

**ADMINISTRATIVE PROCEEDING
BEFORE THE
SECURITIES COMMISSIONER OF MARYLAND**

IN THE MATTER OF:	*	
SELETA J. NELSON	*	
(personally and as owner and control		No. 99-1104
person for the following entities),	*	
		OAH-SD-51-200000001
SELETA J. NELSON, LLC	*	
(d/b/a SJN, LLC),	*	
	*	
NELSON AND ASSOCIATES	*	
(a/k/a NELSON AND	*	
ASSOCIATES, INC.),	*	
	*	
and	*	
	*	
NELSON FINANCE, INC.	*	
(d/b/a NELSON FINANCIAL, INC.),	*	
	*	
Respondents.	*	
	*	
*	*	*

**FINAL ORDER TO CEASE AND DESIST
ORDER OF BAR
ORDER IMPOSING MONETARY PENALTIES**

WHEREAS, the Maryland Securities Division (“Division”), pursuant to the authority granted in § 11-701 of the Maryland Securities Act, Md. Code Ann., Corps. & Ass’ns § 11-101 et seq. (1999 Repl Vol.) (the “Act”), initiated an investigation into the securities-related activities of Seleta J. Nelson (“Nelson”), Nelson and Associates, Nelson and Associates, Inc. (collectively “Nelson & Associates”), Seleta J. Nelson, LLC (d/b/a SJN, LLC) (“SJN”) and Nelson Finance, Inc. (d/b/a Nelson Financial, Inc.) (“Nelson Finance”) (collectively “Respondents”); and

WHEREAS, based on information presented by the Division, the Maryland Securities Commissioner (“Commissioner”) had reason to believe that Respondents engaged and continued

to engage in acts or practices constituting violations of the securities, agent registration and investment advisory provisions of the Act; and

WHEREAS, on September 6, 2000, the Commissioner issued a Summary Order to Cease and Desist (the “Order”) requiring that respondents cease and desist from offering or selling investment contract securities, promissory notes or any other securities in violation of the Act, and requiring respondents to show cause why a final order should not be entered ordering the respondents to cease and desist from violating Sections 11-301, 11-302, 11-401, 11-402 and 11-501 of the Act, imposing on them a civil monetary penalty for such violations, and barring respondents from engaging in the securities or investment advisory business in Maryland for or on behalf of others or acting as a principal in a company engaged in such activities; and

WHEREAS, on September 22, 2000, respondents filed an Answer to the Order and requested a hearing; and

WHEREAS, the Commissioner referred this matter to the Office of Administrative Hearings for a hearing and proposed decision; and

WHEREAS, on June 27, 2001, the Division filed a Motion for Summary Decision (“Motion”) and supplemented the Motion on July 17, 2001; and

WHEREAS, on July 24, 2001, Nelson, on behalf of herself individually, filed a memorandum in opposition to the Division’s Motion, but the entity respondents did not oppose the Division’s Motion; and

WHEREAS, on July 24, 2001, a hearing was held before Judge Donna M. D’Alessio of the Office of Administrative Hearings on the Division’s Motion; and

WHEREAS, on August 23, 2001, Judge D'Alessio granted the Motion in part, making Findings of Fact and recommending Conclusions of Law but reserving decision on the issue of remedy; and

WHEREAS, additional hearings were held on September 4, 2001, by telephone on October 30, 2001, by telephone on November 20, 2001, on December 3 and 4, 2001, and on January 14 and 15, 2002, before Judge D'Alessio on outstanding issues, including respondents' liability for violating the Act and the remedy for any violations; and

WHEREAS, on April 15, 2002, Judge D'Alessio issued a Proposed Decision, ruling in part on the Division's request for relief, recommending a final order to cease and desist and an order barring respondents from engaging in the securities or investment advisory business in Maryland; and

WHEREAS, on April 15, 2002, Judge D'Alessio bifurcated the case, staying for six months that portion relating to the issue of monetary penalties, with the right to continue the stay if a federal criminal case charging Nelson in a 16-count indictment were not resolved by that time; and

WHEREAS, on October 1, 2002, Nelson, in the case *United States of America v. Seleta Nelson*, Case No. 01-CR-194, Eastern District of Wisconsin, (the "criminal case") entered into a Plea Agreement with the Office of the United States Attorney ; and

WHEREAS, on October 15, 2002, Judge D'Alessio held a hearing on the issue of monetary penalties; and

WHEREAS, on January 3, 2003, Ms. Nelson was sentenced in the criminal case and was ordered to pay restitution in excess of \$7.6 million; and

WHEREAS, on January 16, 2003, Judge D'Alessio issued a Proposed Decision on Monetary Penalties, incorporating by reference the Facts not in Genuine Dispute and the Conclusions of Law from the Ruling on August 23, 2001; and

WHEREAS, Judge D'Alessio notified the parties of their right to file written exceptions to the Proposed Decision; and

WHEREAS, the Maryland Securities Division filed exceptions and Respondents did not file exceptions; and

WHEREAS, the Commissioner has determined that it is in the public interest to enter this Final Order;

NOW, THEREFORE, the Commissioner finds the following as the basis for this Final Order:

I. JURISDICTION AND VENUE

1. The Commissioner has jurisdiction in this proceeding pursuant to Section 11-701.1 of the Act.

II. FINDINGS OF FACT

2. The Commissioner adopts, in substantial part, the Findings of Fact in Judge D'Alessio's August 23, 2001 Ruling on Motions for Summary Decision, pages 2-14.

3. Nelson and Associates is a sole proprietorship or general partnership formed in 1995; SJN is a limited liability company formed in April 1997 and dissolved approximately in the fall of 1998; Nelson Finance is a company incorporated in Delaware in 1997. At all times relevant to this proceeding, all three companies ("Respondent Nelson's companies" or "Respondent companies") were owned and/or controlled by Respondent Nelson and operated from Maryland.

4. Respondent Nelson was a resident of Maryland and conducted her business from Maryland.

5. Nelson originally formed Nelson and Associates and its companion company, Nelson and Associates Investments, in 1995 as an investment club with approximately six to ten members. The club had an investment account at Merrill Lynch and invested in stocks as well as other projects.

6. The investment club grew dramatically between 1995 and 1997. In June 1996, there were approximately 14 members. By November 1996, there were approximately 63 members. By early 1997, there were approximately 200 members.

7. Originally, members of the investment club shared in the profits and losses. Beginning in 1996, members of Nelson's investment companies were promised specific returns on their investments over specific time periods.

8. Investment agreements, resembling promissory notes, formalized the terms and rates of return.

9. In 1996 and part of 1997, members were promised return rates of 40% in two months. Early members were allowed to roll over their investments and continue to receive the 40% every two months. Later, different return rates were offered to different investors for designated time periods.

10. From at least some time in 1996, all investment decisions were made solely by Respondent Nelson.

11. Memberships in Nelson's companies were not solicited from the general public. Membership began with a small group of Nelson's family and friends and grew by word of mouth to include additional friends and acquaintances.

12. In 1997, Nelson and Associates Investments was dissolved and Nelson formed SJN as a limited liability company. Members of Nelson and Associates and Nelson and Associates Investments became members of SJN. Nelson and Associates Investments was dissolved.

13. By late 1997, the membership of SJN grew to approximately 500 members. At this time, approximately half of the membership was located in the upper Midwest, primarily Minnesota, Illinois, and Wisconsin (“the Midwest investors”), and approximately half of the membership resided in Texas, Nelson’s home state (“the Texas investors”). There were also a few Maryland investors.

14. In approximately April 1997, Nelson’s companies became primarily involved in venture capital projects. During the approximate time period of 1997-1998, investments of the various members were pooled in SJN, which Respondent Nelson used as a “capital funding conduit” to Nelson and Associates (Tr. 1:72). After this date, Nelson and Associates was used as the primary financing vehicle for investments placed in SJN.¹

15. Nelson Finance was used originally to run a loan program, operating in several states, called “Check-up.” This program involved short term, high interest loans to individuals to tide them over until payday. Nelson Finance was also used to fund venture capital projects.

16. Money invested into SJN by its membership was commingled with Nelson’s personal funds as well as the funds of her various companies. These commingled funds were used to finance projects in Nelson’s personal name and in the name of Nelson and Associates or one of Nelson’s other companies, including Nelson Finance. Returns on the investments were paid to the members of SJN from various commingled sources. No written documents described the relationships between

¹Nelson and Associates financed businesses, non-profit organizations and individuals with membership investment funds.

Respondent Nelson's various companies or formally granted the investors in SJN any rights to revenues earned by the companies utilizing its funds.

17. During the period 1997-1998, the majority of the funds invested into SJN were from the Midwest investors. The Midwest investors were led by a small self-appointed group that had regular meetings and accepted new members into SJN. This group introduced its own record-keeping methods, kept various business records, and maintained company accounts through the use of a signature stamp bearing Respondent Nelson's name. These activities, while largely self-directed, were done with the knowledge and consent of Respondent Nelson.

18. The investment decisions for all the Respondent companies were made solely by Respondent Nelson. Respondent Nelson did frequently meet and converse with the self-appointed leaders of the Midwest group ("the Midwest Core Group") regarding her investment decisions. In addition, at various times, certain groups of investors visited the sites to inspect various investment projects. Estelle Mahnke assumed a leadership role among the Midwest Core Group. She also solicited investments. Aside from the Midwest Core Group, investors in Respondent companies had no input into investment decisions.

19. Certain individuals, during undetermined time periods, performed clerical work for SJN. These individuals, including Burnell Wimberly and Estelle Mahnke, received payment in the form of commissions on undetermined investments at undetermined times.

20. Written investment agreements, signed by the investors in the Respondent companies, did not state the particular project(s) for which the investor funds would be used. Sometimes, investors were given oral information regarding particular investment projects.

21. Between \$5.5 million and \$8 million was invested in Nelson and Associates and SJN. An additional \$500,000 - \$800,000 was invested in Nelson Finance.

22. Respondent Nelson purchased four residential properties in her personal name with commingled funds. These funds included investment funds from her investment companies as well as from her personal assets. The properties included:

- a. 11907 St. Francis Way, Mitchellville, Maryland, purchased for \$299,000 in approximately May 1998, in which Respondent personally resided;
- b. 7450 Pebble Beach Drive, Beaumont, Texas, purchased for approximately \$190,000 in 1996, in which Respondent Nelson's mother resided, rent free;
- c. 6814 Kerman Road, Lanham, Maryland, purchased in February 1997 for approximately \$184,000, in which Respondent Nelson's sister resided, and paid rent in the amount of the mortgage payment; and
- d. 3855 Cypress Point Drive, Beaumont, Texas, purchased in approximately 1997 for \$210,000, in which Respondent Nelson's brother resided in connection with a lease purchase agreement.

23. During the period 1997-1998, Respondent Nelson financed the building or renovation of Good Hope Baptist Church in Texas ("Good Hope"). Good Hope was the church Respondent Nelson attended as a child, and in which she was an active adult member. Nelson loaned Good Hope \$1.6 million, at 0% interest, to complete the construction. At the time of the loan, Respondent Nelson's brother was the pastor of Good Hope. Investment funds from SJN were used to finance Good Hope's construction. The deed for Good Hope was placed in Respondent's name, personally.

24. At the completion of the building project, the church property was assessed at \$2.8 million. Respondent Nelson obtained a first mortgage on the church, in the amount of \$1.5 million, in her name, personally. The mortgage payments were \$16,000 per month. In exchange for the loan, Good Hope agreed to make lease payments in the amount of \$2,400 per month for 15 years. At the end of the 15 year period, ownership of the church was to revert back to Good Hope.

25. The total amount that Good Hope was to repay, exclusive of the amount of the mortgage, totals approximately \$1.4 million.

26. Some of the proceeds from the mortgage obtained on Good Hope were used in Respondent Nelson's Check-up business. Later, in 1999, the funds were used to finance the building or renovation of New Life Christian Center ("New Life") in Potomac, Virginia. As security for the loan, the deed for New Life was placed in the name of Nelson Finance.

27. The terms of the loan to New Life were not profitable for Nelson Finance or for the original SJN investors. Respondent's financial plan was to obtain a mortgage on the New Life property, when the building or renovation was complete and the assessed value was increased, for funds to use in additional financing projects.

28. At an undetermined time, Respondent Nelson used some of the funds she obtained through mortgaging Good Hope and her four residential properties to fund an investment account at First Union in her name, personally. Approximately \$250,000 - \$300,000 was in the account in April 2000.

29. Respondent made low or no interest loans, at undetermined times, to family members and friends. On May 11, 1998, she made a \$200,000 loan to a woman who managed one of her

businesses, which loan was never fully recovered. These loans were from commingled investor funds.

30. Investments into SJN ended in approximately July 1998. A report issued in October 1998 by a financial consultant hired by Respondent Nelson (“the October 1998 report”) showed that, as of July 1998, SJN owed, in principal and interest, approximately \$23 million to investors. As of the same date, the assets of Nelson and Associates and Nelson Finance, combined, totaled approximately \$4 million, primarily in the form of accounts receivable. As of April 2000, approximately \$200,000 of that debt had been repaid.

31. In the spring and summer of 1999, Respondent Nelson entered into consent orders with the states of Minnesota and Wisconsin to cease and desist from violating the securities laws in those states.

32. None of the following persons were ever registered with the Division as investment advisers or investment advisor representatives authorized to provide investment advice, or to hold out as such, in the State of Maryland: (a) Seleta J. Nelson, (b) Kimberly Mears, (c) Burnell Wimberly, (d) Estelle Mahnke, (e) SJN (f) Nelson and Associates, and (g) Nelson Finance.

33. None of the following persons were ever registered with the Division as broker-dealers or broker-dealer agents in the State of Maryland or in any other state: (a) Seleta J. Nelson, (b) Kimberly Mears, (c) Burnell Wimberly, (d) Estelle Mahnke, (e) SJN (f) Nelson and Associates, and (g) Nelson Finance.

34. None of the investments made with the Respondent companies were registered as securities in Maryland. There has never been any exemption or preemption filing with the Division with respect to any of the investment agreements made with the Respondent companies.

35. In the fall of 1999, investment opportunities in Nelson Finance were made available to a group of investors, most of whom resided in North Carolina. Some of these investors were told that the investments would be used to construct modular housing for flood victims. Some of the money invested in this program was used to pay promised returns to earlier investors in the program, prior to finalization of the project. The flood relief project never materialized.

36. David Jacobs, a resident of Maryland, invested \$8,200 with Nelson Finance in November 1999. His investment agreement promised a 120% return in one year. Mr. Jacobs never met or spoke with Respondent Nelson. He went to her office on one occasion and spoke to her assistant, Burnell Wimberly (“Wimberly”). The primary reason for Mr. Jacob’s investment was to earn the promised return.

37. Mr. Jacobs was not informed of the consent orders entered into by the Respondents with the states of Minnesota and Wisconsin. Mr. Jacobs was not informed that SJN had outstanding obligations of approximately \$23 million.

38. Mr. Jacobs was paid all of the promised interest on his investment, by check, signed by Respondent Nelson and issued by a bank in Maryland.

39. Francina McMillan, a resident of North Carolina, invested \$2,000 with Nelson Financial on November 10, 1999. Ms. McMillan was informed, at the time of her investment, that her rate of return would be 10%-25% per month. Subsequent to her investment, Ms. McMillan was informed that her investment return would be 10% per month. The primary reason for her investment was to earn the promised return.

40. Ms. McMillan never met Respondent Nelson, but spoke to her, as well as to her assistant, Wimberly. The information described above regarding her investment was given to Ms. McMillan by Wimberly.

41. Ms. McMillan was never informed of the consent orders entered into by the Respondents with the states of Minnesota and Wisconsin.

42. Ms. McMillan was paid all of the promised principal and interest on her investment,

43. Gerald McMillan, a resident of North Carolina, invested \$10,000 with Nelson Finance in November 1999. Mr. McMillan never met Respondent Nelson.

44. Mr. McMillan was paid all of the promised principal and interest on his investment.

45. On February 16, 1998, Marie Senegal, a resident of Houston, Texas, invested \$2,250, for a term of 60 days, in SJN. In May 1998, Ms. Senegal invested \$50,000, also for a term of 60 days, in SJN. The investment agreements for both of these investments state that the investments were insured.

46. Ms. Senegal's investments were handled by Wimberly. Prior to making her initial investment, Wimberly informed her that the money would be used for a payday loan program that could generate high returns. He also told her that the company was listed on the Dow Jones, and that the payday program had made millions of dollars for investors in California. Prior to making her second investment, Wimberly informed her that Donald Trump wanted to buy the company and that Colin Powell had invested in the program. These statements influenced Ms. Senegal's decisions to invest.

47. In May 1999, Ms. Senegal's investment account statements came from Nelson Finance, rather than SJN.

48. Ms. Senegal received a return on her initial investment, but is still owed approximately \$100,000 by SJN.

49. Ms. Senegal was never informed of the consent orders entered into by the Respondents with the states of Minnesota and Wisconsin, or of the financial state of SJN according to the October 1998 report.

50. Joseph Showell, a Maryland resident, invested \$10,000 in November 1999 with Nelson Finance. The investment agreement shows a promised return of 10% interest per month. Mr. Showell's purpose in making the investment was to earn the promised return.

51. Respondent Nelson informed Mr. Showell that his money would be used to invest in an international trading program and that the profits from the investment would be used to pay investors and contribute to church programs.

52. Respondent Nelson paid Mr. Showell the promised return.

53. Mr. Showell invested an additional \$5,000 in Ms. Nelson's Check-up program in June or July 2000. Respondent Nelson paid Mr. Showell's November 1999 investment return in the amount of \$10,000.

54. Mr. Showell was never informed of the consent orders entered into by the Respondents with the states of Minnesota and Wisconsin, or of the outstanding financial obligations of SJN.

55. C. Thomas Wood, a resident of Kenosha, Wisconsin, invested \$10,500 in SJN on October 22, 1997. The investment agreement promised to pay a return in the amount of \$4,095 in 60 days. The investment agreement further stated that Mr. Wood's investment was "insured."

56. Mr. Wood received the promised interest payment of \$4,095 by check, dated December 21, 1997. The check was signed by Respondent Nelson and drawn on an account of SJN at a Maryland bank. On January 5, 1998, Mr. Wood invested \$100,500 in SJN. The investment agreement promised to pay a 15% return in 60 days.

57. On February 6, 1998, Mr. Wood received a letter from Respondent Nelson describing cash flow problems experienced by SJN. The letter encouraged “frequent investments” and discouraged “regular requests for withdrawals” from SJN members to “facilitate fluidity of cash” (Exhibit E to C. Thomas Wood affidavit).

58. Mr. Wood received a check in the amount of \$18,000, dated June 18, 1998. The check was signed by Respondent Nelson and drawn on an account of SJN at a Maryland bank. The check was returned for insufficient funds.

59. On an undetermined date, Mr. Wood received a wire transfer in the amount of \$25,000 from Respondent Nelson.

60. Mr. Wood learned of the opportunity to invest in SJN from an individual named Paul Koleski, one of the Midwest investors.

61. The following members and friends of the Pinehurst, North Carolina Word of Truth Christian Center (“Word of Truth investors”) invested the indicated amounts in Nelson Finance:

<u>Name</u>	<u>Date</u>	<u>Amount(s)</u>
Theodore Spencer. Sr., Pastor	January 5, 2000	4,000
	February 7, 2000	6,000
Velma Spencer	February 12, 2000	4,000
	October 10, 2000	3,000
Word of Truth Christian Center	February 14, 2000	12,000
Deborah White	February 25, 2000	16,000
Wanda Sowell	April 20, 2000	10,000
Kenneth Collins	April 19, 2000	1,000
Madgie Alford	April 5, 2000	1,000
Deborah White	June 25, 2000	2,500

62. The Word of Truth investors learned of an investment opportunity with Nelson Finance through the pastor of another church who informed them that investments were available to selected investors, by referral. The pastor, Theodore Spencer, Sr., was referred to Wimberly.

63. The investments offered to the Word of Truth investors were for a 75% return in a one-year period.

64. The Word of Truth investors were not informed of the consent order entered into by the Respondents with the states of Minnesota and Wisconsin, of the outstanding \$23 million debt owed to the investors of SJN, or of the Cease and Desist ordered issued by the State of Maryland, in connection with the instant case, in September 2000.

III. CONCLUSIONS OF LAW

The Commissioner concludes that:

1. Respondents offered and sold securities in violation of Section 11-501 of the Act.
2. Respondent Nelson acted as an unregistered agent in violation of Section 11-401 of the Act.
3. Respondent companies employed respondent Nelson as an agent in violation of Section 11-402 of the Act.
4. Respondents made, in connection with the offer, sale or purchase of securities, material misrepresentations and material omissions in violation of the antifraud provisions of Section 11-301 of the Act.
5. Respondents engaged in actions that operated as a fraud or deceit on investors in violation of the antifraud provision of Section 11-301 of the Act.

IV. ORDER

NOW, THEREFORE, IT IS HEREBY ORDERED that:

1. Each Respondent cease and desist from engaging in the offer and sale of securities in violation of the Act.

2. Each Respondent is permanently barred from engaging in the securities and investment advisory business in Maryland for or on behalf of others or acting as a principal in a company engaged in such activities.

3. A civil monetary penalty, pursuant to Section 11-701.1 of the Act, in the amount of \$1,500,000, is imposed, jointly and severally, on the Respondents. This penalty is based upon transactions with 500 investors involving the sale by an unregistered person of an unregistered security representing an investment in a fraudulent scheme. The collection of this penalty is waived, however, in light of the restitution order of \$7.6 million imposed in connection with the sentencing of Seleta Nelson in the criminal case *United States of America v. Seleta Nelson*, Case No. 01-CR-194 in the United States District Court for the Eastern District of Wisconsin.

V. NOTICE OF APPEAL RIGHTS

Pursuant to COMAR 02.02.06.24, each Respondent has the right to file an appeal of this Order with the Circuit Court. Any appeal must be filed within 30 days from the date this Order is mailed by the Division.

DATE OF THIS ORDER:

SO ORDERED:

Melanie Senter Lubin
Securities Commissioner

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that the Final Order to Cease and Desist, Order of Bar and Order Imposing Monetary Penalties was mailed, first class postal, on this 11th day of April, 2005 to:

Saleta J. Nelson, Register No. 06383-089
FPC Alderson
Federal Prison Camp
Glen Ray Road, Box A
Alderson, WV 24910

and

Lucy A. Cardwell
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Terri DeLibro
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