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BEFORE THE DEPARTMENT OF CORPORATIONS

OF THE STATE OF CALIFORNIA

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

Jan Lynn Owen, the Commissioner of Corporations of the State of California ("Commissioner"), alleges and charges as follows:

I.

STATEMENT OF FACTS

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

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2. Direct Media Enterprises, Inc. ("Direct Media") is a corporation formed under the laws of Nevada on May 27, 2010. Its principal place of business is also 2421 Fenton Street, Suite A, Chula Vista, California 91914. At all relevant times, its president was Mercer.

3. Mercer Group, Direct Media, and Mercer are hereinafter referred to collectively as "Respondents." Whenever reference is made in this Statement in Support to "Respondents" doing any act, the allegation shall mean the act of each respondent acting individually, jointly and severally.

VIOLATION OF CORPORATIONS CODE SECTION 25110

(UNQUALIFIED OFFER AND SALE OF SECURITIES)

4. Beginning in 2011 or earlier, Respondents offered and sold securities in the form of common stock in Direct Media.

5. The common stock in Direct Media is a "security" subject to qualification under the Corporate Securities Law of 1968 (Corp. Code § 25000 et seq.).

6. Corporations Code section 25110 prohibits the offer and sale of unqualified, non-exempt securities in this state.

7. The common stock in Direct Media was not qualified or exempt.

8. Respondent Mercer, acting individually and in concert with his agents, including but not limited to Respondent Mercer Group, Respondent Direct Media, and individuals acting as his agents, offered and sold these securities by means of general solicitation: specifically, Respondent Mercer and his agents used telephone "cold calls" to offer and sell these securities.

9. Respondents offered and sold these securities to people with whom they had no preexisting relationship.

VIOLATION OF CORPORATIONS CODE SECTION 25401

(MISREPRESENTATIONS OR OMISSIONS OF MATERIAL FACT)

10. In connection with the offer and sale of these securities, Respondents failed to disclose to prospective investors that Respondents Mercer and Mercer Group had been issued a Desist and Refrain Order ("Order") by the Commissioner of Corporations on October 8, 2008. The Order found that Respondents Mercer and Mercer Group had violated Corporations Code section

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

11. By failing to disclose the Order, Respondents made, or caused their agents to make, misrepresentations 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.

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

II.

ORDER LEVYING ADMINISTRATIVE PENALTIES

(For violations of Corporations Code sections 25110 and 25401)

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

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

> The commissioner may, after appropriate notice and opportunity for hearing, by orders, levy administrative penalties as follows:
>
> (a) Any person subject to this division, other than a broker-dealer or investment adviser, who willfully violates any provision of this division, or who willfully violates any rule or order adopted or issued pursuant to this 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.

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

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

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

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

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

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

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

III.

CLAIM FOR ANCILLARY RELIEF

(For violations of Corporations Code sections 25110 and 25401)

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

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

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

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> 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

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