

ADMINISTRATIVE PROCEEDING
BEFORE THE
SECURITIES COMMISSIONER OF SOUTH CAROLINA

IN THE MATTER OF:

Frederick "Fred" Clark Johnson (CRD
No. 1220814), Basic Wealth Advisors,
Inc. (CRD No. 163998), and Basic
Financial Services, Inc.,

II. JURISDICTION

1. The Securities Commissioner has jurisdiction over this matter pursuant to S.C. Code Ann. § 35-1-601(a).

III. RESPONDENTS

2. Johnson was, between October of 2015 and October of 2017 (the "Relevant Period"), a resident of the State of South Carolina. Johnson has since relocated to Ponte Verde, Florida.

3. Johnson was, during the Relevant Period, registered with the Division as an investment adviser representative.

4. BWA was, during the Relevant Period, a South Carolina corporation located at 609 Perioditduri ured with the Division as an

8. To help fund these purported hard money loans, Woodbridge raised money from investors throughout the country through the offer and sale of promissory notes (the "Woodbridge Notes").

9. In order to effect the offer and sale of the Woodbridge Notes, Woodbridge employed certain South Carolina-based agents, including the Respondents, who received transaction-based compensation in connection with the offer, recommendation, and sale of the Woodbridge Notes.

10. These agents were not registered with the Division as agents, as required by the Act.

11. The Woodbridge Notes were not registered with the Division, or exempt from such registration, as required by the Act.

12. In reality, Woodbridge operated a nationwide Ponzi scheme bolstered by slick marketing and high commissions paid to the agents

15. After the Ponzi scheme came to light, the Division opened investigations into the sale of Woodbridge Notes to investors in South Carolina. The investigations focused on Woodbridge itself and on the agents selling the Woodbridge Notes.

16. On August 5, 2019, the Securities Commission entered a Consent Order with regard to Woodbridge, wherein Woodbridge agreed to pay restitution to South Carolina investors through a liquidation trust established in a bankruptcy proceeding in the U.S. Bankruptcy Court for the District of Delaware.²

17. Additionally, the Trustee for the liquidation trust has brought an adversarial action against the Respondents in AD 19-51039-BLS, in the Bankruptcy Court for the District of Delaware.

18. During the Relevant Period, the Respondent recommended, offered, and sold at least \$8,281,152.00 worth of the Woodbridge Notes to at least twenty-one (21) different investors (the "Investors").

19. As noted above, Woodbridge sales agents received transaction based compensation for the sale of the Woodbridge Notes. In addition, Woodbridge sales agents often received significant undisclosed compensation retaining the difference, or spread, between what the interest rates borrowers paid on the notes and what the notes paid to the lenders.

20. Johnson disclosed that he received \$194,383.00 in direct commissions paid by Woodbridge to his company, BFS. This may represent a portion of the compensation the

scheme Aug. 8, 2019, <https://www.investmentnews.com/ex-woodbridge-group-ceo-robert-shapiro-pleads-guilty-in-1-3-billion-ponzi-scheme-80778>, Miami Herald, Judge gives 25-year max to Ponzi schemer who stole millions from Florida to California, Oct. 15, 2019, <https://www.miamiherald.com/news/local/article236215238.html>

² In the matter of Woodbridge Group of Companies, LLC – Consent Order (8/5/19),

Respondents received for the sale of the Woodbridge Notes because of the retention of the interest rate spread.

21. The Respondents acted as unregistered dealers or unregistered agents in sixty-one (61) separate sales of an unregistered security.

22. The Respondents marketed the Woodbridge Note to at least some Investors that Johnson met at church functions.

23. The Respondents failed to perform reasonable due diligence to determine whether the Woodbridge Notes were legitimate investment vehicles.

24. In connection with the offer and sale of the Woodbridge Notes, the Respondents received transaction-based compensation from Woodbridge.

25. During the Relevant Period, the Respondents were not registered with the Division as brokers-dealers or agents or exempt from such registration.

26. Johnson, due to his experience and the fact he was registered with the Division as an investment advisor representative, either knew or should have known that it was not lawful to sell unregistered non-exempt securities in South Carolina.

27. Johnson, due to his experience and the fact he was registered with the Division as an investment advisor representative, either knew or should have known that it was not lawful to sell securities, registered or otherwise, for transaction based compensation in South Carolina without being registered as an agent.

V. CONCLUSIONS OF LAW

28. The Woodbridge Notes constitute securities pursuant to S.C. Code Ann. § 35-1-102(29).

29. The Woodbridge Notes were not registered with the Division or exempt from registration requirements.

30. The Respondents offered and sold securities which were not registered with the Division, or exempt from such registration, in violation of S.C. Code Ann. § 35-1-301.

31. The Respondents acted as broker-dealers or agents in connection with the offer and sale of securities in South Carolina, as defined by S.C. Code Ann. § 35-1-102(2).

32. The Respondents were not registered as broker-dealers or agents with the Division, and they were not exempt from such registration in violation of S.C. Code Ann. §§ 35-1-401(a) and 35-1-402(a).

33. Acting as a broker-dealer or an agent in connection with the offer and sale of securities, without being registered with the Division as such or exempt from registration, constitutes a willful failure to comply with the Act, pursuant to S.C. Code Ann. § 35-1-412(d)(2).

34. Respondents' actions constitute at least hundred and twenty-two (122) distinct violations of the Act.

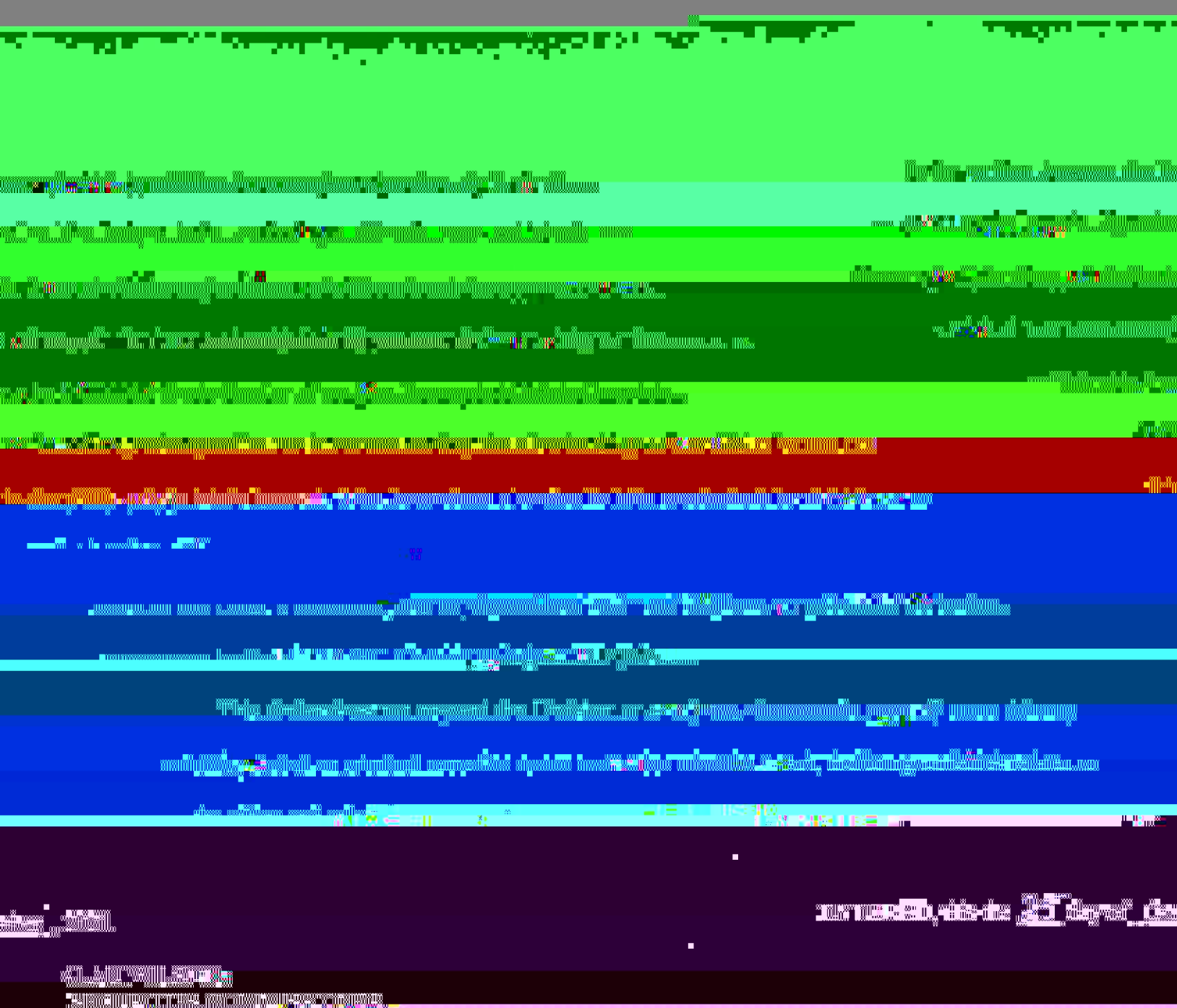
35. The Respondents' violation of S.C. Code Ann. § 35-1-412(2) provides the basis for this order, pursuant to S.C. Code Ann § 35-1-412(c).

36. This Order is appropriate and in the public interest, pursuant to the Act.

VI. ORDER

NOW THEREFORE, pursuant to S.C. Code Ann. § 35-1-604(a)(1), it is hereby ORDERED that:

- a. Each Respondent and every successor, affiliate, control person, agent, servant, and employee of each of the Respondents and every entity owned, operated, or indirectly or directly controlled by or on behalf of each of the Respondents shall



11/15/2016
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Assistant Deputy Attorney General