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8 BEFORE THE DEPARTMENT OF BUSINESS OVERSIGHT
9 OF THE STATE OF CALIFORNIA
10

11 In the Matter of:)
12 THE COMMISSIONER OF BUSINESS) CONSENT ORDER
OVERSIGHT,)
13)
Complainant,)
14 v.)
15 CLAUDE G. COSSU,)
16 Respondent.)
17)
18)
19)

19 This Consent Order is entered between the Department of Business Oversight (Department)
20 through the Commissioner of Business Oversight (Commissioner), on the one hand, and Claude G.
21 Cossu (Respondent) on the other hand (hereafter, the Party), and is made with respect to the
22 following:

23 RECITALS
24

25 A. At all relevant times, Claude G. Cossu, a California resident, was sole owner and
26 doing business as Cossu Financial & Annuity Services, with a business address of 1125 Missouri St,
27 Suite 207, Fairfield, CA 94533.
28

1 B. At all relevant times, Woodbridge Group of Companies, LLC was a company formed
2 in California with a business address of 14225 Ventura Boulevard, Suite 100, Sherman Oaks,
3 California 91423.

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

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

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

1 borrower defaulted on the loan. Woodbridge assured FPCMs investors that Woodbridge would pay
2 them the interest payments regardless of whether the borrower defaulted on the loan. FPCMs
3 investors were also assured they would get back their full principal at the end of the term if requested.

4 F. Woodbridge used inhouse employees called “consultants” and paid external referrers,
5 insurance salespersons, investment advisors, and financial planners to solicit and sell Woodbridge
6 securities, including FPCMs, in California.

7 G. Beginning in 2014, Claude G. Cossu became an agent of Woodbridge, in which
8 capacity he offered and sold FPCMs issued by Woodbridge to at least 19 California investors.

9 H. Claude G. Cossu advised his clients in California to invest in FPCMs issued by
10 Woodbridge. Collectively, Cossu’s clients invested over \$4 million in Woodbridge FPCMs.

11 I. Claude G. Cossu received sales commission from Woodbridge of five to seven percent
12 for each dollar invested, totaling over \$145,700.00. Further, each time investors reinvested their
13 initial investments – and some investors “repositioned” or renewed their investment more than once –
14 Claude G. Cossu received yet another commission.

15 J. Claude G. Cossu had not secured from the Commissioner, nor any other similar
16 licensing entity, a certificate authorizing him to sell or induce the sale of securities between 2014 and
17 2017.

18 K. Claude G. Cossu had neither secured from the Commissioner, nor from any other
19 similar licensing entity, a certificate to offer investment advice for compensation between 2014 and
20 2017.

21 L. The Commissioner is of the opinion that the FPCMs issued and offered by
22 Woodbridge, through Claude G. Cossu, are securities subject to qualification under the Corporate
23 Securities Law of 1968 (Corp. Code, § 25000 et seq.) that have been offered or sold without first
24 being qualified in violation of Corporations Code section 25110.

25 M. Furthermore, the Commissioner is of the opinion that Claude G. Cossu effected,
26 induced, or attempted to induce the purchase or sale of securities in the form of FPCMs in the State
27 of California without first applying for and securing from the Commissioner a certificate authorizing
28 him to act in that capacity, in violation of Corporations Code section 25210.

1 N. Furthermore, the Commissioner is of the opinion that Claude G. Cossu has conducted
2 business as an investment adviser for compensation in this state without first securing from the
3 Commissioner a certificate, then in effect, in violation of Corporations Code section 25230,
4 subdivision (a).

5 O. Claude G. Cossu admits to the jurisdiction of the Commissioner with respect to the
6 subject matter hereof and agrees to the execution of this Consent Order as a resolution of the matter
7 without the need to initiate litigation.

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

11 NOW THEREFORE, in consideration of the foregoing, and the terms and conditions set forth
12 herein, the Parties agree as follows:

13 TERMS AND CONDITIONS

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

16 2. Desist and Refrain Order. Claude G. Cossu is hereby ordered to desist and refrain
17 from the further offer or sale of securities, in the State of California, including but not limited to
18 lending agreements such as FPCMs, unless and until qualification has been made under said law or
19 unless the security is exempt. Claude G. Cossu is further hereby ordered to desist and refrain from
20 effecting, inducing or attempting to induce the purchase or sale of securities in this state without first
21 applying for and securing from the Commissioner a certificate authorizing them to act in that
22 capacity. Claude G. Cossu is further hereby ordered to desist and refrain from acting as an
23 investment adviser in the State of California unless and until he has first applied for and secured from
24 the commissioner a certificate authorizing them to act as an investment adviser, or unless exempt.

25 3. Waiver of Hearing Rights. Respondent has read this Consent Order, is aware of his
26 rights to a hearing and appeal in this matter if a formal enforcement action had been commenced to
27 request the relief specified under this Consent Order, and elects to permanently waive any right to a
28 hearing and appeal, including those rights under the CSL, the California Administrative Procedures

1 Act (Gov. Code, § 11400 et seq.), and the Code of Civil Procedure with respect to the issuance of
2 the Desist and Refrain Order specified in Paragraph 2.

3 4. Future Actions by the Commissioner. The Parties acknowledge and agree that nothing
4 contained in this Consent Order shall operate to limit the Commissioner’s ability to assist any other
5 agency, (county, state or federal) with any prosecution, administrative, civil or criminal, brought by
6 any such agency against Respondent based upon the subject matter hereof or otherwise. This
7 Consent Order shall not limit the ability of the Commissioner to bring any administrative or civil
8 action to enforce compliance with this Consent Order or to seek penalties for its violation. Further,
9 the Commissioner reserves the right to bring any future action(s) against Respondent or any of the
10 managers, officers, directors, shareholders or employees of Respondent for all unknown or future
11 violations of the CSL.

12 5. Independent Legal Advice. Respondent represents, warrants, and agrees that he has
13 had the opportunity to seek independent advice from legal counsel and/or representative with respect
14 to the advisability of executing this Consent Order.

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

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

28 8. Full Integration. This Consent Order is the final written expression and the complete

1 and exclusive statement of all the agreements, conditions, promises, representations, and covenants
2 between the parties with respect to the subject matter hereof, and supersedes all prior or
3 contemporaneous agreements, negotiations, representations, understandings, and discussions between
4 and among the parties, their respective representatives, and any other person or entity, with respect to
5 the subject matter covered hereby.

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

13 10. Limited Nature of Consent Order. Respondent neither admits nor denies the
14 allegations and violations set forth in paragraphs A through N, above, in this Consent Order. As part
15 of this Consent Order the Respondent agrees that he: (i) will not take any action or make or permit to
16 be made any public statement denying, directly or indirectly, any allegation in the Consent Order or
17 creating the impression that the Consent Order is without factual basis; and (ii) will not make or
18 permit to be made any public statement to the effect that the Respondent does not admit the
19 allegations of the Consent Order, or that this Consent Order contains no admission of the allegations,
20 without also stating that Respondent does not deny the allegations. If the Respondent breaches this
21 agreement, the Department may vacate this Consent Order and restore this action. Nothing in this
22 paragraph affects the Respondent's: (i) testimonial obligations; or (ii) right to take differing legal or
23 factual positions in litigation or other legal proceedings.

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

28 12. Counterparts. This Consent Order may be executed in one or more counterparts, each

1 of which shall be an original but all of which, together, shall be deemed to constitute a single
2 document.

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

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

12 15. Public Record. Respondents acknowledge that this Consent Order is a public record.
13 Respondents further understand and agree to not make any statement or representation that is
14 inconsistent with the Consent Order.

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

18 17. Effective Date: This Consent Order shall become effective when executed by the
19 Commissioner or her designee and transmitted by electronic mail (email) to Respondent at
20 cgcosu@gmail.com.

21 Dated: 6/12/18

JAN LYNN OWEN
Commissioner of Business Oversight

22
23 By: _____
24 MARY ANN SMITH
25 Deputy Commissioner
26 Enforcement Division

27 Dated: 6/12/18

28 _____
CLAUDE G. COSSU