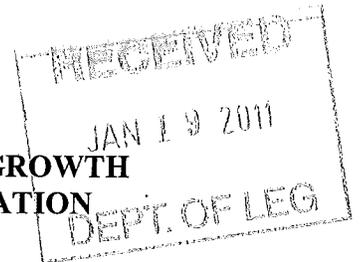


STATE OF MICHIGAN  
DEPARTMENT OF ENERGY, LABOR & ECONOMIC GROWTH  
OFFICE OF FINANCIAL AND INSURANCE REGULATION



Before the Commissioner of the Office of Financial & Insurance Regulation

In the Matter of:

Office of Financial and Insurance Regulation

Enforcement Case No. 10-7602

Petitioner,

v

Beckett Investments, LLC,  
Josh Beckett, and  
Michael Beckett,

Respondents.



Issued and entered <sup>2/16</sup>  
on 1/20/2011, 2010  
by Stephen R. Hilker  
Chief Deputy Commissioner

CONSENT ORDER AND STIPULATION

**FINDINGS OF FACTS AND CONCLUSIONS OF LAW**

1. Beckett Investments, LLC (Beckett) is a Michigan limited liability company formed on July 3, 2008, with its principle place of business located at 1555 Plainfield NE, Grand Rapids, MI 49505. Beckett is not registered with the Office of Financial and Insurance Regulation (OFIR), nor were its offerings.
2. Josh Beckett is a managing member of Beckett Investments, LLC with a business address of 1555 Plainfield NE, Grand Rapids, MI 49505. Josh Beckett has never been registered with OFIR as an investment advisor, broker-dealer, agent, or as being associated with an investment advisor firm that is registered with OFIR.
3. Michael Beckett is a managing member of Beckett Investments, LLC with a business address of 1555 Plainfield NE, Grand Rapids, MI 49505. Michael Beckett has never been registered with OFIR as an investment advisor, broker-dealer, agent, or as being associated with an investment advisor firm that is registered with OFIR.
4. OFIR is responsible for licensing and regulation of securities and enforcement of the provisions of the Michigan Uniform Securities Act of 1964, as amended, MCL 451.501 *et seq* (Act).

**A. Violation of Section 301, MCL 451.701, of the Act.**

5. Beginning in July of 2008, Beckett began soliciting investors to invest in its Investment Program. This Investment Program was advertised extensively through the internet, seminars, radio, billboards, and other media.
6. As part of the inducement, Beckett advertised, "We are offering you an opportunity to invest in our company, partnering with us to buy foreclosed income-producing properties. Your investment would be modest at an incredibly low risk. The return on your money is safe and assured." Further inducements included, "The Beckett Investment team provides clients with safe and assured real estate property investments that bring great returns with limited risk."
7. In its simplest form, the investment scheme worked as follows: Beckett would induce an investor to invest a certain sum of money in the program; Beckett would use that investment to purchase a house that was in foreclosure; a portion of the investment would also be used to improve the house; an LLC would then be formed with Beckett as the majority member and managing member and the investor as the minority member; the house would be deeded into the name of the LLC; the LLC would prepare a note and mortgage for the benefit of the investor with the house as the security for the transaction; Beckett would "guarantee" a certain return on the investment after a period of time; during this time frame, Beckett would collect rents on the property and pay them to Beckett Family Rentals as payment for management of the property.
8. Section 401(z) of the Act, MCL 451.801(z), includes as a "security" any "contractual or quasi contractual" arrangement pursuant to which:
  - a. A person furnished capital, other than services, to an issuer;
  - b. A portion of that capital is subjected to the risks of the issuer's enterprise;
  - c. The furnishing of that capital is induced by the representations of an issuer, promoter, or their affiliates which give rise to a reasonable understanding that a valuable tangible benefit will accrue to the person furnishing the capital as a result of the operation of the enterprise;
  - d. The person furnishing the capital does not intend to be actively involved in the management of the enterprise in a meaningful way; and
  - e. A promoter or its affiliates anticipate, at the time the capital is furnished, that financial gain may be realized as a result thereof.
9. Pursuant to *SEC v W.J. Howey Co*, 328 US 293(1946), an investment contract exists if there is present "an investment of money in a common enterprise with profits to come solely from the efforts of others." An investment contract is a security under Section 401(z) of the Act, the offer or sale of which must be registered or exempt.
10. The investments offered by Beckett meet the definition of an investment contract as set forth in Section 401(z) and *Howey* and its progeny. Members of the public invested

money in the real estate investment scheme promoted, recommended, and offered by Beckett with the expectation of profit generation. Notwithstanding the representations of guaranteed returns and a mortgage securing the investment, investors bore 100% of the risk of loss. The investors were entirely passive with respect to realizing a profit on their investments, in fact, the investors, as minority members of the LLC, had no ability to participate in any aspect of the management of the investment.

11. Moreover, Beckett was instrumental in inducing members of the general public to invest their moneys in the securities they offered and sold. Beckett exploited investors' lack of knowledge in investing to promote the securities by misrepresenting that the securities were low-risk and promised "a safe and assured return of 10% or more."
12. In addition, the formation of an LLC and the issuance of a mortgage and a note to secure the investment did nothing more than create an artificial sense of security for the investors. The investments were, at all times, completely subject to the trends in the housing market, and the actual market value of the property could easily go below the investment amount at any time, given the current state of the economy. Furthermore, the investment was completely dependant on the management, or mismanagement, of Beckett; if Beckett fails to pay the property tax, allows the property to fall into disrepair, or allows any number of things to happen, the value of the property can fall well below the investment amount.
13. Finally, none of these transactions were marketed or sold as loans to Beckett. Beckett's voluminous marketing material is replete with references to "investments" and "investors." None of the material describes the transactions as loans. The material induced the investor to furnish capital for the sole purpose of realizing financial gain for both the investor and Beckett.
14. Beckett did not register the securities with OFIR at any time, and the securities in question are not exempt from registration.
15. As a result of the above described conduct, Respondents violated Section 301 of the Act, MCL 451.701, which states that it is unlawful for a person to offer or sell any security in this state unless the security is registered or exempt under the Act.

### **ORDER**

Based on the findings of fact and conclusions of law above, and Respondent's stipulation to said facts, it is hereby **ORDERED** that:

1. Respondents shall immediately **CEASE** and **DESIST** from operating in a manner that violates Section 301 of the Act, MCL 451.701.
2. Respondents shall pay to the State of Michigan, through OFIR, a civil fine of \$10,000. Respondent shall make payments of \$2,500 as follows: Respondent shall make the first

payment of \$2,500 on or before February 1, 2011, and shall make installment payments of \$2,500 per month on the first of every month until the balance is paid in full.

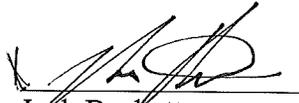
3. This Order resolves only the issues involving Section 301 of the Act, MCL 451.701.

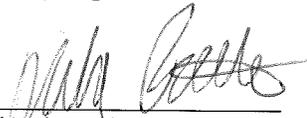
  
\_\_\_\_\_  
**Stephen R. Hilker**  
**Chief Deputy Commissioner**

**STIPULATION**

Respondents have read and understand the consent order above. Respondents agree that the Chief Deputy Commissioner has jurisdiction and authority to issue this consent order pursuant to the Insurance Code. Respondents waive the right to a hearing in this matter if this consent order is issued. Respondents understand that this stipulation and consent order will be presented to the Chief Deputy Commissioner for approval and the Chief Deputy Commissioner may or may not issue this consent order. Respondents waive any objection to the Commissioner deciding this case following a hearing in the event the consent order is not approved. Respondents admit the findings of fact and conclusions of law set forth in the above consent order and agree to the entry of this order; Respondents further acknowledge that the program described above constituted the sale of unregistered, non-exempt securities. Respondents understand that they are jointly and severally liable for payment of any fines imposed herein. Respondents have had an opportunity to review the Stipulation and Consent Order and have the same reviewed by legal counsel.

By:   
\_\_\_\_\_  
Becket Investments, LLC,  
a Michigan Limited  
Liability Company

  
\_\_\_\_\_  
Josh Beckett,  
an individual

  
\_\_\_\_\_  
Michael Beckett,  
an individual

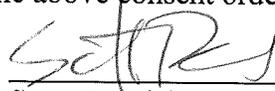
Its: \_\_\_\_\_

Dated: 12/15/10

Dated: DECEMBER 15 2010

Dated: 12/15/10

The Office of Financial and Insurance Regulation staff approves this stipulation and recommends that the Chief Deputy Commissioner issue the above consent order.

  
\_\_\_\_\_  
Scott Basel (P68335)  
Attorney

Dated: 1-20-11