

STATE OF ALABAMA  
ALABAMA SECURITIES COMMISSION

IN THE MATTER OF: )  
 )  
FRITTS FINANCIAL, LLC )  
RICHARD FRITTS )  
 )  
RESPONDENTS ) ) ADMINISTRATIVE ORDER  
 ) NO. CD-2019-0008

**CEASE AND DESIST ORDER**

The Alabama Securities Commission ("Commission"), having authority to administer and provide for the enforcement of all provisions of Title 8, Chapter 6, Code of Alabama 1975, the Alabama Securities Act ("Act"), upon due consideration of the subject matter hereof, and having confirmed information of the offers for sale and/or sale of securities, into, within or from the state of Alabama, has determined as follows:

**RESPONDENTS**

1. **FRITTS FINANCIAL, LLC ("FF")**, is a Tennessee based limited liability company with a business address of 112 Glenleigh Court, Suite 4, Knoxville, TN 37934.
2. **RICHARD FRITTS ("FRITTS")**, at all times relevant, has identified himself as the owner and chief advisor of FF, with a business address of 112 Glenleigh Court, Suite 4, Knoxville, TN 37934. FRITTS was previously registered in the state of Tennessee as an Investment Adviser Representative from April 2004 until October 2010. FRITTS' CRD number is 1367063.

**STATEMENT OF FACTS**

3. Woodbridge Group of Companies, LLC, to include but not limited to, Woodbridge Wealth, Woodbridge Mortgage Investment Fund 3, LLC, and Woodbridge

Mortgage Investment Fund 3A, LLC, are all Delaware Limited Liability Companies with a business address of 14140 Ventura Blvd Suite 302, Sherman Oaks, CA 91423, hereinafter to be collectively known as “Woodbridge.” Woodbridge raised capital from investors nationally, including Alabama residents, by offering and selling “First Position Commercial Mortgages,” also referred to as “Secure Bridge Loans.”

4. At all times relevant, **FRITTS** represented himself as an independent Woodbridge sales agent through **FF**. **FRITTS** offered and sold Woodbridge First Position Commercial Mortgages to at least one Alabama resident. **FRITTS** received a three percent (3.00%) “referral fee” from Woodbridge for the sales. **FRITTS** earned \$10,800.00 in commissions and/or referral fees from his sales to the Alabama investor.

5. Woodbridge Mortgage Investment Fund 3 filed a Form D, Notice of Exempt Offering of Securities, with the United States Securities and Exchange Commission (“SEC”) as a security under Regulation D, Rule 506(b) on September 9, 2014, and notice filed in the State of Alabama on July 9, 2015.

6. On May 28, 2015, an Alabama resident invested \$150,000.00 through **FRITTS** for interest in a First Position Commercial Mortgage through Woodbridge Mortgage Investment Fund 3, LLC. In exchange for the monetary investment, Woodbridge issued a promissory note indicating that they promise to pay the Alabama investor “the principal sum of One Hundred Fifty Thousand Dollars and 00/100 (\$150,000.00), together with interest.” The Alabama investor was to receive monthly interest payments at the rate of six percent (6.00%) per annum directly from Woodbridge Mortgage Investment Fund 3, LLC.

7. On June 9, 2015, **FRITTS** initiated a second transaction with the same investor. The Alabama resident signed a “Cancellation of Promissory Note and Loan Agreement” and a “Cross Receipt” acknowledging the cancellation of the promissory note and loan agreement issued on May 25, 2015, and reinvestment of \$120,000.00 of the same funds for interest in a First Position Commercial Mortgage through Woodbridge Mortgage Investment Fund 3, LLC. In exchange for the monetary investment, Woodbridge issued a

promissory note indicating the promise to pay the Alabama investor “the principal sum of One Hundred Twenty Thousand Dollars and 00/100 (\$120,000.00) together with interest.” The Alabama investor was to receive monthly interest payments at the rate of six percent (6.00%) per annum directly from Woodbridge Mortgage Investment Fund 3, LLC.

8. **FF** filed a Certificate of Existence with the Tennessee Secretary of State on May 24, 2016.

9. Woodbridge Mortgage Investment Fund 3A filed a Form D, Notice of Exempt Offering of Securities, with the SEC as a security under Regulation D, Rule 506(b) on October 30, 2015, and notice filed with the State of Alabama on January 19, 2016.

10. On June 13, 2016, **FRITTS** initiated a third transaction with the same Alabama investor. The Alabama resident signed a “Cancellation of Promissory Note and Loan Agreement” and a “Cross Receipt and Direction Letter” acknowledging the cancellation of the promissory note and loan agreement issued on June 9, 2015, and reinvestment of “the same One Hundred Twenty Thousand and 00/100 Dollars (\$120,000.00) referenced above plus an additional Sixty Thousand and 00/100 Dollars (\$60,000.00) for a total of One Hundred Eighty Thousand and 00/100 (\$180,000.00), representing the purchase price of a first position interest” in a First Position Commercial Mortgage though Woodbridge Mortgage Investment Fund 3A, LLC. In exchange for the monetary investment, Woodbridge issued a promissory note indicating that they promise to pay the Alabama investor “the principal sum of One Hundred Eighty Thousand and 00/100 Dollars (\$180,000.00), together with interest.” The Alabama investor was to receive monthly interest payments at the rate of six percent (6.00%) per annum directly from Woodbridge Mortgage Investment Fund 3A, LLC.

11. October 25, 2016, **FRITTS** initiated a fourth transaction with the same Alabama investor. The Alabama resident signed a “Cancellation of Promissory Note and Loan Agreement” and a “Cross Receipt and Direction Letter” acknowledging the cancellation of the promissory note and loan agreement issued on June 13, 2016, and reinvestment of the same \$180,000.00 for interest in a First Position Commercial Mortgage

through Woodbridge Mortgage Investment Fund 3, LLC. In exchange for the monetary investment, Woodbridge issued a promissory note indicating that they promise to pay the Alabama investor “the principal sum of One Hundred Eighty Thousand and 00/100 Dollars (\$180,000.00), together with interest.” The Alabama investor was to receive monthly interest payments at the rate of six percent (6.00%) per annum directly from Woodbridge Mortgage Investment Fund 3, LLC.

12. A review of the files of the Registration Division of the Alabama Securities Commission was conducted on December 17, 2018, disclosing no record of registration for **FF** as a broker dealer or investment advisor.

13. A review of the files of the Registration Division of the Alabama Securities Commission was conducted on December 17, 2018, disclosing no record of registration for **FRITTS** as a broker dealer agent, investment advisor, or investment advisor representative in the state of Alabama.

#### CONCLUSIONS OF LAW

14. Pursuant to Section 8-6-2(10), Code of Alabama 1975, the definition of a security includes any note, stock or evidence of indebtedness. The promissory notes issued by Woodbridge, and offered and sold by **RESPONDENTS**, are securities under the Act.

15. Pursuant to Section 8-6-2(10), Code of Alabama 1975, the definition of a security includes an investment contract. The securities offered and/or sold by **RESPONDENTS**, more specifically a “First Position Commercial Mortgage” issued by Woodbridge, require the investor to invest in a common enterprise with the expectation of profits from the significant managerial efforts of others. Therefore, the security offered and/or sold by **FF** and **FRITTS** constitute an investment contract and are securities as defined by the Act.

16. Pursuant to Section 8-6-2(2), Code of Alabama 1975, the definition of “Agent” includes any individual who represents a dealer or an issuer in effecting or attempting to effect sales of securities. **FRITTS** effected sales of securities with an Alabama

resident and is an agent of FF as defined under the Act.

17. Pursuant to Section 8-6-2(3), Code of Alabama 1975, the definition "Dealer" includes any person engaged in the business of effecting transactions in securities for the account of others. FF effected sales of securities on behalf of an Alabama resident.

18. Pursuant to Section 8-6-3(a), Code of Alabama 1975, it is unlawful for any person to transact business in this state as a dealer or agent for securities unless he is registered under the Act. By offering and selling securities, **FRITTS** acted as an agent of **WOODBRIDGE**, while employed and operating as Director of FF, in the state of Alabama without the benefit of registration in violation of the Act.

19. Pursuant to Section 8-6-3(a), Code of Alabama 1975, it is unlawful for any dealer or issuer to employ an agent unless the agent is registered. FF employed an unregistered agent, namely **FRITTS**, in violation of the Act.

20. This Order is appropriate in the public interest for the protection of investors and is consistent with the purposes of the Act.

21. This Order does not prevent the Commission from seeking such other civil or criminal remedies that may be available to it under the Alabama Securities Act.

22. Additionally, if the allegations set forth herein are found to be true, through either administrative adjudication, failure of the **RESPONDENTS** to make a timely request for hearing, or default of the **RESPONDENTS**, it is the intention of the Commission to impose sanctions upon the **RESPONDENTS**. Such sanctions may include, *inter alia*, an administrative assessment imposed on **RESPONDENTS**, an additional administrative assessment for investigative costs arising from the investigation of the violation(s) described herein against **RESPONDENTS**, and a permanent order to bar **RESPONDENTS** from participation in any securities related industry in the state of Alabama.

ACCORDINGLY, IT IS HEREBY ORDERED that RESPONDENTS, Fritts Financial, LLC, and Richard Fritts, immediately **CEASE AND DESIST** from further offers or sales of any security into, within or from the state of Alabama.

Entered at Montgomery, Alabama, this 27th day of February, 2019.

ALABAMA SECURITIES COMMISSION  
445 Dexter Avenue, Suite 12000  
Montgomery, AL 36104  
(334) 242-2984



BY:

  
JOSEPH P. BORG

Director