

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

In the Matter of:)	
)	
Watkins Development, LLC)	Administrative Proceeding
)	Number LS-13-0608
David Watkins, Individually and as)	
Manager of Watkins Development, LLC)	
)	
<i>Respondents</i>)	

**FINAL ORDER IMPOSING RESTITUTION AND
ADMINISTRATIVE PENALTIES**

WHEREAS, Watkins Development, LLC (“Watkins Development” or “Respondents”) and David Watkins, Individually and as manager of Watkins Development, LLC (“Watkins” or “Respondents”), were Respondents in the Notice of Intent to Impose Administrative Penalty and Order Restitution and Disgorgement of Profit dated July 30, 2013, as amended on October 23, 2013 (collectively “Notice of Intent”) issued by the Secretary of State’s Securities Division (“Division”); and

WHEREAS, J. Brad Pigott requested an administrative hearing on behalf of both Respondents; and

WHEREAS, in response to Respondents’ request for an administrative hearing, Robert R. Bailess was appointed as the Hearing Officer by Order dated August 16, 2013; and

WHEREAS, an administrative hearing was held on October 29 and October 30, 2013; and

WHEREAS, the Secretary of State's Office was represented by Jessica Leigh Long and Cheryn Netz and Respondents, Watkins Development, LLC and David Watkins, were represented by J. Brad Pigott;

WHEREAS, the Hearing Officer issued Hearing Officer's Findings of Fact and Conclusions of Law to the Secretary of State on March 19, 2014, a copy of which is affixed hereto as Exhibit "A" and incorporated herein by reference; and

WHEREAS, the Hearing Officer's Findings of Fact and Conclusions of Law are an appropriate and thorough resolution of the issues raised in this administrative proceeding; and

NOW, THEREFORE, the Secretary of State, as the administrator of the Mississippi Securities Act (2009), adopts the Hearing Officer's Findings of Fact and Conclusions of Law with the following additions and modifications:

I. FINDINGS OF FACT

1. The six members of Retro Metro, LLC, were to contribute an initial capital contribution as follows:

Watkins Development	\$4,000.00
Socrates Garrett	\$1,250.00
Jason Goree	\$1,500.00
Howard Catchings	\$1,500.00
Sam Begley	\$500.00
Leroy Walker	\$1,250.00

The initial capital contribution was to total Ten Thousand Dollars (\$10,000.00).

However, only Eight Thousand two hundred fifty dollars (\$8,250.00) was contributed.

Two members did not make any initial capital contribution. Retro Metro's initial deposit into its checking account was on April 8, 2011.

2. On April 12, 2011, David Watkins wrote the following checks for a distribution to the members:

Watkins Development	\$160,000.00
Socrates Garrett	\$50,000.00
Jason Goree	\$60,000.00
Howard Catchings	\$60,000.00
Sam Begley	\$20,000.00
Leroy Walker	\$50,000.00

Records indicate that three of the members have returned the distribution: Socrates Garrett, Howard Catchings, and Leroy Walker.

3. Paragraph 75 in the Hearing Officer's Findings of Fact and Conclusions of Law is to be modified to say "As in the *Harrington* case, the private placement memo in the case at hand had a promise that the bond proceeds would be used 'to improve the approximately 120,000 square foot first floor of an existing building commonly known as the "Belk Building" in the Metrocenter shopping center located in the City of Jackson, Hinds County, Mississippi.' That promise was not honored when the money was instead used to purchase property in Meridian, Mississippi. And just as in *Harrington*, false statements of the use of the money were made in the offering document and the misuse of the investors' money was deceitful and misleading."

4. Respondents' failure to disclose in the Private Placement Memorandum or the Bond Documents claimed significant and material liabilities of Retro Metro, LLC to Watkins Development as set forth in the Development Agreement is a violation of Section 75-71-501(2) of the Act.
5. When the Respondents failed to disclose their intentions to use the Proceeds for any purpose other than the improvements for the Retro Metro project, the Respondents violated Section 75-71-501(1) by employing a device, scheme, or artifice to mislead or deceive.
6. The Respondents' failure to disclose in the Bond Documents, including the Requisition, the intent to use any portion of the Proceeds to finance the activities of Mississippi Law Enforcement Center, LLC is a material omission and violation of Section 75-71-501(2) of the Act.
7. Respondents' misuse of the Bond Proceeds was an act and course of business that operated to mislead or deceive. This is in connection with the offer and sale of securities and is a violation of Section 75-71-501(3).

II. ORDER

Although the Hearing Officer found violations of §75-71-501 for the Respondents' failure to disclose their intentions to use Proceeds for any purpose other than the improvements for the Retro Metro project, he declined to levy a penalty for the violation. After reviewing the totality of the violations and penalties, the Secretary of State will respect the Hearing Officer's conclusions.

IT IS THEREFORE ORDERED that Respondents, Watkins Development, LLC and David Watkins, individually and collectively, immediately make restitution of \$587,084.34 plus legal interest from June 8, 2011 until paid in full to RetroMetro, LLC.

IT IS FURTHER ORDERED that an administrative penalty of Seventy Five Thousand Dollars (\$75,000.00) is jointly and severally assessed against Respondents Watkins Development, LLC and David Watkins calculated as follows:

Twenty Five Thousand Dollars (\$25,000.00) for violating Mississippi Code Annotated Section 75-71-501(2) by omissions and untrue statements in the bond offering and sale.

Twenty Five Thousand Dollars (\$25,000.00) for violating Mississippi Code Annotated Section 75-71-501(3) by employing misleading and deceptive actions in connection with the use of bond proceeds.

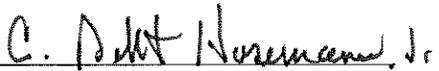
Twenty Five Thousand Dollars (\$25,000.00) for violating Mississippi Code Annotated Section 75-71-501(2), (3) by making substantial omissions in the requisitions for payments. While Requisitions submitted were not identical to Exhibit C to the Loan Agreement, the Secretary of State respectfully disagrees with the Hearing Officer that the alteration in form was a violation of Section 75-71-501 of the Act.

The penalty is to be paid within thirty (30) days from the date of this Order.

IT IS FURTHER ORDERED that costs of the investigation and administrative action in the amount of Eighteen Thousand Forty Seven Dollars and Thirty Nine Cents (\$18,047.39) be assessed against Respondents Watkins Development, LLC and David

Watkins, jointly and severally. Said assessment is to be paid to the State of Mississippi, c/o Secretary of State, Post Office Box 136, Jackson, Mississippi 39201, within thirty (30) days from the date of this Order.

SO ORDERED, this, the 24th day of March 2014.


C. DELBERT HOSEMAN, JR.
SECRETARY OF STATE