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

In the Matter of: WILLIAM C. WESTROM, JR., aka BILL WESTROM, Respondent.	Case No. S-19-0144 FINAL ORDER TO CEASE AND DESIST AND FINAL ORDER DENYING USE OF EXEMPTIONS AND ASSESSING CIVIL PENALTIES, ENTERED BY DEFAULT

On June 11, 2020, the Director of the Department of Consumer and Business Services for the State of Oregon (the "Director"), through the Oregon Division of Financial Regulation (the "Division"), properly served William C. Westrom, Jr., aka Bill Westrom ("Westrom") an Order to Cease and Desist, Proposed Order Denying Use of Exemptions and Assessing Civil Penalties, and Notice of Right to a Hearing ("Notice Order") via regular and certified United States mail at his last known and other known associated addresses.

The Notice Order offered Westrom an opportunity for a hearing, if requested in writing within 20 days of service. The Notice Order further informed Westrom that if a hearing was not conducted because he did not timely request a hearing or otherwise defaulted, then the designated portion of the Division's file, which includes all materials he submitted, would automatically become part of the contested case record to prove a *prima facie* case. Westrom has not made a written request for a contested hearing, and the time to do so has expired.

After considering the relevant portions of the Division's file in this matter, the Director finds that the record proves a *prima facie* case.

//

Division of Financial Regulation
Labor and Industries Building
350 Winter Street NE, Suite 410
Salem, OR 97301-3881
Telephone: (503) 378-4387

Now, therefore, the Director makes the following Findings of Fact and Conclusions of Law, and issues the following Orders:

FINDINGS OF FACT

The Director FINDS that:

Respondent

1. Westrom is one of the managing members of TRUTHINEQUITY.COM, LLC ("TIE"), a limited liability company organized in Florida on or about August 27, 2009. TIE's principal business address is 436 Leafy Way Avenue, Spring Hill, Florida 34606. Its website is www.truthinequity.com.

2. TIE offers a program that helps consumers accelerate payoff of their mortgage using a home equity or personal line of credit ("TIE Equity Optimization Program").

3. Westrom, an Oregon resident, was licensed in the state as a resident insurance producer from May 2011 until his license expired in July 2015. His National Producer Number is 6246840. He was also licensed in Oregon as a mortgage loan originator from November 2017 until his license expired in January 2019. His NMLS number is 1504329.

4. Westrom was never licensed to sell securities in Oregon as a broker-dealer or salesperson.

5. In or around November 2015, Westrom offered and sold BS, a New York resident and former TIE client, investments from the Woodbridge Funds, which were companies that provided private loans for commercial real estate.

The Woodbridge Funds

6. 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")

Division of Financial Regulation
Labor and Industries Building
350 Winter Street NE, Suite 410
Salem, OR 97301-3881
Telephone: (503) 378-4387

were Delaware companies with a business address of 14225 Ventura Boulevard, Suite 100, Sherman Oaks, CA 91423.

7. Robert H. Shapiro (“Shapiro”) was the president and CEO of the Woodbridge Funds. He resigned from those positions on December 1, 2017.

8. The Woodbridge Funds offered and sold two types of investments: (1) private placement fund offerings with five-year terms (“Private Placement Offerings”) and (2) promissory notes with 12- to 18-month terms described as first position commercial mortgages (“FPCM Notes”).

9. For the Private Placement Offerings, the Woodbridge Funds filed Form D notices of exemption from securities registration with the Securities and Exchange Commission (“SEC”), in reliance on Rule 506 of Regulation D of the Securities Act of 1933, as amended.

10. On or about May 5, 2014, Woodbridge Fund 2 filed a Form D notice with the Director of its Private Placement Offerings (File 2014-788).

11. On or about November 7, 2014, Woodbridge Fund 3 filed a Form D notice with the Director of its Private Placement Offerings (File 2014-2225).

12. On or about July 13, 2016, Woodbridge Fund 3A filed a Form D notice with the Director of its Private Placement Offerings (File 2016-1380).

13. On or about January 3, 2017, Woodbridge Fund 4 filed a Form D notice with the Director of its Private Placement Offerings (File 2017-117).

14. The Woodbridge Funds falsely claimed that the FPCM Notes were not securities. They did not register the FPCM Notes with the SEC or any state securities regulatory agency.

15. The Woodbridge Funds pooled the money from the sale of the FPCM Notes 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

Division of Financial Regulation
Labor and Industries Building
350 Winter Street NE, Suite 410
Salem, OR 97301-3881
Telephone: (503) 378-4387

in the real property purchased by those third-party borrowers and that FPCM investors would have a fractional security interest in the real property in proportion to their investment.

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

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

18. On or about May 4, 2015, the Massachusetts Securities Division issued an administrative 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 Notes.[1]

19. On or about July 17, 2015, the Texas State Securities Board issued an emergency cease and desist order, 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 Notes.

20. On or about March 18, 2016, the Texas State Securities Board issued an administrative 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 Notes.

21. On or about October 4, 2016, the Arizona Corporation Commission issued a temporary cease and desist order, 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 Notes.

22. The Woodbridge Funds turned out to be part of an elaborate, fraudulent Ponzi scheme engineered by Shapiro. On December 4, 2017, the Woodbridge Funds voluntarily

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

Division of Financial Regulation
Labor and Industries Building
350 Winter Street NE, Suite 410
Salem, OR 97301-3881
Telephone: (503) 378-4387

filed for Chapter 11 bankruptcy in the U.S. Bankruptcy Court for the District of Delaware.

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

24. In October 2019, the District Court for the Southern District of Florida sentenced Shapiro to 25 years in prison for fraud and tax evasion in connection with the Woodbridge Ponzi scheme.

Westrom's Offer and Sale of FPCM Notes

25. In or around 2014, BS enrolled in the TIE Equity Optimization Program to pay off his conventional mortgage early. The program did not work for him, and in September 2015, he consolidated the two loans on his property through a cash-out refinancing.

26. In October 2015, BS informed Westrom, his main contact at TIE, that he was leaving the TIE Equity Optimization Program. BS mentioned to Westrom that he planned to use the $50,000 in cash he received from the refinance to buy a retirement home. Westrom, however, convinced BS to invest the money with the Woodbridge Funds instead. Westrom stated that if BS invested with the Woodbridge Funds through him and TIE, BS would earn a six percent interest on his investment instead of the five percent interest offered by the Woodbridge Funds in their brochures.

27. In or around November 2015, Westrom offered and sold BS an FPCM Note from Woodbridge Fund 1 for $50,000. The FPCM Note, which had a maturity date of March 1, 2017, promised to pay a six percent annual interest.[2]

//

[2] Per the promissory note, the interest rate was six percent per annum until December 1, 2016, and nine percent per annum thereafter until the maturity date. The loan agreement, however, stated that the interest rate on the note was six percent per annum. BS stated that the Woodbridge Funds paid him a six percent interest on his investment, as Westrom had promised.

Division of Financial Regulation
Labor and Industries Building
350 Winter Street NE, Suite 410
Salem, OR 97301-3881
Telephone: (503) 378-4387

28. In connection with the offer and sale of the FPCM Note to BS, Westrom stated that he had several people already invested in the Woodbridge Funds and that investing in the Woodbridge Funds was a solid investment. Westrom, however, did not disclose that he would receive a commission from the Woodbridge Funds for the sale of FPCM Notes or the amount of commission he would receive, though BS suspected that Westrom was not making referrals for free.

29. In or around mid-2016, BS asked Westrom how to withdraw his investment from Woodbridge Fund 1, but Westrom convinced BS to keep his investment.

30. On or about April 27, 2017, BS accepted a receipt from Woodbridge Fund 1 representing repayment of his $50,000 investment and reinvested the same amount in an FPCM Note issued by Woodbridge Fund 4. That new FPCM Note, which had a maturity date of September 1, 2018, promised to pay a six percent annual interest.[3]

31. On or about July 7, 2017, BS accepted a receipt from Woodbridge Fund 4 representing repayment of his $50,000 investment and reinvested the same amount in an FPCM Note issued by Woodbridge Fund 3A. That new FPCM Note, which had a maturity date of November 1, 2018, promised to pay a six percent annual interest.[4]

32. From December 2015 to November 2017, BS received a six percent interest payment on his Woodbridge Fund investment every month.

33. In or around December 2017, Woodbridge Fund 3A did not pay BS the promised six percent interest on his investment. BS contacted Westrom, who assured him that there was no problem with the Woodbridge Funds, that the Woodbridge Funds were restructuring, and that investor funds would come back. BS later learned that the

Division of Financial Regulation
Labor and Industries Building
350 Winter Street NE, Suite 410
Salem, OR 97301-3881
Telephone: (503) 378-4387

---

[3] The promissory note stated that the interest rate was six percent per annum until June 1, 2018, and nine percent per annum thereafter. The loan agreement, however, stated that the interest rate on the note was six percent per annum. As with the previous FPCM investment, BS received a six percent interest on his investment as Westrom had promised.

[4] The promissory note stated that the interest rate was six percent per annum until August 1, 2018, and nine percent per annum thereafter. The loan agreement, however, stated that the interest rate was six percent per annum. Again, BS received a six percent return on his investment as Westrom had promised.

Woodbridge Funds were engaged in a fraudulent Ponzi scheme and had filed for Chapter 11 bankruptcy.

34. On or about January 31, 2019, BS filed a complaint against Westrom with the Oregon Division of Financial Regulation (the "Division"). On or about February 25, 2019, the Director, through the Division, sent Westrom a subpoena duces tecum, requesting information from Westrom as part of an investigation. He did not respond.

CONCLUSIONS OF LAW

The Director CONCLUDES that:

35. The FPCM Notes that Westrom offered and sold BS were "securities" under ORS 59.015(1)(a) because they were notes and investment contracts.

36. The securities that Westrom sold BS were not registered under ORS 59.055.

37. By offering and selling unregistered securities, Westrom violated ORS 59.055.

38. By effecting or attempting to effect the sale of securities, Westrom transacted business in Oregon as a "salesperson" under ORS 59.015(18)(a). By transacting business in Oregon as a salesperson without a license, Westrom violated ORS 59.165(1).

39. By acting as a salesperson for the Woodbridge Funds' in their fraudulent Ponzi scheme, Westrom engaged, directly or indirectly, in an act, practice, or course of business which operates or would operate as a fraud or deceit upon a person, in violation of ORS 59.135(3).

40. By failing to the respond to the Division's subpoena duces tecum during its investigation, Westrom violated ORS 59.245(1) and (2) and ORS 59.315(1).

41. Having reason to believe Westrom violated ORS 59.055, ORS 59.165(1), ORS 59.135(3), ORS 59.245(1) and (2), and ORS 59.315(1), the Director has authority under ORS 59.245(4) to order Westrom to cease and desist from violating those statutes.

42. ORS 59.995(1)(a) authorizes the Director to assess civil penalties against Westrom of up to $20,000 per violation of the Oregon Securities Law.

Division of Financial Regulation
Labor and Industries Building
350 Winter Street NE, Suite 410
Salem, OR 97301-3881
Telephone: (503) 378-4387

ORDER

Now therefore, the Director issues the following:

Order to Cease and Desist

43. As authorized by ORS 59.245(4), the Director ORDERS Westrom to CEASE AND DESIST from violating ORS 59.055, ORS 59.165(1), ORS 59.135(3), ORS 59.245(1) and (2), and ORS 59.315(1).

Order Denying Use of Exemptions

44. As authorized by ORS 59.045(2), the Director DENIES Westrom the use of securities and transaction exemptions that would otherwise be available to him under ORS 59.025 and ORS 59.035.

Order Assessing Civil Penalties

45. As authorized by ORS 59.995(1)(a), the Director ORDERS Westrom to pay $70,000 in total CIVIL PENALTIES, allocated as follows:

A. $20,000 for violating ORS 59.055;

B. $20,000 for violating ORS 59.165(1);

C. $20,000 for violating ORS 59.135(3); and

D. $10,000 for violating ORS 59.245(1) and (2) and ORS 59.315(1).

46. This is a "Final Order" under ORS 183.310(6)(b). Subject to this provision, the entry of this Order does not limit further remedies that may be available to the Director under Oregon law.

SO ORDERED this __13th__ day of __July__, 2020.

ANDREW R. STOLFI, Director
Department of Consumer and Business Services

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

Division of Financial Regulation
Labor and Industries Building
350 Winter Street NE, Suite 410
Salem, OR 97301-3881
Telephone: (503) 378-4387

NOTICE OF RIGHT TO A JUDICIAL APPEAL

Except as provided in ORS 59.295(2), you may be entitled to judicial review of this Order under ORS 183.482. You may request judicial review by filing a petition with the Court of Appeals in Salem, Oregon, within 60 days from the date of this Order is served.

[The remainder of this page is intentionally left blank.]

Division of Financial Regulation
Labor and Industries Building
350 Winter Street NE, Suite 410
Salem, OR 97301-3881
Telephone: (503) 378-4387