

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In re:

WOODBIDGE GROUP OF COMPANIES,
LLC, *et al.*,¹

Debtors.

Chapter 11

Case No. 17-12560 (KJC)

(Jointly Administered)

Obj. Deadline: May 11, 2018 at 4:00 p.m. (ET)

Ref. Docket No. 888

**NOTICE OF FILING OF CONSENT ORDER
BETWEEN CERTAIN DEBTORS AND THE STATE OF IDAHO**

TO: (I) THE DIRECTOR OF THE DEPARTMENT OF FINANCE OF THE STATE OF IDAHO; (II) THE OFFICE OF THE UNITED STATES TRUSTEE FOR THE DISTRICT OF DELAWARE; (III) COUNSEL FOR THE COMMITTEE; (III) COUNSEL FOR THE NOTEHOLDER GROUP, (IV) COUNSEL FOR THE UNITHOLDER GROUP, (V) THE SECURITIES AND EXCHANGE COMMISSION, AND (VI) ALL PARTIES THAT HAVE REQUESTED NOTICE IN THESE CHAPTER 11 CASES PURSUANT TO LOCAL RULE 2002-1.

PLEASE TAKE NOTICE that, on April 3, 2018, the United States Bankruptcy Court for the District of Delaware (the “Court”) entered the *Order Setting Expedited Procedures for the Approval of Certain Consent Orders* [Docket No. 888] (the “Consent Procedures Order”), which approved expedited procedures for consent orders meeting certain Required Parameters.²

PLEASE TAKE FURTHER NOTICE, that, in accordance with the Approval Procedures set forth in the Consent Procedures Order, the Debtors hereby file a proposed form of order, attached hereto as Exhibit A (the “Proposed Authorization Order”), pursuant to section 363(b) of the Bankruptcy Code and Bankruptcy Rule 9019, authorizing and approving certain of the Debtors to enter into the Consent Order to Cease and Desist (the “Consent Order”) with the Director of the Department of Finance, Securities Bureau of the State of Idaho. The Consent Order is attached to the Proposed Authorization Order as Exhibit 1. The Consent Order meets the Required Parameters.

¹ The last four digits of Woodbridge Group of Companies, LLC’s federal tax identification number are 3603. The mailing address for Woodbridge Group of Companies, LLC is 14140 Ventura Boulevard #302, Sherman Oaks, California 91423. Due to the large number of debtors in these cases, which are being jointly administered for procedural purposes only, a complete list of the Debtors, the last four digits of their federal tax identification numbers, and their addresses are not provided herein. A complete list of such information may be obtained on the website of the Debtors’ noticing and claims agent at www.gardencitygroup.com/cases/WGC, or by contacting the undersigned counsel for the Debtors.

² Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to such terms in the Consent Procedures Order.

PLEASE TAKE FURTHER NOTICE that, pursuant to the Consent Procedures Order, any objections to the entry of the Proposed Authorization Order must be filed with the Court, and at the same time served upon the Notice Parties, on or before **May 11, 2018 at 4:00 p.m. (ET)**.

PLEASE TAKE FURTHER NOTICE THAT, IF NO OBJECTIONS ARE TIMELY FILED, SERVED, AND RECEIVED IN ACCORDANCE WITH THIS NOTICE, THEN THE COURT MAY ENTER THE PROPOSED AUTHORIZATION ORDER WITHOUT A HEARING.

Dated: May 4, 2018
Wilmington, Delaware

/s/ Betsy L. Feldman

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EXHIBIT A

Proposed Authorization Order

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In re:

WOODBRIIDGE GROUP OF COMPANIES, LLC,
et al.,¹

Debtors.

Chapter 11

Case No. 17-12560 (KJC)

(Jointly Administered)

Ref. Doc. Nos. 888 & ____

**ORDER, PURSUANT TO SECTION 363(b) OF THE BANKRUPTCY CODE AND
BANKRUPTCY RULE 9019, AUTHORIZING AND APPROVING THE DEBTORS'
ENTRY INTO PROPOSED CONSENT ORDER**

Upon the *Order Setting Expedited Procedures for the Approval of Certain Consent Orders* (the “Consent Procedures Order”) entered by this Court on April 3, 2018; and upon the *Notice of Filing of Consent Order between Certain Debtors and the State of Idaho* (the “Proposed Authorization Order”) filed by the above-captioned debtors and debtors in possession (collectively, the “Debtors”) providing notice of the Debtors’ request for the Court to authorize entry into the Consent Order to Cease and Desist attached hereto as Exhibit 1 (the “Consent Order”) with the Director of the Department of Finance, Securities Bureau of the State of Idaho; and this Court having found that it has jurisdiction to consider the Proposed Authorization Order, and the relief requested therein pursuant to 28 U.S.C. §§ 157 and 1334 and the *Amended Standing Order of Reference* from the United States District Court for the District of Delaware, dated February 29, 2012; and this Court having found that venue of these cases and the Proposed Authorization Order in this district is proper pursuant to 28 U.S.C. §§ 1408 and 1409; and this

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Court having found that this matter is a core proceeding pursuant to 28 U.S.C. § 157(b); and this Court having determined that it may enter a final order consistent with Article III of the United States Constitution; and it appearing that notice of the Proposed Authorization Order has been given as set forth in the Consent Procedures Order and that such notice is adequate and no other or further notice need be given; and this Court having found and determined that the relief sought in the Motion is in the best interest of the Debtors, their estates, their creditors and all other parties in interest; and that the legal and factual bases set forth in the Motion establish just cause for the relief granted herein; and after due deliberation and sufficient cause appearing therefor,

IT IS HEREBY ORDERED THAT:

1. Pursuant to section 363(b) of the Bankruptcy Code and Bankruptcy Rule 9019, the Debtors' entry into the Consent Order is approved.
2. Nothing in the Consent Order shall be, or deemed to be, an admission or a declaration against interest by the Debtors or used in any way by the Debtors or any party in the Debtors' cases to prejudice any rights or claims made by any party in these cases, including, but not limited to, the Debtors, the Ad Hoc Unit Holders Committee, the Ad Hoc Noteholders Committee or the Creditors Committee, all of which rights are expressly preserved.
3. The Debtors are authorized and empowered to take any and all actions necessary to consummate the Consent Order and to carry out, effectuate or otherwise enforce the terms, conditions and provisions of thereof.
4. The fourteen (14) day stay of effectiveness imposed by Bankruptcy Rule 6004(h) is hereby waived and the relief granted herein shall take effect immediately upon the entry of this Order.

5. The Court shall retain jurisdiction over any and all matters arising from or related to the interpretation or implementation of this Order.

Dated: _____, 2018
Wilmington, Delaware

KEVIN J. CAREY
UNITED STATES BANKRUPTCY JUDGE

EXHIBIT 1

Consent Order

**BEFORE THE DIRECTOR OF THE DEPARTMENT OF FINANCE
OF THE STATE OF IDAHO**

STATE OF IDAHO, Department of Finance,
Securities Bureau,

Complainant,

vs.

Woodbridge Mortgage Investment Fund 1, LLC,
Woodbridge Mortgage Investment Fund 2, LLC,
Woodbridge Mortgage Investment Fund 3, LLC,
Woodbridge Mortgage Investment Fund 3A, LLC,
and
Woodbridge Mortgage Investment Fund 4, LLC,

Respondents.

Docket No. 2017-7-15

**CONSENT ORDER TO
CEASE AND DESIST**

The Director of the Department of Finance, State of Idaho ("Director") has instituted an investigation into the conduct of Woodbridge Mortgage Investment Fund 1, LLC, Woodbridge Mortgage Investment Fund 2, LLC, Woodbridge Mortgage Investment Fund 3, LLC, Woodbridge Mortgage Investment Fund 3A, LLC, and Woodbridge Mortgage Investment Fund 4, LLC (collectively "Woodbridge").

Pursuant to said investigation, it appears that violations of the *Idaho Uniform Securities Act (2004)* ("Act"), *Idaho Code §30-14-101 et seq.* have occurred. The Director and Woodbridge have agreed to resolve this matter without a public hearing. Therefore, the Director deems it appropriate and in the public interest that this Consent Order to Cease and Desist ("Order") be entered, and the Respondents consent to the entry of this Order.

RESPONDENTS

1. Woodbridge Mortgage Investment Fund 1, LLC – Formed in June 2012.
2. Woodbridge Mortgage Investment Fund 2, LLC – Formed in December 2013.
3. Woodbridge Mortgage Investment Fund 3, LLC – Formed in September 2014.
4. Woodbridge Mortgage Investment Fund 3A LLC – Formed in July 2015.
5. Woodbridge Mortgage Investment Fund 4 LLC – Formed in June 2015.

RECITALS OF FACT

6. Woodbridge Mortgage Investments Funds 1, 2, 3, 3A, and 4 are commercial mortgage lenders with a last known address of 14225 Ventura Boulevard, Suite 100, Sherman Oaks, California 91423.
7. Robert H. Shapiro ("Shapiro") was the sole owner of Woodbridge and their affiliates. On December 1, 2017, Shapiro resigned as President and/or the control person for Woodbridge.
8. Woodbridge previously loaned money in exchange for a first position mortgage on the borrower's commercial real estate. A portion of the money to fund the commercial loans was obtained by issuing First Position Commercial Mortgage Notes ("Notes") to investors. The Notes are one-year, 5% loans that are advertised on Woodbridge's website as "a unique lending opportunity with higher yields that is simpler, safer and more secured".
9. Investors received a promissory note and loan agreement from Woodbridge in exchange for their investment funds. Woodbridge represents that the investment would be collateralized with a first lien position on the property connected to the loan. Additionally, Woodbridge advertised available properties on its website and gave investors the ability to choose the property they would like to have as collateral for their investment.
10. Woodbridge pooled investor funds and when sufficient money had been raised to fund a commercial property, Woodbridge loaned the investor funds to the borrower.
11. Investor funds remained uncollateralized until Woodbridge assigned its first position in the real estate to the investors. Once finalized, investors would receive a recorded Collateral Assignment of Note, Mortgage, and Other Loan Documents ("Collateral Assignment").
12. From May 2015 through December 2016, Woodbridge offered and sold Notes to twelve Idaho residents totaling over \$1.7 million. At no time were the Notes registered as securities nor did they qualify for an exemption.
13. Idaho residents were solicited by independent agents ("agents") of Woodbridge to invest in Notes. The ten agents, located in Idaho, Utah, Florida, and Washington, were paid over \$100,000 in commissions for the sale of the Notes to Idaho residents.

14. None of Woodbridge's agents, who solicited, offered, or sold the Notes, were registered to sell securities in Idaho, nor did they qualify for an exemption.
15. Idaho investors received a promissory note and loan agreement for their investment showing terms of approximately 16 months with interest rates between 5-9%.
16. On or before December 1, 2017, Woodbridge ceased all forms of retail fundraising.
17. On December 4, 2017, Woodbridge and other related entities (collectively, the "Debtors") filed voluntary petitions under chapter 11 of the U.S. Bankruptcy Code in the U.S. Bankruptcy Court for the District of Delaware. These bankruptcy cases are being jointly administered under case number 17-12560 (the "Woodbridge Bankruptcy").
18. The Debtors are authorized and continue to operate and manage their own property as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code, and are under the management of WGC Independent Manager, LLC, which includes a Board of Directors who have no relationship with Shapiro.

FINDINGS OF VIOLATIONS

Offer & Sale of Unregistered Securities

19. Investments in the First Position Commercial Mortgage Notes are "securities" as defined by *Idaho Code §30-14-102(28)*.
20. Pursuant to *Idaho Code §30-14-301*, it is unlawful for a person to offer or sell a security in this state unless: (a) The security is a federal covered security; (b) The security, transaction or offer is exempted from registration under sections 30-14-201 through 30-14-203, Idaho Code; or (c) The security is registered under this chapter.
21. *Idaho Code §30-14-202(11)* provides an exemption for a transaction "in a note... or other evidence of indebtedness secured by a mortgage or other security agreement if the note... or other evidence of indebtedness is offered and sold with the mortgage or other security agreement as a unit".

22. The *Idaho Administrative Code* (IDAPA) *Rule 55(2)* clarifies that "offered and sold as a unit" means the offer and sale of the entire mortgage or other security agreement to a single purchaser at a single sale.
23. Woodbridge Notes were sold to a "pool" of investors and did not qualify for the exemption provided in §30-14-202(11). The exemption is not available for sales of fractional interests in a note (or the "pooling" of multiple investors funds to purchase a single underlying mortgage).
24. Woodbridge sold securities in the form of promissory notes. The securities were not registered, nor did they qualify for a registration exemption at the time they were sold, in violation of *Idaho Code* §30-14-301.

Offer & Sale of Securities by Unregistered Agents

25. Agents, associated with Woodbridge, assisted Woodbridge by effecting, or attempting to effect, the sales of Woodbridge's First Position Commercial Mortgage Notes to Idaho residents.
26. Pursuant to *Idaho Code* §30-14-402, it is unlawful for an individual to transact business in this state as an agent unless the individual is registered under this chapter as an agent or is exempt from registration as an agent under subsection (b) of this section.
27. Pursuant to *Idaho Code* §30-14-402(d) it is unlawful for an issuer engaged in offering, selling or purchasing securities in this state, to employ or associate with an agent who transacts business in this state on behalf of issuers unless the agent is registered under subsection (a) of this section or is exempt from registration under subsection (b) of this section.
28. Woodbridge associated with and compensated independent agents that were not registered to sell securities, nor did they qualify for a registration exemption at the time they were sold, in violation of *Idaho Code* §30-14-402(d).

CONSENT ORDER TO CEASE AND DESIST

NOW, THEREFORE, PURSUANT TO IDAHO CODE §30-14-604(a)(1), IT IS HEREBY ORDERED THAT WOODBRIDGE IMMEDIATELY CEASE AND DESIST FROM:


- A. Violating the Act, including the cessation of selling or accepting funds for any investment related activity as described above or any other investments.

ACKNOWLEDGMENT, AGREEMENT, AND CONSENT BY RESPONDENTS

29. Without admitting or denying the allegations and violations set forth in the Recitals of Fact and Findings of Violations, above in this Consent Order, Respondents consent to the entry of this Consent Order.
30. Respondents neither admit nor deny the allegations and violations set forth in the Recitals of Facts and the Findings of Violations of Idaho law set forth in this Consent Order. As part of this Consent Order the Respondents agree that they: (i) will not take any action or make or permit to be made any public statement denying, directly or indirectly, any allegation in the Consent Order or creating the impression that the Consent Order is without factual basis; and (ii) will not make or permit to be made any public statement to the effect that the Respondents do not admit the allegations of the Consent Order, or that this Consent Order contains no admission of the allegations, without also stating that Respondents do not deny the allegations. If the Respondents breach this agreement, the Director may vacate this Consent Order and restore this action. Nothing in this paragraph affects the Respondents': (i) testimonial obligations; or (ii) right to take differing legal or factual positions in litigation or other legal proceedings. Moreover, nothing in this Consent Order shall be, or deemed to be, an admission or a declaration against interest by the Respondents or used in any way by the Respondents or any party to the Respondents' cases in the Woodbridge Bankruptcy to prejudice any rights or claims made by any party in these cases, including but not limited to the Respondents, the Ad Hoc Unit Holders Committee, the Ad Hoc Noteholders Committee or the Creditors Committee, all of which rights are expressly preserved.
31. Respondents agree to not now, nor in the future, offer or sell securities in or from Idaho without complying with the requirements of the Act and its rules.
32. By consenting to the entry of this Consent Order, the Respondents preserve all rights under Section 1145 of the U.S. Bankruptcy Code.
33. All claims of Idaho consumers holding any Notes or other Woodbridge investments ("Idaho Investors") will be subject to the bankruptcy proof of claim and/or proof of interest resolution process in the Woodbridge Bankruptcy. All Idaho Investor claims and interests will be subject to the jurisdiction of the U.S. Bankruptcy Court for the District of Delaware.

34. Respondents agree that in the event that they commit future violations of the Act or fail to adhere to the terms of this Consent Order, Respondents acknowledge that the Department can incorporate the allegations giving rise to this Consent Order in any future proceeding.
35. In conjunction with this Consent Order, Respondents agree to fully cooperate with the Department in any further related investigation or enforcement action against the individuals soliciting, offering, offering, or selling the Notes.
36. This Consent Order is in lieu of civil litigation or other proceedings.
37. This Consent Order shall become effective upon the entry of an order by the Bankruptcy Court for the District of Delaware authorizing the Respondents' entry into this Order. As soon as practicable after the entry of this Consent Order, the Respondents shall file a motion with the Bankruptcy Court seeking such Bankruptcy Court authorization pursuant to Federal Rule of Bankruptcy Procedure 9019 and other applicable law and shall seek to have the motion heard on an expedited basis. The effectiveness of this Consent Order as to Respondents is subject in all respects to the approval of the Bankruptcy Court.
38. The foregoing Consent Order is necessary and appropriate, in the public interest, and for the protection of the public.

WOODBIDGE MORTGAGE INVESTMENT FUND 1, LLC
WOODBIDGE MORTGAGE INVESTMENT FUND 2, LLC
WOODBIDGE MORTGAGE INVESTMENT FUND 3, LLC
WOODBIDGE MORTGAGE INVESTMENT FUND 3A, LLC
WOODBIDGE MORTGAGE INVESTMENT FUND 4, LLC

BY  Date May 2, 2018
NAME (printed) Bradley D. Sharp Title CRO

IT IS SO ORDERED

DATED this 2ND day of MAY, 2018, 2017.

STATE OF IDAHO
DEPARTMENT OF FINANCE


GAVIN M. GEE, Director of Finance



CONSENT ORDER TO CEASE AND DESIST