

ADMINISTRATIVE PROCEEDING  
BEFORE THE  
SECURITIES COMMISSIONER OF MARYLAND

IN THE MATTER OF: \*  
  
SIX FIGURE CLUB \* Securities Division No. 2012-0216  
and \*  
JAMES S. DAVIS, JR., \*  
  
RESPONDENTS. \*

\* \* \* \* \*

CONSENT ORDER

WHEREAS, the Securities Division of the Office of the Maryland Attorney General, pursuant to the authority granted in section 11-701 of the Maryland Securities Act, Title 11, §11-101 *et seq.*, Corporations and Associations Article, Annotated Code of Maryland (2007 Repl. Vol. & Supp. 2013) ("Securities Act"), undertook an investigation into the investment-related activities of James S. Davis, Jr. and Six Figure Club (together, "Respondents"), in connection with the offer of securities; and

WHEREAS, on the basis of that investigation the Maryland Securities Commissioner (the "Commissioner") found grounds to conclude that a violation of the Securities Act had occurred, and issued a Summary Order To Cease And Desist to Respondents on June 14, 2013; and

WHEREAS, the Commissioner and Respondents have reached an agreement in this action whereby Respondents consent to the jurisdiction of the Commissioner in this matter and over them, to the Statement of Facts herein, and to the terms of this Order; and

WHEREAS, in settlement of any proceeding that could be brought based upon Respondents' violations of the Act, the Commissioner has determined that it is in the public interest to issue this Consent Order; and

WHEREAS, Respondents have agreed to the provisions set forth below;

THEREFORE, before the holding of a hearing in this matter, without trial or final adjudication of any

issue of fact or law, and upon consent of the parties hereto, IT IS HEREBY AGREED AND THE COMMISSIONER ORDERS:

I. JURISDICTION

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

2. Respondents permanently waive the right to a hearing and appeal under the Act and the rules and regulations promulgated thereunder with respect to this Consent Order and the underlying Summary Order.

3. If judicial intervention in this matter is sought by any party, each Respondent consents to the jurisdiction of the Circuit Court for Baltimore City over any such proceeding and as to itself.

II. PARTIES

4. Melanie Senter Lubin is the Securities Commissioner for the State of Maryland.

5. The Six Figure Club (“SFC”), a Maryland-based entity with its address in Ft. Washington, Maryland, at all relevant times was engaged in the business of offering interests in gambling or sweepstakes machines or gaming-device related investments.

6. James S. Davis, Jr. (“Davis”) is the president/CEO/Founder of SFC, with an address in Ft. Washington, Maryland.

III. STATEMENT OF FACTS

7. By letter dated April 16, 2012, Davis contacted the office of the Maryland Attorney General to inquire about the legality of selling and using electronic sweepstakes devices in Maryland; the letter was forwarded to the Securities Division. In his letter, Davis stated that his plan was for SFC to sell or lease “sweepstakes machines,” or interests in them. The machines, when placed in the purchaser’s or other establishments, would generate income for the purchaser/investor.

A. The SFC program: Website 1

8. SFC’s website offered three options for owner/operator investors:

- a. A person could purchase a sweepstakes machine for his own location and operate it himself, as an investor/owner.
  - b. A person could lease-to-purchase a sweepstakes machine, or house other investors' machines with a goal of purchasing them within 12 months. Such an investor would earn profits based on usage of the machine.
  - c. A person could receive profits based on housing machines without owning them.
9. Investors did not need to have their own location in order to make money, but could purchase interests in the SFC program. The SFC high-yield return passive investment program offered monthly profits of 18% to 60% annually, a set percentage based on the amount invested.
10. Satisfaction with the investment was guaranteed. If at the end of the year an investor was not satisfied with the profits, his investment (less any monthly profits already paid) would be refunded by SFC.
11. Details of the offering and the plan were available to the public at the SFC website, [www.sixfigureclub.com](http://www.sixfigureclub.com), without a password.
12. About May 3, 2012, the Securities Division advised Davis that SFC's program could constitute the offer or sale of unregistered securities, and the Division requested additional information.
13. After thorough review of the SFC materials, and meeting with Davis on August 28, 2012, on August 30, 2012, Division counsel wrote and advised Davis that the website was offering the sale of unregistered securities in connection with the possibly unlawful offer of gaming machines.
14. That letter to Davis expressly stated that "The Commissioner has directed that the website offering investments in the Six Figure Club must come down within ten days."
15. The letter advised Davis to seek legal counsel to determine exactly what form of investment, if any, he could offer, and to structure any offering in compliance with the Securities Act and other Maryland law.
16. On September 11, 2012, Davis notified the Division that "I will be removing our [www.sixfigureclub.com](http://www.sixfigureclub.com) website from the internet tonight at 11:50 PM on today's date. I have acquired an attorney and they will be in touch with your office to resolve any corrections required to update my website

to be fully compliant ...” In reliance upon Davis’ removing the website and seeking legal advice, the Division took no action against Davis or SFC for the offer of unregistered securities.

B. The SFC Program: Website 2

17. In May 2013, however, the Division discovered that the Six Figure Club website was once again available to the public, offering the passive investment opportunities related to gaming devices.

18. The May 2013 Six Figure Club website, [www.sixfigureclub.com](http://www.sixfigureclub.com), like the 2012 website, offers a variety of investment opportunities for those with available locations in which to place a sweepstakes machine:

- a. Owner/operator investors own or house the sweepstakes machines and “rake in up to 35% of the net profit per machine every month” for machines in their locations.
- b. Investors can lease-to-purchase machines, or house other investors’ machines while waiting to purchase them within 12 months, and earn 30%.
- c. Investors can earn 25% of all net profits when they house others’ machines in their locations but choose not to purchase machines.

See print-out exhibits from Six Figure Club website, “How It Works.”

19. Investors do not have to own a location. “Our **high-yield return, passive investment program** offers 18% to 60% annual returns that can be paid on a monthly basis.” (Emphasis in original.)

*Id.* The return is a set percentage dependant on the amount invested.

20. Furthermore, investors are guaranteed that their investments are risk free. The “Money-Back Guarantee” will refund an investment, less returns already received, if an investor is unsatisfied after 12 months. In addition, the “No-Fee Guarantee” promises to return the annual management fee (1% to 3%) if the Six Figure Club fails to produce at least double the annual return of an investor’s re-allocated investments.

21. There is no banner or notice prominently placed on the site stating that the investments are not available for offer or sale in Maryland.

C. Lack of Registration under the Securities Act

22. The Securities Division has no record of securities registration for an offering by the name Six Figure Club, Mentor Services, or any other name listed on the site as a SFC affiliate. No claim of

exemption or status as a federal-covered security has been made with the Division for any such offering.

23. SFC is not registered with the Securities Division as a broker-dealer, securities agent, investment adviser or investment adviser representative.

24. Davis is not registered with the Securities Division as a broker-dealer, securities agent, investment adviser or investment adviser representative.

25. The SFC website does not contain adequate disclosure to advise potential investors of the registration requirements of the offering, or information regarding Respondents' history and prior successes and promised rates of return.

#### IV. CONCLUSIONS OF LAW

26. The interests in the Six Figure Club offered to investors constitute "securities" under section 11-101 of the Securities Act in the form of investment contracts and interests in profit-sharing agreements.

27. Respondents violated section 11-501 of the Act by offering unregistered securities in Maryland, which were neither exempt from registration under the Act nor federal covered securities.

28. Respondents violated section 11-401 of the Act by acting, in connection with the offer of securities, as broker-dealers or securities agents, without being registered as such.

29. Respondent Six Figure Club violated section 11-402 of the Act by employing an unregistered agent(s) for the offer of its securities.

30. Respondents violated section 11-301 of the Act in connection with the offer of securities by misrepresenting or omitting to disclose material facts pertaining to the company, its profitability, its source of capitalization, its history, and its lack of authority to utilize gaming machines in Maryland.

#### V. SANCTIONS

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

31. Respondents shall cease and desist from any future violations of the Securities Act and the regulations promulgated under the Act.

(a) Respondents permanently will cease and desist from offering, selling, or issuing investments

in the Six Figure Club in or from Maryland; and that

(b) Respondents permanently will cease and desist from offering or selling in or from Maryland any securities subject to the Act, whether registered or exempt from registration, and from engaging in any transaction exempted under the Act; and that

(c) Respondents jointly and severally shall pay a civil penalty pursuant to section 11-701.1 of the Act in the amount of \$10,000.00 for the violations set forth in this Order. However, collection of this fine is waived in light of the Respondents' cooperation and statement of financial condition.

VI. RESPONDENTS' REPRESENTATION OF  
NO SALES OF SECURITIES IN MARYLAND

32. Respondents, as a condition of entering into this agreement, have represented that there are no investors or purchasers in Maryland. The Commissioner has relied upon this representation in entering into this Order. If the Commissioner receives information that the statement is false in any material respect, the Commissioner may re-open these proceedings and seek such further relief as is appropriate.

VII. RESPONDENTS' REPRESENTATION  
OF FINANCIAL CONDITION

33. Respondents, as a condition of entering into this agreement, have made representations regarding their financial status. The Commissioner has relied upon these representations in issuing this Order. If the Commissioner receives information that the statement is false in any material respect, the Commissioner may re-open these proceedings and seek such further relief as is appropriate.

VIII. CONSEQUENCES OF VIOLATION OF CONSENT ORDER

34. If either Respondent fails to comply with any term of this Consent Order, the Commissioner may declare this Consent Order to be null and void. The Commissioner may then proceed with full administrative and/or judicial proceedings to enforce this Consent Order against that Respondent, or to sanction that Respondent for violating an order of the Commissioner, and may take any other action authorized under the Act or any other applicable law. In any such proceeding, 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 that Respondent.

IX. MODIFICATION OF TERMS OF THIS CONSENT ORDER

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

X. JURISDICTION RETAINED

36. 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.

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

IT IS SO ORDERED:

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

November 11, 2013

MELANIE SENTER LUBIN  
Securities Commissioner

CONSENTED TO:

SIX FIGURE CLUB

JAMES S. DAVIS, JR.

BY: \_\_\_\_\_ /S/ \_\_\_\_\_

\_\_\_\_\_ /S/ \_\_\_\_\_

\_\_\_\_\_  
Print name and title of executive officer

\_\_\_\_\_  
Print name

Subscribed and sworn to before me this  
\_\_\_\_\_ day of \_\_\_\_\_, 2013.

Subscribed and sworn to before me this  
\_\_\_\_\_ day of \_\_\_\_\_, 2013.

\_\_\_\_\_  
Notary Public

\_\_\_\_\_  
Notary Public

My Commission Expires \_\_\_\_\_

My Commission Expires \_\_\_\_\_