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**STATE OF CALIFORNIA**  
**BUSINESS, TRANSPORTATION AND HOUSING AGENCY**  
**DEPARTMENT OF CORPORATIONS**

TO: Andrew E. Mercer, President  
The Mercer Group, Inc.  
2421 Fenton Street Ste. A  
Chula Vista, CA 91914

**DESIST AND REFRAIN ORDER**  
**(For violation of sections 25210 and 25401 of the Corporations Code)**

The California Corporations Commissioner finds that:

1. The Mercer Group, Inc. (“TMG”) is a corporation incorporated under the laws of California on November 26, 1997. Its principal place of business is at 2421 Fenton Street Suite A, Chula Vista, CA 91914. It maintains a website at [www.themercergroup.biz](http://www.themercergroup.biz). Andrew E. Mercer is the president and control person of TMG.

2. TMG owns equity interests in several companies, including Paradigm System Solutions Inc. (“PSSI”), a company in the computer business. TMG issues and sells securities in the form of interests in a limited liability company, TMG Holdings, LLC (“TMG Holdings”). TMG Holdings shareholders receive dividends in the form of shares of stock in companies including PSSI.

2. From at least November 2006 through March 2007, Mercer and TMG offered and sold shares of TMG Holdings to investors with the understanding that investors would receive both TMG Holdings shares and PSSI shares. Mercer and TMG used the funds invested by TMG Holdings investors to purchase PSSI shares and then distributed the PSSI shares to those investors.

3. The shares of stock in PSSI, which were purchased using TMG Holdings’ investor funds and then distributed to TMG Holdings investors, were securities within the meaning of

1 Corporations Code section 25019. In purchasing PSSI shares for TMG Holdings shareholders,  
2 Mercer and TMG acted as broker-dealers within the meaning of Corporations Code section 25004.

3  
4 4. Neither Mercer nor TMG has obtained from the California Corporations  
5 Commissioner a certificate to act as a broker-dealer. Neither Mercer nor TMG is exempt from the  
6 certificate requirement.

7  
8 5. In offering and selling the securities of TMG Holdings and PSSI, Mercer and TMG  
9 failed to disclose that in 1996, Mercer's registration had been suspended by the National Association  
10 of Securities Dealers, Inc. ("NASD"), which has now been replaced by the Financial Industry  
11 Regulatory Authority ("FINRA"), for failure to pay an arbitration award in an arbitration case  
12 brought against him in his capacity as president of Devcon Land Corporation.

13  
14 Based upon the foregoing findings, the California Corporations Commissioner is of the opinion  
15 that Andrew E. Mercer and The Mercer Group, Inc. have effected transactions in securities as broker-  
16 dealers without having first applied for and secured from the Commissioner a certificate authorizing  
17 them to act in that capacity, in violation of section 25210 of the Corporate Securities Law of 1968.  
18 Pursuant to section 25532 of the Corporate Securities Law of 1968, Andrew E. Mercer and The  
19 Mercer Group, Inc., are hereby ordered to desist and refrain from effecting any transaction in, or  
20 inducing or attempting to induce the purchase or sale of, any security in this state, including but not  
21 limited to shares of stock in another company, unless and until they have applied for and secured from  
22 the Commissioner a certificate, then in effect, authorizing them to act in that capacity, or unless  
23 exempt.

24  
25 Further, the California Corporations Commissioner is of the opinion that Andrew E. Mercer  
26 and The Mercer Group, Inc. offered or sold securities in this state by means of written or oral  
27 communications which included an untrue statement of a material fact or omitted to state a material  
28 fact necessary in order to make the statements made, in the light of the circumstances under which

1 they were made, not misleading, in violation of section 25401 of the Corporate Securities Law of  
2 1968. Pursuant to section 25532 of the Corporate Securities Law of 1968, Andrew E. Mercer and The  
3 Mercer Group, Inc. are hereby ordered to desist and refrain from offering or selling any security in the  
4 State of California, including but not limited to interests in a limited liability company and stock, by  
5 means of any written or oral communication which includes an untrue statement of material fact or  
6 omits to state a material fact necessary in order to make the statements made, in light of the  
7 circumstances under which they were made, not misleading.

8  
9 This Order is necessary, in the public interest, for the protection of investors and consistent  
10 with the purposes, policies, and provisions of the Corporate Securities Law of 1968.

11  
12 Dated: October 8, 2008  
13 Los Angeles, California

14 PRESTON DuFAUCHARD  
15 California Corporations Commissioner

16  
17 By: \_\_\_\_\_  
18 ALAN S. WEINGER  
19 Acting Deputy Commissioner  
20 Enforcement Division  
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1 MARY ANN SMITH  
Deputy Commissioner  
2 SEAN ROONEY  
Assistant Chief Counsel  
3 JOYCE TSAI  
Senior Corporations Counsel (SBN 241908)  
4 DEPARTMENT OF CORPORATIONS  
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5 San Diego, CA 92101  
Telephone: (619) 525-4043  
6

7 Attorneys for Complainant

8  
9 BEFORE THE DEPARTMENT OF CORPORATIONS  
10 OF THE STATE OF CALIFORNIA

In the Matter of	)	CASE NO.
	)	
THE COMMISSIONER OF CORPORATIONS	)	1) STATEMENT IN SUPPORT OF
OF THE STATE OF CALIFORNIA,	)	ORDER LEVYING ADMINISTRATIVE
	)	PENALTIES PURSUANT TO
Complainant,	)	CORPORATIONS CODE
v.	)	SECTION 25252;
	)	
MERCER GROUP, INC.,	)	2) CLAIM FOR ANCILLARY RELIEF
DIRECT MEDIA ENTERPRISES, INC., and	)	PURSUANT TO CORPORATIONS
ANDREW MERCER,	)	CODE SECTION 25254;
	)	
Respondents.	)	3) DESIST AND REFRAIN ORDER

19  
20 Jan Lynn Owen, the Commissioner of Corporations of the State of California  
21 (“Commissioner”), alleges and charges as follows:

22 **I.**

23 **STATEMENT OF FACTS**

24 1. Mercer Group, Inc., also known as The Mercer Group or TMG (“Mercer Group”), is  
25 a corporation formed under the laws of California on November 26, 1997. Its principal place of  
26 business is 2421 Fenton Street, Suite A, Chula Vista, California 91914. At all relevant times,  
27 Andrew Mercer (“Mercer”) was the president of Mercer Group.



1 25210 by acting as broker-dealers without a license. The Order also found that Respondents Mercer  
2 and Mercer Group had violated Corporations Code section 25401 by failing to disclose that  
3 Respondent Mercer had been suspended in 1996 by the National Association of Securities Dealers,  
4 Inc. (“NASD,” now known as the Financial Industry Regulatory Authority, or “FINRA”).

5 11. By failing to disclose the Order, Respondents made, or caused their agents to make,  
6 misrepresentations of material fact or omitted to state material facts necessary in order to make the  
7 statements made, in the light of the circumstances under which they were made, not misleading.

8 12. Corporations Code section 25401 prohibits the offer and/or sale of securities in this  
9 state by means of written or oral communications that include untrue statements of material fact or  
10 omit material facts necessary in order to make the statements made, in the light of the circumstances  
11 under which they were made, not misleading.

## 12 II.

### 13 ORDER LEVYING ADMINISTRATIVE PENALTIES

#### 14 (For violations of Corporations Code sections 25110 and 25401)

15 13. Complainant re-alleges and reincorporates by reference paragraphs 1-12 of this  
16 Statement in Support as though fully set forth herein.

17 14. Corporations Code section 25252, subd. (a) authorizes the Commissioner to issue an  
18 order levying administrative penalties against any person for willful violations of any provision of  
19 the CSL and any rules promulgated thereunder. Specifically, Corporations Code section 25252  
20 provides, in relevant part:

21 The commissioner may, after appropriate notice and opportunity for hearing,  
22 by orders, levy administrative penalties as follows:

23 (a) Any person subject to this division, other than a broker-dealer or  
24 investment adviser, who willfully violates any provision of this division, or  
25 who willfully violates any rule or order adopted or issued pursuant to this  
26 division, is liable for administrative penalties of not more than one thousand  
dollars (\$1,000) for the first violation, and not more than two thousand five  
hundred dollars (\$2,500) for each subsequent violation.

27 15. Based on the foregoing findings of fact, as set forth fully above in paragraphs 1-12,  
28 Respondents Direct Media, Mercer Group, and Mercer willfully violated the following provisions:

1 a) Corporations Code section 25110 by offering and selling securities that are not  
2 qualified by the Department or exempt to at least seven investors or according to proof.

3 b) Corporations Code section 25401 by making misrepresentations and omissions of  
4 material fact in connection with the offer and sale of securities to at least seven investors or  
5 according to proof.

6 **WHEREFORE**, good cause showing, and pursuant to Corporations Code section 25252, the  
7 Commissioner prays for an order levying administrative penalties against Respondents Direct Media  
8 Enterprises, Inc., Mercer Group, Inc., and Andrew Mercer, jointly and severally, as follows:

9 A) That pursuant to Corporations Code section 25252, the Commissioner levy  
10 administrative penalties of one thousand dollars (\$1,000) for the first violation of Corporations Code  
11 section 25110 and two thousand five hundred dollars (\$2,500) for each subsequent violation, for a  
12 total amount of \$16,000.00 or according to proof.

13 B) That pursuant to Corporations Code section 25252, the Commissioner levy  
14 administrative penalties of one thousand dollars (\$1,000) for the first violation of Corporations Code  
15 section 25401 and two thousand five hundred dollars (\$2,500) for each subsequent violation, for a  
16 total amount of \$16,000.00 or according to proof.

17 C) The total amount of administrative penalties for Respondents' violations of  
18 Corporations Code sections 25110 and 25401 is \$32,000.00.

19 **III.**

20 **CLAIM FOR ANCILLARY RELIEF**

21 **(For violations of Corporations Code sections 25110 and 25401)**

22 20. Complainant re-alleges and reincorporates by reference paragraphs 1-12 of this  
23 Statement in Support as though fully set forth herein.

24 21. Corporations Code section 25254 authorizes the Commissioner to seek ancillary relief  
25 on behalf of any person injured by violations of any provision of the CSL and any rules promulgated  
26 thereunder. Corporations Code section 25254 states:

27 (a) If the commissioner determines it is in the public interest, the  
28 commissioner may include in any administrative action brought under  
this part a claim for ancillary relief, including, but not limited to, a

claim for restitution or disgorgement or damages on behalf of the persons injured by the act or practice constituting the subject matter of the action, and the administrative law judge shall have jurisdiction to award additional relief.

(b) In an administrative action brought under this part, the commissioner is entitled to recover costs, which in the discretion of the administrative law judge may include an amount representing reasonable attorney’s fees and investigative expenses for the services rendered, for deposit into the State Corporations Fund for the use of the Department of Corporations.

22. Based on the foregoing findings of fact, as set forth fully above in paragraphs 1-12, Respondents sold unqualified securities in an amount of at least \$220,000.00 to at least seven investors in violation of Corporations Code sections 25110 and 25401.

**WHEREFORE**, good cause showing and the Commissioner having determined that this action is in the public interest and necessary to effectuate the Department’s regulatory purpose based upon the Respondents’ violations of the CSL, the Commissioner hereby prays for an order of ancillary relief pursuant to Corporation Code section 25254 against Respondents Direct Media Enterprises, Inc., Mercer Group, Inc., and Andrew Mercer, individually, jointly and severally as follows:

A) Full restitution, consisting of the investors’ investment principal in an amount of at least \$220,000.00 and the legal rate of interest accumulated on the investment principal or according to proof;

B) Recovery of attorney’s fees, investigative expenses, and costs in an amount of at least \$3,000.00, or according to proof.

**IV.**

**DESIST AND REFRAIN ORDER**

23. Complainant re-alleges and reincorporates by reference paragraphs 1-12 of this Statement in Support as though fully set forth herein.

24. Corporations Code section 25532, in pertinent part, states:

(a) If, in the opinion of the commissioner, (1) the sale of a security is subject to qualification under this law and it is being or has been offered or sold without first being qualified, the commissioner may order the issuer or offeror of the



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security to desist and refrain from the further offer or sale of the security until qualification has been made under this law ....

(c) If, in the opinion of the commissioner, a person has violated or is violating Section 25401, the commissioner may order that person to desist and refrain from the violation.

25. Based on the foregoing findings of fact, as set forth fully above in paragraphs 1-12, the Commissioner is of the opinion that the securities in the form of common stock in Direct Media that were offered and sold by Direct Media Enterprises, Inc., Mercer Group, Inc., and Andrew Mercer are securities subject to qualification under the CSL and are being or have been offered and sold without being qualified, in violation of Corporations Code section 25110.

26. Further, the Commissioner is of the opinion that the securities offered by Direct Media Enterprises, Inc., Mercer Group, Inc., and Andrew Mercer were offered in this state by means of written or oral communications that included untrue statements of material fact or omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading, in violation of Corporations Code section 25401.

**IT IS HEREBY ORDERED EFFECTIVE IMMEDIATELY THAT:**

A) Pursuant to Corporations Code section 25532, Direct Media Enterprises, Inc., Mercer Group, Inc., and Andrew Mercer desist and refrain from the further offer or sale in the State of California of securities, including but not limited to common stock, unless and until qualification has been made under this law or unless exempt.

B) Pursuant to Corporations Code section 25532, Direct Media Enterprises, Inc., Mercer Group, Inc., and Andrew Mercer desist and refrain from offering and selling securities, including but not limited to common stock, by means of any written or oral communication which includes an untrue statement of a material fact or omits to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading.

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This Order is necessary, in the public interest, for the protection of investors and consistent with the purposes, policies, and provisions of the CSL.

Dated: May 22, 2013

JAN LYNN OWEN  
Commissioner of Corporations

By: \_\_\_\_\_  
MARY ANN SMITH  
Deputy Commissioner