

ORIGINAL

NEW APPLICATION



BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

TOM FORESE - Chairman
BOB BURNS
ANDY TOBIN
BOYD DUNN
JUSTIN OLSON

Arizona Corporation Commission

DOCKETED

JAN 29 2018

DOCKETED BY 

In the matter of:

RONALD HORN, an unmarried man,

DANIEL RONDBERG, and JENNIFER
RONDBERG, husband and wife,

RANDOLPH RONDBERG, and
KATHERINE RONDBERG, husband and
wife,

JASON WALTER, and SAMANTHA
WALTER, husband and wife,

JOHN WALTER, and JANIS WALTER,
husband and wife, and

TRAGER, L.L.C., an Arizona limited
liability company.

Respondents.

DOCKET NO. S-21038A-18-0022

**NOTICE OF OPPORTUNITY FOR HEARING
REGARDING PROPOSED ORDER TO CEASE
AND DESIST, ORDER FOR RESTITUTION,
ORDER FOR ADMINISTRATIVE
PENALTIES, ORDER OF DENIAL, AND
ORDER FOR OTHER AFFIRMATIVE
ACTION**

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NOTICE: EACH RESPONDENT HAS 10 DAYS TO REQUEST A HEARING

EACH RESPONDENT HAS 30 DAYS TO FILE AN ANSWER

The Securities Division ("Division") of the Arizona Corporation Commission ("Commission") alleges that respondents Ronald Horn, Daniel Rondberg, Randolph Rondberg, Jason Walter, John Walter, and Trager, L.L.C. have engaged in acts, practices, and transactions that constitute violations of the Securities Act of Arizona, A.R.S. § 44-1801 *et seq.* ("Securities Act") and/or the Arizona Investment Management Act, A.R.S. § 44-3101 *et seq.* ("IM Act").

The Division also alleges that Randolph Rondberg is a person controlling Trager, L.L.C. within the meaning of A.R.S. § 44-1999(B) so that Randolph Rondberg is liable to the same extent as Trager, L.L.C. for its violations of the antifraud provisions of the Securities Act.

I.**JURISDICTION**

1. The Commission has jurisdiction over this matter pursuant to Article XV of the Arizona Constitution, the Securities Act, and the IM Act.

II.**RESPONDENTS**

2. Ronald Horn, Daniel Rondberg, Randolph Rondberg, Jason Walter, John Walter, and Trager, L.L.C. may be referred to collectively as "Respondents."

3. Since at least February 18, 2015, Ronald Horn ("Horn") has been an unmarried man and an Arizona resident and has not been registered by the Commission as a securities salesman or dealer. Horn has been licensed as an Arizona insurance producer since at least February 18, 2015.

4. Since at least February 18, 2015, Daniel Rondberg has been an Arizona resident and has not been registered by the Commission as a securities salesman or dealer. On information and belief, Daniel Rondberg has been a married man since at least approximately July 1, 2016. Daniel Rondberg has been licensed as an Arizona insurance producer since at least February 18, 2015.

5. Since at least February 18, 2015, Randolph Rondberg has been a married man and an Arizona resident and has not been registered by the Commission as a securities salesman or dealer. Randolph Rondberg has been licensed as an Arizona insurance producer since at least February 18, 2015.

6. Since at least February 18, 2015, Jason Walter has been a married man and an Arizona resident and has not been registered by the Commission as a securities salesman or dealer. Jason Walter has been licensed as an Arizona insurance producer since at least February 18, 2015.

7. Since at least February 18, 2015, John Walter has been a married man and an Arizona resident and has not been registered by the Commission as a securities salesman or dealer. John Walter has been licensed as an Arizona insurance producer since at least February 18, 2015.

8 9. At all relevant times, Respondents Daniel Rondberg, Randolph Rondberg, Jason Walter,
9 and John Walter were acting for their own benefit and for the benefit or in furtherance of their and
10 Respondent Spouses' marital communities.

11 10. Trager, L.L.C. (“Trager”) is a limited liability company organized under the laws of the
12 state of Arizona on November 3, 2003. Since at least February 18, 2015, Randolph Rondberg has been
13 the sole manager and member of Trager. Trager’s website lists Randolph Rondberg as its “CEO.” Trager
14 has not been registered by the Commission as a securities salesman or dealer. Trager uses the trade
15 name “Nation’s First Financial.”

FACTS

18 11. Respondents Horn, Daniel Rondberg, Randolph Rondberg, Jason Walter, and John
19 Walter work together as “Advisors” for Trager under its trade name, Nation’s First Financial.
20 Respondents Horn, Daniel Rondberg, Randolph Rondberg, Jason Walter, and John Walter have all
21 worked for Trager since at least February 18, 2015.

12. The Respondents each sold securities issued by Woodbridge Mortgage Investment Fund 1, LLC (“Woodbridge Fund 1”), Woodbridge Mortgage Investment Fund 2, LLC (“Woodbridge Fund 2”), Woodbridge Mortgage Investment Fund 3, LLC (“Woodbridge Fund 3”), and/or Woodbridge Mortgage Investment Fund 3A, LLC (collectively, “the Woodbridge Funds”).

1 13. The Woodbridge Funds are commercial lenders that make hard-money loans secured
2 by commercial property. The Woodbridge Funds raise money from investors to help fund the hard-
3 money loans. The Woodbridge Companies refer to these investments as First Position Commercial
4 Mortgages ("FPCM").

5 14. The Respondents sold at least 39 FPCMs to primarily Arizona investors, raising at
6 least \$2,762,000 for the Woodbridge Funds. The Woodbridge Funds paid the Respondents sales
7 commissions totaling at least \$111,421.

8 15. An FPCM consists of a promissory note from a Woodbridge Fund, a loan agreement,
9 and a non-exclusive assignment of the Woodbridge Fund's security interest in the mortgage for the
10 underlying hard-money loan. The Woodbridge Funds pool money from multiple investors for each
11 hard-money loan. If a Woodbridge Fund defaults on its promissory note to an investor, the FPCM
12 assignment documents require it to pay to the investor any payments the Woodbridge Fund receives
13 from the underlying hard-money borrower.

14 16. The FPCMs are securities in the form of notes, investment contracts, and real property
15 investment contracts.

16 17. On May 4, 2015, Woodbridge Fund 1, Woodbridge Fund 2, and Woodbridge Fund 3
17 consented to an order by the Massachusetts Securities Division ("Massachusetts Consent"). The
18 Massachusetts Consent found that the FPCMs are securities and that Woodbridge Fund 1,
19 Woodbridge Fund 2, and Woodbridge Fund 3 had violated the Massachusetts Uniform Securities
20 Act by selling unregistered securities. The Massachusetts Consent also required them to offer
21 rescission to Massachusetts investors and to pay a civil penalty of \$250,000.

22 18. On July 17, 2015, the Texas State Securities Board issued an emergency cease and
23 desist order ("Texas Order") against Woodbridge Fund 3 and other parties that ordered them to stop
24 engaging in fraud in connection with the sale of securities in Texas. The Texas Order alleged that
25 the FPCMs are securities and alleged that Woodbridge Fund 3 was engaging in fraud in connection
26

1 with the sale of securities by failing to disclose the Massachusetts Consent and various investment
2 risks to potential investors.

3 19. On March 18, 2016, Woodbridge Fund 3 consented to an order by the Texas State
4 Securities Board ("Texas Consent"). The Texas Consent concluded that the FPCMs were securities,
5 and concluded that Woodbridge Fund 3 had violated the Texas Securities Act by offering
6 unregistered securities.

7 20. Respondents each omitted to inform at least one of their FPCM investors before they
8 invested of the Massachusetts Consent, the Texas Order, and/or the Texas Consent.

9 21. FPCMs involve risks that are typically associated with real estate investments. An
10 investor might need to sue the Woodbridge Fund or the third party hard-money borrower to recover
11 the investment. The value of the real estate collateral for the hard-money loan might be too low due
12 to depreciation or the Woodbridge Funds' failure to properly value it. If the real estate does not
13 adequately collateralize the loan, the Woodbridge Funds may fail to maintain enough liquid cash
14 reserve to continue making payments to the investor. And the investor's security interest in the real
15 estate collateral could be invalidated by the Woodbridge Funds' failure to properly perfect the
16 security interest (collectively "Risks").

17 22. Respondents Horn, Daniel Rondberg, Jason Walter, and Trager each omitted to
18 inform at least one of their FPCM investors before they invested about the Risks of investing in the
19 FPCMs.

20 23. On December 4, 2017, the Woodbridge Funds and numerous affiliated entities filed
21 for protection under the U.S. Bankruptcy Code, Chapter 11.

22 24. On December 20, 2017, the Securities and Exchange Commission filed a Complaint
23 for Injunctive and Other Relief ("Complaint") in a federal district court against the Woodbridge
24 Funds and other defendants. The Complaint alleged that the Woodbridge Funds were part of "a
25 massive Ponzi scheme raising more than \$1.22 billion from over 8,400 unsuspecting investors
26 nationwide through fraudulent unregistered securities offerings." The Complaint further alleged that

1 instead of using FPCM investor funds to make loans to unaffiliated third-party borrowers, the
2 investor funds were often used to make loans to affiliated companies that never made interest
3 payments to the Woodbridge Funds.

4 25. On December 8, 2017, Daniel Rondberg applied with the Commission for licensure as
5 an investment advisor representative, and that application is currently pending.

6 26. On June 6, 2017, the Division properly issued an investigative subpoena to Daniel
7 Rondberg pursuant to A.R.S. § 44-1823 and A.R.S. § 44-3133 ("Subpoena"), and the Subpoena
8 stated that it involved possible violations of the IM Act. The Division properly served the Subpoena
9 on Daniel Rondberg on June 8, 2017, by leaving a copy at his usual place of business with his
10 receptionist. The Subpoena required Daniel Rondberg to appear before Division personnel on July
11 7, 2017, to provide testimony and to produce several categories of documents regarding his FPCM
12 investors and his interactions with the Woodbridge Funds. Daniel Rondberg has failed to comply
13 with the Subpoena and has refused to provide testimony or produce documents.

14 **IV.**

15 **VIOLATION OF A.R.S. § 44-1841**

16 **(Offer or Sale of Unregistered Securities)**

17 27. From at least June 1, 2015, to at least August 12, 2016, Respondent Horn offered or sold
18 securities in the form of notes, investment contracts, and real property investment contracts, within or
19 from Arizona.

20 28. From at least March 4, 2015, to at least September 19, 2016, Respondent Daniel
21 Rondberg offered or sold securities in the form of notes, investment contracts, and real property
22 investment contracts, within or from Arizona.

23 29. From at least July 20, 2015, to at least September 15, 2016, Respondent Randolph
24 Rondberg offered or sold securities in the form of notes, investment contracts, and real property
25 investment contracts, within or from Arizona.

32. From at least March 4, 2015, to at least September 19, 2016, Respondent Trager offered or sold securities in the form of notes, investment contracts, and real property investment contracts, within or from Arizona.

34. This conduct violates A.R.S. § 44-1841.

(Transactions by Unregistered Dealers or Salesmen)

36. This conduct violates A.R.S. § 44-1842.

(Fraud in Connection with the Offer or Sale of Securities)

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1 transactions, practices, or courses of business that operated or would operate as a fraud or deceit upon
2 offerees and investors. Respondents' conduct includes, but is not limited to, the following:

3 a) Respondents each omitted to inform at least one of their FPCM investors before
4 they invested of the Massachusetts Consent, the Texas Order, and/or the Texas Consent; and

5 b) Respondents Horn, Daniel Rondberg, Jason Walter, and Trager each omitted to
6 inform at least one of their FPCM investors before they invested about the Risks of investing in the
7 FPCMs.

8 38. This conduct violates A.R.S. § 44-1991.

9 **VII.**

10 **CONTROL PERSON LIABILITY PURSUANT TO A.R.S. § 44-1999**

11 39. Since at least February 18, 2015, Randolph Rondberg has been the sole manager and
12 member of Trager.

13 40. Since at least February 18, 2015, Randolph Rondberg directly or indirectly controlled
14 Trager within the meaning of A.R.S. § 44-1999. Therefore, Randolph Rondberg is jointly and
15 severally liable to the same extent as Trager for its violations of A.R.S. § 44-1991 since at least
16 February 18, 2015.

17 **VIII.**

18 **REMEDIES PURSUANT TO A.R.S. § 44-3201**

19 **(Denial, Revocation, or Suspension of Investment Adviser or Investment Adviser Representative**
20 **License; Restitution, Penalties, or other Affirmative Action)**

21 41. Respondent Daniel Rondberg's conduct is grounds to deny his application as an
22 investment adviser representative with the Commission pursuant to A.R.S. § 44-3201. Specifically,
23 denial of Respondent Daniel Rondberg's application would be in the public interest, and he has:

24 a) Failed to file with the Commission information required under the IM Act, within
25 the meaning of A.R.S. § 44-3201(A)(4), by refusing to comply with an investigative subpoena properly
26 issued pursuant to A.R.S. § 44-3133;

IX.
REQUESTED RELIEF

11 1. Order Respondents to permanently cease and desist from violating the Securities Act,
12 pursuant to A.R.S. § 44-2032;

16 3. Order Respondents to pay the state of Arizona administrative penalties of up to five
17 thousand dollars (\$5,000) for each violation of the Securities Act, pursuant to A.R.S. § 44-2036;

18 4. Order the denial of Respondent Daniel Rondberg's application for licensure as an
19 investment advisers representative pursuant to A.R.S. § 44-3201;

20 5. Order that the marital communities of Respondents Daniel Rondberg, Randolph
21 Rondberg, Jason Walter, and John Walter and Respondent Spouses be subject to any order of restitution,
22 rescission, administrative penalties, or other appropriate affirmative action pursuant to A.R.S. § 25-215;
23 and

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X.**HEARING OPPORTUNITY**

Each respondent including Respondent Spouses may request a hearing pursuant to A.R.S. §§ 44-1972 and 44-3212 and A.A.C. R14-4-306. **If a Respondent or a Respondent Spouse requests a hearing, the requesting respondent must also answer this Notice.** A request for hearing must be in writing and received by the Commission within 10 business days after service of this Notice of Opportunity for Hearing. The requesting respondent must deliver or mail the request to Docket Control, Arizona Corporation Commission, 1200 W. Washington, Phoenix, Arizona 85007. Filing instructions may be obtained from Docket Control by calling (602) 542-3477 or on the Commission's Internet web site at <http://www.azcc.gov/divisions/hearings/docket.asp>.

If a request for a hearing is timely made, the Commission shall schedule the hearing to begin 20 to 60 days from the receipt of the request unless otherwise provided by law, stipulated by the parties, or ordered by the Commission. If a request for a hearing is not timely made the Commission may, without a hearing, enter an order granting the relief requested by the Division in this Notice of Opportunity for Hearing.

Persons with a disability may request a reasonable accommodation such as a sign language interpreter, as well as request this document in an alternative format, by contacting Kacie Cannon, ADA Coordinator, voice phone number (602) 542-3931, e-mail kcannon@azcc.gov. Requests should be made as early as possible to allow time to arrange the accommodation. Additional information about the administrative action procedure may be found at <http://www.azcc.gov/divisions/securities/enforcement/AdministrativeProcedure.asp>

XI.**ANSWER REQUIREMENT**

Pursuant to A.A.C. R14-4-305, if a Respondent or a Respondent Spouse requests a hearing, the requesting respondent must deliver or mail an Answer to this Notice of Opportunity for Hearing to Docket Control, Arizona Corporation Commission, 1200 W. Washington, Phoenix, Arizona

1 85007, within 30 calendar days after the date of service of this Notice. Filing instructions may be
2 obtained from Docket Control by calling (602) 542-3477 or on the Commission's Internet web site
3 at <http://www.azcc.gov/divisions/hearings/docket.asp>.

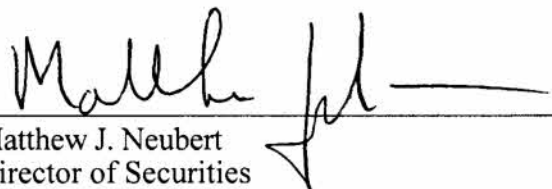
4 Additionally, the answering respondent must serve the Answer upon the Division. Pursuant
5 to A.A.C. R14-4-303, service upon the Division may be made by mailing or by hand-delivering a
6 copy of the Answer to the Division at 1300 West Washington, 3rd Floor, Phoenix, Arizona, 85007,
7 addressed to Paul Kitchin.

8 The Answer shall contain an admission or denial of each allegation in this Notice and the
9 original signature of the answering respondent or respondent's attorney. A statement of a lack of
10 sufficient knowledge or information shall be considered a denial of an allegation. An allegation not
11 denied shall be considered admitted.

12 When the answering respondent intends in good faith to deny only a part or a qualification of
13 an allegation, the respondent shall specify that part or qualification of the allegation and shall admit
14 the remainder. Respondent waives any affirmative defense not raised in the Answer.

15 The officer presiding over the hearing may grant relief from the requirement to file an Answer
16 for good cause shown.

17 Dated this 29th day of January, 2018.

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19 
20 Matthew J. Neubert
21 Director of Securities
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