

1 DONALD W. SEARLES, Cal. Bar No. 135705  
Email: searlesd@sec.gov  
2 LYNN M. DEAN, Cal. Bar No. 205562  
Email: deanl@sec.gov  
3

4 Attorneys for Plaintiff  
Securities and Exchange Commission  
5 Rosalind Tyson, Regional Director  
Michele Wein Layne, Associate Regional Director  
6 John W. Berry, Regional trial Counsel  
5670 Wilshire Boulevard, 11th Floor  
7 Los Angeles, California 90036-3648  
Telephone: (323) 965-3998  
8 Facsimile: (323) 965-3908  
9

10 **UNITED STATES DISTRICT COURT**  
11 **SOUTHERN DISTRICT OF CALIFORNIA**  
12

13 SECURITIES AND EXCHANGE  
COMMISSION,

14 Plaintiff,

15 vs.

16 VERDE RETIREMENT LLC, a California  
17 limited liability company, VERDE FX  
18 NEVADA, LLC, a California limited  
19 liability company, COVENANT  
20 CAPITAL PARTNERS, a California  
21 corporation, and STEVEN L.  
HAMILTON, an individual,

22 Defendants.  
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Case No. '12CV0445 DMS BLM

**COMPLAINT FOR VIOLATION  
OF THE FEDERAL SECURITIES  
LAWS**

1 Plaintiff Securities and Exchange Commission (“Commission”) alleges as  
2 follows:

3 **JURISDICTION AND VENUE**

4 1. This Court has jurisdiction over this action pursuant to Sections 20(b),  
5 20(d)(1) and 22(a) of the Securities Act of 1933 (“Securities Act”), 15 U.S.C. §§  
6 77t(b), 77t(d)(1) & 77v(a), and Sections 21(d)(1), 21(d)(3)(A), 21(e) and 27 of the  
7 Securities Exchange Act of 1934 (“Exchange Act”), 15 U.S.C. §§ 78u(d)(1),  
8 78u(d)(3)(A), 78u(e) & 78aa. Defendants Verde Retirement LLC (“Verde”),  
9 Verde FX Nevada, LLC (“Verde FX”), Covenant Capital Partners (“Covenant”),  
10 and Steven Hamilton (“Hamilton”) have, directly or indirectly, made use of the  
11 means or instrumentalities of interstate commerce, of the mails, or of the facilities  
12 of a national securities exchange, in connection with the transactions, acts,  
13 practices, and courses of business alleged in this Complaint.

14 2. Venue is proper in this district pursuant to Section 22(a) of the  
15 Securities Act, 15 U.S.C. § 77v(a), and Section 27 of the Exchange Act, 15 U.S.C.  
16 § 78aa, because certain of the transactions, acts, practices, and courses of conduct  
17 constituting violations of the federal securities laws occurred within this district,  
18 and each of the Defendants is located and transacts business in this district.

19 **SUMMARY**

20 3. This case involves three fraudulent investment *Ponzi* schemes  
21 operated by Steven Hamilton through three companies he owned and controlled,  
22 Covenant, Verde, and Verde FX.

23 4. From 2007 through January 2011, Hamilton solicited investors  
24 through the Internet and direct solicitation. He represented that Covenant investors  
25 were investing in real estate loans secured by deeds of trust, that Verde investors  
26 were investing in either real estate loans secured by deeds of trust, or certificates of  
27 deposit, and that Verde FX investors were pooling their money to invest in the  
28 construction of a new FedEx distribution facility in Las Vegas, Nevada.



1 **STATEMENT OF FACTS**

2 **A. Defendants Offered and Sold Securities**

3 11. Hamilton set up three companies to solicit unsuspecting investors.  
4 Each entity offered and sold securities in the form of notes or pooled investment  
5 contracts.

6 **1. Covenant Capital Partners**

7 12. The Covenant investment was offered to investors from at least May  
8 2007 through June 2008. Hamilton claimed to purchase bank loans secured by real  
9 estate through a pooled investment vehicle in the Covenant investment.

10 13. Hamilton drafted a subscription agreement for a “private placement”  
11 of “up to \$10,000,000 of Senior Secured Notes paying 20% annual interest.” The  
12 subscription agreement represented that Covenant’s sole business was to “purchase  
13 bank loans secured by real estate.”

14 14. The pledge agreement that Hamilton signed for each investor  
15 represented that Hamilton was the sole owner of Covenant and that each investor  
16 was a “secured party” who was granted a “fractional share” of Covenant’s assets in  
17 exchange for their investment.

18 15. There were at least six investors in Covenant who invested a total of  
19 approximately \$952,500. Four of them were personally solicited by Hamilton, and  
20 the other two were solicited via Loopnet.com, a real estate advertising website.  
21 Hamilton emailed the Covenant subscription agreement to potential investors who  
22 contacted him off the Loopnet website.

23 **2. Verde Retirement, LLC**

24 16. The Verde investment was offered from June 2010 until February  
25 2011. The Verde website purportedly offered investors a choice between  
26 investments in real estate loans backed by trust deeds or certificates of deposit, and  
27 advised investors that they could use their IRA funds to invest in the scheme. The  
28 website further claimed that investors would receive annualized returns on their

1 investments ranging from 6% to 10%.

2 17. Verde claimed to offer investments in mortgage backed securities. An  
3 Offering Circular for Verde, dated July 10, 2010, offered “mortgage backed  
4 security notes” secured by “mortgage loans or fractional interests in mortgage  
5 loans on real property originated or acquired by Verde.” This offering circular was  
6 prepared by Hamilton. It stated that the offering proceeds would be used  
7 “exclusively to acquire or originate mortgage loans to third-party borrowers.”  
8 According to the circular, these trust deed investments were to be “secured by a  
9 first priority security interest in [a] portfolio of mortgage loans which contains  
10 notes and deeds of trust” on real property located in California, Arizona, Nevada,  
11 and Colorado.

12 18. Verde also purportedly offered CD investments. Fliers for the Verde  
13 CDs, posted by Hamilton on the Verde website, advertised “fixed income  
14 accounts” that “earn 5x more than a comparable term current bank CD,” and stated  
15 that investor capital was “protected by our highly conservative senior loans against  
16 high quality, income producing commercial real estate.”

17 19. In a September 2010 iteration of the website, Verde represented that  
18 its fixed income accounts were “supported by the monthly interest payments”  
19 Verde received from its portfolio of “well chosen, US Government Agency  
20 guaranteed (Fannie Mae/Freddie Mac), conservative, senior loans.” The website  
21 further assured investors that the Verde mortgage portfolio was “backed 100% by  
22 the US Government Agencies, thus ensuring [investor] principal and income  
23 [were] safe.” By November 2010, the website had been revised to eliminate  
24 references to the government sponsored agencies, substituting instead a reference  
25 to a portfolio that included “FDIC insured CDs.”

26 20. Verde had at least 14 investors, who invested a total of approximately  
27 \$642,600.

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1                   **3.     Verde FX Nevada, LLC**

2           21.     The Verde FX investment was offered to investors from at least  
3 December 2009 through February 2010. The Verde FX Operating Agreement  
4 promised investors that they were investing “equity capital into the development of  
5 a Federal Express distribution facility . . . in Las Vegas, Nevada.” The Verde FX  
6 operating agreement was created by Hamilton and distributed to investors by e-  
7 mail or by hand.

8           22.     The operating agreement further stated that Verde FX had secured a  
9 signed lease from Federal Express. Investors were informed that they were  
10 purchasing non-managing membership units in Verde FX and that a separate  
11 capital account would be established for each investor.

12           23.     In addition, Hamilton created and distributed a circular for a fixed  
13 income account paying yields of “9%+” secured by income from buildings leased  
14 to Federal Express.

15           24.     Hamilton raised at least \$75,000 from at least three investors in Verde  
16 FX, all of whom he personally solicited by email or in person.

17 **B.     Defendants Misled Investors Regarding the Nature of Their**  
18 **Investments and Misappropriated Investors’ Funds**

19           25.     The investments in Covenant, Verde, and Verde FX offered by  
20 Hamilton were fraudulent, and the representations made in their respective offering  
21 materials were false.

22           26.     In the Covenant subscription agreement, Hamilton falsely represented  
23 that Covenant would use investor funds to “purchase bank loans secured by real  
24 estate,” and he signed false assignments that purported to convey to investors  
25 fractional interests in loans owned by Covenant.

26           27.     Covenant, however, never had any business operations and never  
27 purchased any loans. Hamilton also converted all of the money invested in  
28 Covenant Capital for his own personal use.

1 28. The Verde website, offering circular, and promissory notes all  
2 represented that Hamilton would use investor funds to purchase CDs or make real  
3 estate loans.

4 29. Hamilton did not purchase any CDs and did not make any real estate  
5 loans. Instead, he used Verde investor funds to return capital to investors of  
6 Covenant Capital and Verde. In addition, he used investor funds to pay his  
7 personal expenses and to pay himself a monthly draw of as much as \$10,000 per  
8 month. Hamilton signed receipts for the fixed income accounts and falsified  
9 account statements for investors that reported fictitious returns.

10 30. In the Verde FX operating agreement, Hamilton represented to  
11 investors that their funds would be used to build a Federal Express facility in Las  
12 Vegas, Nevada.

13 31. Hamilton, however, did not have an agreement with Federal Express  
14 to build a Federal Express facility in Las Vegas, Nevada, and did not have a signed  
15 lease with Federal Express. Instead, Hamilton converted the investor funds to his  
16 own use.

17 **FIRST CLAIM FOR RELIEF**

18 **UNREGISTERED OFFER AND SALE OF SECURITIES**

19 **Violations of Sections 5(a) and 5(c) of the Securities Act**

20 **(Against All Defendants)**

21 32. The Commission realleges and incorporates by reference paragraphs 1  
22 through 31 above.

23 33. Defendants, by engaging in the conduct described above, directly or  
24 indirectly, made use of means or instruments of transportation or communication  
25 in interstate commerce or of the mails, to offer to sell or to sell securities, or to  
26 carry or cause such securities to be carried through the mails or in interstate  
27 commerce for the purpose of sale or for delivery after sale.

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1 34. No registration statement has been filed with the Commission or has  
2 been in effect with respect to any of the offerings or sales alleged herein.

3 35. By engaging in the conduct described above, Defendants violated, and  
4 unless restrained and enjoined will continue to violate, Sections 5(a) and 5(c) of  
5 the Securities Act, 15 U.S.C. §§ 77e(a) and (c).

6 **SECOND CLAIM FOR RELIEF**

7 **FRAUD IN THE OFFER OR SALE OF SECURITIES**

8 **Violations of Section 17(a) Of the Securities Act**

9 **(Against All Defendants)**

10 36. The Commission realleges and incorporates by reference paragraphs 1  
11 through 31 above.

12 37. Defendants, and each of them, by engaging in the conduct described  
13 above, directly or indirectly, in the offer or sale of securities by the use of means or  
14 instruments of transportation or communication in interstate commerce or by use  
15 of the mails:

- 16 a. with scienter, employed devices, schemes, or artifices to  
17 defraud;
- 18 b. obtained money or property by means of untrue statements of a  
19 material fact or by omitting to state a material fact necessary in  
20 order to make the statements made, in light of the  
21 circumstances under which they were made, not misleading; or
- 22 c. engaged in transactions, practices, or courses of business which  
23 operated or would operate as a fraud or deceit upon the  
24 purchaser.

25 38. By engaging in the conduct described above, Defendants violated, and  
26 unless restrained and enjoined will continue to violate, Section 17(a) of the  
27 Securities Act, 15 U.S.C. § 77q(a).

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1 **II.**

2 Issue judgments, in forms consistent with Fed. R. Civ. P. 65(d), temporarily,  
3 preliminarily and permanently enjoining the Defendants and their officers, agents,  
4 servants, employees, and attorneys, and those persons in active concert or  
5 participation with any of them, who receive actual notice of the judgment by  
6 personal service or otherwise, and each of them, from violating Sections 5(a) and  
7 5(c) of the Securities Act, 15 U.S.C. §§ 77e(a) and (c); Section 17(a) of the  
8 Securities Act, 15 U.S.C. § 77q(a), and Section 10(b) of the Exchange Act, 15  
9 U.S.C. § 78j(b), and Rule 10b-5 thereunder, 17 C.F.R. § 240.10b-5.

10 **III.**

11 Order Defendant Hamilton to disgorge all ill-gotten gains from his illegal  
12 conduct, together with prejudgment interest thereon.

13 **IV.**

14 Order Defendant Hamilton to pay civil penalties under Section 20(d) of the  
15 Securities Act, 15 U.S.C. § 77t(d), and Section 21(d)(3) of the Exchange Act, 15  
16 U.S.C. § 78u(d)(3).

17 **V.**

18 Retain jurisdiction of this action in accordance with the principles of equity  
19 and the Federal Rules of Civil Procedure in order to implement and carry out the  
20 terms of all orders and decrees that may be entered, or to entertain any suitable  
21 application or motion for additional relief within the jurisdiction of this Court.

22 **VI.**

23 Grant such other and further relief as this Court may determine to be just and  
24 necessary.

25 DATED: February 21, 2012

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28 Lynn M. Dean  
Attorney for Plaintiff  
Securities and Exchange Commission