

ADMINISTRATIVE PROCEEDING  
BEFORE THE  
SECURITIES COMMISSIONER OF MARYLAND

IN THE MATTER OF: \*

STEVEN DEAN YARN \*

and \* Securities Division No. 2009-0332

YARN & COMPANY, INC. \*

RESPONDENTS. \*

\* \* \* \* \*

**CONSENT ORDER**

WHEREAS, the Securities Division of the Office of the Maryland Attorney General (the “Division”), pursuant to the authority granted in section 11-701 of the Maryland Securities Act, Title 11, Corporations and Associations Article, Annotated Code of Maryland (2007 Repl. Vol. and Supp. 2008) (the "Securities Act"), undertook an investigation into the securities-related activities of Steven Dean Yarn (“Yarn” or “Respondent Yarn”) and Yarn & Company (“Yarn & Co.” or “Respondent Yarn & Co.”) (collectively, “Respondents”); and

WHEREAS, on the basis of that investigation the Maryland Securities Commissioner (the “Commissioner”) determined that the Respondents may have engaged in acts or practices constituting violations of the investment adviser and anti-fraud provisions of the Securities Act; and

WHEREAS, on September 22, 2009, the Commissioner issued a Summary Order to Cease and Desist and Order to Show Cause (the “Order”), which is incorporated by reference, ordering each Respondent to show cause why that Respondent should not be barred permanently from engaging in the securities and investment advisory business in Maryland and to show cause why a statutory penalty of up to \$5,000 per violation should not be entered against that Respondent; and

WHEREAS, the Commissioner and Respondents have reached an agreement in this action whereby Respondents, without admitting or denying any findings of fact or conclusions of law except to admit to the jurisdiction of the Commissioner in this matter and over them in this matter, consent to the terms of this Consent Order; and

WHEREAS, Respondents waive their right to a hearing and any rights they may have to seek judicial review or otherwise challenge or contest the terms and conditions of this Consent Order; and

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

**NOW, THEREFORE, THE COMMISSIONER FINDS, CONCLUDES, AND ORDERS:**

#### **I. JURISDICTION**

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

#### **II. RESPONDENTS**

2. Steven Dean Yarn maintains a place of residence in Reisterstown, MD and a place of business at 10451 Mill Run Circle, Owings Mills, MD. Yarn is the president and sole owner of Yarn & Co. Yarn also has been registered as an investment adviser representative for Yarn & Co. since July 10, 2007.

3. Yarn & Company, Inc. is a Maryland corporation with a place of business at 10451 Mill Run Circle, Owings Mills, MD. Yarn & Co. is currently registered, and has been registered, with the State of Maryland as an investment adviser since July 10, 2007. Prior to going through several iterations of name changes, Yarn & Co. was known as G.O.O.D. Investment Services dba

S. Dean Yarn & Company Investment Advisors, Inc. (“SDY”). SDY was registered with the State of Maryland as an investment adviser from November 1999 to December 2000.

### III. STATEMENT OF FACTS

#### **Background**

4. In August 2000, the Division issued a Summary Order to Cease and Desist and Order to Show Cause alleging that SDY and Yarn violated sections 11-301, 11-302, 11-401, and 11-402 of the Securities Act by, among other things, offering and selling an \$120,000 investment in SDY to an elderly client for whom the investment was not suitable, failing to disclose facts material to the client’s decision to make the investment, and engaging in unregistered activities.

5. In April 2003, the Commissioner and SDY and Yarn reached an agreement whereby SDY and Yarn, consented to the facts alleged by the Division; agreed to refrain from applying for registration as a broker-dealer, agent, investment adviser, or representative for a period of at least two years; and agreed to make restitution in the amount of \$120,000. Yarn further agreed to permanently cease and desist from engaging in activities in violation of sections 11-301, 11-302, 11-303, 11-401, and 11-402 of the Securities Act.<sup>1</sup>

6. In November 2005, Yarn fully repaid the restitution due under the Consent Order.

7. In February 2007, Yarn & Co. filed with the Division an application for

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<sup>1</sup> FINRA brought a separate disciplinary action against Yarn relating to the same facts and circumstances underlying the Division’s action. The Maryland Insurance Administration brought an action against Yarn based upon his failure to disclose the Division’s action.

registration as an investment adviser. In July 2007, Yarn & Co.'s application, subject to certain conditions, was approved. Yarn also registered himself as an investment adviser representative of Yarn & Co.

### **Form D Filing**

8. In late 2008, Yarn and Yarn & Co. began offering investors, all of whom also were investment advisory clients of Yarn & Co., the opportunity to invest in Yarn & Co.

9. In return, investors were issued promissory notes promising the return of their principal by June 30, 2017 or later, and an annual interest of 6%.

10. On or about February 11, 2009, Yarn & Co., through its counsel, filed with the Division a Form D for that promissory note securities offering. The Form D was signed by Yarn, in his capacity as CEO of Yarn & Co., on February 6, 2009.

11. The Form D disclosed that Yarn & Co. was seeking to raise \$1,500,000. According to the form, \$1,000,000 of the raised funds would be used to purchase zero coupon bonds to serve as collateral for the offering while \$490,000 would be used as working capital for Yarn & Co.<sup>2</sup>

12. The Form D further disclosed that Yarn & Co. had already sold approximately \$91,000 to 2 residents of Washington, D.C. but had not yet made any sales in Maryland. In actuality, however, those 2 sales were made to Maryland residents. On December 9, 2008, Yarn & Co. issued a promissory note to R.M. for her investment of \$46,000. R.M.'s funds were deposited in Yarn & Co.'s E\*trade account on the 10<sup>th</sup> of December, 2008. R.M. lives in Owings Mills, MD. On December 10, 2008, Yarn & Co. issued a promissory note to W.H. for his

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<sup>2</sup> According to the Form D, the remaining \$10,000 would be used for legal expenses.

investment of \$45,000. W.H.'s funds were deposited in Yarn & Co.'s E\*trade account on the same day. W.H. lives in Upper Marlboro, MD.

13. Yarn and Yarn & Co. made a false filing with the Division when they submitted a Form D that stated that no prior sales had taken place in Maryland.

14. Yarn and Yarn & Co. also filed their Form D late.

**Misrepresentations in connection with Yarn & Co. securities offering**

15. Yarn and Yarn & Co. provided investors with an offering disclosure document and required them to execute an escrow agreement and a subscription agreement.

16. The offering document claimed that the "first \$1,000,000 of the [p]roceeds" would be used to purchase zero coupon treasury bonds that would serve as collateral for the investments. The remaining portion of the investment would be used by Yarn & Co. as working capital.

17. The first \$1,000,000 was not, however, used to purchase treasury bonds. Instead, Yarn used only a portion of each investor's proceeds to purchase bonds at a discount, and used the remainder of the investor's proceeds for Yarn & Co.'s business. For example, \$33,500 of one investor's \$45,000 was used by Yarn to purchase treasury bonds that would mature to \$45,000 in nine years, while the remaining \$11,500 was used by Yarn & Co.

18. Investors were told, and the escrow agreement provided to them disclosed, that upon execution of the promissory notes, the bonds serving as collateral for their funds would be delivered to an escrow agent where they would be held in an "account suitable for holding the collateral." The escrow agent listed in the escrow agreement signed by both Yarn and the investors was Hamburger Law Firm.

19. Yarn and Yarn & Co. never forwarded the securities to Hamburger Law Firm or

any other escrow agent for safekeeping.

20. Instead, Yarn deposited investor funds into a brokerage account held in the name of Yarn & Co. at E\*trade Securities, and later at Charles Schwab. Yarn then used a portion of investor funds to purchase treasury bonds at a discount. Rather than forward the securities to an escrow agent, however, the securities were custodied in Yarn & Co.'s E\*trade or Charles Schwab brokerage accounts where Yarn had full and sole control over them.

21. Investors were not told that the bonds that served as collateral for their investments were not escrowed with Hamburger Law Firm as indicated by the escrow agreement given to them.

22. Investors also were not told that the bonds that supposedly served as collateral for their investments were being heavily leveraged by Yarn and thus were not effectively serving as collateral. Through the use of margin, Yarn used investor funds and the treasury bonds purchased with those funds to borrow funds for Yarn & Co. For example, between December 2008 and January 2009, Yarn & Co. collected \$91,000 from two investors. With those funds and through the use of margin, Yarn purchased approximately \$140,000 in treasury bonds which were held in Yarn & Co.'s E\*trade brokerage account. During that same time, Yarn made transfers totaling approximately \$66,000 from Yarn & Co.'s E\*trade account to Yarn & Co.'s Bank of America bank account, leaving the E\*trade account with a January-end net account value of approximately \$17,000 and a margin balance of approximately \$115,000.<sup>3</sup>

23. In or about March 2009, after being notified that E\*trade would be unilaterally

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<sup>3</sup> At least \$16,000 of the first \$40,000 transferred to Yarn & Co.'s bank account was paid to Yarn and used for personal expenditures. According to Yarn, the \$16,000 represented his monthly compensation from company operations.

closing Yarn & Co.'s account, Yarn began transferring Yarn & Co.'s account to Charles Schwab.

24. To satisfy the margin balance in Yarn & Co.'s E\*trade account at the time of the transfer, Yarn sold \$79,000 in treasury bonds held in the E\*trade account thus causing the number of treasury bonds held by Yarn & Co. to drop below the minimum threshold required to serve as collateral for investor funds.

25. Yarn continued to use margin to borrow against investor funds and/or securities purchased with their funds and quickly created a margin balance in the Charles Schwab account.

26. In total, between December 2008 and May 2009, Yarn deposited approximately \$370,000<sup>4</sup> of investor/advisory client funds into Yarn & Co.'s brokerage accounts but heavily leveraged those funds, or the securities purchased with the funds, to borrow approximately \$160,000 for Yarn & Co. At the end of August 2009, Yarn & Co. held approximately \$316,000 in treasury bonds; however, the bonds were so heavily leveraged that with the margin balance of approximately \$247,000, the net value of the bonds was only approximately \$68,000.

27. The offering document for Yarn & Co. disclosed that “[i]nvestors will have a first priority claim against the [c]ollateral.” However, because of the significant margin balance in the Charles Schwab brokerage account holding the bonds purportedly serving as collateral for investors’ funds, Charles Schwab has first priority claim on the collateral.

28. The subscription agreement given to investors further disclosed that the Hamburger Law Firm would file “the appropriate UCC-1 financing statement (attached hereto as Exhibit B) to secure” investors’ interests in the collateral. No financing statement was filed securing investors’ collateral.

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<sup>4</sup> As discussed below, Yarn took in an additional \$150,000 from an investor, C.N.D. That money was deposited directly into Yarn & Co.'s Bank of America account.

29. Further, Yarn & Co. failed to disclose to investors the prior disciplinary actions involving Yarn and/or Yarn & Co. that were material to an evaluation of Yarn's integrity; an act that is an unethical business practice under COMAR 02.02.05.03C(1)(b).

### **Indievest Investments**

30. C.N.D. is an investment advisory client of Yarn & Co. Yarn & Co. is listed as C.N.D.'s investment adviser on her brokerage account applications. C.N.D. also has a discretionary investment advisory agreement with Yarn & Co.

31. In or about May 2009, Yarn solicited C.N.D. to invest with Yarn & Co.

32. C.N.D. decided to invest \$150,000 with Yarn & Co. To fund her investment, Yarn recommended that C.N.D. make partial redemptions of her Allianz annuities. C.N.D. incurred significant surrender charges in connection with the redemptions.

33. To evidence her investment with Yarn & Co., Yarn provided C.N.D. with an offering document, a promissory note, and an escrow agreement. As with the other investors, the offering document and promissory note disclosed that her funds would be used to purchase treasury bonds. The escrow agreement stated that the bonds would serve as collateral for her investment and that the bonds would be escrowed with the Hamburger Law Firm.

34. C.N.D. signed a check, otherwise completed by Yarn, that was made payable to "Yarn and Company, Inc." in the amount of \$150,000. Yarn then deposited that check into Yarn & Co.'s checking account held at Bank of America.

35. Shortly after depositing the check, Yarn used \$100,000 of C.N.D.'s funds to make an investment in the name of Yarn & Co. in Indievest, a California based independent film company. A promissory note representing the \$100,000 investment was issued by Indievest, Inc. to Yarn & Co.



36. A few days later, Yarn used the remaining \$50,000 of C.N.D.'s funds to make an investment in the name of Yarn & Co. in Saint John of Las Vegas Production LLC, a California based film-related company affiliated with Indievest, Inc. In the subscription agreement for the Saint John investment, Yarn represented to Saint John that his company, Yarn & Co., was "[a]n investment company registered under the Investment Company Act of 1940, as amended (the "1940 Act"), or a business development company as defined in Section 2(a)(48) of the 1940 Act." Yarn & Co is neither.

37. Yarn's and Yarn & Co.'s recommendation that C.N.D. sell an annuity in order to invest in Yarn & Co., thus causing her to incur surrender charges, was unsuitable and unethical.

38. Yarn and Yarn & Co. borrowed monies from C.N.D., an investment advisory client.

39. Yarn and Yarn & Co. then commingled C.N.D.'s client funds with those of their own.

40. Although Yarn & Co. had custody of C.N.D.'s funds, Yarn & Co. failed to amend its investment adviser application to notify the Commissioner that it had custody of her funds.

41. Yarn misrepresented Yarn & Co.'s status in connection with the purchase of the Saint John investment, and that misrepresentation was material to Saint John's determination of whether it was required to make a securities filing with the Division.

### **Suitability**

42. Yarn's recommendation to invest in his company, Yarn & Co., was unsuitable for

his clients and a breach of his fiduciary duty to clients. Many of the clients solicited by Yarn to invest in his business were retired, in their mid-70's, and not very knowledgeable about investments.

43. T.P. was an advisory client of Yarn & Co., having executed limited trading authorization forms on which Yarn signed as T.P.'s investment adviser.

44. T.P. is 80 years old and is retired. T.P.'s account application with Charles Schwab lists his annual income as between \$25,000 and \$49,999, his liquid net worth as between \$100,000 and \$249,999, his investment experience as limited, and his investment objective as capital preservation.

45. T.P. met Yarn at a church seminar at which Yarn was a guest speaker. Yarn spoke of the benefits of reverse mortgages at the seminar.

46. Following the seminar, Yarn's office began contacting T.P. at his home. Soon thereafter, T.P. agreed to set up an appointment with Yarn.

47. Yarn recommended that T.P. obtain a reverse mortgage loan and told T.P. that some of the proceeds could be used for income and growth. T.P. obtained a reverse mortgage and received net proceeds of approximately \$237,000.

48. Yarn then recommended that T.P. purchase an annuity product with the proceeds.

49. In or about January 2009, Yarn solicited T.P. to invest funds in Yarn & Co. At Yarn's recommendation, T.P. made a \$70,000 investment in Yarn & Co.

50. To fund his investment in Yarn & Co., Yarn advised T.P. to surrender a portion of his annuity. In doing so, T.P. incurred surrender charges of approximately \$6,500.

51. T.P. transferred approximately \$70,000 of the proceeds from the sale of his

annuity to his Charles Schwab brokerage account. Shortly thereafter, with Yarn's assistance, T.P. transferred approximately \$68,000 to Yarn & Co's Charles Schwab brokerage account for investment in Yarn & Co. The transfer took place on or about May 4, 2009.

52. On or about May 6, 2009, T.P. visited a Charles Schwab branch where he attempted to withdraw funds from his account. After making a withdrawal of approximately \$2,000, Charles Schwab informed T.P. that his second withdrawal request could not be honored because his account value was only \$10.00. Shortly thereafter, Charles Schwab started an investigation surrounding T.P.'s investments with Yarn and Yarn & Co.

53. In late May 2009, at the insistence of Charles Schwab, Yarn reimbursed T.P. in the amount of his \$67,900 investment plus the surrender charges incurred when he sold his annuity products.

54. Yarn's and Yarn & Co.'s recommendation that T.P. sell an annuity in order to invest in Yarn & Co. thus causing him to incur surrender charges was unsuitable and unethical.

55. Yarn & Co. failed to disclose in writing the conflict of interest that existed with advising T.P. to liquidate his annuity investments in order to invest in Yarn & Co., an act that is an unethical business practice under COMAR 02.02.05.03B(11).

56. Given T.P.'s investment objectives, age, and other financial background, Yarn and Yarn & Co.'s recommendation that he invest in Yarn & Co. was unsuitable and unethical.

57. C.G. and B.G. also were advisory clients of Yarn & Co. They were born in 1935 and 1938, respectively, and were retired at the time of their investments in Yarn & Co. Their Charles Schwab account application lists their investment experience as limited, their annual

income as between \$25,000 - \$49,999, their liquid net worth as between \$100,000 - \$249,999, and their investment objective as capital preservation.

58. In or about January 2009, Yarn solicited C.G. and B.G. to invest in Yarn & Co.

59. As with T.P., Yarn recommended that C.G. and B.G. surrender a portion of their investment in an annuity to fund their investment in Yarn & Co. As a result, they incurred surrender charges in connection with the surrender.

60. C.G. and B.G. invested approximately \$70,000 in Yarn & Co.

61. Yarn's and Yarn & Co.'s recommendation that his clients sell an annuity in order to invest in Yarn & Co. thus causing them to incur surrender charges was unsuitable and unethical.

62. Yarn & Co. failed to disclose in writing the conflict of interest that existed with advising C.G. and B.G. to liquidate their annuity investments in order to invest in Yarn & Co., an act that is an unethical business practice under COMAR 02.02.05.03B(11).

63. Given C.G. and B.G.'s investment objectives, age, and other financial background, Yarn and Yarn & Co.'s recommendation that they invest in Yarn & Co. was unsuitable and unethical.

64. As in the case of T.P. and C.G. and B.G, Yarn and Yarn & Co. made unsuitable recommendations with respect to other advisory clients in that the investments were not suitable based upon the clients' backgrounds or clients were advised to sell annuity products thus incurring surrender charges.

65. Yarn & Co.'s offering memorandum disclosed that the "[n]otes are suitable investments only for sophisticated investors" yet Yarn and Yarn & Co. required each investor to represent in writing that he or she "meets the suitability standards referred" to in the offering

memorandum. As their investment adviser and someone to whom they looked for advice, Yarn and Yarn & Co. were best situated to know whether the investment was suitable for their clients and, in recommending the investments, failed to act in the best interests of their clients.

**Inappropriate handling of client funds and securities**

66. Between December 2008 and June 2009, Yarn has solicited and collected approximately \$520,000 from 7 investors.

67. Each client solicited by Yarn to invest in Yarn & Co. was an investment advisory of Yarn and Yarn & Co., having either executed a brokerage account application form on which Yarn and/or Yarn & Co. signed as their investment adviser, or an investment advisory agreement with Yarn & Co.

68. In exchange for their investment funds, clients were issued promissory notes by Yarn & Co. promising the return of their funds plus interest of 6% per year.

69. Yarn deposited the funds from his advisory clients into Yarn & Co.'s E\*trade or Charles Schwab brokerage accounts or into Yarn & Co.'s Bank of America bank account.

70. Yarn and Yarn & Co. then used a portion of the funds to purchase treasury bonds which were held in Yarn & Co.'s brokerage accounts. The balance of the funds were presumably used by Yarn as working capital for Yarn & Co.

71. Yarn & Co. borrowed money from advisory clients, an act that is an unethical business practice under COMAR 02.02.05.03B(6).

72. Since December 2008, Yarn & Co. has had custody of client funds and securities but failed to notify the Securities Commissioner of that as required by COMAR 02.02.05.04.

73. Yarn & Co. had custody of client assets but failed to engage an independent

accountant or attorney to perform a verification of client funds and securities over which it has custody, as required by COMAR 02.02.05.04.

74. Yarn & Co. had custody of client assets but failed to file with the Securities Commissioner an audited balance sheet for calendar year 2008, as required by COMAR 02.02.05.17.

75. Yarn & Co. had custody of client funds and securities but failed to satisfy the net capital requirements set forth under COMAR 02.02.05.15. At the end of December 2008, Yarn & Co's compiled balance sheet shows that Yarn & Co. neither had net tangible assets of \$35,000 nor a minimum net capital of \$20,000. Yarn & Co. also was not bonded in the amount of \$10,000. Yarn & Co. further failed to notify the Division that its net tangible assets and net capital had fallen below the required minimum.

76. Yarn and Yarn & Co. failed to maintain supervisory and compliance procedures that should have addressed the compliance issues set forth above, as required by Regulation .02.02.05.13. As to why such procedures were not maintained, in an e-mail to the Division Yarn stated that "I'm aware of the requirement under the Maryland Securities Act and other applicable laws and I strive to conduct myself and business in a manner which I believe complies with those requirements. To produce a recitation of the rules and call it policies and procedures does not seem that productive."

#### **IV. CONCLUSIONS OF LAW**

The Commissioner concludes that:

77. Respondents violated section 11-301 of the Securities Act by misrepresenting the risks associated with the investments issued by Yarn & Co. including telling investors that their investments were secured by bonds held by an independent escrow agent; by omitting to

disclose the risks associated with the investments issued by Yarn & Co. including by failing to tell clients that the bonds serving as collateral were heavily margined in order to provide funds to Respondents; and by making unsuitable recommendations to investors.

78. Respondents violated sections 11-302(a) and (c) of the Securities Act by misrepresenting the risks associated with the investments issued by Yarn & Co. including telling clients that their investments were secured by bonds held by an independent escrow agent; by omitting to disclose the risks associated with the investments issued by Yarn & Co. including by failing to tell clients that the bonds serving as collateral were heavily margined in order to provide funds to Respondents; and by making unsuitable recommendations to clients.

79. Respondents violated section 11-302(a)(3) of the Securities Act by making unsuitable recommendations to clients; by borrowing money from clients; and by failing to disclose, among other things, Yarn's prior disciplinary history and all material conflicts of interest.

80. Respondent Yarn & Co. violated section 11-302(f) of the Securities Act by failing to notify the Commissioner that it had custody of client funds; by failing to engage an independent accountant or attorney to verify client funds; and by commingling client funds with those of its own.

81. Respondents violated section 11-303 of the Securities Act by misrepresenting in a Form D filed with the Division that Respondents had not yet made any sales to Maryland investors.

82. Respondent Yarn & Co. violated section 11-409 and 11-410 of the Securities Act by failing to maintain at all times the required minimum net capital and by failing to be bonded in the amount of \$10,000.

83. Respondent Yarn & Co. violated section 11-411(a)(3) of the Securities Act by failing to establish and maintain written supervisory guidelines, as required by rule 02.02.05.13.

84. Respondent Yarn & Co. violated section 11-411(c)(3) of the Securities Act by failing to file an audited balance sheet, as required by rule 02.02.05.17.

85. Respondents violated section 11-503.1 of the Securities Act by filing in an untimely manner a Form D for the promissory note offering issued by Yarn & Co.

86. Respondents willfully violated sections 11-301, 11-302, 11-303, 11-409, 11-410, 11-411, 11-503.1 and the 2003 Consent Order entered against them, and grounds exist to revoke their investment adviser or representative registrations under sections 11-412(a)(2) and 11-412(a)(7) of the Securities Act.

## V. SANCTIONS

**NOW THEREFORE, IT IS HEREBY ORDERED**, and Respondents expressly consent and agree:

87. Respondents shall permanently cease and desist from violating sections 11-301, 11-302, 11-303, 11-409, 11-410, 11-411, and 11-503.1 of the Securities Act.

88. Respondents are barred from engaging in the securities or investment advisory business in Maryland for or on behalf of others, or from acting as a principal or consultant in any entity so engaged.

89. Respondents, jointly and severally, are assessed a civil monetary penalty pursuant to section 11-702 of the Act in the amount of \$464,333 for the violations set forth in this Order. In light of the sworn financial statements submitted by Respondents, however, this penalty shall be reduced by the amount of restitution made by Respondents to investors that invested in promissory notes issued by Yarn & Co. ("Yarn & Co. investors"). Payment of restitution shall be



made in installments, as follows: \$14,333 contemporaneous with the issuance of this Consent Order; and payments of \$22,500 each payable by the 1st of the month beginning each successive quarter (the “quarterly due dates”), unless the \$464,333 is paid in full sooner. The quarterly due dates are as follows: February 1st, May 1st, August 1st, and November 1st. Each check shall be payable to the “Office of the Attorney General.” Payment shall be made in full by no later than November 1, 2014. The restitution shall be distributed pro rata to the Yarn & Co. investors by the Office of the Attorney General in a manner within its discretion. The civil monetary penalty imposed herein shall be waived completely if investors are repaid in full in accordance with the terms of this paragraph. In the event of a default by Respondents that is not cured within a reasonable time as determined by the Commissioner, the remaining balance of restitution owed under this paragraph shall be collectible as a civil monetary penalty. In addition, the balance owed at the time of default shall become immediately due and owing, and Respondents authorize any attorney admitted to practice before any court of record in the United States on behalf of the Respondents to confess judgment against the Respondents, in the full amount due on the Promissory Note and Confession of Judgment executed by Respondents as part of this case, minus credit for payments, plus costs and interest. Respondents agree that venue shall be proper in Baltimore City or in any County of the State of Maryland. Respondents waive the benefit of any and every statute, ordinance, or rule of court which may be lawfully waived conferring upon the Respondents any right or privilege of exemption, appeal, stay of execution, inquisition, or discovery in aid of enforcement, or other relief from the enforcement or immediate enforcement of a judgment or related proceedings on a judgment.

90. Until the restitution referenced in paragraph 89 is paid in full, Respondents

shall make quarterly interest payments at an annual interest rate of 6% on the remaining principal amount owed to each Yarn & Co. investor in accordance with the terms of the promissory notes issued to each Yarn & Co. investor. Respondents shall forward to the Division copies of all cancelled checks evidencing payment of interest to each Yarn & Co. investor within 30 days of making such payments.

91. Each Respondent shall comply fully with the Securities Act and the regulations promulgated thereunder.

## **VI. JURISDICTION RETAINED**

92. Jurisdiction shall be retained by the Commissioner for such further orders and directions as may be necessary or appropriate for the construction or enforcement of this Consent Order.

93. If a Respondent fails to comply with any term of this Consent Order, the Commissioner may institute administrative or judicial proceedings against that Respondent to enforce this Consent Order and/or to sanction that Respondent for violating an Order of the Commissioner, and may take any other action authorized under the Securities Act or under any other applicable law, including the issuance of fines or penalties as provided by the Securities Act. In any such proceeding, the Division may also seek other sanctions for the violations that initiated this matter. For the purpose of determining those sanctions, the Statement of Facts and violations of the Securities Act set forth in this Consent Order shall be deemed admitted, and may be introduced into evidence against that Respondent.

94. In the event that judicial intervention in this matter is sought by the Commissioner or Respondent, subject matter jurisdiction will lie in the Circuit Court for Baltimore City pursuant to section 11-702 of the Securities Act. The Circuit Court for Baltimore City will have

personal jurisdiction over Respondent pursuant to section 6-103(b) of the Courts and Judicial Proceedings Article, Title 6, Annotated Code of Maryland (2006 Repl. Vol. and 2008 Supp.).

Venue will be properly in that Court pursuant to Section 6-201(a) and 6-202(11) of that article.

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

**SO ORDERED:**

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

Date: January 7 , 2010

Melanie Senter Lubin  
Securities Commissioner

**BY CONSENT:**

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/S/  
Steven Dean Yarn

\_\_\_\_\_  
/S/  
Yarn & Company, Inc.  
by: Steven Dean Yarn, President

January 6, 2010  
Date

January 6, 2010  
Date

Subscribed and sworn to before me  
this \_\_\_\_ day of \_\_\_\_\_, 2010.

Subscribed and sworn to before me  
this \_\_\_\_ day of \_\_\_\_\_, 2010.

\_\_\_\_\_  
Notary Public  
My Commission expires \_\_\_\_\_

\_\_\_\_\_  
Notary Public  
My Commission expires \_\_\_\_\_