

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

IN THE MATTER OF:	*	<i>Case No. 2003-0260</i>
LAWSTAR, INC.	*	
and	*	
MARK CAVE.	*	
Respondents.	*	

* * *

CONSENT ORDER

WHEREAS, the Securities Division of the Office of the Attorney General (the "Division") initiated an investigation into the activities of Lawstar, Inc. and its officer Mark Cave (collectively, "Respondents"); and

WHEREAS, the Maryland Securities Commissioner (the "Commissioner") has found that grounds exist to allege that Respondents violated the Maryland Securities Act, contained at Md. Code Ann., Corps. and Ass'ns, §§11-101 *et seq.* (1999 Repl. Vol. & Supp. 2003) (the "Securities Act"), by engaging in acts or practices constituting violations of the registration and antifraud provisions of the Securities Act; and

WHEREAS, before the holding of a hearing, without trial or final adjudication of any issue of fact or law, and prior to the issuance of a final order in this proceeding, the Securities Commissioner and Respondents have reached an agreement whereby Respondents, without admitting or denying the Statement Of Facts and Findings Of Fact And Conclusions Of Law

contained herein, consent to the terms of this Order:

I.

JURISDICTION

1. The Securities Commissioner has jurisdiction in this proceeding pursuant to § 11-701 of the Securities Act.

II.

RESPONDENTS

2. Lawstar is a California corporation. The company's mailing address is 8500 Wilshire Boulevard, Suite 916, Beverly Hills, California 90211.

3. Cave is Lawstar's President.

III.

STATEMENT OF FACTS

Lawstar Investments of Marie Fertitta

4. Milo Zlokovich was a salesman working for Lawstar. At no time was Zlokovich registered in Maryland or in any other state as a broker-dealer agent or issuer agent.

5. During the winter of 1999, Maryland resident Marie G. Fertitta was contacted by a Lawstar representative to invest money in Lawstar, which was described as a company offering legal service plans to the public. At the caller's urging, Ms. Fertitta provided Lawstar with a \$3,000 check dated February 4, 1999.

6. Later, in 2002, Ms. Fertitta was contacted by Zlokovich regarding a further opportunity to invest in stock issued by Lawstar. Zlokovich represented that Lawstar was "going

public" within the next 30-35 days, meaning its stock would be offered on a public exchange. He told Ms. Fertitta that there was a great profit opportunity available by investing in Lawstar.

7. In reliance upon Zlokovich's verbal representations, Ms. Fertitta invested \$15,000 in Lawstar. Ms. Fertitta told Zlokovich that she needed to borrow the monies to make the investment, he encouraged her to do so, and she did. At Zlokovich's direction, she wired \$15,000 in home equity line proceeds to a Wells Fargo account in California in the name of Lawstar's President, Mark Cave.

8. Prior to investing, Ms. Fertitta received no written disclosures from Lawstar or any persons affiliated with Lawstar. There were no disclosures with respect to Lawstar's financial situation, the identity of its officers and directors, or the risks inherent in an investment in Lawstar. Nor did Lawstar require that Ms. Fertitta complete any forms, such as a suitability questionnaire, to qualify her to make an investment in Lawstar.

9. After making her investment, Ms. Fertitta received two Lawstar stock certificates and a "Limited Offering Memorandum" dated April 2, 2002 (the "LOM"). The LOM referenced a limited offering of 375,000 Lawstar shares at \$2 per share for a total offering price of \$750,000.

10. Thirty to 35 days after making an investment in Lawstar, Ms. Fertitta inquired about her investment. Zlokovich told her that because of the stock market's downturn, Lawstar's public offering had been put on hold. Ms. Fertitta inquired with Cave about a refund of her monies. He told Ms. Fertitta that Lawstar could not return her monies. Cave offered to pay her out of his own pocket, but he claimed that he did not have the funds to make restitution to her.

Other Maryland Lawstar Investors

11. In addition to Mrs. Fertitta, at least four other Maryland residents invested in Lawstar

stock vis-a-vis Subscription Agreements, including: Jerry J. Seibert, Jr./Cynthia E. Martlock, who invested a total of \$20,000; John M. Brewer, who invested a total of \$20,000; Frank T. Terrell/Earlie M. Terrell, who invested a total of \$3,000; and Timothy J. Peters, who invested a total of \$10,000 (collectively, the “Maryland investors”).

12. Notwithstanding the sales made in Maryland, Lawstar did not make any securities registration or exemption filings in Maryland either before or after the sales. Furthermore, according to the suitability questionnaires completed or on behalf of Lawstar’s Maryland investors, at least several of them did not claim to meet the criteria of an “accredited investor.”

No Disclosure

13. At no time did Lawstar or its officers or agents disclose to Maryland investors that it was in bankruptcy in 1998. Records available to the Division reflect a Chapter 7 filing for Lawstar in 1998. Also, between 1998 and 2000 Lawstar was sued by various persons – including several Maryland attorneys who sued for breach of contract in connection with Lawstar’s purported marketing services for attorneys – and civil judgments were issued against the company.

IV.

FINDINGS OF FACT AND CONCLUSIONS OF LAW

14. In connection with the matter described in the Statement Of Facts contained herein, Respondents Lawstar and Cave violated the Securities Act by engaging in violations of §§11-301, 11-302, 11-401, 11-402 and 11-501.

V.

CONSENT TO CEASE AND DESIST AND OTHER RELIEF

15. NOW, THEREFORE, IT IS HEREBY **ORDERED**, and Respondents Lawstar and Mark Cave expressly consent and agree that:

a. In lieu of the payment of a fine in this matter, Respondents shall pay a total of \$15,000 for the purpose of making restitution to Marie Fertitta pursuant to a written agreement with Ms. Fertitta. Respondent has already paid \$10,000 to Mrs. Fertitta, and shall pay the remaining \$5,000 by cashier's check payable to "Office of the Attorney General," which payment shall be due contemporaneous with the issuance of this order. That payment shall be used by the Office of the Attorney General for the purpose of making restitution to Mrs. Fertitta, who has directly requested rescission of her investments with Lawstar.

b. Within 30 days after issuance of this Order, Respondents shall send the Maryland investors -- including Jerry J. Seibert/Cynthia E. Martlock (owed \$20,000), John M. Brewer (owed \$20,000), Frank T. Terrell/Earlie M. Terrell (owed \$3,000) and Timothy J. Peters (owed \$10,000) (the "Maryland investors") -- a letter, to be approved by the Division in advance of distribution by Respondents, notifying them of this Order and that, pursuant to the terms of this Order, they have the opportunity to obtain rescission of their total Lawstar investment (the "Options Letter"). "Rescission" as defined in this Order means that the investor, if choosing that option, will over time receive his/her total investment, less any investment returns paid to the investor as of the date of the rescission. The Options Letter shall notify the Maryland investors that: Respondents shall consecutively pay the Attorney General's Office \$5,000 per month (or a lesser amount if that represents the balance owed to all accepting Maryland investors) to be distributed on a *pro rata* basis to each Maryland investor who accepts rescission. Those payments shall continue until such time that any and all of the Maryland investors who accept rescission are fully paid. If rescission is chosen, the Attorney General's Office shall, within a reasonable time after receipt of rescission monies from Respondents, distribute those monies *pro rata* to accepting investors. The Options Letter shall require that the Maryland investors provide notice to Respondents within 20 days of receipt whether they wish to accept rescission. The Options Letter shall include the phone number and address of the Maryland Division of Securities so that the Maryland investors can contact that Office to further inquire into the matter. The Options Letter shall be sent via certified mail, return receipt, Federal Express, or in some other manner reasonably designed to ensure delivery to and receipt by the Maryland investors.

16. Respondents promptly shall provide the Division with copies of the Options Letter sent to each of the Maryland investors pursuant to the terms of Paragraph 15 above, and with the Maryland investors' responses to those letters. Neither Respondents, their counsel or any affiliates or agents shall send the Maryland investors any other letter pertaining to the option of rescission under this Consent Order without the advance prior approval of the Division.

17. In the event that at least one of the Maryland investors accepts rescission, Respondents on or before January 1, 2005 shall provide the State of Maryland with a certified check totaling \$5,000 (or, in the event of rescission acceptance only by the Terrells, totaling \$3,000). For

consecutive 30 day periods from January 1, 2005, Respondents shall pay the lesser of \$5,000 per month or the balance owed to all of the Maryland investors who accept rescission, until such time that all of the Maryland investors have been paid rescission monies in full. All checks shall be made payable to "Office of the Attorney General", which monies shall be used by the State to make full payment of the amounts owed to the Maryland investors who choose the rescission option. The State shall distribute the rescission monies to the Maryland investors on a *pro rata* basis within a reasonable time after receipt from Respondents. Respondents shall provide the Division with social security numbers and any other investor-related information that may be necessary to insure proper payments to those investors.

18. Respondents shall cease and desist from engaging in activities in violation of the Securities Act.

19. Respondents, for a period of five years, are barred from the securities and investment advisory business in Maryland, including but not limited to by way of acting as an issuer, broker-dealer, investment adviser or agent in the offer and sale of securities, including stocks, promissory notes, investment contracts or pyramid and equipment leasing programs, or any other investments designated as securities under the Securities Act.

20. Respondents shall in all future activities in Maryland comply with the Securities Act.

VII.

SCOPE OF SETTLEMENT

21. This Consent Order relates only to the Commissioner and Respondents. This Consent Order does not waive or relinquish the Commissioner's right to take any action against any other persons, nor does it prevent the Commissioner from bringing any action against Respondents relating to any acts or omissions not specifically raised in this Consent Order.

VIII.

JURISDICTION RETAINED

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

23. If Respondents fail to comply with any term of this Consent Order, or have failed to make the required monetary payments specified herein, the Commissioner may institute administrative or judicial proceedings against Respondents to seek to enforce this Consent Order, to sanction Respondents for violating an Order of the Commissioner or for making a misrepresentation of material fact upon which this Order was based, 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 in which, after an opportunity for a hearing, the Commissioner or the court finds that Respondents have violated this Consent Order, 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 Respondents.

24. In the event that judicial intervention in this matter is sought by the Securities Commissioner or Respondents, subject matter jurisdiction will lie in the Circuit Court for Baltimore City pursuant to §11-702 of the Securities Act. Respondents agree that that Court will have personal jurisdiction over Respondents, and that venue will be properly in that Court.

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

DATE OF THIS ORDER:

_____, 2004

SO ORDERED:

Melanie Senter Lubin
Securities Commissioner

CONSENTED TO:

_____, 2004

Mark Cave

Title:

Individually and on behalf of Lawstar, Inc.

On this _____ day of _____, 2004, personally appeared Mark Cave, signer of the foregoing Consent Order, who did duly acknowledge his signature to be his free act and deed.

Notary Public

My Commission Expires: _____

Seal:

AGREED TO:

_____, 2004

Christopher H. Dieterich, Esquire
Attorney For Respondents

