

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. No. 639, 708

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

Upon the *Debtors' Motion for Entry of an Order, Pursuant to Section 363(b) of the Bankruptcy Code and Bankruptcy Rule 9019, Authorizing and Approving the Debtors' Entry into a Consent Order with California with Respect to the Offer or Sale of Securities* (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 III of the United States Constitution; and it appearing that notice of the

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.

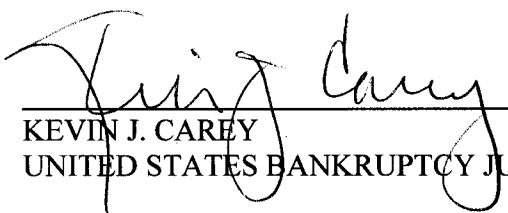
Motion has been given as set forth in the Motion and that such notice is adequate and no other or further notice need be given; and this Court having found and determined that the relief sought in the Motion is in the best interest of the Debtors, their estates, their creditors and all other parties in interest; and that the legal and factual bases set forth in the Motion 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 363(b) of the Bankruptcy Code and Bankruptcy Rule 9019, the Debtors' entry into the Proposed Consent Order is approved.
3. Nothing in the Proposed 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.
4. The Debtors are authorized and empowered to take any and all actions necessary to consummate the Proposed Consent Order and to carry out, effectuate or otherwise enforce the terms, conditions and provisions of the Proposed Consent Order.
5. 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.

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

Dated: March 7, 2018
Wilmington, Delaware



KEVIN J. CAREY
UNITED STATES BANKRUPTCY JUDGE

EXHIBIT 1

Proposed Consent Order

State of California - Department of Business Oversight

1 MARY ANN SMITH
Deputy Commissioner
2 MIRANDA LEKANDER
Assistant Chief Counsel
3 KENNY V. NGUYEN (State Bar No. 233385)
Senior Counsel
Department of Business Oversight
4 1515 K Street, Suite 200
Sacramento, California 95814
5 Telephone: (916) 322-8782
6 Facsimile: (916) 445-8730
Attorneys for Complainant

7
8
9 BEFORE THE DEPARTMENT OF BUSINESS OVERSIGHT
10 OF THE STATE OF CALIFORNIA

11 In the Matter of:

12 THE COMMISSIONER OF BUSINESS
13 OVERSIGHT,

CONSENT ORDER

14 Complainant,

15 v.

16 WOODBRIDGE GROUP OF COMPANIES,
17 LLC; WMF MANAGEMENT, LLC;
18 WOODBRIDGE STRUCTURED FUNDING,
19 LLC; WOODBRIDGE PRE-SETTLEMENT
20 FUNDING LLC; WOODBRIDGE
21 MORTGAGE INVESTMENT FUND 1, LLC;
22 WOODBRIDGE MORTGAGE INVESTMENT
23 FUND 2, LLC; WOODBRIDGE MORTGAGE
INVESTMENT FUND 3, LLC;
WOODBRIDGE MORTGAGE INVESTMENT
FUND 3A, LLC; WOODBRIDGE
MORTGAGE INVESTMENT FUND 4, LLC;
WOODBRIDGE COMMERCIAL BRIDGE
LOAN FUND 1, LLC; WOODBRIDGE
COMMERCIAL BRIDGE LOAN FUND 2,
LLC; AND ROBERT H. SHAPIRO,

24 Respondents.
25

26 This Consent Order is entered between the Department of Business Oversight (Department)
27 through the Commissioner of Business Oversight (Commissioner), on the one hand, and Woodbridge
28

State of California - Department of Business Oversight

1 Group of Companies, LLC, WMF Management, LLC, Woodbridge Structured Funding, LLC, ,
2 Woodbridge Mortgage Investment Fund 1, LLC, Woodbridge Mortgage Investment Fund 2, LLC,
3 Woodbridge Mortgage Investment Fund 3, LLC, Woodbridge Mortgage Investment Fund 3A, LLC,
4 Woodbridge Mortgage Investment Fund 4, LLC, Woodbridge Commercial Bridge Loan Fund 1,
5 LLC, Woodbridge Commercial Bridge Loan Fund 2, LLC (collectively, the "Debtor Respondents"),
6 Woodbridge Pre-Settlement Funding, LLC and Robert H. Shapiro, (collectively with the Debtor
7 Respondents, the "Respondents") on the other hand (hereafter, the "Parties"), and is made with
8 respect to the following:

9 RECITALS

10 A. At all relevant times, Woodbridge Group of Companies, LLC was a company formed
11 in California with a business address of 14225 Ventura Boulevard, Suite 100, Sherman Oaks,
12 California 91423.

13 B. Beginning as early as July 2012, Woodbridge Group of Companies, LLC and its
14 affiliates, including but not limited to WMF Management, LLC, Woodbridge Structured Funding,
15 LLC, Woodbridge Pre-Settlement Funding, LLC, Woodbridge Mortgage Investment Fund 1, LLC,
16 Woodbridge Mortgage Investment Fund 2, LLC, Woodbridge Mortgage Investment Fund 3, LLC,
17 Woodbridge Mortgage Investment Fund 3A, LLC, Woodbridge Mortgage Investment Fund 4, LLC,
18 Woodbridge Commercial Bridge Loan Fund 1, LLC, Woodbridge Commercial Bridge Loan Fund 2,
19 LLC (collectively, Woodbridge) offered securities in California to investors in at least two forms: (1)
20 subscription agreements for the purchase of equity interests or "Units" in one of Woodbridge's seven
21 Delaware limited liability companies (Units); and, (2) lending agreements, some of which were
22 referred to as "First Position Commercial Mortgage Notes," "mezzanine loans," "construction loans,"
23 and "Co-Lending Opportunities" (collectively, FPCMs).

24 C. At all relevant times until December 1, 2017, Robert H. Shapiro (Shapiro) was
25 principal of the Woodbridge entities.

26 D. For the Units, investors were asked to give Woodbridge at least \$50,000 per Unit for a
27 term of five years in exchange for a right to receive distributions and an equity interest in one of
28

1 seven limited liability companies (LLCs) that Shapiro formed in Delaware. Units investors executed
2 subscription and joinder agreements to memorialize the investment. Units investors had no role in
3 management decisions for the LLCs nor any voting rights. In exchange for giving Woodbridge
4 money, Units investors were promised 8 to 10 percent annualized interest, paid out monthly, plus 2
5 percent accrued interest and 50 percent of cumulative company profits at the end of five years.

6 E. For the FPCMs, investors were solicited to invest anywhere between \$25,000 to well
7 over \$250,000 to give to Woodbridge to pool with other investor monies. Woodbridge then lent the
8 pooled monies to third-party borrowers for a short time at a high interest rate to finance the
9 acquisition and/or development of real property in California, Colorado, and other states. FPCMs
10 investors had no role in selecting or vetting the purported third-party borrower. FPCMs investors
11 also had no decision-making role or management in negotiating the terms of the loans with the third-
12 party borrower, nor did they have any decision-making role in the real estate acquisition or
13 development.

14 F. In exchange for lending money to Woodbridge, FPCMs investors were promised that
15 they would “[e]arn a secured yield as high as 5%” in fixed monthly interest payments, for a term of
16 nine, twelve, or eighteen months, with options to renew or “reposition” their lending toward a
17 different real property at the end of the term. FPCMs investors were told that the loans they were
18 making were secured by a “collateral assignment of note, mortgage, and other loan documents,”
19 which would be recorded with the real property that was the subject of the loan. FPCMs investors
20 were told that the recorded documents would give them a “first position” lien interest in the subject
21 real property, and that this would allow FPCMs investors to be paid back first in the event the
22 borrower defaulted on the loan. Woodbridge assured FPCMs investors that Woodbridge would pay
23 them the interest payments regardless of whether the borrower defaulted on the loan. FPCMs
24 investors were also assured they would get back their full principal at the end of the term if requested.

25 G. Shapiro was the signatory on the subscription agreement for the Units on behalf of
26 Woodbridge and was identified as the “duly authorized” manager for the Woodbridge entities that
27 received the FPCMs “loans” from investors.
28

1 H. Woodbridge used inhouse employees called "consultants" and paid external referrers,
2 insurance salespersons, investment advisors, and financial planners to solicit and sell Woodbridge
3 securities, including Units and FPCMs, in California.

4 I. California investors gave millions of dollars to Woodbridge for the purpose of
5 investing in FPCMs and Units beginning early as July 2012 until December 1, 2017. Woodbridge
6 filed for Chapter 11 bankruptcy on December 4, 2017. Since the filing of Chapter 11 bankruptcy,
7 Woodbridge stopped making interest payments to investors and has not returned the investors'
8 principals. In a letter dated December 5, 2017 to investors, Woodbridge disclosed that it considered
9 its obligation to make interest payments a "general unsecured claim."

10 J. Beginning as early as July 2012, in connection with the offer and sale of the securities,
11 Woodbridge and Shapiro made, or caused to be made, misrepresentations of material fact or omitted
12 to state material facts necessary in order to make the statements made, in light of the circumstances
13 under which they were made, not misleading, as follows:

14 1) Marketing materials given to FPCMs investors touted Shapiro's experience, success, and
15 reliability with commercial loans, first mortgages, and real estate acquisitions. Private placement
16 memoranda (PPMs) provided to Unit investors between 2012 and 2016 also touted Shapiro's
17 extensive business experience. However, investors were not told that Shapiro had been the subject of
18 at least one prior involuntary Chapter 7 bankruptcy related to a failed real estate development
19 business in the State of New York;

20 2) Marketing materials given to prospective and actual FPCMs investors explained that
21 FPCMs investors would be financing exclusively commercial loans to third parties. However,
22 Woodbridge failed to disclose to investors that their money was not being lent to third-party
23 borrowers, but instead was given to companies managed and controlled by Shapiro as trustee of the
24 RS Protection Trust;

25 3) Marketing materials given to FPCMs investors falsely represented that the loans funded by
26 investors would make up only 60 percent of the appraised value of the subject real property, thereby
27 lowering the risks to investors in the event the borrower defaults on the loan. However, many of the
28

1 loans made were greater than 60 percent of (and sometimes even equal to) the appraised value of the
2 subject real property;

3 4) Woodbridge failed to disclose to FPCMs and Units investors that certain Woodbridge
4 entities had entered into consent orders with securities regulators in the State of Texas and the
5 Commonwealth of Massachusetts on March 18, 2016 and May 4, 2015, respectively, concerning the
6 sale of unregistered securities; and,

7 5) When investors discovered the Massachusetts consent order, Woodbridge falsely
8 represented that the consent order did not include provisions whereby Woodbridge admitted to the
9 risks associated with FPCMs.

10 K. The Commissioner is of the opinion that the FPCMs offered by Woodbridge and
11 Shapiro are securities subject to qualification under the Corporate Securities Law of 1968 (Corp.
12 Code, § 25000 et seq.) that have been offered or sold without first being qualified in violation of
13 Corporations Code section 25110.

14 L. Furthermore, the Commissioner is of the opinion that securities in the form of FPCMs
15 and Units were offered in the State of California by Woodbridge and Shapiro by means of a written
16 or oral communication which included an untrue statement of material fact or omitted to state a
17 material fact necessary to make the statement made, in light of the circumstances under which they
18 were made, not misleading, in violation of Corporations Code section 25401.

19 M. Respondents admit to the jurisdiction of the Commissioner with respect to the subject
20 matter hereof and agree to the execution of this Consent Order as a resolution of the matter without
21 the need to initiate litigation.

22 N. The Commissioner finds this Consent Order is appropriate, in the public interest, for
23 the protection of investors, and consistent with the purposes fairly intended by the policy and
24 provisions of the Corporate Securities Law of 1968 (CSL).

25 NOW THEREFORE, in consideration of the foregoing, and the terms and conditions set forth
26 herein, the Parties agree as follows:

27 TERMS AND CONDITIONS

1 1. Purpose. The purpose of this Consent Order is to resolve the foregoing issues in a
2 manner that avoids the expense of a hearing and possible other court proceedings.

3 2. Desist and Refrain Order. Respondents are hereby ordered to desist and refrain from
4 the further offer or sale of securities, in the State of California, including but not limited to lending
5 agreements such as FPCMs, unless and until qualification has been made under said law or unless the
6 security is exempt. Respondents are further hereby ordered to desist and refrain from offering or
7 selling any security in the State of California, including but not limited to lending and subscription
8 agreements, by means of any written or oral communication which includes an untrue statement of
9 material fact or omits to state a material fact necessary in order to make the statements made, in light
10 of circumstances under which they were made, not misleading in violation of Corporations Code
11 section 25401.

12 3. Waiver of Hearing Rights. Respondents have read this Consent Order, are aware of
13 their rights to a hearing and appeal in this matter if a formal enforcement action had been
14 commenced to request the relief specified under this Consent Order, and elect to permanently waive
15 any right to a hearing and appeal, including those rights under the CSL, the California
16 Administrative Procedures Act (Gov. Code, § 11400 et seq.), and the Code of Civil Procedure with
17 respect to the issuance of the Desist and Refrain Order specified in Paragraph 2.

18 4. Future Actions by the Commissioner. The Parties acknowledge and agree that nothing
19 contained in this Consent Order shall operate to limit the Commissioner's ability to assist any other
20 agency, (county, state or federal) with any prosecution, administrative, civil or criminal, brought by
21 any such agency against Respondents based upon the subject matter hereof or otherwise. This
22 Consent Order shall not limit the ability of the Commissioner to bring any administrative or civil
23 action to enforce compliance with this Consent Order or to seek penalties for its violation. Further,
24 the Commissioner reserves the right to bring any future action(s) against Respondents or any of the
25 managers, officers, directors, shareholders or employees of Respondents for all unknown or future
26 violations of the CSL.

27 5. Independent Legal Advice. Respondents represent, warrant, and agree that they have
28

State of California - Department of Business Oversight

1 had the opportunity to seek independent advice from legal counsel and/or representative with respect
2 to the advisability of executing this Consent Order.

3 //
4 6. No Other Representation. Each of the Parties represents, warrants, and agrees that in
5 executing this Consent Order each has relied solely on the statements set forth herein and the advice
6 of its own counsel and/or representative. Each of the Parties further represents, warrants, and agrees
7 that in executing this Consent Order it has placed no reliance on any statement, representation, or
8 promise of any other party, or any other person or entity not expressly set forth herein, or upon the
9 failure of any party or any other person or entity to make any statement, representation or disclosure
10 of anything whatsoever. The Parties have included this clause: (1) to preclude any claim that any
11 party was in any way fraudulently induced to execute this Consent Order; and (2) to preclude the
12 introduction of parol evidence to vary, interpret, supplement, or contradict the terms of this Consent
13 Order.

14 7. Modifications and Qualified Integration. No amendment, change, or modification to
15 this Consent Order shall be valid or binding to any extent unless it is in writing and signed by all the
16 parties affected by it.

17 8. Full Integration. This Consent Order is the final written expression and the complete
18 and exclusive statement of all the agreements, conditions, promises, representations, and covenants
19 between the parties with respect to the subject matter hereof, and supersedes all prior or
20 contemporaneous agreements, negotiations, representations, understandings, and discussions between
21 and among the parties, their respective representatives, and any other person or entity, with respect to
22 the subject matter covered hereby.

23 9. No Presumption from Drafting. In that the Parties have had the opportunity to draft,
24 review and edit the language of this Consent Order, no presumption for or against any party arising
25 out of drafting all or any part of this Consent Order will be applied in any action relating to,
26 connected, to, or involving this Consent Order. Accordingly, the Parties waive the benefit of Civil
27 Code section 1654 and any successor or amended statute, providing that in cases of uncertainty,
28

1 language of a contract should be interpreted most strongly against the party who caused the
2 uncertainty to exist.

3 10. Limited Nature of Consent Order. Respondents neither admit nor deny the allegations
4 and violations set forth in paragraphs A through L, above, in this Consent Order. As part of this
5 Consent Order the Respondents agree that they: (i) will not take any action or make or permit to be
6 made any public statement denying, directly or indirectly, any allegation in the Consent Order or
7 creating the impression that the Consent Order is without factual basis; and (ii) will not make or
8 permit to be made any public statement to the effect that the Respondents do not admit the allegations
9 of the Consent Order, or that this Consent Order contains no admission of the allegations, without
10 also stating that Respondents do not deny the allegations. If the Respondents breach this agreement,
11 the Department may vacate this Consent Order and restore this action. Nothing in this paragraph
12 affects the Respondents: (i) testimonial obligations; or (ii) right to take differing legal or factual
13 positions in litigation or other legal proceedings.

14 11. Effect Upon Future Proceedings. If Respondents apply for any license, permit or
15 qualification under the Commissioner's current or future jurisdiction, or are the subject of any future
16 action by the Commissioner to enforce this Consent Order, then the subject matter hereof shall be
17 admitted for the purpose of such application(s) or enforcement proceeding(s).

18 12. Counterparts. This Consent Order may be executed in one or more counterparts, each
19 of which shall be an original but all of which, together, shall be deemed to constitute a single
20 document.

21 13. Terms, Headings and Governing Law. All terms used, but not defined herein, shall
22 have the meaning assigned to them by the CSL. The headings to the paragraphs of this Consent
23 Order are inserted for convenience only and will not be deemed a part hereof or affect the
24 construction or interpretation of the provisions hereof. This Consent Order shall be construed and
25 enforced in accordance with, and governed by, the laws of the State of California.

26 14. Authority for Settlement. Each party warrants and represents that such party is fully
27 entitled and duly authorized to enter and deliver this Consent Order. In particular, and without
28

State of California - Department of Business Oversight

28

27

26

25

24

23

22

21

20

19

18

17

16

15

14

13

12

11

10

9

8

7

6

5

4

3

2

1

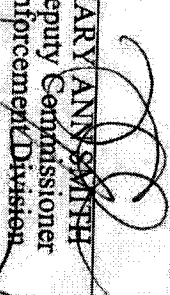
limiting the generality of the foregoing, each party warrants and represents that it is fully entitled to enter the covenants, and undertake the obligations set forth herein.

15. Public Record. Respondents acknowledge that this Consent Order is a public record. Respondents further understand and agree to not make any statement or representation that is inconsistent with the Consent Order.

16. Voluntary Agreement. The Parties each represent and acknowledge that in executing this Consent Order, each does so completely voluntarily and without any duress or undue influence of any kind from any source.

17. Effective Date: This Consent Order shall become effective upon (i) the when executed by the Commissioner or her designee and transmitted by electronic mail to Bradley Sharp at bssharp@dsi.biz, and Ryan Dwight O'Quinn at ryan.oquinn@dlapiper.com.

Dated: 2/21/18
JAN LYNN OWEN
Commissioner of Business Oversight

By: 
MARY ANN SMITH
Deputy Commissioner
Enforcement Division

Dated: 2/20/2018
ROBERT H. SHAPIRO


State of California - Department of Business Oversight

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

Subject to approval by the United States Bankruptcy Court for the District of Delaware:

WOODBIDGE GROUP OF COMPANIES, LLC
WMF MANAGEMENT, LLC
WOODBIDGE STRUCTURED FUNDING, LLC
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
WOODBIDGE COMMERCIAL BRIDGE LOAN FUND 1, LLC
WOODBIDGE COMMERCIAL BRIDGE LOAN FUND 2, LLC

Dated: 2-20-18

By: 
BRADLEY SHARP
Chief Restructuring Officer
WOODBIDGE INDEPENDENT MANAGER, LLC

1 Dated: 2/20/2018

2 WOODBRIDGE PRE-SETTLEMENT FUNDING LLC

3 By: _____
4 President and Chief Operating Officer

5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
State of California - Department of Business Oversight