STATE OF ALABAMA
ALABAMA SECURITIES COMMISSION

IN THE MATTER OF:	)	
	)	
EVERLIGHT FINANCIAL, INC.	)	**ADMINISTRATIVE ORDER**
RUSSELL IVAN MORGAN II	)	**NO. CD-2018-0021**
	)	
RESPONDENTS	)	

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. **EVERLIGHT FINANCIAL, INC. ("EFI")**, is an Alabama based entity with a business address of 3125 Blue Lake Drive, Vestavia, AL 35243.

2. **RUSSELL IVAN MORGAN II ("MORGAN")**, at all times relevant, has identified himself as the director of **EFI**, with a business address of 3125 Blue Lake Drive, Vestavia, AL 35243. **MORGAN** was previously registered as an Investment Adviser Representative from 2008 until 2015, and Broker Dealer Agent from 2004 until 2015. **MORGAN'S** CRD number is 4836040.

STATEMENT OF FACTS

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

including Alabama residents, by offering and selling "First Position Commercial Mortgages," also referred to as "Secure Bridge Loans."

4. 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.

5. **EFI** filed a Certificate of Formation with the Alabama Secretary of State on April 8, 2016. Section 4, paragraph (a), of the Certificate of Formation states the purpose of this business is "To own and operate a financial planning business." Section 4, paragraph (k), of the Certificate of Formation states that the purpose of this business is "To acquire, by purchase, subscription or otherwise, and to own, hold, sell, and dispose of, exchange, deal in and deal with stocks, bonds, debentures, obligations, evidences or indebtedness, promissory notes, mortgages, and securities executed by any individual or any corporation."

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

7. At all times relevant, **MORGAN** represented himself as an independent Woodbridge sales agent through **EFI**. **MORGAN** offered and sold Woodbridge First Position Commercial Mortgages to at least four Alabama residents and one Tennessee resident. **MORGAN** received a two percent (2.00%) "referral fee" from Woodbridge for each sale.

8. On May 2, 2017, an Alabama resident gave **MORGAN** a $60,000.00 check for interest in a First Position Commercial Mortgage 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 Sixty Thousand Dollars and 00/100 ($60.000.00), together with interest." The Alabama investor was to receive monthly interest payments at the rate of seven percent (7.00%) per annum directly from Woodbridge Mortgage Investment Fund 4, LLC. On July 6, 2017, **MORGAN** initiated

a second transaction with the same Alabama investor. The second investment was for $135,000.00 for interest in a First Position Mortgage through Woodbridge Mortgage Investment Fund 3A, LLC. The Alabama resident issued a check in the amount of $75,000.00, which was to be combined with the resident's initial investment of $60,000, for a total investment of $135,000.00 with 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 One Hundred Thirty-Five Thousand and 00/100 Dollars ($135,000.00) together with interest."

9. On or about August 29, 2017, **MORGAN** presented the Woodbridge First Position Commercial Mortgage to a second Alabama resident, who then invested $60,000.00 in a First Position Mortgage through Woodbridge Mortgage Investment Fund 3A, LLC. This investment was made through Provident Trust Group, LLC, a self-directed IRA company. In exchange for the monetary investment, Woodbridge issued a promissory note indicating that they promised to pay the Alabama investor "the principal sum of Sixty Thousand Dollars and 00/100 ($60.000.00), together with interest." The Alabama investor was to receive monthly interest payments at the rate of seven percent (7.00%) per annum directly from Woodbridge Mortgage Investment Fund 3A, LLC.

10. Between April 27, 2017 and October 3, 2017, **MORGAN** sold Woodbridge First Position Commercial Mortgages to two additional Alabama residents and one Tennessee resident. The amount of each investment was for $100,000.00, $50,000.00, and $50,000.00 respectively.

11. **MORGAN** failed to disclose to the aforementioned investors that he was not registered to sell securities during all times relevant to these transactions.

12. On August 30, 2017, Commission staff had a conference call with **MORGAN'S** attorney. During the call, Commission staff inquired about the nature of **EFI's** business. **MORGAN'S** attorney indicated he would research and respond later. On November 3, 2017, **MORGAN'S** attorney responded to the Commission's inquiry of **EFI**, by stating that "Everlight is not registered as an investment advisor or broker dealer because it is not advising on, or dealing in, securities. Instead, Everlight is involved in the sale of life

insurance policies." However, **MORGAN'S** last known sale of the Woodbridge First Position Commercial Loan product was on October 3, 2017.

13. On October 23, 2017, the Commission sent a corporate inquiry letter to **MORGAN** to determine if **EFI** was involved in securities activities as an investment adviser or as a dealer at any time during 2017. On November 21, 2017, **MORGAN'S** attorney responded that **EFI** is "working through investment advisor registration requirements" with the Commission.

14. On November 15, 2017, **MORGAN** amended the Articles of Incorporation for **EFI** filed with the Alabama Secretary of State. The amendment changed Section 4, paragraph (a) "to own and operate an insurance agency" from the original stated purpose of "operating a financial planning business." No other sections or paragraphs of the original Articles of Incorporation filed on April 8, 2016, were affected by this amendment.

15. On August 22, 2018, **MORGAN** met with the Commission Staff to discuss his affiliation with Woodbridge. During the meeting, **MORGAN** stated that he first learned about Woodbridge in July of 2016 while attending the Summit for Prosperity Economics Advisors ("Summit") in Park City, Utah. **MORGAN** stated that his mentor, Kim Butler ("Butler"), a financial advisor from Texas, hosts the Summit as a non-profit arm of her business, Partners for Prosperity. Butler recommended that he attend the Woodbridge presentation at the Summit.

16. **MORGAN** represented that during the presentation, several attendees questioned whether the Woodbridge First Position Commercial Mortgage was a security. **MORGAN** stated that Woodbridge described the product as a loan and represented the loan was not a security. Woodbridge disclosed to Summit attendees that multiple states, including Massachusetts, consider their First Position Loan product to be a security, and Woodbridge cannot do business in those states.

17. **MORGAN** represented that his due diligence consisted of a visit to Woodbridge headquarters to speak in person with a representative. **MORGAN** stated that he did not look at the administrative orders issued by other states' securities regulators against Woodbridge for

the sale of unregistered securities despite knowing those orders exist. **MORGAN** further represented that he did not consult with Commission staff or a securities professional prior to referring clients to Woodbridge. **MORGAN** did not check the SEC's Electronic Data Gathering Analysis and Retrieval ("EDGAR") database to determine if Woodbridge had made any exemption or registration filings with the SEC.

18. **MORGAN** failed to inform any of his clients that other states' securities regulators had brought administrative actions against Woodbridge.

19. **MORGAN** represented to the Commission that he was a previously registered Investment Advisor Representative and a Broker Dealer Agent, and held series 6, 63, and 65 designations. **MORGAN** has also represented that he is a Certified Financial Planner. **MORGAN'S** profile with the Certified Financial Planner Board indicates he received his certification in 2008

20. A review of the files of the Registration Division of the Alabama Securities Commission was conducted on November 2, 2018, disclosing no record of registration for **EFI** as a broker dealer or investment adviser.

21. A review of the files of the Registration Division of the Alabama Securities Commission was conducted on November 2, 2018, disclosing no record of registration for **MORGAN** as a broker dealer agent, investment adviser, or investment adviser representative in the state of Alabama.

CONCLUSIONS OF LAW

22. Pursuant to Section 8-6-2(10), Code of Alabama 1975, the definition of a security includes any note or evidence of indebtedness. The promissory notes, more specifically described as a "First Position Commercial Mortgage", offered and/or sold by **RESPONDENTS** and issued by Woodbridge, are securities as defined by the Act.

23. 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 described as a "First Position Commercial Mortgage",

and issued by Woodbridge, 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** constitute an investment contract and are securities as defined by the Act.

24. 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. **MORGAN**, by soliciting and effecting securities transactions through **EFI**, specifically the "First Position Commercial Mortgage", acted as an agent of Woodbridge as defined under the Act.

25. 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. **MORGAN** effected sales of securities through **EFI**, and on behalf of Woodbridge, in the state of Alabama without the benefit of registration in violation of the Act.

26. Pursuant to Section 8-6-17(a)(2), Code of Alabama 1975, it is unlawful for a person, in connection with the offer, sale or purchase of a security, to make or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they are made, not misleading. **MORGAN** failed to disclose that the investments offered and sold to the Alabama residents, were securities and were required to be registered in the state of Alabama, a material omission, in violation of the Act.

This Order is appropriate in the public interest for the protection of investors and is consistent with the purposes of the 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, Everlight Financial, Inc., and Russell Morgan, 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 9th day of November, 2018.

ALABAMA SECURITIES COMMISSION
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(334) 242-2984

BY:

JOSEPH P. BORG
Director