STATE OF OREGON
DEPARTMENT OF CONSUMER AND BUSINESS SERVICES
DIVISION OF FINANCIAL REGULATION

In the Matter of: DANIEL ROBERT BURNS and BURNS CAPITAL INVESTMENT ADVISORS, INC., Respondents.	Case No. S-19-0077 FINAL ORDER TO CEASE AND DESIST AND FINAL ORDER ASSESSING CIVIL PENALTIES, ENTERED BY CONSENT

The Director of the Department of Consumer and Business Services for the State of Oregon ("the Director"), conducted an investigation of Respondents, Daniel Robert Burns ("Burns") and Burns Capital Investment Advisors, Inc. ("BCIA"), and determined that they violated a provision of the Oregon Securities Law, Oregon Revised Statutes ("ORS") chapter 59 and Oregon Administrative Rules ("OAR") chapter 441.

Respondents have cooperated with the Director's investigation and wish to settle this matter with the Director.

Now, therefore, as evidenced by the signature(s) subscribed below, Respondents hereby consent to entry of this Order upon the following Findings of Fact and Conclusions of Law.

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Salem, OR 97301-3881
Telephone: (503) 378-4387

FINDINGS OF FACT

The Director FINDS that:

Respondents

1. BCIA is a state investment adviser licensed in Oregon since 2009. Its Investment Adviser Registration Depository number is 149351.

2. Burns is the owner, president, and chief compliance officer of BCIA. He is licensed in Oregon as an investment adviser representative and has worked at various

investment-related businesses since 1985. His Central Registration Depository number is 1374442.

3. From December 2015 to August 2017, Respondents offered and sold investments to their clients from various Woodbridge Funds, which were companies that provided private loans for commercial real estate.

The Woodbridge Funds

4. Woodbridge Mortgage Investment Fund 1, LLC ("Woodbridge Fund 1"), Woodbridge Mortgage Investment Fund 2, LLC ("Woodbridge Fund 2"), Woodbridge Mortgage Investment Fund 3, LLC ("Woodbridge Fund 3"), Woodbridge Mortgage Investment Fund 3A, LLC ("Woodbridge Fund 3A"), and Woodbridge Mortgage Investment Fund 4, LLC ("Woodbridge Fund 4") (collectively, "the Woodbridge Funds") were Delaware companies with a business address of 14225 Ventura Boulevard, Suite 100, Sherman Oaks, CA 91423.

5. Robert H. Shapiro ("Shapiro") was the president and CEO of the Woodbridge Funds. He resigned from his positions on December 1, 2017.

6. The Woodbridge Funds offered and sold private placement units for which they filed Form D notices of exemption from securities registration with the Securities and Exchange Commission ("SEC"), under Rule 506 of Regulation D of the Securities Act.

7. The Woodbridge Funds also offered and sold First Position Commercial Mortgage investments ("FPCM investments"), which they falsely claimed were not securities. They did not register the FPCM investments with the SEC or any state securities regulatory agency.

8. The Woodbridge Funds pooled the money from FPCM investors and purportedly used it to fund commercial real estate loans to third-party borrowers. The Woodbridge Funds falsely represented that the loans would be secured by a first position in the real property purchased by these third-party borrowers and that FPCM investors

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would have a fractional security interest in the real property in proportion to their investment.

9. The Woodbridge Funds provided FPCM investors with a promissory note, loan agreement, collateral assignment of the note and mortgage, and an inter-creditor agreement.

10. Other than providing money, the FPCM investors had no role in the Woodbridge Funds' lending business.

11. On May 4, 2015, the Massachusetts Securities Division issued an administrative order ("Massachusetts Order"), Docket E-2015-0039, against Woodbridge Funds 1, 2 and 3 for offering and selling unregistered and non-exempt securities in the form of FPCM investments.[1]

12. On July 17, 2015, the Texas State Securities Board issued an emergency cease and desist order ("Texas C&D"), Order No. ENF-15-CDO-1740, against Woodbridge Fund 3 and Shapiro, among others. The order alleged, in relevant part, that they violated the Texas Securities Act by selling unregistered securities in the form of FPCM investments.

13. On March 18, 2016, the Texas State Securities Board issued an administrative order ("Texas Order"), Order No. ENF-16-CDO-1743, concluding that Woodbridge Fund 3 and Shapiro, among others, violated the Texas Securities Act by selling unregistered securities in the form of FPCM investments.

14. On October 4, 2016, the Arizona Corporation Commission issued a temporary cease and desist order ("Arizona C&D"), Docket No. S-20988A-16-0354, against Woodbridge Funds 1, 2, 3, and 3A, among others, alleging that they offered and sold unregistered securities in the form of FPCM investments.

15. The Woodbridge Funds turned out to be part of an elaborate Ponzi scheme

[1] The Massachusetts Order also refers to FPCM investments as "Secure Bridge Loans."

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engineered by Shapiro. On December 4, 2017, the Woodbridge Funds voluntarily filed for Chapter 11 bankruptcy in the U.S. Bankruptcy Court for the District of Delaware.

16. On May 7, 2018, the Division issued an administrative order, Case No. S-17-0129, against the Woodbridge Funds, among others, for selling unregistered securities, selling securities without a license, and misrepresenting and omitting material facts in connection with the sale of securities.

17. In October 2019, Shapiro was sentenced to 25 years in prison for fraud and tax evasion.

Respondents' Offer and Sale of FPCM Investments

18. In December 2015, Respondents began selling FPCM investments to their clients. Burns learned of the Massachusetts Order and the Texas C&D by reading about them in online articles, but he did not read either order. Based on his understanding of the online articles, he believed that the Massachusetts Order and the Texas C&D were inapplicable to Respondents' sale of FPCM investments to clients in Oregon. However, he called the Texas State Securities Board, which confirmed that the FPCM investments were securities.

19. In December 2015, Burns also emailed the Division to inquire about Woodbridge Fund 3. The Division informed him that it had received Form D filings from the Woodbridge Funds for Regulation D Rule 506 offerings. The Division also encouraged Burns to do his due diligence on the Woodbridge Funds, given that they had been involved with securities regulators from other states.

20. Burns verbally informed his clients of the Massachusetts Order and the Texas C&D. Based on the Woodbridge Funds' representations, however, he believed that their Form D filings in Oregon were for the private placement offerings, not the FPCM investments. He further believed that the latter were not securities.

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21. Burns learned of the Arizona C&D through online articles, but he did not read the order.

22. The FPCM investments that Respondents sold to their clients were 12-month notes bearing a five percent interest, with an opportunity to rollover the money invested for another 12-month term. Respondents earned a commission of four percent of the money invested—a fact they disclosed verbally to clients while describing the investment and prior to the actual investment being made by clients. After the Division examination of BCIA described below, Respondents again disclosed this fact to their clients, this time in writing.

23. In October 2016, the Division conducted an examination of BCIA. In the examination letter dated November 10, 2016, the Securities Examiner noted that BCIA did not disclose Respondents' Woodbridge commission in the Fees and Compensation portion of its Form ADV. In response, Respondents updated its Form ADV to include information about their Woodbridge commission, but they described the FPCM investments as "non securities" based on the representations made by Woodbridge and Respondents' understanding of the articles on the Massachusetts Order, Texas C&D, and Arizona C&D.

24. In April 2017, the Securities Examiner informed Respondents via email that identifying the FPCM investments as "non securities" was "not an accurate portrayal of the product." In another email sent in May 2017, the Securities Examiner told Respondents that the Division believed the FPCM investments were securities.

25. Respondents continued to sell FPCM investments to their clients until August 2017. In total, Respondents sold 14 FPCM investments amounting to $912,700. Of those, 5 FPCM investments amounting to $363,000 were rolled over for another term.

26. Respondents received a total of $47,758.75 in commissions from the Woodbridge Funds, divided per client[2] as follows:

[2] Spouses who invested together are considered one client. Respondents did not receive any commission for

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A. SF - $4,000

B. SG - $4,000

C. RI & CI - $4,000

D. KL & CL - $2,160

E. AM - $1,400

F. WO - $1,000

G. PO - $1,600

H. GP & SP - $3,840

I. FS - $1,718.75

J. DS & MS - $8,000

K. DV & SV - $7,040

L. JW - $1,000

M. HZ & JZ - $8,000

27. The Woodbridge Funds stopped paying interest to Respondents' clients in December 2017. Respondents learned shortly after that the Woodbridge Funds had filed for Chapter 11 bankruptcy.

CONCLUSIONS OF LAW

The Director CONCLUDES that:

28. The FPCM investments that Respondents offered and sold to their clients were securities as defined in ORS 59.015(19)(a).

29. The securities that Respondents offered and sold to their clients were not registered in Oregon pursuant to ORS chapter 59 and OAR chapter 441.

30. Respondents offered and sold unregistered securities to their clients in violation of ORS 59.055.

31. ORS 59.995(1)(a) authorizes the Director to assess civil penalties against

client CB.

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Respondents of up to $20,000 per violation for selling unregistered securities.

ORDER

Now therefore, the Director issues the following:

Order to Cease and Desist

32. As authorized by ORS 59.245(4), the Director hereby ORDERS Respondents to CEASE AND DESIST from violating ORS 59.055.

Order Assessing Civil Penalties

33. As authorized by ORS 59.995(1)(a), the Director hereby ASSESSES $105,000 in civil penalties against Respondents, jointly and severally, for selling 14 unregistered and non-exempt securities to their clients, in violation of ORS 59.055.

34. The Director SUSPENDS the $105,000 in civil penalties, provided Respondents comply with the following conditions:

A. Respondents shall pay each of their clients an amount equal to the commission they received from the sale of FPCM investments to each respective client, as detailed in paragraph 26 of this Order;

B. Respondents shall complete the payments to their clients within eighteen (18) months of the date of this Order and provide documentation of such payments to the Division; and

C. Respondents shall not violate the Oregon Securities Law or the terms of this Order.

35. If Respondents fail to satisfy the above conditions, the $105,000 in civil penalties will become immediately due and owing. If Respondents satisfy the above conditions, the Director will waive the full civil penalties after three years from the date of this Order.

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36. The entry of this Order does not limit further remedies which may be available to the Director under Oregon law.

SO ORDERED this 9th day of December, 2019.

LOUIS SAVAGE, Acting Director
Department of Consumer and Business Services

/s/ Dorothy Bean
Dorothy Bean, Chief of Enforcement
Division of Financial Regulation

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CONSENT TO ENTRY OF ORDER

I, Daniel Robert Burns, state that I have read the foregoing Order and that I know and fully understand the contents hereof. The factual allegations stated herein are true and correct. I have been advised of the right to a hearing and of the right to be represented by counsel in this matter. I voluntarily consent to the entry of this Order without force or duress, expressly waiving any right to a hearing in this matter, as well as any rights to administrative or judicial review of this Order. I understand that the Director reserves the right to take further action against me to enforce this Order or to take appropriate action upon discovery that I have committed other violations of the Oregon Securities Law. I will fully comply with the terms and conditions stated herein.

I understand that this Order is a public document.

/s/ Daniel R. Burns
Signature

ACKNOWLEDGMENT

State of Oregon

County of Clackamas

Signed or attested before me on the 4th day of December, 2019.

/s/ John C. Baumann
Notary Public

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ENTITY CONSENT TO ENTRY OF ORDER

I, Daniel Robert Burns, am the owner, president, and chief compliance officer of Burns Capital Investments Advisors, Inc. ("BCIA"). I am authorized to act and sign this Order on behalf of BCIA. I have read the foregoing Order, and I know and fully understand the contents hereof. I have been advised of the right to a hearing and of the right to be represented by counsel in this matter. BCIA voluntarily consents to the entry of this Order without force or duress, expressly waiving any right to a hearing in this matter, as well as any rights to administrative or judicial review of this Order. BCIA understands that the Director reserves the right to take further action to enforce this Order or to take appropriate action upon discovery that BCIA has committed other violations of the Oregon Securities Law. BCIA, along with its officers, directors, employees, or agents, will fully comply with the terms and conditions stated herein.

BCIA understands that this Order is a public document.

Signature: */s/ Daniel R. Burns*

Position Held: President and Owner

ACKNOWLEDGMENT

State of Oregon

County of Clackamas

Signed or attested before me on the 4th day of December, 2019.

/s/ John C. Baumann
Notary Public

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