

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

STATE OF IDAHO, Department of Finance,
Securities Bureau,

Complainant,

vs.

Eric Francisco Bullock

Respondent.

Docket No. 2017-7-15-I

AGREEMENT AND ORDER

The Director of the Department of Finance, State of Idaho ("Director") has instituted an investigation into the conduct of Eric Francisco Bullock. 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 Eric Francisco Bullock have agreed to resolve this matter without a public hearing. Therefore, the Director deems it appropriate and in the public interest that this Agreement and Order ("Order") be entered and the Respondent consents to the entry of this Order.

RESPONDENT

1. **Eric Francisco Bullock** ("Bullock") is a 40 year-old male with a last known residence of 608 S 3275 W, Syracuse, Utah. He has been licensed with the Utah Insurance Department and the Idaho Department of Insurance since 2004 and 2016, respectively. Bullock has been registered with the State of Utah as an investment advisor representative since September 18, 2017 and had previously been registered from November 2, 2009 –August 22, 2011. In 2005, he registered as a broker-dealer representative with the Financial Industry Regulatory Authority ("FINRA") and the State of Idaho and received a Central Registration Depository ("CRD") number of 4278423. As of August 1, 2005, Bullock was no longer registered to sell securities.

BACKGROUND

2. Woodbridge Mortgage Investments Funds 1, 2, 3, 3A, 4, and 5 ("Woodbridge") are commercial mortgage lenders that lend money to commercial borrowers in exchange for a first position mortgage on the borrower's commercial real estate. Woodbridge funded the commercial loans

with money they raised by selling securities in the form of investment contracts. Woodbridge sold the investment contracts as First Position Commercial Mortgage Loans (“FPCM”). The investment contracts were sold to investors in conjunction with the issuance of one-year 7.5% promissory notes issued by Woodbridge.

3. Woodbridge pooled FPCM investor proceeds and when sufficient money to fund the commercial loan was raised, the transaction was finalized and Woodbridge obtained a legally recorded first position on the property. After obtaining a first position on the property, Woodbridge purportedly assigned a portion of its first position on the property to FPCM investors.
4. Woodbridge, and their affiliates, filed for chapter 11 bankruptcy on December 4, 2017 citing “unforeseen costs associated with ongoing litigation and regulatory compliance.”
5. On December 20, 2017, the Securities and Exchange Commission (“SEC”) filed a complaint against Woodbridge and its affiliates, alleging that Robert Shapiro, owner of Woodbridge, conducted a nationwide Ponzi scheme that raised over \$1.22 billion from over 8,400 investors. The complaint asserts that Woodbridge issued unregistered securities in the form of promissory notes and paid unregistered agents to sell the investments.
6. At no time were Woodbridge’s investment contracts or promissory notes, for the FPCM loans, registered as securities in Idaho nor did they qualify for an exemption.
7. Bullock solicited and sold promissory notes, as an agent of Woodbridge, to at least one Idaho resident, RD. RD invested \$400,000, in approximately March 2017, and Bullock received a commission of \$18,000 from this sale.
8. Bullock was not registered to sell securities in Idaho, nor did he qualify for an exemption.

FINDINGS OF VIOLATIONS

OFFER & SALE OF UNREGISTERED SECURITIES

9. Investments in investment contracts and promissory notes are “securities” as defined by *Idaho Code §30-14-102(28)*.

10. 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.
11. *Idaho Code §30-14-202(11)* provides an exemption for 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.
12. 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.
13. Woodbridge promissory notes are sold to a "pool" of investors and do not qualify for the exemption provided in *§30-14-202(11)*. The exemption is not available for sales of fractional interests in a promissory note (or the "pooling" of multiple investors funds to purchase a single underlying mortgage).
14. Bullock sold securities in the form of investment contracts and 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 AN UNREGISTERED AGENT

15. *Idaho Code §30-14-102(2)* defines an "agent" as an individual, other than a broker-dealer, who represents a broker-dealer in effecting or attempting to effect purchases or sales of securities or who represents an issuer in effecting or attempting to effect purchases or sales of the issuer's securities.
16. 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.

17. Bullock offered and sold Woodbridge promissory notes to Idaho residents. Bullock was not registered to sell securities, nor did he qualify for a registration exemption at the time the securities were sold, in violation of *Idaho Code §30-14-402*.

FRAUD PROVISIONS

18. Pursuant to *Idaho Code §30-14-501*, it is unlawful for any person, in connection with the offer, sale, or purchase of a security, directly or indirectly: (2) To make an untrue statement of material fact or to omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading.

19. Omissions:

- a. Bullock failed to disclose that that the security being offered was not registered as required under the Idaho Uniform Securities Act.
- b. Bullock failed to disclose that that he was not registered as an agent to sell the securities being offered as required by the Idaho Uniform Securities Act.

20. Bullock violated *Idaho Code §30-14-501(2)* by omitting material facts in connection with the sale of a security.

ACKNOWLEDGMENT AND REMEDIES

21. Bullock agrees to the entry of the Order.

22. Bullock admits the findings of violations of Idaho law set forth in this Order.

23. Bullock agrees to pay restitution of eighteen thousand dollars (\$18,000).

24. Bullock agrees to pay a civil penalty of three thousand dollars (\$3,000) for the violations of the Act, pursuant to *Idaho Code §30-14-604(d)*.


25. Bullock will make payments as follows:

- a. Six payments of three thousand five hundred dollars \$3,500 is due on September 30, 2018, October 31, 2018, November 30, 2018, December 31, 2018, January 31, 2019, and February 28, 2019.
- b. Payments shall be made to the order of "Idaho Department of Finance."

26. Bullock agrees to not now, nor in the future, offer or sell securities in, into, or from Idaho without complying with the requirements of the Act and its rules.

27. In the event that the Bullock commits future violations of the Act or fail to adhere to the terms of this Order, Bullock acknowledges that the Idaho Department of Finance can incorporate the allegations giving rise to this Order in any future proceeding.

AGREED TO and ACKNOWLEDGED this 17 day of SEPTEMBER, 2018.



ERIC BULLOCK

IT IS SO ORDERED

DATED this 19TH day of SEPTEMBER, 2018.

STATE OF IDAHO
DEPARTMENT OF FINANCE



GAVIN M. GEE, Director of Finance

