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BEFORE THE ARIZONA CORPORATION COMMISSION

2011 DEC 22 A 10: 28

Arizona Corporation Commission

COMMISSIONERS

AZ CORP COMMISSION
DOCKET CONTROL

DOCKETED

GARY PIERCE, Chairman
BOB STUMP
SANDRA D. KENNEDY
PAUL NEWMAN
BRENDA BURNS

DEC 22 2011

DOCKETED BY

In the matter of:)
MORGAN FINANCIAL, LLC, an Arizona)
limited liability company,)
MORGAN FINANCIAL LENDERS, LLC, an)
Arizona limited liability company,)
JIMMY HARTGRAVES, JR. and LAURIE)
HARTGRAVES, husband and wife,)
Respondent.)

DOCKET NO. S-20719A-09-0583

SECURITIES DIVISION'S
RESPONSE TO RESPONDENTS'
NOTICE OF SUPPLEMENTAL
PAYMENTS TO MEMBERS OF
MORGAN FINANCIAL LENDERS,
L.L.C.

The Arizona Corporation Commission, Securities Division ("Division") responds and renews its objection to the following statements or representations included in Respondents' Notices of Supplemental Payments to Members of Morgan Financial, L.L.C. filed on November 14, 2011, and December 15, 2011, respectively (collectively "Supplemental Filings").

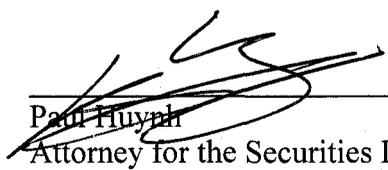
First, the Division renews its objection to the unsupported classification of certain investors in Schedule A, columns C and D, as a "Sophisticated Investor" and twenty-one individuals as an "Accredited Investor" listed in the Supplemental Filings. As noted in its post-hearing brief, the Respondents have the burden of establishing that their securities offers and sales completely satisfied the criteria of each exemption claimed. They did not meet this burden. Though not briefed by Respondents in their post-hearing brief, the Division explained in its post-hearing brief why the Respondents failed to establish that they qualified for an exemption pursuant to Rule 506 of Regulation D. See 17 C.F.R. § 230.506. Specifically, Respondents could not provide any tangible evidence that any investor was accredited or sophisticated, within the

1 meaning of Rule 506 of Regulation D. As a result, it would now be improper to allow the
2 Respondents to insert legal classifications that attempt to make their exemption argument
3 summarily, when they could not establish these facts at the hearing. As such, Schedule A,
4 Columns C and D should be stricken.

5 Finally, pursuant to A.A.C. R14-4-308(C), the Division requests that the Respondents be
6 ordered to provide verification of payments of principal or interest. Though the Supplemental
7 Filings appear to represent checks were prepared for disbursement, an affidavit, account
8 statement, or other proof of the receipt of payment would provide sufficient evidence to permit a
9 credit or offset to the Respondents for the amount of restitution requested by the Division in this
10 matter. Undersigned counsel has spoken to Respondents' counsel regarding this request and
11 agrees to permit the Respondents at least thirty days to provide the requested evidence or respond
12 accordingly.

13
14 RESPECTFULLY SUBMITTED this 22nd day of December, 2011.

15
16 By: _____


17 Paul Huynh
18 Attorney for the Securities Division of the
19 Arizona Corporation Commission

20 ORIGINAL AND THIRTEEN (13) COPIES of the foregoing
21 filed this 22nd day of December, 2011, with

22 Docket Control
23 Arizona Corporation Commission
24 1200 West Washington
25 Phoenix, AZ 85007

26 COPY of the foregoing hand-delivered this
27 22nd day of December, 2011, to:

28 ALJ Marc Stern
29 Arizona Corporation Commission/Hearing Division
30 1200 West Washington
31 Phoenix, AZ 85007

1 COPY of the foregoing mailed
2 this 22nd day of December, 2011, to:

3 Charles R. Berry
4 Polsinelli Shughart P.C.
5 One East Washington, Suite 1200
6 Phoenix, Arizona 85004
7 *Attorney for Respondents*

8 By: *Vernia Sandard*

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