

**OFFICE OF THE MISSISSIPPI SECRETARY OF STATE
SECURITIES AND CHARITIES DIVISION**

| | | |
|--------------------------------------------------|---|---------------------------|
| In the Matter of: |) | |
| |) | |
| Steadivest Development; Steadivest Capital, LLC; |) | Administrative Proceeding |
| Steadivest, LLC; Steadivest Contrarian Fund; |) | Number S-09-0187 |
| Steadivest Properties; Steadivest Lending; |) | |
| and Steadivest Resources, |) | |
| |) | |
| <i>Respondents</i> |) | |

SUMMARY CEASE AND DESIST ORDER

Comes now Melanie Thomas, Senior Attorney for the Securities and Charities Division of the Mississippi Secretary of State’s Office (“Division”), on behalf of Mississippi Secretary of State C. Delbert Hosemann, Jr., and issues this Summary Cease and Desist Order to Respondents Steadivest Development; Steadivest Capital, LLC; Steadivest, LLC; Steadivest Contrarian Fund; Steadivest Properties; Steadivest Lending; and Steadivest Resources, hereby collectively referred to as “Steadivest”. In support of this Summary Cease and Desist Order, the Division respectfully submits as follows:

JURISDICTION

To ensure the protection of the public, the Mississippi Legislature mandates that persons dealing in securities follow explicit legal requirements. The Division is charged with the responsibility of administering and regulating securities under the Mississippi Securities Act, Miss. Code Ann. Sections 75-71-101, *et. seq.*, (“Act”), which governs persons who operate in the securities industry. Upon due consideration of the subject matter of this action, and having confirmed the use of misleading information in the sale of securities, and the omission of

material information in the sale of securities, the Division finds that Steadivest has submitted to the jurisdiction and regulatory authority of the Secretary of State.

THE “STEADIVEST” RESPONDENTS

1. Steadivest Development, f/k/a Jackson Property Liquidators, LLC, was formed in October 2005, and renamed in December 2007.
2. Steadivest Capital, LLC, f/k/a Tactical Financial Solutions, was formed in November 2006, and renamed in December 2007.
3. Steadivest Contrarian Fund was formed in April 2008.
4. Steadivest Properties, f/k/a Invision Real Estate and Property Management, was formed in August 2007, and renamed in December 2007.
5. Steadivest Lending was formed in November 2006.
6. Steadivest Resources was formed in December 2007.
7. Steadivest, LLC was formed in November 2007. Steadivest, LLC is the principal corporation; the remaining entities are subsidiaries. These entities collectively report to the Internal Revenue Service as one corporation—Steadivest, LLC—under EIN 26-1455425. Steadivest, LLC, filed for bankruptcy in the Chancery Court of Rankin County, Mississippi on March 23, 2009.

FINDINGS OF FACT

8. Steadivest is a Mississippi corporation located at 4 Country Place, Pearl, Mississippi 39208. Steadivest may be served with this Order by serving its Registered Agent, Kelly D. Simpkins, at 300 Concourse Blvd., Suite 200, Ridgeland, MS 39157. Steadivest is properly notice filed with the Division to offer and sell certain securities in Mississippi pursuant to Regulation D, Section 506 of the Securities Act of 1933.

9. Steadinvest is in the real estate business. It is a holding company that offers real estate investment property (primarily residential), property management and bridge loan lending.

10. In January 2008, Steadinvest began selling membership units in Steadinvest, LLC. These membership units were offered pursuant to a Private Placement Memorandum and subscription documents ("PPM") entitled "The Steadinvest, LLC Equity Offering". These units were sold pursuant to a Regulation 506-D offering, which notice was filed with the Division on March 5, 2008.

11. Steadinvest raised approximately One Million, Five Hundred Eighty Five Thousand Dollars (\$1,585,000.00) pursuant to this Steadinvest, LLC Equity Offering.

12. Based on consumer complaints, on May 26, 2009, the Division initiated an investigation into the conduct of Steadinvest.

13. As a result of that investigation, the Division discovered the following violations of the Mississippi Securities Act ("Act") and the Mississippi Securities Act Rules ("Rules"):

FINDINGS OF FACT-- VIOLATIONS

14. Steadinvest failed to abide by the terms of the PPM. Moreover, Steadinvest's actions show the company had no intention of abiding by the terms of the PPM.

15. According to the PPM:

Subscription payments will be held in escrow until the earlier to occur of acceptance of subscriptions for 10 Units (\$1,000,000) or September 30, 2008. Assuming the minimum number of Units is sold, the offering will continue until September 30, 2009 (unless extended by the Company for an additional 180 days).

16. The PPM guaranteed that investment funds would be held in escrow for a set period of time. However, Steadinvest failed to hold these funds in escrow. Steadinvest never opened an

escrow account for these funds, clearly showing it had no intent to comply with the escrow terms of the PPM.

17. Instead of placing the funds in an escrow account, upon receipt of a new subscription, Steadinvest immediately and directly deposited the funds into a Steadinvest, LLC checking account at Regions Bank, where they commingled with Steadinvest's operating cash.

18. Steadinvest then used these investment funds, earmarked for escrow, to pay the bills and support the daily operations of the corporation.

19. Steadinvest failed to inform subscribers that it was not placing their investments in an escrow account; its PPM misrepresented the placement of these funds, leaving the terms of the offering unmet.

20. According to the PPM:

Books and Records. The Company will maintain full and complete records and books of account showing assets, liabilities and the capital accounts of the Members, revenues and expenditures, and all other aspects of the operations, transactions and financial condition of the Company. The Company's books and records will be maintained at the principal office of the Company, and any Member will have access to the Company's books during ordinary business hours and upon reasonable prior notice in accordance with the LLC Agreement.

21. The PPM stated that full and complete books and records of Steadinvest accounts would be maintained and available upon request. Although investors requested this information from Steadinvest on numerous occasions, Steadinvest never produced any such records.

22. As part of its investigation, Division investigators also repeatedly requested financial information from Steadinvest. The company never produced a single audited financial, suggesting that Steadinvest failed to keep the books and records promised in the PPM to be maintained.

23. Steadinvest, via its PPM and its CEO, Marshall Wolfe, provided subscribers with misleading information, and omitted material information, about the use of proceeds invested in the Steadinvest, LLC Equity Offering.

24. According to the “Source and Use of Proceeds” section of the PPM, upon meeting the minimum financial requirement of \$1,000,000.00 raised, the investment funds were to be distributed as follows: Fifty Thousand Dollars (\$50,000.00) of the offering were to be used to pay sales commissions; Five Hundred Thousand Dollars (\$500,000.00) were to be used to reduce existing promissory notes of Steadinvest; and Four Hundred Fifty Thousand Dollars (\$450,000.00) were to be held in the bank as “working capital”. The PPM concedes that Steadinvest may “ earmark more or less to the line items reflected above, in its sole discretion.”

25. According to Steadinvest CEO, Marshall Wolfe, the investor funds were to be used in a different manner than that outlined in the PPM. Steadinvest, via Wolfe, informed investors that their money would be used to make loans to purchase residential real property, which property would then generate income. Steadinvest informed subscribers their investment was always directly tied to a piece of real property, and was collateralized by that property. Thus, investors were led to believe their money was secure because it was linked to a tangible asset.

26. Neither the PPM nor Steadinvest’s statements to investors turned out to be true. First and foremost, Steadinvest had no system of allocation for these investment funds because it had no escrow account (as was required by the PPM) from which to allocate. Steadinvest knew that, contrary to the representations in the PPM, it would never be able to account for how the investment funds were spent; because it placed those funds into the Steadinvest, LLC checking account and commingled them with common operating funds.

27. Moreover, it is undisputed that the promised \$450,000.00 was never set aside for working capital—despite the fact that, ultimately, the offering raised more than one million dollars (to trigger the working capital allocation warranted in the PPM).

28. In fact, although Steadivest did have the authority “ earmark more or less” to the particular usage categories outlined in the PPM (commission, promissory note reduction, working capital) Steadivest set aside no working capital whatsoever. Beginning in January of 2008 (when the PPM was first issued), Steadivest maintained zero dollars in escrow (in that there was no escrow account). Additionally, while the investment funds were deposited into the Steadivest, LLC checking account at Regions Bank, after January 2008, Steadivest maintained a balance exceeding \$450,000.00 for only three (3) days before filing for bankruptcy protection fourteen (14) months later, in March of 2009.

29. Contrary to the terms of the PPM, and contrary to the promises of Steadivest’s officers, Steadivest used the entirety of these investor funds not simply to reduce promissory note debt, but to prop up its struggling finances. Steadivest did so despite written representations in the PPM that none of the investment funds would be spent until one million dollars was raised (or until September 30, 2008), and that the funds, when spent, would be allocated between expenses and working capital.

30. Further exemplifying the fraudulent nature of Steadivest’s representations (including the PPM) is the fact that Steadivest never considered allocating the investor funds as outlined in the PPM. Steadivest, LLC checking account records from just three months into the offering show that immediately upon receipt of funds from a new subscriber, Steadivest used the money to pay for operating expenses of the company:

- a. On March 19, 2008, Steadivest, LLC's checking account balance was \$89,362.97.
 - b. Between March 19, 2008 and March 24, 2008, Steadivest made three deposits of "Members' Equity" into this same checking account. These deposits totaled Four Hundred Ninety-Five Thousand Dollars (\$495,000.00).
 - c. On March 24, 2008, Steadivest transferred Four Hundred Seventy-Five Thousand Dollars (\$475,000.00) to its founding company, MTW Investment Financing, LLC ("MTW"). Steadivest and MTW had previously operated as one entity.
 - d. That same day, MTW used Four Hundred Sixty-One Thousand, Seven Hundred Seventy Dollars and Ninety-Five Cents (\$461,770.95) of that transfer money to return the investment capital and pay off five (5) MTW/Steadivest investors. One of those investors was Steadivest President and Chief Operating Officer Jack Harrington, an insider who received a Three Hundred Six Thousand, Three Hundred Two Dollars and Ninety-Nine Cents (\$306,302.99) payout as a result of this transaction.
 - e. Steadivest paid off Harrington's promissory notes despite the fact that his promissory notes had not yet matured, but were redeemed pursuant to a demand provision in the notes. Accordingly, Steadivest was not reducing promissory note debt owed (as represented in the PPM); instead it was favoring the claims of an investor who no longer wanted their money in the company. Harrington wanted to leave Steadivest after a disagreement with Marshall Wolfe. Steadivest returned Harrington's \$306,302.99 investment not in the spirit of reducing an existing promissory note, but with the intent of buying out a dissatisfied insider.
31. There was no discretion (as authorized by the PPM) in Steadivest's decisions to place escrow funds into a general checking account; spend those funds prior to raising the required one

million dollars (and prior to the alternate deadline of September 30, 2008); or use those funds to keep the company afloat and favor certain investors (including a Steadivest insider) over others. These decisions were not in compliance with the “Source and Use of Proceeds” section of the PPM. They were not in compliance with the representations made by Wolfe on behalf of Steadivest. They were deceptions on the part of Steadivest.

32. Steadivest also used misleading and deceptive forward looking statements in its PPM. Pursuant to Rule 175 of the Securities Act of 1933, and Rule 3b-6 of the Exchange Act of 1934, forward looking statements in SEC filings are permitted unless the statements are without reasonable basis or are disclosed other than in good faith. This test is subjective, focusing on what Steadivest knew or should have known when it looked to the future.

33. And what did Steadivest know? Steadivest admitted to Division investigators that the subprime mortgage crisis had deeply affected the company’s profitability. Steadivest admitted to Division investigators that its business suffered from extremely unfavorable economic conditions. However, Steadivest did not disclose these risks in the PPM.

34. Instead, the PPM portrayed Steadivest as a viable holding company with many sources of revenue. According to the PPM, investment products were fully integrated, and “no single product makes or breaks us.”

35. Examples of these unreasonable, bad faith forward looking statements include:

a. The PPM contained a document entitled “Portfolio Sale”, estimating figures and profits derived from flipping a house located at 2632 Shannon Drive, in Jackson, Mississippi and purchased on August 22, 2007. Those estimates are as follows:

| | |
|------------------------|----------|
| Appraisal Discount: | 72.6% |
| Appraised Value: | \$73,000 |
| Selling Price: | \$53,000 |
| Initial Property Cost: | \$20,500 |

| | |
|-------------------|----------|
| Rehab/Renovation: | \$16,450 |
| Total Cost: | \$36,950 |
| Steadinvest Gain: | \$17,850 |
| % gain: | 48.3% |

- i. According to the figures presented in the PPM (which, incidentally, do not add up), Steadinvest purchased this home for \$20,500.00; they planned to spend an additional \$16,450.00 renovating the house.
 - ii. Steadinvest's representation that the house, after renovation, would appraise for \$73,000.00 and sell for \$53,000.00 was designed to lead investors to believe the house would sell quickly (and therefore, increase the probability of a quick return on investment).
 - ii. Steadinvest's representation that the estimated profits from the sale of the house would be \$17,850.00 represents a more than Two Hundred Percent (200%) return on Steadinvest's renovation budget.
 - iii. Steadinvest presented this Portfolio Sales document without financials or evidence to support its estimated profits, sales price or appraisal value of the home. Steadinvest's figures depended entirely on an inflated housing market that, as of January 2008 (the date the PPM was issued), was no longer in existence. The figures—implausible compared to the original purchase price and location of the home, and the economic conditions for real estate in 2008—were engineered solely for the purpose of fraudulently enticing investors.
- b. The PPM also included documentation estimating profits from the operation of a dirt pit in Canton, Mississippi. According to the PPM, this dirt pit would bring an estimated yield of "\$30,000 [Thirty Thousand] + per month." Again, however,

Steadinvest had never engaged in dirt work and had no prior history and no prior financials on which to base these numbers.

c. The PPM contained exaggerated revenue projections that failed to account for those admittedly poor economic conditions. According to the PPM, and to the Revenue Forecast provided to investors, “The Company will derive revenues through the sale of its products and services.” Those revenues, in the midst of the housing crisis, were expected to increase from approximately Eight Million Dollars (\$8,000,000.00) in “year one” (2008), to approximately Eighty-Four Million Dollars (\$84,000,000.00) in “year five”. The sales increases were expected to jump One Hundred Ninety point Three percent (190.3%) between “year one” (2008) and “year two” (2009).

36. Steadinvest presented these glowing profit estimates to investors despite conceding to Division investigators its profitability was deeply and negatively affected by the housing crisis. Steadinvest also presented these estimates without any audited financials or history to support the projected earnings. Indeed, when Division investigators requested copies of audited financials of Steadinvest, the company was unable to produce such documents.

APPLICABLE LAW

37. Miss. Code Ann. Section 75-51-503(a) provides in pertinent part:

(a) It is unlawful for any person who receives, directly or indirectly, any consideration from another person primarily for advising the other person as to the value of securities or their purchase or sale:

(1) To employ any device, scheme or artifice to defraud the other person;

(2) To engage in any act, practice or course of business which operates or would operate as a fraud or deceit upon the other person [...]

38. Mississippi Securities Act Rule 535 requires issuers to keep books and records:

A. Every issuer selling its own securities shall make and keep current the following books and records:

1. Stockholders' ledgers or other records reflecting alphabetically the names and addresses of all stockholders, stock certificates issued to each, dates paid, and full details as to transfers or cancellations;
2. Copies of all promotional and sales materials used in connection with the sales of the issuer's securities;
3. Copies of all confirmations of sales of securities;
4. Stock Certificate Books.

39. Miss. Code Ann. Section 75-71-715 states in pertinent part:

Whenever it appears to the Secretary of State that any person has engaged or is about to engage in any act or practice constituting a violation of any provision of this chapter or any rule or order hereunder, he may, in his discretion, seek any or all of the following remedies:

- (1) Issue a cease and desist order, with or without a prior hearing against the person or persons engaged in the prohibited activities, directing them to cease and desist from further illegal activity [...]

CONCLUSIONS OF LAW

40. The preceding paragraphs are incorporated herein by reference.

41. The Secretary of State has jurisdiction over this matter pursuant to Miss. Code Ann. Section 75-71-107(a).

42. In violation of Miss. Code Ann. Section 75-71-503(a), Steadivest mislead and deceived its investors in order to pay off mounting debt and keep its numerous subsidiaries afloat. In a "Robbing Peter to Pay Paul" Ponzi scheme, Steadivest mislead investors through a PPM with which Steadivest had no intention of fully honoring; through material misstatements of its CEO, Marshall Wolfe; and through material omissions in sales presentations and materials presented to its investors.

43. Steadinvest, while promising viable, diverse and profitable real estate investments to Mississippi subscribers, instead knowingly and intentionally used those subscribers' investments as ready cash to bankroll a struggling business already at odds with existing investors.

44. Steadinvest's forward looking PPM was unreasonable and, in light of admissions to Division investigators, clearly in bad faith. Steadinvest did not genuinely believe in the profitability marketed to investors; there was no reasonable basis for that belief; and indeed, all evidence contradicted that belief—making such forward looking statements blatantly, and knowingly, false.

45. In violation of Mississippi Securities Act Rule 535, Steadinvest failed to keep proper books and records, as evidenced by its failure to produce those records to investors despite repeated requests.

AMENDMENTS

The Division reserves the right to amend this Summary Cease and Desist Order to allege additional violations.

PUBLIC NOTICE

This Summary Cease and Desist Order is issued in the public interest and for the protection of investors consistent with the purpose of this Act.

RIGHT TO AN ADMINISTRATIVE HEARING

An administrative hearing may be requested in this matter. Any such request shall be made in writing within thirty (30) days from the date of receipt of this Order. Said request shall be addressed to Melanie Thomas, Senior Attorney, Mississippi Secretary of State, Securities and Charities Division, Post Office Box 136, Jackson, Mississippi 39205-0136.

If an administrative hearing is requested, written notice of the date, time and place will be given to all parties by certified mail, return receipt requested. Said notice will also designate a Hearing Officer. In the event such a hearing is requested, Respondents may appear, with or without the assistance of an attorney, at the date, time and place specified and cross-examine witnesses, present testimony, evidence and arguments relating to the matters contained herein.

Upon request, subpoenas may be issued for the attendance of witnesses and for the production of books and papers on Respondents' behalf at the hearing related to the matters contained herein. In the event such written notice is not received within said thirty (30) day period, a FINAL CEASE AND DESIST ORDER may be entered in this proceeding without further notice.

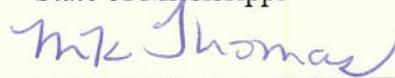
ORDER

IT IS THEREFORE ORDERED, pursuant to the authority set forth in Section 75-71-715 of the Act, that Steadinvest shall immediately CEASE AND DESIST from further illegal activity. Be advised that, a willful violation of this Summary Cease and Desist Order may be punishable upon conviction by a fine of not more than Twenty-five Thousand Dollars (\$25,000.00) or five (5) years imprisonment, or both, in addition to civil and administrative remedies available to the Division.

SO ORDERED this, the 18th day of November, 2009.

DELBERT HOSEMANN
Secretary of State
State of Mississippi

By:



MELANIE THOMAS
Senior Attorney
Securities and Charities Division

Melanie Thomas, MSB #101016
Mississippi Secretary of State's Office
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(601) 359-6366

CERTIFICATE OF SERVICE

I, Melanie Thomas, do hereby certify that I have this day mailed a true and correct copy of the above and foregoing document, via certified mail postage pre-paid, to the following:

"Steadinvest, LLC" EIN 26-1455425
c/o Kelly D. Simpkins
Wells, Marble & Hurst, PLLC
300 Concourse Boulevard, Suite 200
Ridgeland, MS 39157

This the 18th day of November, 2009.



MELANIE THOMAS
Senior Attorney