FINRA Bars Another Broker for Selling Woodbridge Ponzi Promissory Notes

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The Financial Industry Regulatory Authority has barred Jeffrey Scott Nimmow for selling nearly $3.4 million in Woodbridge promissory notes to investors.

In January 2019, a federal court in Florida ordered Woodbridge and its former owner, Robert H. Shapiro to pay $1 billion for operating a Ponzi scheme, which was active from July 2012 until December 2017 and raised approximately $1.3 billion from thousands of investors.

Nimmow was registered with Forest Securities Inc. from August 2015 to March 2018, when he was fired for "inaccurate judgement" involving Woodbridge promissory notes and mortgages contained in Woodbridge funds.

Between February 2016 and mid-November 2017, Nimmow sold the Woodbridge notes to 18 individual investors, including two Forest Securities customers, totaling nearly $3.4 million. He received approximately $177,937 in commissions.

The promissory notes were unregistered securities, and Nimmow engaged in these sales without approval from his firm, FINRA said. In addition, he was only registered to sell certain categories of securities and did not possess the proper FINRA registration to sell the promissory notes.

Prior to Forest Securities, Nimmow spent six years with Questar Capital from February 2009 to August 2015.

According to FINRA, Nimmow started following Woodbridge when he became aware of a potential opportunity for clients in 2013. Based on favorable recommendations of others who participated in the Woodbridge program, in March 2015, he asked his then broker-dealer if he could sell the Ponzi's "first position commercial mortgages" to customers. The firm indicated that it was unlikely to approve any such request.

In August 20I5, Nimmow became associated with Forest Securities, and in December 2015, before soliciting any sales, he submitted a request to add Woodbridge to his outside business activities.

FINRA claims that in submitting the request, Nimmow failed to provide reasonable notice to Forest Securities of his proposed activities, including disclosing certain facts that would suggest that the notes may be securities.

Later, Nimmow engaged in private securities transactions by selling the Woodbridge notes to investors and failed to provide notice of each proposed transaction to the broker-dealer, as required by FINRA.

Woodbridge advertised its primary business as issuing loans to supposed third-party commercial property owners paying Woodbridge 11-15 percent annual interest for "hard money," short-term financing. In return, Woodbridge allegedly promised to pay investors 5-10 percent interest annually. None of Woodbridge's securities offerings were registered with the SEC.

While Woodbridge claimed it made high-interest loans to third parties, the vast majority of borrowers were Shapiro-owned companies that had no income and never made interest payments on the loans.

The scheme collapsed in typical Ponzi fashion in early December after Woodbridge stopped paying investors and filed for Chapter 11 bankruptcy protection.