

STATE OF ALABAMA
ALABAMA SECURITIES COMMISSION

IN THE MATTER OF:)
)
JOEL MCGRIFF)
THE MCGRIFF ALLIANCE) ADMINISTRATIVE ORDER
DBA: THE MCGRIFF BURRUS ALLIANCE) NO. SC 2019-0002
)
)
)
RESPONDENTS)

SHOW CAUSE ORDER

The Alabama Securities Commission ("Commission"), having the 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. JOEL MCGRIFF ("MCGRIFF"), CRD#1189473, has been registered as an Investment Advisor Representative since August 25, 1995. MCGRIFF was previously registered as a Broker Dealer Agent from January 16, 1984 until February 29, 2016. MCGRIFF is currently employed as a registered Investment Advisor Representative with **THE MCGRIFF ALLIANCE**. During all times relevant to the offer and sale of the securities described herein, MCGRIFF represented himself as a director of **THE MCGRIFF ALLIANCE** with a business address of 2201 Providence Park, Suite 100, Birmingham, AL 35242.

2. THE MCGRIFF ALLIANCE ("TMA"), CRD #131477, is an Alabama domestic corporation and uses the DBA **THE MCGRIFF BURRUS ALLIANCE**. TMA has been registered in the state of Alabama as an Investment Advisor since February 17, 1995 (CRD # 131477). During all times involving the offer and sale of the securities described herein, TMA was an Alabama corporation with a business address of 2201 Providence Park, Suite 100, Birmingham, AL 35242.

STATEMENT OF FACTS

Woodbridge First Position Commercial Mortgages

3. Woodbridge Group of Companies, LLC, to include but not limited to, Woodbridge Wealth, Woodbridge Mortgage Investment Fund 3A, and Woodbridge Mortgage Investment Fund 4, 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, including Alabama residents, by offering and selling “First Position Commercial Mortgages,” also known as “Secure Bridge Loans,” hereinafter to be referred to as “FPCM.”

4. The FCPM consisted of a promissory note and loan agreement for each sale. Woodbridge utilized external sales agents, including **MCGRIFF**, to sell the FPCM in exchange for a commission or referral fee.

5. Woodbridge Mortgage Investment Fund 3A 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 October 30, 2015, and notice filed in the state of Alabama on January 19, 2016.

6. Woodbridge Mortgage Investment Fund 4 filed a Form D, Notice of Exempt Offering of Securities with the SEC as a security under Regulation D, Rule 506(b) on November 21, 2016, and notice filed in the state of Alabama on February 2, 2017.

7. On March 1, 2018, the Commission received information that **TMA** and **MCGRIFF** had offered and sold the Woodbridge FPCM to at least three Alabama investors. **MCGRIFF** received a three percent (3.00%) “referral fee” from Woodbridge for each sale. During at least one of the transactions, **MCGRIFF** served as an investment advisor for the client. As such, **MCGRIFF** had a fiduciary duty to that client. **MCGRIFF** did not disclose to his investment advisory client that he was to receive a 3% referral fee from Woodbridge.

8. Between July 14, 2016 and February 10, 2017, **MCGRIFF** referred three Alabama residents to invest in various Woodbridge promissory notes totaling \$650,000.00. **MCGRIFF** received \$13,500.00 in commissions and/or referral fees from the Woodbridge investments made by Alabama investors.

9. On July 14, 2016, an Alabama investor gave **MCGRIFF** a \$50,000.00 check for interest in a FPCM through Woodbridge Mortgage Investment Fund 3A, LLC. In exchange for the monetary investment, Woodbridge issued a promissory note indicating that they promised to pay the Alabama investor “the principal sum of Fifty Thousand Dollars and 00/100 (\$50,000.00), 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 Investment Fund 3A, LLC.

10. On October 25, 2016, a second Alabama investor gave **MCGRIFF** a \$250,000 check for interest in a FPCM through Woodbridge Mortgage Investment Fund 3A, LLC. In exchange for the monetary investment, Woodbridge issued a promissory note indicating that they promised to pay the Alabama investor “the principal sum of Two Hundred Fifty Thousand Dollars and 00/100 (\$250,000.00), 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 Investment Fund 3A, LLC. On February 10, 2017, **MCGRIFF** initiated a second transaction with the same Alabama investor. The second transaction was for \$250,000 for interest in a FPCM through Woodbridge Mortgage Investment Fund 4, LLC. In exchange for the monetary investment, Woodbridge issued a promissory note indicating that they promised to pay the Alabama investor “the principal sum of Two Hundred Fifty Thousand Dollars and 00/100 (\$250,000.00), 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 Investment Fund 4, LLC.

11. On October 31, 2016, a third Alabama investor gave **MCGRIFF** a \$50,000 check for interest in a FPCM through Woodbridge Mortgage Investment Fund 3A, LLC. In exchange for the monetary investment, Woodbridge issued a promissory note indicating that they promised to pay the Alabama investor “the principal sum of Fifty Thousand Dollars and 00/100

(\$50,000.00), 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 Investment Fund 3A, LLC. On February 10, 2017, **MCGRIFF** initiated a second transaction with the same Alabama investor. The second transaction was for \$50,000 for interest in a FPCM through Woodbridge Mortgage Investment Fund 4, LLC. In exchange for the monetary investment, Woodbridge issued a promissory note indicating that they promised to pay the Alabama investor “the principal sum of Fifty Thousand Dollars and 00/100 (\$50,000.00), 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 Investment Fund 4, LLC.

Sant'e Realty Investments

12. Sant'e Realty Investments, LLC, to include but not limited to, Cronos 4040, LLC, Hera 1919, LLC, Hypnos 8080, LLC, Lelantos, LLC, Morpheus 1020, LLC, Pontus 5050, LLC, and Themis 5060, LLC, are all Arizona limited liability corporations with a listed business address of 4939 West Ray Road #4-507 Chandler, AZ 85226; hereinafter to be collectively known as “Sant'e.” Sant'e raised capital from investors, including Alabama residents, by offering and selling Subordinated Promissory Notes (“Notes”) and “Preferred” Membership Interest (“Interest”), more specifically acquiring an interest in the LLC's. The Notes bear an interest rate of ten percent (10%) and the Membership Interest an annual rate of seven percent (7%). With the capital raised, Sant'e acquires various properties then improves, rents, and manages said properties.

13. All Sant'e offerings listed above 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 between January 31, 2017 and January 15, 2019, and subsequently notice filed in the state of Alabama.

14. On August 1, 2016, **MCGRIFF** entered into an agreement with Sant'e Realty Investments to receive a 4% “referral bonus” for each investment made through his referral.

15. Between January 4, 2017 to January 3, 2018, **MCGRIFF** referred seven Alabama residents to invest in the various Sant'e offerings totaling \$1,922.850.00 to Sant'e Realty

Investments. During this period, **MCGRIFF** assisted these seven Alabama residents with thirteen separate Sant'e investment transactions.

16. On January 3, 2018, **MCGRIFF** completed one of the last investment transactions with an Alabama resident in the amount of \$54,700.00 for the purchase of an interest in THEMIS 5060, LLC. **MCGRIFF** executed all applicable investment documents and submitted to Sant'e Realty Investments (THEMIS 5060, LLC) on behalf of the Alabama investor. At the time of the transaction, the Alabama investor was an existing advisory client of **MCGRIFF** and **TMA**. Hence, **MCGRIFF** had a fiduciary duty to the client. **MCGRIFF** did not disclose to his investment advisory client that he was to receive a 4% referral fee from Sant'e.

17. **MCGRIFF** received five payments totaling \$72,914.00 in "referral bonuses" from Sant'e Realty Investments for the investments made by the Alabama residents.

18. A review of the files of the Registration Division of the Alabama Securities Commission was conducted on January 25, 2019, disclosing no current record of registration for **MCGRIFF** as a broker dealer agent in the state of Alabama.

CONCLUSIONS OF LAW

19. 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 Sant'e, offered and sold by **RESPONDENTS**, are securities under the Act.

20. 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**, issued by Woodbridge and Sant'e, require the investor to invest funds in a common enterprise with the expectation of profits from the significant managerial efforts of others. Therefore, the securities offered and/or sold by **RESPONDENTS**, and described herein, constitute investment contracts and are securities as defined by the Act.

21. 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. **MCGRIFF**, through **TMA**, solicited and effected transactions in securities of Woodbridge and Sant'e and is an agent as defined under the Act.

22. 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 they are registered under the Act. **MCGRIFF** effected sales of securities through **TMA**, and on behalf of Woodbridge and Sant'e, in the state of Alabama without the benefit of registration in violation of the Act.

23. In accordance with Alabama Securities Commission Rule 830-X-3-.21(2)(k)(1)-(2), an investment adviser representative is a fiduciary and has a duty to act primarily for the benefit of his clients. While the extent and nature of this duty varies according to the nature of the relationship between an investment adviser representative and his clients and the circumstances of each case, an investment adviser representative shall not engage in unethical practices, including but not limited to, failing to disclose to clients in writing before any advice is rendered any material conflict of interest relating to the investment adviser representative which could reasonably be expected to impair the rendering of unbiased and objective advice, including 1) compensation arrangements connected with advisory services to clients which are in addition to compensation from such clients for such services; or 2) charging a client an advisory fee for rendering advice when a commission for executing securities transactions pursuant to such advice will be received by the investment adviser representative. **MCGRIFF** effected sales of securities through **TMA**, and on behalf of Woodbridge and Sant'e, in the state of Alabama and failed to disclose to his investment advisory clients that he was to receive a referral fee from Woodbridge and Sant'e in violation of the Commission Rule.

24. Pursuant to Section 8-6-3(j)(7), Code of Alabama 1975, the Commission may suspend, revoke, censor or bar any registrant or any officer, director, partner or person occupying a similar status or performing similar functions for a registrant, from employment with a dealer or investment advisor, or restrict or limit a registrant as to any function or activity of the business for which registration is required in this state if the Commission finds that the order is in the public interest and that the registrant or, in the case of a dealer or investment advisor, any partner, officer or director, any person occupying a similar status or performing similar functions, or any person directly or indirectly controlling the dealer or investment advisor has engaged in

dishonest or unethical business practices. **MCGRIFF**, as director of **TMA**, failed to inform his investment advisory clients of fees that he was to receive, and did receive, from Woodbridge and Sant'e for the investments made by his advisory clients in violation of the Act.

25. Pursuant to Section 8-6-17(b)(4), Code of Alabama 1975, it is unlawful for any person who receives, directly or indirectly, any consideration from another person for advising the other person as to the value of securities or their purchase or sale, whether through the issuance of analyses or reports or otherwise, to engage in dishonest or unethical practices as the Commission may define by rule. **MCGRIFF** effected sales of securities through **TMA**, and on behalf of Woodbridge and Sant'e, in the state of Alabama and engaged in dishonest and unethical behavior by failing to disclose to his investment advisory clients that he was to receive a referral fee from Woodbridge and Sant'e in violation of the Act.

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

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.

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 SHOW CAUSE** to the Commission, within 28 days of the date of this Order, why **RESPONDENTS** should not be suspended, revoked, censored or barred from the securities industry in the state of Alabama.

Entered at Montgomery, AL, this 8th day of February, 2019.



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

BY:

A handwritten signature in black ink. The signature is fluid and cursive, appearing to read 'Joseph P. Borg'. Below the signature, the word 'Director' is printed in a smaller, sans-serif font. A horizontal line extends from the end of the signature towards the right.