

BEFORE THE SECURITIES COMMISSIONER  
OF THE STATE OF KANSAS



In the Matter of:

William E. Hamm (CRD # 1894960)

Docket No. **21 2677**  
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 William E. Hamm (“Hamm”) engaged in conduct constituting violations of the Kansas Uniform Securities Act, K.S.A. 17-12a101 *et seq.* (“the KUSA”), and is subject to administrative sanctions and remedies under K.S.A. 17-12a604.
2. Hamm and KSC Staff desire to settle the matters raised by KSC Staff relating to Hamm’s alleged violations.

**CONSENT TO JURISDICTION**

3. Hamm and KSC Staff stipulate and agree that, under the KUSA, the Securities Commissioner of Kansas (“the Commissioner”) has jurisdiction over Hamm and this matter.
4. Hamm and KSC Staff stipulate and agree that the Commissioner has authority to enter this Order under K.S.A. 17-12a604.

WAIVER

5. Hamm waives his right to a hearing with respect to these matters.
6. Hamm waives any rights that he may have to seek judicial review or otherwise challenge or contest the terms and conditions of this Order.

CONSENT TO THE COMMISSIONER'S ORDER

7. Hamm 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.
8. 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, Hamm 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.
9. Hamm 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 Hamm'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

10. Hamm, CRD # 1894960, is an individual with a last-known address of .  
Hamm is a registered insurance agent in the state of Kansas. At the times relevant hereto, Hamm was not registered under the KUSA in any capacity.
11. From approximately November 2016 through approximately October 2017, Hamm acted as an agent of Woodbridge Mortgage Investment Fund 1, LLC (“Woodbridge 1”), Woodbridge Mortgage Investment Fund 2, LLC (“Woodbridge 2”), Woodbridge Mortgage Investment Fund 3, LLC (“Woodbridge 3”), Woodbridge Mortgage Investment Fund 3A, LLC (“Woodbridge 3A”), and Woodbridge Mortgage Investment Fund 4, LLC (“Woodbridge 4”) to seven Kansas investors, for which Hamm received commissions.
12. At the time of the sales, the promissory notes were not registered as securities under the KUSA as required. Additionally, Hamm was not registered as an agent under the KUSA as required.

### Woodbridge Investments

13. Woodbridge 1, Woodbridge 2, Woodbridge 3, Woodbridge 3A, 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.

14. 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.
15. 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.
16. 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.
17. 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.
18. 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.

19. The Woodbridge Entities used independent sales agents to solicit purchases of the promissory notes, which agents were paid commissions for each sale.
20. 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.
21. 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 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.

*Hamm and the Investors' Promissory Notes*

22. Hamm initially became aware of the Woodbridge promissory notes in May 2016 after receiving a telephone call from a Woodbridge representative. The Woodbridge representative told Hamm that he was recruiting insurance agents to

market Woodbridge's FPCMs. Prior to recommending the Woodbridge promissory notes to his clients, Hamm spoke with a Woodbridge representative regarding the promissory notes, and received assurances that the promissory notes were not investments and that it was not a Ponzi scheme.

23. From approximately November 2016 through approximately October 2017, Hamm recommended several of his clients to purchase promissory notes from Woodbridge.
24. From approximately November 2016 through approximately October of 2017, Seven of Hamm's clients signed promissory notes and loan agreements with Woodbridge. Under the loan agreements, the clients loaned a total of \$430,000 to Woodbridge. Under the promissory notes, Woodbridge promised to pay each of the clients their principal amount plus monthly payments of interest of approximately 5% to 6% per annum.
25. Between the clients' purchase of the promissory notes and the commencement of the Woodbridge Entities' bankruptcy, Hamm's clients received a total of \$15,358.61 in interest payments from Woodbridge.
26. Hamm received commissions from the Woodbridge Entities of approximately three to four percent, equaling \$16,287.50, for his role in effectuating the sale of the promissory notes to his clients.
27. At no time was Hamm registered as an agent of the Woodbridge Entities under the KUSA.

## CONCLUSIONS OF LAW

28. The Commissioner has jurisdiction over Hamm and this matter.
29. The Promissory Notes are securities as that term is defined in K.S.A. 17-12a102(28).
30. The Promissory Notes are not federal covered securities, as that term is defined in K.S.A. 17-12a102(7), and are not exempt from registration under K.S.A. 17-12a201 through 17-12a203.
31. Hamm violated K.S.A. 17-12a301 by offering and selling the Promissory Notes to his clients.
32. In effecting the sale of the Promissory Notes, Hamm was an agent, as that term is defined in K.S.A. 17-12a102(2), of the Woodbridge Entities, and was not exempt from registration under K.S.A. 17-12a402(b).
33. Hamm violated K.S.A. 17-12a402 by transacting business in this state as an agent when Hamm was neither registered under the KUSA nor exempt from registration.

## ORDER

**IT IS THEREFORE ORDERED** that Hamm shall pay a civil penalty in the amount of \$4,000.00. Payment shall be in the form of a cashier's check made payable to the "Office of the Kansas Securities Commissioner," and delivered to Jack Clayton Johnson, Assistant General Counsel, at 1300 SW Arrowhead Road, Topeka, KS 66604. 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 5<sup>th</sup> day of February, 2021,



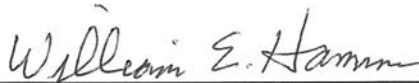
Dan Klucas  
*Acting Kansas Securities Commissioner*



CONSENTED TO BY:



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

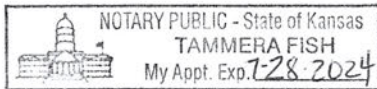


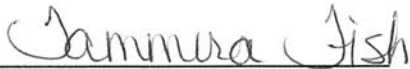
William E. Hamm  
*Respondent*

STATE OF Kansas )  
 ) ss:  
COUNTY OF Barton )

This instrument was signed before me on this 5<sup>th</sup> day of January, 2021,  
by William E. Hamm.

(seal)



  
Notary Public

My appointment expires: 7-28-2024



## **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, Assistant General Counsel, at 1300 SW Arrowhead Road, Topeka, Kansas 66604.