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BEFORE THE UTAH INSURANCE COMMISSIONER

UTAH INSURANCE DEPARTMENT, Complainant, vs. LYNN TAU MERRITT, Respondent.	NOTICE OF AGENCY ACTION AND ORDER Docket No. 2023-4572 Donald H. Hansen Administrative Law Judge/Presiding Officer
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NOTICE OF AGENCY ACTION

The Utah Insurance Department (“the Department”) commences this agency action as an informal adjudicative proceeding against Lynn Tau Merritt (“Respondent”) pursuant to Utah Code § 31A-2-201 and 63G-4-201 through -203 and to Utah Admin. Code R590-160.

This agency action is based on the facts and law set forth in the attached Declaration and is designated as an informal adjudicative proceeding pursuant to Utah Code § 63G-4-202(1) and Utah Admin. Code R590-160-4 and -7.

ORDER

Based on the facts and the law set forth in the attached Declaration, and good cause appearing, the Utah Insurance Commissioner orders as follows:

1. Respondent's producer individual insurance license number 516046 is revoked.
2. Pursuant to Utah Code § 63G-4-203(1)(i) and Utah Admin. Code R590-160-7(1), this informal adjudicative proceeding shall be deemed closed, and this Order shall become final and take full effect, 15 days after this Notice of Agency Action and Order is emailed to Respondent unless a request for a hearing on this matter is received from Respondent prior to that date.
3. A request for a hearing shall be in writing and sent by email to uidadmincases@utah.gov or by U.S. mail to Office of the Administrative Law Judge, Utah Insurance Department, 4315 S. 2700 W., Suite 2300, Taylorsville, UT 84129.
4. The request for hearing shall be signed by the person making the request and shall state the basis for the relief requested.
5. If you fail to request a hearing you will be bound by this Order. Failure to request a hearing will be deemed a failure to exhaust administrative remedies and will preclude any further administrative or judicial review or appeal of this matter.

DATED this 4th day of December 2023.

JONATHAN T. PIKE
Utah Insurance Commissioner

/s/ Donald H. Hansen
DONALD H. HANSEN
Administrative Law Judge/Presiding Officer
Utah Insurance Department
4315 S. 2700 W., Suite 2300
Taylorsville, UT 84129
Telephone: 801-957-9321
Email: uidadmincases@utah.gov

NOTICE REGARDING ENFORCEMENT OF THE ORDER

Failure to obey this Order may subject you to further penalties that include a forfeiture of up to \$2,500 per violation, with each day of the violation constituting a separate violation. Other penalties for failing to obey this Order may include license suspension, probation, refusal to renew, or revocation. Failure to obey this Order may also result in an action being taken against you in a court of competent jurisdiction where forfeitures of up to \$10,000 for each day the failure to comply continues until judgment is rendered. If you are licensed in other jurisdictions, you may be required to report this proceeding in those jurisdictions.

DECLARATION

Under criminal penalty of Utah law, I, Bill Stimpson, declare the following:

1. I am currently employed as a Market Conduct Examiner with the Utah Insurance Department (“Department”) where my responsibilities include investigating and enforcing Utah insurance laws.

2. I submit this Declaration as the basis for issuing the Notice of Informal Adjudicative Proceeding and Order against Lynn Tau Merritt (“Respondent”) to which this Declaration is attached.

3. Based on my personal knowledge and/or based on the facts appearing in the Department’s records and files, the following facts are true:

a. Respondent is a resident producer individual insurance licensee, authorized to do insurance business in Utah under Utah license number 516046. Respondent’s insurance license was put on inactive status on Feb. 28, 2019.

b. At no time has Respondent been licensed in the securities industry or associated with a securities broker/dealer.

BACKGROUND – WOODBRIDGE

c. The Woodbridge Group of Companies (“Woodbridge”) is a Delaware limited liability company owned by Robert Shapiro (“Shapiro”).

d. Between 2014 and 2017, Woodbridge purported to offer short-term commercial loans secured by real estate (“Woodbridge investment products”). The commercial loans were funded by investments called First Position Commercial Mortgage Loans.

e. Woodbridge investment products were promissory notes which were not registered as securities with the Utah Department of Commerce, Division of Securities and did not qualify for

an exemption from registration. Woodbridge investment products were not insurance products or annuities.

f. In December 2017, the United States Securities and Exchange Commission (“SEC”) filed a complaint against Woodbridge, alleging that Shapiro orchestrated a Ponzi scheme that raised over \$1.22 billion from over 8,400 investors, many of them elderly. *See Securities and Exchange Commission v. Robert H. Shapiro, Woodbridge Group of Companies LLC et al*, case no. 17-24624, United States District Court, Southern District of Florida, filed December 20, 2017.

g. When investor funds were sent to Woodbridge, the funds were used to pay sales commissions to agents, to pay previous investors with funds from later investors, and to fund Shapiro’s personal lifestyle. *See id*.

h. In December 2017, Woodbridge filed Chapter 11 bankruptcy. *See Woodbridge Group of Companies, LLC, et al*, Case No. 17-12560, U.S. Bankruptcy Court, District of Delaware, filed December 4, 2017.

i. In August 2019, Shapiro entered into a plea agreement to multiple felonies and was sentenced to 25 years in federal prison.

FACTUAL ALLEGATIONS

j. On November 1, 2022, the Division initiated an administrative action against the Respondent which alleged that from 2015 to 2017, Respondent knowingly and intentionally offered and sold investment notes to eighty-eight investors, located in thirteen different states as part of the Shapiro Ponzi scheme, associate with Woodbridge. Based on Respondent's statements and representations, investors invested approximately \$10,319,360.47 in Woodbridge. The

investment notes were not registered as a security and were not in compliance with the Utah Uniform Securities Act. *See In the Matter of Lynn Tau Merritt*, Docket No. SD-22-0014.

k. The allegations further alleged that Respondent, either directly or indirectly, made material omissions and/or misrepresentations of material facts, acted as an unlicensed agent; acted as an unlicensed investment adviser representative when he advised investors to remove their retirement funds from investment in the stock market and then received compensation in connection therewith; failed to disclose material information to investors; and failed to conduct reasonable due diligence on the Woodbridge securities, which had been the subject of numerous regulatory actions and/ or investigations for its business practices, before soliciting investors. To date, the investors are owed an estimated \$7,663,222.52 in principal alone.

l. On April 13, 2023, Respondent entered into a Stipulation and Consent Order with the Division, in which Respondent admitted to the division's Findings, including that he committed unfair trade practices, and consented to sanctions being imposed by the Division.

4. The above declared facts demonstrate that the following Utah insurance law(s) were not complied with:

a. Pursuant to Utah Code § 31A-23a-111(5)(a), the Commissioner may revoke an insurance license if the Commissioner finds a licensee violated any of the subsections of Utah Code § 31A-23a-111(5)(b);

b. Respondent violated Utah Code § 31A-23a-111(5)(b)(xv), by having admitted or been found to have committed an insurance unfair trade practice or fraud by selling promissory notes that were unregistered securities;

c. Respondent violated Utah Code § 31A-23a-111(5)(b)(xv), by having admitted or been found to have committed an insurance unfair trade practice or fraud by accepting commission payments from the sale of an unlicensed security;

d. Respondent violated Utah Code § 31A-23a-111(5)(b)(xvi)(A), when in the conduct of business in this state or elsewhere used fraudulent, coercive, or dishonest practices;

e. Respondent violated Utah Code § 31A-23a-111(5)(b)(xvi)(B), when in the conduct of business in this state or elsewhere demonstrated incompetence, untrustworthiness, or financial irresponsibility by selling promissory notes that were unregistered securities to Utah consumers;

f. Respondent violated Utah Code § 31A-23a-111(5)(b)(xxiv), by engaging in a method or practice in the conduct of business that endangered the legitimate interests of customers and the public by selling promissory notes that were unregistered securities;

g. Respondent violated Utah Code § 31A-23a-105(2)(b)(i) by failing to report to the commissioner an administrative action taken against the person by another regulatory agency in this state within 30 days of the final disposition of the administrative action;

h. Respondent violated Utah Code § 31A-23a-105(5)(a)(ii) by committing an act that is grounds for denial, suspension, or revocation as set forth in Section 31A-23a-111; and

i. Respondent violated Utah Code § 31A-23a-107(2)(a)(ii) by failing to meet the trustworthy character requirement.

5. Based on Utah Code § 31A-2-308 and other similar enforcement cases, the Respondent's insurance license should be revoked.

DATED this 1st day of December, 2023, at Salt Lake City, Salt Lake County, Utah.

/s/ Bill Stimpson
Bill Stimpson, Market Conduct Examiner
Utah Insurance Department

CERTIFICATE OF SERVICE

The undersigned hereby certifies that on this date a true and correct copy of the foregoing
Notice of Agency Action and Order, with the Declaration attached to it, was emailed to:

Lynn Tau Merritt
[REDACTED]
[REDACTED]
[REDACTED]

and

Bill Stimpson
Utah Insurance Department
[REDACTED]

DATED this 4th day of December 2023.

/s/ Jeanine Couser
Jeanine Couser
Utah Insurance Department
4315 S. 2700 W., Suite 2300
Taylorsville, UT 84129
801-957-9321