

STATE OF WASHINGTON
DEPARTMENT OF FINANCIAL INSTITUTIONS
SECURITIES DIVISION

IN THE MATTER OF DETERMINING) Order Number S-10-062-11-SC01
Whether there has been a violation of the)
Securities Act of Washington by:) STATEMENT OF CHARGES AND
) NOTICE OF INTENT TO ENTER ORDER
Joseph L. Woodruff;) TO CEASE AND DESIST, TO CHARGE
Premium Equities, LLC;) COSTS, AND TO IMPOSE A FINE
Next Innovations, Inc.;)
)
Respondents)

THE STATE OF WASHINGTON TO: Joseph L. Woodruff
Premium Equities, LLC
Next Innovations, Inc.

STATEMENT OF CHARGES

Please take notice that the Securities Administrator of the State of Washington has reason to believe that Respondents Joseph L. Woodruff; Premium Equities, LLC; and Next Innovations, Inc., have each violated the Securities Act of Washington and that their violations justify the entry of an order of the Securities Administrator under RCW 21.20.390 against each to cease and desist from such violations and to charge costs, and under RCW 21.20.395 to impose a fine. The Securities Administrator finds as follows:

TENTATIVE FINDINGS OF FACT

Respondents

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

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.
19

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.
23
24

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.
13

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.
21
22
23
24

1 Based upon the Tentative Findings of Fact, the following Conclusions of Law are made:

2 **CONCLUSIONS OF LAW**

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

5 2. Joseph L. Woodruff; Premium Equities, LLC; and Next Innovations, Inc., have
6 each violated RCW 21.20.140, the securities registration provision of the Securities Act of
7 Washington, by offering or selling securities for which there was no registration on file with the
8 Securities Administrator.
9

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

12 4. The offer or sale of the stock described above was made in violation of RCW
13 21.20.010 because, as set forth in the Tentative Findings of Fact, Joseph L. Woodruff; Premium
14 Equities, LLC; and Next Innovations, Inc. made misstatements of material facts or omitted to
15 state material facts necessary in order to make the statements made, in light of circumstances
16 under which they were made, not misleading.
17

18 **NOTICE OF INTENT TO ORDER THE RESPONDENT TO CEASE AND DESIST**

19 Pursuant to RCW 21.20.390(1), and based on the above Tentative Findings of Fact and
20 Conclusions of Law, the Securities Administrator intends to order that Joseph L. Woodruff;
21 Premium Equities, LLC; and Next Innovations, Inc.; and their agents and employees, each cease
22 and desist from violations of RCW 21.20.140, RCW 21.20.040, and RCW 21.20.010.
23
24

1 **NOTICE OF INTENT TO IMPOSE FINES**

2 Pursuant to RCW 21.20.395, and based upon the Tentative Findings of Fact and
3 Conclusions of Law, the Securities Administrator intends to order that Respondent Joseph L.
4 Woodruff shall be liable for and shall each pay a fine of \$15,000.

5 **NOTICE OF INTENT TO CHARGE COSTS**

6 Pursuant to RCW 21.20.390(5), and based upon the Tentative Finds of Fact and
7 Conclusions of Law, the Securities Administrator intends to order that Respondent Joseph L.
8 Woodruff shall be liable for and pay the Securities Division the costs, fees, and other expenses
9 incurred in the conduct of the administrative investigation and hearing of this matter of not less
10 than \$5,000.

11 **AUTHORITY AND PROCEDURE**

12 This Statement of Charges is entered pursuant to the provisions of chapter 21.20 RCW
13 and is subject to the provisions of RCW 34.05. The Respondents may each make a written
14 request for a hearing as set forth in the NOTICE OF OPPORTUNITY TO DEFEND AND
15 OPPORTUNITY FOR HEARING accompanying this order.
16

17 If a Respondent does not request a hearing, the Securities Administrator intends to adopt
18 the above Tentative Findings of Fact and Conclusions of Law as final and enter an order to cease
19 and desist permanent as to that Respondent, and impose the fines and costs sought.
20

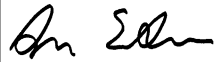
1 Dated and Entered this 25th day of May, 2012.

2
3 

4 WILLIAM M. BEATTY
5 Securities Administrator

6 Approved by:

Presented by:

7
8 

9 Suzanne E. Sarason
Chief of Enforcement

10
11 

12 Robert Kondrat
13 Enforcement Attorney

14
15
16
17
18
19
20
21
22
23
24
25 STATEMENT OF CHARGES AND NOTICE OF
INTENT TO ENTER ORDER TO CEASE AND DESIST,
TO CHARGE COSTS, AND TO IMPOSE A FINE

7

DEPARTMENT OF FINANCIAL INSTITUTIONS
Securities Division
PO Box 9033
Olympia, WA 98507-9033
360-902-8760