

**COMMONWEALTH OF KENTUCKY  
PUBLIC PROTECTIN CABINET  
DEPARTMENT OF FINANCIAL INSTITUTIONS  
AGENCY CASE NO. 2010-AH-033**

IN THE MATTER OF:

THE IL BRIDGE FUND, LLC

**STOP ORDER SUSPENDING THE SALE OF SECURITIES**

\* \* \* \* \*

1. The Department of Financial Institutions (“DFI”) is the agency of Kentucky state government charged with the enforcement of the provisions of KRS Chapter 292 (the Kentucky “Securities Act”) and the rules, regulations, and orders enacted pursuant to the Securities Act.
2. The Respondent, IL Bridge Fund, LLC (“IL Bridge Fund”), is an Ohio limited liability company with its principal offices located at 100 Tri-County Blvd., Suite 410, Cincinnati, Ohio 45246. According to Regulation D documents filed with the DFI for The IL Bridge Fund, the Respondent is owned and managed by Angelo M. Sferrazza and Gene M. Rodriquez.

FACTUAL ALLEGATIONS

3. On February 4, 2010, the DFI, Division of Securities (the “Division”), received information that a number of individuals, several of whom were members of a Lexington, Kentucky church, had that same day been solicited by individuals purporting to represent the IL Bridge Fund to invest in that entity, through the form of unsecured promissory notes.
4. One of these individuals informed the Division that he had attended a meeting at the church of a friend on February 4, 2010. The meeting was allegedly arranged by Doug Pelfrey. It was attended by two church members, the pastor and two friends of the pastor, one of whom was the aforementioned individual while the other was a financial consultant. Respondent, IL

Bridge Fund, was represented at the meeting by Pelfrey, Fund Manager Tom Miller and two other unknown individuals (the "agents"). The agents represented that they were raising funds for the IL Bridge Fund by offering and selling promissory notes that paid 9%, 12%, and 15% return on investment on one year, three year and five year notes, respectively. The agents suggested that the interest could be funneled back to the church and asked the pastor to recommend the investment to the members of his congregation. None of the individuals acting on behalf of IL Bridge Fund and identified at the church meeting are registered as a broker-dealer, broker-dealer agent, or issuer agent with the Division of Securities. Neither the IL Bridge Fund nor any of the individuals acting on its behalf at the church meeting had any substantive, pre-existing relationship with any potential investors present at the meeting.

5. The IL Bridge Funds agents and/or representatives also stated at the meeting that this investment was without risk and that investors could not lose money even if all the loans being made by the Bridge Fund went bad.
6. Following its initial contact by one of the meeting attendees, the Division commenced an investigation into the IL Bridge Fund.
7. According to offering materials circulated by the IL Bridge Fund, the IL Bridge Fund (sometimes referred to herein as the "Company") is an Ohio limited liability company which allegedly commenced operations in 2008. The Company purports to provide bridge funding to middle market emerging and existing companies through secured short-term lending.
8. The offering documents dated October, 2009 state that the Company is offering up to \$3,000,000 of unsecured Promissory Notes (the "Promissory Notes" or "Notes") to accredited investors. The Notes would pay interest on a monthly basis and consisted of demand notes and three- and five-year term Notes. The demand Notes were to pay interest at the rate of 10% per

annum with interest being paid monthly. The term Notes were to pay interest at the rate of 12% for the three-year term and 15% for the five-year term, again with interest being paid monthly.

9. Demand Promissory Notes are offered in increments of \$1,000 with a minimum principal investment of \$10,000 and a maximum principal investment of \$1,000,000. The three-year and five-year Promissory Notes are also offered in increments of 1,000 with a minimum principal investment of \$10,000 and a maximum principal investment of \$1,000,000.

10. The Company's Offering Summary and Plan Distribution states that the Company will continue to offer Notes for sale until all Notes have been sold or the Offering is terminated. It further provides that the Offering will terminate on the earlier to occur of: (i) the sale of all Notes offered, (ii) December 21, 2009, unless that date is extended by the Company, or (iii) termination by the Company.

11. The Company's Confidential Offering Circular provided to potential investors states at page "i", contrary to the oral representations made by the Company's agents/representatives that "[t]hese securities are speculative, involve a high degree of risk."

12. The Company, through its agents or representatives, also prepared and distributed to the meeting attendees a pamphlet or brochure entitled "6:21 Building a Foundation of Financial Security." The pamphlet or brochure contains the following statements:

6:21 is an innovative program that will allow investors to earn up to 15% interest annually to be given to the church. This unique investment opportunity is a great way for people to put their TREASURE where their HEART is. In an economic environment where asking for money is almost impossible, 6:21 allows investors to give interest only and retain their initial investment. This next generation of fundraising and capitol [sic] stewardship is uniquely designed for the investor to be involved for a 1, 3, or 5 year term. This program allows those investors to create a monthly income for the church, building a foundation of financial security.

13. The Company also currently maintains an internet web site, [www.ilbridgefund.com](http://www.ilbridgefund.com), wherein it solicits potential investors on its "Investor Registration" webpage with the following:

The IL BRIDGE FUND invites you to be part of our Investor/Lender network. We are seeking Investor who are interested in participating the following opportunities to include:

-- The IL Bridge Fund "Promissory Note Program" – (Our Unique Featured Investment Opportunity!) Investors choose from one of three Promissory Notes. The Promissory Notes include: 10% Demand Promissory Note or 12% 3-Year Promissory Note or 15% 5-Year Promissory Note. Investor interest paid monthly.  
\* All Promissory Notes secured by marketable assets of the IL Bridge Fund's portfolio of loans.

The statements contained on the webpage do not disclose that the Promissory Notes are unsecured and, to the contrary, misleadingly imply that they are.

14. On March 16, 2010, the Division received notice of a Form D electronic filing with the United States Securities and Exchange Commission claiming a federal exemption under Rule 506. Counsel for the Company has represented to the Division that the first sale in Kentucky was made on January 1, 2010.
15. KRS 292.320(1) provides that it is unlawful for any person, in connection with the offer, sale or purchase of any security, directly or indirectly, to employ any device, scheme, or artifice to defraud, to make any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they are made, not misleading, or to engage in any act, practice, or course of business which operates or would operate as a fraud or deceit upon any person.
16. KRS 292.330(1) provides that it is unlawful for any person to transact business in this state as a broker-dealer or agent, unless the person is registered under KRS Chapter 292 (the Kentucky Securities Act, the "Act").
17. KRS 292.310(6) defines a covered security as any security that is a covered security under Section 18(b) of the Securities Act of 1933 or rules or regulations promulgated thereunder. That Section includes as a covered Security, a security sold pursuant to Rule 506 of federal Regulation D.

18. Regulation D requires that all offers and sales of securities must comply with certain conditions in order to rely on the exemption provided under Rule 506 of that regulation. A failure to comply with a significant condition of Regulation D will result in the loss of the claimed exemption.

19. KRS 292.340 provides that it is unlawful for any person to offer or sell any security in this state, unless the security is registered under KRS Chapter 292, or the security or transaction is exempt under KRS Chapter 292, or the security is a covered security.

20. KRS 292.327(2) provides that the Commissioner of the Department of Financial Institutions shall require the filing of, with respect to any security that is a covered security under Section 18(b)(4)(D) of the Securities Act of 1933 a notice on SEC Form D, a two hundred fifty dollar (\$250) filing fee, and a consent to service of process signed by the issuer not later than fifteen (15) days after the first sale of such covered security in this state.

21. KRS 292.327(4) permits the Commissioner to issue a stop order suspending the offer and sale of a covered security, except a covered security under Section 18(b)(1) of the Securities Act of 1933, upon a finding that the order is necessary or appropriate in the public interest for the protection of investors, and there is a failure to comply with any condition established under KRS 292.327.

#### CONCLUSIONS

22. The unsecured demand and term Promissory Notes being offered and sold as detailed above are securities within the meaning of KRS 292.310(18).

23. As set forth in paragraph 14, the Form D filing for the IL Bridge Fund's offering was not filed within 15 days after the first sale in Kentucky as required by KRS 292.327(2).

24. As set forth in paragraph 5, certain statements made by agents for the IL Bridge Fund about the riskiness of the investment (or lack thereof) in connection with the solicitation, offer or sale of notes were materially false and misleading in light of the circumstances in which they were made.
25. The potential investors at the afore-referenced church meeting did not have a substantive, pre-existing relationship with IL Bridge Fund at the time they were solicited to invest. Accordingly, IL Bridge Fund engaged in general solicitation, which is not permitted by Regulation D.
26. Solicitation of investors by use of its internet website also constitutes general solicitation, which is not permitted by Regulation D.
27. Because the Respondent has offered and/or sold the Promissory Notes by means of general solicitation, these securities do not qualify as covered securities under Rule 506 of Regulation D.
28. Respondent offered and/or sold unregistered, non-exempt securities by means of general solicitation, contrary to the conditions of Regulation D.
29. Respondent violated KRS 292.340 by offering and selling securities that were not registered, exempt from registration, or covered securities.
30. On the basis of the factual allegations set forth above, the Commissioner concludes that further sale of these securities in Kentucky would constitute a threat to the investing public and that a Stop Order suspending any further sales is in the public interest.

STOP ORDER

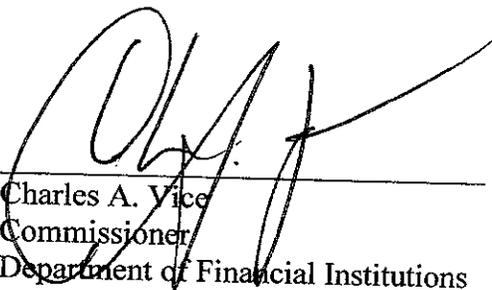
Based on the factual allegations and conclusions set forth above, the Commissioner of the Department of Financial Institutions finds that the Respondent has failed to comply with the conditions of KRS 292.327(2) and it is in the public interest to stop the sale of additional securities in the form of Promissory Notes or otherwise by Respondent.

Therefore, pursuant to KRS 292.327(4), the Commissioner orders the Respondent, IL Bridge Fund, LLC, its affiliates, agents, employees, and all other persons and entities in active concert with them, to cease and desist from the offer and sale of unsecured Promissory Notes by the IL Bridge Fund, LLC in Kentucky or to any Kentucky residents.

**NOTICE OF RIGHT TO A HEARING**

The Respondent is notified that it has the right to a hearing in this matter. To request a hearing, the Respondent must make a written request to the Director of the Division of Securities within fifteen (15) days of the date of this Order. If no hearing is requested, the Order will remain in effect until it is modified or vacated.

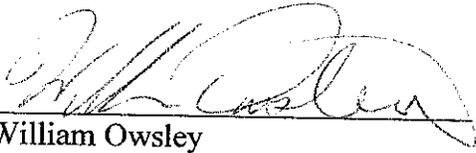
ENTERED THIS 4<sup>th</sup> DAY OF May, 2010.

  
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Charles A. Vice  
Commissioner  
Department of Financial Institutions

**CERTIFICATE OF SERVICE**

I hereby certify that a true and accurate copy of the foregoing was served by certified mail, return receipt requested to the following on this the 5<sup>th</sup> day of May, 2010:

**IL Bridge Fund, LLC**  
Angelo Sferrazza, Executive Officer  
100 Tri-County Boulevard, Suite 410  
Cincinnati, OH 45246



William Owsley  
Office of General Counsel  
Department of Financial Institutions