

COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF BANKING AND SECURITIES

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COMMONWEALTH OF PENNSYLVANIA	:	PA DEPARTMENT OF
DEPARTMENT OF BANKING AND	:	BANKING AND SECURITIES
SECURITIES, BUREAU OF SECURITIES	:	
COMPLIANCE AND EXAMINATIONS	:	Docket No.: 180001 (SEC-CAO)
	:	
v.	:	
	:	
ROBERT JOHN KNOX, JR.	:	

CONSENT AGREEMENT AND ORDER

The Commonwealth of Pennsylvania, acting through the Department of Banking and Securities ("Department"), Bureau of Compliance and Examinations ("Bureau") has conducted an investigation and examination of the business practices of Robert John Knox, Jr. ("Knox"). Based on the results of its investigation and examination, the Bureau has concluded that Knox has operated in violation of the Pennsylvania Securities Act of 1972, 70 P.S. § 1-101 et. seq. ("1972 Act"). Knox, in lieu of litigation, and without admitting or denying the allegations herein, and intending to be legally bound, hereby agrees to the terms of this Consent Agreement and Order ("Order").

BACKGROUND

1. The Department is the Commonwealth of Pennsylvania's administrative agency authorized and empowered to administer and enforce the 1972 Act and its regulations.
2. The Bureau is primarily responsible for administering and enforcing the 1972 Act and its regulations for the Department.
3. Knox, CRD #1489244, was, at all times material herein, an individual with a residential and business address of Redacted.

4. Knox has been registered as an investment adviser representative for a registered investment adviser in Pennsylvania at all material times herein.

5. Woodbridge Mortgage Investment Fund IIIA, LLC (“WMIF3A”) was, at all times herein, a Delaware limited liability company with an address at 14225 Ventura Boulevard, Suite 100, Sherman Oaks, CA 91423.

6. Woodbridge Mortgage Investment Fund IV, LLC (“WMIF4”) was, at all times herein, a Delaware limited liability company with an address at 14225 Ventura Boulevard, Suite 100, Sherman Oaks, CA 91423.

7. 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, CA 91423.

8. WMIF3A’s “Confidential Offering Memorandum” (“Materials I”) states the following:

- a. WMIF3A is engaged in the business of investing “in domestic first mortgages, mezzanine loans, and other real estate acquisitions and investments”;
- b. Robert Shapiro (“Shapiro”) is the present and chief executive officer of WMIF3A;
- c. WMIF3A is offering for sale a total of 1,000 “Preferred Incentive Units” in WMIF3 (“WMIF3A Units”);
- d. WMIF3A is seeking a total capitalization of \$100 million;
- e. The purchase price of a WMIF3A Unit is \$100,000,
- f. Each WMIF3A Unit will entitle an investor “to a return of ten percent (10%) per annum plus an additional 2% accrued preferred dividend after five years from the date of purchase of each respective [WMIF3A] Unit”; and

- g. “The management of the company shall be vested in its Managing Member,” and the “initial Managing Member shall be WMF Management, LLC”.

9. In or about February 2016, WMIF3A filed a Form D, Notice of Exempt Offering of Securities with the Department, claiming reliance on Rule 506 of Regulation D for WMIF3A’s offers and sales of the WMIF3A Units.

10. WMIF4’s “Confidential Offering Memorandum” (“Materials II”) states the following:

- a. WMIF4 is engaged in the business of investing “in domestic first mortgages, mezzanine financing, construction loans, and other real estate ventures”;
- b. WMIF4 is offering for sale 1,000 “Preferred Incentive Units” in WMIF4 (“WMIF4 Units”);
- c. Shapiro is the president and chief executive officer of WMIF4;
- d. WMIF4 is seeking a total capitalization of \$100 million;
- e. The purchase price of a WMIF4 Unit is \$100,000;
- f. Each [WMIF4] Unit will entitle the investor “to a return of ten percent (10%) per annum plus an additional 2% accrued preferred dividend after five years from the date of purchase of each respective [WMIF4] Unit”; and
- g. “The management of the company shall be vested in its Managing Member,” and “the initial Managing Member shall be WMF Management, LLC”.

11. In or about December 2016, WMIF4 filed a Form D, Notice of Exempt Offering of Securities with the Department, claiming reliance on Rule 506 of Regulation D for WMIF4’s offers and sales of WMIF4 Units.

12. From in or about at least February 2016 through December 2016, Knox offered and sold WMIF3A and WMIF4 Units (collectively referred to hereinafter as, “the Units”) to at least one Pennsylvania resident.

13. For Knox’s sales of the Units to Pennsylvania residents, Knox received compensation from WSF.

14. The Units described above are “securities” within the meaning of Section 102(t) of the 1972 Act, 70 P.S. § 1-102(t).

15. WMIF3A and WMIF4 are “issuers” of the Units within the meaning of Section 102(l) of the 1972 Act, 70 P.S. § 1-102(l).

16. WSF, WMIF3A and WMIF4 are “affiliates” within the meaning of Section 102(b) of the 1972 Act, 70 P.S. § 1-102(b).

17. Knox represented WMIF3A and WMIF4 in effecting or attempting to effect purchases or sales of the Units in Pennsylvania.

18. Knox was neither registered pursuant to Section 301(a) of the 1972 Act, 70 P.S. § 1-301(a) nor exempt from registration as an “agent” for WMIF3A and/or for WMIF4.

VIOLATION

19. By engaging in the acts and conduct set forth in paragraphs 3 through 18 above, Knox effected transactions in securities in Pennsylvania while neither registered nor exempt from registration as an “agent” in willful violation of Section 301(a) of the 1972 Act, 70 P.S. § 1-301(a).

RELIEF

20. Within 30 days of the Effective Date of this Order, as defined in paragraph 29, Knox shall pay the Department an administrative assessment in the amount of \$5,000. Payment shall be made by certified check or money order made payable to the “Department of Banking and

Securities” and shall be mailed or delivered in person to the Bureau of Compliance and Examinations located at 17 N. Second Street, Suite 1300, Harrisburg, PA 17101.

21. This Order is not intended to indicate that Knox should be subject to any disqualification contained in the federal securities laws, the rules and regulations thereunder; the rules and regulations of self-regulatory organizations or various states’ securities law, including the provisions of the 1972 Act and regulations promulgated thereunder, and any disqualification from relying upon the registration exemptions or safe harbor provisions, and this Order is not intended to form the basis of any such disqualification.

22. Knox is ORDERED to comply with the 1972 Act, and regulations adopted by the Department, and in particular, Section 301(a) of the 1972 Act, 70 P.S. § 1-301(a).

23. Should Knox fail to pay the assessment as set forth in paragraph 20 above, the sanctions set forth elsewhere in the Order shall continue in full force and effect until full payment is made. However, this provision shall not be construed as affording Knox the option of either paying the assessment or being indefinitely subject to the sanctions.

24. Should Knox fail to comply with any and/or all provisions of this Order, the Department may impose additional sanctions and costs and seek other appropriate relief subject to Knox’s right to a hearing pursuant to the 1972 Act.

FURTHER PROVISIONS

25. Consent. Knox hereby knowingly, willingly, voluntarily and irrevocably consents to the entry of this Order pursuant to the Bureau’s authority under the 1972 Act and agrees that he understands all of the terms and conditions contained herein. Knox, by voluntarily entering into this Order, waives any right to a hearing or appeal concerning the terms, conditions and/or penalties set forth in this Order.

26. Entire Agreement. This Order contains the entire agreement between the Department and Knox. There are no other terms, obligations, covenants, representations, statements, conditions, or otherwise, of any kind whatsoever concerning this Order. This Order may be amended in writing by mutual agreement by the Department and Knox.

27. Binding Nature. The Department, Knox, and all officers, owners, directors, employees, heirs and assigns of Knox intend to be and are legally bound by the terms of this Order.

28. Counsel. This Order is entered into by the parties upon full opportunity for legal advice from legal counsel.

29. Effectiveness. Knox hereby stipulates and agrees that the Order shall become effective on the date that the Bureau executes the Order (“Effective Date”).

30. Other Enforcement Action.

(a) The Department reserves all of its rights, duties, and authority to enforce all statutes, rules and regulations under its jurisdiction against Knox in the future regarding all matters not resolved by this Order.

(b) Knox acknowledges and agrees that this Order is only binding upon the Department and not any other local, state or federal agency, department or office regarding matters within this Order.

31. Authorization. The parties below are authorized to execute this Order and legally bind their respective parties.

32. Counterparts. This Order may be executed in separate counterparts, by facsimile and by PDF.

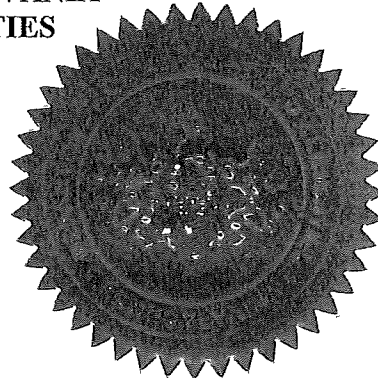
33. Titles. The titles used to identify the paragraphs of this document are for the convenience of reference only and do not control the interpretation of this document.

34. Finding. The Department finds that it is necessary and appropriate in the public interest and for the protection of investors, and consistent with the purposes fairly intended by the policy and provisions of the 1972 Act to issue this Order.

WHEREFORE, in consideration of the foregoing, including the recital paragraphs, the Commonwealth of Pennsylvania, Department of Banking and Securities, Bureau of Securities, Compliance and Examinations and Robert John Knox, Jr., intending to be legally bound, do hereby execute this Consent Agreement and Order.

IT IS SO ORDERED.

**FOR THE COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF BANKING AND SECURITIES
BUREAU OF SECURITIES
COMPLIANCE AND EXAMINATIONS:**



Redacted

Joseph J. Miniši, Deputy Secretary of Securities

Date: 1/9/18

FOR ROBERT JOHN KNOX, JR.:

Redacted

Robert John Knox, Jr.

Date: 01-03-18