transferred the property to Jenny DB Properties, which, in turn, gave the H Trust a promissory note for \$499,000.

46. The 2006 Consent Orders, *inter alia*, prohibited Respondents from engaging in the securities sales activities described in this Complaint.

47. No prospectus or other disclosure documents were provided to investors in connection with the Jenny DB Properties promissory note investments.

48. Respondents New Wealth, MSEG, and Jenny DB Properties employed at least two agents, the Morley Respondents, and out of state agents, including TT of Kansas, to engage in the offer and sale of securities, including the STC preferred stock, the MSEG Promissory Note, and the Jenny DB Properties Promissory Notes.

49. Even after the 2006 Consent Order prohibited Respondents from doing so, Respondents continued to offer and sell investments in Maryland. Respondents were obligated, but failed, to disclose this activity to the Securities Commissioner as part of the terms of the 2006 Consent Orders.

50. In connection with the investments in STC preferred stock, the MSEG Promissory Note, and the Jenny DB Properties Promissory Notes (collectively, the "Subject Securities"), Respondents did not disclose to investors material information relating to the investments, including the actual use of investors' funds, the risk involved in the investments, and the fact that the investments were being offered and sold in violation of applicable law.

51. Respondents did not disclose to investors in the Subject Securities, that Respondents were barred from the securities and investment advisory business in Maryland pursuant to the 2006 Consent Orders. Respondents, despite acting as investment advisers, did not provide investors with a Form ADV.

52. In connection with the sale of the Subject Securities, Respondents were paid \$3,999,715.

53. The records of the Division reflect that there is no record of any securities registration, or claim of exemption or status as federal-covered securities for “Summit Trust” in connection with the offer and sale of preferred stock – only a filing made in 2008 in connection with the offer and sale of common stock.

54. The records of the Division reflect that there is no record of any securities registration, or claim of exemption or status as federal-covered securities for “MSEG” or “Jenny DB Properties” in connection with the offer and sale of promissory note investments, limited liability company investments, or any other investments.

55. In November 2016, the United States Securities and Exchange Commission (“SEC”) instituted public administrative and cease-and-desist proceedings against Respondents Ronald Morley and The New Wealth. *In the Matter of Ronald D. Morley and The New Wealth, LLC*, Securities Exchange Act of 1934 Release No. 79208 (November 1, 2016), Investment Company Act of 1940 Release No. 32346 (November 1, 2016), Administrative Proceeding File No. 3-17658. In connection with those proceedings, Respondents Ronald Morley and The New Wealth consented to the entry of an Order (the “SEC Order”) that, among other things, ordered Respondents Ronald Morley and The New Wealth to pay disgorgement of \$3,113,204,

prejudgment interest of \$383,802.82, and a civil monetary penalty of \$150,000 for the violations described therein.

56. CONCLUSIONS OF LAW

THE COMMISSIONER, THEREFORE, CONCLUDES AS A MATTER OF LAW THAT:

57. The STC preferred stock, the MSEG Promissory Note, and the Jenny DB Properties Promissory Notes offered and sold by Respondents constitute “securities” in the form of stock, an interest in a profit-sharing agreement, or an investment contract, within the meaning of section 11-101 of the Securities Act.

58. Respondents violated section 11-501 of the Securities Act by offering and selling unregistered securities in Maryland that were neither exempt from registration nor were federal covered securities.

59. Respondents violated section 11-401(a) of the Securities Act by acting as an unregistered broker-dealer or agent in this State.

60. Respondents violated section 11-402(a) of the Securities Act by employing an unregistered agent in the offer and sale of securities.

61. Respondents violated section 11-401(b) of the Securities Act by acting as unregistered investment advisers in this State.

62. Respondent New Wealth violated section 11-402(b) of the Securities Act by employing or associating with unregistered investment adviser representatives in this State.

63. Respondents violated section 11-301 of the Securities Act by making misstatements or omissions of material facts in connection with the offer and sale of a security in Maryland, regarding, among other things, the repayment of investor funds, profitability, risk, use of investor funds, and performance of the investment.

64. Respondents violated section 11-302 of the Securities Act by engaging in activities that operated as a fraud or deceit on investors by misrepresenting to clients that the securities investments they were recommending were safe and secure and that it was appropriate for investors to liquidate existing investments to purchase the new investments.

65. Respondents violated Code of Maryland Regulations, COMAR 02.02.05.03B by failing to act in the best interests of their clients in connection with providing individualized investment advice regarding securities investments, including the Subject Securities, by, *inter alia*, recommending investment to clients that were per se unsuitable for those clients, and therefore not in the best interests of those clients.

66. Respondents violated sections 11-302 and 11-411 of the Securities Act by acting as investment advisers on behalf of clients without providing those individuals with the disclosure information required by the Securities Act and the rules promulgated under it.

67. Respondents violated section 11-302 and COMAR 02.02.05.03B by engaging in dishonest and unethical business practices as described in this Order, including, *inter alia*, recommending investments that were not suitable for the client, guaranteeing specific dividend returns on the STC preferred shares, and entering into, extending, or renewing investment advisory contracts that were not in writing and did not disclose the services, terms, and fees for advisory services.

68. Respondents violated the terms of the 2006 Consent Orders issued against them by the Securities Commissioner, including violating the permanent bar from engaging in the securities and investment advisory business, failing to cease and desist from engaging in violations of the Securities Act, and breaching the requirement to in all future activities in Maryland comply with the Securities Act.

69. SANCTIONS

NOW, THEREFORE, IT IS HEREBY ORDERED, and Respondents expressly consent and agree that:

70. Respondents shall permanently cease and desist from violating sections 11-301, 11-302, 11-401(a), 11-401(b), 11-402(a), 11-402(b), 11-411, and 11-501 of the Securities Act, COMAR 02.02.05.03B, and the 2006 Consent Orders.

71. Respondents are barred permanently from engaging in the securities or investment advisory business in Maryland for or on behalf of others, or from acting as a principal or consultant in any entity so engaged.

72. Respondents, jointly and severally, are assessed a civil monetary penalty pursuant to section 11-701.1(b)(4) of the Securities Act in the amount of \$3,999,715 for the violations set forth in this Order. This penalty shall be reduced dollar for dollar by amounts paid as part of the disgorgement payable to the SEC pursuant to the monetary penalty portion of the SEC Order; a credit reduction will not be given for the prejudgment interest or \$150,000 civil monetary penalty due under the SEC Order.

73. The remaining balance due of the \$3,999,715 penalty shall be paid by check or wire transfer made payable to the Office of the Attorney General and used to establish a restitution fund (the "Restitution Fund"). Respondents shall make payments to the Restitution Fund in monthly installments on the first day of each month beginning on January 1, 2019 as follows:

- a. \$500 beginning on January 1, 2019 until March 31, 2019;
- b. \$600 beginning on April 1, 2019 until June 30, 2019;
- c. \$800 beginning on July 1, 2019 and continuing until the remaining balance is paid in full.

74. The Restitution Fund will be distributed by the Office of the Attorney General at its discretion as to time, manner, and direction to pay restitution on a *pro rata* basis to those persons whom the Securities Commissioner within her sole discretion considers to be Respondents' investment advisory or securities business clients who have not been provided with or have not otherwise obtained full and actual payment of principal in connection with their Summit Trust preferred stock, MSEG promissory note, and Jenny DB Properties promissory note investments (the "Morley Investors"), and who have not waived any claims as to Respondents' indebtedness to them in connection with those investments.

75. If Respondents fail to make timely payments to the Office of the Attorney General as required under this Consent Order, and payments are delinquent for more than sixty (60) days, the Office of the Attorney General may refer collection of the monies due under this Consent Order to the Central Collections Unit ("CCU") of the State of Maryland. If a referral is made, any monies due under this Consent Order shall be increased by the amount of fees and interest assessed by CCU for collection of these funds.

76. Respondents acknowledge that, for the purposes of exceptions to discharge set forth in Section 523 of the Bankruptcy Code, 11 U.S.C. §523, the findings in this Order are true and admitted by Respondents, and any debt for disgorgement, prejudgment interest, civil penalty, or any other amounts due by Respondents under this Order or any other judgment, order, consent order, decree, or settlement agreement entered in connection with this proceeding, is a debt for violation by Respondents of the Maryland securities laws or any regulation or order issued under such laws, as set forth in section 523(a)(19) of the Bankruptcy Code, 11 U.S.C. §523(a)(19).

77. Respondents agree not to take any action, make or permit to be made any statement denying, directly or indirectly, any allegation in the Amended Summary Order or the activities upon which this Order is based, as referred to herein. Respondents further agree not to take any action or make any statements that creates or tends to create the impression that this Consent Order is without factual basis. Nothing in this provision affects Respondents' testimonial obligations. Nor does this provision affect Respondents' rights to take positions in litigation to which neither the Division nor the Securities Commissioner is a party.

78. JURISDICTION RETAINED

79. Jurisdiction shall be retained by the Securities Commissioner for such further orders and directions as may be necessary or appropriate for the construction or enforcement of this Consent Order.

80. If a Respondent fails to comply with any term of this Consent Order, the Commissioner may institute administrative or judicial proceedings against that Respondent to enforce this Consent Order and to sanction that Respondent for violating an Order of the Commissioner, and may take any other action authorized under the Act or under any other applicable law, including the issuance of fines or penalties for the violations that initiated this matter. For purposes of determining those sanctions, the Findings of Fact and violations of the Act set forth in this Consent Order shall be deemed admitted, and may be introduced into evidence against that Respondent.

81. In the event that judicial intervention in this matter is sought by the Securities Commissioner or a Respondent, each Respondent consents that subject matter jurisdiction will lie in the Circuit Court for Baltimore City pursuant to section 11-702 of the Act. Each Respondent consents that the Circuit Court for Baltimore City will have personal jurisdiction over that Respondent, and that venue will be properly in that Court.

82. The terms of this Consent Order may be vacated or modified only by a subsequent order issued by the Commissioner.

DATE OF THIS ORDER:

December 12, 2018

SO ORDERED:

**Commissioner's Signature on File
w/Original Document**

Melanie Senter Lubin
Securities Commissioner

CONSENTED TO:

Ronald D. Morley, Individually

Diane Morley, Individually

The New Wealth, LLC, By Ronald D. Morley, CEO

Main Street Estate Group, Inc., By Ronald D. Morley, CEO

Jenny DB Properties, LLC, By Diane Morley, CEO

_____, 2018
Date

Subscribed and sworn to before me
this ____ day of _____, 2018

Notary Public
My Commission expires _____

Securities Commissioner is seeking a permanent injunction and other relief pursuant to section 11-702(b) of the Securities Act.

By the attached Settlement Agreement (incorporated herein by reference), Defendants consent to the entry of the following Final Judgment and Consent Order for Permanent Injunction (the “Final Judgment and Consent”) in settlement of the Securities Commissioner’s Complaint:

83. The Securities Commissioner alleged that Defendants, in connection with the offer and sale of securities, violated provisions of the Securities Act, including section 11-301 prohibiting fraud in the offer and sale of securities.

84. The Securities Commissioner has the authority under section 11-702(b) of the Securities Act to seek the relief requested.

85. This Court has jurisdiction over the subject matter of this action pursuant to section 11-702 of the Securities Act.

86. This Court has personal jurisdiction over Defendants pursuant to section 6-102 and 6-103 of the Courts and Judicial Proceedings Article, Annotated Code of Maryland (2013 Repl. Vol. & Supp. 2016). By Defendants’ consent, venue is proper in this Court.

87. Defendants are represented by counsel, and have voluntarily agreed to the entry of this Final Judgment and Consent.

IT IS THEREFORE ORDERED, and Defendants expressly consent and agree that:

A. Defendants, their agents, officers, servants, employees and those persons in active concert or participation with them directly or indirectly, singly or in concert, who receive actual notice of the Final Judgment and Consent by personal service or otherwise, are restrained and

enjoined from engaging in acts and practices that violate the Securities Act and the regulations adopted thereunder, and the Consent Order issued by the Securities Commissioner resolving this matter; and

B. Defendants are hereby permanently restrained and enjoined from engaging in the securities business in Maryland, including but not limited to the offer, sale, or issuance of stocks, bonds, limited partnerships, general partnerships, promissory notes, investment contracts, viatical settlement contracts, and pyramid and equipment leasing programs; and

C. Defendants are permanently restrained and enjoined from engaging in the investment advisory business in Maryland, including but not limited to holding out and/or acting as an investment adviser, investment adviser representative, financial planner, or other financial adviser or financial consultant; and

D. Defendants, jointly and severally, are assessed a civil monetary penalty pursuant to section 11-701.1(b)(4) of the Securities Act in the amount of \$3,999,715 for the violations set forth in the Complaint. This penalty shall be reduced dollar for dollar by amounts paid as part of the disgorgement payable to the SEC pursuant to the monetary penalty portion of the SEC Order, *In the Matter of Ronald D. Morley and The New Wealth, LLC*, Securities Exchange Act of 1934 Release No. 79208 (November 1, 2016), Investment Company Act of 1940 Release No. 32346 (November 1, 2016), Administrative Proceeding File No. 3-17658.; a credit reduction will not be given for the prejudgment interest or \$150,000 civil monetary penalty due under the SEC Order.

E. The remaining balance due of the \$3,999,715 penalty shall be paid by check or wire transfer made payable to the Office of the Attorney General and used to establish a restitution fund (the "Restitution Fund"). Defendants shall make payments to the Restitution

Fund in monthly installments on the first day of each month beginning on January 1, 2019 as follows:

- 1) \$500 beginning on January 1, 2019 until March 31, 2019;
- 2) \$600 beginning on April 1, 2019 until June 30, 2019;
- 3) \$800 beginning on July 1, 2019 and continuing until the remaining balance is paid in full.

F. If Defendants fail to make timely payments to the Office of the Attorney General as required under this Final Judgment and Consent, and payments are delinquent for more than sixty (60) days, the Office of the Attorney General may refer collection of the monies due under this Consent Order to the Central Collections Unit (“CCU”) of the State of Maryland. If a referral is made, any monies due under this Final Judgment and Consent shall be increased by the amount of fees and interest assessed by CCU for collection of these funds.

G. Defendants acknowledge that, for the purposes of exceptions to discharge set forth in Section 523 of the Bankruptcy Code, 11 U.S.C. §523, any debt for disgorgement, prejudgment interest, civil penalty, or any other amounts due by Defendants under this Order or any other judgment, order, consent order, decree, or settlement agreement entered in connection with this proceeding, is a debt for violation by Defendants of the Maryland securities laws or any regulation or order issued under such laws, as set forth in section 523(a)(19) of the Bankruptcy Code, 11 U.S.C §523(a)(19).

H. Defendants agree that the cash monies paid pursuant to this Final Judgment and Consent, and any other monies recovered by the Securities Division in connection with this

matter will be used by the Office of the Attorney General for *pro rata* distribution, within its sole discretion as to the time and amounts of such distribution(s), to persons whom the Securities Commissioner within her discretion considers to be Defendants' investment advisory or securities business clients who have not been provided with or have not otherwise obtained full and actual payment of principal in connection with their Summit Trust preferred stock, MSEG promissory note, and Jenny DB Properties promissory note investments (the "Morley Investors"), and who have not waived any claims as to Defendants' indebtedness to them in connection with their Summit Trust preferred stock, MSEG promissory note, and Jenny DB Properties promissory note investments.

IT IS FURTHER ORDERED, and Defendants expressly consent and agree that, in the event that Defendants discover or become aware of, or if Defendants acquire or recover, from any source, assets not now in their possession but attributable to or accruing to or having been received from or belonging to, in connection with this matter, investments by any persons or entities in Summit Trust, MSEG, or Jenny DB Properties shall notify the Securities Commissioner within five business days of such discovery or acquisition of assets; and

IT IS FURTHER ORDERED, and Defendants expressly consent and agree that, if the Securities Commissioner receives information that Defendants have acquired or recovered assets not now in their possession but attributable to or accruing to or having been received from or belonging to, in connection with this matter, investments by any persons or entities in Summit Trust, MSEG, or Jenny DB Properties, then Defendants shall, in a plan approved by the Securities Commissioner, distribute those assets *pro rata* to the Morley Investors, as appropriate; and

IT IS FURTHER ORDERED, and Defendants expressly consent and agree that the Court retains jurisdiction of this matter for purposes of the construction, modification, and enforcement of this Final Judgement and Consent.

DATE OF THIS ORDER:

SO ORDERED:

Wanda K. Heard
Judge's Signature Appears on Original Document

December 14, 2018

Judge of the Circuit Court
For Baltimore City

By Consent:

Date

Ronald D. Morley

Date

Diane Morley

Date

Michael P. Shaw, Esquire
Attorney for Defendants

December 12, 2018

Date

**Commissioner's Signature on File
w/Original Document**

Melanie Senter Lubin
Securities Commissioner

Date

Arzhang Navai
Assistant Attorney General
Attorney for the Securities Commissioner

MELANIE SENTER LUBIN
Securities Commissioner
for the State of Maryland

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Plaintiff,

v.

IN THE

CIRCUIT COURT

FOR

BALTIMORE CITY

CASE NO. _____

RONALD D. MORLEY
and
DIANE MORLEY
(a/k/a J. Diane Burda, Diane Burda, Jennie
Burda, J. Diane Morley, and Jennie
Morley)
and
THE NEW WEALTH, LLC,
and
MAIN STREET ESTATE GROUP, INC.,
and
JENNY DB PROPERTIES, LLC,

Defendants.

* * * * *

SETTLEMENT AGREEMENT

This Settlement Agreement is made and entered into by and between Plaintiff the Securities Commissioner for the State of Maryland, Melanie Senter Lubin (the “Securities Commissioner”), and Defendants Ronald D. Morley, Diane Morley (together the “Morley Defendants”), and the Morley’s companies, The New Wealth, LLC, Main Street Estate Group, Inc., and Jenny DB Properties, LLC (collectively the “Defendants”).

WHEREAS, the Securities Commissioner is the principal executive officer of the Division of Securities in the Office of the Maryland Attorney General (the “Securities Division”), and in executing this agreement is acting pursuant to the authority granted under the

Maryland Securities Act, Title 11, Corporations and Associations Article, Annotated Code of Maryland (2014 Repl. Vol. & Supp. 2018) (the “Securities Act”); and

WHEREAS, the Securities Commissioner commenced this civil action by filing a Complaint against Defendants in the Circuit Court for Baltimore City (the “Complaint”), charging Defendants with violations of the Securities Act; and

WHEREAS, Defendants have agreed to enter into this Settlement Agreement; and

WHEREAS, the Securities Commissioner has determined that it is in the public interest and appropriate for the protection of investors to enter into this Settlement Agreement to resolve this action.

NOW, THEREFORE, the parties agree as follows:

88. Solely for purposes of reaching a settlement and agreement of all claims made by the Securities Division, Defendants admit and submit to the jurisdiction of this Court over them and over the subject matter of this action, and that venue is properly in this Court.

89. Defendants acknowledge service of the Summons and Complaint in this action.

90. Defendants consent to the entry of a Final Judgement and Consent Order for Permanent Injunction (the “Final Judgement and Consent”) and of an administrative Consent Order. This Settlement Agreement is incorporated by reference in the Final Judgement and Consent.

91. Prior to any findings or adjudication on the merits, Defendants waive their rights to a trial on the merits and agree to the entry of the attached Final Judgement and Consent, in resolution of the Complaint.

92. Defendants agree to cease and desist from engaging in acts and practices that violate the Securities Act and the regulations adopted thereunder.

93. Defendants agree to cease and desist from engaging in the securities business in Maryland, including but not limited to the offer and sale of securities in the form of stocks, bonds, limited partnerships, general partnerships, promissory notes, investment contracts, viatical settlement contracts, and pyramid and equipment leasing programs.

94. Defendants agree to cease and desist from engaging in the investment advisory business in Maryland, including but not limited to holding out and/or acting as an investment adviser, investment adviser representative, financial planner, or other financial adviser or financial consultant.

95. Defendants agree that the cash monies paid pursuant to the Final Judgement and Consent filed in this matter, and any other monies recovered by the Securities Division in connection with this matter will be used by the Office of the Attorney General for *pro rata* distribution, within its sole discretion as to the time and amounts of such distribution(s), to persons whom the Securities Commissioner within her discretion considers to be Defendants' investment advisory or securities business clients who have not been provided with or have not otherwise obtained full and actual payment of principal in connection with their Summit Trust preferred stock, MSEG promissory note, and Jenny DB Properties promissory note investments (the "Morley Investors"), and who have not waived any claims as to Defendants' indebtedness to them in connection with their Summit Trust preferred stock, MSEG promissory note, and Jenny DB Properties promissory note investments.

96. The Securities Commissioner has assessed a civil monetary penalty of \$3,999,715 against Defendants, jointly and severally, which shall be reduced dollar for dollar by amounts paid as part of the disgorgement payable to the Securities and Exchange Commission pursuant to the monetary penalty portion of the administrative order entered in the *Matter of Ronald D.*

Morley and The New Wealth, LLC, Securities Exchange Act of 1934 Release No. 79208 (November 1, 2016), Investment Company Act of 1940 Release No. 32346 (November 1, 2016), Administrative Proceeding File No. 3-17658.

97. The remaining balance due of the \$3,999,715 penalty shall be paid by check or wire transfer made payable to the Office of the Attorney General and used to establish a restitution fund (the “Restitution Fund”). Defendants shall make payments to the Restitution Fund in monthly installments on the first day of each month beginning on January 1, 2019 as follows:

- a. \$500 beginning on January 1, 2019 until March 31, 2019;
- b. \$600 beginning on April 1, 2019 until June 30, 2019;
- c. \$800 beginning on July 1, 2019 and continuing until the remaining balance is paid in full.

98. In the event Defendants discover or become aware of, or if Defendants acquire or recover, from any source, assets not now in their possession but attributable to or accruing to or having been received from or belonging to, in connection with this matter, investments by any persons or entities in Summit Trust, MSEG, or Jenny DB Properties, Defendants shall notify the Securities Commissioner within five business days of such discovery or acquisition of assets. If the Securities Commissioner receives such information from Defendants or from any other source, Defendants shall, in a plan approved by the Securities Commissioner, distribute those assets *pro rata* to the Morley Investors, as appropriate.

99. Defendants further consent that if at any time following the entry of the Final Judgment and Consent the Securities Commissioner obtains information indicating that Defendants have violated the terms of that agreement or of this Settlement Agreement in any

material respect, the Securities Commissioner may, at her sole discretion but with prior notice to Defendants, petition the Court for an order finding Defendant in contempt. In connection with any such petition, the only issue shall be whether Defendants have violated the terms of the Settlement Agreement in any material respect. In any such petition, the Securities Commissioner may move the Court to consider all available remedies, including but not limited to: ordering Defendants to pay fines; directing the freeze and forfeiture of any assets (as appropriate in light of any bankruptcy that may be pending at that time); or ordering sanctions for contempt of the Court's Final Judgement and Consent. The Securities Commissioner and Defendants may also request additional discovery. Defendants may not, by way of defense to any such petition, challenge the validity of this Settlement Agreement or assert that fines and restitution, as may be requested by the Securities Division as set forth in this paragraph, should not be ordered. Defendants may, however, contest the appropriate amount of fines and restitution. The Securities Commissioner, in addition to the above-described petition, may renew the allegations in the Complaint.

100. The Securities Commissioner and the Securities Division shall release any civil or administrative claims, actions, or liabilities, within the jurisdiction of the Securities Commissioner under the Securities Act, that were raised against Defendants based solely upon the facts alleged in the Complaint filed in this action.

101. This Settlement Agreement relates only to the Securities Commissioner and Defendants. This Settlement Agreement does not waive or relinquish the Securities Commissioner's right to take any action against any other party, nor does it prevent the Securities Commissioner from bringing any action against Defendants relating to any activities not specifically raised or incorporated by reference in the Complaint.

102. This Settlement Agreement is to operate as a release and discharge only as to Defendants' civil liability under the Complaint filed together with this Settlement Agreement.

103. Nothing in this Settlement Agreement precludes any person from pursuing any claim the person may have against Defendants or a related entity.

104. This Settlement Agreement sets forth the entire agreement and understanding of the parties and as to this matter supersedes all prior agreements, undertakings and understandings of the parties, whether written or oral. This Settlement Agreement may not be amended, modified, superseded, or canceled, and any conditions or requirements in this Settlement Agreement may be waived only by a written instrument executed by all parties.

105. This Settlement Agreement will be effective upon execution by Defendants and the Securities Commissioner, and upon issuance of the Final Judgement and Consent.

106. Defendants agree not to take action, make or permit to be made any statement denying, directly or indirectly, any allegation in the Complaint. Defendants further agree not to take any action or make any statement which creates or tends to create the impression that the Final Judgement and Consent is without factual basis. Nothing in this provision affects Defendant's testimonial obligation or their rights to take legal positions in litigation to which the Securities Division or the Securities Commissioner is not a party.

107. Defendants state that entry into this Settlement Agreement is a voluntary act on their part, that they are represented by counsel, that they have read and understand the settlement documents including this Settlement Agreement, and that no offers, tenders or promises of any kind whatsoever have been made by the Securities Commissioner or any member, officer, agent or representative thereof, other than those contained in this Settlement Agreement.

108. The Securities Commissioner and Defendants agree that jurisdiction will be retained by the Circuit Court for Baltimore City. Each party has the right to apply to that Court for such further orders and directions as may be necessary or appropriate for the enforcement of the Settlement Agreement. Because this Settlement Agreement is binding and legally enforceable as to Defendants and the Securities Commissioner, that Court shall have the authority to specifically enforce the provisions of this Settlement Agreement.

Date

Ronald D. Morley

Date

Diane Morley

Date

Michael P. Shaw, Esquire
Attorney for Defendants

**Commissioner's Signature on File
w/Original Document**

December 12, 2018
Date

Melanie Senter Lubin
Securities Commissioner

Date

Arzhang Navai
Assistant Attorney General
Attorney for the Securities Commissioner