

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

IN THE MATTER OF: *

FRED L. BRYANT, *

and *

Case No. 2008-0434

JHJ FUNDING, LLC, *

Respondents. *

* * * * *

CONSENT ORDER

WHEREAS, the Maryland Securities Commissioner (the “Securities Commissioner”), pursuant to the authority granted in Section 11-701 of the Maryland Securities Act, Md. Ann. Code, Corps. & Ass’ns (2007 Repl. Vol. and Supp. 2008) (the “Securities Act”), initiated an investigation into the securities and investment advisory activities of Respondents, Fred L. Bryant (“Bryant”) and JHJ Funding, LLC (“JHJ”); and

WHEREAS, on the basis of that investigation the Securities Commissioner determined that Respondents may have violated the securities registration, broker-dealer and agent registration, investment adviser registration and anti-fraud provisions of the Securities Act; and

WHEREAS, Bryant has cooperated with the Division by producing records and meeting with representatives of the Division; and

WHEREAS, Bryant has full time employment and represents that he and JHJ are no longer engaged in the securities or investment advisory business and were unaware of the requirements of the Securities Act at all times relevant to this matter; and

WHEREAS, without a hearing, trial or adjudication of any issue of fact or law, the Commissioner and Respondents have reached an agreement to resolve the issues; and

WHEREAS, Respondents, without admitting or denying any findings of fact or conclusions of law, except that Respondents expressly consent to the Commissioner's jurisdiction over the subject matter and personal jurisdiction over them in this proceeding, and consent and agree to the terms set forth below in the sections captioned Sanctions, Consequences of Violating Consent Order, Modification of Terms of this Consent Order and Jurisdiction Retained; and

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

NOW, THEREFORE, THE COMMISSIONER FINDS:

I. JURISDICTION

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

II. RESPONDENTS

2. Bryant resides in Upper Marlboro, Maryland.

3. Bryant has never been registered as a securities agent, investment adviser or investment adviser representative with the Division or FINRA.

4. JHJ is a Maryland limited liability company formed on April 6, 2005, with the purpose of "providing consultation services for creating wealth, buying cars, eliminating debt." Bryant is its registered agent, Managing Director, President and CEO of JHJ. JHJ is not in good standing as an LLC with the State of Maryland.

5. JHJ has never been registered as a broker-dealer or investment adviser with the Division or FINRA.

III. FINDINGS OF FACT

6. Bryant advertised on the internet that he offers “many different services such as commercial and residential loans, venture capital, and business loans. [He is] an investor as well as a broker so there are certain deals [he] broker[s] and then there are some deals [he] will fund or finance [him]self.” He also advertised that “JHJ Funding is a company that mainly serves the people in a Financial way, but has decided to venture off into trying to get into the commodities also. We have developed relationships with several key players in this market to be able to connect buyers with sellers and so forth.”

7. Bryant was a member of various multilevel marketing companies, including Financial Destinations, Inc. (“FDI”) and Concept Marketing Int’l (“CMI”). He solicited others to join the networks. He personally made money from at least one of these programs. In addition to meeting some potential clients through events that FDI sponsored, Bryant also met other potential clients through his church.

8. Bryant introduced clients to various investment opportunities. In some cases, the clients wrote checks directly to the companies that were raising funds. In these cases, Bryant told his clients that the companies would pay him his fees. In other instances, the clients sent money to Bryant’s company JHJ. JHJ passed some of the money on to third parties, reserving some funds for JHJ and Bryant. Clients understood that Bryant and JHJ would receive some compensation.

9. Bryant served as a broker for several companies attempting to raise funds from

investors. Among others, he raised money for the following companies and personally invested money in one of them:

A. ASM Financial Funding Corp. (“ASM”)

- i. ASM, with an address in Valley Stream, NY, holds itself out as engaged in the business of mortgage financing. Andrew S. Mackey is the President and principal of ASM. ASM, among other services, offered a “Loan Warrantee Program” whereby an investor would pay ASM an advance fee of 17-25% of the loan/mortgage amount sought and, after three to five years, would receive 100% of that loan amount from ASM as the return on the investment. ASM promised to apply its experience as an investor in generating the profits.
- ii. In about November 2005, Bryant introduced at least two investors to ASM. One investor contributed almost \$20,000 to ASM for a return promised on his loan in 3 to 5 years. He has not yet received any return. Another invested \$20,000; after that investor received approximately \$5,000 back from ASM, Bryant paid the client an additional \$14,000.
- iii. Bryant invested approximately \$52,000 of his own money in ASM, using proceeds of a townhouse sale and a home equity loan. Respondents have received between \$12,000 and \$15,000 back from ASM.
- iv. The Maryland Securities Commissioner issued an Order to Show Cause against ASM and Mackey in July 2007 and a Final Order in March 2008.

B. Porta Office Cyber Café, LLC (“Porta Office”)

- i. Porta Office is a Virginia limited liability company formed on March 9, 2006, with its principal office in Hampton, Virginia. It entered into short term investment agreements to fund the expansion of its copying and business services company. It promised to pay investors between 33% and 60% return in three months. It appears that Porta Office’s business goals failed to materialize.
- ii. According to a list that Bryant produced to the Securities Division, Bryant raised \$237,000 from 30 investors between February and August, 2006. Other information that he provided indicates that another fifteen of his clients invested at least an additional \$75,300 in Porta Office. Many investors received no return.
- iii. Bryant received \$42,300 in commissions from Porta Office, \$15,860 of which he shared with another broker and assistant. The Maryland Securities Commissioner issued a Final Order against Porta Office and its control

persons on December 4, 2008.

C. Agnus Dei Foundation (“ADF”)

- i. ADF purports to be a Christian relief and development organization founded in January 2001. It operates from Newport News, Virginia and has a virtual office in the District of Columbia. It says its mission is to improve the quality of life for people around the world. According to ADF correspondence, it sought funds to help finance a multi-million dollar transaction involving multiple international banks, lines of credit, bonds, travel to Spain and Germany, and very high returns. For example, ADF entered into a Joint Interest Trust Agreement with JHJ whereby JHJ would transfer \$250,000 to the account of ADF’s escrow attorney by November 30, 2006, and receive in return within six calendar days \$5 million exclusive of the \$250,000. Neither ADF nor Bryant and JHJ provided investors with the kind of disclosure required in securities offerings.
- ii. Bryant has heard that four of his clients contributed approximately \$435,000 to ADF. Investors have received no return.
- iii. Bryant received no commission from ADF.

D. Africa Marketing and Sourcing Company (“AMSC”)

- i. AMSC planned to purchase electrolytic copper cathodes in Africa for shipment to Shanghai, China.
- ii. Bryant and JHJ raised \$115,000 from four clients to ship copper from Tanzania to China. In about April and June 2007, Bryant promised one client 30% return in six months and a second client 20% in 60 days, saying that the investment was secure because he is paymaster and controls the money in the transaction and because the bank holds letters of credit that guarantee payment. About \$43,000 went to a local contractor for the copper shipment. The copper transaction did not pay off when there were multiple claims against the same shipment. The investors received no return from the program.
- iii. Bryant received only \$600 return from the program.
- iv. Bryant repaid some of the losses of two friends who invested. One of those two investors received 100% of his initial investment from Bryant; the other received 75%.

E. Newport, Inc. (“Newport”) and Willie A. Brown

- i. Newport is a Virginia corporation formed in 1999 and located in Newport News, Virginia. It claims to be engaged in real estate renovation for hospitals and other health care institutions. Willie Brown is the president of the company. Newport and Willie Brown sought bridge loan financing for the real estate development projects.
- ii. At least six of JHJ's clients gave money for Newport or Willie Brown. Investors received promissory notes. According to one promissory note dated May 25, 2007, Newport promised to pay the investor 100% return in 60 days. On or about July 24, 2007, JHJ gave Newport funds from another client. Newport promised to pay JHJ, and JHJ promised the client 20% return in 30-45 days. More than 45 days later, on October 20, 2007, JHJ entered into another promissory note agreement with Newport whereby Newport agreed to pay 30% return in 30 days to JHJ on behalf of the investor. The note states that 5100 Marshall Avenue, Newport News, Virginia 23605 serves as collateral for the loan from JHJ. Altogether, Respondents claim that their clients invested over \$200,000 with Newport, Inc. and Willie Brown. Willie Brown, however, states that he received \$326,000 from JHJ's clients.

Some investors received interim payments; others received nothing. The building projects have not gone forward because Newport was unable to secure financing or to buy the buildings. In particular, neither Brown nor Newport had any ownership interest in the property at 5100 Marshall Avenue, Newport News, Virginia 23605.

- iii. Respondents were to receive 30% of investors' funds that they referred to Willie Brown. In fact, they received \$18,500 in fees and commissions from Newport and Brown.
- iv. Brown was indicted in federal court in March 2008, and pled guilty in the fall of 2008 for unrelated matters. He was released from federal prison on March 6, 2009.

F. QNK Energy, Inc. ("QNK")

- i. QNK is an oil and gas exploration company formed in October 2004, and located in Corpus Christi, Texas.
- ii. QNK entered into a "Land Bank Loan Agreement" with JHJ whereby JHJ agreed to fund QNK with \$100,000 on about July 24, 2007, and QNK promised to pay JHJ \$125,000 by August 14, 2007. JHJ's contribution of \$100,000 came from one of JHJ's clients. The client has received no return.
- iii. JHJ has received no return from QNK on the investment.

10. One of Bryant's clients ("PHC") invested \$245,000 directly with JHJ and received two agreements with JHJ that Bryant signed on JHJ's behalf. The agreements describe generally the investment opportunities in "Real Estate, Contract Acquisition, Real Estate Development, international commodity transactions that include the import or export of rice, sugar, copper etc." that JHJ had available. According to one agreement with PHC for a \$100,000 investment, JHJ would pay PHC \$30,000 in interest for a period of six months; JHJ would receive a commission of 15% on any transactions it undertook up to the point where the client earned a profit of \$75,000 and 20% in commissions after that point, implying that JHJ and PHC would split profits. JHJ had complete discretion on how to invest \$200,000 of the funds so long as JHJ believed there would be a benefit to the client. Bryant told the client "I will manage it all." In fact, he made all the decisions about what to do with those funds and disclosed to the client only the vaguest and most general outlines of the use of her funds.

11. Respondents also introduced the client to QNK where she invested \$100,000 directly but would receive any return through JHJ.

12. Respondents passed on some of PHC's funds to Willie Brown, some to AMSC, some to ADF, some to a real estate program in Baltimore, and some to other investment programs. The client has received no return whatsoever for her \$345,000 invested.

13. JHJ did not maintain a custodial or escrow account for investor funds, separate and apart from its operating accounts. In addition to using JHJ's operating accounts to fund investment opportunities, Bryant also used the accounts to pay certain personal and family expenses and to make church donations.

14. Respondents benefitted from their clients' investment funds by passing on to the investment programs only part of investors' funds.

15. Respondents had custody of several clients' funds and yet failed to comply with the safekeeping requirements for investment advisers with custody of client funds.

16. Respondents continued to offer investment opportunities and to solicit investor funds after the earliest programs that he offered failed to perform as promised. In certain instances, he did not disclose to his clients that earlier programs had not performed as promised.

17. Respondents personally repaid three close investor/friends when their particular investment programs failed. He did not repay PHC, whose money he personally managed.

IV. CONCLUSIONS OF LAW

THE COMMISSIONER CONCLUDES, but Respondents neither admit nor deny, that:

18. JHJ and Bryant offered and sold unregistered securities, in violation of section 11-501 of the Securities Act.

19. JHJ acted as an unregistered broker-dealer and Bryant acted as an unregistered broker-dealer agent when they offered and sold investment opportunities, in violation of section 11-401 of the Securities Act.

20. JHJ acted as an unregistered investment adviser and Bryant acted as an unregistered investment adviser representative when, for compensation, they selected and managed investments for one of their clients, in violation of section 11-401 of the Securities Act.

21. Respondents violated Section 11-301 the Securities Act by, among other things:

- a. Informing their clients that the investment opportunities they offered were exempt from the Securities Act of 1933;
- b. Informing their clients that they did not need to register as a broker or agent; and
- c. Failing to provide all information to their clients that would be material to the clients' investment decisions including, among other things, information about the

performance of earlier investment opportunities and how their funds would be used.

22. Respondents violated Section 11-302 the Securities Act by, among other things:
 - a. Failing to comply with the safekeeping requirements for an investment adviser with custody of client funds; and
 - b. Omitting material facts in their solicitation of advisory clients, such as omitting to state that earlier investment opportunities offered had failed.

V. SANCTIONS

NOW, THEREFORE, IT IS HEREBY ORDERED and Respondents, on behalf of themselves, their successors, assigns and all persons acting or purporting to act on their behalf or by their authority, expressly consent and agree, that:

1. Respondents permanently cease and desist from violating sections 11-501, 11-401, 11-301 and 11-302 of the Securities Act.
2. Respondents are barred from engaging in the securities or investment advisory business in Maryland for or on behalf of others, from having control or supervisory responsibilities over any person engaged in the securities or investment advisory business in Maryland, or from receiving any compensation from the securities or investment advisory business.
3. Before Respondents engage in any future financial transactions for others, including transactions connected with multilevel marketing companies but excluding transactions connected with Respondent Bryant's employment with an independent company in which he has no ownership interest or control, they will consult independent counsel.
4. Respondents shall in all future activities in Maryland comply fully with the Securities Act and the regulations promulgated thereunder.
5. Respondents shall pay to the Office of the Attorney General a fine of \$100,000.

Collection of all but \$5,000 of that fine, however, is waived in light of Respondents' current financial condition. Respondents shall pay the fine to the Office of the Attorney General, in four quarterly installments beginning on September 1, 2009.

VI. CONSEQUENCES OF VIOLATION OF CONSENT ORDER

6. If any Respondent fails to comply with any term of this Consent Order or if that Respondent has made any material misstatements in his or its financial statement provided to the Division, the Division may institute administrative or judicial proceedings against the Respondent to enforce this Consent Order or to sanction Respondent for violating an Order of the Commissioner or any other applicable law, including the issuance of fines or penalties as provided by the Act. In any such proceeding in which, after an opportunity for a hearing, the Commissioner or the court finds that Respondent has violated this Consent Order, the facts and the violations of the Act set forth and incorporated in this Consent Order shall be deemed admitted and may be introduced into evidence against the Respondent.

VII. MODIFICATION OF TERMS OF THIS CONSENT ORDER

7. The terms of this Consent Order may only be modified by a subsequent order issued by the Commissioner.

VIII. JURISDICTION RETAINED

25. Jurisdiction shall be retained by the Commissioner for the purpose of enabling any party to this Consent Order to apply for such further orders and directions as may be necessary or

appropriate for the construction or enforcement of this Consent Order.

The provisions of this Consent Order shall become binding when this Consent Order has been executed by each party and is issued by the Commissioner.

DATE OF THIS ORDER:

SO ORDERED:

August 7, 2009

**Commissioner's Signature is
on File with Original Document**

Melanie Senter Lubin
Securities Commissioner

CONSENTED TO:

By: _____/S/
Fred L. Bryant

_____ On this ____ day of _____, 2009, personally appeared Fred L. Bryant, signer of the foregoing Consent Order, who did duly acknowledge to me that he executed the same and acknowledged the same to be his free act and deed.

Notary Public
My Commission Expires _____

Seal

_____/S/
JHJ Funding, LLC

By: Fred L. Bryant

_____ On this ____ day of _____, 2009, personally appeared JHJ Funding,

LLC, by Fred L. Bryant, signer of the foregoing Consent Order, who did duly acknowledge to me that he executed the same and acknowledged the same to be his free act and deed.

Notary Public
My Commission Expires_____

Seal

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