

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

INVESTMENT ADVISERS ACT OF 1940
Release No. 3962 / October 30, 2014

ADMINISTRATIVE PROCEEDING
File No. 3-16226

In the Matter of

MARLON QUAN,

and

STEWARDSHIP
INVESTMENT ADVISORS,
LLC,

Respondents.

ORDER INSTITUTING ADMINISTRATIVE
PROCEEDINGS PURSUANT TO SECTIONS
203(e) AND 203(f) OF THE INVESTMENT
ADVISERS ACT OF 1940
AND NOTICE OF HEARING

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative proceedings be, and hereby are, instituted pursuant to Section 203(e) of the Investment Advisers Act of 1940 (“Advisers Act”) against Stewardship Investment Advisors, LLC (“Respondent SIA” or “SIA”) and Section 203(f) of the Advisers Act against Marlon Quan (“Respondent Quan” or “Quan”).

II.

After an investigation, the Division of Enforcement alleges that:

A. RESPONDENTS

1. Respondent Quan is the founder, managing member, and principal owner of SIA – a registered Investment Adviser. After forming SIA in 2001, Quan owned a majority interest in SIA, controlled its day-to-day operations, and made all investment decisions. Quan, 58 years old, is a resident of Edison, New Jersey.

2. Respondent SIA, a Delaware limited liability company, is Quan's investment advisory business. SIA was the investment adviser to – and managing member of – two hedge funds that Quan controlled: Stewardship Credit Arbitrage Fund, LLC (“SCAF LLC”) and Stewardship Credit Arbitrage Fund, Ltd. (“SCAF Ltd.,” together with SCAF LLC, the “SCAF Funds”). Quan has owned and operated SIA since 2001 and registered it with the Commission as an investment adviser in 2005.

B. ENTRY OF THE INJUNCTION

1. On February 11, 2014, after a nine-day trial, the jury in SEC v. Quan, et al., Civil Action Number 0:11-CV-00723 (D. Minn.) found Respondents Quan and SIA liable for multiple counts of securities fraud.

2. On September 22, 2014, based on that verdict, the District Court in SEC v. Quan entered judgment against Quan and SIA, permanently enjoining them from future violations of Sections 17(a)(2) and 17(a)(3) of the Securities Act of 1933, Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder, and Section 206(4) of the Advisers Act and Rule 206(4)-8 thereunder.

3. The Commission's complaint in SEC v. Quan alleged, among other things, that from 2001 to 2008, Respondents violated the antifraud provisions of federal securities law by: (1) selling interests in the SCAF Funds through the use of fraudulent offering and marketing materials that included materially false or misleading representations about the safeguards in place to protect investor capital (including a “lockbox” procedure and “full due diligence”); and (2) misleading investors by concealing defaults on the SCAF Funds' core investment – promissory notes issued by Thomas J. Petters. Based on evidence adduced at trial, investors invested over \$500 million in the SCAF Funds from 2001 to 2008. During this period, the SCAF funds paid SIA performance and management fees (together with interest, origination and consulting fees to Quan's commercial finance business), in excess of \$95 million dollars, approximately \$33 million of which was distributed to Quan. The safeguards that Quan and SIA promised were never put in place and Petters' defaults mounted without any disclosures by Quan to his investors. Respondents' violations exposed their investors to a massive fraud perpetrated by Petters. The Petters notes that the SCAF Funds invested in were part of a multi-billion dollar Ponzi scheme orchestrated by Petters. Without the safeguards that Respondents promised – and without accurate information about Petters' defaults – SCAF investors ended up losing over \$221 million in the Petters Ponzi scheme.

III.

In view of the allegations made by the Division of Enforcement, the Commission deems it necessary and appropriate in the public interest that public administrative proceedings be instituted to determine:

A. Whether the allegations set forth in Section II hereof are true and, in connection therewith, to afford Respondents an opportunity to establish any defenses to such allegations;

B. What, if any, remedial action is appropriate in the public interest against Respondent SIA pursuant to Section 203(e) of the Advisers Act;

C. What, if any, remedial action is appropriate in the public interest against Respondent Quan pursuant to Section 203(f) of the Advisers Act.

IV.

IT IS ORDERED that a public hearing for the purpose of taking evidence on the questions set forth in Section III hereof shall be convened at a time and place to be fixed, and before an Administrative Law Judge to be designated by further order as provided by Rule 110 of the Commission's Rules of Practice, 17 C.F.R. § 201.110.

IT IS FURTHER ORDERED that Respondents shall file an Answer to the allegations contained in this Order within twenty (20) days after service of this Order, as provided by Rule 220 of the Commission's Rules of Practice, 17 C.F.R. § 201.220.

If Respondents fail to file the directed answer, or fails to appear at a hearing after being duly notified, the Respondents may be deemed in default and the proceedings may be determined against them upon consideration of this Order, the allegations of which may be deemed to be true as provided by Rules 155(a), 220(f), 221(f) and 310 of the Commission's Rules of Practice, 17 C.F.R. §§ 201.155(a), 201.220(f), 201.221(f) and 201.310.

This Order shall be served forthwith upon Respondents as provided for in the Commission's Rules of Practice.

IT IS FURTHER ORDERED that the Administrative Law Judge shall issue an initial decision no later than 210 days from the date of service of this Order, pursuant to Rule 360(a)(2) of the Commission's Rules of Practice.

In the absence of an appropriate waiver, no officer or employee of the Commission engaged in the performance of investigative or prosecuting functions in this or any factually related proceeding will be permitted to participate or advise in the decision of this matter, except as witness or counsel in proceedings held pursuant to notice. Since this proceeding is not "rule making" within the meaning of Section 551 of the Administrative Procedure Act, it is not deemed subject to the provisions of Section 553 delaying the effective date of any final Commission action.

For the Commission, by its Secretary, pursuant to delegated authority.

Brent J. Fields
Secretary