

1 STATE OF WASHINGTON
2 DEPARTMENT OF FINANCIAL INSTITUTIONS
3 SECURITIES DIVISION

4 IN THE MATTER OF DETERMINING) Order Number S-10-062-12-CO01
5 Whether there has been a violation of the)
6 Securities Act of Washington by:) CONSENT ORDER AS TO
7) JOSEPH L. WOODRUFF
8 Joseph L. Woodruff;)
9 Premium Equities, LLC;)
10 Next Innovations, Inc.;)
11 Respondents)

12 INTRODUCTION

13 On May 25, 2012, the Securities Administrator of the State of Washington issued
14 Statement of Charges and Notice of Intent to Enter Order to Cease and Desist, to Charge Costs,
15 and to Impose a Fine, Order Number S-10-062-11-SC01 against Respondent Joseph L.
16 Woodruff. Pursuant to the Securities Act of Washington, RCW 21.20, the Securities Division
17 and Respondent Joseph L. Woodruff do hereby enter into this Consent Order in settlement of the
18 matters alleged herein. Respondent Joseph L. Woodruff neither admits nor denies the Findings
19 of Fact and Conclusions of Law stated below.

20 FINDINGS OF FACT

21 Respondents

22 1. Joseph L. Woodruff (“Woodruff”) was a resident of Washington during the
23 relevant time period.

24 CONSENT ORDER AS TO
25 JOSEPH L. WOODRUFF

1 2. Premium Equities, LLC (“Premium Equities”) was a Washington limited
2 liability company formed on March 23, 2004 that used a business address in Everett,
3 Washington. Woodruff was the Managing Member and 50% owner of Premium Equities.

4 3. Next Innovations, Inc. (“Next Innovations”) was a Washington corporation
5 formed on March 23, 2004 that used business addresses in Puyallup and Kennewick,
6 Washington. Woodruff was the President of Next Innovations.
7

8 Nature of the Offerings

9 4. Between approximately 2005 and 2008, Woodruff raised over \$1 million
10 through the offer and sale of promissory notes issued by Premium Equities and Next
11 Innovations, to at least a dozen investors in Washington and other states.

12 5. Woodruff found investors through persons he knew through churches in
13 Washington, and through other longtime associates. Some investors trusted Woodruff due to
14 his status as a former pastor at different churches, and funded their investments with
15 retirement funds. One investor funded his investments with the proceeds from the sale of a
16 business that he owned for nearly 30 years.

17 6. Woodruff offered notes to investors with interest rates that were typically from
18 12% to 15% per annum. Woodruff offered some notes with interest rates as high as 20% and
19 30% on an annual basis. The notes sold by Woodruff typically had a term of one year and
20 were unsecured. Woodruff signed the notes on behalf of Premium Equities or Next
21 Innovations. The notes typically called for monthly interest payments to be made to
22 investors.
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1 7. In meetings with investors, Woodruff represented that he was looking for
2 investors to provide financing on real estate projects. Woodruff led some investors to believe
3 that their funds would be pooled with other investors and used for real estate development in
4 Nevada and Washington. The investors were generally passive and relied upon Woodruff to
5 generate a return on their investment. The investors did not participate in the business
6 operations of Next Innovations or Premium Equities and had no control over the use of their
7 invested funds. Woodruff arranged for investors to deposit funds into bank accounts that he
8 controlled in the name of Next Innovations and Premium Equities, and in his personal name.
9

10 8. Between approximately 2005 and 2008, Woodruff made periodic interest
11 payments to some of his investors. At the end of the one year term, Woodruff provided some
12 investors with a signed Amendment to Promissory Note agreement, which altered the
13 principal balance and due date of the notes, and in some cases, the interest rate of the notes.
14 Many of the promissory notes issued by Next Innovations and Premium Equities were never
15 fully repaid. In February 2010, Woodruff filed for Chapter 7 bankruptcy in Oregon, and
16 identified nearly \$2 million in unsecured debt, including several promissory note investors. In
17 December 2010, after the Office of the U.S. Trustee filed a Complaint for Denial of
18 Discharge, Woodruff filed a Waiver of Discharge in his bankruptcy proceeding.
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20 9. During the Securities Division's investigation of this matter, Woodruff asserted
21 his Fifth Amendment privilege against self-incrimination and declined to answer the staff's
22 questions relating to his offer and sale of promissory notes.
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1 Misrepresentations and Omissions

2 10. When offering and selling the promissory notes described above, the
3 Respondents provided some investors with little or no written disclosure concerning the
4 investments, other than a promissory note. While offering large returns to investors, the
5 Respondents failed to disclose material information regarding the investments, including, but
6 not limited to, the specific intended use of investor funds and the specific risks associated
7 with the investments. After one investor told Woodruff that his wife had Alzheimer's and
8 that he could not afford to lose any of his investment, Woodruff misleadingly guaranteed the
9 investor that he would not lose his investment. The Respondents failed to provide investors
10 with financial statements for Next Innovations or Premium Equities, and failed to disclose
11 other information relating to the Respondents' financial condition and ability to repay the
12 notes.
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14 Registration Status

15 11. Joseph L. Woodruff is not currently registered as a securities salesperson or
16 broker-dealer in the state of Washington and has not previously been so registered.

17 12. Next Innovations, Inc. is not currently registered to sell its securities in the state
18 of Washington and has not previously been so registered.

19 13. Premium Equities, LLC is not currently registered to sell its securities in the
20 state of Washington and has not previously been so registered.
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22 Based upon the Findings of Fact, the following Conclusions of Law are made:
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1 **CONCLUSIONS OF LAW**

2 1. The offer or sale of the promissory notes described above constitutes the offer or
3 sale of a security, as defined in RCW 21.20.005(14) and (17).

4 2. Joseph L. Woodruff violated RCW 21.20.140, the securities registration provision
5 of the Securities Act of Washington, by offering or selling securities for which there was no
6 registration on file because no registration for such offer or sale is on file with the Securities
7 Administrator.

8 3. Joseph L. Woodruff violated RCW 21.20.040 by offering or selling said securities
9 while not registered as a securities salesperson or broker-dealer in the State of Washington.

10 4. The offer or sale of the promissory notes described above was made in violation
11 of RCW 21.20.010 because, as set forth in the Findings of Fact, Joseph L. Woodruff made
12 misstatements of material facts or omitted to state material facts necessary in order to make the
13 statements made, in light of circumstances under which they were made, not misleading.

14 **CONSENT ORDER**

15 Based upon the foregoing and finding it in the public interest:

16 IT IS AGREED AND ORDERED that Respondent Joseph L. Woodruff and his
17 agents and employees each shall cease and desist from violating RCW 21.20.140, the securities
18 registration section of the Securities Act of Washington.

19 IT IS FURTHER AGREED AND ORDERED that Respondent Joseph L. Woodruff and
20 his agents and employees each shall cease and desist from violating RCW 21.20.040, the
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1 securities broker-dealer and securities salesperson registration section of the Securities Act of
2 Washington.

3 IT IS FURTHER AGREED AND ORDERED that Respondent Joseph L. Woodruff and
4 his agents and employees each shall cease and desist from violating RCW 21.20.010, the anti-
5 fraud section of the Securities Act of Washington.

6 IT IS FURTHER AGREED AND ORDERED that Respondent Joseph L. Woodruff shall
7 be liable for and shall pay investigative costs of \$2,500, prior to the entry of this Consent
8 Order.

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10 IT IS FURTHER AGREED AND ORDERED that Respondent Joseph L. Woodruff shall
11 be liable for and shall pay a fine of \$5,000. Respondent Joseph L. Woodruff shall make an
12 initial payment of \$1,000 within 30 days of the entry of this Consent Order, and shall make
13 consecutive monthly payments of \$1,000 per month on the 15th day of each month until the
14 fine has been paid in full.

15 IT IS FURTHER AGREED that the Securities Division has jurisdiction to enter this
16 Consent Order.

17 IT IS FURTHER AGREED that Respondent Joseph L. Woodruff enters into this Consent
18 Order freely and voluntarily and with a full understanding of its terms and significance.

19 IT IS FURTHER AGREED that in consideration of the foregoing, Respondent Joseph L.
20 Woodruff waives his right to a hearing and to judicial review of this matter pursuant to RCW
21 21.20.440 and Chapter 34.05 RCW.
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23 **WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.**

1 Signed this 14 day of Oct., 2012

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3 Signed by:

4 /s/
5 Joseph L. Woodruff

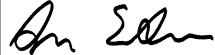
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8 Dated and Entered this 25th day of October, 2012.

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11 WILLIAM M. BEATTY
12 Securities Administrator

13 Presented by:

14 Approved by:



15 Suzanne E. Sarason
16 Chief of Enforcement



17 Robert Kondrat
18 Enforcement Attorney
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25 CONSENT ORDER AS TO
JOSEPH L. WOODRUFF