

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

In the Matter of:

Complaint Nos. 334106 & 334470

DREAMMAKERS, LLC
Unregistered

Respondent.

Issued and entered
This 23rd day of March, 2018

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 Dreammakers, LLC ("Respondent") to cease and desist from offering and 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 statements made, in the light of the circumstances under which they were made, not misleading, contrary to the Securities Act. Respondent is notified of the opportunity to request a hearing in this matter.

I. BACKGROUND

A. The Respondent

1. Dreammakers, LLC is a Michigan limited liability company. Dreammakers, LLC is not registered in any capacity pursuant to the Securities Act in Michigan, nor has it registered any securities offerings pursuant to the Securities Act in Michigan.

B. Findings of Fact

1. The Bureau conducted an investigation of Respondent's activities.
2. The investigation developed evidence that Respondent, through its member Doc Watson¹, offered and sold "notes" which are securities as that term is defined by the Securities Act. Respondent sold notes to investor DH and investor GS. Investor DH provided Respondent with \$50,000 with an expected return of principal and interest in the amount of \$75,000. Investor GS provided Respondent with \$100,000, with an expected return of principal and interest in the amount of \$150,000.
3. The notes were not registered pursuant to the Securities Act, nor has Respondent identified any applicable exemption, exception, preemption, or exclusion from the Securities Act.
4. Respondent represented to investors DH and GS that the notes would pay a fifty percent (50%) rate of return; Respondent failed to disclose that there were any risks associated with the notes, such as the risk that the business venture would fail to produce revenues sufficient to return the principal and pay the promised rate of return. (Exhibit 1 – Confidential Offering Memorandum). A reasonable investor might consider it important to his or her investment decision to know that a return promised by the issuer may not be possible, and that the investor may lose his or her entire investment.
5. Respondent, through Doc Watson, provided investor DH and investor GS with a balance sheet for WatsonHurst Futurethink, an entity also owned and operated by Watson. (Exhibit 2 – Balance Sheet). Watson represented that the investments with Respondent were guaranteed by the assets of WatsonHurst Futurethink and by Watson personally. (Exhibit 1). Respondent provided information to the Bureau that WatsonHurst Futurethink was never formed and never conducted any business. A reasonable investor might consider that the company purportedly guaranteeing his or her investment has not been formed or conducted any business.
6. Investor GS was sixty years of age or older at the time of the investments with Respondent.

¹ Doc Watson is now deceased. Investor complaints regarding the investments were submitted to the Bureau after Mr. Watson's death.

II. RELEVANT STATUTORY PROVISIONS

1. Section 102c(c) of the Securities Act, MCL 451.2102c(c), 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...

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 sections 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, Dreamakers, LLC, offered and sold note securities in Michigan to investor DH, and has not identified a relevant exemption, exception, preemption, or exclusion from Securities Act registration requirements, contrary to section 301 of the Securities Act, MCL 451.2301.
2. Respondent, Dreamakers, LLC, offered and sold note securities in Michigan to investor GS, and has not identified a relevant exemption, exception, preemption, or exclusion from Securities Act registration requirements, contrary to section 301 of the Securities Act, MCL 451.2301.
3. Respondent, Dreamakers, LLC, in connection with the offer or sale of securities, omitted to state material facts necessary to make other statements made not misleading in light of the circumstances under which they were made. Respondent represented that it would pay a 50% rate of return to investor DH, but failed to state that there were any risks that the principal and interest on the note might not be paid at maturity. The statement regarding the risk that principal and interest might not be paid was material, and was omitted, contrary to section 501(b) of the Securities Act, MCL 451.2501(b).
4. Respondent, Dreamakers, LLC, in connection with the offer or sale of securities, omitted to state material facts necessary to make other statements made not misleading in light of the circumstances under which they were made. Respondent represented that it would pay a 50% rate of return to investor GS, but failed to state that there were any risks that the principal and interest on the note might not be paid at maturity. The statement regarding the risk that principal and interest might not be paid was material, and was omitted, contrary to section 501(b) of the Securities Act, MCL 451.2501(b).
5. Respondent, Dreamakers, LLC, in connection with the offer or sale of securities, omitted to state material facts necessary to make other statements made not misleading in light of the circumstances under which they were made. Respondent represented to investor DH that his investment was guaranteed by the assets of WatsonHurst Futurethink, but failed to state that the venture was not yet formed and had not yet conducted any business. The statement regarding the status of the business was material, and was omitted, contrary to section 501(b) of the Securities Act, MCL 451.2501(b).

6. Respondent, Dreamakers, LLC, in connection with the offer or sale of securities, omitted to state material facts necessary to make other statements made not misleading in light of the circumstances under which they were made. Respondent represented to investor GS that his investment was guaranteed by the assets of WatsonHurst Futurethink, but failed to state that the venture was not yet formed and had not yet conducted any business. The statement regarding the status of the business was material, and was omitted, contrary to 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 continuing to offer or sell unregistered securities, and from directly or indirectly making any untrue statements of material fact or omitting to state material facts necessary in order to make other statement 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 \$90,000.00 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.
- E. The Administrator retains the right to pursue further administrative action against Respondent under the Securities Act if the Administrator determines that such action is necessary and appropriate in the public interest, for the protection of investors and is authorized by the Securities Act.

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:

\$90,000.00 – Dreamakers, 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 Respondent 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. Respondent 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.

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



Julia Dale
Director, Corporations, Securities &
Commercial Licensing Bureau

Date 3/23/18