

**OFFICE OF THE MISSISSIPPI SECRETARY OF STATE
SECURITIES DIVISION**

IN THE MATTER OF:)	
)	
NICK L. MORGAN)	Administrative Consent Order
)	Number LS-15-1399
<i>Respondent</i>)	
)	

CONSENT ORDER

WHEREAS, the Securities Division of the Mississippi Secretary of State’s Office (“Division”), having the authority to administer and provide for the enforcement of all provisions of the Mississippi Securities Act (“Act”) codified at Mississippi Code Sections 75-71-101, *et. seq.*; and

WHEREAS, Nick L. Morgan (“Morgan” or “Respondent”) has waived any right to a hearing and appeal under the Act, with respect to this Administrative Consent Order (“Order”); and

WHEREAS, Morgan admits the jurisdictional allegations and consents and agrees to the entry of this Order by Morgan and the Division. This Order or any acts performed and documents executed in furtherance of this Order are not intended for use by any person or entity not a party to this proceeding as an admission of, or evidence of, any fault or omission of Morgan in any civil, criminal, or administrative proceeding in any court, administrative agency, or other tribunal. This Order is not intended to confer any rights upon any person or entities who were not a party to this proceeding;

NOW, THEREFORE, the Division, as Administrator of the Act, hereby enters this Order:

I. FINDINGS OF FACT

Parties

1. The Secretary of State (“Administrator”) has the authority pursuant to the Act to administer and enforce the Act and regulate the offer and sale of securities in Mississippi including the firms and persons who offer or sell securities or who provide investment advice regarding securities.

2. Morgan is a Mississippi-registered broker-dealer agent with a last known address of 1326 Olive Street, Jackson, Mississippi 39202. Morgan has a Central Registration Depository (“CRD”) number of 4096036. Morgan was registered with Signator Investors, Inc. (“Signator”) from August 16, 2009 through January 23, 2015 and registered with Kovack Securities, Inc. (“Kovack”) from February 20, 2015 through June 19, 2015.

Events

3. From August 16, 2009 to January 23, 2015, Morgan was registered with Signator as a broker-dealer agent at a branch office located in Ridgeland, Mississippi.

4. On or about November 12, 2014, the Division conducted an examination of the Ridgeland branch (CRD number 109712) and, after reviewing concerning paperwork, requested additional compliance history of Morgan. The compliance history revealed several offenses and deficiencies relating to Morgan, including emailing a client a request to sign a blank form and retaining several customer account documents that were incomplete and yet signed by the clients.

5. On January 23, 2015, Signator terminated its association with Morgan.

6. On or about March 11, 2015, pursuant to a heightened supervision agreement based on Morgan’s compliance history at Signator, Kovack registered Morgan as a broker-dealer agent at 602 Steed Road, Ridgeland, Mississippi.

7. The heightened supervision agreement included a 100% email review, accelerated and additional branch office audits, additional compliance training, and additional firm element continuing education units.
8. The first audit under the heightened supervision agreement was conducted by Kovack on April 13, 2015.
9. On June 10, 2015, an auditor from Kovack arrived at Morgan's office unannounced for a second audit.
10. The auditor examined Morgan's files and found two (2) outstanding deficiencies from the April 13, 2015 audit and a number of new deficiencies, including the retention of customer account documents (Client Profile forms, Fee Agreement forms, Investor Profile forms, and/or Transfer of Assets forms) that were incomplete and yet signed by the clients.
11. On or about June 19, 2015, Kovack terminated Morgan's employment with the firm.

II. APPLICABLE LAW

1. Miss. Code Ann. § 75-71-102(1) states, "'Administrator' means the Secretary of State."
2. Section 75-71-601(a) of the Act states, "Administration. The administrator shall administer this chapter."
3. The Division may employ remedies set out in Miss. Code Ann. § 75-71-604 of the Act which sets forth:

Administrative enforcement.

- (a) Issuance of an order or notice. If the administrator determines that a person has engaged, is engaging, or is about to engage in an act, practice, or course of business constituting a violation of this chapter or a rule adopted or order issued under this chapter or that a person has materially aided, is materially aiding, or is about to materially aid an act, practice, or course of business constituting a violation of this chapter or a rule adopted or order issued under this chapter, the administrator may:

- (1) Issue an order directing the person to cease and desist from engaging in the act, practice, or course of business or to take other action necessary or appropriate to comply with this chapter;
- (2) Issue an order denying, suspending, revoking, or conditioning the exemptions for a broker-dealer under Section 75-71-401(b)(1)(D) or (F) or an investment adviser under Section 75-71-403(b)(1)(C); or
- (3) Issue an order:
 - (A) Under Section 75-71-204;
 - (B) Imposing a civil penalty in the case of an issuer of registered securities, broker-dealer, investment advisor, agent, investment adviser representative, or other person who violated this chapter;
 - (C) Barring or suspending the person from association with a broker-dealer or investment advisor registered in this state; or
 - (D) Requiring the person to pay restitution for any loss or disgorge any profits arising from the violation, including interest.

* * *

(d) Civil penalty. In a final order under subsection (c), the administrator may impose a civil penalty in an amount set forth in Section 75-71-613 for each violation and each violation shall be considered a separate offense in a single proceeding or a series of related proceedings.

4. Rule 5.21(A) of the Rules enacted by the Administrator under the Act sets forth:

Standards of Conduct:

Each broker-dealer and agent shall observe high standards of commercial honor and just and equitable principles of trade in the conduct of their business. Acts and practices, including, but not limited to, the following, are considered contrary to such standards and may constitute grounds for denial, suspension, or revocation of registration, imposition of fines, or such other action authorized by statute.

(A) Broker Dealers

* * *

(23) Violating any laws or rules of the SEC or a national securities exchange or national securities association of which it is a member, or violating any federal or state securities law or any rule or regulation promulgated thereunder.

5. Rule 5.21 (B) of the Rules enacted by the Administrator under the Act sets forth:

(B) Agents

* * *

(6) Engaging in conduct specified in subsection (a) 1, 2, 3, 4, 5, 6, 8, 11, 12, 16, 17, 18, 19, 23 of this Rule.

The conduct set forth above is not inclusive. Engaging in other conduct such as forgery, embezzlement, non-disclosure, incomplete disclosure or misstatement of material facts, or manipulative or deceptive practices shall also be grounds for denial, suspension, or revocation of registration, or imposition of fines.

6. FINRA Rule 2010 states, "A member, in the conduct of its business shall observe high standards of commercial honor and just and equitable principles of trade."

7. Miss. Code Ann. § 75-71-411 states:

(d) Audits or inspections. The records of a broker-dealer registered or required to be registered under this chapter and of an investment adviser registered or required to be registered under this chapter are subject to such reasonable periodic, special, or other audits or inspections by a representative of the administrator, within or without this state, as the administrator considers necessary or appropriate in the public interest and for the protection of investors. An audit or inspection may be made at any time and without prior notice. The administrator may copy, and remove for audit or inspection copies of, all records the administrator reasonably considers necessary or appropriate to conduct the audit or inspection. The administrator may assess a reasonable charge for conducting an audit or inspection under this subsection.

* * *

(h) Continuing education. A rule adopted or order issued under this chapter may require an individual registered under Section 75-71-402 or Section 75-71-404 to participate in a continuing education program approved by the Securities and Exchange Commission and administered by a self-regulatory organization or, in the absence of such a program, a rule adopted or order issued under this chapter may require continuing education for an individual registered under Section 75-71-404.

8. Miss. Code Ann. § 75-71-613 sets forth:

Amounts of civil and criminal penalties.

(d) Amount of civil penalty and further civil penalty under Section 75-71- 604--administrative enforcement.

(1) The amount of the civil penalty described in Section 75-71-604(d) is a maximum of Twenty-five Thousand Dollars (\$25,000.00) for each violation, provided that an additional civil penalty may be imposed up to a maximum of Fifteen Thousand Dollars (\$15,000.00) for violations of the chapter committed against elders or disabled persons.

III. ACTIONS BASED UPON FINDINGS, APPLICABLE LAW, AND AGREEMENT

1. Action by the Division to halt further conduct by Respondent in violation of the Act is necessary and appropriate in the public interest and for the protection of investors, and is consistent with the purposes fairly intended by the policy and provisions of the Act.

2. The undersigned Respondent agrees that this Order contains, constitutes, and embodies the entire agreement between the undersigned, there being no agreement of any kind, verbal or otherwise, which varies, alters, or adds to this Order; and that this Order supersedes any prior communication, understanding, or agreement, whether written or oral, concerning the subject matter of this Order.

3. Respondent, by execution of this Order, affirmatively states that he has freely agreed to the signing of this Order, and that no threats, promises, representations, inducements, or offers of any kind, other than as stated in this document, have been made by the Division or any member of the staff of the Division, or any agent or employee of the Division in connection with the signing of this Order.

4. Based upon the foregoing Findings of Fact, and consistent with the consent of the Respondent as set forth herein, the Division makes the following:

IV. CONCLUSIONS OF LAW

1. The Administrator, after consideration of the facts set forth above and on the consent of Morgan and the Division, finds and concludes that the Secretary has jurisdiction over Morgan and this matter and that the following is in the public interest, necessary for the protection of public investors and consistent with the purposes intended by the Act.

2. Respondent obtained client signatures before completing a number Client Profile forms, Fee Agreement forms, Investor Profile forms, and/or Transfer of Assets forms in violation of Mississippi Securities Act Rule 5.21.

3. Respondent obtained client signatures before completing a number Client Profile forms, Fee Agreement forms, Investor Profile forms, and/or Transfer of Assets forms in violation of FINRA Rule 2010 which is a violation of Mississippi Securities Act Rules 5.21(A)(23) and 5.21(B)(6).

V. ORDER

IT IS HEREBY ORDERED:

1. This Order concludes the open matter with the Division with respect to Respondent's retention of signed blank forms at Signator and Kovack. However, nothing herein limits the ability of the Division, individually or jointly with other agencies, in pursuing any investigation with respect to any other securities-related matter involving the Respondent.

2. This Order is entered into for the purpose of resolving the previously referenced allegations and is not intended to be used for any other purpose.

3. Upon entry of this Order, Respondent shall pay to the Mississippi Secretary of State's Securities Division an administrative penalty in the amount of One Thousand Five Hundred Dollars (\$1,500.00).

4. Respondent shall fully and fairly comply with all of the following requirements:
 - a. Respondent agrees that he will comply with the provisions of the Act currently in effect or subsequently amended.
 - b. Respondent shall be subject to heightened supervision, for a period of two (2) years, which shall include:
 - i. Monthly in-person reviews of paperwork for a period of one (1) year;
 - ii. Four (4) in-person audits at his office each year for a period of two (2) years;
 - iii. Review of 100% of office emails and correspondence;
 - iv. Four (4) documented reviews of personal email, website, and social media;
 - v. Inability to hold a compliance position;
 - vi. Timely notification to the Division of any complaint or investigation (internal and external); and
 - vii. In-person continuing education training in addition to any firm or regulatory element:
 1. Two (2) hours of ethics education to be completed within the first six (6) months of association with a firm, and
 2. Six (6) hours of compliance related training to be completed over the first twenty-four (24) months of association with a firm.
 - c. Respondent shall, upon request by the Administrator, provide all documentation and information reasonably necessary for the Administrator to verify compliance with this Order.

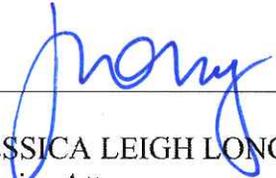
- d. Respondent shall not take any action, or make or permit to be made any public statement, denying, directly or indirectly, any finding in this Order or creating the impression that this Order is without factual basis. Nothing in this paragraph affects Respondent's (a) testimonial obligations; or (b) right to take legal or factual positions in defense of litigation or other legal proceedings to which the Administrator is not a party.
5. Morgan acknowledges that should he fail to comply with the provisions of this Order, the Division may enforce this Order pursuant to its statutes. In addition, the Division may impose additional sanctions and seek other appropriate relief for violations of this Order.
6. This Order is not intended to indicate that Respondent should be subject to any disqualifications contained in the federal securities law, the rules and regulations thereunder, the rules and regulations of self-regulatory organizations or various states' securities laws. In addition, this Order is not intended to form the basis for any such disqualifications.
7. This Order shall not disqualify Respondent from any business that he otherwise is qualified or licensed to perform under applicable state law and this Order is not intended to form the basis for any disqualification.
8. This Order contains, constitutes, and embodies the entire agreement between the undersigned, there being no agreement of any kind, verbal or otherwise, which varies, alters, or adds to this Order; and this Order supersedes any prior communication, understanding, or agreement, whether written or oral, concerning the subject matter of this Order.
9. In the event that one or more provisions contained in this Order shall for any reason be held to be invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect any other provision of this Order.

10. By his consent to and execution of this Order, Respondent affirmatively represents that he freely agrees to the signing of this Order by the Division, and that no threats, promises, representations, inducements, or offers of any kind, other than as stated in this document, have been made by the Division, any member of the staff of the Division, or any agent or employee of the Division in connection with the negotiations and signing of this Order.

Dated this the 8th day of September 2015.

C. DELBERT HOSEMANN, JR.
Secretary of State
State of Mississippi

By: _____


JESSICA LEIGH LONG
Senior Attorney
Securities Division

CONSENT TO ENTRY OF FINAL ORDER

Nick L. Morgan hereby acknowledges that he has been served with a copy of this Administrative Consent Order ("Order") has read this Order, is aware of his right to a hearing and appeal in this matter, and has waived the same.

Nick L. Morgan admits the jurisdiction of the Division and consents to entry of this Order by the Division as settlement of all matters relating to the examination referred in the Order.

Nick L. Morgan states that no promise of any kind or nature whatsoever was made to him to induce him to enter into this Order and that he has entered into this Order voluntarily.

Dated this the 3rd day of September 2015.

Nick L. Morgan

By: *Nick L. Morgan*

STATE OF Mississippi

COUNTY OF Madison

SUBSCRIBED AND SWORN TO before me this 3rd day of September 2015.

[Signature]
Notary Public



My commission expires: 6/25/16