

Division of Securities
Utah Department of Commerce
160 East 300 South, 2nd Floor
Box 146760
Salt Lake City, UT 84114-6760
Telephone: (801) 530-6600
FAX: (801)530-6980

BEFORE THE DIVISION OF SECURITIES
OF THE DEPARTMENT OF COMMERCE
OF THE STATE OF UTAH

IN THE MATTER OF:

ANNUA GROUP, LLC,
LYNN TAU MERRITT,

Respondents.

STIPULATION AND CONSENT ORDER

Docket No. SD-22-0013
Docket No. SD-22-0014

The Utah Division of Securities (“Division”), by and through its Senior Enforcement Manager, Dave Hermansen, and Lynn Tau Merritt (“Merritt”) and Annu Group, LLC, (“Annu”), together with Merritt, (“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”), Utah Code Ann. §§ 61-1-1 (securities fraud), 61-1-3 (licensing), and 61-1-7 (registration).
2. On or about November 1, 2022, 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 Greg Christiansen of the law firm Guardian Law, LLC.

FINDINGS OF FACT

THE RESPONDENTS

8. Annua is an expired Utah limited liability company registered with the Utah Division of Corporations and Commercial Code on December 11, 2014. In corporate documents filed with the state of Utah¹, between 2014 until its expiration in March 2019, Merritt is listed as the sole member with Greys River Consulting (a DBA of another Merritt entity) listed as the registered agent. Annua purports to be an accounting, bookkeeping, and marketing consulting business. As part of its business operations, Annua recruited other insurance agents to make client referrals for Woodbridge Group of Companies LLC, and its subsidiaries on behalf of Merritt. Agents included David Cusano (deceased), Harry Harwat, Scott Farwick, George Movsesian, Trisha LaVeck, Stephen Gardner, and others. Annua received commissions for all Woodbridge sales.

¹ See Annua Group LLC entity number 9246392-0160

9. Merritt resided in Utah during all times relevant to the allegations asserted herein. From 2015 through 2019, Merritt was a licensed insurance agent in the state of Utah. Merritt's insurance license was put on inactive status on Feb. 28, 2019. At no time has Merritt 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.² 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 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. On December 4, 2017, Woodbridge filed a Chapter 11 bankruptcy in the United States Bankruptcy Court for the District of Delaware, Case No. 17-12560 (JKS). A Liquidation

² Woodbridge engaged sales agents to sell two Woodbridge investment offerings. The two investment offerings were first position commercial mortgages and fund investments.

Trustee, Michael Goldberg, was appointed in the bankruptcy to assist in the wind-down of Woodbridge. The Liquidation Trustee's duties include, but are not limited to, liquidating trust assets, pursuing potential recoveries related to litigation, and making distributions to claim holders.

13. On October 26, 2021, the Woodbridge Liquidation Trustee obtained a default judgment against respondent Annua Group, LLC for claims of Avoidance and Recovery of Avoidable Transfers, and for the Sale of Unregistered Securities, for Fraud, and for Aiding and Abetting Fraud.³ The default judgment against Annua is in excess of \$10 million dollars.

GENERAL ALLEGATIONS

14. The Division's investigation of this matter revealed that, from approximately 2015 to 2017, while conducting business in or from the state of Utah, Respondents offered and sold investment opportunities to eighty-eight investors located in thirteen different states, including at least four in Utah. The total amount raised from investors was approximately \$10,319,360.47 in connection therewith.
15. The investment opportunities offered and sold by Respondents are investment contracts and/or promissory notes, which are securities under §61-1-13 of the Act.
16. In connection with the offer and/or sale of securities, Respondents, either directly or indirectly, made material omissions and/or misrepresentations of material facts.
17. In connection with the offer and or sale of securities, Merritt acted as an unlicensed agent.
18. In connection with the offer and/or sale of securities Merritt acted as an unlicensed

³ *Michael Goldberg, Woodbridge Liquidation Trust v. Annua Group LLC*, Adversary Proceeding Case No. 19-50930 (JKS), Document 33.

investment adviser representative when he advised investors to remove their retirement funds from investment in the stock market and received compensation in connection therewith.

19. Annua employed Merritt as an agent to offer and sell securities to investors when Merritt was not licensed as an agent in the securities industry. Annua received approximately \$535,452.49 in commissions from these sales.
20. 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.
21. To date, the investors are owed an estimated \$7,663,222.52 in principal alone.

Woodbridge Investments

THE SOLICITATIONS

22. From 2015 through 2017, Respondents, directly and/or indirectly, solicited at least eighty-eight investors residing in California, Florida, Michigan, Utah, Pennsylvania, Ohio, New York, Wisconsin, Washington, Tennessee, Kansas, Colorado, Arizona, Georgia to invest in Woodbridge.
23. Respondents solicited investors over the phone alongside in person local representatives in the investor's state.
24. Investors had no role in the investment opportunities, other than providing investment funds.
25. During the solicitations Merritt 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 a commercial bridge loan;
 - 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 a guaranteed annual return of 5% to 10%;
 - d. The investment would be secured by a first position lien on real property;
 - e. That there was little to no risk and the Woodbridge investment was safe; and,
 - f. Woodbridge had been in business for 25 years and had consistently paid returns.
26. Based on Merritt's statements and representations, from 2015 to 2017, investors invested approximately \$10,319,360.47 in Woodbridge.

THE INVESTMENT AGREEMENT

27. In exchange for the investment in Woodbridge, some investors received a document entitled "Promissory Note", which outlined the investment amount and the promised rate of return.
28. The Promissory Notes were signed by the investor and a representative of Woodbridge.
29. 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

30. Between 2015 and 2017, Woodbridge paid Respondents approximately \$535,452.49 in remuneration for selling the Woodbridge investment.
31. 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.⁴

MISSTATEMENTS AND OMISSIONS

32. In connection with the offer and/or sale of securities, Respondents made material misstatements to investors including, but not limited to, the following:
- a. That all 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 the property that received the commercial bridge loan, when in fact, this claim was false and investors did not hold a first lien position on the properties allegedly financed by their investment; and,
 - 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.
33. 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. That Respondents would receive \$535,452.49 commissions of 5% to as much as 8.75% from the proceeds of investor funds for selling the Woodbridge investment;
 - b. That Respondents were not licensed to sell securities;
 - c. That Merritt failed to conduct reasonable due diligence on the Woodbridge securities before soliciting investors; and
 - d. That Woodbridge had been the subject of numerous regulatory actions and/or investigations for its business practices including:

⁴ 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, 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.

- i. On May 4, 2015, Massachusetts issued an Order against Woodbridge⁵;
 - ii. On July 17, 2015, Texas Emergency Cease and Desist Order against Woodbridge⁶;
 - iii. On October 4, 2016, Arizona Temporary Order to Cease and Desist against Woodbridge⁷; and
- e. Some or all of the information typically provided in an offering circular or prospectus concerning Respondents 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 Annua & Merritt

34. Based upon the Division's investigative findings, the Division concludes that the investment opportunity offered and sold by Respondents is an investment contract, which is defined as a security under § 61-1-13 of the Act.
35. In violation of § 61-1-1(2) of the Act, and in connection with the offer and/or sale of a

⁵ 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*.

⁶ See, Order No. ENF-15-CD0-1740. Texas State Securities Board.

⁷ See, Docket No. S-20988A-16-0354. Before the Arizona Corporation Commission.

security, Respondents directly or indirectly misrepresented material facts, as described above.

36. In violation of § 61-1-1(2) of the Act, and in connection with the offer and/or sale of a security, Respondents directly or indirectly omitted material facts which were necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading as described above.

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

Respondent Annua

37. 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.
38. As described herein, Merritt was not licensed in the securities industry in any capacity when he offered and sold Woodbridge securities on behalf of Annua and Woodbridge to investors, and received 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 Merritt

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

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

Respondent Merritt

41. It is unlawful for a person to transact business in this state as an investment adviser representative unless the person is licensed under the Act.
42. As described herein, Merritt was not licensed in the securities industry in any capacity when he recommended that investors liquidate their retirement accounts from investment in the stock market to purchase the Woodbridge investment and received compensation in connection therewith, in violation of Section 61-1-3(3) of the Act.

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

Respondents Annuia & Merritt

43. 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.
44. As described herein, the investments offered and sold by Respondents were not registered with the Division, do 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

45. Respondents admit the Division's Findings of Fact and Conclusions of Law, and consent to the below sanctions being imposed by the Division.
46. Respondents agree to cease and desist from violating the Utah Uniform Securities Act (Utah Code 61-1-1 through 61-1-32) and to comply with the requirements of the Act in all future business in Utah.

47. 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.
48. Pursuant to Utah Code Ann. §61-1-20, and in consideration of the factors set forth in Utah Code Ann. §61-1-31, the Division imposes a total fine amount of \$22,500 against Respondents to be paid jointly and severally. The first fine payment of \$5,000 will be due to the Division within thirty (30) days of the Utah Securities Commission's approval of this Order. Respondents will pay the remaining fine amount of \$17,500 by making consecutive equal monthly payments to the Division over the succeeding twenty-four (24) month period.

FINAL RESOLUTION

49. 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 prejudgment of the Commission, and such waiver shall survive any nullification.
50. 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 they have obtained counsel. 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.

51. 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.
52. 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 their 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.
53. 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 7 day of March 2023.



Dave R. Hermansen
Senior Enforcement Manager
Utah Division of Securities

Dated this 17 day of February 2023.



Lynn Tau Merritt, Respondent

Dated this 17 day of February 2023.

Annua Group, LLC., Respondent

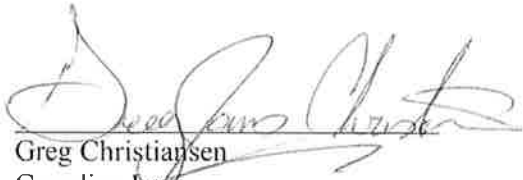
By: 
Lynn Tau Merritt

Its: Founder and Sole Member

Approved:



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



Greg Christiansen
Guardian Law
Counsel for Respondents

ORDER

IT IS HEREBY ORDERED THAT:

1. Respondents admit the Division's Findings and Conclusions, which 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 \$22,500 to the Division pursuant to the terms set forth in paragraph 48.

BY THE UTAH SECURITIES COMMISSION:


DATED this 13th day of April 2023.


Lyndon L. Ricks


Lyle White

Peggy Hunt


Mark Zimbelman


Dawn Dachenhausen

CERTIFICATE OF SERVICE

I certify that on the 13 day of April 2023, I sent a true and correct copy of the foregoing **Stipulation and Consent Order** to the following as indicated:


Greg Christiansen
Guardian Law
greg@guardianlaw.com
Counsel for Respondents
Via email

Lynn Tau Merritt, individually and on behalf
of Annua Group, LLC, Respondents
7757 Mountain Ash Way
Eagle Mountain, UT 84005
lynntmerritt@hotmail.com
Via U.S. Mail and email

Bruce Dibb, Administrative Law Judge
Department of Commerce
bdibb@utah.gov
Via email

Jennifer Korb, Assistant Attorney General
Utah Attorney General's Office
jkorb@agutah.gov
Counsel for the Division of Securities
Via email

Dave Hermansen
Senior Enforcement Manager
Utah Division of Securities
dhermans@utah.gov
Via email



Ashlee Buchholz, Administrative Assistant

