

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

In the Matter of:

Complaint No. 335373

WEDGEWOOD PROPERTIES, LLC
Unregistered

Respondent.

This 13th day of August, 2018

Issued and entered

NOTICE AND ORDER TO CEASE AND DESIST

Julia Dale, the Director (the “Administrator”) of the Corporations, Securities & 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 Wedgewood Properties, LLC (“Respondent”) to cease and desist from offering or selling unregistered securities; from making untrue statements of material facts or omitting to state material facts necessary to make other statements made not misleading in connection with the offer or sale of securities; and from violating an order of the Administrator, 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. Wedgewood Properties, LLC is a Nevada-organized limited liability company headquartered in Caledonia, Michigan. Respondent is not registered in any capacity pursuant to the Securities Act, nor has it registered any securities offerings pursuant to the Securities Act. Respondent’s sole member was Shawn Weera, an individual who resided in the State of Michigan until he passed away on or around June 15, 2018.

B. Findings of Fact

1. The Bureau conducted an investigation of Respondent's activities under the Securities Act in Michigan.
2. Respondent was previously the subject of an Amended Administrative Consent Order dated March 14, 2016 ("Consent Order", Exhibit 1) which prohibited Respondent from engaging in certain activities. Respondent was prohibited by the Consent Order from, among other things, violating the Securities Act (Exhibit 1, paragraph II.11), or from offering or selling any security or accepting any loans from any individual or non-financial institution entity that was not a then-current investor in Respondent. (Exhibit 1, paragraph II.10).
3. The investigation developed evidence that Respondent offered and sold securities to Michigan residents, including investor JM, which were not registered or exempt from registration. Investor JM was older than 60 at the time of the offer and sale.
4. The investigation developed further evidence that Respondent, through its sole member Shawn Weera, represented to a Michigan investor, JM, that an investment with Respondent would better achieve his investment goals in comparison to another investment vehicle with which investor JM had placed funds. Respondent, through Shawn Weera, failed to provide any disclosures regarding the nature of the investment, including how it would generate returns, or what risks were attendant with the investment. A reasonable investor might consider how the issuer would generate income to pay returns, and what risks may be attendant with an investment when making an investment decision.
5. The investigation developed further evidence that Respondent offered and sold securities to new investors within the sixteen-month time period in which it was prohibited by the Consent Order from doing so. The offers and sales were made in violation of an order of the Administrator.

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...

(v) The term includes an investment in a common enterprise with the expectation of profits to be derived primarily from the efforts of a person other than the investor. As used in this subparagraph, a "common enterprise" means an enterprise in which the fortunes of the investor are interwoven with those of either the person offering the investment, a third party, or other investors.

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 section 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:

- (a) Employ a device, scheme, or artifice to defraud.
- (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.

(c) Engage in an act, practice, or course of business that operates or would operate as a fraud or deceit on another person.

III. CONCLUSIONS OF LAW

1. Respondent Wedgewood Properties, LLC offered or sold securities in Michigan which were not federally covered, exempt from registration, or registered, in violation of section 301 of the Securities Act, MCL 451.2301.
2. Respondent Wedgewood Properties, LLC omitted to state material facts necessary to make other statements made not misleading in connection with the offer or sale of securities when its sole member, Shawn Weera, represented to investor JM that an investment with Respondent would be safer than another more traditional investment, but omitted to disclose how Respondent would generate profits necessary to pay the promised returns, and omitted to describe any risks associated with the investment. These facts were material, in that a reasonable investor might have considered them important in making an investment decision, necessary to make statements regarding the better return not misleading, and were omitted, contrary to section 501(b) of the Securities Act, MCL 451.2501(b).
3. Respondent Wedgewood Properties, LLC and its sole member Shawn Weera agreed to the terms of the Consent Order dated March 14, 2016, and violated the terms of that consent order by violating the Securities Act (specifically, MCL 451.2301 and MCL 451.2501(b), as alleged herein), contrary to section II.11 of the Consent Order, and by offering and selling securities within sixteen months of the date of the Consent Order to an individual who was not then an investor in Respondent, contrary to section II.10 of the Consent Order.

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 offering or selling unregistered securities, from omitting to state material facts necessary to make other statements not misleading in connection with the offer or sale of securities, and from violating an order of the Administrator, 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 \$60,000.00 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.

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:

\$60,000.00 – Wedgewood Properties, 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:

Notice & Order to Cease & Desist
Wedgewood Properties, LLC (CN 335373)

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 Respondents.

CORPORATIONS, SECURITIES & COMMERCIAL LICENSING BUREAU



By: Julia Dale, Director, Corporations, Securities
& Commercial Licensing Bureau

8/13/18
Date