

1 8. Niblett represented to KAR investors that investments in real estate would provide
2 “stability”; “real estate is a safe investment”; and that “no way you can lose your money.”

3 9. Niblett and Scott told KAR investors they will have “protection through a promissory
4 note.”

5 10. In or about September 2015, Niblett told two KAR investors that their money would
6 be used to purchase two properties located in Niles, Michigan, and Toledo, Ohio, under the investors’
7 names. Niblett told the KAR investors that their investments would be secured by promissory notes
8 and deeds of trust that would be recorded against the properties to further protect the KAR investors’
9 investments. Niblett also represented that he and KAR would “fix and resell” these properties after
10 purchase and then distribute the proceeds to these two investors. Despite Niblett’s promises, Niblett
11 did not purchase the properties in the name of the two investors or provide the two investors a
12 promissory note or deed of trust to either of the properties as promised.

13 11. The above-described securities have been offered and sold in California in issuer
14 transactions. The Department of Business Oversight has not issued a permit or other form of
15 qualification authorizing any person to offer and sell these securities in this state.

16 12. In connection with the offer and sale of these securities, KAR, Niblett and Scott made
17 material misrepresentations of facts and also omitted to state material facts necessary in order to
18 make the statements made, in the light of the circumstances under which they were made, not
19 misleading. These misrepresentations and omissions included, but are not limited to, the following:

20 a. Niblett and Scott represented to KAR investors that investor funds would be
21 used to buy two properties that would be rehabilitated and sold for profit, when in fact KAR investor
22 funds were used for the personal expenses of Niblett and Scott;

23 b. Niblett and Scott represented that KAR investors would be paid 12-26%
24 interest on their investment, when in fact KAR investors never received any promised returns from
25 KAR, Niblett or Scott; and

26 c. Niblett and Scott told KAR investors that their investments would be secured
27 by a promissory note and deed of trust when in fact the investments were not secured by any
28 promissory note or deed of trust.

1 Based on the foregoing findings, the Commissioner of Business Oversight is of the
2 opinion that the investment contracts KAR, Niblett and Scott sold to investors are securities subject
3 to qualification under the California Corporate Securities Law of 1968 (CSL) and are being or have
4 been offered or sold without being qualified or exempt, in violation of Section 25110 of the CSL.

5 Pursuant to Section 25532 of the CSL, KAR Investments, LLC, Kelley Niblett and Dean
6 Scott are hereby ordered to desist and refrain from the further offer or sale in the State of California
7 of securities, including, but not limited to investment contracts, unless and until qualification has
8 been made under said law or unless exempt.

9 Further, the Commissioner of Business Oversight is of the opinion that KAR, Niblett and
10 Scott offered and sold the securities in this state by means of written or oral communications that
11 included untrue statements of material fact or omitted to state material facts necessary in order to
12 make the statements made, in the light of the circumstances under which they were made, not
13 misleading, in violation of section 25401 of the CSL. Pursuant to Section 25532 of the CSL, KAR
14 Investments, LLC, Kelley Niblett and Dean Scott are hereby ordered to desist and refrain from
15 offering or selling any security in the State of California, including, but not limited to investment
16 contracts by means of any written or oral communication which includes an untrue statement of a
17 material fact or omits to state a material fact necessary in order to make the statements made, in the
18 light of the circumstances under which they were made, not misleading.

19 This Order is necessary, in the public interest, for the protection of investors and consistent
20 with the purposes, policies, and provisions of the CSL.

21 Dated: August 31, 2020
22 Sacramento, California

MANUEL P. ALVAREZ
Commissioner of Business Oversight

23
24
25 By _____
26 MARY ANN SMITH
27 Deputy Commissioner
28 Enforcement Division