

BEFORE THE SECURITIES COMMISSIONER  
OF THE STATE OF KANSAS



In the Matter of:

Michael T. Riedmiller (CRD #: 6552569)

Docket No. 2018-6516  
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 Michael T. Riedmiller (“Riedmiller”) engaged in conduct constituting violations of the Kansas Uniform Securities Act, K.S.A. 17-12a101 *et seq.* (“the KUSA”), and that Riedmiller is subject to administrative sanctions and remedies under K.S.A. 17-12a604.
2. Riedmiller and KSC Staff desire to settle the matters raised by KSC Staff relating Riedmiller’s alleged violations.

**CONSENT TO JURISDICTION**

3. Riedmiller and KSC Staff stipulate and agree that, under the KUSA, the Securities Commissioner of Kansas (“the Commissioner”) has jurisdiction over Riedmiller and this matter.
4. Riedmiller 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. Riedmiller waives his right to a hearing with respect to these matters.

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

12. Nothing in this Order affects Riedmiller'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

13. Riedmiller is an individual residing at  
  
Riedmiller is currently registered as an investment adviser representative in the State of Nebraska. Riedmiller is currently a licensed insurance agent in the State of Kansas. At no time has Riedmiller been registered under the KUSA in any capacity.
14. In August 2015, Riedmiller acted as an agent of Woodbridge Mortgage Investment Fund 3A, LLC ("Woodbridge 3A") in effecting the sale of a promissory note issued by Woodbridge 3A to a Kansas investor, for which Riedmiller received a commission.
15. At the time of this sale, the promissory note was not registered as a security under the KUSA as required. Additionally, Riedmiller was not registered as an agent under the KUSA as required.

#### Woodbridge Investments

16. Woodbridge 3A was 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.

17. 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.
18. 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.
19. 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.
20. 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.
21. 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.

22. The Woodbridge Entities used independent sales agents to solicit purchases of the promissory notes, which agents were paid commissions for each sale.
23. 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 to investors.
24. 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 a liquidation trust to hold and administer trust assets and make distributions to beneficiaries, including investors who purchased promissory notes 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.

Riedmiller and the Promissory Note

25. Riedmiller had no knowledge of the fraudulent activities of the Woodbridge Entities and Shapiro, as described above, until those fraudulent activities became known to the public generally.
26. Riedmiller initially became aware of the Woodbridge promissory notes in June or July of 2015. Riedmiller spoke several times on the telephone with Nicole Walker, an employee at Woodbridge, and viewed Woodbridge's information on the

internet. In addition, Riedmiller received and relied upon an opinion letter, written by a law firm at Woodbridge's request, which opined that the promissory notes sold by the Woodbridge Entities to investors were not securities.

27. It was Riedmiller's understanding that Woodbridge had all necessary licensing and was in compliance with all laws. Additionally, it was his understanding that Woodbridge's attorneys helped to ensure the company stayed compliant.
28. In August 2015, Riedmiller recommended that \_\_\_\_\_ purchase a promissory note from Woodbridge 3A. Riedmiller had previously provided financial planning services to \_\_\_\_\_. In making the recommendation that invest with Woodbridge, Riedmiller informed \_\_\_\_\_ that there were risks with making the investment, but that the risks should be minimal because of Woodbridge's history of good standing.
29. As noted above, Riedmiller believed that the promissory note was not a security on the basis of information provided by Woodbridge.
30. On or about August 20, 2015, \_\_\_\_\_ and Woodbridge 3A signed a promissory note ("the Promissory Note") and a loan agreement. Under the loan agreement, \_\_\_\_\_ agreed to loan \$50,000 to Woodbridge 3A, while Woodbridge 3A promised to pay \_\_\_\_\_ the principal amount of \$50,000 by January 1, 2017, plus monthly payments of interest at a rate of 6% per annum from the date of the Promissory Note through October 1, 2016, and 9% per annum from October 1, 2016, through January 1, 2017.

31. As the Promissory Note was nearing maturity, [redacted] was contacted directly by a representative of Woodbridge who encouraged [redacted] to roll over the principal due to him under the Promissory Note into the purchase of membership units of Woodbridge 3A. [redacted] agreed, and his purchase of membership units of Woodbridge 3A was effective on October 21, 2016. Riedmiller was in no way involved with [redacted] purchase of the membership units.
32. Between [redacted] purchase of the Promissory Note and his purchase of the membership units described above, [redacted] received a total of \$16,791.77 in interest payments from Woodbridge 3A.
33. Riedmiller received a commission, equaling \$7,000, from the Woodbridge Entities for his role in effectuating the sale of the Promissory Note to [redacted].

#### CONCLUSIONS OF LAW

34. The Commissioner has jurisdiction over Riedmiller and this matter.
35. The Promissory Note is a security as that term is defined in K.S.A. 17-12a102(28).
36. The Promissory Note 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.
37. Riedmiller violated K.S.A. 17-12a301 by offering and selling the Promissory Note to [redacted].

38. In effecting the sale of the Promissory Note, Riedmiller was an agent, as that term is defined in K.S.A. 17-12a102(2), of Woodbridge 3A, and was not exempt from registration under K.S.A. 17-12a402(b).
39. Riedmiller violated K.S.A. 17-12a402 by transacting business in this state as an agent of Woodbridge 3A when Riedmiller was neither registered under the KUSA as an agent nor exempt from registration.

ORDER

**IT IS THEREFORE ORDERED** that Riedmiller shall pay a civil penalty in the amount of \$1,750.00. Payment shall be in the form of a cashier's check made payable to the "Office of the Kansas Securities Commissioner," and be 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 23 day of January, 2020.





Jeffrey S. Wagaman  
*Kansas Securities Commissioner*





## 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 1300 SW Arrowhead Rd., Topeka, KS 66604.