

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

In the matter of:

Complaint No. 341928

WOODSHED AGENCY, LLC  
Unregistered

Respondent.

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Issued and entered  
this 27th day of AUGUST, 2020

**ADMINISTRATIVE CONSENT AGREEMENT  
AND 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 May 12, 2020, the Corporations, Securities & Commercial Licensing Bureau of the Michigan Department of Licensing and Regulatory Affairs (the “Bureau”), issued a Notice and Order to Cease and Desist (“C&D Order”) to Woodshed Agency, LLC (“Respondent”). Respondent is not registered in any capacity under the Act. For purposes of this Administrative Consent Agreement and Order (“Consent Order”), Respondent and Bureau staff are referred to individually as a “Party” and collectively as the “Parties.”

2. The C&D Order ordered Respondent to immediately cease and desist from violating the Act, specifically section 401 of the Act, MCL 451.2401, and further notified Respondent that the director (“Administrator”) of the Bureau intended to

impose a civil fine against Respondent in the amount of \$10,000 in a final order under MCL 451.2604(4)(a).

3. The C&D Order was immediately effective pursuant to MCL 451.2604(2); however, Respondent, through counsel, timely requested an administrative hearing on the C&D Order under MCL 451.2604(2) and (3) (the "Hearing Request").

4. As a result of negotiations, the Parties agree to and recommend that the Administrator order a settlement of this matter under the terms and conditions set forth in this Consent Order. Respondent was represented by legal counsel throughout the process of resolving the C&D Order through this Consent Order.

## **B. AGREEMENT**

The Parties agree to resolve the C&D Order under the following terms and conditions:

1. Respondent agrees that it will not engage in any activities in violation of the Act in the future. Respondent has agreed to conduct business in a specific manner outlined in correspondence from its counsel dated August 6, 2020 attached as exhibit A to this Consent Order. The Bureau, while not necessarily agreeing with Respondent's legal analysis, agrees to settle this matter given the representations for future conduct by Respondent as stated by its counsel in Exhibit A.

2. Respondent agrees to pay the Bureau a reduced civil fine in the settlement amount of one thousand and 00/100 Dollars (\$1,000.00) (the "Reduced Civil Fine"). Respondent agrees to pay the Reduced Civil Fine within sixty (60)

calendar days after the mailing date of this Consent Order, once entered. The Reduced Civil Fine must be paid by cashier's check or money order made payable to the "State of Michigan," contain identifying information (name and "Complaint No. 341928"), and be mailed to the Bureau at the following address:

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

If any portion of the Reduced Civil Fine is overdue, the Administrator may refer it to the Michigan Department of Treasury for collection action against Respondent. In addition, and consistent with Paragraph B.13. below, the Administrator reserves the right to take other available legal action to enforce payment of and collect the Reduced Civil Fine.

3. The Bureau will report and publish this Consent Order according to its current policy, as follows:

- This Consent Order is a public record required to be published and made available to the public, consistent with section 11 of the Michigan Freedom of Information Act, MCL 15.241. The Bureau will publish this Consent Order consistent with its current policy, whereby copies of orders issued under the Act are posted to the Bureau's website and a summary of order content is included in monthly disciplinary action reports separately published on the Bureau's website.

4. Notwithstanding the potential application of MCL 451.2412(9), this Consent Order expressly preserves the Bureau's and Administrator's ability to rely on and assert, in any future proceeding under the Act, all activities, conduct, and alleged Act violations by Respondent contained in or relating to the C&D Order.

5. Respondent neither admits nor denies the allegations in the C&D Order or any wrongdoing in connection with this matter, and consents to entry of this Consent Order only for the purpose of resolving the C&D Order in an expeditious fashion that avoids the time and expense associated with an administrative proceeding on the Hearing Request and any appeals therefrom.

6. The Parties agree that this Consent Order resolves only Respondent's activities, conduct, and alleged Act violations contained in the C&D Order, but it does not address or resolve any other activities, conduct, or potential Act violations engaged in by Respondent not expressly contained in the C&D Order or occurring after the date this Consent Order is entered. Further, the Parties acknowledge that this Consent Order does not preclude any other individual or entity, including but not limited to other authorized state or federal agencies or officials, from initiating or pursuing civil or criminal action against Respondent. The Consent Order does not preclude the Bureau or its staff from fully cooperating with any state or federal agency or official that may investigate or pursue its own civil or criminal enforcement against Respondent.

7. Respondent agrees that, effective upon entry of this Consent Order, its Hearing Request is automatically revoked without further action by the Parties.

8. Respondent agrees to cooperate with the Bureau and comply with any reasonable investigative demands made by the Bureau in the future for purposes of ensuring compliance with this Consent Order or the Act.

9. Respondent acknowledges and agrees that: (a) the Administrator has jurisdiction and authority to enter this Consent Order; (b) the Administrator may enter this Consent Order without any further notice to Respondent; and (c) upon entry of this Consent Order, it is final and binding, and Respondent waives any right to a hearing or appeal of this Consent Order and the C&D Order under the Act, the rules promulgated under the Act or the predecessor Act, the Administrative Procedures Act of 1969, 1969 PA 306, MCL 24.201 *et seq.*, or other applicable law.

10. The Parties understand and agree that this Consent Order will be presented to the Administrator for her final approval as evidenced by its entry, and that the Administrator may, in her sole discretion, decide to accept or reject this Consent Order. If the Administrator accepts this Consent Order by entering it, this Consent Order becomes fully effective and binding in accordance with Paragraph B.9. above. If the Administrator rejects this Consent Order by refusing to enter it, the Parties waive any objection to submitting the Hearing Requests for adjudication through a formal administrative proceeding and the Administrator remaining the final decisionmaker at the conclusion of that proceeding.

11. The Parties acknowledge and agree that this Consent Order contains the entire understanding of the Parties and supersedes and forever terminates all prior and contemporaneous representations, promises, agreements, understandings, and negotiations, whether oral or written, with respect to its subject matter. The Parties further agree that this Consent Order may only be amended, modified, or

supplemented by a duly executed writing signed by each Party and approved by Order of the Administrator.

12. The Parties acknowledge and represent that: (a) each Party has read this Consent Order in its entirety and fully understands all of its terms, conditions, ramifications, and consequences; (b) each Party unconditionally consents to the terms of this Consent Order; (c) each Party has consulted with or had ample opportunity to consult with legal counsel of his, her, or its choosing prior to executing this Consent Order; (d) each Party has freely and voluntarily signed this Consent Order; and (e) the consideration received by each Party as described in this Consent Order is adequate.

13. The Parties acknowledge and agree that the Administrator retains the right to pursue any action or proceeding permitted by law to enforce the provisions of this Consent Order.

14. The Parties agree that facsimile or electronically-transmitted signatures may be submitted in connection with this Consent Order and are binding on that Party to the same extent as an original signature.

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Administrative Consent Agreement & Order  
Woodshed Agency, LLC  
Complaint NO. 341928  
Page 7 of 8

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

Signed: Jeff Wenzel  
Woodshed Agency, LLC  
By: Jeff Wenzel  
Its: CEO

Dated: 8/17/2020

Acknowledged and Reviewed by:

Signed: \_\_\_\_\_  
Nicole M. Sappingfield  
Dickinson Wright, PLLC  
Attorney for Respondents

Dated: \_\_\_\_\_

Approved by:

Signed: \_\_\_\_\_  
Timothy L. Teague  
Securities & Audit Division Director  
Corporations, Securities & Commercial Licensing Bureau

Dated: \_\_\_\_\_


Administrative Consent Agreement & Order  
Woodshed Agency, LLC  
Complaint NO. 341928  
Page 7 of 8

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

Signed: \_\_\_\_\_  
Woodshed Agency, LLC  
By: \_\_\_\_\_  
Its: \_\_\_\_\_

Dated: \_\_\_\_\_

Acknowledged and Reviewed by:

Signed:  \_\_\_\_\_  
Nicole M. Sappingfield  
Dickinson Wright, PLLC  
Attorney for Respondents

Dated: 8/17/2020 \_\_\_\_\_

Approved by:

Signed: \_\_\_\_\_  
Timothy L. Teague  
Securities & Audit Division Director  
Corporations, Securities & Commercial Licensing Bureau

Dated: \_\_\_\_\_



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

Signed: \_\_\_\_\_  
Woodshed Agency, LLC  
By: \_\_\_\_\_  
Its: \_\_\_\_\_

Dated: \_\_\_\_\_

Acknowledged and Reviewed by:

Signed: \_\_\_\_\_  
Nicole M. Sappingfield  
Dickinson Wright, PLLC  
Attorney for Respondents

Dated: \_\_\_\_\_

Approved by:

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

Dated: 8/21/2020

**C. ORDER**

The Administrator NOW, THEREFORE, ORDERS:

THE TERMS AND CONDITIONS IN THE FOREGOING FULLY EXECUTED  
CONSENT AGREEMENT ARE INCORPORATED BY REFERENCE AND MADE  
BINDING AND EFFECTIVE THROUGH THIS CONSENT ORDER.

By: 

Linda Clegg

Administrator and Director

Corporations, Securities & Commercial Licensing Bureau

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

In the Matter of:

Complaint No. 341928

WOODSHED AGENCY, LLC  
Unregistered  
Respondent.

Issued and entered

This 12<sup>th</sup> day of May, 2020

NOTICE AND ORDER TO CEASE AND DESIST

Linda Clegg, the Director (“Administrator”) of the Corporations, Securities, and Commercial Licensing Bureau (“Bureau”), 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 Woodshed Agency, 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. Woodshed Agency, LLC is a Michigan-organized limited liability company with principal place of business in the State of Michigan. It is not registered in any capacity under the Securities Act and has not registered any securities offerings under the Securities Act.

**B. Findings of Fact**

1. The Bureau conducted an investigation of Respondent’s activities under the Securities Act in Michigan.
2. Respondent is not registered in any capacity under Securities Act.

3. The investigation developed evidence that Respondent holds itself out to the public through a public website as an expert in crowdfunding for businesses looking to raise capital through both securities-based and donation-based<sup>1</sup> crowdfunding campaigns.
4. Respondent is not an employee of the issuers that engage its marketing services, but rather is hired in a consultant role for companies seeking to raise capital through crowdfunding.
5. Respondent negotiates with issuers on its compensation. In some circumstances, Respondent negotiated contracts with issuers that called for commission-based payments based upon the amount of money raised by the issuer through the crowdfunding campaign. Respondent structured at least two<sup>2</sup> contracts, an example of which is demonstrated below, to be a commission-based fee disguised as a non-commission fee while acknowledging that commission-based fees run afoul of securities laws requiring broker-dealer registration:

**Crowdfunding Campaign Goal Commission**

3% milestone commission based on new contributions directly related to the marketing efforts beginning on the day of Woodshed in-market campaign [8-16-19]. Any investors that come directly from [REDACTED] outreach will be excluded from this commission structure.

*Example: If \$100,000 is raised after we come on board through our efforts. Woodshed Agency will earn a commission of \$3,000 on the portion of the raise.*

**TERMS: Due with-in 7 days after receipt of Woodshed Agency's invoice.**

\*We are aware that you technically can't take a commission on the raise due to SEC regulations. What we do is send an invoice for marketing services rendered based on the numbers stated above.

6. Respondent markets itself as a crowdfunding marketing expert and has been engaged by multiple issuers in securities-based crowdfunding campaigns.
7. Respondent does not participate in negotiations between issuers that utilize its services and the investors that invest with those issuers.

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<sup>1</sup> As donation-based crowdfunding campaigns typically do not implicate state and federal securities laws, those services offered by Respondent are not at issue here.

<sup>2</sup> The name of the issuer has been redacted.

8. Respondent published an evaluation of the merits of an investment when it touted on its Facebook page that it had helped one issuer raise over one million dollars (\$1,000,000) and suggested that its Facebook followers “join the party!” The posting included a link to the funding portal where investors could invest in the issuer’s offering.
9. Respondent actively helps or helped issuers to find investors to participate in securities offerings.

## **II. RELEVANT STATUTORY PROVISIONS**

1. Section 102(d) of the Securities Act defines “Broker-dealer”<sup>3</sup> 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:

- (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

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<sup>3</sup> 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).

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 3 above, Respondent "effects transactions in securities" through its activities on behalf of issuers:

A. Respondent is not an employee of the issuers that use its services but is hired by issuers to assist in capital-raising campaigns using crowdfunding. This factor weighs *in favor* of Respondent falling within the definition of broker-dealer.

B. Respondent has contracted to receive transaction-based compensation, such as commissions. In at least two contracts, Respondent negotiated to receive payment through commissions while labeling them "non-commission" and explicitly recognizing that such an arrangement ran afoul of securities laws. This factor weighs *in favor* of Respondent falling within the definition of broker-dealer.

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

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

E. Respondent evaluated the merits of an investment when it published a link to an offering that it was engaged by the issuer and invited the public to participate in the offering. This factor weighs *in favor* of Respondent falling within the definition of broker-dealer.

F. Respondent actively assists issuers to find investors. 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 Woodshed Agency, 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:

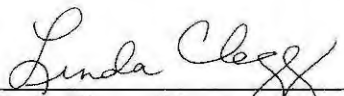
\$10,000.00 – Woodshed Agency, LLC, under section 604  
of the Securities Act, MCL 451.2604.

- 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.

DEPARTMENT OF LICENSING AND REGULATORY AFFAIRS  
CORPORATIONS, SECURITIES, AND COMMERCIAL LICENSING BUREAU

  
\_\_\_\_\_  
Linda Clegg, Director, Corporations, Securities  
and Commercial Licensing Bureau

5/12/2020  
Date