

**STATE OF ILLINOIS  
SECRETARY OF STATE  
SECURITIES DEPARTMENT**

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**IN THE MATTER OF:**

**DAEDALUS CAPITAL, LLC, its managers,  
officers, affiliates, subsidiaries, representatives,  
successors, and assigns, and;  
STEPHEN M. COLEMAN, an individual.**

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) **File No. 1200150**  
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**CONSENT ORDER**

WHEREAS, Stephen M. Coleman, personally and on behalf of Daedalus Capital, LLC, on the 4th day of March, 2015 executed a certain Stipulation to Enter into this Consent Order ("the Stipulation"), which hereby is incorporated by reference herein.

WHEREAS, by means of the Stipulation, Respondents Stephen M. Coleman and Daedalus Capital, LLC have admitted to the jurisdiction of the Secretary of State, Securities Department, and have consented to the entry of this Consent Order.

**SUMMARY**

Respondent Daedalus Capital, LLC and Respondent Stephen Messiah Coleman were at one time registered as an investment adviser and an investment adviser representative in the State of Missouri. Respondents were prohibited from offering and selling securities within the State of Missouri by the Missouri Securities Department. Respondent Daedalus is a Missouri limited liability company, and is registered as a foreign limited liability company in Illinois as of April 20, 2012. Respondents began offering two (2) investment vehicles in Illinois, the ALPHA and the DEUCE. The investment vehicles are not registered in the State of Illinois. Respondent Daedalus is not registered as an Investment Adviser in the State of Illinois. Respondent Coleman is not registered as an Investment Adviser Representative in the State of Illinois.

WHEREAS, by means of the Stipulation, Stephen M. Coleman and Daedalus Capital, LLC acknowledge that the following allegations shall be adopted as the Secretary of State's Findings of Fact:

**FACTS COMMON TO ALL COUNTS**

The grounds for such proposed actions are as follows:

1. Respondent Daedalus Capital, LLC ("Daedalus") is a Missouri limited liability company, and its principal place of business and last known address is located at 724 W. Evergreen Ave. Chicago, IL 60610.
2. Respondent Stephen Messiah Coleman ("Coleman") is the founder and Chief Investment Officer of Respondent Daedalus, and has a last known address of 724 W. Evergreen Ave. Chicago, IL 60610.
3. A Missouri Order issued by the Securities Division of the Missouri Secretary of State prohibited Respondent Daedalus and Respondent Coleman from acting as an Investment Adviser, and prohibited Respondents from the offer and sale of securities in the State of Missouri.
4. Subsequent to the Missouri Order, Respondents continued to offer two (2) investment vehicles in Illinois, the DEUCE and the ALPHA.
5. The DEUCE is an investment in a note issued by Respondent Daedalus. Under the terms of the Notes, Daedalus guarantees to double investors' money in 5 years or less.
6. The offer or sale of investments in the DEUCE constitutes the offer and sale of a security as those terms are defined in Sections 2.1, 2.5, and 2.5a of the Act.
7. Respondent Coleman and Respondent Daedalus have accepted over \$346,000.00 from 4 Deuce investors.
8. Per the terms of the DEUCE subscription agreement, Respondent Daedalus had the authority to effect securities transactions on behalf of the DEUCE account, whereby Respondent Daedalus would have discretionary authority to direct custodians with respect to acquisition or disposition of stocks. Moreover, Respondent Daedalus would hold all or a portion of the DEUCE assets in cash or cash equivalents, and that the cash assets may periodically be invested in short-term money market funds managed by the custodians.
9. Proceeds from the securities transactions were to be used to satisfy the outstanding DEUCE notes when they became due.
10. Respondent Coleman and Respondent Daedalus represented that Respondent Daedalus would manage the proceeds from the Notes utilizing the "Coleman Method," a self-titled method of maintaining concentrated positions in the equity market.

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11. The Deuce Agreement states that Daedalus shall manage and invest the Holder's assets in the DEUCE which shall be held at one or more financial institutions chosen by Daedalus in an account or accounts designated by Daedalus from time to time.
12. While soliciting investments in the Deuce, Respondents implied to investors that Daedalus was in good financial condition by making statements such as "The Coleman Method has a 0.00% probability of losing your money in three years or longer" and "Daedalus Capital, L.L.C. is one of the best money management firms in the world."
13. As of 1/31/2014, Respondent Daedalus had \$180,277.00 in a securities trading account, and \$6,852.86 in a bank account.
14. As of 1/31/2014, Respondent Daedalus had no other significant tangible assets, thus the Deuce had an unfunded liability of approximately \$248,404.00.
15. On or around February 16, 2014, Respondents Daedalus and Coleman closed the securities trading account which held the funds of the DEUCE, and wire transferred the proceeds, \$180,580.69, to Respondent Daedalus' bank account.
16. On April 29, 2014, a check was drawn against Respondent Daedalus' business bank account in the amount of \$50,000; the payee was A Brown Tale, LLC.
17. Respondent Coleman is listed as a co-manager of A Brown Tale, LLC.
18. On information and belief, A Brown Tale, LLC was established to fund the production of the play, "A Brown Tale."
19. As of May 2014, Respondents Daedalus and Coleman have \$99,118.69 remaining in Respondent Daedalus' bank account.
20. On or around January 6, 2014, Respondents sent a letter, signed by Respondent Coleman and printed on Respondent Daedalus' letterhead, to at least one Deuce investor. Despite significant underfunding in the Deuce at the time the letter was dated and sent, Respondent Coleman claimed the "underlying investments are performing in the manner expected. We are highly confident that we will be able to fulfill our obligation to you."
21. Respondent Coleman has indicated that as of May 2014, neither he nor any other representative of Respondent Daedalus have sold any more investments in the DEUCE. Moreover, Respondents have indicated that the Deuce will no longer be offered by any representatives of Respondent Daedalus.
22. The Deuce Agreement discloses that the State of Missouri ordered Respondents Daedalus and Coleman to pay a \$50,000 fine for offering investors unregistered investments.

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However, Respondent Coleman and Respondent Daedalus omitted to disclose to investors that the fines remain unpaid.

23. Moreover, Respondents Daedalus and Coleman failed to disclose Federal Tax liens which have been filed against Respondent Coleman and Respondent Daedalus.
24. Section 12.A of the Act states *inter alia* that it shall be a violation of this Act for any person to offer or sell any security except in accordance with the provisions of this Act.
25. Section 12.F states *inter alia* it shall be a violation of the provisions of this Act for any person to engage in any transaction, practice or course of business in connection with the sale of securities which works or tends to work a fraud or deceit upon the purchaser or seller thereof.
26. Section 12.G of the Act states *inter alia* that it shall be a violation of this Act for any person to obtain money or property through the sale of securities by means of any untrue statement of a material fact or any omission to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading.
27. Section 5 of the Act requires the registration of a security being offered or sold in the State of Illinois unless an exemption applies.
28. When Respondents were asked to explain what exemption Respondents were relying upon from registration of the DEUCE as a security with the Secretary of State of Illinois, Respondent Coleman stated under oath on February 10, 2014:

“Daedalus Capital, LLC is not using an exemption from registration. The DEUCE is our invention.... We did not seek registration of the DEUCE because it is borrowed money, like a bank loan. It is a security, but not a securities offering.”
29. To date, the DEUCE has not been registered as a security with the Secretary of State of Illinois.
30. Section 12.A of the Act states *inter alia* that it shall be a violation of this Act for any person to offer or sell any security except in accordance with the provisions of this Act.
31. Section 12.B of the Act states *inter alia* that it shall be a violation of the provisions of this Act for any person to deliver to a purchaser any security required to be registered under Section 5, Section 6, or Section 7 hereof unless accompanied or preceded by a prospectus that meets the requirements of the pertinent subsection of Section 5, Section 6, and Section 7.

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32. In Illinois, investment advisers owe a fiduciary duty to their clients and therefore the investment adviser stands in a special relationship of trust and confidence with its clients. As a fiduciary, an investment adviser has an affirmative duty of care, loyalty, honesty, and good faith to act in the best interests of its clients.
33. Respondent Daedalus describes the ALPHA Investment Management Agreement as a focused-equity product designed for those who seek to profit from portfolios constructed by Respondent Daedalus. The portfolios maintain concentrated positions in 1 to 5 common stocks.
34. Respondent Daedalus and Respondent Coleman would advise clients utilizing the ALPHA programs, to open an account at a broker-dealer ("Broker-Dealer") offering on-line trading.
35. Respondent Daedalus and Respondent Coleman have clients sign documents that grant complete and unlimited discretionary trading authorization on the assets in clients' account.
36. Respondent Daedalus and Respondent Coleman requested each investor to provide them with the investor's user name and password to access and execute trades through the Broker Dealer's website.
37. Respondent Daedalus and Respondent Coleman accessed the on-line accounts using the investors' login information.
38. Respondent Daedalus, by and through the actions of Respondent Coleman, charged a fee based upon the assets the clients had in the Alpha accounts.
39. The activities of Respondent Daedalus described in paragraphs 33 through 38 constitute acting as an Investment Adviser.
40. The activities of Respondent Coleman described in paragraphs 33 through 38 constitute acting as an Investment Adviser Representative.
41. Section 8 of the Act provides, inter alia, that all investment advisers and investment adviser representatives, except as otherwise provided, shall be registered with the Secretary of State.
42. When Respondents were asked to explain what exemption Respondents were relying upon from registration as investment adviser and investment adviser representative with the Secretary of State of Illinois, Respondent Coleman stated under oath on February 10, 2014:

"Daedalus Capital, LLC is not using an exemption from registration. We are an investment adviser, but not a registered investment adviser for several reasons."

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43. To date, Respondent Daedalus and Respondent Coleman have not registered as an investment adviser and/or an investment adviser representative with the Secretary of State of Illinois.
44. The Alpha Agreement discloses that the State of Missouri ordered Respondents Daedalus and Coleman to pay a \$50,000 fine for offering investors unregistered investments. However, Respondent Coleman and Respondent Daedalus omitted to disclose that the fines remain unpaid.
45. Respondents Daedalus and Coleman failed to disclose Federal Tax liens which have been filed against Respondent Coleman and Respondent Daedalus.
46. Section 12.C of the Act states *inter alia* that it shall be a violation of the provisions of this Act for any person to act as a investment adviser or investment adviser representative, unless registered as such, where such registration is required, under the provisions of this Act.
47. Section 12.G of the Act states *inter alia* that it shall be a violation of this Act for any person to obtain money or property through the sale of securities by means of any untrue statement of a material fact or any omission to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading.
48. Section 12.J(1) of the Act provides that it shall be a violation of the Act for any person when acting as an investment advisor, investment advisor representative, or federal covered investment advisor, by any means or instrumentality, directly or indirectly to employ any device, scheme or artifice to defraud any client or prospective client.
49. Section 12.J(2) of the Act provides that it shall be a violation of the Act for any person when acting as an investment advisor, investment advisor representative, or federal covered investment advisor, by any means or instrumentality, directly or indirectly to engage in any transaction, practice, or course of business which operates as a fraud or deceit upon any client or prospective client.

**CONCLUSIONS OF LAW**

WHEREAS, by means of the Stipulation, Respondents Daedalus and Coleman have acknowledged that the following shall be adopted as the Secretary of State's Conclusions of Law:

1. Illinois has jurisdiction over this matter pursuant to the Illinois Securities Law of 1953 [815 ILCS 5] (the "Act");
2. Respondents Daedalus and Coleman acknowledge and agree that they have each violated Sections 12.A, 12.B, 12.C, 12.F, 12.G, 12.J(1) and 12.J(2) of the Act;

**UNDERTAKINGS**

WHEREAS, by means of the Stipulation, Respondents Daedalus and Coleman have acknowledged that the following undertakings:

1. By means of Stipulation, Respondents agree to the following undertakings:
  - a. Respondents shall make restitution to the Deuce investors pursuant to the schedule attached as Exhibit A;
  - b. Respondents shall satisfy any and all outstanding judgments and/or fines in the State of Missouri;
  - c. Respondents shall satisfy all federal tax liens, filed against Coleman personally and Daedalus Capital, LLC, with the Internal Revenue Service.
2. Respondents, by means of Stipulation, shall be barred from seeking relief from the obligations set forth in Paragraph 1.a of this Consent Order through any bankruptcy proceedings pursuant to 11 U.S.C. § 523(a) 19;
3. Respondents shall be prohibited from the offer or sale of securities in or from the State of Illinois, including but not limited to further investments in the Deuce;
4. Respondents shall be prohibited from seeking registration as an investment adviser or investment adviser representative;
5. Respondents may seek relief from Paragraphs 4 of this Order by demonstrating to the Department that they have:
  - a. Satisfied the financial obligations set forth in Paragraph 1, and
  - b. Demonstrated sufficient financial resources to engage in the business of an investment adviser, and
  - c. Demonstrated sufficient staff, including a qualified chief compliance officer to properly operate the business of an investment adviser.
6. Respondents shall refrain from making guaranties of 0% risk of loss.
7. Respondents shall refrain from making guaranties of 100% return on investment.
8. Respondents shall be prohibited from general solicitation, including but not limited to advertising or operating a website.

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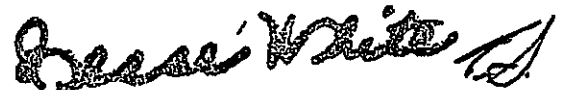
NOW THEREFORE, IT IS HEREBY ORDERED THAT:

1. Respondents Daedalus and Coleman shall make restitution to the Deuce investors pursuant to the schedule attached as Exhibit A.
2. Respondents Daedalus and Coleman shall satisfy any and all outstanding judgments and/or fines in the State of Missouri.
3. Respondents Daedalus and Coleman shall satisfy all federal tax liens, filed against Coleman personally and Daedalus Capital, LLC, with the Internal Revenue Service.
4. Respondents Daedalus and Coleman shall be barred from seeking relief from the obligations set forth in paragraph 1.a of this Consent Order through any bankruptcy proceedings pursuant to 11 U.S.C. § 523(a) 19.
5. Respondents Daedalus and Coleman acknowledge and agree that they shall be PROHIBITED from the offer or sale of securities in or from the State of Illinois.
6. Respondents shall refrain from making guaranties of 100% return on investment.
7. Respondents shall refrain from making guaranties of 0% risk of loss.
8. Respondents shall be prohibited from general solicitation, including but not limited to advertising or operating a website.

The Notice of Hearing dated August 5, 2014, as it relates to Respondents Daedalus and Coleman will be dismissed without further proceedings upon full satisfaction of all obligations set forth in this Order.

The entry of this Consent Order ends the Secretary of State, Securities Department's formal hearing of this matter.

Entered: This 4th day of March, 2015.



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JESSE WHITE  
Secretary of State  
State of Illinois



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Attorneys for the Secretary of State:  
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**NOTICE:** Failure to comply with the terms of this Order shall be a violation of Section 12.D of the Act. Any person or entity who fails to comply with the terms of this Order of the Secretary of State, having knowledge of the existence of the Order shall be guilty of a Class 4 Felony.

**This is a final order subject to administrative review pursuant to the Administrative Review Law, 735 ILCS 5/3 -101 *et seq.* and the Rules and Regulations of the Act (14 111. Admin. Code, Ch. I, Sec. 130.1123). Any action for judicial review must be commenced within thirty-five (35) days from the date a copy of this Order is served upon the party seeking review**

EXHIBIT A  
FILE #1200150

Deuce "Double After Five Years"  
P & I Accrued & Accumulated

Customer	Liability If Paid Before February 28th,					
	2015	2016	2017	2018	2019	2020
J.D.	\$ 91,829.16	\$ 105,511.70	\$ 121,232.95	\$ 139,296.66	\$ 160,051.86	\$ 183,899.59
P.H.	\$ 811.45	\$ 932.36	\$ 1,071.28	\$ 1,230.90	\$ 1,414.30	\$ 1,625.03
P.D.	145,419.00	\$ 167,086.43	\$ 191,982.31	\$ 220,587.67	\$ 253,455.24	\$ 291,220.07
H.R.	271,494.36	\$ 311,947.02	\$ 358,427.13	\$ 411,832.77	\$ 473,195.85	\$ 543,702.03
	\$ 509,553.97	\$ 585,477.51	\$ 672,713.66	\$ 772,948.00	\$ 888,117.25	\$ 1,020,446.72

\*Interest per year equates to 14.87% compounded annually.

Note: Interest continues to compound after 2020 at 14.87% if the note is not paid in full prior to each note's anniversary date.

Note: Any partial payment is applied to accrued interest first, and any remainder then applied to principal.