

3. The Respondent was terminated for cause by Securities America, Inc. (CRD #10205) on November 3, 2003. Securities America determined that the Respondent had violated the firm's internal policies and procedures as well as NASD Rule 2210 (concerning communications with the public).

4. Thereafter, the Respondent was terminated for cause by Capital Investment Group, Inc. (CRD #14752) on November 10, 2009. Capital Investment Group determined that the Respondent had attempted to make investment changes on accounts of prior clients who had remained at a prior broker-dealer without the clients' knowledge or consent.

5. On November 22, 2010, FINRA suspended the Respondent for four months after finding that the Respondent attempted to reallocate variable annuities for former customers without their authorization.

6. On May 21, 2019, for the Respondent's activities outlined below, the SEC permanently barred the Respondent from associating with "any broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent, or NRSRO" and from selling penny stocks. The Respondent consented to this bar.

IV. FINDINGS OF FACT

7. The Woodbridge Group of Companies, LLC ("Woodbridge") is a California-based entity, which purported to be a commercial lender that made hard-money loans, secured by mortgages on commercial property.

8. To help fund these purported hard-money loans, Woodbridge raised money from investors throughout the country through the offer and sale of promissory notes (the "Woodbridge Notes").

9. In order to effect the offer and sale of the Woodbridge Notes, Woodbridge employed certain South Carolina-based agents, including the Respondent, who received transaction-based compensation in connection with the offer, recommendation, and sale of the Woodbridge Notes.

10. These agents were not registered with the Division as agents, as required by the Act.

11. The Woodbridge Notes were not registered with the Division, or exempt from such registration, as required by the Act.

12. In reality, Woodbridge operated a nationwide Ponzi scheme bolstered by slick marketing and high commissions paid to the agents who sold the Woodbridge Notes. In total, Woodbridge bilked investors of between \$1.2 billion and \$1.3 billion nationwide.

13. The notes themselves were illusory and were never secured by any real property.

14. The owner and CEO of Woodbridge, Robert H. Shapiro, pleaded guilty to wire fraud and tax evasion before the U.S. District Court for the Southern District of Florida on January 28, 2019. At his plea, Shapiro admitted to embezzling between \$25 million and \$95 million from over 7,000 investors nationwide. Shapiro pleaded guilty and was sentenced to twenty-five (25) years in prison for running the fraud.¹

15. After the Ponzi scheme came to light, the Division opened investigations into the sale of Woodbridge Notes to investors in South Carolina. The investigations focused on

¹ See, Securities and Exchange Commission, *Court Orders \$1 Billion Judgment Against Operators of Woodbridge Ponzi Scheme Targeting Retail Investors*, Press Release, Jan. 28, 2019, <https://www.sec.gov/news/press-release/2019-3>; Investment News, *Ex-Woodbridge Group CEO Robert Shapiro pleads guilty in \$1.3 billion Ponzi scheme*, Aug. 8, 2019, <https://www.investmentnews.com/ex-woodbridge-group-ceo-robert-shapiro-pleads-guilty-in-1-3-billion-ponzi-scheme-80778>; Miami Herald, *Judge gives 25-year max to Ponzi schemer who stole millions from Florida to California*, Oct. 15, 2019, <https://www.miamiherald.com/news/local/article236215238.html>.

Woodbridge itself and on the agents selling the Woodbridge Notes. On August 5, 2019, the Securities Commissioner entered a Consent Order with regard to Woodbridge, wherein Woodbridge agreed to pay restitution to South Carolina investors through a liquidation trust established in a bankruptcy proceeding in the U.S. Bankruptcy Court for the District of Delaware.²

16. The Respondent sold \$7,222,000.00 in Woodbridge Notes to thirty-five (35) investors. The Respondent conducted sixty (60) separate Woodbridge sales with those thirty five South Carolina investors. Woodbridge paid the Respondent \$689,410.01 in transaction based compensation for his sale of Woodbridge Notes. On May 21, 2019, the SEC ordered the Respondent to disgorge \$627,698.98, and to pay additional civil penalties and fines.

V. CONCLUSIONS OF LAW

17. Since the Respondent was previously registered as a broker-dealer agent in several jurisdictions, he either was or should have been aware of his obligation to register as an agent in order to sell lawfully securities for transaction based compensation in South Carolina.

18. The Respondent, due to his experience, either knew or should have known that it was not lawful to sell unregistered non-exempt securities in South Carolina.

19. The Woodbridge Notes constitute securities, pursuant to S.C. Code Ann. § 35-1-102(29).

20. The Woodbridge Notes were not registered with the Division or exempt from registration requirements.

² In the matter of Woodbridge Group of Companies, LLC – Consent Order (8/5/19), <http://www.scag.gov/2019-notices-and-orders#ixzz6NYdt80Iq>

21. The Respondent offered and sold securities, which were not registered with the Division, or exempt from such registration, in violation of S.C. Code Ann. § 35-1-301.

22. The Respondent acted as an agent in connection with the offer and sale of securities in South Carolina, as defined by S.C. Code Ann. § 35-1-102(2).

23. The Respondent was not registered as an agent with the Division or exempt from such registration in violation of S.C. Code Ann. § 35-1-402(a).

24. Acting as an agent in connection with the offer and sale of securities, without being registered with the Division as such or exempt from registration, constitutes a willful failure to comply with the Act, pursuant to S.C. Code Ann. § 35-1-412(d)(2).

25. The Respondent's actions constitute at least one hundred twenty (120) distinct violations of the Act.

26. The Respondent's violation of S.C. Code Ann. § 35-1-412(d)(2) provides the basis for this order, pursuant to S.C. Code Ann § 35-1-412(c).

27. This Order is in the public interest.

VI. ORDER

NOW THEREFORE, pursuant to S.C. Code Ann. § 35-1-604(a)(1), it is hereby **ORDERED** that:

- a. The Respondent and every successor, affiliate, control person, agent, servant, and employee of the Respondent, and every entity owned, operated, or indirectly or directly controlled by or on behalf of the Respondent **CEASE AND DESIST** from transacting business in this State in violation of the Act, and, in particular, §§ 35-1-301 and 35-1-402 thereof; and

- b. The Respondent shall pay a civil penalty in the amount of six hundred thousand dollars (\$600,000.00) if this Order becomes effective by operation of law, or if the Respondent seeks a hearing and any legal authority resolves this matter, pay a civil penalty in an amount not to exceed ten thousand dollars (\$10,000.00) for each violation of the Act by the Respondent and the actual cost of the investigation or proceeding.

IT IS FURTHER ORDERED that, pursuant to S.C. Code Ann. § 35-1-604(a)(2) and (3), any exemption from registration with the Division that the Respondent may claim to rely upon under the Act, has been and is **PERMANENTLY REVOKED**.

VII. NOTICE OF OPPORTUNITY FOR HEARING

The Respondent is hereby notified that he has the right to a formal hearing on the matters contained herein. To schedule a hearing, the Respondent must file with the Division, Post Office Box 11549, Rembert C. Dennis Building, Columbia, South Carolina, 29211-1549, attention: Securities Division, within thirty (30) days after the date of service of this Order, a written Answer specifically requesting a hearing. If the Respondent requests a hearing, the Division, within fifteen (15) days after receipt of a written request, will schedule the hearing for the Respondent.


In the written Answer, the Respondent, in addition to requesting a hearing, shall admit or deny each factual allegation in this Order, shall set forth specific facts on which the Respondent relies, and shall set forth concisely the matters of law and affirmative defenses upon which the Respondent relies. If the Respondent is without knowledge or information sufficient to form a belief as to the truth of an allegation, he shall so state.

Failure by the Respondent to file a written request for a hearing in this matter within the thirty-day (30) period stated above shall be deemed a waiver by the Respondent of the right to such a hearing. Failure by the Respondent to file an Answer, including a request for a hearing, shall result in this Order becoming final by operation of law. The regulations governing the hearing process can be found at S.C. Code of Regulations Reg. 13-604..

This Order does not prevent the Division or any law enforcement agency from seeking additional civil or criminal remedies as are available under the Act, including remedies related to the offers and sales of securities by the Respondent set forth above.

ENTERED, this the 8 day of December, 2020.

ALAN WILSON
SECURITIES COMMISSIONER

By: 
Jonathan B. Williams
Assistant Deputy Attorney General