BEFORE THE
STATE OF WISCONSIN
DEPARTMENT OF FINANCIAL INSTITUTIONS
DIVISION OF SECURITIES

In the Matter of,	CONSENT ORDER TO CEASE AND DESIST, REVOKING REGISTRATION EXEMPTIONS, BARRING FUTURE REGISTRATION AND FOR DISGORGEMENT
JOHN D. ERNST,	
Respondent.	DFI Case No. S-236002 (EX)

I.

The Administrator of the State of Wisconsin, Department of Financial Institutions, Division of Securities ("Division"), having legal authority and jurisdiction to administer and enforce the Wisconsin Uniform Securities Law, Wis. Stats. Ch. 551 ("Ch. 551") and rules and orders promulgated thereunder, and having determined that this action is necessary and appropriate in the public interest and for the protection of investors, hereby enters this Order as follows:

II.

Division staff have presented evidence sufficient for the Administrator to make the following findings of fact and conclusions of law:

A. Findings of Fact

Respondent

1. John D. Ernst ("Ernst") (CRD# 1958252) is an adult male resident of Wisconsin with a last known address of 6906 W. Adler Street, Milwaukee, Wisconsin 53214.

Conduct

2. Woodbridge Group of Companies, LLC is a limited liability company organized under the laws of Delaware in 2014 with a last known business address of 14225 Ventura Boulevard, Suite 100, Sherman Oaks, California 91423.

3. Woodbridge Mortgage Investment Funds 1, 2, 3, 3A, 4, and 5 are Delaware limited liability companies with a last known business address of 14225 Ventura Boulevard, Suite 100, Sherman Oaks, California 91423. These entities may be collectively referred to as the "WMIF LLCs."

4. Woodbridge Group of Companies and the WMIF LLCs may be collectively referred to as "Woodbridge."

5. Woodbridge was organized as a Ponzi scheme by Robert Shapiro. Through this scheme, Shapiro raised through Woodbridge over one billion dollars from approximately 1,000 investors. Ernst was induced into this scheme by Shapiro and Woodbridge, and claims no knowledge of its illegal activities.

6. Woodbridge represented to the public that it made hard-money loans to third-party borrowers secured by commercial property. The money raised from investors helped to fund the hard-money loans. In effect, Woodbridge pooled money from multiple investors for each hard-money loan. Woodbridge referred to these investments as First Position Commercial Mortgages ("FPCM").

7. A Woodbridge FPCM consisted of a promissory note from a WMIF LLC to an investor, a loan agreement between a WMIF LLC and an investor, and a non-exclusive assignment to the investor of Woodbridge's security interest in the mortgage for the underlying hard-money loan. The promissory notes sold to investors promised a fixed annual interest rate (from 5% to 9%) and a return of the principal at the end of the transaction's term, which is usually twelve to eighteen months.

8. From January 2011 to March 2018, Ernst was registered with the Division as a registered representative associated with Forester's Equity Services, Inc. ("Forester's") a registered broker-dealer (CRD# 18464) with its home office in San Diego, California.[1]

9. Ernst passed Series 6 and Series 63 securities examinations in June 1989, which qualified him to sell only limited investment products, such as certain mutual funds, variable annuities, variable life insurance, unit investment trusts, and municipal fund securities.

10. At no time did Ernst receive his Series 7 license, which would have allowed him to sell promissory notes and investment contract securities.

11. While employed with Forester's as a registered representative, Ernst was required to file annual reports with Forester's disclosing any and all outside business activities and private securities transactions he was involved in or received compensation from.

12. Ernst filed annual reports during the years 2015, 2016, and 2017 which attested to Forester's that Ernst never sold any promissory notes. In fact, Ernst sold promissory notes issued by Woodbridge from October 2015 to November 2017.

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[1] Ernst has been registered as a registered representative of several different broker-dealers since 1989, but the conduct in question occurred while Ernst was employed by Forester's.

13. Ernst filed annual reports during the years 2015, 2016, and 2017 which attested to Forester's that Ernst had not engaged in any solicitation or sales activity in a state in which he was not properly licensed. In fact, Ernst engaged in solicitation and sales of promissory notes in Wisconsin without the proper licensure to sell those notes from October 2015 to November 2017.

14. Ernst filed annual reports during the years 2015, 2016, and 2017 which attested to Forester's that Ernst did not have any outside business activities which had not previously been disclosed to Forester's. In fact, Ernst did not disclose his sales activity on behalf of Woodbridge to Forester's at any time, even though he disclosed numerous other non-financial activities on the disclosure forms filed with Forester's.

15. Ernst filed annual reports during the years 2015, 2016, and 2017 which attested to Forester's that Ernst had not participated in any private securities activities without first obtaining written approval from Forester's. In fact, Ernst offered and sold promissory notes issued by Woodbridge without requesting or receiving written approval from Forester's. At no time did Ernst obtain written approval from Forester's to offer and sell promissory notes issued by Woodbridge.

16. On or about February 23, 2018, Forester's terminated Ernst as a registered representative for failing to report his involvement in private securities transactions and for failing to report that the Division was investigating his involvement in selling promissory notes issued by Woodbridge.

17. Between October 16, 2015 and November 10, 2017, Ernst offered and sold approximately $194,500 of promissory notes issued by Woodbridge to at least four Wisconsin residents. As the result of these offers and sales, Ernst received approximately $12,500 in compensation in the form of commission payments from Woodbridge between October 2015 and December 2017.

18. In addition to securities, Ernst is licensed in health and life insurance sales. Ernst asserts that at no point did he use any funds from his insurance business to invest in Woodbridge.

Investor TS

19. Investor TS is an adult male resident of Milwaukee, Wisconsin.

20. On or about October 16, 2015, Investor TS invested approximately $30,000 through Ernst into promissory notes issued by Woodbridge. In exchange for Investor TS's investment, Investor TS received a promissory note for the principal amount of $30,000 at an interest rate of 5.00%.

21. As a result of Investor TS's October 16, 2015 investment in Woodbridge through Ernst, Ernst received compensation in the form of a commission payment for $1,200 from Woodbridge on or about October 28, 2015.

22. On or about October 13, 2016, Investor TS reinvested his initial investment in Woodbridge when his first promissory note reached maturity, and invested an additional $8,000. In exchange for Investor TS's investment, Investor TS received a promissory note for the principal amount of $38,000 at an interest rate of 5.00%.

23. As a result of Investor TS's October 13, 2016 reinvestment and additional investment in Woodbridge through Ernst, Ernst received compensation in the form of a commission payment for $1,520 on or about October 27, 2016.

Investor CD

24. Investor CD is an adult female resident of Mukwonago, Wisconsin.

25. On or about July 20, 2016, Investor CD invested approximately $88,000 into promissory notes issued by Woodbridge. In exchange for Investor CD's investment, Investor CD received a promissory note for the principal amount of $88,000 at an interest rate of 5.00%.

26. As a result of Investor CD's July 20, 2016 investment in Woodbridge through Ernst, Ernst received compensation in the form of a commission payment for $3,520 on or about July 29, 2016.

27. On or about August 14, 2017, Investor CD's reinvested her initial investment in Woodbridge when her first promissory note reached maturity. In exchange for Investor CD's investment, Investor CD received a promissory note in the amount of $88,000 at an interest rate of 5.00%.

28. As a result of Investor CD's August 14, 2017 reinvestment in Woodbridge through Ernst, Ernst received compensation in the form of a commission payment for $3,520 on or about August 31, 2017.

Investor AM & TM

29. Investors AM and TM are an adult married couple residing in Wausau, Wisconsin.

30. On or about January 6, 2017, Investor AM invested approximately $34,000 through Ernst into promissory notes issued by Woodbridge. In exchange for Investor AM's investment,

Investor AM received a promissory note for the principal amount of $34,000 at an interest rate of 6.00%.

31. As the result of Investor AM's January 6, 2017 investment in Woodbridge through Ernst, Ernst received compensation in the form of a commission payment for $1,360 on or about February 7, 2017.

32. On or about January 6, 2017, Investor TM invested approximately $34,500 through Ernst into promissory notes issued by Woodbridge. In exchange for Investor TM's investment, Investor TM received a promissory note for the principal amount of $34,500 at an interest rate of 6.00%.

33. As the result of Investor TM's January 6, 2017 investment in Woodbridge through Ernst, Ernst received compensation in the form of a commission payment for $1,380 on or about February 7, 2017.

34. At no time did Ernst inform any of the Wisconsin investors that he was not qualified to sell promissory notes or other private placement products.

B. Conclusions of Law

Legal Authority and Jurisdiction

35. The Administrator has legal authority and jurisdiction over the conduct described above, pursuant to Ch. 551 and the rules and orders promulgated thereunder.

36. The FPCMs offered and sold by Ernst on behalf of Woodbridge included promissory notes which are securities as defined by Wis. Stat. § 551.102(28).

37. Since the investors in Woodbridge were involved in a common enterprise with the expectation of profits to be derived from the essential managerial efforts of others, the FPCMs offered and sold by Ernst on behalf of Woodbridge are investment contract securities as defined by Wis. Stat. § 551.102(28)(d)(1).

38. Woodbridge is an issuer, as defined under Wis. Stat. § 551.102(17).

39. Ernst acted as and was registered as an agent, as defined under Wis. Stat. § 551.102(2), of Forester's at all times material.

40. The Financial Regulatory Authority ("FINRA") is a self-regulatory organization, as defined under Wis. Stat. § 551.102(29)

41. Pursuant to Wis. Stat. § 551.412(3), if the Administrator finds that the order is in the public interest and Wis. Stat. §§ 551.412(4) (a) to (f), (h), (i), (j), (L), (m), or (o) to (r)

authorizes the action, an order under this chapter may censure, impose a bar, or impose a civil penalty in an amount not to exceed a maximum of $10,000 for a single violation or $100,000 for more than one violation, or in such amount as agreed to by the parties, on a registrant.

42. Pursuant to Wis. Stat. § 551.412(4)(m), a person may be disciplined under Wis. Stat. §§ 551.412(3) if the person has engaged in dishonest or unethical practices in the securities, commodities, investment, franchise, banking, finance, or insurance business within the previous 10 years. Pursuant to Wis. Admin. Code §§ DFI-Sec. 4.06(1)(q), 4.06(2)(c) and 4.06(2)(i), dishonest or unethical practices by a registered agent of a broker-dealer include but are not limited to:

    a. Violating any rule of any securities exchange or national securities association of which the agent is a member with respect to any customer, transaction or business in this state; and
    b. Effecting any securities transaction not recorded on the regular books or records of the broker-dealer which the agent represents, unless the transaction is disclosed to, and authorized in writing by, the broker-dealer prior to execution of the transaction.

43. Pursuant to FINRA Rule 1031, to become registered, securities professionals must pass qualifying exams administered by FINRA to demonstrate competency in the particular securities activities in which they work.

44. Pursuant to FINRA Rule 3270, no registered person may be an employee, independent contractor, sole proprietor, officer, director or partner of another person, or be compensated, or have the reasonable expectation of compensation, from any other person as a result of any business activity outside the scope of the relationship with his or her member firm, unless he or she has provided prior written notice to the member, in such form as specified by the member.

45. Pursuant to FINRA Rule 3280, no person associated with a member firm shall participate in any manner in a private securities transaction unless he has provided the member firm with notice and received approval from the member firm.[2]

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[2] Pursuant to FINRA Rule 3280(e)(1), a "private securities transaction" shall mean any securities transaction outside the regular course or scope of an associated person's employment with a member, including, though not limited to, new offerings of securities which are not registered with the Commission, provided however that transactions subject to the notification requirements of Rule 3210, transactions among immediate family members (as defined in FINRA Rule 5130), for which no associated person receives any selling compensation, and personal transactions in investment company and variable annuity securities, shall be excluded.

Violations

46. Through the conduct described above, Ernst violated Wis. Stat. § 551.412(4)(m) and Wis. Admin. Code § DFI-Sec 4.06(2)(i) when he violated: i) FINRA Rule 1031 by selling private placement investments for which he was not qualified or properly registered to sell; and ii) FINRA Rules 3270 and 3280 by engaging in private securities transactions on behalf of Woodbridge in exchange for compensation without providing notice or obtaining approval from Forester's.

47. Through the conduct described above, Ernst violated Wis. Stat. 551.412(4)(m) and Wis. Admin. Code § DFI-Sec.4.06(2)(c) when he effected securities transactions on behalf of Woodbridge which were not recorded on the regular books or records of Forester's, failed to disclose the transactions to Forester's, and failure to obtain authorization in writing from Forester's prior to the execution of the transactions on behalf of Woodbridge.

III.

In view of the above findings of fact and conclusions of law, the Administrator deems it necessary and appropriate in the public interest and for the protection of investors, and pursuant to its legal authority and jurisdiction under Ch. 551, to wit Wis. Stat. §§ 551.604 and 551.412, to issue the following orders and notices:

A. Consent Orders issued pursuant to Wis. Stat. §§ 551.604(2) and 551.412

(a) IT IS ORDERED that ERNST, his agents, servants, officers, employees, successors, affiliates, and every entity and person directly or indirectly controlled or organized by or on behalf of ERNST, shall cease and desist from making or causing to be made to any person or entity in Wisconsin any further offers or sales of securities unless and until such securities qualify as covered securities or are registered under Ch. 551 or successor statute, pursuant to Wis. Stats. §§ 551.604(1)(a) and (2).

(b) IT IS FURTHER ORDERED that all exemptions from registration set forth in Ch. 551 or successor statute that might otherwise apply to any offer or sale of any security of or by ERNST, his agents, servants, officers, employees, successors, affiliates, and every entity and person directly or indirectly controlled or organized by or on behalf of ERNST, are hereby revoked, pursuant to Wis. Stats. §§ 551.604(1)(b) and (2).

(c) IT IS FURTHER ORDERED that ERNST, his successors, affiliates, controlling persons, officers, agents, servants, employees, and every entity and person directly or indirectly controlled or hereafter organized by or on behalf of ERNST are prohibited from violating Wis. Stat. § 551.501 or successor statute.

(d) IT IS FURTHER ORDERED that ERNST is barred from future registration under Ch. 551 in any capacity, for a period of 36 months from his last date of registration, pursuant to Wis. Stat. §§ 551.412(3) and 551.412(6).

(e) IT IS FURTHER ORDERED that ERNST must complete all disgorgement payments as a precondition for any future applications for registration with the Division.

(f) IT IS FURTHER ORDERED that in the event ERNST obtains future registration after the expiration of the 36 month bar, he will be subject to heightened supervision by the broker-dealer or investment adviser with whom he is registered for a period of at least two years.

(g) IT IS FURTHER ORDERED that ERNST to disgorge any and all commissions, profits, or other monies received as compensation for making offers and/or sales of securities issued by Woodbridge to Wisconsin residents, with interest on such amount at the legal rate under Wis. Stat. § 138.04, starting from the date of each sale to the investors through the date of satisfaction, less any amount repaid to the investors prior to the issuance of this Order, pursuant to Wis. Stat. § 551.604(4m). ERNST shall provide proof of the disgorgement payments to the investors described above in ¶¶ 18-34 to the Division no later than 30 days after the issuance of this order.

B. Service of Order

(h) IT IS FURTHER ORDERED that this order shall be sent promptly by certified mail to each party named in the order at his or her last known address or to the party's attorney of record, or shall be personally served upon the party or the party's attorney of record, pursuant to Wis. Admin. Code § DFI-Sec 8.06. This order shall also be served upon the office of the administrator pursuant to Wis. Stat. § 551.611.

(i) PLEASE TAKE NOTICE that the date of the service of this order is the date it is placed in the mail, which is also the issue and effective date below.

C. Notifications

(j) PLEASE TAKE NOTICE that this Order consented to by ERNST prohibits ERNST from transacting securities business in the State of Wisconsin per the terms of the orders issued pursuant to Wis. Stat. §§ 551.604(2) and 551.412, is effective upon the date issued.

(k) PLEASE TAKE NOTICE that any willful violation of an Order issued by the Division under Ch. 551 is a criminal offense punishable under the provisions of Wis. Stat. § 551.508.

EXECUTED at Madison, Wisconsin this 24th day of January, 2018.

Leslie M. Van Buskirk

Leslie M. Van Buskirk
Administrator

Division of Securities
State of Wisconsin Department of Financial Institutions
4822 Madison Yards Way, 4th Floor
Madison, WI 53705

BEFORE THE
STATE OF WISCONSIN
DEPARTMENT OF FINANCIAL INSTITUTIONS
DIVISION OF SECURITIES

In the Matter of,

WAIVER AND CONSENT TO ORDER

JOHN D. ERNST,

Respondent.

DFI Case No. S-236002 (EX)

The undersigned Respondent, JOHN D. ERNST, having decided not to contest the issuance of the attached Order, hereby waives his right to a hearing with respect to this matter, including waiving findings of fact and conclusions of law as may otherwise be required for the Order, and hereby consents to the issuance of the Order.

Respondent hereby acknowledges that, in exchange for Respondent's voluntary consent and agreement to cease and desist from further violations of Ch. 551, the revocation of certain exemptions, a thirty-six (36) month bar from securities registration going forward from ERNST'S last date of registration, disgorgement of commissions, and other conditions as described in the attached Order, the Division agrees to forgo further legal action, including injunction proceedings in a circuit court pursuant to Wis. Stat. § 551.603, and to resolve this matter by issuance of the attached Order.

The undersigned Respondent understands and agrees that the attached Order shall prohibit Respondent from transacting any securities business in the State of Wisconsin, effective on the date the Order is issued.

The undersigned Respondent understands the Order, when signed by the Administrator of the Division of Securities, is effective on the date issued and that a willful violation of an Order signed by the Administrator is a criminal offense pursuant to Wis. Stat. § 551.508.

JOHN D. ERNST

State of Wisconsin)
County of Milwaukee)
Subscribed before me this
11 of January, 2018.

Notary Public
My commission is permanent ~~expires~~ _____

NOTARY PUBLIC
BRIANNA J. MEYER
STATE OF WISCONSIN

State of Wisconsin

Department of Financial Institutions

Tony Evers, **Governor** Kathy Blumenfeld, **Secretary**

AFFIDAVIT OF SERVICE
AND COMPLIANCE WITH WIS. STAT. § 551.611

STATE OF WISCONSIN)
) ss.
COUNTY OF DANE)

I, KATHERINE CLEMENTI, first being duly sworn, depose and state:

1. I am employed with the State of Wisconsin, Department of Financial Institutions, Division of Securities.

2. On the date of this Affidavit and in the course of regularly conducted activity, I have caused to be served by certified mail upon Respondent John D. Ernst at his last known address of 6906 W. Adler Street, Milwaukee, WI 53214:

   i. A copy of the Consent Order to Cease and Desist, Revoking Registration Exemptions, Barring Future Registration and for Disgorgement, DFI Case No. S-236002 (EX); and

   ii. A copy of this Affidavit of Service.

3. In compliance with Wis. Stat. §§ 227.48, 551.611, and 891.46; and Wis. Admin. Code. §§ DFI-Sec 8.06 and 8.07, I have also caused to be served copies of those same documents upon the Administrator for the Division of Securities.

I declare under penalty of perjury that the foregoing is true and correct to the best of my knowledge and belief.

Katherine Clementi
KATHERINE CLEMENTI

State of Wisconsin
Department of Financial Institutions
Division of Securities

Subscribed and sworn to before me

This 24th day of January, 2019.

Lindsay M. Fedler
Notary Public, State of Wisconsin

(Notary Seal)

LINDSAY FEDLER NOTARY PUBLIC STATE OF WISCONSIN

My commission is permanent.