

UNITED STATES OF AMERICA  
Before the  
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934  
Release No. 67758 /August 30, 2012

ADMINISTRATIVE PROCEEDING  
File No. 3-14939

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In the Matter of	:	
	:	ORDER MAKING FINDINGS AND
RAYMOND P. MORRIS	:	IMPOSING REMEDIAL SANCTIONS
	:	BY DEFAULT

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The Securities and Exchange Commission (Commission) issued an Order Instituting Proceedings (OIP) on July 6, 2012, pursuant to Section 15(b) of the Securities Exchange Act of 1934 (Exchange Act). The OIP alleges that Raymond P. Morris (Morris) was enjoined from future violations of the registration and antifraud provisions of the Securities Act of 1933 (Securities Act) and the Exchange Act in SEC v. Morris, No. 2:11-cv-00021 (D. Utah June 4, 2012), and questions what remedial action is appropriate in the public interest pursuant to Exchange Act Section 15(b) if this allegation is true. The OIP requires that Morris file an Answer within twenty days of service of the OIP. OIP at 2; 17 C.F.R. § 201.220(b).

On August 16, 2012, the Division of Enforcement (Division) filed a Notice of Service of Order Instituting Proceedings (Notice), with two exhibits, explaining that since the filing of the OIP, the Division has learned that Morris has relocated to a new address.<sup>1</sup> Notice at 1. The Division states that it identified Morris's new address and delivered the OIP to that location. Id. The USPS Domestic Return Receipt attached as the second exhibit to the Notice reflects that delivery of the OIP was made on July 21, 2012.

The Division filed a Motion for Default and Memorandum of Law in Support Pursuant to Rule 155 of the Commission's Rules of Practice with three exhibits (Motion) on August 17,

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<sup>1</sup> The first exhibit is an e-mail providing Morris's current address and requesting that Morris's address remain confidential, and the second exhibit is a copy of the USPS Domestic Return Receipt.

2012.<sup>2</sup> To date, Morris has not filed an Answer to the OIP or responded to the Division's Motion.

### **Ruling**

Morris is in default because he did not file an Answer to the OIP, respond to the Division's Motion, or otherwise defend the proceeding, and I deem the allegations in the OIP to be true. 17 C.F.R. §§ 201.155(a), .220(f).

### **Findings of Fact**

Morris is a forty-four-year-old individual who was the sole owner of E & R Holdings, LLC (E & R Holdings), Wise Financial Holdings, LLC (Wise Financial), and Momentum Leasing, LLC (Momentum). OIP at 1. Morris has never been registered with the Commission in any capacity and has never been licensed to sell securities. Id.

On January 6, 2011, the Commission initiated a civil action, Morris, naming Morris and nine others as defendants. Motion, Exhibit C at 1. The complaint alleged that from at least March 2007 through January 2009, Morris, through E & R Holdings, Wise Financial, and Momentum, offered and sold promissory notes to investors in unregistered, non-exempt transactions by making material oral and written misrepresentations to investors and omitting material information in order to raise approximately \$60 million in investor funds. Id. at 1-2, 5. Morris told investors that their investment was safe and high returns were guaranteed. Id. at 2, 6. He also told investors that their principal would be deposited in a secure account and would only be used to verify deposits. Id. Despite these representations, Morris used investor money to support his extravagant lifestyle, to make Ponzi payments to some investors and otherwise engaged in a variety of conduct which operated as a fraud and deceit on investors. Id. The Commission's complaint also alleged that Morris acted as an unregistered broker or dealer. Id. at 19.

The Court's final judgment in Morris, entered June 4, 2012, permanently enjoined Morris from future violations of Sections 5(a), 5(c), and 17(a) of the Securities Act and Sections 10(b) and 15(a) of the Exchange Act and Exchange Act Rule 10b-5. Motion, Exhibit B at 10-13. The Court ordered Morris to disgorge \$65,061,909, representing profits gained as a result of conduct alleged in the complaint, together with \$17,731,048.05 in prejudgment interest, and to pay a civil penalty of \$150,000. Id. at 13-14.

### **Conclusions of Law and Sanctions**

Section 15(b)(6)(A) of the Exchange Act states that the Commission shall impose sanctions on a person where the person, acting as a person associated with a broker or dealer, has been enjoined from engaging in conduct in connection with the purchase or sale of securities, if it is in the public interest to do so. See 15 U.S.C. § 78o(b)(4)(C); see, e.g., Vladislav Steven Zubkis, Exchange Act Release No. 52876 (Dec. 2, 2005), 86 SEC Docket 2618, 2627, recon.

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<sup>2</sup> Exhibit A is a copy of the USPS Domestic Return Receipt; Exhibit B is the Final Judgment in Morris; and Exhibit C is the Complaint in Morris.

denied, Exchange Act Release No. 53651 (Apr. 13, 2006), 87 SEC Docket 2584 (barring an unregistered, associated person of an unregistered broker-dealer from association with a broker or dealer).

The Commission uses the following factors in determining the public interest: (1) the egregiousness of the respondent's actions; (2) whether the violations were isolated or recurrent; (3) the degree of scienter; (4) the sincerity of the respondent's assurances against future violations; (5) the respondent's recognition of the wrongful nature of his or her conduct; and (6) the likelihood that the respondent's occupation will present opportunities for future violations. See Steadman v. SEC, 603 F.2d 1126, 1140 (5th Cir. 1979), aff'd on other grounds, 450 U.S. 91 (1981).

Application of the Steadman factors shows that Morris presents a threat to the public interest because of the likelihood of future violations. Morris constructed a scheme to defraud unsuspecting investors of at least \$60 million. Motion at 6, Exhibit B at 4. He took part in this scheme for nearly two years, and the Court in the underlying civil matter concluded that Morris had made numerous misrepresentations and omissions to investors, including misrepresentations regarding the risk associated with the investment program. Motion at 5, Exhibit B at 5-6. The Court further concluded that Morris had violated the antifraud provisions of the securities laws by, among other things, paying investor interest payments from funds received from new investors. Motion at 5, Exhibit B at 5-6. Morris has given no indication that he acknowledges wrongdoing and did not contest the Commission's motion for summary judgment in Morris or the allegations in this administrative proceeding. Motion at 6, Exhibit B at 2. The Commission has held that, "conduct that violates the antifraud provisions of the federal securities laws is especially serious and subject to the severest of sanctions under the securities laws." Marshall E. Melton, Investment Advisers Act of 1940 Release No. 2151 (July 25, 2003), 56 S.E.C. 695, 713.

For all the reasons stated, it is in the interest of the public to bar Morris from participating in the securities industry as allowed by Section 15(b)(6)(A) of the Exchange Act, except for bars from association with a municipal advisor or nationally recognized statistical rating organization. These collateral bars, added by the Dodd-Frank Wall Street Reform and Consumer Protection Act, signed into law on July 21, 2010, are impermissible in this proceeding because they retroactively attach new consequences to conduct that occurred prior to the statute's enactment.

### **Order**

I ORDER, pursuant to Section 15(b) of the Securities Exchange Act of 1934, that Raymond P. Morris is barred from association with a broker, dealer, investment adviser, municipal securities dealer, transfer agent, and from participating in an offering of penny stock.

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Brenda P. Murray  
Chief Administrative Law Judge