

STATE OF MICHIGAN
DEPARTMENT OF LICENSING AND REGULATORY AFFAIRS
CORPORATIONS, SECURITIES & COMMERCIAL LICENSING BUREAU

RUSSELL WELLS
Unregistered

Complaint No. 325009

Respondent.

/

Issued and entered

This 1 day of August, 2016

**CONSENT ORDER ADOPTING FINDINGS OF FACT
AND CONCLUSIONS OF LAW IN CEASE & DESIST ORDER**

A. Relevant information and statutory provisions, under the Michigan Uniform Securities Act (2002) (the "Act"), 2008 PA 551, MCL 451.2101 *et seq.*:

1. On February 4, 2016, the State of Michigan, Department of Licensing and Regulatory Affairs, Corporations, Securities & Commercial Licensing Bureau ("the Bureau") and the Director of the Bureau who serves as the Administrator of the Act ("the Administrator") issued a Notice and Order to Cease and Desist ("cease and desist order") to Russell Wells.
2. Wells is not and has never been registered under the Act.
3. Wells was represented by, and had the advice of, legal counsel throughout the process of resolving the cease and desist order in Michigan.

B. STIPULATION

Wells and the Administrator agree that the February 4, 2016 cease and desist order will become a Final Order with the following modifications:

1. Wells agrees not to conduct any business in Michigan regulated under the Act, and Wells will not act as a principal or consultant in any entity so engaged.
2. Wells fully admits to the Findings of Fact and Conclusions of Law set forth in the February 4, 2016 cease and desist order in connection with this matter, and agrees to entry of this Consent Order for the purpose of resolving the cease and desist order.
3. Wells agrees to waive any assertion or claim that MCL 451.2412(9)'s one-year time limit on the Administrator's action after knowledge of material facts bars

the Administrator from using the facts set out in the February 4, 2016 cease and desist order if and when considering future applications for registration by Wells.

4. The Administrator will waive the \$20,000 fine in the cease and desist order.
5. Wells understands and intends that by signing this Consent Order, he is waiving the right, pursuant to the Act, the rules promulgated under that Act and the predecessor Act, and the Administrative Procedures Act, 1969 PA 306, MCL 24.201 *et seq.*, to prior notice and a hearing before an administrative law judge, at which the Bureau would be required to defend any disciplinary action taken under Section 604 of the Act, MCL 451.2604, by presentation of evidence and legal authority and at which Wells would be entitled to appear with or without an attorney to cross-examine all witnesses presented by the Bureau and to present such testimony or other evidence or legal authority deemed appropriate.

Through his signature, Wells agrees to the above terms and conditions.

Dated: 8/1/2016

Signed: 

Russell Wells, Respondent

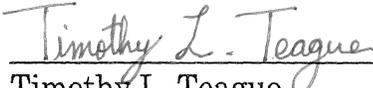
Acknowledged by:

Dated: 8/1/2016

Signed: 

Jerry Abraham
Respondent's Attorney

Dated: 8-1-16

Signed: 

Timothy L. Teague
Bureau Securities & Audit Division Director

C. ORDER

The Administrator NOW, THEREFORE, ORDERS:

THE TERMS AND CONDITIONS IN THIS CONSENT ORDER ARE BINDING AND EFFECTIVE PURSUANT TO THE FULLY EXECUTED STIPULATION ABOVE.



Julia Dale, Bureau Director
(Administrator)

STATE OF MICHIGAN
DEPARTMENT OF LICENSING AND REGULATORY AFFAIRS
CORPORATIONS, SECURITIES & COMMERCIAL LICENSING BUREAU

In the Matter of:

Complaint No. 325009

RUSSELL WELLS
Unregistered

Respondent.

Issued and entered
This 4th day of February, 2016

NOTICE AND ORDER TO CEASE AND DESIST

Julia Dale, the Acting Director of the Corporations, Securities & Commercial Licensing Bureau (the “Administrator”), pursuant to her statutory authority and responsibility to administer and enforce the Michigan Uniform Securities Act (2002), 2008 PA 551, as amended, MCL 451.2101 *et seq.* (“Securities Act”), hereby orders Russell Wells (“Respondent”) to cease and desist from selling unregistered securities, and to cease and desist from continuing to directly or indirectly make any untrue statements of material fact, or omit to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading, contrary to the Securities Act. Respondent is also notified of the opportunity to request a hearing in this matter.

I. BACKGROUND

A. The Respondent

1. Russell Wells is an individual who allegedly resides in the State of Michigan. Russell Wells is not registered in any capacity pursuant to the Securities Act in Michigan, nor has he registered any securities products pursuant to the Securities Act.

B. Findings of Fact

1. The Bureau conducted an investigation of the activities of Respondent.
2. The investigation developed evidence that Respondent sold a security in the form of an investment contract to an investor in Michigan.
3. The investment contract was not registered pursuant to the Securities Act.
4. Respondent has not identified any exemption, exception, preemption, or exclusion from the Securities Act as it relates to the sale of the investment contract to the investor.
5. Respondent represented to the investor that the investor would receive a twenty percent return on the investment; however, Respondent failed to disclose any risks associated with the investment, including the risk that the investor may lose the entire value of the investment.

II. RELEVANT STATUTORY PROVISIONS

1. Section 102c(c) of the Securities Act defines “Security”, in part, as:

a note; stock; treasury stock; security future; bond; debenture; evidence of indebtedness; certificate of interest or participation in a profit-sharing agreement; collateral trust certificate; preorganization certificate or subscription; transferable share; investment contract; voting trust certificate; certificate of deposit for a security; fractional undivided interest in oil, gas, or other mineral rights; put, call, straddle, option, or privilege on a security, certificate of deposit, or group or index of securities, including an interest in or based on the value of that put, call, straddle, option, or privilege on that security, certificate of deposit, or group or index of securities, put, call, straddle, option, or privilege entered into on a national securities exchange relating to foreign currency, an investment in a viatical or life settlement agreement; or, in general, an interest or instrument commonly known as a “security”; or a certificate of interest or participation in, temporary or interim certificate for, receipt for, guarantee of, or warrant or right to subscribe to or purchase, any of the foregoing...

(v) The term includes an investment in a common enterprise with the expectation of profits to be derived primarily from the efforts of a person other than the investor. As used in this subparagraph, a “common enterprise” means an enterprise in which the fortunes of the investor are interwoven with those of either the person offering the investment, a third party, or other investors...

2. Section 301 of the Securities Act, MCL 451.2301, states:

A person shall not offer or sell a security in this state unless 1 or more of the following are met:

- (a) The security is a federal covered security.
- (b) The security, transaction, or offer is exempted from registration under section 201 to 203.
- (c) The security is registered under this act.

3. Section 503(1) of the Securities Act, MCL 451.2503(1), states:

In a civil action or administrative proceeding under this act, a person claiming an exemption, exception, preemption, or exclusion has the burden to prove the applicability of the exemption, exception, preemption, or exclusions.

4. Section 501 of the Securities Act, MCL 451.2501, states:

It is unlawful for a person, in connection with the offer, sale, or purchase of a security or the organization or operation of a Michigan investment market under article 4A, to directly or indirectly do any of the following:...

- (b) Make an untrue statement of a material fact or omit 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...

III. CONCLUSIONS OF LAW

1. Respondent offered and sold a security in the State of Michigan which was not federally covered, exempt from registration, or registered, in violation of section 301 of the Securities Act, MCL 451.2301.
2. Respondent represented to an investor in the offer and sale of a security that the investor would realize a return on the investment, but failed to state that the investment involved any risks. A reasonable investor might consider it important that the investment involved risks, making the omitted statements regarding risks material. The omitted statements were material and necessary in order to make other statements regarding the potential return on the investment not misleading, in violation of section 501(b) of the Securities Act, MCL 451.2501(b).

IV. ORDER

IT IS THEREFORE ORDERED, pursuant to section 604 of the Securities Act, MCL 451.2604, that:

- A. Respondent shall immediately CEASE AND DESIST from selling unregistered securities and continuing to directly or indirectly make any untrue statement of a material fact or omit to state material facts necessary in order to make other statements made, in the light of the circumstances under which they were made, not misleading, contrary to the Securities Act.
- B. Pursuant to section 604(2) of the Securities Act, this Notice and Order to Cease and Desist is IMMEDIATELY EFFECTIVE.
- C. In her Final Order, the Administrator, under section 604(4) of the Securities Act, MCL 451.2604(4), intends to impose civil fines of \$20,000.00 against Respondent.
- D. Pursuant to section 508 of the Securities Act, MCL 451.2508, a person that willfully violates the Securities Act, or an order issued under the Securities Act, is guilty of a felony punishable by imprisonment for not more than 10 years or a fine of not more than \$500,000.00 for each violation, or both. An individual convicted of violating a rule or order under this act may be fined, but shall not be imprisoned, if the individual did not have knowledge of the rule or order.

V. NOTICE OF OPPORTUNITY FOR HEARING

Section 604 of the Securities Act, MCL 451.2604, provides that Respondent has 30 days beginning with the first day after the date of service of this Notice and Order to Cease and Desist to submit a written request to the Administrator asking that this matter be scheduled for a hearing. If the Administrator receives a written request in a timely manner, the Administrator shall schedule a hearing within 15 days after receipt of the request. The written request for a hearing must be addressed to:

Corporations, Securities & Commercial Licensing Bureau
Regulatory Compliance Division
P.O. Box 30018
Lansing, MI 48909

VI. ORDER FINAL ABSENT HEARING REQUEST

- A. Under section 604 of the Securities Act, MCL 451.2604, the Respondent's failure to submit a written request for a hearing to the Administrator within 30 days after the service date of this **NOTICE AND ORDER TO CEASE AND DESIST** shall result in this order becoming a **FINAL ORDER** by operation of law. The **FINAL**

ORDER includes the imposition of the fines cited described in section IV.C., and the fine amounts set forth below will become due and payable to the Administrator within sixty (60) days after the date this order becomes final:

\$20,000.00 – Russell Wells, under section 604 of the Securities Act, MCL 451.2604.

- B. CIVIL FINE payments should be payable to the STATE OF MICHIGAN and contain identifying information (e.g., names and complaint numbers) and mailed to the following address:

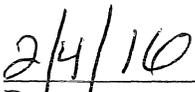
Corporations, Securities & Commercial Licensing Bureau
Final Order Monitoring
P.O. Box 30018
Lansing, MI 48909

- C. Failure to comply with the terms of this Order within the time frames specified may result in additional administrative penalties, including the summary suspension or continued suspension of all registrations held by Respondents under the Securities Act, the denial of any registration renewal, and/or the denial of any future applications for registration, until full compliance is made. Respondents may voluntarily surrender or withdraw a registration under the Securities Act; however, the surrender or withdrawal will not negate the summary suspension or continued suspension of the relevant registrations or any additional administrative proceedings if a violation of this Order or the Securities Act occurred.
- D. Failure to pay the civil fines within six (6) months after this Order becomes final may result in the referral of the civil fines to the Michigan Department of Treasury for collection action against Respondent.

CORPORATIONS, SECURITIES & COMMERCIAL LICENSING BUREAU



Julia Dale
Acting Director, Corporations, Securities &
Commercial Licensing



Date