PRESTON DUFAUCHARD
California Corporations Commissioner
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Deputy Commissioner
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BEFORE THE DEPARTMENT OF CORPORATIONS

OF THE STATE OF CALIFORNIA

In the Matter of the Accusation of THE CALIFORNIA CORPORATIONS COMMISSIONER, Complainant, v. KELLY KEITH MORGAN, as an individual, Respondents.	OAH CASE NO: 2011030812 CASE NO. 9817 AMENDED ACCUSATION

Preston DuFauchard, the California Corporations Commissioner ("Commissioner") of the Department of Corporations ("Department") files this Amended Accusation pursuant to Government Code section 11507 and alleges and charges as follows:

I. JURISDICTION AND VENUE

1. The Commissioner brings this action pursuant to the provisions of California Corporations Code sections 25212 and 25213 and the rules and regulations promulgated thereunder.

2. The Commissioner is authorized to administer and enforce the provisions of the Corporate Securities Law of 1968, Corporations Code section 25000 *et seq*., and the regulations thereunder at California Code of Regulations, title 10, section 260.000 *et seq*.

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II. STATEMENT OF FACTS

3. This action is brought to bar respondent Kelly Keith Morgan ("Morgan") from any position of employment, management or control of any investment adviser, broker-dealer or commodity adviser pursuant to Corporations Code section 25213.

4. On February 11, 2009, the Department issued a desist and refrain order ("order") against CanAm Capital Corporation ("CanAm"), Kelly Morgan ("Morgan") and Jay J. Barnhardt also known as J.J. Barnhardt or Jay Jordan Barnhardt ("JB") for offering and selling unqualified securities through the use of general solicitations known as "cold calls" in violation of Corporations Code section 25110. During the time relevant to the order, Morgan was the vice president of client relations for CanAm.

5. Morgan requested a hearing to challenge the findings of the order and the hearing was set for July 14, 2009. On July 13, 2009, Morgan withdrew the request for a hearing, therefore no hearing took place and the order remains final.

6. In or about October 2009, Morgan began soliciting investors again, and did not disclose to investors the prior order in violation for Corporations Code section 25401.

7. On December 15, 2009, Morgan began employment with Santa Rita Partners, Inc. ("Santa Rita") a licensed broker-dealer located at 1875 Century Park East, Suite 1860, Los Angeles, California 90067.

8. On December 16, 2009, Morgan filed an application to become a registered representative for Santa Rita. Morgan made a material misrepresentation and material omission by failing to report the prior order on his application, and his application was approved in California on January 11, 2010.

9. On January 20, 2011, in the California Superior Court County of Los Angeles, a temporary restraining order was issued against Kelly Morgan, which was upheld when the Court entered a preliminary injunction on March 7, 2011, in civil case number BC453286 enjoining Kelly Morgan (1) from the offer or sale of unqualified non-exempt securities; (2) from the offer or sale of

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securities by means of misrepresentations or omissions of material facts; and (3) from violating the desist and refrain order issued against them on February 11, 2009.

III. RESPONDENT KELLY KEITH MORGAN SHOULD BE BARRED FROM ANY POSITION OF EMPLOYMENT, MANAGEMENT OR CONTROL OF ANY INVESTMENT ADVISER, BROKER-DEALER OR COMMODITY ADVISER

9. Corporations Code section 25213 provides, in pertinent part:

> The commissioner may, after appropriate notice and opportunity for hearing, by order censure, or suspend for a period not exceeding 12 months or deny or bar from any position of employment, management or control of any broker-dealer . . . or any officer, director, partner, agent, employee of . . .a broker-dealer, or any other person if the commissioner finds that the . . .denial or bar is in the public interest and the person committed any act or omission enumerated in subdivision (a), (e), (f) or (g) of Section 25212 . . .or is enjoined from any act, conduct or practice specified in subdivision (c) of Section 25212 or is subject to any order specified in subdivision (d) of section 25212."

10. Kelly Keith Morgan is subject to being barred from any position of employment, management or control of any investment adviser, broker-dealer or commodity adviser pursuant to Corporations Code section 25213, for acts committed as specified in Corporations Code section 25212 as follows:

a. 25212(a), for willfully misrepresenting a material fact and omitting a material fact by failing to disclose the prior order issued against him in his application for registration. The order is a material fact that should have been disclosed in the application;

b. 25212(c), [i]s permanently or temporarily enjoined by order, judgment, or decree of any court of competent jurisdiction from . . . engaging in or continuing any conduct or practice . . . in connection with the purchase or sale of any security.

c. 25212(e), Morgan willfully violated Corporations Code section 25401, by omitting to disclose to investors the prior order issued against himself and CanAm.

V. RELIEF REQUESTED

WHEREFORE, based upon the foregoing, the Commissioner finds it is in the public interest

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to bar Kelly Keith Morgan from any position of employment, management or control of any investment adviser, broker-dealer or commodity adviser pursuant to Corporations Code section 25213 for acts committed as specified in Corporations Code section 25212, subdivisions (a), (c) and (e).

Dated: September 2, 2011

PRESTON DUFAUCHARD
California Corporations Commissioner

By: _____
MARY ANN SMITH
Senior Corporations Counsel
Enforcement Division

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