

FILED

COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF BANKING AND SECURITIES

2016 JUN 28 AM 9:43

PA DEPARTMENT OF
BANKING AND SECURITIES

COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF BANKING AND
SECURITIES, BUREAU OF SECURITIES
LICENSING, COMPLIANCE AND
EXAMINATIONS

Docket No. : 16 0038 (SEC-OSC)

v.

LEHMAN CAPITAL ADVISORS, LLC
SHELDON C. LEHMAN

NOTICE OF RIGHT TO HEARING

You have the right to request a hearing before the Banking and Securities Commission ("Commission") within 30 days after receipt of this Order as provided in Section 607 of the Pennsylvania Securities Act of 1972, 70 P.S. § 1-607. A written request for a hearing must be filed with the Commission as follows:

Linnea Freeberg, Docket Clerk
Department of Banking and Securities
17 North Second Street, Suite 1300
Harrisburg, PA 17101

Failure to timely file a request for a hearing will result in this Order becoming a final Order.

Once you file a written request for a hearing, the matter will be scheduled for a hearing before a presiding officer designated by the Commission to commence within 30 days after receipt unless you consent to a later date. If you consent to a later date but fail, after notification by first class mail to your last known address in the Department's files, to consent to a hearing date that is within 180 days of the request, the request for a hearing shall be deemed abandoned and the Order shall be deemed a final Order. You have the right to be represented by an attorney in this matter.

Further, you must serve a copy of the request for a hearing and any other documents on the person who signed the Order by providing a copy to his or her counsel indicated below:

Stefanie Zikos Hamilton
Assistant Counsel
Department of Banking and Securities
17 N. Second Street, Suite 1300
Harrisburg, PA 17101

The hearing and all other procedural matters will be governed by the Pennsylvania Administrative Agency Law, 2 Pa. C.S. §§501-508, 701-704, and the General Rules of Administrative Practice and Procedure, 1 Pa. Code §§31.1.-35.251.

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Docket No. : 160038 (SEC-OSC)

v.

LEHMAN CAPITAL ADVISORS, LLC
SHELDON C. LEHMAN

ORDER TO SHOW CAUSE

You, Lehman Capital Advisors, LLC and Sheldon C. Lehman, are notified that the Department of Banking and Securities ("Department"), through the Bureau of Securities Licensing, Compliance and Examinations ("Bureau") hereby **ORDERS YOU TO SHOW CAUSE** why the Banking and Securities Commission ("Commission") should not impose the sanctions and remedies described below. Specifically, this proceeding is instituted pursuant to 1 Pa. Code § 35.14 to determine:

- (1) whether the allegations set forth below are true; and
- (2) if these allegations are true, whether there has been a violation of the Pennsylvania Securities Act of 1972 ("1972 Act") or of the regulations promulgated thereunder; and
- (3) if so, whether the sanctions and remedies proposed by the Bureau should be imposed by the Commission.

The Bureau alleges the following facts and violations of law for the purpose of tentatively framing the issues for consideration by the Commission. The Commission may consider this

matter directly, or may designate a hearing officer to issue a recommended decision prior to the Commission issuing a final order.

STATEMENT OF THE PARTICULARS AND MATTERS
CONCERNING WHICH THE BUREAU IS INQUIRING

PARTIES

1. The Department is the Commonwealth of Pennsylvania's administrative agency authorized and empowered to administer and enforce the 1972 Act.

2. The Bureau is primarily responsible for administering and enforcing the 1972 Act for the Department.

3. The Bureau operates from the Department's main office located at 17 North Second Street, Suite 1300, Harrisburg, Pennsylvania 17101.

4. Respondent Lehman Capital Advisors, LLC ("Respondent LCA"), CRD#159391, was, at all times material herein, a Pennsylvania limited liability company with an address at 1525 Cedar Cliff Drive, Suite 100, Camp Hill, Pennsylvania 17011.

5. Respondent Sheldon C. Lehman ("Respondent Lehman"), CRD#2591192, was, at all times material herein, an individual with an address at 1525 Cedar Cliff Drive, Suite 100, Camp Hill, Pennsylvania 17011. At all times material herein, Respondent Lehman was the managing partner and chief compliance officer of Respondent LCA.

FACTUAL ALLEGATIONS

6. From in or about January 2012 to the present, Respondent LCA has been registered pursuant to Section 301(c) of the 1972 Act, 70 P.S. §1-301(c) as an investment adviser.

7. From in or about January 2012 to the present, Respondent Lehman has been registered pursuant to Section 301(c) of the 1972 Act, 70 P.S. §1-301(c) as an investment adviser representative of Respondent LCA.

8. Respondent Lehman acted as an “affiliate” of Respondent LCA within the meaning of Section 102(b) of the 1972 Act, 70 P.S. §1-102(b), and, as such, caused Respondent LCA to commit the herein stated acts which violated the 1972 Act.

Borrowing Money From a Client

9. From in or about July 2013 until January 2014, Respondent Lehman borrowed at least \$50,000 from a client.

Sales of Woodbridge

10. Woodbridge Structured Funding, LLC (“WSF”) was, at all times material herein, a Delaware limited liability company with an address at 14225 Ventura Boulevard, Suite 100, Sherman Oaks, California 91423.

11. At all times material herein, WSF was in the structured funding industry, and WSF purchased future income streams from individuals in return for a lump sum.

12. According to WSF’s website, Scott Schwartz (“Schwartz”) was the vice-president of WSF.

13. Woodbridge Mortgage Investment Fund II, LLC (“WMIF2”) was, at all times herein, a Delaware limited liability company with an address at 14225 Ventura Boulevard, Suite 100, Sherman Oaks, California 91423.

14. At all times material herein, Robert Shapiro (“Shapiro”) was the executive officer of WMIF2.

15. At all times material here, WMIF2 offered for sale equity interests in WMIF2 (“WMIF2 Interests”).

16. In February 2014, WMIF2 filed a Form D, Notice of Exempt Offering of Securities with the Department, claiming reliance on Rule 506 of Regulation D for WMIF2's offer and sale of the WMIF2 Interests.

17. Woodbridge Mortgage Investment Fund III, LLC ("WMIF3") was, at all times herein, a Delaware limited liability company with an address at 14225 Ventura Boulevard, Suite 100, Sherman Oaks, California 91423.

18. At all times material herein, Shapiro was the executive officer of WMIF3.

19. At all times material here, WMIF3 offered for sale equity interests in WMIF3 ("WMIF3 Interests").

20. In November 2014, WMIF3 filed a Form D, Notice of Exempt Offering of Securities with the Department, claiming reliance on Rule 506 of Regulation D for WMIF3's offer and sale of the WMIF3 Interests.

21. According to WMIF3's "Confidential Offering Memorandum," WMIF3 is "an affiliate of [WSF]."

22. From in or about January 2014 until August 2015, Respondent Lehman offered and sold WMIF2 Interests and WMIF3 Interests to Pennsylvania residents.

23. For Respondent Lehman's sales of the WMIF2 Interests and WMIF3 Interests, Respondent Lehman received at least \$59,760.27 in compensation from WSF.

24. WSF, WMIF2, and WMIF3 are "affiliates" within the meaning of Section 102(b) of the 1972 Act, 70 P.S. §1-102(b).

25. WMIF2 is the "issuer" of the WMIF2 Interests within the meaning of Section 102(l) of the 1972 Act, 70 P.S. §1-102(l).

26. WMIF3 is the “issuer” of the WMIF3 Interests within the meaning of Section 102(l) of the 1972 Act, 70 P.S. §1-102(l).

27. Respondent Lehman represented WMIF2 and WMIF3 in effecting or attempting to effect purchases or sales of the WMIF2 Interests and WMIF3 Interests in Pennsylvania.

28. Respondent Lehman was neither registered pursuant to Section 301 of the 1972 Act, 70 P.S. §1-301 nor exempt from registration as an agent for WMIF2 and WMIF3.

**Sales of American Realty Capital Healthcare Trust and
Business Development Corporation of America**

29. AR Capital, LLC (“ARC”) was, at all times material herein, a Delaware limited liability company with an address at 405 Park Avenue, New York, New York 10022.

30. ARC was a full-service real estate investment management firm.

31. At all times material here, Nicholas S. Schorsch (“Schorsch”) was the chief executive officer of ARC.

32. American Realty Capital Healthcare Trust, Inc. (“ARCHT”) was, at all times material herein, a Maryland entity with an address at 405 Park Avenue, New York, New York 10022.

33. At all times material herein, Schorsch was the chief executive officer of ARCHT.

34. At all times material herein ARCHT offered for sale shares of common stock in ARCHT (“ARCHT Shares”).

35. In September 2010, ARCHT filed an application for registration of the ARCHT Shares with the Department pursuant to Section 205 of the 1972 Act, 70 P.S. §1-205.

36. Business Development Corporation of America (“BDCA”) was, at all times material herein, a Maryland entity with an address at 405 Park Avenue, New York, New York 10022.

37. At all times material herein, Schorsch was the chief executive officer of BDCA.

38. At all times material herein, BDCA offered for sale shares of common stock in BDCA ("BDCA Shares").

39. In June 2010 BDCA filed a notice with the Department under Section 211(a) of the 1972 Act, 70 P.S. §1-211(a), claiming an exemption from registration for the BDCA Shares as the BDCA Shares were federally covered securities under Section 18(b)(2) of the Securities Act of 1933.

40. From in or about July 2013 until December 2013, Respondent Lehman offered and sold ARCHT Shares and BDCA Shares to Pennsylvania residents.

41. For Respondent Lehman's sales of the ARCHT Shares and the BDCA Shares, Respondent Lehman received at least \$3,150 in compensation from ARC.

42. ARC, ARCHT, and BDCA are "affiliates" within the meaning of Section 102(b) of the 1972 Act, 70 P.S. §1-102(b).

43. ARCHT is the "issuer" of the ARCHT Shares within the meaning of Section 102(l) of the 1972 Act, 70 P.S. §1-102(l).

44. BDCA is the "issuer" of the BDCA Shares within the meaning of Section 102(l) of the 1972 Act, 70 P.S. §1-102(l).

45. Respondent Lehman represented ARCHT and BDCA in effecting or attempting to effect purchases or sales of the ARCHT Shares and BDCA Shares in Pennsylvania.

46. Respondent Lehman was neither registered pursuant to Section 301 of the 1972 Act, 70 P.S. §1-301 nor exempt from registration as an agent for ARCHT or BDCA.

COUNTS

Violation of Section 301(a) of the 1972 Act, 70 P.S. §1-301

47. Paragraphs 1 through 46 are incorporated herein by reference as if set forth in their entirety.

48. By engaging in the acts and conduct set forth in paragraphs 6, 7, and 10 through 46 of the Factual Allegations, Lehman effected transactions in securities in Pennsylvania while neither registered nor exempt from registration as an agent for WMIF2, WMIF3, ARCHT, or BDCA in willful violation of Section 301(a) of the 1972 Act, 70 P.S. §1-301(a).

Conduct Forming Basis to Deny, Suspend, Revoke, or Condition the Registration of or Censure Respondents LCA and Lehman pursuant to Section 305(a)(ix) of the 1972 Act, 70 P.S. 1-305(a)(ix), and Regulation 305.019(c)(c)(vi), 10 Pa. Code 305.019(c)(3)(vi), Promulgated Thereunder

49. Paragraphs 1 through 48 are incorporated herein by reference as if set forth in their entirety.

50. By engaging in the acts and conduct set forth in paragraphs 6 through 9 of the Factual Allegations, Respondents LCA and Lehman engaged in dishonest or unethical practices in the securities business by borrowing money or securities from a client, which acts and conduct form a basis to deny, suspend, revoke, or condition the registration of Respondents LCA and Lehman or to censure Respondents LCA and Lehman pursuant to Section 305(a)(ix) of the 1972 Act, 70 P.S. 1-305(a)(ix), and Regulation 305.019(c)(3)(vi), 10 Pa. Code 305.019(c)(3)(vi), promulgated thereunder.

SANCTIONS AND REMEDIES

WHEREAS, the Bureau respectfully requests the penalties and relief pursuant to its authority under the 1972 Act:

1. That an order be issued pursuant to Section 512 of the 1972 Act, 70 P.S. § 1-512, which bars, conditionally or unconditionally, and either permanently or for such period of time as may be determined, Respondent LCA and Respondent Lehman from:

- a. Representing an issuer offering or selling securities in this State;
- b. Acting as a promoter, officer, director or partner of an issuer (or an individual occupying a similar status or performing similar functions) offering or selling securities in this State or of a person who controls or is controlled by such issuer;
- c. Being registered as a broker-dealer, agent, investment adviser or investment adviser representative under Section 301 of the 1972 Act;
- d. Being an affiliate of any person registered under Section 301 of the 1972 Act; or
- e. Relying upon an exemption from registration contained in Section 202, 203 or 302 of the 1972 Act;

2. That an order be issued pursuant to Section 305 of the 1972 Act, 70 P.S. § 1-305 that the registration of Respondent LCA and Respondent Lehman be suspended, revoked, or conditioned or that Respondent LCA and Respondent Lehman be censured.

3. That Respondent LCA and Respondent Lehman be ordered to pay the costs of the investigation pursuant to Section 602.1(b) of the 1972 Act, 70 P.S. § 1-602.1(b).

4. That Respondent Lehman be ordered to pay an administrative assessment of up to \$100,000.00 for each act or omission constituting a willful violation of the 1972 Act, pursuant to Section 602.1(c) of the 1972 Act, 70 P.S. § 1-602.1(c).

IT IS SO ORDERED.



FOR THE COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF BANKING AND SECURITIES
BUREAU OF SECURITIES LICENSING, COMPLIANCE
AND EXAMINATIONS

Redacted

Glenn Skreppen, Assistant Bureau Director
Bureau of Securities Licensing, Compliance and Enforcement

Dated: 6/27/2016

