

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

EQUITYNET, LLC
Unregistered

Complaint No. 330139

Respondent.
_____ /

Issued and entered

This 25th day of September, 2019

CONSENT ORDER RESOLVING
NOTICE AND ORDER TO CEASE AND DESIST

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

1. On March 16, 2017 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 (“C&D Order”) to EquityNet, LLC, now known as Global Equity Fintech, Inc., d/b/a EquityNet (“Respondent”).
2. Respondent is not and never been registered in any capacity pursuant to the Securities Act.
3. Respondent was represented by and had the advice of legal counsel throughout the process of resolving the C&D Order in Michigan.
4. Respondent neither admits nor denies the allegations in the C&D Order in connection with this matter and agrees to entry of this Consent Order only for the purpose of resolving the C&D Order.

B. AGREEMENT PROVISIONS

Respondent and the Administrator (collectively, “the Parties”) agree that the C&D Order will be resolved with the following conditions:

1. Respondent agrees to conduct its business in a manner consistent with the representations made in the No-Action Letter attached to this Consent Order as Exhibit 1, and the Bureau agrees that it will not recommend further

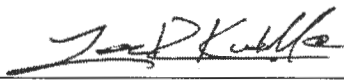
administrative action by the Administrator against Respondent for violations of section 401 of the Act, MCL 451.2401, so long as Respondent conducts its business within the parameters of that No-Action Letter.

2. Respondent agrees to waive any assertion or claim under 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 C&D Order if and when considering future applications for registration by Respondent.
3. The Administrator agrees to forego collection of the intended fines imposed by the C&D Order.
4. The Parties acknowledge and agree that the Administrator retains the right to pursue any action or proceeding permitted by law to enforce compliance with the provisions of this Consent Order, and that failure to comply with this Consent Order may result in the reinstatement of the C&D Order, pending any other action the Administrator chooses to take as a result of Respondent's failure to comply.
5. Respondent understands and intends that by signing this Consent Order, it is waiving the right, pursuant to the Act, the rules promulgated under that Act and the Uniform Securities Act (Predecessor Act), 1964 PA 265, MCL 451.501 *et seq.*, 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 Respondent 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.

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Through their signatures, the Parties agree to the above terms and conditions.

Dated: ___12 Sept 2019

Signed: 

Global Equity Fintech, Inc.
d/b/a EquityNet

By: __Lee R. Kimball II_____

Its: _CEO_____

Acknowledged by:

Dated: _____

Signed: _____

Timothy L. Teague
Securities & Audit Division Director
Corporations, Securities & Commercial
Licensing Bureau

C. ORDER

The Administrator NOW, THEREFORE, ORDERS:

THE TERMS AND CONDITIONS IN THIS CONSENT ORDER ARE BINDING AND EFFECTIVE, IN ACCORD WITH THE FULLY EXECUTED STIPULATION CONTAINED HEREIN.

Julia Dale, Administrator and Director
Corporations, Securities & Commercial
Licensing Bureau

Date

Through their signatures, the Parties agree to the above terms and conditions.

Dated: _____

Signed: _____

Global Equity Fintech, Inc.
d/b/a EquityNet

By: _____

Its: _____

Acknowledged by:

Dated: 9.19.19

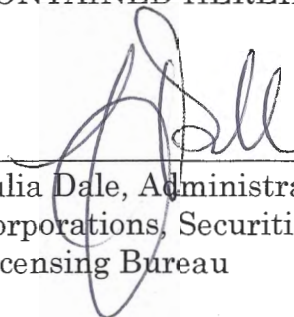
Signed: _____

Timothy L. Teague
Timothy L. Teague
Securities & Audit Division Director
Corporations, Securities & Commercial
Licensing Bureau

C. ORDER

The Administrator NOW, THEREFORE, ORDERS:

THE TERMS AND CONDITIONS IN THIS CONSENT ORDER ARE BINDING AND EFFECTIVE, IN ACCORD WITH THE FULLY EXECUTED STIPULATION CONTAINED HEREIN.


Julia Dale, Administrator and Director
Corporations, Securities & Commercial
Licensing Bureau

Date

9/19/19

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

In the Matter of:

Complaint No. 330139

EQUITYNET, LLC
Unregistered

Respondent.

Issued and entered
This 16th day of March, 2016

NOTICE AND ORDER TO CEASE AND DESIST

Julia Dale, the 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 EquityNet, LLC ("Respondent") to cease and desist from acting as an unregistered broker-dealer, contrary to the Securities Act. Respondent is notified of the opportunity to request a hearing in this matter.

I. BACKGROUND

A. The Respondent

1. EquityNet, LLC is an Arkansas limited liability company which was organized in or around 2005.

B. Findings of Fact

1. The Bureau conducted an investigation of Respondent's activities.
2. Respondent is not registered in any capacity pursuant to the Securities Act.
3. The investigation developed evidence that Respondent holds itself out to the public through a public website as the "Leading Business Crowdfunding Platform. \$115 million in funds raised by entrepreneurs in the last 12 months..." (Exhibit 1 – Website Screen Capture) Respondent operates a website that allows issuers seeking capital to solicit investments in their

companies through Respondent's website. Issuers sign up, pay a fee to Respondent, and solicit securities sales through Respondent's web portal.

4. Respondent is not an employee of the issuers that post investment opportunities to its site, but rather, is paid a user fee by issuers that use its platform. (Exhibit 2 – Correspondence from Respondent).
5. Respondent is not paid by commission and does not otherwise receive transaction-based compensation from issuers using its platform. (Exhibit 2)
6. Respondent acts and has acted as a platform for multiple issuers to offer and sell their securities to the public. (Exhibit 3 – Website Screen Capture Showing Multiple Issuer Clients).
7. Respondent does not participate in negotiations between issuers that utilize its platform and investors that may invest in such securities. (Exhibit 2).
8. Respondent's website indicates that it makes valuations as to the merits of investments or otherwise gives advice regarding the merits of an investment. (Exhibit 4 – Website Screen Capture Describing Valuation Services).
9. Respondent, through its website, is an active, rather than a passive finder of investors for issuers of securities that utilize its website and services.
10. Respondent asserted that it is excluded from the definition of "broker-dealer" without citing any specific authority for the position; it did not identify any exemption, exception, or preemption that may apply outside of the claimed exclusion from the broker-dealer definition. (Exhibit 2).

II. RELEVANT STATUTORY PROVISIONS

1. Section 102(d) of the Securities Act defines "Broker-dealer"¹ as:

(d) "Broker-dealer" means a person engaged in the business of effecting transactions in securities for the account of others or for the person's own account. The term does not include any of the following:

¹ Section 608(2)(b) of the Securities Act, MCL 451.2608(2)(b), requires the administrator to maximize uniformity with federal regulatory standards in implementing the Securities Act. Federal courts have identified six non-exclusive factors to consider in determining whether a person's activities bring that person within the definition of "broker" or "dealer" within the context of federal securities laws: "[R]egular participation in securities transactions, employment with the issuer of the securities, payment by commission as opposed to salary, history of selling the securities of other issuers, involvement in advice to investors and active recruitment of investors." *SEC v George*, 426 F3d 786, 797 (2005) (citing *SEC v Hansen*, No 83 Civ 3692, 1984 WL 2413, at 10 (SDNY Apr 6, 1984). *George* is attached as Exhibit 5, and *Hansen* is attached as Exhibit 6.

- (i) An agent.
- (ii) An issuer.
- (iii) A bank or savings institution if its activities as a broker-dealer are limited to those specified in section 3(a)(4) and 3(a)(5) of the securities exchange act of 1934, 15 USC 78c, or a bank that satisfies the conditions described in section 3(a)(4)(E) of the securities exchange act of 1934, 15 USC 78c.
- (iv) An international banking institution.
- (v) A person excluded by rule or order under this act.

2. Section 401(1) of the Securities Act, MCL 451.2403(1), states:

A person shall not transact business in this state as a broker-dealer unless the person is registered under this act as a broker-dealer or is exempt from registration as a broker-dealer under subsection (2) or (4).

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.

III. CONCLUSIONS OF LAW

1. Respondent's activities, considered as a whole, bring it within the definition of "broker-dealer" under section 102(d) of the Securities Act, MCL 451.2102(d). Applying the six factors identified in footnote 1, above, Respondent "effects transactions in securities" through its website:

A. Respondent is not an employee of the issuers that use its service, but is paid a user fee. (Exhibit 2). This factor weighs *against* Respondent falling within the definition of broker-dealer.

B. Respondent does not receive transaction-based compensation, such as commissions. (Exhibit 2). This factor weighs *against* Respondent falling within the definition of broker-dealer.

C. Respondent acts as a platform for multiple issuers, and not for just one issuer. (Exhibit 3). This factor weighs *in favor* Respondent falling within the definition of broker-dealer.

D. Respondent does not participate in negotiations between issuers and investors. (Exhibit 2). This factor weighs *against* Respondent falling within the definition of broker-dealer.

E. Respondent makes valuations for issuers and investors, and otherwise advises users of its website regarding the advisability of investing in certain issuers or accepting investments from certain investors. (Exhibit 4). This factor weighs *for* Respondent falling within the definition of broker-dealer.

F. Respondent actively seeks investors to use its services to find investments in issuers that use its platform. (Exhibits 3 and 4). This factor weighs in favor of finding that Respondent falls within the definition of broker-dealer.

2. Respondent acted as a broker-dealer under the Securities Act without the benefit of registration or a properly-claimed exemption from registration, contrary to section 401(1) of the Securities Act, MCL 451.2401(1).

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 acting as an unregistered broker-dealer, 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 a civil fine of \$10,000.00 against EquityNet, LLC.
- 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:

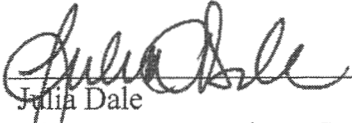
\$10,000.00 – EquityNet, LLC, under section 604 of the Securities Act, MCL 451.2604.

- 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 Respondents.

CORPORATIONS, SECURITIES & COMMERCIAL LICENSING BUREAU



Julia Dale
Director, Corporations, Securities &
Commercial Licensing Bureau

3/16/17
Date