

[Securities Regulation Daily Wrap Up, FRAUD AND MANIPULATION—S.D. Fla.: Millions in commissions made through sale of unregistered securities by unregistered brokers, \(Aug. 20, 2018\)](#)

Securities Regulation Daily Wrap Up

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By [R. Jason Howard, J.D.](#)

The SEC has charged five Florida-based defendants and their four companies in a scheme to unlawfully sell securities of Woodbridge Group of Companies LLC to retail investors even though they were not registered as broker-dealers and were not permitted to sell securities ([SEC v. Robbins](#), August 20, 2018; [SEC v. Kornfeld](#), August 20, 2018).

Defendants. The defendants and their companies touted investments in Woodbridge as "safe and secure," and were ultimately among some of Woodbridge's top revenue earners with more than \$243 million in sales to more than 1,600 retail investors. Investors were solicited at seminars and a "conservative retirement and income planning class" that the defendants taught at a Florida university. Woodbridge securities were also pitched in newspaper ads and through radio, television and the Internet. Woodbridge filed for bankruptcy in December 2017, and investors stopped receiving monthly interest payments and have not received a return of their investment principal.

The SEC's complaint alleges that the defendants earned millions in commissions for their sales of Woodbridge securities. One of the unregistered brokers violated a prior order barring him from acting as a broker.

"The broker-dealer and securities registration provisions are vital protections for retail investors," [said](#) Eric I. Bustillo, Director of the SEC's Miami Regional Office. "Our actions allege the defendants, while not registered as broker-dealers, pocketed millions of dollars in unlawful commissions from their widespread sales of unregistered Woodbridge securities."

Penalties. Without admitting or denying the allegations, Woodbridge agreed to settle the liability portion of the SEC's charges, but the SEC's monetary claims against Woodbridge remain pending. The SEC is seeking court-ordered injunctions and the return of allegedly ill-gotten gains plus interest, in addition to seeking penalties against the unregistered brokers and their companies. In a separate action, one unregistered broker and her company, without admitting or denying the allegations, agreed to settle the SEC's charges and return more than \$1 million in alleged ill-gotten gains along with interest. She will also pay a \$100,000 civil penalty and has agreed to an industry and penny-stock bar.

The case are [No. 1:18-cv-23368](#) and [No. 1:18-cv-23369](#).

Attorneys: Russell Koonin for the SEC.

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