

3. Respondent KIH is not registered as a corporation with the Secretary of State in South Carolina.
4. The Respondents are not registered to sell securities in South Carolina.
5. No products offered by the Respondents are registered or notice filed with the Division.
6. On or about October 11, 2010, the Respondents sent a letter to a South Carolina registered broker dealer representative offering an investment in “mortgage notes.”
7. The Respondents’ letter outlined an investment opportunity which would pay 11% annual interest for 10 years, and was purportedly backed by real estate.
8. The Respondents’ letter provides that all responsibilities related to servicing the mortgages and caring for the underlying property would be undertaken by unnamed third parties.
9. The Respondents’ letter further indicates that the offered mortgage notes may be purchased by investors for placement in a Roth IRA.
10. Respondent Smith was offered multiple opportunities to address the Division’s investigation and concerns. Respondent Smith failed to appear on those occasions.
11. No exemption from registration has been claimed by or on behalf of the Respondents.
12. No exemption from registration has been claimed on behalf of the Respondents’ investment offering.

WHEREAS, the Respondents are offering “securities” within the meaning of S.C. Code Ann. § 35-1-102(29); and

WHEREAS, Respondents Smith and KIH acted as broker-dealers and/or issuers in offering and selling securities from within South Carolina; and

WHEREAS, Respondents Smith and KIH are not registered as broker-dealers in South Carolina or exempt from registration within the meaning of the Act; and

WHEREAS, Respondents Smith and KIH, as described above, acted as agents by effecting and/or attempting to effect sales of securities in or from this State; and

WHEREAS, Respondents Smith and KIH were not registered in South Carolina or exempt from registration as agents within the meaning of the Act; and

WHEREAS, the securities the Respondents offered and sold in and from South Carolina were not (i) registered, (ii) federal covered securities, or (iii) otherwise exempt within the meaning of the Act; and

WHEREAS, based on the foregoing, the Division has determined that the Respondents have engaged, are engaging, and/or are about to engage in acts and practices which violate S.C. Code Ann. §§ 35-1-301, 35-1-402(a) and (d); and

WHEREAS, after due deliberation, the Division finds that it is necessary and appropriate, in the public interest, for the protection of investors, and consistent with the purposes fairly intended by the policy and provisions of the Act to issue the following Order:

CEASE AND DESIST ORDER

NOW THEREFORE, pursuant to S.C. Code Ann. § 35-1-604(a)(1), IT IS HEREBY ORDERED that Respondents and every successor, affiliate, control person, agent, servant, and employee of Respondents, and every entity owned, operated, or indirectly or directly controlled by or on behalf of the Respondents:

- a. Immediately cease and desist from transacting business in this State in violation of the Act, and in particular, S.C. Code Ann. §§ 35-1-301, 35-1-402(a) and (d), and 35-1-501 thereof; and

- b. Specifically, cease and desist (i) soliciting investments in “mortgage notes” in or from South Carolina, (ii) offering any other securities in or from South Carolina, and (iii) collecting fees in or from South Carolina; and
- c. Pay a civil penalty in the amount of ten thousand dollars (\$10,000.00) per Respondent if this Order becomes effective by operation of law, or, if any Respondent seeks a hearing and any legal authority resolves this matter, pay a civil penalty in an amount not to exceed ten thousand dollars (\$10,000.00) for each violation of the Act by that Respondent, and the actual cost of the investigation or proceeding.

REQUIREMENT OF ANSWER AND NOTICE OF OPPORTUNITY FOR HEARING

The Respondents are hereby notified that they have the right to a hearing on the matters contained herein. To schedule such a hearing, a Respondent must file with the Securities Division, Post Office Box 11549, Rembert C. Dennis Building, Columbia, South Carolina 29211-1549, attention: Thresechia Navarro, within thirty (30) days after the date of service of this Order a written Answer specifically requesting that a hearing be held to consider rescinding the Order.

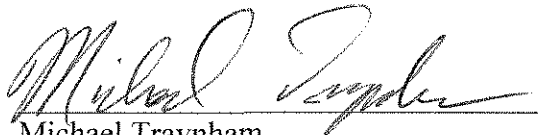
In the written Answer, the Respondent, in addition to requesting a hearing, shall admit or deny each factual allegation of the Order, shall set forth specific facts on which the Respondent relies, and shall set forth concisely the matters of law and affirmative defenses upon which the Respondent relies. If the Respondent is without knowledge or information sufficient to form a belief as to the truth of an allegation, he shall so state.

Failure by a Respondent to file a written request for a hearing in this matter within the thirty (30) day period stated above shall be deemed a waiver by that Respondent of his right to such a hearing. Failure of a Respondent to file an Answer, including a request for a hearing, shall result in

this Order, including the stated civil penalty, becoming final as to that Respondent by operation of law.

CONTINUING TO ENGAGE IN ACTS DETAILED BY THIS ORDER AND/OR SIMILAR ACTS MAY RESULT IN THE DIVISION'S FILING ADDITIONAL ADMINISTRATIVE ACTIONS AND/OR SEEKING FURTHER ADMINISTRATIVE FINES. WILLFUL VIOLATION OF THIS ORDER COULD RESULT IN CRIMINAL PROSECUTION. REGARDING MATTERS DESCRIBED HEREIN, THIS ORDER DOES NOT PRECLUDE THE FILING OF PRIVATE CAUSES OF ACTION OR THE FILING OF CRIMINAL CHARGES UNDER S.C. CODE ANN. § 35-1-508 OR ANY OTHER APPLICABLE CODE SECTION.

SO ORDERED, This 14th day of September, 2011.



Michael Traynham
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Office of the Attorney General
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