



**State of Tennessee**  
**Department of State**

Administrative Procedures Division  
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**January 22, 2024**

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**RE: TENNESSEE DEPARTMENT OF COMMERCE AND INSURANCE V. RICHARD  
R. FRITTS, APD Case No. 12.06-234193J**

Enclosed is a/an *AGREED ORDER OF DISMISSAL* rendered in this case.

Administrative Procedures Division  
Tennessee Department of State

Enclosure(s)



**BEFORE THE COMMISSIONER OF COMMERCE AND INSURANCE  
FOR THE STATE OF TENNESSEE**

|                                       |   |                                    |
|---------------------------------------|---|------------------------------------|
| <b>TENNESSEE SECURITIES DIVISION,</b> | ) |                                    |
|                                       | ) |                                    |
| <b>Petitioner,</b>                    | ) |                                    |
|                                       | ) | <b>APD Case No.: 12.06-234193J</b> |
| <b>v.</b>                             | ) | <b>MATTER No. 20-07548</b>         |
|                                       | ) |                                    |
| <b>RICHARD RANDALL FRITTS,</b>        | ) |                                    |
|                                       | ) |                                    |
| <b>Respondent.</b>                    | ) |                                    |

**AGREED ORDER**

The Securities Division of the Tennessee Department of Commerce and Insurance, and Richard Randall Fritts (“Respondent”), hereby stipulate and agree to the entry and execution of this Agreed Order, subject to the approval of the Commissioner of the Tennessee Department of Commerce and Insurance (“Commissioner”) as follows:

**GENERAL STIPULATIONS**

1. It is expressly understood that this Agreed Order is subject to the Commissioner’s acceptance and has no force and effect until such acceptance is evidenced by the entry and execution of this Agreed Order by the Commissioner.
  
2. This Agreed Order is executed by the parties for the purpose of avoiding further administrative action with respect to this cause. Furthermore, should this Agreed Order not be accepted by the Commissioner, it is agreed that presentation to and consideration of this Agreed Order by the Commissioner shall not unfairly or illegally prejudice the Commissioner from further participation or resolution of these proceedings.

3. The Respondent fully understands that this Agreed Order will in no way preclude additional proceedings by the Commissioner against the Respondent for acts or omissions not specifically addressed in this Agreed Order or for facts and/or omissions that do not arise from the facts or transactions herein addressed.

4. The Respondent fully understands that this Agreed Order will in no way preclude proceedings by state government representatives, other than the Commissioner, for alleged violations of the law addressed specifically in this Agreed Order, violations of law under statutes, rules, or regulations of the State of Tennessee, which may arise out of the facts, acts, or omissions contained in the Findings of Fact and Conclusions of Law stated herein, or which may arise as a result of the entry and execution of this Agreed Order by the Respondent.

5. The Respondent expressly waives all further procedural steps, and expressly waives all rights to seek judicial review of or to otherwise challenge or contest the validity of this Agreed Order, the stipulations and imposition of discipline contained herein, and the consideration and entry and execution of said Agreed Order by the Commissioner.

#### **AUTHORITY AND JURISDICTION**

6. Pursuant to Tenn. Code Ann. § 48-1-115(a), the responsibility for the administration of the Tennessee Securities Act of 1980 (“Act”), as amended, Act is vested in the Commissioner. The Securities Division is the lawful agent through which the Commissioner discharges this responsibility pursuant to Tenn. Code Ann. § 48-1-115(b).

7. Tenn. Code Ann. § 48-1-116 sets forth that the Commissioner may make, promulgate, amend, and rescind such orders as are necessary to carry out the provisions of the Act upon a finding that such order is in the public interest, necessary for the protection of investors, and consistent with the purposes fairly intended by the policy and provisions of the Act.

## PARTIES

8. The Commissioner administers the Act through the Securities Division and authorizes the Securities Division to bring this action for the protection of the public.

9. The Respondent is a Tennessee resident and was at all times relevant, not registered with the Securities Division of the Tennessee Department of Commerce and Insurance.

10. Between December 1984 and October 2010, the Respondent periodically held registrations with the Securities Division as an agent and investment adviser representative.

11. The Respondent held Central Registration Depository ("CRD") number 1367063, assigned by the Financial Industry Regulatory Authority ("FINRA").

12. The Respondent is licensed with the Insurance Division of the Tennessee Department of Tennessee Department of Commerce and Insurance, as an insurance producer and holds resident producer's license number 0657759, effective January 17, 1985.

13. The Respondent was assigned National Insurance Producer Number 5934565, by the National Insurance Producer Registry ("NIPR"), a service of the National Association of Insurance Commissioners ("NAIC").

## FINDINGS OF FACT

14. On January 24, 2018, the Securities Division received a complaint filed by two (2) Tennesseans stating that in August 2017, they invested two hundred twenty-five thousand dollars (\$225,000.00) with the Woodbridge Group of Companies LLC ("Woodbridge"). Woodbridge filed for bankruptcy in December 2017, and the Securities and Exchange Commission ("SEC") determined that Robert Shapiro and Woodbridge, operated a one-billion-dollar (\$1,000,000,000) Ponzi scheme.

15. The alleged investments were marketed as first position mortgage investments,

where the investors would be “lenders” and their investments secured by property purchased with investor funds. The investors were led to believe this was a mortgage-backed investment that was exempt from securities rules and regulations.

16. On February 22, 2018, the Financial Services Investigation Unit (“FSIU”) of the Securities Division issued Order of Investigation Number 2018-004, commencing an investigation into Woodbridge.

17. FSIU’s investigation revealed that the Respondent sold at least fifty-nine (59) unregistered securities, totaling at least fourteen million, three hundred fifty-four thousand, three hundred thirty dollars (\$14,354,330).

18. The Respondent sold the securities in Woodbridge to at least twenty-three (23) designated adults.

19. At the time of these transactions, the Respondent was not registered to sell securities in Tennessee and was not exempt from registration.

20. The Respondent believed that the Woodbridge product did not need to be registered, however, these securities sold by the Respondent were not exempt from registration.

**CONCLUSIONS OF LAW**

21. At all times relevant hereto, Tenn. Code Ann. § 48-1-104 has provided that:

- (a) It is unlawful for any person to sell any security in this state unless:
  - (1) It is registered under this part;
  - (2) The security or transaction is exempted under § 48-2-103; or
  - (3) The security is a covered security.
- (b) The commissioner may, after notice and opportunity for a hearing under the Uniform Administrative Procedures Act, compiled in title 4, chapter 5, impose a civil penalty against any person found to be in violation of this section, or any rule or order adopted or issued

under this section, in an amount not to exceed ten thousand dollars (\$10,000) per violation, or in an amount not to exceed twenty thousand dollars (\$20,000) per violation if an individual who is a designated adult is a victim.

22. At all times relevant hereto, Tenn. Code Ann. § 48-1-109 has provided that:

(a) It is unlawful for any person to transact business from, in, or into this state as a broker-dealer or agent unless such person is registered as a broker-dealer or agent under this part . . .[.]

\*\*\*

(c) It is unlawful for any person to transact business from, in, or into this state as an investment adviser or investment adviser representative unless:

(1) The person is registered as an investment adviser or investment adviser representative under this part[.]

\*\*\*

(e) The commissioner may, after notice and an opportunity for a hearing under the Uniform Administrative Procedures Act, compiled in title 4, chapter 5, impose a civil penalty against any person found to be in violation of this section, or any rule or order adopted or issued under this section, in an amount not to exceed ten thousand dollars (\$10,000) per violation, or in an amount not to exceed twenty thousand dollars (\$20,000) per violation if an individual who is a designated adult is a victim.

23. In selling at least fifty-nine (59) unregistered securities, the Respondent violated Tenn. Code Ann. § 48-1-104(a).

24. In selling securities at least fifty-nine (59) times without being registered as an agent, the Respondent violated Tenn. Code Ann. § 48-1-109(a).

25. The Respondent admits to the Findings of Fact and Conclusions of Law stated herein, and consents to entry of this Order.

**ORDER**

**NOW THEREFORE**, on the basis of the foregoing and the waiver by the Respondent of his right to a hearing and appeal under the Tennessee Securities Act, Tennessee Insurance

Law, and Tennessee’s Uniform Administrative Procedures Act, Tenn. Code Ann. §§ 4-5-101 *et seq.*, and the Respondent’s admission of the jurisdiction of the Commissioner, the Commissioner finds that the Respondent, for the purpose of settling this matter, admits the Findings of Fact and Conclusions of Law, agrees to the entry of this Order and agrees that this Order is in the public interest, consistent with the purposes fairly intended by the law.

**IT IS ORDERED**, pursuant to Tenn. Code Ann. § 48-1-116, that:

1. The Respondent shall **COMPLY** with the Act, as amended, and all rules promulgated thereunder;
2. The Respondent shall **NOT ENGAGE** in any activities requiring registration under Tenn. Code Ann. § 48-1-104 and Tenn. Code Ann. § 48-1-109.
3. The Respondent shall **NEVER APPLY** for registration with the Tennessee Securities Division.
4. The Respondent shall **PAY** two thousand dollars (\$2,000) towards the investigation, prosecution and mediation of this matter.
5. The Respondent shall **PAY A CIVIL PENALTY** to the State of Tennessee in the amount of fifty-three thousand five hundred dollars (\$53,500).
6. The payment of such civil penalty shall be made by check payable to the **Tennessee Department of Commerce and Insurance**. Page one (1) of this Agreed Order must accompany the payment for reference. The payment shall be mailed to the attention of:

**State of Tennessee**  
**Department of Commerce and Insurance**  
**Attn: Lovemore N. Gororo**  
**Davy Crockett Tower**  
**500 James Robertson Parkway**  
**Nashville, Tennessee 37243**

7. The Respondent shall make one (1) payment in the amount of fifty-five thousand five hundred dollars (\$55,500), within thirty (30) days of entry and execution of this Order.

8. The Insurance Division will not take action against the Respondent's resident insurance producer's license number 0657759 based on the findings of fact contained in this Order.

9. **GRACE PERIOD** – Payment shall be timely made if postmarked within five (5) business days of the date payment is due. **ACCELERATION** – Respondent hereby agrees that failure to remit any payment more than sixty (60) calendar days following the due date of said payment as indicated in the above scheduled payments shall constitute default. Upon default, the entire outstanding civil penalty shall be due and payable immediately. The Respondent's failure to comply with the terms of this Agreed Order, including the manner and method of payment of the civil penalty described above, shall result in further administrative disciplinary action, including the automatic suspension of the Respondent's resident insurance producer's license number 0657759.

10. **IT IS FURTHER ORDERED** that this Agreed Order represents the complete and final resolution of and discharge of all administrative and civil claims, demands, actions, and causes of action by the Commissioner against the Respondent for violations of the Act with respect to the transactions involved in the above-referenced facts. However, excluded from and not covered by this paragraph, are any claims by the Insurance Division or the Securities Division arising from or relating to the enforcement of the Agreed Order provisions contained herein.

11. This Agreed Order is in the public interest and the best interests of the Parties. It represents a settlement of the controversy between the Parties and is for settlement purposes only. By the signatures affixed below, or in two (2) or more counterparts, the Respondent affirmatively states the following: the Respondent freely agreed to the entry and execution of this Agreed Order; the Respondent waives the right to a hearing on, or a review of, the matters, the Findings of Fact, and the Conclusions of Law underlying this Agreed Order or the enforcement of this Agreed Order; and the Respondent encountered no threats or promises of any kind by the Commissioner, the Securities Division, or any agent or representative thereof.

12. By signing this Agreed Order, the Commissioner, the Securities Division, the Insurance Division, and the Respondent affirmatively state their agreement to be bound by the terms of this Agreed Order and aver that no promises or offers relating to the circumstances described herein, other than the terms of settlement as set forth in this Agreed Order, are binding upon them.

13. This Agreed Order may be executed in two (2) or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same document. The facsimile, email, or other electronically delivered signatures of the parties shall be deemed to constitute original signatures, and facsimile or electronic copies shall be deemed to constitute duplicate originals.

**ENTERED AND EXECUTED** January 3, 2024.

  
Carter Lawrence (Jan 3, 2024 15:40 CST)  
Carter Lawrence, Commissioner  
Department of Commerce and Insurance

This Agreed Order is entered and effective this 22nd day of January 2024. Once signed by the Administrative Law Judge presiding over this matter, this matter will be **DISMISSED WITH PREJUDICE** as there are no issues remaining to be resolved.

It is so **ORDERED**.

  
\_\_\_\_\_  
Shannon Barnhill  
Administrative Judge  
Administrative Procedures Division  
Office of the Secretary of State

**APPROVED FOR ENTRY AND EXECUTION:**

  
\_\_\_\_\_  
Richard Randall Fritts  
Respondent

  
\_\_\_\_\_  
Elizabeth H. Bowling  
Assistant Commissioner for Securities  
Department of Commerce and Insurance

  
\_\_\_\_\_  
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