

**Division of Securities
Utah Department of Commerce
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**BEFORE THE DIVISION OF SECURITIES
OF THE DEPARTMENT OF COMMERCE
OF THE STATE OF UTAH**

IN THE MATTER OF:

SMITHSON FINANCIAL GROUP, LLC,

TODD MICHAEL SMITHSON,

Respondents.

STIPULATION AND CONSENT ORDER

Docket No. SD-23-0018

Docket No. SD-23-0017

The Utah Division of Securities (“Division”), by and through its Chief of Enforcement, Elizabeth Blaylock, and respondents Smithson Financial Group, LLC (“Smithson Financial”) and Todd Michael Smithson (“Todd”) (together referred to herein as “Respondents”) hereby stipulate and agree as follows:

1. Respondents have been the subject of an investigation by the Division into allegations that they violated the Utah Uniform Securities Act (“Act”), specifically, Utah Code Ann. § 61-1-1(2) (securities fraud), § 61-1-3(2)(a) (unlicensed activity), § 61-1-3(1) (unlicensed activity), and § 61-1-7 (sale of unregistered securities)
2. On or about May 12, 2023, the Division initiated an administrative action against Respondents by filing an Order to Show Cause.

3. Respondents hereby agree to settle this matter with the Division by way of this Stipulation and Consent Order (the "Order"). If entered, the Order will fully resolve all claims the Division has against Respondents pertaining to the Order to Show Cause.
4. Respondents admit that the Division has jurisdiction over them and over the subject matter of this action.
5. Respondents hereby waive any right to a hearing to challenge the Division's evidence and present evidence on their behalf.
6. Respondents have read this Order, understand its contents, and voluntarily agree to the entry of the Order as set forth below. No promises or other agreements have been made by the Division, nor by any representative of the Division, to induce Respondents to enter into this Order, other than as described in this Order.
7. Respondents have obtained counsel and are represented by Andrew Stavros of Stavros Law P.C.

FINDINGS OF FACT

THE RESPONDENTS

8. Smithson Financial is a Utah limited liability company registered with the Utah Division of Corporations and Commercial Code on April 8, 2011, with a principal place of business located in Centerville, Utah. Karen J. Smithson ("Karen") is the owner and registered agent of Smithson Financial. In corporate documents filed between 2011 to present, Karen is also listed as managing member of Smithson Financial. Todd was added as a member in 2018 to present. Smithson Financial is an insurance company licensed with the Utah Department of Insurance, license no. 378038, from May 2011 to present. Smithson Financial maintains a website and markets its services through radio, online

videos, and sales literature presented as authored books.¹ Smithson Financial purports to provide retirement planning services. Smithson Financial has never been licensed in the securities industry.

9. Todd resided in Utah during all times relevant to the allegations asserted herein. From 2001 to present, Todd has been a licensed insurance agent selling accident and life insurance.² At no time has Todd been licensed in the securities industry.

RELATED ENTITY INFORMATION

10. Woodbridge Group of Companies, LLC (“Woodbridge”) is a Delaware limited liability company registered with the Delaware Division of Corporations on December 11, 2014. Woodbridge is an entity owned by Robert Shapiro (“Shapiro”) and purported to offer short-term commercial lending secured by commercial real estate.³ Woodbridge funded the commercial loans by offering investments called First Position Commercial Mortgage Loans.
11. In December 2017, the U.S. Securities and Exchange Commission (“SEC”) filed a complaint against Woodbridge and its affiliates, alleging that Shapiro conducted a nationwide Ponzi scheme that raised over \$1.22 billion from over 8,400 investors. In April 2019, Shapiro was indicted in U.S. District Court, Southern District of Florida, case number 19-20178-CR-Altonaga/Goodman. In connection with Shapiro’s operation of the Woodbridge Ponzi scheme, Shapiro was charged with conspiracy to commit mail fraud and wire fraud, conspiracy to commit money laundering, mail fraud, wire fraud, and

¹ Todd formerly did business under the Utah entity Safe Retirements LLC from approximately 2004 until the entity’s expiration in 2007.

² See Utah insurance license no. 138787.

³ Woodbridge engaged sales agents to sell two Woodbridge investment offerings. The two investment offerings were first position commercial mortgages, and fund investments.

evasion of payment of federal income taxes, all federal felonies. In August 2019, Shapiro entered into a plea agreement and was sentenced to 25 years in federal prison.

12. Michael Goldberg, in his capacity as Liquidating Trustee of the Woodbridge Liquidation Trust, sued Smithson Financial and Todd to repay Todd's commissions of \$75,685.22 to the Woodbridge trust.⁴ Respondents have been making monthly payments to the Liquidating Trustee for disgorgement of the commissions. As of August 1, 2023, Respondents have disgorged \$57,500 to the Liquidating Trustee, and will have the full \$75,685.22 paid by April 1, 2024.

GENERAL ALLEGATIONS

13. The Division's investigation of this matter revealed that from approximately 2016 to 2017, while conducting business in or from the state of Utah, Smithson Financial and Todd offered and sold the Woodbridge investment opportunities to twenty-eight (28) investors residing in Utah, Nevada, and California. Smithson Financial and Todd raised approximately \$2,676,864.00 in principal for Woodbridge.
14. The investment opportunities offered and sold by Respondents in Woodbridge are Investment Contracts and/or Promissory Notes, which are securities under §61-1-13 of the Act.
15. In connection with the offer and/or sale of securities, Respondents either directly or indirectly, made misrepresentations and omissions about the investment, including that Todd had personally invested, when he had not.
16. In connection with the offer and/or sale of securities, Todd acted as an unlicensed sales

⁴ See Woodbridge Adversary Proceeding, *Michael Goldberg, in his capacity as Liquidating Trustee of the Woodbridge Liquidation Trust v. Smithson Financial Group LLC and Todd Smithson*, 19-51032-BLS, United States Bankruptcy Court for the District of Delaware.

agent for Woodbridge.

17. **Smithson Financial received \$75,685.22 in commissions for Respondents' Woodbridge securities sales.**
18. **Respondents offered and/or sold securities that were not registered with the Division, did not qualify for an exemption from registration, and were not federal-covered securities for which any notice filing was made.**
19. **To date, the investors are owed an estimated \$2,676,864 in principal alone and received an estimated \$100,792 in interest payments before the Woodbridge Ponzi collapsed.**

Woodbridge Investments

THE SOLICITATIONS

20. **Starting in or around 2016, Todd began soliciting investors to purchase Woodbridge securities. Many of these investors were already Todd's or Smithson Financials' clients.**
21. **The solicitations were made in person and by phone.**
22. **During the solicitations, Todd made numerous statements and representations to investors regarding the investment opportunity in Woodbridge, including, but not limited to the following:**
 - a. **That investor funds would be used for commercial bridge loans;**
 - b. **Investor funds would be used to develop properties and profits would be generated by loan payments and property sales;**
 - c. **The investment would earn an annual return of 5% to 10% paid out in monthly installments;**
 - d. **The investment would be fully secured by a first position lien on real property;**
 - e. **Todd had personally invested in Woodbridge;**

- f. Woodbridge had a successful track record; and
 - g. Woodbridge was a safe investment for retirement income and was not risky.
23. Investors had no role in the investment opportunities, other than providing investment funds.
24. Based on Todd's statements and representations, from 2016 to 2017, individuals invested approximately \$2,676,864 in Woodbridge.

THE INVESTMENT AGREEMENT

25. In exchange for the investment in Woodbridge, investors received a document entitled "Promissory Note", which outlined the investment amount and the promised rate of return.
26. The Promissory Notes were signed by the investor and a representative of Woodbridge.
27. The Promissory Notes obtained during the Division's investigation do not identify a property address purportedly used to collateralize the investment. Only general property descriptions were given.

FRAUDULENT CONDUCT: USE OF INVESTOR FUNDS

28. In 2016 and 2017, Woodbridge paid Respondents a total of approximately \$75,685.22 in remuneration for selling the Woodbridge investment.
29. Generally, after investor funds were sent to Woodbridge, Woodbridge used a portion of investor funds in the following manner:
- a. To pay sales commissions to sales agents of Woodbridge products;
 - b. To pay previous investors with funds from later investors; and
 - c. To fund Shapiro's personal lifestyle.⁵

⁵ According to the Securities and Exchange Commission complaint, case number 17-24624, filed against Shapiro, Woodbridge, and Woodbridge affiliates, Shapiro "spent exorbitant amounts of investor money in alarming fashion,

MISSTATEMENTS AND OMISSIONS

30. In connection with the offer and/or sale of securities, Respondents, directly or indirectly, made material misstatements to investors including, but not limited to, the following:
- a. Investor funds would be used to provide commercial bridge loans to purchase properties, when in fact, this claim was false;
 - b. Investors would hold a first lien position on properties financed by their investment when, in fact, this claim was false, and investors did not hold a first lien position on the properties allegedly financed by their investment;
 - c. Investors would receive a 5% to 10% annual return for their investment, when in fact, there was no reasonable basis to make this claim;
 - d. Woodbridge was a reputable and successful company that had been in business for a long time, when such was not the fact;
 - e. Todd had personally invested in Woodbridge, when he had not; and,
 - f. Todd recommended the Woodbridge investment as a worthy and legitimate investment opportunity when such was not the fact.
31. In connection with the offer or sale of securities, Respondents failed to disclose material information to investors including, but not limited to, the following:
- a. Respondents would receive \$75,685.22 in commissions from the proceeds of investor funds for selling the Woodbridge investment;
 - b. Respondents were not licensed to sell securities;
 - c. Respondents failed to conduct reasonable due diligence on the Woodbridge securities before soliciting investors; and

on items such as luxury automobiles, jewelry, country club memberships, fine wine, and chartering private planes." See also. U.S. District Court, Southern District of Florida, case number 19-20178-CR-Altonaga/Goodman.

- d. That Woodbridge had been the subject of numerous regulatory actions and/or investigations for its business practices including:
- i. On May 4, 2015, Massachusetts issued an Order against Woodbridge⁶;
 - ii. On July 17, 2015, Texas Emergency Cease and Desist Order against Woodbridge⁷;
 - iii. On October 4, 2016, Arizona Temporary Order to Cease and Desist against Woodbridge⁸; and
- e. Some or all of the information typically provided in an offering circular or prospectus concerning Woodbridge relevant to the investment opportunity, such as:
- i. Business and operating history;
 - ii. Financial statements;
 - iii. Information regarding principals involved in the company;
 - iv. Conflicts of interest;
 - v. Risk factors;
 - vi. Suitability factors for investment; and
 - vii. Whether the securities offered were registered in the state of Utah.

CONCLUSIONS OF LAW

Securities Fraud under § 61-1-1(2) of the Act

Respondents Smithson Financial and Todd Smithson

32. As described herein, in connection with the offer and/or sale of Woodbridge securities, Smithson Financial and Todd directly or indirectly misrepresented material facts and/or

⁶ See, Docket No. E-2015-0039. Commonwealth of Massachusetts, *In the Matter of: Woodbridge Mortgage Investment Fund 1, LLC, Woodbridge Mortgage Investment Fund 2, LLC, and Woodbridge Mortgage Investment Fund 3, LLC*.

⁷ See, Order No. ENF-15-CD0-1740. Texas State Securities Board.

⁸ See, Docket No. S-20988A-16-0354, Before the Arizona Corporation Commission.

omitted material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading, in violation of Section 61-1-1(2) of the Act.

Unlicensed Activity under § 61-1-3(2)(a) of the Act

Respondent Smithson Financial

33. It is unlawful for a broker-dealer or issuer to employ or engage an agent, unless the agent is licensed in the securities industry in the state of Utah.
34. As described herein, Todd was not licensed in the securities industry in any capacity when he offered and sold Woodbridge securities on behalf of Smithson Financial and Woodbridge to investors, and received transaction-based compensation in connection therewith, in violation of Section 61-1-3(2)(a) of the Act.

Unlicensed Activity under § 61-1-3(1) of the Act

Respondent Todd Smithson

35. It is unlawful for a person to transact business in this state as an agent unless the person is licensed under the Act.
36. As described herein, Respondent Todd Smithson was not licensed in the securities industry in any capacity when he offered and sold Woodbridge securities to investors and received transaction-based compensation from Woodbridge in connection therewith, in violation of Section 61-1-3(1) of the Act.

Sale of Unregistered Securities under § 61-1-7 of the Act

Respondents Smithson Financial and Todd Smithson

37. The Woodbridge investments offered and sold by Respondents are securities as defined under Section 61-1-13 of the Act. It is unlawful for any person to offer or sell any security in this state unless it is registered, an exempted security or transaction, or is a federal covered security for which notice filing has been made.
38. As described herein, the Woodbridge securities offered and sold by Respondents were not registered with the Division, did not qualify for an exemption from registration, and were not federal-covered securities for which any notice filing was made, in violation of Section 61-1-7 of the Act.

REMEDIAL ACTIONS / SANCTIONS

39. Respondents neither admit nor deny the Division's Findings and Conclusions, but consent to the sanctions below being imposed by the Division.
40. Respondents agree to cease and desist from violating the Utah Uniform Securities Act (Utah Code Ann. §§ 61-1-1 through 61-1-32) and to comply with the requirements of the Act in all future business in Utah.
41. Respondents agree to be barred from associating with any broker-dealer or investment adviser licensed in Utah; from acting as an agent for any issuer soliciting investor funds in the state of Utah; and from being licensed in any capacity in the securities industry in Utah.
42. Pursuant to Utah Code Ann. Section 61-1-20 and in consideration of the factors contained in Utah Code Ann. Section 61-1-31, the Division imposes a fine of \$15,000.00 against

Respondents, jointly and severally, to be paid to the Division. Respondents are currently disgorging their commissions of \$75,685.22 to the Liquidation Trustee of the Woodbridge Liquidation Trust, pursuant to Woodbridge adversary proceeding, *Michael Goldberg, in his capacity as Liquidating Trustee of the Woodbridge Liquidation Trust v. Smithson Financial Group LLC and Todd Smithson*, #: 19-51032-BLS, in the United States Bankruptcy Court for the District of Delaware. Respondents have disgorged \$57,500.00 to the Liquidation Trustee and will complete payments by April 1, 2024. Respondents agree to pay the Division's fine of \$15,000.00 in six (6) equal and consecutive monthly payments of \$2,500.00 to the Division, starting May 1, 2024.

FINAL RESOLUTION


43. Respondents and the Division acknowledge that this Order, upon approval by the Commission, shall be the final compromise and settlement of this matter. Respondents acknowledge that the Commission is not required to approve this Order, in which case the Order shall be null and void and have no force or effect. In the event the Commission does not approve this Order, however, Respondents expressly waive any claims of bias or prejudice of the Commission, and such waiver shall survive any nullification.
44. If Respondents materially violate any term of this Order, after notice and an opportunity to be heard before an administrative judge solely as to the issue of a material violation, Respondents consent to entry of an order in which the total fine amount is increased by 20% and becomes immediately due and payable, less any payments already made. Notice of the violation will be provided to Respondents at their last known addresses, and to counsel for Respondents. If Respondents fail to request a hearing or fail to cure any

missed fine payment within ten (10) days following the notice, there will be no hearing and the order granting relief will be entered.

45. In addition, the Division may institute judicial proceedings against Respondents in any court of competent jurisdiction and take any other action authorized by the Act or under any other applicable law to collect monies owed by Respondents or to otherwise enforce the terms of this Order. Respondents further agree to be liable for all reasonable attorneys' fees and costs associated with any collection efforts pursued by the Division, plus the judgment rate of interest.
46. Respondents acknowledge that the Order does not affect any civil or arbitration causes of action that third parties may have against them arising in whole or in part from his actions, and that the Order does not affect any criminal causes of action that may arise as a result of the conduct referenced herein. Respondents also acknowledge that any civil, criminal, arbitration or other causes of actions brought by third parties against them have no effect on, and do not bar this administrative action by the Division against them.
47. This Order constitutes the entire agreement between the parties herein and supersedes and cancels all prior negotiations, representations, understandings, or agreements between the parties. There are no verbal agreements which modify, interpret, construe, or otherwise affect this Order in any way. Upon entry of the Order, any further scheduled hearings involving Respondents are canceled. The Order may be docketed in a court of competent jurisdiction.

Dated this 7th day of October 2023.

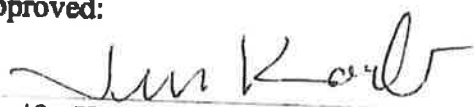
Dated this ___ day of _____ 2023.

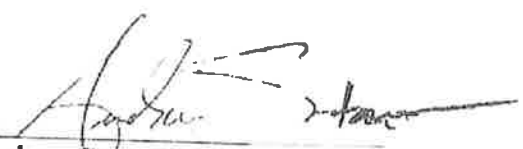

Elizabeth Blaylock
Chief of Enforcement
Utah Division of Securities


Todd Michael Smithson

Smithson Financial Group, LLC
By: 
Todd Michael Smithson

Its: Managing Member

Approved:

Jennifer Korb
Assistant Attorney General
Utah Attorney General's Office
Counsel for the Division


Andrew Stavros
Stavros Law P.C.
Counsel for Respondents

ORDER

IT IS HEREBY ORDERED THAT:

1. The Division's Findings and Conclusions, which Respondents neither admit nor deny, are hereby entered.
2. Respondents shall cease and desist from violating the Act and comply with the requirements of the Act in all future business in the state of Utah.
3. Respondents shall be barred from associating with any broker-dealer or investment adviser licensed in Utah; from acting as an agent for any issuer soliciting investor funds in the state of Utah; and from being licensed in any capacity in the securities industry in Utah.
4. Pursuant to Utah Code Ann. §61-1-20, and in consideration of the factors set forth in Utah Code Ann. §61-1-31, Respondents shall pay a fine of \$15,000 – to be paid jointly and severally – to the Division pursuant to the terms set forth in paragraph 42.

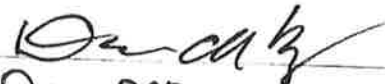

BY THE UTAH SECURITIES COMMISSION:

DATED this _____ day of _____, 2023.


Lyndon Ricks (Oct 13, 2023 11:47 MDT)

Lyndon L. Ricks

Lyle White


Dan DeBry

Mark E. Zimbelman (Oct 13, 2023 12:06 MDT)

Mark Zimbelman


Dawn Dachenhausen

CERTIFICATE OF SERVICE

I certify that on the 16 day of October 2023, I sent a true and correct copy of the foregoing **Stipulation and Consent Order** to the following as indicated:

Todd M. Smithson
4648 W Eaglebrook Circle
Cedar Hills, UT 84062

Smithson Financial Group, LLC
c/o Registered Agent, Karen J. Smithson
88 Cottonwood Dr
Centerville, UT 84014

And emailed to:

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C/o legal counsel Andrew Stavros
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Administrative Assistant

