FILED

JAN 13 2020

Kansas
Securities Commissioner

BEFORE THE SECURITIES COMMISSIONER
OF THE STATE OF KANSAS

In the Matter of:

Richard D. Dean

Docket No. 20E 056
KSC No. 2018-6516

Respondent.
_______________________________/
Pursuant to K.S.A. 17-12a604

CONSENT ORDER

1. The Staff of the Office of the Kansas Securities Commissioner ("KSC Staff") allege that Richard D. Dean ("Dean") engaged in conduct constituting violations of the Kansas Uniform Securities Act, K.S.A. 17-12a101 *et seq*. ("the KUSA"), and that Dean is subject to administrative sanctions and remedies under K.S.A. 17-12a604.

2. Dean and KSC Staff desire to settle the matters raised by KSC Staff relating to the Dean's alleged violations.

CONSENT TO JURISDICTION

3. Dean and KSC Staff stipulate and agree that, under the KUSA, the Securities Commissioner of Kansas ("the Commissioner") has jurisdiction over the Dean and this matter.

4. Dean and KSC Staff stipulate and agree that the Commissioner has authority to enter this Order under K.S.A. 17-12a604.

WAIVER AND EXCEPTION

5. Dean waives his right to a hearing with respect to these matters.

6. Dean waives any rights that he may have to seek judicial review or otherwise challenge or contest the terms and conditions of this Order.

7. Dean specifically forever releases and holds harmless the Commissioner, KSC Staff, and their respective representatives and agents from any and all liability and claims arising out of, pertaining to, or relating to this matter.

8. Dean stipulates and agrees that, should the facts contained herein prove to be false or incomplete, the Commissioner and KSC Staff reserve the right to pursue any and all legal and administrative remedies at their disposal.

CONSENT TO THE COMMISSIONER'S ORDER

9. Dean and KSC Staff agree to the issuance of this Order without further proceedings in this matter, and agree to be fully bound by the terms and conditions specified herein.

10. Without admitting or denying the allegations made by the KSC Staff as reflected in the Findings of Fact and Conclusions of Law set forth below, Dean agrees to the issuance of this Order on the basis of such Findings of Fact and Conclusions of Law solely for the purposes of this proceeding and any proceeding that may be brought to enforce the terms of this Order.

11. Dean agrees to not take any action nor to make or permit to be made any public statement creating the impression that this Order is without a factual basis.

Nothing in this Order affects Dean's testimonial obligations or right to take legal or factual positions in defense of litigation or in defense of other legal proceedings in which the Commissioner is not a party.

FINDINGS OF FACT

12. Dean is an individual residing in the State of Texas and having a mailing address of P.O. Box 250107, Plano, TX 75025. Dean is a licensed non-resident insurance agent in the State of Kansas. At no time has Dean been registered under the KUSA in any capacity.

13. From approximately September 2015 through approximately December 2016, Dean acted as an agent of Woodbridge Mortgage Investment Fund 3, LLC ("Woodbridge 3") and Woodbridge Mortgage Investment Fund 4, LLC ("Woodbridge 4") in effecting the sale of a promissory note and a membership unit to a Kansas investor, for which Dean received commissions.

14. At the time of the sales of the promissory note, the note was not registered as a security under the KUSA as required. Additionally, Dean was not registered as an agent under the KUSA as required.

Woodbridge Investments

15. Woodbridge 3 and Woodbridge 4 were part of a group of affiliated entities (collectively, the "Woodbridge Entities") that were used by an individual named Robert Shapiro ("Shapiro") to perpetrate a nationwide Ponzi scheme.

16. Specifically, between no later than July 2012 through December 2017, Shapiro used a web of more than 275 limited liability companies to perpetrate a Ponzi scheme in which he raised more than $1.22 billion from over 10,000 investors nationwide.

17. The Woodbridge Entities were in the business of extending short-term loans to third-party borrowers. As part of each loan, the third-party borrower gave a First Position Commercial Mortgage ("FPCM") in favor of the particular Woodbridge Entity that extended the loan.

18. To raise funds for the loans to the third-party borrowers, the Woodbridge Entities sold promissory notes to investors. Proceeds from the sale of each promissory note were then used by the Woodbridge Entity which sold the note to extend a loan to a particular third-party borrower. Once the Woodbridge Entity received the FPCM from the borrower, the Woodbridge Entity then assigned a pro-rata portion of the FPCM to the investors whose funds were used to extend the loan.

19. As part of each short-term loan, the third-party borrower was to make regular monthly interest payments to the Woodbridge Entity which extended the loan, which would in turn generate the investment returns for the purchasers of the promissory notes.

20. The promissory notes sold by the Woodbridge Entities generally promised to pay investors an annual interest rate of five to eight percent. Interest payments to investors were to be made monthly and the principal was to be paid at the end of each note's respective term.

21. From August 1, 2012, through November 21, 2016, numerous affiliated Woodbridge Entities filed Form D notices claiming Rule 506 exemptions for the sale of membership units.

22. In addition to the sale of promissory notes, the Woodbridge Entities offered to sell membership units to investors through private offerings. The purchase of membership units gave investors an equity interest in a particular Woodbridge Entity and the right to receive distributions.

23. Investors who purchased membership units were to receive a ten percent preferred dividend for five years. On or after the fifth year, the investors were to receive an additional two percent accrued preferred dividend, a distribution of fifty percent of profits based on the number of units held by the investor, and the individual Woodbridge Entity would repay the investor and redeem the membership unit.

24. The Woodbridge Entities used independent sales agents to solicit purchases of the promissory notes and membership units, which agents were paid commissions for each sale.

25. During the scheme, Shapiro used at least $368 million of new investor funds to pay fictitious returns or profits to existing investors. Further, Shapiro used approximately $64.5 million of investor funds to pay commissions to agents who sold the promissory notes and membership units to investors.

26. On December 4, 2017, the Woodbridge Entities filed for chapter 11 bankruptcy in the United States Bankruptcy Court for the District of Delaware. On February 15, 2019, the bankruptcy court issued an order confirming the *First Amended Joint*

Chapter 11 Plan of Liquidation, which established the Woodbridge Liquidation Trust to hold and administer trust assets and make distributions to beneficiaries, including investors who purchased promissory notes and membership units from the Woodbridge Entities. The Woodbridge Liquidation Trust is currently asserting legal and equitable claims against agents to recover the commissions paid for the sale of Woodbridge promissory notes and membership units.

Dean and *Promissory Note and Membership Unit*

27. Dean was initially introduced to the Woodbridge Entities at an IRA conference in 2015.

28. Prior to recommending the Woodbridge promissory notes and membership units to his clients, Dean researched the Woodbridge and believed that the company had a good reputation. Dean also contacted a Woodbridge senior consultant to discuss the Woodbridge Entities and potential investments in the promissory notes and membership units.

29. From approximately September 2015 through approximately December 2016, Dean made recommendations to several of his clients that they purchase promissory notes or membership units from Woodbridge.

30. In September 2015, Dean recommended that purchase a promissory note from Woodbridge 3. was a client of Dean's and is a Kansas resident.

31. On or about September 14, 2015, and Woodbridge 3 signed a promissory note ("Promissory Note") and a loan agreement. Under the loan agreement, agreed to loan $50,000 to Woodbridge 3. Under the Promissory Note, Woodbridge 3 promised to pay the principal amount of $50,000 by October 1, 2016, plus monthly payments of interest at a rate of 5% per annum.

32. received a total of $5,305.47 in interest payments from Woodbridge after purchase of the Promissory Note.

33. Dean received a four percent commission from Woodbridge 3, equaling $2,000, for his role in effectuating the sale of the Promissory Note to .

34. KSC Staff allege on information and belief that as Promissory Note was nearing maturity, was encouraged by Dean and/or a representative of Woodbridge to roll over the principal due under the Promissory Note into the purchase of membership units of Woodbridge 4.

35. On or about December 23, 2016, entered into an agreement to purchase half of a membership unit of Woodbridge 4 ("Membership Unit") for $50,000.

36. Between purchase of the Membership Unit and the commencement of the Woodbridge Entities' bankruptcy, received a total of $3,944.44 in distribution payments from Woodbridge.

37. Dean received a five percent commission from Woodbridge 4, equaling $3,000, for his role in effectuating the sale of the membership unit to .

CONCLUSIONS OF LAW

38. The Commissioner has jurisdiction over Dean and this matter.

39. The Promissory Notes is a security as that term is defined in K.S.A. 17-12a102(28).

40. The Promissory Notes is not a federal covered security, as that term is defined in K.S.A. 17-12a102(7), and is not exempt from registration under K.S.A. 17-12a201 through 17-12a203.

41. Dean violated K.S.A. 17-12a301 by offering and selling the Promissory Note.

42. In effecting the sale of the Promissory Note and Membership Unit, Dean was an agent, as that term is defined in K.S.A. 17-12a102(2), of Woodbridge 3 and Woodbridge 4, and was not exempt from registration under K.S.A. 17-12a402(b).

43. Dean violated K.S.A. 17-12a402 by transacting business in this state as an agent when Dean was neither registered under the KUSA nor exempt from registration.

ORDER

IT IS THEREFORE ORDERED that Dean shall pay a civil penalty in the amount of $1,250.00. Payment shall be in the form of a cashier's check made payable to the "Office of the Kansas Securities Commissioner," and delivered to 109 SW 9th Street, Suite 600, Topeka, KS 66612. Such payment shall be made within 30 days of the issuance of this Order. Upon receipt, such payment shall be deposited in the Investor Education and Protection Fund.

IT IS SO ORDERED BY THE COMMISSIONER.

Entered at Topeka, Kansas, this 13th day of January, 2020.

Jeffrey S. Wagaman
Kansas Securities Commissioner

CONSENTED TO BY:

Kathlyn W. Daniels, Kanas Bar No. 28090
Staff Attorney
OFFICE OF THE KANSAS
SECURITIES COMMISSIONER
Attorney for KSC Staff

Richard D. Dean
Respondent

STATE OF TEXAS)
) ss:
COUNTY OF COLLIN)

This instrument was signed before me on this 4 day of DECEMBER, 2019, by Richard D. Dean.

(seal) DANIELLE GOOD
My Notary ID # 124635369
Expires August 5, 2023

Notary Public

My appointment expires: AUG. 5th, 2023

NOTICE

(1) A party to this action may petition the Commissioner for reconsideration within 15 days after service of a final order, following the procedures in K.S.A. 77-529. Under K.S.A. 77-528, a party may petition for a stay of effectiveness of this order until the time at which a petition for judicial review would no longer be timely.

(2) This decision may be subject to judicial review. The agency officer to receive service of a petition for judicial review on behalf of the Office of the Securities Commissioner is Jack Clayton Johnson, Chief Regulatory Counsel, at 109 SW 9th Street, Suite 600, Topeka, Kansas 66612