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**STATE OF WASHINGTON
DEPARTMENT OF FINANCIAL INSTITUTIONS
SECURITIES DIVISION**

IN THE MATTER OF DETERMINING
Whether there has been a violation of the
Securities Act of Washington by:

Todd R. Bennett,
BDR Holdings LLC,

Respondents

Order No. S-22-3462-23-CO01

CONSENT ORDER AND ORDER REVOKING
SECURITIES EXEMPTIONS

INTRODUCTION

Pursuant to the Securities Act of Washington, RCW 21.20, the Securities Division and Respondents Todd R. Bennett and BDR Holdings LLC do hereby enter into this Consent Order in settlement of the matters alleged herein.

FINDINGS OF FACT

Respondents

1. BDR Holdings LLC (“BDR Holdings”) is a Washington limited liability company that was formed on January 4, 2011 with its principal place of business in Bellevue, Washington. In October 2020, BDR Holdings was managing 31 separate real estate development projects that were not yet completed. The projects were each owned by individual project LLCs. BDR Holdings was either the 100% owner or a majority owner of the managing member of the project LLCs (collectively, the “BDR Companies”). Each project was financed, in part, through the sale of membership interests in the project LLCs.

2. Todd R. Bennett (“Bennett”) resides in Bellevue, Washington. Bennett is the CEO of BDR Holdings. Bennett is a builder who has more than 35 years of experience in the construction business. Prior to becoming a builder, Bennett was a staff accountant for Price Waterhouse.

1 **Overview**

2 3. Between at least 2016 and 2020, Bennett and BDR Holdings offered and sold more than \$43
3 million worth of LLC membership interests in the BDR Companies to approximately 70 investors, most of
4 whom reside in Washington. When offering the investments, Bennett and BDR Holdings and its affiliates
5 would furnish the investors with offering documents, including a subscription agreement, the LLC
6 agreement for the project LLC, and an offering summary. The investors were making a passive investment
7 and were relying upon Bennett and the BDR Companies to generate a return on their investments.

8 **Terms of the LLC Offerings**

9 4. When offering and selling LLC membership units, Bennett and BDR Holdings and its
10 affiliates each represented that investors would receive a return of 100% of their initial capital contribution
11 and a “preferred return” of 20% of their investment. Thereafter, the class B LLC units held by one of the
12 BDR Companies would also receive a 20% return. After the completion of the project, and after the
13 investors and the respective BDR Company had both received their promised returns, the investors and the
14 BDR Company would divide any remaining profits. The BDR Companies charged project management
15 fees that were generally between 4% and 6% of the securities offering amount. Bennett also received a
16 monthly salary from BDR Holdings. Initially, Bennett’s salary was \$30,000 per month. Later, his salary
17 was reduced to \$20,000 per month.

18 **Bennett’s Business Activities**

19 5. Initially, Bennett and the BDR Companies specialized in building high-end, luxury homes in
20 the Bellevue area. Later, Bennett and the BDR Companies began to develop and build some commercial
21 projects: condominiums and townhomes. The branching out of Bennett’s business activities and the
22 growing number of incomplete projects created significant additional risks for investors.

23

1 6. As Bennett and the BDR Companies expanded the scope of their business projects, there was an
2 ever-increasing need for capital. Bennett and the BDR Companies used debt financing to fund significant
3 portions of their business activities. By 2020, the BDR Companies were approximately \$200 million in
4 debt. The high cost of debt financing (with 10% annual interest rates), combined with supply chain delays
5 due to high demand in the local construction industry which resulted in the BDR Companies incurring
6 unbudgeted loan extension fees, default fees and default interest on its projects, contributed to the partial
7 collapse of Bennett's business during 2020, when many of the BDR Companies were unable to meet their
8 obligations for payments.

9 7. In May 2020, Bennett retained a Chief Restructuring Officer to restructure the BDR
10 Companies, so that they could try to complete all of the projects that were in process, meet payroll
11 obligations, pay liens and creditors, pay lenders, and hopefully repay investors. At that time, the BDR
12 Companies' liabilities exceeded their assets by more than \$30 million.

13 8. Bennett had rolled funds totaling more than \$5.4 million from 13 completed and uncompleted
14 projects into other projects, instead of paying off the projects that had been completed. \$375,000 of funds
15 that should have been repaid for a project were instead used to pay for remodeling costs for Bennett's
16 home. When the home was sold, Bennett contributed the net proceeds of over \$5 million from the sale of
17 the home to the BDR Companies' business and repaid the \$375,000 that had been used for remodeling
18 costs. Bennett also contributed his share from the sale of one of his own LLC interests, totaling
19 approximately \$2 million, to the BDR Companies' business.

20 **Material Misrepresentations and Omissions**

21 9. Starting in 2019, when offering and selling project LLC membership investments, Bennett and
22 BDR Holdings and its affiliate entities misrepresented and failed to disclose material information about the
23 investments, including failing to advise investors that some of the projects were facing significant cash

1 flow problems, that there was a significant risk that the BDR Companies might not be able to continue
2 operating as a going concern, that Bennett had misused investor funds to acquire land and to pay for the
3 costs of other projects, and that Bennett had used \$375,000 for Bennett's own personal residence, which
4 was subsequently repaid.

5 Based upon the above Findings of Fact, the following Conclusions of Law are made:

6 **CONCLUSIONS OF LAW**

7 1. The offer and/or sale of the LLC membership interest investments described above constitutes
8 the offer and/or sale of a security as defined in RCW 21.20.005(14) and (17).

9 2. Bennett and BDR Holdings LLC each violated RCW 21.20.010, the anti-fraud section of the
10 Securities Act of Washington, by making untrue statements of material fact or omitting to state material
11 facts necessary to make the statements made, in light of the circumstances in which they were made, not
12 misleading.

13 Based upon the foregoing and finding it in the public interest:

14 **CONSENT ORDER**

15 IT IS AGREED AND ORDERED that Respondents Todd R. Bennett and BDR Holdings LLC, and
16 their current or future employees or authorized agents, shall each cease and desist from violating RCW
17 21.20.010, the anti-fraud section of the Securities Act of Washington.

18 IT IS FURTHER AGREED AND ORDERED that although the Respondents' material misconduct
19 warrants the imposition of significant fines and costs, given the limited availability of Respondents' funds,
20 and in order to promote the repayment of investors, the Securities Division will not impose any fines or
21 costs for this matter.

22 IT IS FURTHER AGREED AND ORDERED, pursuant to RCW 21.20.325, that any exemptions
23 from securities registration that would otherwise be available to Todd R. Bennett and to any entities that are

1 owned or controlled by him, including BDR Holdings LLC, are hereby revoked, except that Todd R. Bennett
2 and any entities that are owned or controlled by him, including BDR Holdings LLC, may make offers and
3 sales not involving a public offering pursuant to RCW 21.20.320(1) that are made solely to accredited
4 investors.

5 IT IS AGREED that Respondents Todd R. Bennett and BDR Holdings LLC do hereby enter into this
6 Consent Order freely and voluntarily and with a full understanding of its terms and significance.

7 IT IS AGREED that the Securities Division has jurisdiction to enter this order.

8 IT IS AGREED that in consideration of the foregoing, the Respondents each waive their right to a
9 hearing and to judicial review of this matter pursuant to Chapter 34.05 RCW.

10 **WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.**

11
12 Signed this 3rd day of April , 2023

13 Signed by:
14 BDR Holdings LLC

15 /s/ _____
16 Todd R. Bennett
17 Chief Executive Officer

18 Signed by:
19 /s/ _____
20 Todd R. Bennett, Individually

21 Approved as to form by:
22 /s/ _____
23 Greg Russell, Attorney for Respondents

SIGNED and ENTERED this 10th day of April, 2023



/s/
William M. Beatty
Securities Administrator

Approved by:

Presented by:

/s/
Brian J. Guerard
Chief of Enforcement

/s/
Janet So
Financial Legal Examiner

Reviewed by:

/s/
Huong Lam
Financial Legal Examiner Supervisor