

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)

Hrg. Date: September 25, 2018, at 1:30 p.m. (ET)

Obj. Deadline: September 13, 2018, at 4:00 p.m. (ET)

**DEBTORS' MOTION FOR ENTRY OF AN ORDER, PURSUANT TO SECTION 105(a)
OF THE BANKRUPTCY CODE AND BANKRUPTCY RULE 9019, AUTHORIZING
AND APPROVING THE DEBTORS' ENTRY INTO A CONSENT ORDER WITH
THE ARIZONA CORPORATION COMMISSION**

Woodbridge Group of Companies, LLC and its affiliated debtors and debtors in possession (collectively, the "Debtors") in the above-captioned cases (the "Chapter 11 Cases"), hereby move the Court (this "Motion") for the entry of an order, substantially in the form attached hereto as Exhibit A (the "Proposed Order"), pursuant to section 105(a) of title 11 of the United States Code, 11 U.S.C. §§ 101–1532 (the "Bankruptcy Code") and Rule 9019 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules"), authorizing and approving certain of the Debtors (the "Debtor Defendants")² to enter into (a) the *Order to Cease and Desist, Order for Restitution, Order for Administrative Penalties, and Consent to Same by [Debtor Defendants]* (the "Order"), in the form attached as Exhibit 1 to the Proposed Order and (b) the *Consent to Entry of Order* (the "Consent," and together with the Order, the "Consent Order"), in the form

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 this 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 The Debtor Defendants are: WMF Management, LLC, Woodbridge Group of Companies, LLC, Woodbridge Mortgage Investment Fund 1, LLC, Woodbridge Mortgage Investment Fund 2, LLC, Woodbridge Mortgage Investment Fund 3, LLC, and Woodbridge Mortgage Investment Fund 3A.

attached to the Order, with the Arizona Corporation Commission (the “ACC”) relating to *In the Matter of WMF Management, LLC, et al.*, ACC Case No. S-20988A-16-0354 (the “ACC Action”) against the Debtor Defendants currently pending before the ACC. The Consent Order is currently unsigned, as the ACC has requested that the Debtors secure advance Court approval of the Consent Order, at which point the Debtors and the ACC upon the approval of its commissioners will execute the document. In support of this Motion, the Debtors, by and through their undersigned attorneys, respectfully state as follows:

JURISDICTION

1. The Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 1334(b) and 157, and the *Amended Standing Order of Reference* from the United States District Court for the District of Delaware dated as of February 29, 2012. This is a core proceeding pursuant to 28 U.S.C. § 157(b), and pursuant to Rule 9013-1(f) of the Local Rules of Bankruptcy Practice and Procedure of the United States Bankruptcy Court for the District of Delaware, the Debtors consent to the entry of a final order by the Court in connection with this Motion to the extent that it is later determined that the Court, absent consent of the parties, cannot enter final orders or judgments in connection herewith consistent with Article III of the United States Constitution.

2. Venue is proper before the Court pursuant to 28 U.S.C. §§ 1408 and 1409. The statutory and legal predicates for the relief sought herein are section 105(a) of the Bankruptcy Code and Bankruptcy Rule 9019.

GENERAL BACKGROUND

3. On December 4, 2017, a total of 279 Debtors commenced voluntary cases under chapter 11 of the Bankruptcy Code. Thereafter, on February 9, 2018, March 9, 2018, March 23, 2018, and March 27, 2018, additional affiliated Debtors (27 in total) commenced voluntary cases under chapter 11 of the Bankruptcy Code (collectively, the “Petition Dates”). Pursuant to

sections 1107(a) and 1108 of the Bankruptcy Code, the Debtors are continuing to manage their financial affairs as debtors in possession.

4. The Chapter 11 Cases are being jointly administered pursuant to Bankruptcy Rule 1015(b) and Local Rule 1015-1. As of the date hereof, no trustee has been appointed. An official committee of unsecured creditors (the “Unsecured Creditors’ Committee”) was appointed on December 14, 2017 [Docket No. 79].

5. On January 23, 2018, the Court approved a settlement providing for the formation of an ad hoc noteholder group (the “Ad Hoc Noteholders Committee”) and an ad hoc unitholder group (the “Ad Hoc Unit Holders Committee”) and together with the Unsecured Creditors Committee and the Ad Hoc Noteholders Committee, the “Constituencies”) [Docket No. 357]. In addition, the settlement provided that the Debtors would replace their Board of Managers with three new members (the “New Board”). The New Board subsequently selected a new Chief Executive Officer and Chief Restructuring Officer.

6. In addition to the numerous other critical issues that have confronted the Debtors since the inception of these Chapter 11 Cases, the Debtors have addressed actions by governmental regulators, including the SEC and state regulators, relating to the Debtors’ prepetition business practices. The Debtors have devoted substantial resources to advancing consensual resolutions of these regulatory actions, several of which have already been approved by this Court, including pursuant to the *Order Setting Expedited Procedures for the Approval of Certain Consent Order* [Docket No. 888] (the “Expedited Procedures Order”),³ and others of which are in various stages of negotiation. The agreement with the ACC embodied in the

³ See e.g., Docket Nos. 721 (California); 1702 & 1764 (SEC); 1782 (Colorado); 1783 (Idaho); 1851 (Oregon); 2422 (Michigan).

Consent Order is a crucial step in the Debtors' overall and ongoing efforts to bring to an expeditious conclusion all of the regulatory actions facing the Debtors.⁴

SUMMARY OF CONSENT ORDER⁵

7. The Consent Order relates to certain alleged violations of the Arizona state securities laws by the Debtor Defendants prior to the commencement of these Chapter 11 Cases—and as such, prior to the installation of their New Board, new Chief Executive Officer, and new Chief Restructuring Officer.

8. Pursuant to the Consent, without admitting or denying the Findings of Fact set forth in the Order, the Debtor Defendants agree to the entry of the Order and agree, among other things, 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 Order or creating the impression that the Order is without factual basis, (ii) will not make or permit to be made any public statement to the effect that Debtor Defendants do not admit the allegations of the Order, or that the Order contains no admission of the allegations, without also stating that Debtor Defendants do not deny the allegations, and (iii) will continue to cooperate with the ACC including, but not limited to, providing complete and accurate testimony at any hearing in the ACC Action and cooperating with the state of Arizona in any related investigation or any other matters arising from the activities described in the Order. *See* Consent, ¶¶ 5, 13 & 14.

9. The Order requires that the Debtor Defendants comply with the Consent, and further provides, among other things, that: (i) the Debtor Defendants will permanently cease and desist from violating Articles 11 and 12 of the Securities Act of Arizona, A.R.S. § 44-1801 *et*

⁴ The Consent Order is not eligible for approval under the Expedited Procedures Order because, as further described below, the Consent Order does not meet the Required Parameters (as defined in the Expedited Procedures Order) insofar as the Consent Order provides for a (subordinated) monetary penalty and restitution award.

⁵ In the event of a conflict between any term addressed in this summary with any term in the Consent Order, the Consent Order will govern in all respects.

seq. (the “Securities Act”), (ii) pursuant to A.R.S. § 44-2032, the Debtor Defendants are jointly and severally liable (together with all respondents against whom orders are entered in the ACC Action) for restitution to the ACC in the principal amount of \$3,582,894 (the “Restitution Claim”),⁶ and (iii) pursuant to A.R.S. § 44-2036, the Debtor Defendants are jointly and severally are liable for an administrative penalty in the amount of \$150,000 (the “Administrative Penalty” and together with the Restitution Claim, the “Monetary Awards”). *See* Order, Art. III. The Monetary Awards shall accrue interest as set forth in the Order. *Id.*

10. Pursuant to the Order, this Court retains exclusive jurisdiction to hear and determine bankruptcy-specific issues concerning the Monetary Awards. *Id.* In addition, the Order provides that pursuant to Bankruptcy Code section 510, all claim amounts asserted in the proofs of claim filed by the ACC in the Chapter 11 Cases (bearing Proof of Claim Nos. 4001, 4002, 4004, and 4005) (as the same may be amended, modified, or supplemented, the “Proofs of Claim”), including, without limitation, the Monetary Awards, shall be subordinate to all creditor claims (including principal and interest) that are allowed in the Chapter 11 Cases, and the official claims agent in the Chapter 11 Cases may so note on the claims register it maintains. *Id.*

11. The Debtor Defendants further agree that in any bankruptcy proceeding, including the Chapter 11 Cases, (i) the obligations incurred as a result of the Order are a result of the conduct set forth in the Findings of Fact and Conclusions of Law in the Order and are for the violation of Arizona state securities laws, pursuant to Bankruptcy Code section 523(a)(19)(A)(i), and (ii) the Order constitutes a judgment, order, consent order, or decree entered in a state proceeding pursuant to section 523(a)(19)(B)(i), a settlement agreement entered into by the Debtor Defendants pursuant to section 523(a)(19)(B)(ii), and a court order for damages, fine,

⁶ Pursuant to the Order, any distributions made in the Chapter 11 Cases to or on account of claims asserted by Arizona investors and non-Arizona investors that were solicited by an Arizona salesperson will be credited as setoffs against the amount of the Restitution Claim. *See* Order, Art. III.

penalty, citation, restitution payment, disgorgement payment, attorney fee, cost, or other payment owed by the Debtor Defendants pursuant to section 523(a)(19)(B)(iii). *See* Consent, ¶ 7.

RELIEF REQUESTED

12. By this Motion, the Debtors request the entry of an order, pursuant to section 105(a) of the Bankruptcy Code and Bankruptcy Rule 9019(a), authorizing and approving the Debtor Defendants' entry into the Consent Order.

BASIS FOR RELIEF

13. Section 105(a) of the Bankruptcy Code provides that “[t]he court may issue any order, process, or judgment that is necessary or appropriate to carry out the provisions of this title.” *See* 11 U.S.C. § 105(a). Bankruptcy Rule 9019 provides, in pertinent part, that “on motion by the trustee and after notice and a hearing, the court may approve a compromise or settlement.” *See* Fed. R. Bank. P. 9019(a).

14. “The federal courts have a well-established policy of encouraging settlement to promote judicial economy and limit the waste of judicial resources.” *Russian Standard Vodka (USA), Inc. v. Allied Domecq Spirits & Wine USA, Inc.*, 523 F. Supp. 2d 376, 384 (S.D.N.Y. 2007); *see also, e.g., U.S. Bancorp Mortg. Co. v. Bonner Mall P’ship*, 513 U.S. 18, 27–28 (1994) (discussing the general utility of settlement vis-à-vis judicial economy). The force of this established federal policy is particularly acute in the bankruptcy context, where compromises and settlements are “a normal part of the process of reorganization.” *Protective Comm. for Indep. Stockholders of TMT Trailer Ferry, Inc. v. Anderson*, 390 U.S. 414, 424 (1968). Indeed, in order to “minimize litigation and expedite the administration of a bankruptcy estate, ‘compromises are favored in bankruptcy.’” *Myers v. Martin (In re Martin)*, 91 F.3d 389, 393 (3d Cir. 1996) (quoting 9 COLLIER ON BANKRUPTCY ¶ 9019.03[1] (15th ed. rev. 1993)); *see also In re Penn.*

Cent. Transp. Co., 596 F.2d 1102 (3d Cir. 1979); *In re World Health Alts., Inc.*, 344 B.R. 291, 296 (Bankr. D. Del. 2006); *In re Culmtech, Ltd.*, 118 B.R. 237, 238 (Bankr. M.D. Pa. 1990).

15. Whether to approve a proposed settlement is committed to the discretion of the bankruptcy court, “which must determine if the compromise is fair, reasonable, and in the interest of the estate.” *In re Louise’s, Inc.*, 211 B.R. 798, 801 (D. Del. 1997). In exercising that discretion, the Third Circuit has stated that courts should consider “(1) the probability of success in litigation; (2) the likely difficulties in collection; (3) the complexity of the litigation involved and the expense, inconvenience and delay necessarily attending it; and (4) the paramount interest of the creditors.” *Martin*, 91 F.3d at 393; *see also Will v. Nw. Univ. (In re Nutraquest, Inc.)*, 434 F.3d 639, 644 (3d Cir. 2006); *In re Marvel Entm’t Grp., Inc.*, 222 B.R. 243 (D. Del. 1998). The proponent of a settlement is not required to demonstrate “that the settlement is the best possible compromise. Rather, the court must conclude that the settlement is ‘within the reasonable range of litigation possibilities.’” *World Health*, 344 B.R. at 296 (internal citations and some quotation marks omitted); *see also, e.g., In re Coram Healthcare Corp.*, 315 B.R. 321, 330 (Bankr. D. Del. 2004) (“[T]he court does not have to be convinced that the settlement is the best possible compromise.”).

16. Here, the Debtors have determined, in close consultation with the Constituencies and in an exercise of their sound business judgment, that the terms of the Consent Order are fair and reasonable and that the best interests of the Debtors’ estates and creditors will be served by the entry of the Proposed Order. Sharp Decl., ¶ 7, filed concurrently herewith. The agreed upon terms of the Consent Order are the product of extensive arm’s-length negotiations between the Debtors and the ACC. *Id.* The Consent Order resolves certain claims for relief, asserted by the ACC for alleged violations of the Securities Act, in an efficient and consensual manner that will

avoid costly litigation that would detract from the value of the estates and the recovery of creditors. *Id.* The entry of the Consent Order will free the Debtors to devote additional time and effort to the numerous other critical issues confronting the Debtors in these Chapter 11 Cases.

Id.

REQUEST FOR WAIVER OF STAY

17. The Debtors seek a waiver of any stay of the effectiveness of the order approving this Motion. Pursuant to Bankruptcy Rule 6004(h), any “order authorizing the use, sale, or lease of property other than cash collateral is stayed until the expiration of 14 days after entry of the order, unless the court orders otherwise.” *See* Fed. R. Bankr. P. 6004(h). The Debtors respectfully submit that a waiver of such stay is appropriate here, given the unanimous support of the relief requested herein by the Constituencies and the necessity of promptly bringing the ACC Action to a close (at least as it pertains to the Debtors).

RESERVATION OF RIGHTS

18. An important feature of the Consent Order is that the Debtor Defendants neither admit nor deny the allegations set forth therein, and that nothing therein affects the Debtor Defendants’ testimonial obligations or right to take legal or factual positions against all parties other than the ACC in litigation or other legal proceedings pertaining to the underlying facts and allegations in the ACC Action. The Proposed Order gives effect to this feature by, *inter alia*, confirming that nothing in the Consent Order or this Court’s approval thereof is or shall be deemed to be an admission or a declaration against interest by the Debtors or used in any way by the Debtors or any party (other than the ACC) in the Debtors’ Chapter 11 Cases to prejudice any rights or claims made by any party in these Chapter 11 Cases, including, but not limited to, the Debtors, the Ad Hoc Unit Holders Committee, the Ad Hoc Noteholders Committee, or the Unsecured Creditors Committee, all of which rights are expressly preserved.

19. In addition, the Proposed Order confirms that nothing in the Consent Order or this Court's approval thereof is or shall be deemed to be a waiver of rights under section 1145 of the Bankruptcy Code, and all such rights are preserved.

20. The Proposed Order confirms that, consistent with the Consent Order, the enforcement of the Monetary Awards against the Debtor Defendants in connection with the ACC Action shall be subject to sections 362 and 1141 of the Bankruptcy Code, and that this Court retains exclusive jurisdiction to hear and determine bankruptcy-specific issues concerning the Monetary Awards.

NOTICE

21. The Debtors have provided notice of this Motion to: (i) the U.S. Trustee; (ii) counsel for the DIP lender; (iii) counsel for the Unsecured Creditors Committee; (iv) counsel for the Ad Hoc Noteholders Committee; (v) counsel for the Ad Hoc Unit Holders Committee; (vi) the ACC; and (vii) all parties who have requested notice in the Chapter 11 Cases pursuant to Bankruptcy Rule 2002. In light of the nature of the relief requested herein, the Debtors submit that no other or further notice is necessary.

WHEREFORE, the Debtors respectfully request that the Court (i) enter the Proposed Order granting the relief requested herein and (ii) grant such further relief as may be just and proper under the circumstances.

Dated: August 30, 2018
Wilmington, Delaware

/s/ Ian J. Bambrick

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*Counsel for the Debtors and
Debtors in Possession*

**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)

Hearing Date:

September 25, 2018, at 1:30 p.m. (ET)

Objection Deadline:

September 13, 2018, at 4:00 p.m. (ET)

NOTICE OF MOTION

TO: (I) THE U.S. TRUSTEE; (II) COUNSEL FOR THE DIP LENDER; (III) COUNSEL FOR THE UNSECURED CREDITORS COMMITTEE; (IV) COUNSEL FOR THE AD HOC NOTEHOLDERS COMMITTEE; (V) COUNSEL FOR THE AD HOC UNIT HOLDERS COMMITTEE; (VI) THE ACC; AND (VII) ALL PARTIES WHO HAVE REQUESTED NOTICE IN THE CHAPTER 11 CASES PURSUANT TO BANKRUPTCY RULE 2002

PLEASE TAKE NOTICE that Woodbridge Group of Companies, LLC and its affiliated debtors and debtors in possession in the above-captioned cases (collectively, the “Debtors”) have filed the attached *Debtors’ Motion for Entry of an Order, Pursuant to Section 105(a) of the Bankruptcy Code and Bankruptcy Rule 9019, Authorizing and Approving the Debtors’ Entry Into a Consent Order With the Arizona Corporation Commission* (the “Motion”).

PLEASE TAKE FURTHER NOTICE that responses or objections to the Motion must be filed on or before **September 13, 2018, at 4:00 p.m. (ET)** (the “Objection Deadline”) with the United States Bankruptcy Court for the District of Delaware, 3rd Floor, 824 North Market Street, Wilmington, Delaware 19801. At the same time, you must serve a copy of any response or objection upon the undersigned counsel to the Debtors so as to be received on or before the Objection Deadline.

PLEASE TAKE FURTHER NOTICE THAT A HEARING ON THE MOTION WILL BE HELD ON SEPTEMBER 25, 2018, AT 1:30 P.M. (ET) BEFORE THE HONORABLE KEVIN J. CAREY IN THE UNITED STATES BANKRUPTCY COURT FOR THE DISTRICT

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 this 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.

OF DELAWARE, 824 NORTH MARKET STREET, 5TH FLOOR, COURTROOM NO. 5,
WILMINGTON, DELAWARE 19801.

**PLEASE TAKE FURTHER NOTICE THAT, IF NO OBJECTIONS TO THE
MOTION ARE TIMELY FILED, SERVED, AND RECEIVED IN ACCORDANCE WITH
THIS NOTICE, THEN THE COURT MAY GRANT THE RELIEF REQUESTED IN
THE MOTION WITHOUT FURTHER NOTICE OR A HEARING.**

Dated: August 30, 2018
Wilmington, Delaware

/s/ Ian J. Bambrick
YOUNG CONAWAY STARGATT & TAYLOR, LLP
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Counsel to the Debtors and Debtors in Possession

EXHIBIT A

Proposed 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. _____

**ORDER, PURSUANT TO SECTION 105(a) OF THE BANKRUPTCY CODE AND
BANKRUPTCY RULE 9019, AUTHORIZING AND APPROVING
THE DEBTORS' ENTRY INTO A CONSENT ORDER WITH
THE ARIZONA CORPORATION COMMISSION**

Upon the *Debtors' Motion for Entry of an Order, Pursuant to Section 105(a) of the Bankruptcy Code and Bankruptcy Rule 9019, Authorizing and Approving the Debtors' Entry into a Consent Order with the Arizona Corporation Commission* (the "Motion")² filed by the above-captioned debtors and debtors in possession (collectively, the "Debtors"); and this Court having found that it has jurisdiction to consider the Motion 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 Motion in this district is proper pursuant to 28 U.S.C. §§ 1408 and 1409; and this 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

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 this 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, have the meaning given to them in the Motion.

III of the United States Constitution; and it appearing that notice of the Motion has been given as set forth in the Motion 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, the *Declaration of Bradley D. Sharp in Support of Debtors' Motion for Entry of an Order, Pursuant to Section 105(a) of the Bankruptcy Code and Bankruptcy Rule 9019, Authorizing and Approving the Debtors' Entry Into a Consent Order with the Arizona Corporation Commission*, and the entire record of the Chapter 11 Cases establish just cause for the relief granted herein; and after due deliberation and sufficient cause appearing therefor,

IT IS HEREBY ORDERED THAT:

1. The Motion is GRANTED as set forth herein.
2. Pursuant to section 105(a) of the Bankruptcy Code and Bankruptcy Rule 9019, the Debtors' entry into the Consent Order is authorized and approved.
3. Nothing in the Consent Order or this Order is or shall be deemed to be an admission or a declaration against interest by the Debtors or used in any way by the Debtors or any party (other than the ACC) in the Debtors' Chapter 11 Cases to prejudice any rights or claims made by any party in these Chapter 11 Cases, including, but not limited to, the Debtors, the Ad Hoc Unit Holders Committee, the Ad Hoc Noteholders Committee or the Unsecured Creditors' Committee, all of which rights are expressly preserved.
4. Nothing in the Consent Order or this Order is or shall be deemed to be a waiver of rights under section 1145 of the Bankruptcy Code, and all such rights are preserved.
5. The enforcement of the Monetary Awards against the Debtor Defendants in connection with the ACC Action shall be subject to sections 362 and 1141 of the Bankruptcy

Code, and this Court retains exclusive jurisdiction to hear and determine bankruptcy-specific issues concerning the Monetary Awards.

6. 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 the Consent Order.

7. 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.

8. The Court shall retain jurisdiction and power 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

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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

TOM FORESE - Chairman
BOB BURNS
ANDY TOBIN
BOYD DUNN
JUSTIN OLSON

In the matter of:)
WMF Management, LLC, a Delaware)
limited liability company,)
Woodbridge Group of Companies, LLC, a)
Delaware limited liability company,)
Woodbridge Mortgage Investment Fund 1,)
LLC, a Delaware limited liability company,)
Woodbridge Mortgage Investment Fund 2,)
LLC, a Delaware limited liability company,)
Woodbridge Mortgage Investment Fund 3,)
LLC, a Delaware limited liability company,)
Woodbridge Mortgage Investment Fund)
3A, LLC, a Delaware limited liability)
company,)
Robert H. Shapiro, an unmarried man,)
Robert W. Carfagno, Senior. (CRD no.)
2387162), and Debra L. Carfagno, husband)
and wife,)
AIO Financial LLC, an Arizona limited)
liability company,)
William M. Holliday (CRD no. 4930333),)
and Guadalupe A. Holliday, husband and)
wife,)
Respondents.)

DOCKET NO. S-20988A-16-0354

DECISION NO. _____

**ORDER TO CEASE AND DESIST, ORDER
FOR RESTITUTION, ORDER FOR
ADMINISTRATIVE PENALTIES, AND
CONSENT TO SAME BY: RESPONDENTS
WMF MANAGEMENT, LLC, WOODBRIDGE
GROUP OF COMPANIES, LLC,
WOODBRIDGE MORTGAGE INVESTMENT
FUND 1, LLC, WOODBRIDGE MORTGAGE
INVESTMENT FUND 2, LLC, WOODBRIDGE
MORTGAGE INVESTMENT FUND 3, LLC,
AND WOODBRIDGE MORTGAGE
INVESTMENT FUND 3A**

Respondents WMF Management, LLC, Woodbridge Group of Companies, LLC,
Woodbridge Mortgage Investment Fund 1, LLC, Woodbridge Mortgage Investment Fund 2, LLC,

1 Woodbridge Mortgage Investment Fund 3, LLC, and Woodbridge Mortgage Investment Fund 3A
2 (collectively, “Respondents”) elect to permanently waive any right to a hearing and appeal under
3 Articles 11 and 12 of the Securities Act of Arizona, A.R.S. § 44-1801 et seq. (“Securities Act”)
4 with respect to this Order to Cease and Desist, Order for Restitution, Order for Administrative
5 Penalties, and Consent to Same (“Order”). Respondents admit the jurisdiction of the Arizona
6 Corporation Commission (“Commission”); neither admit nor deny the Findings of Fact and
7 Conclusions of Law contained in this Order; and consent to the entry of this Order by the
8 Commission.

9 **I.**

10 **FINDINGS OF FACT**

11 1. WMF Management, LLC (“WMF Management”) is a limited liability company
12 organized under the laws of the state of Delaware on June 25, 2012.

13 2. Woodbridge Group of Companies, LLC (“Woodbridge Group”) is a limited
14 liability company organized under the laws of the state of Delaware on December 11, 2014.
15 Woodbridge Group has not been registered by the Commission as a securities salesman or dealer.

16 3. Woodbridge Mortgage Investment Fund 1, LLC (“Woodbridge Fund 1”) is a
17 limited liability company organized under the laws of the state of Delaware on June 25, 2012.
18 Woodbridge Fund 1 has not been registered by the Commission as a securities salesman or
19 dealer.

20 4. Woodbridge Mortgage Investment Fund 2, LLC (“Woodbridge Fund 2”) is a
21 limited liability company organized under the laws of the state of Delaware on December 6,
22 2013. Woodbridge Fund 2 has not been registered by the Commission as a securities salesman or
23 dealer.

24 5. Woodbridge Mortgage Investment Fund 3, LLC (“Woodbridge Fund 3”) is a
25 limited liability company organized under the laws of the state of Delaware on September 9,
26

1 2014. Woodbridge Fund 3 has not been registered by the Commission as a securities salesman or
2 dealer.

3 6. Woodbridge Mortgage Investment Fund 3A, LLC (“Woodbridge Fund 3A”) is a
4 limited liability company organized under the laws of the state of Delaware on July 28, 2015.
5 Woodbridge Fund 3A has not been registered by the Commission as a securities salesman or
6 dealer.

7 7. Woodbridge Fund 1, Woodbridge Fund 2, Woodbridge Fund 3, and Woodbridge
8 Fund 3A may be referred to collectively as “the Woodbridge Funds.” WMF Management,
9 Woodbridge Group, and the Woodbridge Funds may be referred to collectively as “Respondents.”

10 8. Robert H. Shapiro (“Shapiro”) was the managing member of WMF Management
11 from June 25, 2012, to December 1, 2017. WMF Management was the managing member of
12 Woodbridge Fund 1, Woodbridge Fund 2, Woodbridge Fund 3, and Woodbridge Fund 3A from
13 the dates that they were organized until December 1, 2017.

14 9. The Woodbridge Funds were commercial lenders that made hard-money loans
15 secured by commercial property. The Woodbridge Funds raised money from investors to help fund
16 the hard-money loans. Respondents referred to these investments as First Position Commercial
17 Mortgages (“FPCMs”). Investors did not have any role other than providing money.

18 10. Since at least August 12, 2013, and until December 1, 2017, Arizona investors and
19 non-Arizona investors solicited by an Arizona salesperson invested in FPCMs with a total of 635
20 separate investments. Together these investors invested a total of \$38,428,877.42 in FPCMs. The
21 Woodbridge Funds have repaid principal of \$34,845,983.42 to the investors. Woodbridge Group
22 offered an FPCM to an Arizona offeree.

23 11. An FPCM consisted of a promissory note from a Woodbridge Fund, a loan
24 agreement, and a non-exclusive assignment of a particular Woodbridge Fund’s security interest in
25 the mortgage for the underlying hard-money loan. The Woodbridge Funds pooled money from
26 multiple investors for each hard-money loan. The Woodbridge Funds’ advertising materials stated

1 that the Woodbridge Funds were obligated to make payments to FPCM investors even if the hard-
2 money borrower defaulted. If a Woodbridge Fund defaulted on its promissory note to an investor,
3 the FPCM assignment documents required it to pay to the investor any payments the Woodbridge
4 Fund received from the underlying hard-money borrower.

5 12. The FPCMs were securities in the form of notes, investment contracts, and real
6 property investment contracts.

7 13. From on or about August 2012 through December 1, 2017, the Woodbridge Funds
8 operated as a Ponzi scheme. The Respondents told FPCM investors they would be repaid from the
9 high rates of interest on loans the Woodbridge Funds were purportedly making to third-party
10 borrowers. However, nearly all the purported third-party borrowers were actually limited liability
11 companies owned and controlled by Shapiro that had no revenue, no bank accounts, and never paid
12 any interest under the loans. Because of the minimal loan interest received, the Woodbridge Funds
13 made principal and interest payments to FPCM investors primarily with new investor funds.
14 Respondents omitted to tell FPCM investors that their investment funds, and not loan interest, would
15 be the primary source to satisfy principal and interest payments due to earlier investors.

16 14. On May 4, 2015, Woodbridge Fund 1, Woodbridge Fund 2, and Woodbridge Fund 3
17 consented to an order by the Massachusetts Securities Division (“Massachusetts Consent”). The
18 Massachusetts Consent found that the FPCMs are securities and that Woodbridge Fund 1,
19 Woodbridge Fund 2, and Woodbridge Fund 3 had violated the Massachusetts Uniform Securities
20 Act by selling unregistered securities. The Massachusetts Consent also required them to offer
21 rescission to Massachusetts investors and to pay a civil penalty of \$250,000.

22 15. On July 17, 2015, the Texas State Securities Board issued an emergency cease and
23 desist order (“Texas Order”) against Woodbridge Fund 3, Shapiro, and other parties that ordered
24 them to stop engaging in fraud in connection with the sale of securities in Texas. The Texas Order
25 alleged that the FPCMs are securities and alleged that Woodbridge Fund 3 and Shapiro were
26

1 engaging in fraud in connection with the sale of securities by failing to disclose the Massachusetts
2 Consent and various investment risks to potential investors.

3 16. On March 18, 2016, Woodbridge Fund 3 and Shapiro consented to an order by the
4 Texas State Securities Board (“Texas Consent”). The Texas Consent found that Shapiro was the
5 controlling person of Woodbridge Fund 3, concluded that the FPCMs were securities, and
6 concluded that Woodbridge Fund 3 and Shapiro violated the Texas Securities Act by offering
7 unregistered securities.

8 17. Woodbridge Fund 1, Woodbridge Fund 2, Woodbridge Fund 3, and Woodbridge
9 Fund 3A each omitted to tell Arizona FPCM investors about the risks associated with the FPCMs,
10 the Massachusetts Consent, the Texas Consent or Texas Order, or the fact that Woodbridge was
11 operating as a Ponzi scheme.

12 18. Individuals selling Woodbridge Group and Woodbridge Fund 3A FPCMs
13 misrepresented to at least two other Arizona FPCM investors before they invested that, “Woodbridge
14 and its predecessors have never been found to have violated any securities law.” In fact, the
15 Massachusetts Consent found that three of the Woodbridge Funds had violated the Massachusetts
16 Uniform Securities Act.

17 19. On or around April 15, 2016, an individual offering a Woodbridge Group FPCM to
18 at least one prospective Arizona investor told her that the only risk was that she would lose her
19 money if the real estate market crashed by 40% and that this has never happened before.
20 Woodbridge Group omitted to tell this prospective investor about the risks associated with the
21 FPCMs, the Massachusetts Consent, the Texas Consent, or the fact that Woodbridge was operating
22 as a Ponzi scheme.

23 20. On December 1, 2017, Shapiro resigned as President and/or the control person for
24 Respondents and Respondents ceased all retail fundraising.

25 21. On December 4, 2017, Respondents, along with numerous other related entities,
26 submitted petitions pursuant to Chapter 11 of the U.S. Bankruptcy Code in the Bankruptcy Court for

1 the District of Delaware (the “Bankruptcy Court”), commencing a series of cases that are jointly
2 administered (all bankruptcy cases jointly administered under Case No. 17-12560 (KJC) are
3 collectively referred to herein as the “Woodbridge Bankruptcy Case”).

4 22. Respondents are authorized and continue to operate and manage their own property as
5 debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.

6 23. Respondents neither admit nor deny the allegations made in the above Findings of
7 Fact.

8 II.

9 CONCLUSIONS OF LAW

10 1. The Commission has jurisdiction over this matter pursuant to Article XV of the
11 Arizona Constitution and the Securities Act.

12 2. Woodbridge Group and the Woodbridge Funds offered or sold securities within or
13 from Arizona, within the meaning of A.R.S. §§ 44-1801(15), 44-1801(21), and 44-1801(26).

14 3. Woodbridge Group and the Woodbridge Funds violated A.R.S. § 44-1841 by
15 offering or selling securities that were neither registered nor exempt from registration.

16 4. Woodbridge Group and the Woodbridge Funds violated A.R.S. § 44-1842 by
17 offering or selling securities while neither registered as a dealer or salesman nor exempt from
18 registration.

19 5. Woodbridge Group and the Woodbridge Funds violated A.R.S. § 44-1991 by (a)
20 employing a device, scheme, or artifice to defraud, (b) making untrue statements or misleading
21 omissions of material facts, or (c) engaging in transactions, practices, or courses of business that
22 operate or would operate as a fraud or deceit.

23 6. Woodbridge Group and the Woodbridge Funds’ conduct is grounds for a cease and
24 desist order pursuant to A.R.S. § 44-2032.

25 7. Woodbridge Group and the Woodbridge Funds’ conduct is grounds for an order of
26 restitution pursuant to A.R.S. § 44-2032.

1 8. Woodbridge Group and the Woodbridge Funds' conduct is grounds for
2 administrative penalties under A.R.S. § 44-2036.

3 9. WMF Management directly or indirectly controlled the Woodbridge Funds, within
4 the meaning of A.R.S. § 44-1999. Therefore, WMF Management is jointly and severally liable
5 under A.R.S. § 44-1999 to the same extent as the Woodbridge Funds for any violations of A.R.S. §
6 44-1991.

7 **III.**

8 **ORDER**

9 THEREFORE, on the basis of the Findings of Fact, Conclusions of Law, and Respondents'
10 consent to the entry of this Order, attached and incorporated by reference, the Commission finds
11 that the following relief is appropriate, in the public interest, and necessary for the protection of
12 investors:

13 IT IS ORDERED, pursuant to A.R.S. § 44-2032, that Respondents, and any of
14 Respondents' agents, employees, successors and assigns, permanently cease and desist from
15 violating the Securities Act.

16 IT IS FURTHER ORDERED that Respondents comply with the attached Consent to Entry
17 of Order.

18 IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2032 Respondents jointly and
19 severally are liable (jointly and severally with all Respondents against whom orders are entered
20 under Docket No. S-20988A-16-0354) for restitution to the Commission in the principal amount of
21 \$3,582,894 (the "Restitution Claim") as a result of the conduct set forth in the Findings of Fact and
22 Conclusions of Law. All distributions made in the Woodbridge Bankruptcy Case to or on account
23 of Arizona FPCM investors and non-Arizona FPCM investors solicited by an Arizona salesperson
24 will be credited as setoffs to the Restitution Claim. The Restitution Claim shall be subject to
25 Sections 362 and 1141 of the Bankruptcy Code and the Bankruptcy Court shall have exclusive
26 jurisdiction to hear and determine bankruptcy-specific issues concerning such Restitution Claim.

1 Pursuant to Section 510 of the Bankruptcy Code, all claim amounts asserted in the proofs of claim
2 filed by the Commission in the Woodbridge Bankruptcy Case (bearing Proof of Claim Nos. 4001,
3 4002, 4004, and 4005) (as the same may be amended, modified, or supplemented, the “Proofs of
4 Claim”), including, without limitation, the Restitution Claim, shall be subordinate to all creditor
5 claims (including principal and interest) that are allowed in the Woodbridge Bankruptcy Case, and
6 the official claims agent may so note on the claims register it maintains. Payment shall be made to
7 the “State of Arizona” to be placed in an interest-bearing account controlled by the Commission.
8 Any principal amount outstanding shall accrue interest at the rate of ten percent per annum from the
9 date of purchase until the date of this order.

10 IT IS FURTHER ORDERED that the restitution ordered in the preceding paragraph will
11 accrue interest, as of the date of the Order, at the rate of the lesser of (i) ten percent per annum or
12 (ii) at a rate per annum that is equal to one per cent plus the prime rate as published by the board of
13 governors of the federal reserve system in statistical release H. 15 or any publication that may
14 supersede it on the date that the judgment is entered.

15 The Commission shall disburse the funds on a pro-rata basis to investors shown on the
16 records of the Commission. Any restitution funds that the Commission cannot disburse to an
17 investor because the investor is deceased or an entity which invested is dissolved, shall be
18 disbursed on a pro-rata basis to the remaining investors shown on the records of the Commission.
19 Any remaining funds that the Commission determines it is unable to or cannot feasibly disburse
20 shall be transferred to the general fund of the state of Arizona.

21 IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2036, that Respondents jointly and
22 severally are liable for an administrative penalty in the amount of \$150,000 (the “Administrative
23 Penalty”) as a result of the conduct set forth in the Findings of Fact and Conclusions of Law.
24 Payment of the Administrative Penalty shall be subject to Sections 362 and 1141 of the Bankruptcy
25 Code and the Bankruptcy Court shall have exclusive jurisdiction to hear and determine bankruptcy-
26 specific issues concerning such Administrative Penalty. Pursuant to Section 510 of the Bankruptcy

1 Code, all claim amounts asserted in the Proofs of Claim, including, without limitation, the
2 Administrative Penalty, shall be subordinate to all creditor claims (including principal and interest)
3 that are allowed in the Woodbridge Bankruptcy Case, and the official claims agent may so note on
4 the claims register it maintains. Payment shall be made to the "State of Arizona." Any amount
5 outstanding shall accrue interest as allowed by law.

6 IT IS FURTHER ORDERED that payments received by the state of Arizona shall first be
7 applied to the Restitution Claim. Upon payment in full of the restitution obligation, payments shall
8 be applied to the Administrative Penalty.

9 For purposes of this Order, a bankruptcy petition by a Respondent made after the date of
10 this Order shall be an act of default. If Respondents do not comply with this Order, any outstanding
11 balance may be deemed in default and shall be immediately due and payable.

12 IT IS FURTHER ORDERED, that if Respondents fail to comply with this order, the
13 Commission may bring further legal proceedings against Respondents, including application to the
14 superior court for an order of contempt.

15 IT IS FURTHER ORDERED, that no finding of fact or conclusion of law contained in this
16 Order shall be deemed binding against any Respondent under this Docket Number who has not
17 consented to the entry of this Order.

18 IT IS FURTHER ORDERED that this Order shall become effective immediately.

19 IT IS FURTHER ORDERED, that nothing in this Order shall be, or deemed to be, an
20 admission or a declaration against interest by Respondents or used in any way by Respondents or
21 any party to the Woodbridge Bankruptcy Case to prejudice any rights or claims made by any party
22 in the Woodbridge Bankruptcy Case, including but not limited to Respondents, the Ad Hoc Unit
23 Holders Committee, the Ad Hoc Noteholders Committee or the Creditors Committee, all of which
24 rights are expressly preserved.

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IT IS FURTHER ORDERED that, to the extent Section 1145 of the Bankruptcy Code is applicable, Respondents preserve all rights under Section 1145 of the Bankruptcy Code by consenting to the entry of this Order.

IT IS FURTHER ORDERED that the entity that obtained managerial control of the Debtors on December 1, 2017, WGC Independent Manager LLC, and any of its officers, employees, service providers, or agents (none of whom include Shapiro), shall not be subject to any disqualifications under the laws of the United States, any state, the District of Columbia or Puerto Rico, including without limitation, any disqualifications from current or future reliance upon the state or federal registration exemptions or safe harbor provisions, including, but not limited to 17 C.F.R. §§ 203.506(d)(1) or 230.262(a).

BY ORDER OF THE ARIZONA CORPORATION COMMISSION

CHAIRMAN FORESE

COMMISSIONER DUNN

COMMISSIONER TOBIN

COMMISSIONER OLSON

COMMISSIONER BURNS

IN WITNESS WHEREOF, I, MATTHEW J. NEUBERT, Interim Executive Director of the Arizona Corporation Commission, have hereunto set my hand and caused the official seal of the Commission to be affixed at the Capitol, in the City of Phoenix, this _____ day of _____, 2018.

MATTHEW J. NEUBERT
INTERIM EXECUTIVE DIRECTOR

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DISSENT

DISSENT

This document is available in alternative formats by contacting Kacie Cannon, ADA Coordinator, voice phone number (602) 542-3931, e-mail kcannon@azcc.gov.

(PSK)

CONSENT TO ENTRY OF ORDER

1
2 1. Respondents WMF Management, LLC, Woodbridge Group of Companies, LLC,
3 Woodbridge Mortgage Investment Fund 1, LLC, Woodbridge Mortgage Investment Fund 2, LLC,
4 Woodbridge Mortgage Investment Fund 3, LLC, and Woodbridge Mortgage Investment Fund 3A
5 (collectively “Respondents”) admit the jurisdiction of the Commission over the subject matter of
6 this proceeding. Respondents acknowledge that Respondents have been fully advised of
7 Respondents’ right to a hearing to present evidence and call witnesses and Respondents knowingly
8 and voluntarily waive any and all rights to a hearing before the Commission and all other rights
9 otherwise available under Article 11 of the Securities Act and Title 14 of the Arizona
10 Administrative Code. Respondents acknowledge that this Order to Cease and Desist, Order for
11 Restitution, Order for Administrative Penalties, and Consent to Same (“Order”) constitutes a valid
12 final order of the Commission.

13 2. Respondents knowingly and voluntarily waive any right under Article 12 of the
14 Securities Act to judicial review by any court by way of suit, appeal, or extraordinary relief
15 resulting from the entry of this Order.

16 3. Respondents acknowledge and agree that this Order is entered into freely and
17 voluntarily and that no promise was made or coercion used to induce such entry.

18 4. Respondents have been represented by an attorney in this matter, Respondents have
19 reviewed this order with their attorney, Adam Schwartz of Homer Bonner Jacobs, and understand
20 all terms it contains. Respondents acknowledge that their attorney has apprised them of their rights
21 regarding any conflicts of interest arising from dual representation. Respondents acknowledge that
22 they have each given their informed consent to such representation.

23 5. Respondents neither admit nor deny the Findings of Fact and Conclusions of Law
24 contained in this Order. As part of this Consent Order Respondents agree that they: (i) will not take
25 any action or make or permit to be made any public statement denying, directly or indirectly, any
26 allegation in the Order or creating the impression that the Order is without factual basis; and

1 (ii) will not make or permit to be made any public statement to the effect that Respondents do not
2 admit the allegations of the Consent Order, or that this Consent Order contains no admission of the
3 allegations, without also stating that Respondents do not deny the allegations. If Respondents
4 breach this agreement, the Commission may vacate this Consent Order and restore this action.
5 Nothing in this paragraph affects Respondents': (i) testimonial obligations; or (ii) right to take
6 differing legal or factual positions in litigation or other legal proceedings. Respondents agree that
7 Respondents shall not contest the validity of the Findings of Fact and Conclusions of Law
8 contained in this Order in the present proceeding.

9 6. Respondents further agree that this Order shall collaterally estop them from re-
10 litigating with the Commission the accuracy of the Findings of Fact and Conclusions of Law
11 contained in this Order.

12 7. Respondents further agree that in any bankruptcy proceeding, including the
13 Woodbridge Bankruptcy Case, pursuant to 11 U.S.C. § 523(a)(19), the following circumstances
14 exist:

15 A. The obligations incurred as a result of this Order are a result of the conduct set forth
16 in the Findings of Fact and Conclusions of Law in the Order and are for the violation of Arizona
17 state securities laws, pursuant to 11 U.S.C. § 523(a)(19)(A)(i);

18 B. This Order constitutes a judgment, order, consent order, or decree entered in a state
19 proceeding pursuant to 11 U.S.C. § 523(a)(19)(B)(i), a settlement agreement entered into by
20 Respondents pursuant to 11 U.S.C. § 523(a)(19)(B)(ii), and a court order for damages, fine,
21 penalty, citation, restitution payment, disgorgement payment, attorney fee, cost or other payment
22 owed by Respondents pursuant to 11 U.S.C. § 523(a)(19)(B)(iii).

23 8. While this Order settles this administrative matter between Respondents and the
24 Commission, Respondents understand that this Order does not preclude the Commission from
25 instituting other administrative or civil proceedings based on violations that are not addressed by
26 this Order.

1 9. Respondents understand that this Order does not preclude the Commission from
2 referring this matter to any governmental agency for administrative, civil, or criminal proceedings
3 that may be related to the matters addressed by this Order.

4 10. Respondents understand that this Order does not preclude any other agency or
5 officer of the state of Arizona or its subdivisions from instituting administrative, civil, or criminal
6 proceedings that may be related to matters addressed by this Order.

7 11. Preserving all rights under Section 1145 of the Bankruptcy Code, to the extent
8 applicable, Respondents agree that Respondents will not apply to the state of Arizona for
9 registration as securities dealers or salesmen or for licensure as investment advisers or investment
10 adviser representatives until such time as the Administrative Penalty and Restitution Claim are paid
11 in full.

12 12. Preserving all rights under Section 1145 of the Bankruptcy Code, to the extent
13 applicable, including the right to issue liquidation trust interests under a chapter 11 bankruptcy plan
14 if allowed by Federal and state securities laws, Respondents agree that they will not exercise any
15 control over any entity that offers or sells securities or provides investment advisory services within
16 or from Arizona until such time as the Administrative Penalty and Restitution Claim are paid in
17 full.

18 13. Respondents agree that they will continue to cooperate with the Securities Division
19 including, but not limited to, providing complete and accurate testimony at any hearing in this
20 matter and cooperating with the state of Arizona in any related investigation or any other matters
21 arising from the activities described in this Order.

22 14. Respondents consent to the entry of this Order and agree to be fully bound by its
23 terms and conditions.

24 15. Respondents acknowledge and understand that if Respondents fail to comply with
25 the provisions of the order and this consent, the Commission may bring further legal proceedings
26 against Respondents, including application to the superior court for an order of contempt.

1 16. Respondents understand that Respondents' failure to comply with the terms of the
2 Order shall render Respondents liable to the Commission for its costs of collection, including
3 reasonable attorneys' fees and interest at the maximum legal rate.

4 17. Respondents agree and understand that if Respondents fail to comply with the
5 Order, any outstanding balance shall be in default and shall be immediately due and payable
6 without notice or demand. Respondents agree and understand that acceptance of any partial
7 payment by the Commission is not a waiver of default by the Commission.

8 18. Bradley Sharp represents that he is the Chief Restructuring Officer of WGC
9 Independent Manager LLC and has been authorized by WMF Management, LLC, Woodbridge
10 Group of Companies, LLC, Woodbridge Mortgage Investment Fund 1, LLC, Woodbridge
11 Mortgage Investment Fund 2, LLC, Woodbridge Mortgage Investment Fund 3, LLC, and
12 Woodbridge Mortgage Investment Fund 3A, LLC to enter into this Order for and on their behalf
13 with the approval of the Bankruptcy Court.

14 WMF Management, LLC
15 Woodbridge Group of Companies, LLC
16 Woodbridge Mortgage Investment Fund 1, LLC
17 Woodbridge Mortgage Investment Fund 2, LLC
18 Woodbridge Mortgage Investment Fund 3, LLC
19 Woodbridge Mortgage Investment Fund 3A, LLC

20 By: _____

21 Bradley Sharp
22 Chief Restructuring Officer
23 WGC Independent Manager LLC

24 STATE OF)
25) ss
26 County of)

SUBSCRIBED AND SWORN TO BEFORE me this _____ day of _____, .

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NOTARY PUBLIC

My commission expires:

1 SERVICE LIST FOR: WMF MANAGEMENT, LLC ET AL.

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17 Woodbridge Group of Companies, LLC,
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19 LLC, Woodbridge Mortgage Investment Fund
20 2, LLC, Woodbridge Mortgage Investment
21 Fund 3, LLC, and Woodbridge Mortgage
22 Investment Fund 3A, LLC

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