

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

STATE OF IDAHO, Department of Finance,
Securities Bureau,

Complainant,

vs.

Daniel Ray George,

Respondent.

Docket No. 2017-7-15-P

AGREEMENT AND ORDER

The Director of the Department of Finance, State of Idaho ("Director") has instituted an investigation into the conduct of Daniel Ray George. 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 Daniel Ray George 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. **Daniel Ray George** ("George") is a 64 year-old male with a last known address of 1701 Lancaster Street, Pocatello, Idaho. He has been licensed with the State of Idaho's Insurance Departments since 2009 and is employed at True Wealth Financial Advisors. George has never held a securities license.

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 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 mortgage on the property. After obtaining a first position mortgage on the property, Woodbridge purportedly assigned a portion mortgage 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. George solicited and sold a singular promissory note, as an agent of Woodbridge, out of Idaho to at least one investor, Utah resident BDG. BDG invested \$135,000, in approximately June 2017, and George received a commission of \$4,050 from this sale.
8. At the time of the above transaction, George 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. George 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. George offered and sold Woodbridge promissory notes out of Idaho to a Utah resident. George 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*.

ACKNOWLEDGMENT AND REMEDIES

- 18. George agrees to the entry of the Order.
- 19. George admits the findings of violations of Idaho law set forth in this Order.
- 20. George agrees to pay restitution in the amount of four thousand fifty dollars (\$4,050). Said restitution is to be paid not later than thirty (30) days from the date the Director executes this Order. Payment shall be made to the "Idaho Department of Finance."
- 21. George agrees to pay a civil penalty of one thousand five hundred dollars (\$1,500) for the violations of the Act, pursuant to *Idaho Code §30-14-604(d)*. Said civil penalty is to be paid not later than thirty (30) days from the date the Director executes this Order. Payment shall be made to the "Idaho Department of Finance."
- 22. George 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.
- 23. In the event that the George commits future violations of the Act or fail to adhere to the terms of this Order, George 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 30 day of October, 2018.



DANIEL RAY GEORGE

IT IS SO ORDERED

DATED this 1ST day of November, 2018.



STATE OF IDAHO
DEPARTMENT OF FINANCE



GAVIN M. GEE, Director of Finance