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

In the matter of, DREAMBUILDER INVESTMENTS, LLC And PETER J. ANDREWS, Respondents.	SUMMARY ORDER TO CEASE AND DESIST AND FOR CIVIL PENALTIES DFI Case No. S-236252 (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

Respondents

1. DREAMBUILDER INVESTMENTS, LLC ("DBI") is a limited liability company organized under the laws of the State of New York, effective April 8, 2005, with a last known address of 30 Wall Street, 6th Floor, New York, New York 10005.

2. PETER J. ANDREWS ("Andrews") is an adult male with a last known address of 55 Liberty Street, Apt. 13C, New York, New York 10005-1003. At all times material, Andrews was the founder, President, and Chief Executive Officer of DBI.

Conduct

3. During the spring of 2007, DGC, a Wisconsin resident, had a telephone conversation with Andrews about the business of DBI. During the telephone call, Andrews explained to DGC the business model of DBI and why an investment in DBI would afford DGC the opportunity for a significant return.

4. Based on the telephone call, DGC understood that DBI buys groups of non-performing mortgage loans from lenders at a discount. DBI then works with the defaulting borrowers and tries to return them to a performing status, or forecloses and liquidates the mortgage loans.

5. DBI emailed to DGC a document entitled "Investment Overview" dated May 2007. The Investment Overview did not contain any information about DBI's financial condition, the financial condition of its principals, or the risks associated with the purported investment opportunity.

6. DBI's Investment Overview states DBI "is a private mortgage investment company which specializes in the acquisition, management and liquidation of defaulted residential mortgages nationwide… The Company acquires individual assets and portfolios of first and second position residential mortgage loans from a variety of financial institutions in the United States. These portfolios consist of defaulted or 'non-performing' mortgages, typically more than 90 days delinquent."

7. DBI's Investment Overview further states "The foundation of DBI's success is its investors. The Company leverages funds from private investors to purchase its portfolio of assets." DBI's financial objectives were to obtain $25 million over a 6-month period beginning immediately, and to secure ongoing investments at the rate of $15 million per month no later than the first quarter of 2008.

8. The Investment Overview describes a history of successful performance: "As of December 31, 2006, more than 220 of the purchased assets have been liquidated. These assets represent a total investment of $3.3 million and have generated $6.9 million in actual cash receipts, earning a gross return on investments in excess of 100%. Based on historical performance, DBI's average investment and average gross revenue per deal are $15,274 and $32,108, respectively."

9. Based largely on the representations in the DBI Investment Overview, DGC decided to invest $100,000 in DBI. On July 2, 2007, DGC wire transferred $100,000 from his Wisconsin bank account to a New York bank account in the name of DBI. In exchange for DGC's funds, DBI and Andrews executed a Promissory Note and Security Agreement dated July 1, 2007 (the "2007 Note").

10. Under the terms of the 2007 Note, DBI agreed to make 24 monthly interest payments to DGC in the amount of $1,333.33 each at an interest rate of 16% per annum, representing total interest payments of $31,999.92. Upon reaching maturity, DBI was required to pay Cramer his principal of $100,000.00, for a total payout to DGC in the amount of $131,999.92.

11. To secure payment of the 2007 Note, DBI as Maker pledged and granted to DGC as Payee "a lien and security interest in all right, title and interest that Maker may have in the security designated as collateral for this investment, all instruments and documents representing said collateral, all distributions, property and money payable or deliverable

in respect of said collateral, and all proceeds and substitutions thereof, whether now owned or hereafter acquired or obtained by Maker (collectively, the "Collateral")."

12. DBI also represented that "Copies of said Collateral will be made available to Payee once funds have been applied by Maker towards the purchase of assets." DBI and Andrews failed to make copies of the collateral allegedly purchased available to DGC.

13. The default provisions contained in the 2007 Note provided that, after giving DBI an opportunity to remedy a default, DGC was granted the right to "take immediate possession of all Collateral not then in the actual, physical possession of Payee, may arrange for the transfer of the Collateral or any part thereof into the name of Payee or its nominee, and may endorse, foreclose on receive and collect all property or money in connection with the Collateral."

14. On or about February 3, 2009, DBI sent DGC an email regarding a "Special Investment Opportunity." The email informed DGC that his investment was set to expire in 2009, and gave him a number of options, including renewing his investment for one or two years.

15. DGC decided to renew his investment by rolling over the original $100,000 into a new promissory note because DBI had been current on his monthly payments.

16. On or about April 14, 2009, DBI sent DGC an email regarding his "DBI Investment Renewal." The email thanked DGC for renewing his $100,000.00 investment with DBI. The email contained a brief summary of the terms of his investment renewal, and attached a new promissory note/security agreement dated March 1, 2009 (the "2009 Note") and promissory note satisfaction. The email also instructed DGC to execute and fax the note satisfaction document back to DBI.

17. On or about April 14, 2009, DGC signed and faxed from Wisconsin to DBI the 2009 Note and his executed satisfaction. The satisfaction agreement purported to satisfy DBI's obligations under the 2007 Note.

18. Under the terms of the 2009 Note, DBI agreed to make 16 monthly interest payments in the amount of $1,750.00 each at an interest rate of 21% per annum, representing total interest payments of $28,000. Upon reaching maturity in July 2010, DBI was required to pay DGC his principal of $100,000.00, for a total payout to DGC of $128,000.

19. The 2009 Note was secured by purporting to give DGC a lien and security interest in collateral in the same manner as the 2007 Note. In addition, the 2009 Note contained default provisions that were the same as those contained in the 2007 Note.

20. The 2009 Note stated that "Access of said Collateral will be made available to Payee once funds have been applied by Maker towards the purchase of assets." DBI and Andrews failed to give DGC access to the collateral purportedly securing the 2009 Note.

21. Several months later, on or about August 28, 2009, DBI and Andrews informed DGC by email of changes to DBI's investment security structure. DGC was told, "Until now, all assets were solely owned by DBI and could be directly pledged as security to individual investors. Going forward, all assets purchased and managed by DBI are owned jointly by DBI (the majority owner) and our partners in the fund. As a result, our investors can no longer be secured directly by individual loans and instead will be secured by the entity that owns the individual loans." DGC was also told that the new structure would "increase[s] the security for our investors."

22. On or about September 27, 2009, DGC informed DBI by email that he and his wife "need to stay in as 'liquid' a position as possible" and, therefore, wanted to remain with their current investment option for the balance of the 2009 Note until it matured in July 2010.

23. Upon maturity of the 2009 Note in July 2010, DGC should have received from DBI a total of $159,999.92 in principal and interest. However, on or about November of 2009, DBI began defaulting on DGC's 2009 Note, making only periodic principal and interest payments through December of 2016.

24. As of today, DBI has paid DGC approximately $131,095.62. DBI has not been able to identify to the Division or to DGC what portion of the $131,095.62 paid is principal and what portion is interest.

25. During an interview with the Division, Andrews described DBI's system for assigning collateral to investors as a "speed based model." During the course of a note's term, multiple loans that DBI had acquired would be electronically associated with the investor's note. During the term of the note, as part of its "speed based model," DBI would liquidate the loans securing the note multiple times, without the knowledge or permission of the investor. DBI would then assign new loans to replace the liquidated loans as collateral for the investor's note.

26. The value assigned to each loan that served as collateral was based on DBI's projected revenues for the loan. The methodology DBI used to assign values to loans that secured the investments was not disclosed to investors.

27. According to Andrews, investors had access to a portal where they could see the loans associated with their notes.

28. DGC never received any evidence of any collateral which was supposedly securing his 2007 Note and his 2009 Note. He never had access to the collateral or to "copies of collateral" as promised by the terms of the notes. When DBI stopped making payments on the 2009 Note, DGC was not able to foreclose or take possession of collateral as he had no documentation which identified his legal interest in any purported collateral.

29. During an interview with the Division, Andrews indicated that up until 2009 or 2010, DGC's investment was secured by specific loans, and that he later turned into an unsecured investor, which is contrary to the wishes of DGC.

30. During an interview with the Division, Andrews was asked to provide information as to what specific loans had been assigned to DGC's 2007 and 2009 Notes as collateral. Andrews responded that DBI does not have that information.

31. DBI and Andrews never gave DGC an actual enforceable legal right in the collateral purportedly securing the promissory notes.

32. In connection with the offer and sale of DGC's 2007 and 2009 Notes, DBI and Andrews did not disclose to DGC:

    a. The financial condition of DBI;
    b. DBI's practice of not providing to investors any documentation evidencing their lien and security interests in the purported collateral for their notes;
    c. The fact that DBI and Andrews did not give investors an actual enforceable legal right in the collateral purportedly securing the promissory notes;
    d. DBI's practice of repeatedly liquidating and replacing the specific collateral purportedly securing the promissory notes without investors' knowledge or permission;
    e. DBI's intent to convert DGC from a secured investor to an unsecured investor without his consent; and
    f. The following personal tax liens filed against Andrews: February 27, 2007 judgment filed by the New York Department of Taxation and Finance against Peter J. Andrews for $25,004.39, which was not satisfied until September 3, 2008; April 26, 2007 judgment filed by the New Jersey Division of Taxation against Peter J. Andrews for $7,752.15, which was not satisfied until on or about May 15, 2014.

B. Conclusions of Law

<u>Legal Authority and Jurisdiction</u>

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

34. DBI and Andrews are "issuers" as defined under Wis. Stat. § 551.102(17).

35. The DBI promissory note is an investment contract security as defined by Wis. Stat. § 551.102(28)(d)1., because it constitutes an investment in a common enterprise with the expectation of profits to be derived through the essential managerial efforts of someone other than the investor.

36. Pursuant to Wis. Stat. § 551.501(2), it is unlawful for a person, in connection with the offer, sale or purchase of a security, directly or indirectly, to make an untrue statement

of a material fact or to omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.

Violations

37. Through the conduct described above, DBI and Andrews, in connection with the offer and sale of securities to DGC, directly and indirectly, made untrue statements of material fact or omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading, in violation of Wis. Stat. § 551.501(2).

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, to issue the following order and notices:

A. Summary Orders issued pursuant to Wis. Stat. § 551.604(2)

38. IT IS ORDERED summarily that RESPONDENTS, their agents, servants, officers, employees, successors, affiliates, and every entity and person directly or indirectly controlled or organized by or on behalf of any RESPONDENT, 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. Stat. §§ 551.604(1)(a) and (2).

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

40. IT IS FURTHER ORDERED summarily that RESPONDENTS, their 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 any RESPONDENT, are prohibited from violating Wis. Stat. § 551.501 or successor statute.

41. IT IS FURTHER ORDERED summarily that RESPONDENTS, their 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 either RESPONDENT, are prohibited from violating Ch. 551 or successor statute that might otherwise apply to any offer or sale of a security of or by RESPONDENTS.

42. PLEASE TAKE NOTICE that the above summary orders of the Administrator are effective on the issuance and effective date, pursuant to Wis. Stat. § 551.604(2).

B. Notice of Proposed Orders

43. IT IS PROPOSED that an order be issued against Respondents, jointly and severally, to pay a civil penalty in the form of an administrative assessment totaling $5,000. Such payment shall be made payable to the Wisconsin Department of Financial Institutions and shall be remitted via a cashier's check payable to the Wisconsin Department of Financial Institutions by no later than 30 days after the date of issuance of this Order.

44. IT IS FURTHER PROPOSED that an order be issued against Respondents jointly and severally to pay the actual costs of the investigation or proceeding as determined at the conclusion of the proceedings, pursuant to Wis. Stat. § 551.604(5).

45. IT IS FURTHER PROPOSED that the above proposed orders become final by operation of law, pursuant to Wis. Stat. §§ 551.604(2), (4),(4m) and (5), with respect to each Respondent that does not request a hearing within 30 days after the date of service of this order and if no hearing is ordered by the Administrator.

C. Service of Order

46. 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.

47. 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). If the order is served personally, the date of service of this order is the date of personal service. You are advised 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.

D. Notice of Hearing Rights

48. PLEASE TAKE NOTICE that you have the right to request a hearing. Every request for a hearing shall be in the form of a petition filed with the Division, pursuant to Wis. Admin. Code § DFI-Sec. 8.01. A petition for a hearing to review an order shall:

    (1) Plainly admit or deny each specific allegation, finding or conclusion in the order and incorporated papers. However, if the petitioner lacks sufficient knowledge or information to permit an admission or denial, the petition shall so state, and that statement shall have the effect of a denial; and

    (2) State all affirmative defenses. Affirmative defenses not raised in the request for hearing may be deemed waived.

49. PLEASE TAKE FURTHER NOTICE that within 15 days after receipt of a request in a record from you, the matter will be scheduled for a hearing or other public administrative proceeding, pursuant to Wis. Stats. §§ 551.604(2) and (3).

50. PLEASE TAKE FURTHER NOTICE that if you do not request a hearing and none is ordered by the Administrator within 30 days after the date of service of this order, the findings of fact, conclusions of law, and summary orders and proposed final orders, including the imposition of a civil penalty, become final by operation of law, pursuant to Wis. Stat. § 551.604(2).

EXECUTED at Madison, Wisconsin, and effective on this 12th day of February, 2019.

Leslie M. Van Buskirk
Administrator

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

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. 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 caused to be served copies of the following documents upon the Administrator for the Division of Securities.

   i. A copy of the Summary Order to Cease and Desist and for Civil Penalties, DFI Case No. S-236252 (EX); and

   ii. A copy of this Affidavit of Service.

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 13th day of February, 2019.

Lindsay Fedler

Notary Public, State of Wisconsin

My commission is permanent.

(Notary Seal)

LINDSAY FEDLER
NOTARY
PUBLIC
STATE OF WISCONSIN

Division of Securities
Mail: PO Box 1768 Madison, WI 53701-1768
Courier: 4822 Madison Yards Way, Madison, WI 53705
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Notary Public, State of Wisconsin

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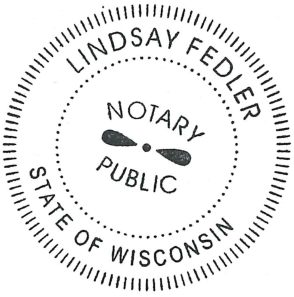

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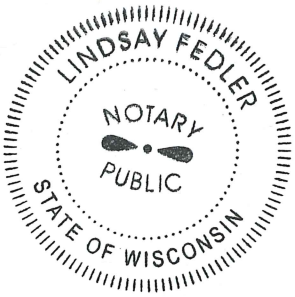

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I, KATHERINE CLEMENTI, first being duly sworn, depose and state:

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 Dreambuilders Investments, LLC's counsel Attorney Richard Gora at his last known mailing address of 9 W. Broad Street, Suite 550, Stanford, CT 06902:

   i. A copy of the Summary Order to Cease and Desist and for Civil Penalties, DFI Case No. S-236252 (EX); and

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

Katherine Clementi
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