

**ADMINISTRATIVE PROCEEDING
BEFORE THE
SECURITIES COMMISSIONER OF SOUTH CAROLINA**

IN THE MATTER OF:

**Leonard Owens,
Michael Strong,
Kenneth O’Connell, and
Moncks Corner Finance Inc.,**

Respondents.

ORDER TO CEASE AND DESIST

File Number: 11008

WHEREAS, the Securities Division of the Office of the Attorney General of the State of South Carolina (the “Division”) has been authorized and directed by the Securities Commissioner of South Carolina (the “Securities Commissioner”) to administer the provisions of S.C. Code Ann. § 35-1-101, *et seq.*, the South Carolina Uniform Securities Act of 2005 (the “Act”); and

WHEREAS, the Division received information regarding alleged activities of Leonard Owens (“Owens”), Michael Strong (“Strong”), Kenneth O’Connell (“O’Connell”), and Moncks Corner Finance (“MCF”) (collectively, “Respondents”) which, if true, would constitute violations of the Act; and

WHEREAS, the information led the Division to open and conduct an investigation of the Respondents pursuant to S.C. Code Ann. § 35-1-602; and

WHEREAS, the Division has determined the following:

I. JURISDICTION

1. The Commissioner has jurisdiction over this matter pursuant to S.C. Code Ann. § 35-1-601(a).

II. RESPONDENTS

2. Owens is a South Carolina resident, with a last known mailing address at Post Office Box 1642, Moncks Corner, South Carolina 29461.

3. Strong is a South Carolina resident, with a last known mailing address at 150 Ridge Lake Drive, Manning, South Carolina 29102.

4. O'Connell is a North Carolina resident, with a last known mailing address at 3414 Covered Bridge Lane, Charlotte, North Carolina 28210.

5. MCF is a dissolved South Carolina corporation with a business address at 474 East Main Street, Moncks Corner, South Carolina 29461.

III. FINDINGS OF FACT

6. MCF was formed in 1997 as a consumer lending business in Moncks Corner, Berkeley County, South Carolina.

7. MCF's ownership group consisted of Owens, Strong, O'Connell, and Gail Owens.

8. Accounting and bookkeeping services for MCF were provided by O'Connell's CFS Financial Services, of Charlotte, North Carolina.

9. MCF was dependent on large sums of cash to operate its consumer loan business.

10. A shortage of available cash led O'Connell to develop a scheme whereby MCF would finance its operations through the offer and sale of promissory notes (the "Investments") to investors (the "Investors") located inside and outside of South Carolina.

11. In exchange for an investment of money, the Investors were promised profits in the form of an above-market rate of interest which, in turn, would be paid for by the interest rates that MCF charged the customers of its consumer loan business.

12. Between 2000 and 2009, MCF sold at least \$1,275,297 in Investments to at least forty-seven (47) Investors.

13. O'Connell offered and sold Investments to a number of Investors in North Carolina.

14. Shortly after developing the Investments scheme, Owens, Strong, and O'Connell met with a law firm in Columbia, South Carolina (the "Law Firm") to assess the legality of the Investments.

15. The Law Firm informed Owens, Strong, and O'Connell that the Investments constituted securities, and in order to be legally offered for sale in South Carolina the Investments would need to be registered with the Division or exempt from registration.

16. Owens, Strong, and O'Connell balked at the cost of registering the Investments, and did not follow the Law Firm's advice.

17. However, as the Investments constituted securities under the Act, and were not registered or offered under a claim of exemption from registration, they could not be legally offered for sale in South Carolina.

18. From the time of the meeting with the Law Firm, until MCF ceased offering Investments, Owens, Strong, and O'Connell failed to inform Investors that the Investments could not legally be offered for sale in South Carolina.

19. Investors were likewise not informed of the material contingent liability faced by MCF, Owens, Strong, and O'Connell as a result of their continuing, intentional violation of the Act through the sale of unregistered and non-exempt securities.

20. Investors were not informed that MCF's funds were used to pay Owens' mortgage and car payments as well as Strong's wife's car payments.

21. By 2006 MCF began to experience cash flow problems, impairing its ability to repay Investors.

22. In 2008, MCF, Owens, and Strong were sued by the Investors and subsequently settled, confessing judgment in the full amount outstanding on the Investments.

23. On July 25, 2012, MCF was administratively dissolved by the South Carolina Secretary of State.

IV. CONCLUSIONS OF LAW

24. The South Carolina Uniform Securities Act of 2005, S.C. Code Ann. § 35-1-101, *et seq.*, governs the offer and sale of securities within the State of South Carolina.

25. Pursuant to S.C. Code Ann. § 35-1-102(29), promissory notes and investment contracts are securities.

26. The Investments offered and sold by Respondents are securities as defined by the Act.

27. Pursuant to S.C. Code Ann. § 35-1-301, it is unlawful for a person to sell a security within South Carolina unless that security is a federal covered security, exempt from registration, or registered with the Division.

28. The Investments offered and sold by Respondents were not federal covered securities, exempt from registration, or registered with the Division, and were therefore sold in violation of the Act.

29. Pursuant to S.C. Code Ann. § 35-1-501, it is unlawful for a person in connection with the offer or sale of a security in South Carolina: (1) to employ a scheme, device, or artifice to defraud; (2) to make an untrue statement of material fact or to omit to state a material fact necessary in order to make the statements made, in light of the circumstances in which they were

made, not misleading; or (3) to engage in an act, practice or course of business that operates or would operate as a fraud or deceit upon another person.

30. Respondents offered and sold securities within the State of South Carolina (1) while employing a scheme, device, or artifice to defraud; (2) through the making of untrue statements of material fact or to omitting to state a material fact necessary in order to make the statements made, in light of the circumstances in which they were made, not misleading; and (3) by engaging in an act, practice, or course of business that operated as a fraud or deceit upon another person.

V. ORDER

WHEREAS, pursuant to S.C. Code Ann. §35-1-604(a)(1), if the Securities Commissioner 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 the Act or a rule adopted or order issued under the Act, the Securities Commissioner may 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 the Act; and

WHEREAS, pursuant to S.C. Code Ann. § 35-1-604(b), an order issued under Section 35-1-604(a) is effective on the date of issuance and must include a statement of any civil penalty or costs of investigation the Division will seek, a statement of the reasons for the order, and notice that a hearing will be scheduled within fifteen (15) days if one is requested; and

WHEREAS, by reason of the foregoing, it is in the public interest, for the protection of investors, and consistent with the purposes fairly intended by the policy and provisions of the Act that Respondents be ordered to cease and desist from engaging in the above enumerated practices which constitute a violation of the Act;

NOW THEREFORE, pursuant to S.C. Code Ann. § 35-1-604(a)(1), it is hereby

ORDERED that:

1. Respondents and every successor, affiliate, control person, agent, servant, and employee of Respondents, and every entity owned, operated, or indirectly or directly controlled by or on behalf of Respondents **CEASE AND DESIST** from transacting business in this State in violation of the Act, and in particular, S.C. Code Ann. §§ 35-1-301 and 35-1-501 thereof;
2. Respondent Owens pay a civil penalty in the amount of **Ten Thousand Dollars (\$10,000.00)** if this Order becomes effective by operation of law, or, if Owens seeks a hearing and any legal authority resolves this matter, pay a civil penalty in an amount not to exceed **Ten Thousand Dollars (\$10,000.00)** for each violation of the Act by Owens, and the actual cost of the investigation or proceeding;
3. Respondent Strong pay a civil penalty in the amount of **Ten Thousand Dollars (\$10,000.00)** if this Order becomes effective by operation of law, or, if Strong seeks a hearing and any legal authority resolves this matter, pay a civil penalty in an amount not to exceed **Ten Thousand Dollars (\$10,000.00)** for each violation of the Act by Strong, and the actual cost of the investigation or proceeding; and
4. Respondent O'Connell pay a civil penalty in the amount of **Ten Thousand Dollars (\$10,000.00)** if this Order becomes effective by operation of law, or, if O'Connell seeks a hearing and any legal authority resolves this matter, pay a civil penalty in an amount not to exceed **Ten**


Thousand Dollars (\$10,000.00) for each violation of the Act by O'Connell, and the actual cost of the investigation or proceeding.

IT IS FURTHER ORDERED that, pursuant to S.C. Code Ann. § 35-1-604(a)(2) and (3), any exemption from registration with the Division that Respondents may claim to rely upon under S.C. Code Ann. §§ 35-1-201(3)(C), (7), or (8); 35-1-202; 35-1-401(b)(1)(D) or (F); or 35-1-403(b)(1)(C), has been and is **PERMANENTLY REVOKED**.

THIS ORDER DOES NOT PREVENT THE DIVISION OR ANY OTHER LAW ENFORCEMENT AGENCY FROM SEEKING SUCH OTHER CIVIL OR CRIMINAL REMEDIES THAT ARE AVAILABLE UNDER THE ACT, INCLUDING REMEDIES RELATED TO OFFERS OR SALES OF SECURITIES BY THE RESPONDENTS WHICH ARE NOT SET FORTH ABOVE.

ENTERED at Columbia, South Carolina, this 27th day of November, 2013.

ALAN WILSON
SECURITIES COMMISSIONER

By: 
TRACY A. MEYERS
Assistant Deputy Attorney General
Post Office Box 11549
Columbia, South Carolina 29211

REQUIREMENT OF ANSWER AND NOTICE OF OPPORTUNITY FOR HEARING

Respondents are hereby notified that each has the right to a hearing on the matters contained herein. To schedule such a hearing, a Respondent must file with the Securities Division, Post Office Box 11549, Rembert C. Dennis Building, Columbia, South Carolina 29211-1549, attention: Thresechia Navarro, within thirty (30) days of the date of service of this Order a written Answer specifically requesting that a hearing be held to consider rescinding the Order. If requested by a Respondent, a hearing shall be scheduled within fifteen (15) days.

In his written Answer, a Respondent, in addition to requesting a hearing, shall admit or deny each factual allegation of the Order, shall set forth concisely the matters of law, specific facts, and affirmative defenses, if any, upon which the Respondent relies. If a Respondent is without knowledge or information sufficient to form a belief as to the truth of an allegation, he shall so state.