

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

In the Matter of:

Complaint No. 341233

SEVERN FUNDING & INVESTMENT LTD.
Unregistered

Respondent.

_____/

This 27th day of January, 2020

NOTICE AND ORDER TO CEASE AND DESIST

Linda Clegg, the Interim Director (“Administrator”) of the Corporations, Securities & Commercial Licensing Bureau (“the 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 Severn Funding & Investment Ltd. (“Respondent”) to cease and desist from acting as or holding itself out as a registered investment adviser when it is in fact unregistered, and from engaging in an act, practice, or course of business that operates or would operate as a fraud or deceit upon another person while acting or holding itself out as an investment adviser, 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. Severn Funding & Investment Ltd. is purportedly a United Kingdom business entity with a place of business in Ann Arbor, Michigan. Attempts to contact Respondent at its published place of business were returned as undeliverable, and the physical location is in fact a residential apartment building and not a place of business. Respondent is not registered in any capacity under the Securities Act, and is not registered in any capacity with the United States Securities and Exchange Commission (“SEC”).

B. Findings of Fact

1. The Bureau conducted an investigation of Respondent's activities.
2. The investigation developed evidence that Respondent held itself out to the general public as an investment adviser through a publicly-available website by offering to advise investors on the advisability of purchasing, selling, or holding securities.
3. Respondent has never been registered in any capacity under the Securities Act in Michigan or federally with the SEC.
4. Respondent advertised that it was registered with the SEC as an investment adviser when it does not and never has never held any such registration.
5. Respondent has not identified any exemptions, exceptions, preemptions, or exclusions from the Securities Act which would be applicable to the investment advisory services in which it engaged.

II. RELEVANT STATUTORY PROVISIONS

1. Section 102a(e) of the Securities Act defines "Investment adviser", in part, as:

[A] a person that, for compensation, engages in the business of advising others, either directly or through publications or writings, as to the value of securities or the advisability of investing in, purchasing, or selling securities or that, for compensation and as a part of a regular business, issues or promulgates analyses or reports concerning securities. The term includes a financial planner or other person that, as an integral component of other financially related services, provides investment advice to others for compensation as part of a business or that holds itself out as providing investment advice to others for compensation...

2. Section 403(1) of the Securities Act, MCL 451.2403(1), states:

A person shall not transact business in this state as an investment adviser unless the person is registered under this act as an investment adviser or is exempt from registration as an investment adviser under subsection (2).

3. Section 502(1) of the Securities Act, MCL 451.2502(1), states in relevant part:

It is unlawful for a person that advises others for compensation, either directly or indirectly or through publications or writings, as to the value of securities or the advisability of investing in, purchasing, or selling securities, or that, for

compensation and as part of a regular business, issues or promulgates analyses or reports relating to securities, to do any of the following:

- (a) Employ a device, scheme, or artifice to defraud another person.
- (b) Engage in an act, practice, or course of business that operates or would operate as a fraud or deceit upon another person.

4. 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, Severn Funding & Investment Ltd., falls within the Securities Act's definition of "investment adviser" because it held itself out to the public as an entity which would advise others as to the value of securities or the advisability of investing in, purchasing, or selling securities in the State of Michigan. Respondent engaged in investment adviser activities without the benefit of registration or a properly claimed exemption from registration, in violation of section 403(1) of the Securities Act, MCL 451.2403(1).
2. Respondent, Severn Funding & Investment Ltd., while holding itself out as an investment adviser, represented that it was registered with the United States Securities and Exchange Commission as an investment adviser when it held no such registration. Holding itself out to potential clients as a registered investment adviser when it was not so-registered was an act, practice, or course of business that operated or would have operated as a fraud or deceit upon other persons, in violation of section 502(1) of the Securities Act, MCL 451.2502(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 investment adviser and from engaging in an act, practice, or course of business that operates or would operate as a fraud or deceit upon another person while acting or holding itself out as an investment adviser, 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 \$20,000.00 against Severn Funding & Investment Ltd.
- 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 – Severn Funding & Investment Ltd., 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 & REGULATORY AFFAIRS
CORPORATIONS, SECURITIES & COMMERCIAL LICENSING BUREAU



Linda Clegg, Interim Director, Corporations, Securities
& Commercial Licensing Bureau, Administrator

1-27-2020
Date