

STATE OF MICHIGAN
DEPARTMENT OF LICENSING AND REGULATORY AFFAIRS
CORPORATIONS, SECURITIES & COMMERCIAL LICENSING BUREAU

In the Matter of:

Complaint No. 333331

RICHARD SCHROEDER
Unregistered

Respondent.

_____ /

Issued and entered
This 29th day of January, 2018

NOTICE AND ORDER TO CEASE AND DESIST

Julia Dale, the Director of the Corporations, Securities & Commercial Licensing Bureau (the "Administrator"), pursuant to her statutory authority and responsibility to administer and enforce the Michigan Uniform Securities Act (2002), 2008 PA 551, as amended, MCL 451.2101 *et seq.* ("Securities Act"), hereby orders Richard Schroeder ("Respondent") to cease and desist from offering and selling unregistered securities and from acting as an unregistered agent for Woodbridge Mortgage Investment Fund 3, LLC; Woodbridge Mortgage Investment Fund 3A, LLC; and Woodbridge Mortgage Investment Fund 4, LLC (collectively, "Woodbridge" unless individually identified), contrary to the Securities Act. Respondent is also notified of the opportunity to request a hearing in this matter.

I. BACKGROUND

A. The Respondent

1. Richard Schroeder is a Michigan resident who is licensed to sell insurance in this state. Respondent is not and has never been registered in any capacity pursuant to the Securities Act in Michigan.

B. Findings of Fact

1. The Bureau conducted an investigation of Respondent's activities under the Securities Act.

2. On or around August 8, 2017, the Bureau issued orders against Woodbridge Mortgage Investment Fund 3, LLC; Woodbridge Mortgage Investment Fund 3A, LLC; and Woodbridge Mortgage Investment Fund 4 for violations of section 301 and section 501 of the Securities Act, MCL 451.2301 and MCL 451.2501. (Exhibits 1, 2, and 3).¹ None of the Woodbridge securities were federal covered, registered, or exempt from registration.
3. The investigation developed evidence that Respondent offered or sold Woodbridge securities in the form of notes as follows:
 - A. Respondent sold a Woodbridge Mortgage Investment Fund 3A, LLC note to investors JC and CC for \$50,000 on or around April 26, 2016;
 - B. Respondent sold a Woodbridge Mortgage Investment Fund 4, LLC note to investor DG for \$30,000 on or around March 8, 2017;
 - C. Respondent sold a Woodbridge Mortgage Investment Fund 3A, LLC note to investor MO for \$44,000 on or around August 11, 2016;
 - D. Respondent sold a Woodbridge Mortgage Investment Fund 3A, LLC note to investors CZ and RZ for \$100,000 on or around July 28, 2016; and
 - E. Respondent sold a second Woodbridge Mortgage Investment Fund 3A, LLC note to investors CZ and RZ for \$100,000 on or around July 28, 2016.
4. The investigation developed evidence that Woodbridge paid Respondent \$8,160 in commissions to represent it in marketing, offering, and selling the securities identified in paragraph I.B.3.
5. Respondent is not registered or exempt from registration as an agent pursuant to the Securities Act in Michigan.

II. RELEVANT STATUTORY PROVISIONS

1. Section 301 of the Securities Act, MCL 451.2301, states:

A person shall not offer or sell a security in this state unless 1 or more of the following are met:

¹ Multiple other states have initiated enforcement proceedings against Woodbridge and its affiliated entities. The United States Securities and Exchange Commission has initiated enforcement proceedings against Woodbridge at the federal level, and alleges that Woodbridge is a “Ponzi scheme” which has defrauded investors out of over one billion dollars nationwide.

- (a) The security is a federal covered security.
- (b) The security, transaction, or offer is exempted from registration under section 201 to 203.
- (c) The security is registered under this act.

2. Section 402(1) of the Securities Act, MCL 451.2402(1), states:

An individual shall not transact business in this state as an agent unless the individual is registered under this act as an agent or is exempt from registration as an agent under subsection (2).

3. Section 503(1) of the Securities Act, MCL 451.2503(1), states:

In a civil action or administrative proceeding under this act, a person claiming an exemption, exception, preemption, or exclusion has the burden to prove the applicability of the exemption, exception, preemption, or exclusion.

III. CONCLUSIONS OF LAW

- 1. Respondent Richard Schroeder offered or sold five Woodbridge securities in the State of Michigan which were not federally covered, exempt from registration, or registered, in violation of section 301 of the Securities Act, MCL 451.2301. (Exhibit 1).
- 2. Respondent Richard Schroeder acted as an agent for Woodbridge in the offer and sale of five securities without the benefit of registration or a properly-claimed exemption, in violation of section 402(1) of the Securities Act, MCL 451.2402(1).

IV. ORDER

IT IS THEREFORE ORDERED, pursuant to section 604 of the Securities Act, MCL 451.2604, that:

- A. Respondent shall immediately CEASE AND DESIST from offering and selling unregistered securities and from acting as an unregistered agent, contrary to the Securities Act.
- B. Pursuant to section 604(2) of the Securities Act, this Notice and Order to Cease and Desist is IMMEDIATELY EFFECTIVE.

- C. In her Final Order, the Administrator, under section 604(4) of the Securities Act, MCL 451.2604(4), intends to impose a civil fine of \$8,160.00 against Respondent.
- D. Pursuant to section 508 of the Securities Act, MCL 451.2508, a person that willfully violates the Securities Act, or an order issued under the Securities Act, is guilty of a felony punishable by imprisonment for not more than 10 years or a fine of not more than \$500,000.00 for each violation, or both. An individual convicted of violating a rule or order under this act may be fined, but shall not be imprisoned, if the individual did not have knowledge of the rule or order.

V. NOTICE OF OPPORTUNITY FOR HEARING

Section 604 of the Securities Act, MCL 451.2604, provides that Respondent has 30 days beginning with the first day after the date of service of this Notice and Order to Cease and Desist to submit a written request to the Administrator asking that this matter be scheduled for a hearing. If the Administrator receives a written request in a timely manner, the Administrator shall schedule a hearing within 15 days after receipt of the request. The written request for a hearing must be addressed to:

Corporations, Securities & Commercial Licensing Bureau
Regulatory Compliance Division
P.O. Box 30018
Lansing, MI 48909

VI. ORDER FINAL ABSENT HEARING REQUEST

- A. Under section 604 of the Securities Act, MCL 451.2604, the Respondent's failure to submit a written request for a hearing to the Administrator within 30 days after the service date of this **NOTICE AND ORDER TO CEASE AND DESIST** shall result in this order becoming a **FINAL ORDER** by operation of law. The **FINAL ORDER** includes the imposition of the fines cited described in section IV.C., and the fine amounts set forth below will become due and payable to the Administrator within sixty (60) days after the date this order becomes final:

\$8,160.00 – Richard Schroeder, under section 604 of the Securities Act, MCL 451.2604.

- B. CIVIL FINE payments should be payable to the STATE OF MICHIGAN and contain identifying information (e.g., names and complaint numbers) and mailed to the following address:

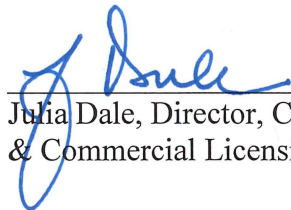
Notice & Order to Cease & Desist
Richard Schroeder (CN 333331)

Corporations, Securities & Commercial Licensing Bureau
Final Order Monitoring
P.O. Box 30018
Lansing, MI 48909

- C. Failure to comply with the terms of this Order within the time frames specified may result in additional administrative penalties, including the summary suspension or continued suspension of all registrations held by Respondent under the Securities Act, the denial of any registration renewal, and/or the denial of any future applications for registration, until full compliance is made. Respondent may voluntarily surrender or withdraw a registration under the Securities Act; however, the surrender or withdrawal will not negate the summary suspension or continued suspension of the relevant registrations or any additional administrative proceedings if a violation of this Order or the Securities Act occurred.

- D. Failure to pay the civil fines within six (6) months after this Order becomes final may result in the referral of the civil fines to the Michigan Department of Treasury for collection action against Respondents.

CORPORATIONS, SECURITIES & COMMERCIAL LICENSING BUREAU



Julia Dale, Director, Corporations, Securities
& Commercial Licensing Bureau

Date 1/29/18