

**ADMINISTRATIVE PROCEEDING
BEFORE THE
SECURITIES COMMISSIONER OF MARYLAND**

IN THE MATTER OF: * No. 2010-0215
WEI MORTGAGE CORPORATION *
and *
WESLEY YUAN *
Respondents. *

* * * * *

CONSENT ORDER

WHEREAS, the Maryland Securities Commissioner (the “Securities Commissioner”), pursuant to the authority granted in §11-701 of the Maryland Securities Act, Md. Ann. Code, Corps. & Ass’ns, §§11-101, *et seq.* (2007 Repl. Vol. & 2009 Cum. Supp.) (the “Securities Act”), initiated an investigation into the offer and sale of promissory notes by WEI Mortgage Corporation (“WEI”) and its principal, Wesley Yuan (“Mr. Yuan”) (collectively, “Respondents”); and

WHEREAS, the Securities Commissioner has determined that grounds exist to allege that Respondents violated the Securities Act; and

WHEREAS, the Securities Commissioner has determined that, based upon Respondents’ cooperation in this matter and the repayment of all principal and interest due to investors pursuant to the terms of such promissory notes, it is in the public interest to enter into this Order; and

WHEREAS, the Securities Division having concluded its investigation into this matter, before the holding of a hearing, without trial or final adjudication of any issue of fact or law, and

prior to the issuance of a final order in this proceeding, the Securities Commissioner and Respondents have reached an agreement whereby Respondents, without admitting or denying the Statement of Facts and Findings of Fact and Conclusions of Law contained herein, consent to the terms of this Order:

I. JURISDICTION AND VENUE

_____1. The Securities Commissioner has jurisdiction in this proceeding pursuant to §11-701.1 of the Securities Act.

II. RESPONDENTS

_____2. Respondent WEI is a Maryland-licensed mortgage company with its principal office located at 15200 Shady Grove Road, Suite 206, Rockville, MD 20850.

3. Respondent Wesley Yuan is the President of WEI, and at all times relevant to the facts contained in this Order, has been a Maryland resident with an office located in Maryland.

4. Respondent WEI is not now nor has the company ever been registered in this State as an investment adviser or broker-dealer, and Respondent Yuan is not now nor has he ever been registered in this State as an investment adviser or investment adviser representative, broker-dealer agent or issuer agent.

III. STATEMENT OF FACTS

5. Beginning in 2006, Respondents began offering an investment known as the “Funding Participation Program” or the “FPP.” Information regarding the FPP was available on WEI’s business website under the heading “Investor Relations.”

6. WEI’s website stated that, “[a]t WEI, we have the best interest of our investors in mind. We have developed [a] Funding Participation Program (FPP). We are devoted to ensuring your satisfaction.”

7. WEI made available to prospective investors, through a link on its website, a PDF document in the form of a brochure describing the FPP (the “FPP Brochure”). According to that document, “FPP is the program name for promissory notes issued by WEI Mortgage Corporation and offered only through and by WEI.” The FPP Brochure also provided that “WEI’s FPP pays a fixed rate of interest determined by WEI . . . [and] will always be significantly greater than the most recent three month CD Index (CODI) in the United States.”

8. According to the FPP Brochure, “FPP earnings are derived from WEI’s business practices in originating, funding and trading mortgage loans and those earnings are delegated to FPP participants.” The FPP Brochure also provided that “[a]ll funds in FPP are maintained in a separate and dedicated account only to be drawn as a source of servicing mortgage loans at WEI.”

9. The FPP Brochure made clear that WEI introduced the FPP “to bring individuals the potentials of generating excellent earnings.” The FPP Brochure further provided that, “[w]ith years of rich industry experience and superb relationship[s] with our alliances, we are confident of smooth execution and profitable outcome of FPP that will benefit us all. It’s a win-win situation.”

10. The FPP Brochure claimed that “[a]s a[n] FPP participant, you will profit from the earnings WEI generates by originating, financing and trading mortgages. Interests [sic] paid on FPP will be significantly higher than of those from your savings, money market or CD accounts.” The language in the FPP Brochure urged comparison of the program with other investments including “[v]olatile and unpredictable stocks and mutual funds.”

11. WEI also made available, through a link on its website, a four-page PDF document entitled “Funding Participation Program (FPP) Rules & Regulations Book,” dated February 9, 2006 (the “FPP Rules Book”). According to the FPP Rules Book, “[n]either the Securities and Exchange Commission nor any state securities commission has approved or disapproved of this program or the

adequacy or accuracy of this FPP Rules & Regulations Book.”

12. According to the FPP Rules Book, “[p]articipating in the FPP involves little to no risks.” The investment was described as “not equivalent to a deposit or other bank account” and “not a money market fund” but rather “senior, unsecured obligations of WEI.” The FPP Rules Book stated that “[t]he FPP are not listed on any securities exchange and there is no secondary market for the FPP.”

13. The FPP Rules Book further stated that “[t]he FPP are not equivalent to a deposit or other bank account and are not subject to the protection of the Federal Deposit Insurance Corporation or any other insurance. The FPP are not a brokerage account with WEI Mortgage Corporation or any other insurance. The FPP are not a brokerage account with WEI Mortgage Corporation or any other broker/dealer and are not protected by the Securities Investor Protection Corporation under the Securities Investors Protection Act of 1970. The FPP are not a money market fund, in which investors purchase an equity interest in a diversified fund consisting of investments in short term debt securities of many companies, and are not subject to the requirements of the Investment Company Act of 1940 (including diversification of investments). All funds in the FPP are senior, unsecured obligations of WEI.”

14. The FPP Rules Book made clear that to participate in the FPP, one needed to complete an application and enclose a check as an initial deposit, however, wire transfers of monies also were acceptable. The FPP Rules Book stated that “[c]urrently, the minimum principal amount to participate is \$10,000.” However, at another location on WEI’s website it stated that the “minimum investment for the FPP was \$100,000.”

15. On its “Investors” webpage, WEI also had available a link to another page on its website entitled “FAQs about FPP.” The FPP FAQs sheet claimed, in response to the question

“How safe is my money?” that “[t]here is little risk in FPP as FPP is not a money market fund, in which investors purchase an equity interest in a diversified fund consisting of investments in short term debt securities of many companies.” WEI also claimed that “FPP is neither a security nor a money market fund.”

16. Under FAQs about FPP,” the language on the website also claimed that “FPP earnings are derived from WEI’s practices in originating, financing and trading mortgage loans. Income generated from WEI’s operation of such gets passed to the FPP participants.”

17. WEI’s website also contained a link to various forms including a “Funding Participation Program (FPP) Application” form and a “Funding Participation Program (FPP) Withdrawal Request” form. According to WEI’s information, withdrawals from the FPP could be made only after “one calendar quarter for Residential FPP” and after “one year for Commercial FPP.” No information, however, was provided explaining the differences between those programs, *i.e.*, Residential FPP as compared to Commercial FPP.

18. The Securities Division’s records reflect no record of any securities registration, or claim of exemption or status as federal covered securities issued under the name “WEI” or “FPP”.

19. On April 22, 2010, the Securities Commissioner issued a Summary Order To Cease And Desist/Order To Show Cause as to Respondents in connection with the sale of promissory notes through WEI’s FPP program.

20. On or about May 19, 2010, Respondent Yuan signed an affidavit in this matter (the “Affidavit”), affirming, *inter alia*, that in July 2009, WEI closed the FPP, and in or about mid-April 2010, WEI removed references to the FPP from its website and from Chinese language newspaper advertisements.

21. In the Affidavit, Respondent Yuan further stated that in the history of the FPP, there

were only 11 investors, four of whom were WEI employees, and that there were pre-existing relationships with four of the seven non-employee FPP participants. He also confirmed that all 11 persons have been paid in full the interest and principal due in accordance with the terms of their FPP notes.

22. According to WEI, the firm only sold promissory notes in the Residential FPP program and did not sell promissory notes in the Commercial FPP program.

23. At the Securities Division's request, WEI hired Artifice Forensic Financial Services, LLC ("Artifice"), an independent third party forensic auditor, to review Respondent WEI's books and records. Artifice confirmed in a written report provided to the Securities Division that, based on Artifice's forensic examination of the books and records of WEI, including review of relevant documentation, (i) the persons identified in the Affidavit were the only persons to invest in promissory notes in the FPP; (ii) the investments were in the amounts previously disclosed by WEI to the Securities Division; (iii) the investments in the promissory notes have been paid back in full with interest substantially in accordance with the terms of the notes; and (iv) the forensic examination did not identify any investors in the FPP other than those identified by WEI in the Affidavit.

IV. FINDINGS OF FACT AND CONCLUSIONS OF LAW

24. In connection with the facts described in the Statement Of Facts, incorporated herein by reference, Respondents violated Sections 11-301(2) and 11-501 of the Maryland Securities Act with respect to the offer and sale of FPP investments.

V. CONSENT TO CEASE AND DESIST AND OTHER RELIEF

25. NOW, THEREFORE, IT IS HEREBY **ORDERED**, and Respondents expressly

consent and agree that:

a. Respondents are assessed a \$25,000 fine, which fine shall be payable contemporaneous with the issuance of this Consent Order by check made payable to “Office of the Attorney General.”

b. Respondents shall cease and desist from engaging in violations of Sections 11-301(2) and 11-501 of the Maryland Securities Act and related regulations.

c. Respondents shall comply with the Securities Act in all future activities governed by the Securities Act, including any offer and sale of securities conducted in or from Maryland.

VI. JURISDICTION RETAINED

26. Jurisdiction shall be retained by the Securities Commissioner for such further orders and directions as may be necessary or appropriate for the construction or enforcement of the Consent Order.

27. If Respondents fail to comply with any term of this Consent Order or if it is determined that Respondents made any misrepresentation of a material fact upon which this Order is based, including with respect to the Affidavit, the Securities Commissioner may institute administrative or judicial proceedings against Respondents to seek to enforce this Consent Order, to sanction Respondents for violating an Order of the Securities Commissioner or for making a misrepresentation of material fact upon which this Order was based, and may take any other action authorized under the Securities Act or under any other applicable law, including the issuance of fines or penalties as provided by the Securities Act. In any such proceeding in which, after an opportunity for a hearing, the Securities Commissioner or the court finds that any Respondent has violated this Consent Order or made any material misrepresentation in that person’s dealings with the Securities Division, the Securities Division also may seek other sanctions for the violations that initiated this matter. For the purpose of determining those sanctions, the Statement of Facts and violations of the Securities Act set forth in this Consent Order shall be deemed admitted, and may be introduced into

evidence against that Respondent.

28. In the event that judicial intervention in this matter is sought by the Securities Commissioner or Respondents, subject matter jurisdiction will lie in the Circuit Court for Montgomery County pursuant to §11-702 of the Securities Act. Respondents agree that the Circuit Court for Montgomery County will have personal jurisdiction over Respondents, and that venue will be proper in that Court.

29. The terms of this Consent Order may only be vacated or modified by a subsequent order issued by the Securities Commissioner.

DATE OF THIS ORDER:

July 21, 2010

SO ORDERED:

**Commissioner's Signature is
on File with Original Documents**

Melanie Senter Lubin
Securities Commissioner

CONSENTED TO:

July 20, 2010

_____/S/_____
Wesley Yuan
WEI Mortgage Corporation

Please print name and title:

On this _____ day of _____, 2010, personally appeared Wesley Yuan, signer of the foregoing Consent Order, who did duly acknowledge his signature to be his free act and deed, and that he is authorized to act on behalf of WEI Mortgage Corporation.

Notary Public
My Commission Expires: _____
Seal:
