

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

STATE OF IDAHO, DEPARTMENT OF
FINANCE, SECURITIES BUREAU,

Complainant,

vs.

ALLAN HILLMAN DENSMORE, and
RETIREMENT SERVICES, LLC.

Respondents.

Docket No. 2017-7-15-A

**ORDER TO CEASE AND DESIST
AND NOTICE OF OPPORTUNITY
FOR A HEARING**

The Director of the Idaho Department of Finance ("Director"), being authorized and directed to administer and enforce the Idaho Uniform Securities Act (2004) ("Act"), Idaho Code § 30-14-101 *et seq.*, has conducted an investigation and the Director alleges the following facts that constitute a basis for the issuance of an ORDER TO CEASE AND DESIST ("Order") pursuant to Idaho Code § 30-14-604(a)(1) requiring Respondents Allan Hillman Densmore and Retirement Services, LLC to cease and desist from violating the Act by selling unregistered securities to Idaho residents, selling securities without being registered to sell securities, and omitting material facts, in connection with the offer, sale, or purchase of securities to Idaho residents. This Order is effective upon the date of issuance.

RESPONDENTS

1. **Allan Hillman Densmore** ("Densmore") is a resident of Port Charlotte, Florida and is the owner of Retirement Services, LLC. Densmore was licensed with the Idaho Department of Insurance from 1998 through 2012. Densmore registered with the Idaho Department of Finance as a broker-dealer agent and as a registered investment advisor representative in

1998 and 2002, respectively. Densmore registered as a broker-dealer representative with the Financial Industry Regulatory Authority (“FINRA”) in 1994 and received a Central Registration Depository (“CRD”) number of 2469110. As of March 20, 2007, Densmore was no longer registered to sell securities in Idaho or elsewhere and, as of November 23, 2010, he was no longer registered to provide investment advice in Idaho or anywhere.

2. **Retirement Services, LLC** (“Retirement Services”) registered, as an LLC, with the State of Florida on November 11, 2013 and is owned by Densmore. The company’s last known mailing address was 23514 Garrett Avenue, Port Charlotte, Florida. Retirement Services has never been registered to sell securities, provide investment advice, or sell insurance.

PRIOR DISCIPLINARY HISTORY

3. In 2011, Densmore, Harrison Investments, LLC, and Densmore Financial Group, Inc. entered into two Agreement and Orders with the Idaho Department of Finance for the following violations:
 - a. Offering and/or selling unregistered securities to investors;
 - b. Misrepresenting the financial condition of Harrison and misrepresented the liquidity of the investment contrary to disclosures in Harrison’s private placement memorandum;
 - c. Failing to file certain sales literature with the Idaho Department of Finance;
 - d. Failing to keep true, accurate, and current books and records;
 - e. Airing testimonials in his radio program; and
 - f. Representing a hypothetical scenario as a real life example.
4. In connection to the Agreement and Orders, Densmore and Densmore Financial Group, Inc. agreed to:
 - a. Pay a civil penalty of \$10,000;
 - b. Comply with the fraud provisions of Act;
 - c. Not conduct securities or investment advisor related radio or television programs until they were registered by a registered investment advisor firm;

- d. Provide advisory services only after they are registered with the Idaho Department of Finance; and
- e. Conduct investment advisory services only through a registered investment advisor firm.

RECITALS OF FACT

WOODBRIIDGE SECURITIES

- 5. Woodbridge Mortgage Investments Funds 1, 2, 3, 3A, 4, and 5 (collectively, “Woodbridge”) marketed themselves as commercial mortgage lenders that lent money to commercial borrowers in exchange for a first position mortgage on the borrower’s commercial real estate. Woodbridge claimed to fund the commercial loans with money they raised from investors by selling one-year promissory notes. Woodbridge sold these promissory notes as First Position Commercial Mortgages (“FPCM”). These promissory notes are securities, as defined in Idaho Code § 30-14-102(28): “(28) ‘Security’ means a note; stock; treasury stock; security future; bond; debenture; evidence of indebtedness; ... investment contract;”
- 6. 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. Woodbridge purportedly then assigned a portion of its first position mortgage on the property to FPCM investors.
- 7. Woodbridge, and their affiliates, filed for Chapter 11 bankruptcy on December 4, 2017 citing “unforeseen costs associated with ongoing litigation and regulatory compliance.”
- 8. 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 sales agents to sell the investments.

9. At no time were securities sold by Woodbridge, in the form of FPCM, registered as securities in Idaho (or elsewhere) nor did they qualify for an exemption.
10. Retirement Services offered investment advice and alternative investments through the radio and on their website, www.allandensmore.com. Retirement Services advertised FPCM as short-term interest bearing investments earning 4-6% interest with a first position in a commercial mortgage note. Retirement Services claimed that they worked with third parties to do the due diligence and underwriting of the FPCM and stated their third parties would guarantee the note and continue to make payments in the event of a default.
11. Densmore, by and through Retirement Services, solicited and sold FPCM, as an unregistered sales agent of Woodbridge, to at least four Idaho residents. Densmore received \$22,766.67 in commissions from Woodbridge (i.e. transaction-based compensation that was a percentage of the amount of sales proceeds) for the following sales:
 - a. \$1,200 from BB & BB's investment of \$30,000 in approximately April 2017;
 - b. \$5,775 from BM & SM's investments totaling \$165,000 from approximately May 2015 through January 2016;
 - c. \$4,833.33 from NS's investments totaling \$150,000 from approximately October 2016 through June 2017; and
 - d. \$10,958.34 from PU & PU's investments totaling \$300,000 from approximately February 2016 through November 2016.
12. At the time of the above transactions, Densmore was not registered to sell securities in Idaho, nor did he qualify for an exemption.

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FINDINGS OF VIOLATIONS

OFFER AND SALE OF UNREGISTERED SECURITIES

(Violation of Idaho Code § 30-14-301)

13. Idaho Code § 30-14-102(28) defines a “security,” in pertinent part, as a note or investment contract.
14. The promissory notes issued by Woodbridge, and offered and sold by the Respondents, constitute securities within the meaning of Idaho Code § 30-14-102(28).
15. Idaho Code § 30-14-301 provides that “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.”
16. Respondents’ offer and sale of securities to Idaho residents, without properly registering such securities in Idaho, constitutes a violation of Idaho Code § 30-14-301.

OFFER AND SALE OF SECURITIES BY AN UNREGISTERED ISSUER AGENT OR BROKER-

DEALER

(Violation of Idaho Code § 30-14-401 or -402)

17. Respondents were acting as either an agent of the issuer (Woodbridge) or as a broker-dealer in effecting or attempting to effect purchases or sales of securities as defined by Idaho Code § 30-14-102(2) (“ ‘Agent’ means 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.”) and (4) (“ ‘Broker-dealer’ means a person engaged in the business of effecting transactions in securities for the account of others or for the person's own account.”). The definitions are mutually exclusive.

18. Idaho Code § 30-14-402 provides, " (a) Registration requirement. 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."
19. Idaho Code § 30-14-401 provides, "(a) Registration requirement. It is unlawful for a person to transact business in this state as a broker-dealer unless the person is registered under this chapter as a broker-dealer or is exempt from registration as a broker-dealer under subsection (b) or (d) of this section."
20. Respondents' offer and sale of securities to Idaho residents without properly registering as an agent of the issuer or as a broker-dealer with the Idaho Department of Finance constitutes a violation of Idaho Code § 30-14-401 or -402.

FRAUD

(Violation of Idaho Code § 30-14-501)

21. Idaho Code § 30-14-501 provides, "It is unlawful for any person, in connection with the offer, sale, or purchase of a security, directly or indirectly... 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..."
22. Respondents failed to disclose that the securities being offered by Woodbridge and Respondents, were not registered as required under the Act. Respondents further failed to disclose that they were not registered to sell securities as required under the Act. Respondents' omission concerning the registration status of the securities and sales agents constitutes an omission of a material fact in connection with the sale of a security, in violation of Idaho Code § 30-14-501(2).
23. Idaho Code § 30-14-604(a)(1) provides that if the Director determines that a person has engaged, is engaging, or is about to engage in an act, practice, or course of business constituting a violation of the Act, the Director may issue an order directing the person to

cease and desist from engaging in the act, practice, or course of business or to take other action necessary or appropriate to comply with the Act. Pursuant to Idaho Code § 30-14-604(b), such Order is effective on the date of issuance and will become final by operation of law if no hearing is requested within the time period stated in Idaho Code § 30-14-604(b). Idaho Code § 30-14-604(g) provides that noncompliance with this Order, and any final order, can be enforced through civil contempt proceedings.

24. Idaho Code § 30-14-604(d) provides that the Director may impose a civil penalty not to exceed five thousand dollars (\$5,000) for each violation in a final order issued under Idaho Code § 30-14-604(c). Here, Respondents each committed three separate violations of the Act with regard to each sale of the Woodbridge securities to the four Idaho investors, for a total of at least twelve violations.

CEASE AND DESIST ORDER

The Director, having reviewed the foregoing, and good cause appearing therefore, hereby finds that the Respondents have violated the Idaho Uniform Securities Act (2004), Idaho Code § 30-14-101 et seq., as alleged above.

Now, therefore, it is hereby ordered that the Respondents shall CEASE AND DESIST from violations of the Idaho Uniform Securities Act (2004), and rules promulgated thereunder, to include: offering or selling unregistered securities to Idaho residents; selling securities as an unregistered broker-dealer or issuer agent; and engaging in securities fraud (by failing to disclose material facts in connection with the offer or sale of securities to Idaho residents).

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Respondents are ordered to pay a civil penalty of \$20,000, pursuant to Idaho Code § 30-14-604(d).

This Order is in the public interest, issued for the protection of investors, and consistent with the purposes of the Act.

THIS ORDER IS EFFECTIVE UPON ITS ISSUANCE.

Dated: 5/24/21



PATRICIA HIGHLEY, Securities Bureau Chief
Idaho Department of Finance

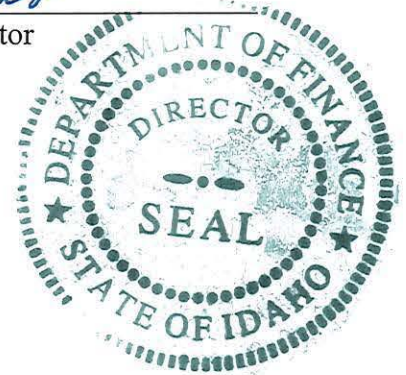
IT IS SO ORDERED

DATED this 24th day of May, 2021.

STATE OF IDAHO
DEPARTMENT OF FINANCE



PATRICIA R. PERKINS, Director



NOTICE AND OPPORTUNITY FOR A HEARING

The Respondents shall take notice that if the Respondents wish to contest the foregoing Order to Cease and Desist and Notice of the Opportunity for a Hearing (“Order”), the Respondents shall file a request for hearing pursuant to Idaho Code § 30-14-604(b) within thirty (30) days after the service of this Order. If the Respondents do not timely request a hearing and none is ordered by the Director within that time period, the Order, which may include a civil penalty or costs of the investigation, becomes final as to the Respondents by operation of law. If a hearing is timely requested or ordered, the Director, after notice of and opportunity for a hearing, may modify or vacate the Order or extend it until final determination.

A request for a hearing must be made in writing and addressed to:

Patricia Highley
Securities Bureau Chief
Idaho Department of Finance
P.O. Box 83720
Boise, Idaho 83720-0031

A copy of such request must also be served upon the Department's counsel, Loren Messerly, Deputy Attorney General, at the same address.

If a hearing is requested or ordered pursuant to Idaho Code § 30-14-604(b), a hearing will be set by the Director within fifteen (15) days after receipt of a timely written request, and such hearing will be conducted pursuant to Chapter 52, Title 67, Idaho Code. A final order may not be issued unless the Director makes findings of fact and conclusions of law in a record pursuant to Chapter 52, Title 67, Idaho Code. The final order by the hearing officer may make final, vacate, or modify the Order.

If the Respondent requires any assistance of the kind the Department provides under the Americans with Disabilities Act (e.g. sign language interpreters, Braille copies of documents) in order to participate in or understand these proceedings, the Department will supply such reasonable assistance upon an advance request.

Should this order become a final order by operation of law, as discussed above, then any party may file a motion for reconsideration of this final order within fourteen (14) days of the service date of this order.

The agency will dispose of the petition for reconsideration within twenty-one (21) days of its receipt, or the petition will be considered denied by operation of law. See Section 67-5246(4), Idaho Code.

Should this order become a final order by operation of law, as discussed above, then pursuant to Sections 67-5270 and 67-5272, Idaho Code, any party aggrieved by this final order or orders previously issued in this case may appeal this final order and all previously issued orders in this case to district court by filing a petition in the district court of the county in which a hearing was held, the final agency action was taken, the party seeking review of the order resides, or operates its principal place of business in Idaho, or the real property or personal property that was the subject of the agency action is located. An appeal must be filed within twenty-eight (28) days (a) of the service date of this final order, (b) of an order denying petition for reconsideration, or (c) the failure within twenty-one (21) days to grant or deny a petition for reconsideration, whichever is later. See Section 67-5273, Idaho Code. The filing of an appeal to district court does not itself stay the effectiveness or enforcement of the order under appeal.