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3 Department of Business Oversight
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7 BEFORE THE DEPARTMENT OF BUSINESS OVERSIGHT
8 OF THE STATE OF CALIFORNIA
9

10 In the Matter of:)
11 THE COMMISSIONER OF BUSINESS) CONSENT ORDER
OVERSIGHT,)
12)
Complainant,)
13 v.)
14 JAY NATHAN BROWN,)
15 Respondent.)
16)
17)

18 This Consent Order is entered between the Department of Business Oversight (Department)
19 through the Commissioner of Business Oversight (Commissioner), on the one hand, and Jay Nathan
20 Brown (Respondent) on the other hand (hereafter, the Party), and is made with respect to the
21 following:

22 RECITALS
23

- 24 A. At all relevant times, Jay Nathan Brown, a California resident, with a business address
25 of 1000 Fourth Street, Suite 580, San Rafael, CA 94901.
26 B. At all relevant times, Woodbridge Group of Companies, LLC was a company formed
27 in California with a business address of 14225 Ventura Boulevard, Suite 100, Sherman Oaks,
28 California 91423.

1 C. Beginning as early as July 2012, Woodbridge Group of Companies, LLC and its
2 affiliates, including but not limited to WMF Management, LLC, Woodbridge Structured Funding,
3 LLC, Woodbridge Pre-Settlement Funding, LLC, Woodbridge Mortgage Investment Fund 1, LLC,
4 Woodbridge Mortgage Investment Fund 2, LLC, Woodbridge Mortgage Investment Fund 3, LLC,
5 Woodbridge Mortgage Investment Fund 3A, LLC, Woodbridge Mortgage Investment Fund 4, LLC,
6 Woodbridge Commercial Bridge Loan Fund 1, LLC, Woodbridge Commercial Bridge Loan Fund 2,
7 LLC (collectively, Woodbridge) offered securities in California to investors in the form of lending
8 agreements, some of which were referred to as “First Position Commercial Mortgage Notes,”
9 “mezzanine loans,” “construction loans,” and “Co-Lending Opportunities” (collectively, FPCMs).

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

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

1 F. 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 FPCMs, in California.

4 G. Beginning in 2015, Jay Nathan Brown offered and sold FPCMs issued by Woodbridge
5 to California investors. Jay Nathan Brown recommended to eight of his clients in California that they
6 invest in FPCMs issued by Woodbridge.

7 H. Jay Nathan Brown received sales commission from Woodbridge, totaling \$18,600.00.
8 Further, each time investors reinvested their initial investments – and some investors “repositioned”
9 or renewed their investment more than once – Jay Nathan Brown received additional commission.
10 Jay Nathan Brown’s clients invested collectively over \$1,090,000.00 in Woodbridge FPCMs.

11 I. Jay Nathan Brown has not secured from the Commissioner, nor any other similar
12 licensing entity, a certificate authorizing him to sell or induce the sale of securities as a broker-dealer
13 between 2015 and 2017.

14 J. The Commissioner is of the opinion that the FPCMs issued and offered by
15 Woodbridge, through Jay Nathan Brown, are securities subject to qualification under the Corporate
16 Securities Law of 1968 (Corp. Code, § 25000 et seq.) that have been offered or sold without first
17 being qualified in violation of Corporations Code section 25110.

18 K. Furthermore, the Commissioner is of the opinion that Jay Nathan Brown effected,
19 induced, or attempted to induce the purchase or sale of securities in the form of FPCMs in the State
20 of California as a broker-dealer without first applying for and securing from the Commissioner a
21 certificate authorizing them to act in that capacity, in violation of Corporations Code section 25210.

22 L. Respondent Jay Nathan Brown admits to the jurisdiction of the Commissioner with
23 respect to the subject matter hereof and agrees to the execution of this Consent Order as a resolution
24 of the matter without the need to initiate litigation.

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

28 NOW THEREFORE, in consideration of the foregoing, and the terms and conditions set forth

1 herein, the Parties agree as follows:

2 TERMS AND CONDITIONS

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

5 2. Desist and Refrain Order. Respondent is hereby ordered to desist and refrain from the
6 further offer or sale of securities, in the State of California, including but not limited to lending
7 agreements such as FPCMs, unless and until qualification has been made under said law or unless the
8 security is exempt. Respondent is further hereby ordered to desist and refrain from effecting,
9 inducing or attempting to induce the purchase or sale of securities in this state as a broker-dealer
10 without first applying for and securing from the Commissioner a certificate authorizing him to act in
11 that capacity.

12 3. Waiver of Hearing Rights. Respondent has read this Consent Order, is aware of his
13 rights to a hearing and appeal in this matter if a formal enforcement action had been commenced to
14 request the relief specified under this Consent Order, and elects to permanently waive any right to a
15 hearing and appeal, including those rights under the CSL, the California Administrative Procedures
16 Act (Gov. Code, § 11400 et seq.), and the Code of Civil Procedure with respect to the issuance of
17 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 Respondent 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 Respondent or any of the
25 managers, officers, directors, shareholders or employees of Respondent for all unknown or future
26 violations of the CSL.

27 5. Independent Legal Advice. Respondent represents, warrants, and agrees that he has
28 had the opportunity to seek independent advice from legal counsel and/or representative with respect

1 to the advisability of executing this Consent Order.

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

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

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

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

28 10. Limited Nature of Consent Order. Respondent neither admits nor denies the

1 allegations and violations set forth in paragraphs B through M, above, in this Consent Order. As part
2 of this Consent Order the Respondent agrees that he: (i) will not take any action or make or permit to
3 be made any public statement denying, directly or indirectly, any allegation in the Consent Order or
4 creating the impression that the Consent Order is without factual basis; and (ii) will not make or
5 permit to be made any public statement to the effect that the Respondent does not admit the
6 allegations of the Consent Order, or that this Consent Order contains no admission of the allegations,
7 without also stating that Respondent does not deny the allegations. If the Respondent breaches this
8 agreement, the Department may vacate this Consent Order and restore this action. Nothing in this
9 paragraph affects the Respondent's: (i) testimonial obligations; or (ii) right to take differing legal or
10 factual positions in litigation or other legal proceedings.

11 11. Effect Upon Future Proceedings. If Respondent applies for any license, permit or
12 qualification under the Commissioner's current or future jurisdiction, or is the subject of any future
13 action by the Commissioner to enforce this Consent Order, then the subject matter hereof shall be
14 admissible for the purpose of such application(s) or enforcement proceedings(s).

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

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

23 14. Authority for Settlement. Each party warrants and represents that such party is fully
24 entitled and duly authorized to enter and deliver this Consent Order. In particular, and without
25 limiting the generality of the foregoing, each party warrants and represents that it is fully entitled to
26 enter the covenants, and undertake the obligations set forth herein.

27 15. Public Record. Respondent acknowledges that this Consent Order is a public record.
28 Respondent further understands and agrees to not make any statement or representation that is

1 inconsistent with the Consent Order.

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

5 17. Effective Date: This Consent Order shall become effective when executed by the
6 Commissioner or her designee and transmitted by electronic mail (email) to Respondent’s counsel at
7 MEhrlich@reiflawgroup.com.

8 Dated: 10/3/18

JAN LYNN OWEN
Commissioner of Business Oversight

10 By: _____
11 MARY ANN SMITH
12 Deputy Commissioner
13 Enforcement Division

14 Dated: 10/3/18

JAY NATHAN BROWN

15 Approved as to form:

16 _____
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18 Marc S. Ehrlich, Esq.
19 Reif Law Group, P.C.
20 Attorney for Jay Nathan Brown
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