

STATE OF WASHINGTON
DEPARTMENT OF FINANCIAL INSTITUTIONS
SECURITIES DIVISION

IN THE MATTER OF DETERMINING) Order Number S-10-062-12-FO01
Whether there has been a violation of the)
Securities Act of Washington by:) ENTRY OF FINDINGS OF FACT AND
) CONCLUSIONS OF LAW AND FINAL
Joseph L. Woodruff;) ORDER TO CEASE AND DESIST AS TO
Premium Equities, LLC;) PREMIUM EQUITIES, LLC AND
Next Innovations, Inc.;) NEXT INNOVATIONS, INC.
)
Respondents)

INTRODUCTION

On May 25, 2012, the Securities Administrator of the State of Washington issued Statement of Charges and Notice of Intent to Enter Order to Cease and Desist, to Charge Costs, and to Impose a Fine, S-10-062-11-SC01 (hereinafter "Statement of Charges") against Respondents Premium Equities, LLC and Next Innovations, Inc. The Statement of Charges, together with a Notice of Opportunity to Defend and Opportunity for Hearing ("Notice") and an Application for Adjudicative Hearing ("Application for Hearing") were served on Respondents Premium Equities, LLC and Next Innovations, Inc. on or about May 30, 2012.

The Notice advised that a written application for an administrative hearing on the Statement of Charges must be received within twenty days from the date of receipt of the Notice. Respondents Premium Equities, LLC and Next Innovations, Inc. each failed to request an administrative hearing within twenty days of receipt of the Statement of Charges and Notice of Opportunity for Hearing, either on the Application for Hearing provided, or otherwise.

ENTRY OF FINDINGS OF FACT AND
CONCLUSIONS OF LAW AND FINAL ORDER TO
CEASE AND DESIST AS TO PREMIUM EQUITIES,
LLC AND NEXT INNOVATIONS, INC.

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DEPARTMENT OF FINANCIAL INSTITUTIONS
Securities Division
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1 The Securities Administrator therefore will adopt as final the Findings of Fact and
2 Conclusions of Law as set forth in the Statement of Charges and enter a final order against
3 Respondents Premium Equities, LLC and Next Innovations, Inc. to cease and desist from
4 violations of the Securities Act. The Securities Administrator makes the following Findings of
5 Fact and Conclusions of Law:

6 **FINDINGS OF FACT**

7 Respondents

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

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

14 3. Next Innovations, Inc. (“Next Innovations”) is a Washington corporation formed
15 on March 23, 2004 that used business addresses in Puyallup and Kennewick, Washington.
16 Woodruff was the President of Next Innovations.

17 Nature of the Offerings

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

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

4 6. Woodruff offered notes to investors with interest rates that were typically from
5 12% to 15% per annum. Woodruff offered some notes with interest rates as high as 20% and
6 30% on an annual basis. The notes sold by Woodruff typically had a term of one year and
7 were unsecured. Woodruff signed the notes on behalf of Premium Equities or Next
8 Innovations. The notes typically called for monthly interest payments to be made to
9 investors.
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11 7. In meetings with investors, Woodruff represented that he was looking for
12 investors to provide financing on real estate projects. Woodruff led some investors to believe
13 that their funds would be pooled with other investors and used for real estate development in
14 Nevada and Washington. The investors were generally passive and relied upon Woodruff to
15 generate a return on their investment. The investors did not participate in the business
16 operations of Next Innovations or Premium Equities and had no control over the use of their
17 invested funds. Woodruff arranged for investors to deposit funds into bank accounts that he
18 controlled in the name of Next Innovations and Premium Equities, and in his personal name.
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20 8. Between approximately 2005 and 2008, Woodruff made periodic interest
21 payments to some of his investors. At the end of the one year term, Woodruff provided some
22 investors with a signed Amendment to Promissory Note agreement, which altered the
23 principal balance and due date of the notes, and in some cases, the interest rate of the notes.
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1 Many of the promissory notes issued by Next Innovations and Premium Equities were never
2 fully repaid. In February 2010, Woodruff filed for Chapter 7 bankruptcy in Oregon, and
3 identified nearly \$2 million in unsecured debt, including several promissory note investors. In
4 December 2010, after the Office of the U.S. Trustee filed a Complaint for Denial of
5 Discharge, Woodruff filed a Waiver of Discharge in his bankruptcy proceeding.

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7 9. During the Securities Division's investigation of this matter, Woodruff asserted
8 his Fifth Amendment privilege against self-incrimination and declined to answer the staff's
9 questions relating to his offer and sale of promissory notes.

10 Misrepresentations and Omissions

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

2 11. Next Innovations, Inc. is not currently registered to sell its securities in the state
3 of Washington and has not previously been so registered.

4 12. Premium Equities, LLC is not currently registered to sell its securities in the
5 state of Washington and has not previously been so registered.

6 Based upon the Findings of Fact, the following Conclusions of Law are made:
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8 **CONCLUSIONS OF LAW**

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

11 2. Premium Equities, LLC; and Next Innovations, Inc. have each violated RCW
12 21.20.140, the securities registration provision of the Securities Act of Washington, by offering
13 or selling securities for which there was no registration on file because no registration for such
14 offer or sale is on file with the Securities Administrator.

15 3. The offer or sale of the stock described above was made in violation of RCW
16 21.20.010 because, as set forth in the Tentative Findings of Fact, Premium Equities, LLC; and
17 Next Innovations, Inc. made misstatements of material facts or omitted to state material facts
18 necessary in order to make the statements made, in light of circumstances under which they were
19 made, not misleading.
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21 **FINAL ORDER**

22 Based upon the foregoing and finding it in the public interest:
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25 ENTRY OF FINDINGS OF FACT AND
CONCLUSIONS OF LAW AND FINAL ORDER TO
CEASE AND DESIST AS TO PREMIUM EQUITIES,
LLC AND NEXT INNOVATIONS, INC.

1 It is hereby ORDERED that Respondent Premium Equities, LLC; and Next Innovations,
2 Inc. and their agents and employees each shall cease and desist from offering or selling
3 securities in violation of RCW 21.20.140, the securities registration section of the Securities
4 Act of Washington.

5 It is further ORDERED that Respondent Premium Equities, LLC; and Next Innovations,
6 Inc. and their agents and employees each shall cease and desist from violating RCW
7 21.20.010, the anti-fraud section of the Securities Act of Washington.

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9 **AUTHORITY AND PROCEDURE**

10 This Final Order is entered pursuant to the provisions of RCW 21.20.390 and is subject to
11 the provisions of RCW 21.20.440 and Chapter 34.05 RCW. The Respondents have the right to
12 petition the superior court for judicial review of this agency action under the provisions of chapter
13 34.05 RCW. For the requirements for filing a Petition for Judicial Review, see RCW 34.05.510
14 and sections following. Pursuant to 21.20.395, a certified copy of this order may be filed in
15 Superior Court. If so filed, the clerk shall treat the order in the same manner as a Superior Court
16 judgment as to the fine, and the fine may be recorded, enforced, or satisfied in like manner.

17 **WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.**

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19 Dated and Entered this 26th day of July, 2012.

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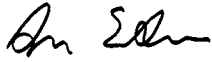
22 WILLIAM M. BEATTY
23 Securities Administrator

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25 ENTRY OF FINDINGS OF FACT AND
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LLC AND NEXT INNOVATIONS, INC.

1 Approved by:

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Suzanne E. Sarason
Chief of Enforcement

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Presented by:



Robert Kondrat
Enforcement Attorney