

FILED

COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF BANKING AND SECURITIES

2020 JUL 15 AM 10:18

PA DEPARTMENT OF
BANKING AND SECURITIES

| | | |
|----------------------------------|---|---------------------------------------|
| COMMONWEALTH OF PENNSYLVANIA | : | |
| DEPARTMENT OF BANKING AND | : | |
| SECURITIES, BUREAU OF SECURITIES | : | |
| COMPLIANCE AND EXAMINATIONS | : | Docket No. : 20 <u>0023</u> (SEC-OSC) |
| | : | |
| v. | : | |
| | : | |
| GREGORY A. KOCH | : | |
| | : | |
| | : | |
| | : | |

NOTICE TO ANSWER AND REQUEST A HEARING

You have the right to challenge the attached Order to Show Cause (“Order”) by filing an Answer, in writing, with the Docket Clerk **within 30 days** of the date of this Order as required by 1 Pa. Code § 35.37. **If you do not file an Answer within 30 days, then you will waive your right to a hearing and the Banking and Securities Commission (“Commission”) may enter a final order against you.**

Your Answer must be in writing. Your Answer must specifically admit or deny the allegations in this Order, set forth the facts you rely upon, and state concisely the law upon which you rely. General denials of the allegations set forth in the Order are not sufficient; you must support your denials with specific facts. Failure to support your denials with specific facts may cause the Commission to deem the facts in the Order as admitted and to enter a final order against you, without a hearing.

The Answer and any other documents must be filed via first-class mail and electronic mail with the Docket Clerk:

Linnea Freeberg, Docket Clerk
Department of Banking and Securities
17 North Second Street, Suite 1300
Harrisburg, Pennsylvania 17101
Email: RA-BNDOCKETCLERK@pa.gov

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

Office of Chief Counsel
Pennsylvania Department of Banking and Securities
17 North Second Street, Suite 1300
Harrisburg, Pennsylvania 17101
Email: RA-BNChiefCounsel@pa.gov

Once you file your Answer, you will be notified of pertinent information such as the name of the presiding officer designated by the Commission to hear this matter and, if a hearing is scheduled, the date, time, and location of the hearing. You have the right to be represented by an attorney.

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.

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 Gregory A. Koch ("Respondent Koch"), was, at all times material herein, an individual with an address at Redacted .

FACTUAL ALLEGATIONS

Woodbridge Mortgage Investment Fund 3A, LLC

5. Woodbridge Mortgage Investment Fund 3A, LLC ("WMIF3A") was at all times material herein, a Delaware limited liability company with an address at 14225 Ventura Boulevard, Suite 100, Sherman Oaks, California 91423.

6. WMIF3A was engaged in the business of investing in domestic first mortgages, mezzanine financing, construction loans, and other real estate ventures.

7. From in or about November 2015 through at least October 2017, Respondent Koch offered and sold three (3) WMIF3A Units to at least three Pennsylvania residents for an aggregate amount of at least \$190,000.

8. For Respondent Koch's sales of the WMIF3A Units, Mr. Koch received at least \$4,400 in compensation from WSF.

9. The WMIF3A Units described above were “securities” within the meaning of Section 102 (t) of the 1972 Act, 70 P.S. § 1-102 (t).

10. WMIF3A was the “issuer” of the WMIF3A Units within the meaning of Section 102 (l) of the 1972 Act, 70 P.S. § 1-102 (l).

11. Respondent Koch represented WMIF3A in effecting or attempting to effect purchases or sales of the WMIF3A Units in Pennsylvania.

12. Respondent Koch was neither registered pursuant to Section 301 of the 1972 Act, 70 P.S. § 1-301, nor exempt from registration.

Woodbridge Mortgage Investment Fund 4, LLC

13 Woodbridge Mortgage Investment Fund 4, LLC (“WMIF4”) was, at all times material herein, a Delaware limited liability company with an address at 14225 Ventura Boulevard, Suite 100, Sherman Oaks, California 91423.

14. WMIF4 was engaged in the business of investing in domestic first mortgages, mezzanine financing, construction loans, and other real estate ventures.

15. From in or about November 2015 through at least October 2017, Respondent Koch offered and sold four (4) WMIF4 Units to at least four Pennsylvania residents for an aggregate amount of at least \$205,000.

16. For Respondent Koch’s sales of the WMIF4 Units, Mr. Koch received at least \$10,916.67 in compensation from WSF.

17. The WMIF4 Units described above were “securities” within the meaning of Section 102 (t) of the 1972 Act, 70 P.S. § 1-102 (t).

18. WMIF4 is the “issuer” of the WMIF4 Units within the meaning of Section 102 (l) of the 1972 Act, 70 P.S. § 1-102 (l).

19. Respondent Koch represented WMIF4 in effecting or attempting to effect purchases or sales of the WMIF4 Units in Pennsylvania.

20. Respondent Koch was neither registered, pursuant to Section 301 of the 1972 Act, 70 P.S. § 1-301, nor exempt from registration.

False Statements Regarding WMIF3A and WMIF4 Sales

21. Subsequent to the events, recited above, in connection with a previous Order to Show Cause issued by the Department, at Docket No. 17-0065, Respondent Koch provided a sworn Affidavit to the Department on December 20, 2017, in which he declared that “[he] did not receive any compensation, directly or indirectly, from any source on account of sales of WMIF3A Units or WMIF4 Units to Pennsylvania residents...” Additionally, he declared that he neither offered, nor sold WMIF3A and WMIF4 Units to Pennsylvania residents.

22. Based upon the representations Respondent Koch made in his sworn Affidavit, the Department vacated the Order to Show Cause at Docket No. 17-0065.

23. Subsequent to the Department vacating the Order to Show Cause, the Department received additional information confirming Respondent Koch’s sale of WMIF3A and WMIF4 Units and compensation for sale of the Units.

24. An examination of Respondent Koch’s tax records confirms his receipt of compensation for the sale of WMIF3A and WMIF4 units.

25. Accordingly, Respondent Koch made false or misleading statements to the Department.

COUNTS

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

7 Counts

26. Paragraphs 1 through 25 are incorporated herein by reference as if set forth in their entirety.

27. By engaging in the acts and conduct set forth in paragraphs 5 through 20 above, Respondent Koch effected transactions in securities in Pennsylvania while neither registered, nor exempt from registration in willful violation of Section 301 (a) of the 1972 Act, 70 P.S. § 1-301(a).

Violation of Section 407 (a) of the 1972 Act, 70 P.S. § 1-407 (a)

1 Count

28. Paragraphs 1 through 27 are incorporated herein by reference as if set forth in their entirety.

29. By engaging in the acts and conduct set forth in paragraphs 21 through 24 above, Respondent Koch did make or cause to be made a false or misleading statement in a document filed with the department in willful violation of Section 407 (a) of the 1972 Act, 70 P.S. § 1-407 (a).

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 305 of the 1972 Act, 70 P.S. § 1-305, that the registration of Respondent Koch be suspended, revoked, or conditioned, or that Respondent Koch be censured.

2. 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 Koch 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.

3. That Respondent Koch 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 Koch be ordered to pay an administrative assessment of up to \$50,000.00 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 COMPLIANCE AND
EXAMINATIONS

Redacted

Joseph J. Minisi
Deputy Secretary of Securities



Dated: 7/15/20

