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11  
12 **UNITED STATES DISTRICT COURT**  
13 **FOR THE DISTRICT OF HAWAII**  
14

15 **SECURITIES AND EXCHANGE**  
16 **COMMISSION,**

17 Plaintiff,

18 vs.

19 **STEVEN KEITH WOODARD, SR.**

20 Defendant.

Case No. 1:23-cv-00112

**COMPLAINT**

21 Plaintiff Securities and Exchange Commission (“SEC”) alleges:

22 **SUMMARY**

23 1. This civil enforcement action concerns Steven Keith Woodard, an  
24 unregistered investment adviser who engaged in a Ponzi scheme involving his  
25 unregistered offering of securities, in the form of promissory notes, to defrauded  
26 investors.

27 2. From 2016 to 2021, Woodard, through Morganwood Ltd., an entity he  
28 controlled, raised approximately \$6 million from approximately 30 purchasers of  
promissory notes issued by Morganwood.

1 3. Woodard also maintained a fee-paying investment advisory business  
2 through Morganwood, and some investors in the Morganwood promissory notes were  
3 also Woodard's fee-paying advisory clients.

4 4. Woodard represented to note investors that he employed a proprietary  
5 day-trading strategy that was assured to avoid risk, preserve capital, and generate  
6 impressive returns. Woodard told investors that he had a history of realizing returns  
7 of 15% to 30% per year. Woodard also misrepresented to investors that their funds  
8 were insured.

9 5. In reality, and contrary to what he promised, Woodard invested  
10 relatively little of the amount he raised from investors, and lost virtually all of what  
11 he did invest, through increasingly risky trading strategies diametrically opposed to  
12 the conservative investing strategies he had promised to employ. Instead, he kept the  
13 majority of investor monies liquid, which he used to pay phantom returns to investors  
14 who had asked for monthly payments. He kept the other investors satisfied by  
15 providing them with false account statements reflecting illusory gains in the value of  
16 their investments.

17 6. Woodard did not disclose his mounting trading losses or other financial  
18 setbacks to investors, which over time left him without the resources to pay the  
19 promised returns. In December 2020, he defaulted in a lawsuit filed by the estate of a  
20 deceased investor, leading to a large monetary judgment entered against him in  
21 Hawaii state court. In July 2021, his scheme came to light when Woodard wrote a  
22 letter to all of Morganwood's investors, including the advisory clients who invested,  
23 stating that all of their invested monies were gone.

24 7. By engaging in the conduct described in this Complaint, Woodard  
25 violated Sections 5 and 17(a) of the Securities Act of 1933 ("Securities Act"), 15  
26 U.S.C. §§ 77(e)(a), 77(e)(c), 77q(a), Section 10(b) of the Securities Exchange Act of  
27 1934 ("Exchange Act"), 15 U.S.C. § 78j(b) and Rule 10b-5 thereunder, 17 C.F.R. §  
28 240.10b-5(a)-(c), and Sections 206(1) and 206(2) of the Investment Advisers Act of

1 1940 (“Advisers Act”).

2 8. The SEC seeks findings that Woodard committed these violations;  
3 permanent injunctions, disgorgement with prejudgment interest, civil penalties, and  
4 conduct-based injunctions against Woodard.

5 **JURISDICTION AND VENUE**

6 9. The Court has jurisdiction over this action pursuant to Sections 20(b),  
7 20(d)(1) and 22(a) of the Securities Act, 15 U.S.C. §§ 77t(b), 77t(d)(1) & 77v(a),  
8 Sections 21(d)(1), 21(d)(3)(A), 21(e) and 27(a) of the Exchange Act, 15 U.S.C. §§  
9 78u(d)(1), 78u(d)(3)(A), 78u(e) & 78aa(a); and Sections 209(d), 209(e)(1) and 214 of  
10 the Advisers Act, 15 U.S.C. §§ 80b-9(d), 80b-9(e)(1) & 90b-14.

11 10. Woodard has, directly or indirectly, made use of the means or  
12 instrumentalities of interstate commerce, of the mails, or of the facilities of a national  
13 securities exchange in connection with the transactions, acts, practices and courses of  
14 business alleged in this complaint.

15 11. Venue is proper in this district pursuant to Section 22(a) of the Securities  
16 Act, 15 U.S.C. § 77v(a), Section 27(a) of the Exchange Act, 15 U.S.C. § 78aa(a), and  
17 Section 214(a) of the Advisers Act, 15 U.S.C. § 80b-14(a), because certain of the  
18 transactions, acts, practices and courses of conduct constituting violations of the  
19 federal securities laws occurred within this district. In addition, venue is proper in  
20 this district because Woodard resides in this district.

21 **THE DEFENDANT**

22 12. **Defendant Woodard**, age 63, is a resident of Kihei, Hawaii. Woodard  
23 was secretary and treasurer of Morganwood Ltd. and controlled all of its operations  
24 from its inception in 1993. He became a registered representative in 1984 and was  
25 associated with four dual registrants and a registered investment adviser from 2002 to  
26 2007. In 2005, he was terminated from Girardi Securities, Inc. for his failure to abide  
27 by its advertising compliance policies and practices. That same year, he was charged  
28 by the State of Hawaii’s Business Registration Division with offering investment

1 advice and selling equity indexed annuities in a manner that misled clients as to the  
2 nature of the investment and his investment services, for which he paid a \$500 fine.  
3 On September 30, 2022, Woodard filed a Chapter 13 bankruptcy petition, which the  
4 Bankruptcy Court dismissed on December 20, 2022.

## 5 THE ALLEGATIONS

### 6 **A. Morganwood**

7 13. Woodard incorporated Morganwood in 1993. He served as  
8 Morganwood's Secretary and Treasurer, and his wife nominally served as  
9 Morganwood's President and Vice-President.

10 14. Woodard maintained exclusive control of Morganwood since its  
11 inception.

12 15. Woodard held Morganwood out as an investment advisory business.  
13 Clients invested money with Morganwood, and he assumed control of clients'  
14 brokerage accounts, effected transactions on their behalf, and received a fee for his  
15 management of those accounts.

16 16. Woodard maintained several online blogs on which he opined on market  
17 trends, promoted his investment experience, and provided his contact information to  
18 potential clients "ready to have Peace over [their] finances."

### 19 **B. Morganwood Notes Offering**

20 17. Beginning in 2009, Morganwood offered and sold securities in the form  
21 of promissory notes to investors residing in multiple states, including Hawaii,  
22 California, and Florida, primarily through soliciting friends and family.

23 18. Woodard offered and sold these notes to investors who were also his  
24 advisory clients.

25 19. Most of those notes purported to be investments in various Morganwood  
26 funds, including Morganwood's "Tangible Economy Fund", "Hi-Income Fund,"  
27 "Private Equity Fund," and "Income Trust." The names of these purported funds and  
28 their purported investment objectives were meaningless: in each case, Woodard

1 deposited investor monies into two brokerage accounts at Morganwood, commingled  
2 them, and ultimately traded them without restriction.

3 20. Woodard told investors that he would invest their money in the securities  
4 markets and either pay them a percentage of trading profits or a fixed interest. Some  
5 notes provided for the repayment of principal plus “variable interest defined as 80%  
6 of pro-rata share of net profits from trading” upon demand, with no fixed term.

7 21. Woodard falsely represented to investors that Goldman Sachs had  
8 misappropriated a trading strategy that he had created. He claimed that this trading  
9 strategy was a “foolproof” proprietary algorithmic trading system that minimized risk  
10 by limiting the duration of his exposure to market movements. He told investors that  
11 the average length of any held position was 17 minutes, that he did not hold any  
12 positions open overnight, and that he never engaged in short selling.

13 22. Woodard falsely represented to investors that he had a history of  
14 realizing returns of 15% to 30% per year.

15 23. Woodard also falsely told investors that their investments were insured.  
16 In fact, Woodard maintained no insurance over the investor funds. Woodard’s wife  
17 was the only named beneficiary on his life insurance policies. Woodard later  
18 changed the beneficiary of his insurance policies to his son, for the purpose of putting  
19 it outside the reach of his judgment creditors.

20 24. Woodard provided fabricated Morganwood account statements to  
21 investors to perpetuate the illusion that the Morganwood investment funds were  
22 distinct and real, by reporting performances and balances that differed from fund to  
23 fund. In reality, the only difference between the Funds was in the fixed rates of  
24 interest they promised and the resulting allocation and distribution of purported  
25 trading profits.

26 25. Woodard communicated with investors through email using the internet.  
27 In addition, he sent investment returns and “profit” payouts to investors in the form of  
28 checks through the mail.

1 26. Woodard did not register the Morganwood offering of securities.

2 27. Woodard also made no effort to determine whether or not Morganwood  
3 note investors were accredited.

4 **C. Woodard Used Only a Small Portion of Investor Funds for the**  
5 **Represented Purposes**

6 28. Between 2016 and 2020, Woodard deposited \$5.9 million of investor  
7 monies raised from promissory note investors, many of whom were his advisory  
8 clients, in Morganwood's bank account at Bank of Hawaii. Since 2018 alone,  
9 Woodard deposited at least \$3.3 million from promissory note investors.

10 29. Between 2016 and 2021, Woodard also earned \$152,520 in advisory fees  
11 from his investment advisory business, which he similarly deposited in  
12 Morganwood's Bank of Hawaii account.

13 30. Woodard transferred just over \$2 million of these monies from  
14 Morganwood's Bank of Hawaii account into two Morganwood brokerage accounts  
15 for trading.

16 31. From this \$2 million, Woodard sustained heavy losses. By March 2022,  
17 he had lost all but \$142 of the \$2 million of the note investor capital he had  
18 transferred to Morganwood's brokerage accounts. Woodard did not disclose any of  
19 these losses to his investors.

20 32. Despite the significant trading losses, Woodard consistently paid  
21 monthly returns to Morganwood note investors, which included his advisory clients  
22 and promissory note investors, through checks drawn on Morganwood's bank  
23 account, totaling over \$1.2 million.

24 33. These returns were financed solely from the investor monies and  
25 advisory fees that had been deposited in Morganwood's bank account that had not  
26 transferred into Morganwood's brokerage accounts for trading.

27 **D. Woodard Misappropriated Investor Funds**

28 34. Woodard's misuse of these funds during the relevant period was not

1 limited to the payment of phantom and Ponzi-like returns on investment. He also  
2 misappropriated investor monies from the Morganwood Bank of Hawaii account to  
3 pay his personal expenses such as charitable donations, life insurance, car expenses,  
4 mortgage payments, and taxes, without disclosing these payments to investors.

5 35. Woodard described these misappropriated withdrawals as “loans” which  
6 he admitted were undocumented and unsecured.

7 36. By 2022, Woodard had misappropriated \$695,851 from investor funds,  
8 from which he paid a \$430,000 salary to his wife.

9 **E. Woodard Provided Investors with Falsified Documents to Conceal his**  
10 **Trading Losses and Misuse of Their Funds**

11 37. Woodard prepared and emailed to investors monthly “flash reports” that  
12 summarized the rates of return that Morganwood’s funds had supposedly earned. In  
13 almost every instance, these flash reports represented that the investments had  
14 appreciated in value – a representation which Woodard admitted that he knew to be  
15 untrue.

16 38. Woodard also provided account statements to investors purporting to  
17 show increasing account balances representing impressive investment gains.  
18 Woodard later admitted that the purported gains reflected in the statements did not  
19 reflect the account’s actual value, which he did not disclose to investors at the time.

20 39. Woodard also provided these same fictitious investment gains in “Fair  
21 Market Valuation Reports” that he provided to potential investors by email to  
22 potential investors who lived outside of Hawaii. Woodard admitted that he knew  
23 these values were false and did not reflect the actual value of the investments.

24 **F. Woodard’s Fraud Comes to Light**

25 40. In 2019, the estate of one of Woodard’s former advisory clients sued him  
26 in Hawaii state court for fraud. On December 15, 2020, the court entered a \$1.5  
27 million default judgment against him.

28 41. The state court judgment caused Woodard’s scheme to quickly unravel.



1 In July 2021, Woodard sent a letter to his investors and advisory clients admitting  
2 that due to the combination of trading losses and the judgment entered against him,  
3 Morganwood no longer had funds with which to repay the investors any monies.

4 42. This letter was the first time that any of the investors learned of  
5 Woodard's trading losses or the existence of the lawsuit against Woodard.

6 **G. Woodard Violated the Securities Laws**

7 **1. Woodard Sold Securities**

8 43. Woodard, through Morganwood, offered and sold securities in the form  
9 of promissory notes.

10 44. Purchasers of Morganwood's promissory notes invested their money in  
11 exchange for the notes. Purchasers of the notes understood that they were investing  
12 in one of Morganwood's "funds."

13 45. These promissory notes were securities, as investors were motivated to  
14 invest in the notes because Woodard told investors that he would invest their money  
15 in the securities markets and either pay them interest or a percentage of trading  
16 profits. Some notes were for a fixed rate of interest for a two-year term, while other  
17 notes called for the greater of a specified rate of interest or a share of trading profits.

18 46. Morganwood note holders were purportedly entitled to interest  
19 payments, the source of which would be Morganwood's profit from successfully  
20 trading in the securities markets.

21 47. Given the promised high returns to be realized from profits generated by  
22 Morganwood's business, a reasonable investor would consider Morganwood's  
23 promissory notes to be an investment.

24 48. Funds invested by Morganwood note holders were pooled by Woodard,  
25 who used some of those funds to make Ponzi payments.

26 49. Morganwood note holders expected the profits from their investments to  
27 be derived solely from Woodard's efforts to buy and sell securities with their invested  
28 funds.



1 50. Investors purchased Morganwood’s promissory notes for investment  
2 purposes and not for commercial or consumer purposes.

3 51. Morganwood’s promissory notes were sold indiscriminately to the  
4 public. More than 30 investors purchased Morganwood’s promissory notes. Those  
5 investors were located in multiple states.

6 52. Morganwood’s promissory notes are not subject to an alternative  
7 regulatory scheme such that the enforcement of the federal securities laws is  
8 unnecessary.

9 53. Woodard solicited potential investors through emails and phone calls.

10 **2. Woodard Made Materially Untrue Statements**

11 54. Woodard made numerous untrue statements of material fact to investors,  
12 many of whom were also his advisory clients, regarding how their funds would be  
13 used, the security of their investments, and the anticipated rates of returns.

14 Specifically, Woodard told investors that he would engage in a proprietary day-  
15 trading strategy that Goldman Sachs had misappropriated from him that was assured  
16 to avoid risk, preserve capital, and generate impressive returns.

17 55. Woodard told investors that he had a history of realizing returns of 15%  
18 to 30% per year. Woodard also misrepresented to investors that their funds were  
19 insured.

20 56. These statements were material, as reasonable investors would have  
21 found it important to their investment decision to know that their monies were not  
22 insured and Woodard did not engage in a proprietary day-trading strategy that  
23 Goldman Sachs had misappropriated. Finally, investors would have found it  
24 important to know that Woodard did not have a history of realizing returns of 15% to  
25 30% per year.

26 57. Finally, Woodard benefitted from making these false statements. Due to  
27 these false statements, Woodard obtained and deposited 5.9 million of investor  
28 monies in Morganwood’s bank account at Bank of Hawaii between 2016 and 2020.

1 Since 2018 alone, Woodard deposited at least \$3.3 million from these investors.  
2 From these investor monies, Woodard misappropriated nearly \$700,000 through an  
3 undocumented, unsecured “loan” from Morganwood, from which he paid a \$430,000  
4 salary to his wife.

5 **3. Woodard Defrauded Promissory Notes Investors**

6 **a. Woodard Conducted a Fraudulent Ponzi Scheme**

7 58. Woodard carried out a fraudulent offering of securities through  
8 Morganwood, an entity he controlled, in the form of promissory notes.

9 59. Investors purchased Morganwood’s promissory notes based on  
10 Woodard’s representations that he would invest their money in the securities markets  
11 and either pay them interest or a percentage of trading profits. Woodard represented  
12 that he would either pay them interest on their investments or a percentage of trading  
13 profits.

14 60. Unbeknownst to investors, Woodard invested relatively little of the  
15 amount he raised from investors, and lost most of what he did invest, through  
16 increasingly risky trading strategies diametrically opposed to the conservative  
17 investing strategies he had promised to employ.

18 61. Instead, he conducted a Ponzi scheme by which he used investor monies  
19 to pay phantom returns to investors who had asked for monthly payments.

20 **b. Woodard Created Fictitious Account Statements to Perpetuate**  
21 **the Fraudulent Scheme**

22 62. To conceal his fraudulent scheme, Woodard created false client account  
23 statements and, through the internet, provided these statements to investors to show  
24 that the investors’ returns were increasing over time.

25 63. Woodard admitted that these account statements were false and did not  
26 reflect the actual performance of the investor funds.

27 **c. Woodard Misappropriated Investor Funds**

28 64. Woodard misappropriated investor monies from the Morganwood Bank

1 of Hawaii account to pay his personal expenses such as charitable donations, life  
2 insurance, car expenses, mortgage payments, and taxes, without disclosing these  
3 expenses to investors.

4 65. In addition, Woodard misappropriated \$695,851 through an  
5 undocumented, unsecured “loan” from Morganwood, from which he paid a \$430,000  
6 salary to his wife.

7 **4. Woodard Defrauded His Advisory Clients**

8 66. Woodard held Morganwood out as an investment advisory business.  
9 Through Morganwood, Woodard received an advisory fee for managing client  
10 accounts.

11 67. Many of the investors in the Morganwood notes offering were  
12 Woodard’s advisory clients.

13 68. Woodard defrauded these advisory clients by conducting a Ponzi scheme  
14 by which he used investor monies to pay phantom returns to investors who had asked  
15 for monthly payments.

16 69. In addition, Woodard concealed his fraudulent scheme by creating false  
17 client account statements and provided these statements to investors through the  
18 internet purporting to show that the investors’ returns were increasing over time.

19 70. Finally, Woodard also defrauded his advisory clients by  
20 misappropriating their assets in violation of his fiduciary duty by misappropriating  
21 \$695,851 from investor funds, from which he paid a \$430,000 salary to his wife.

22 **5. Woodard Acted With Scienter and His Conduct Was Unreasonable**

23 71. During the relevant period, Woodard acted with scienter and with  
24 negligence.

25 72. To perpetuate his fraudulent scheme, he knowingly made Ponzi  
26 payments to certain investors out of the principal investments of other investors.

27 73. Woodard admitted that the Morganwood investor funds were not  
28 insured. He also knew that the account statements that he provided to investors

1 showing account gains when they were actually losing money were false.

2 74. Woodard also acted with scienter because he knew that he did not  
3 engage in a proprietary day-trading strategy that Goldman Sachs had misappropriated  
4 from him that was assured to avoid risk, preserve capital, and generate impressive  
5 returns. Woodard also knew that his statements to investors that he had a history of  
6 realizing returns of 15% to 30% per year were false. Finally, Woodard  
7 misappropriated \$695,851 through an undocumented, unsecured “loan” from  
8 Morganwood, from which he paid a \$430,000 salary to his wife.

9 75. Woodard’s conduct in connection with the fraudulent scheme, his untrue  
10 statements, and his misappropriation of investor funds was unreasonable, and by  
11 engaging in that conduct, Woodard acted negligently.

## 12 **6. Woodard’s Registration Violations**

13 76. Between 2016 and 2020, Woodard offered and sold approximately \$5.9  
14 million in securities to Morganwood promissory note investors. Since 2018 alone,  
15 Woodard deposited at least \$3.3 million from promissory note investors.

16 77. Woodard’s promissory note offering was never registered with the SEC,  
17 and the securities were offered and sold through interstate commerce.

18 78. Woodard’s promissory note offering was not exempt from registration.

19 79. Woodard’s manner of raising money constituted general solicitation.  
20 Some of the investors had no preexisting relationship with Woodard.

21 80. Woodard raised money from unaccredited investors and did not take  
22 reasonable steps to verify whether investors were accredited or sophisticated.

## 23 **FIRST CLAIM FOR RELIEF**

### 24 **Fraud in Connection with the Purchase and Sale of Securities**

### 25 **Violations of Section 10(b) of the Exchange Act and Rule 10b-5**

26 81. The SEC realleges and incorporates by reference paragraphs 1 through  
27 80 above.

28 82. Woodard carried out an offering of securities through Morganwood, an

1 entity he controlled, in the form of promissory notes. Investors purchased  
2 Morganwood's promissory notes based on Woodard's representations that he would  
3 invest their money in the securities markets and either pay them interest or a  
4 percentage of trading profits. Woodard represented that he would either pay them  
5 interest on their investments or a percentage of trading profits. Woodard deposited  
6 investor monies into the same Morganwood brokerage accounts, commingled them,  
7 and ultimately traded the deposited funds without restriction.

8 83. To induce these investors to purchase Morganwood's promissory notes,  
9 Woodard made material misrepresentations and omissions to prospective and actual  
10 investors regarding how their funds would be used, the security of their investments,  
11 and the anticipated rates of returns. Specifically, Woodard told investors that he  
12 would engage in a proprietary day-trading strategy that Goldman Sachs had  
13 misappropriated from him that was assured to avoid risk, preserve capital, and  
14 generate impressive returns. Woodard told investors that he had a history of realizing  
15 returns of 15% to 30% per year. Woodard also misrepresented to investors that their  
16 funds were insured. These misrepresentations allowed him to raise approximately \$6  
17 million from approximately 30 investors.

18 84. Woodard carried out a fraudulent scheme through the Morganwood  
19 offering of promissory notes, which were securities. He conducted a Ponzi scheme  
20 by which he used investor monies to pay phantom returns to investors who had asked  
21 for monthly payments. To conceal his fraudulent scheme, Woodard created false  
22 client account statements and provided these statements to investors through the  
23 internet purporting to show that the investors' returns were increasing over time.  
24 Finally, Woodard misappropriated \$695,851 through an undocumented, unsecured  
25 "loan" from Morganwood, from which he paid a \$430,000 salary to his wife.

26 85. In July 2021, Woodard finally admitted to Morganwood investors,  
27 including the advisory clients who invested, that all of their invested monies were  
28 gone.

1 86. By engaging in the conduct described above, Defendant Woodard,  
2 directly or indirectly, in connection with the purchase or sale of a security, by the use  
3 of means or instrumentalities of interstate commerce, of the mails, or of the facilities  
4 of a national securities exchange: (a) employed devices, schemes, or artifices to  
5 defraud; (b) made untrue statements of a material fact or omitted to state a material  
6 fact necessary in order to make the statements made, in the light of the circumstances  
7 under which they were made, not misleading; and (c) engaged in acts, practices, or  
8 courses of business which operated or would operate as a fraud or deceit upon other  
9 persons.

10 87. Defendant Woodard, with scienter, employed devices, schemes and  
11 artifices to defraud; made untrue statements of a material fact or omitted to state a  
12 material fact necessary in order to make the statements made, in the light of the  
13 circumstances under which they were made, not misleading; and engaged in acts,  
14 practices or courses of conduct that operated as a fraud on the investing public by the  
15 conduct described in detail above.

16 88. By engaging in the conduct described above, Defendant Woodard  
17 violated, and unless restrained and enjoined will continue to violate, Section 10(b) of  
18 the Exchange Act, 15 U.S.C. § 78j(b), and Rules 10b-5(a), 10b-5(b), and 10b-5(c)  
19 thereunder, 17 C.F.R. §§ 240.10b-5(a), 240.10b-5(b) & 240.10b-5(c).

## 20 **SECOND CLAIM FOR RELIEF**

### 21 **Fraud in the Offer or Sale of Securities**

#### 22 **Violations of Section 17(a) of the Securities Act**

23 89. The SEC realleges and incorporates by reference paragraphs 1 through  
24 80 above.

25 90. Woodard carried out an offering of securities through Morganwood, an  
26 entity he controlled, in the form of promissory notes. Investors purchased  
27 Morganwood's promissory notes based on Woodard's representations that he would  
28 invest their money in the securities markets and either pay them interest or a

1 percentage of trading profits. Woodard represented that he would either pay them  
2 interest on their investments or a percentage of trading profits. Woodard deposited  
3 investor monies into the same Morganwood brokerage accounts, commingled them,  
4 and ultimately traded the deposited funds without restriction.

5 91. To induce these investors to purchase Morganwood's promissory notes,  
6 Woodard made material misrepresentations and omissions to prospective and actual  
7 investors regarding how their funds would be used, the security of their investments,  
8 and the anticipated rates of returns. Specifically, Woodard told investors that he  
9 would engage in a proprietary day-trading strategy that Goldman Sachs had  
10 misappropriated from him that was assured to avoid risk, preserve capital, and  
11 generate impressive returns. Woodard told investors that he had a history of realizing  
12 returns of 15% to 30% per year. Woodard also misrepresented to investors that their  
13 funds were insured. These misrepresentations allowed him to raise approximately \$6  
14 million from approximately 30 investors.

15 92. Woodard carried out a fraudulent scheme through the Morganwood  
16 offering of promissory notes, which were securities. He conducted a Ponzi scheme  
17 by which he used investor monies to pay phantom returns to investors who had asked  
18 for monthly payments. To conceal his fraudulent scheme, Woodard created false  
19 client account statements and provided these statements to investors through the  
20 internet purporting to show that the investors' returns were increasing over time.  
21 Finally, Woodard misappropriated \$695,851 through an undocumented, unsecured  
22 "loan" from Morganwood, from which he paid a \$430,000 salary to his wife.

23 93. In July 2021, Woodard finally admitted to Morganwood investors,  
24 including the advisory clients who invested, that all of their invested monies were  
25 gone.

26 94. By engaging in the conduct described above, Defendant Woodard,  
27 directly or indirectly, in the offer or sale of securities, and by the use of means or  
28 instruments of transportation or communication in interstate commerce or by use of



1 the mails directly or indirectly: (a) employed devices, schemes, or artifices to  
2 defraud; (b) obtained money or property by means of untrue statements of a material  
3 fact or by omitting to state a material fact necessary in order to make the statements  
4 made, in light of the circumstances under which they were made, not misleading; and  
5 (c) engaged in transactions, practices, or courses of business which operated or would  
6 operate as a fraud or deceit upon the purchaser.

7 95. Defendant Woodard, with scienter, employed devices, schemes and  
8 artifices to defraud; with scienter or negligence, obtained money or property by  
9 means of untrue statements of a material fact or by omitting to state a material fact  
10 necessary in order to make the statements made, in light of the circumstances under  
11 which they were made, not misleading; and, with scienter or negligence, engaged in  
12 transactions, practices, or courses of business which operated or would operate as a  
13 fraud or deceit upon the purchaser.

14 96. By engaging in the conduct described above, Defendant Woodard  
15 violated, and unless restrained and enjoined will continue to violate, Sections  
16 17(a)(1), 17(a)(2), and 17(a)(3) of the Securities Act, 15 U.S.C. §§ 77q(a)(1),  
17 77q(a)(2), & 77q(a)(3).

### 18 **THIRD CLAIM FOR RELIEF**

#### 19 **Unregistered Offer and Sale of Securities**

#### 20 **Violations of Sections 5(a) and 5(c) of the Securities Act**

21 97. The SEC realleges and incorporates by reference paragraphs 1 through  
22 80 above.

23 98. Defendant Woodard's offer of Morganwood's promissory notes was  
24 never registered with the SEC, nor was it subject to any exemption from registration.

25 99. Woodard engaged in an offering using general solicitation; sold  
26 securities to unaccredited investors; and took no steps to verify the sophistication or  
27 accreditation status of prospective investors.

28 100. Woodard directly offered and sold Morganwood securities to investors

1 in multiple states, including those residing in Hawaii, California, and Florida.

2 101. Woodard represented to investors that he would invest their money in  
3 the securities markets and either pay them interest or a percentage of trading profits.  
4 Investors purchased the Morganwood notes for the purpose of Woodard investing  
5 their money in the securities markets and either paying them interest on their  
6 investments or a percentage of trading profits.

7 102. Woodard deposited investor monies into the same Morganwood  
8 brokerage accounts, commingled them, and ultimately traded the deposited funds  
9 without restriction.

10 103. Woodard communicated with investors concerning the offering by  
11 email, in-person, or by phone.

12 104. By engaging in the conduct described above, Defendant Woodard,  
13 directly or indirectly, singly and in concert with others, have made use of the means  
14 or instruments of transportation or communication in interstate commerce, or of the  
15 mails, to offer to sell or to sell securities, or carried or caused to be carried through  
16 the mails or in interstate commerce, by means or instruments of transportation,  
17 securities for the purpose of sale or for delivery after sale, when no registration  
18 statement had been filed or was in effect as to such securities, and when no  
19 exemption from registration was applicable.

20 105. By engaging in the conduct described above, Defendant Woodard has  
21 violated, and unless restrained and enjoined, are reasonably likely to continue to  
22 violate, Sections 5(a) and 5(c), 15 U.S.C. §§ 77e(a) & 77e(c).

23 **FOURTH CLAIM FOR RELIEF**

24 **Fraud by an Investment Adviser**

25 **Violations of Section 206(1) of the Advisers Act**

26 106. The SEC realleges and incorporates by reference paragraphs 1 through  
27 80 above.

28 107. Woodard is an “investment adviser” within the meaning of Section

1 202(a)(11) of the Advisers Act, 15 U.S.C. § 80b-2(a)(11). In the relevant period,  
2 Woodard was in the business of providing investment advice concerning securities  
3 for compensation.

4 108. In the relevant period, Woodard, knowingly or recklessly, employed a  
5 device, scheme, or artifice to defraud his advisory clients, many of whom were  
6 investors in the Morganwood offering.

7 109. Specifically, Woodard carried out a fraudulent scheme through the  
8 Morganwood offering of promissory notes. Many of the purchasers of the  
9 promissory notes were also his advisory clients. He conducted a Ponzi scheme by  
10 which he used investor monies to pay phantom returns to investors who had asked for  
11 monthly payments. To conceal his fraudulent scheme, Woodard created false client  
12 account statements and provided these statements to investors through the internet  
13 purporting to show that the investors' returns were increasing over time. Finally,  
14 Woodard misappropriated \$695,851 through an undocumented, unsecured "loan"  
15 from Morganwood, from which he paid a \$430,000 salary to his wife.

16 110. In July 2021, Woodard finally admitted to Morganwood investors,  
17 including the advisory clients who invested, that all of their invested monies were  
18 gone.

19 111. By engaging in the conduct described above, Defendant Woodard,  
20 directly or indirectly, by use of the mails or means and instrumentalities of interstate  
21 commerce, employed a device, scheme, or artifice to defraud his advisory clients.

22 112. By engaging in the conduct described above, Defendant Woodard  
23 violated, and unless restrained and enjoined, is reasonably likely to continue to  
24 violate, Section 206(1) of the Advisers Act, 15 U.S.C. § 80b-6(1).

25 **FIFTH CLAIM FOR RELIEF**

26 **Fraud by an Investment Adviser**

27 **Violations of Section 206(2) of the Advisers Act**

28 113. The SEC realleges and incorporates by reference paragraphs 1 through

1 80 above.

2 114. Woodard is an “investment adviser” within the meaning of Section  
3 202(a)(11) of the Advisers Act, 15 U.S.C. § 80b-2(a)(11). In the relevant period,  
4 Woodard was in the business of providing investment advice concerning securities  
5 for compensation.

6 115. In the relevant period, Woodard, negligently and in violation of  
7 applicable standards of care including his fiduciary duty as an investment adviser,  
8 engaged in transactions, practices, or courses of business that operated as a fraud or  
9 deceit upon his advisory clients.

10 116. Specifically, Woodard carried out a fraudulent scheme through the  
11 Morganwood offering of promissory notes. Many of the purchasers of the  
12 promissory notes were also his advisory clients. He conducted a Ponzi scheme by  
13 which he used investor monies to pay phantom returns to investors who had asked for  
14 monthly payments. To conceal his fraudulent scheme, Woodard created false client  
15 account statements and provided these statements to investors through the internet  
16 purporting to show that the investors’ returns were increasing over time. Finally,  
17 Woodard misappropriated \$695,851 through an undocumented, unsecured “loan”  
18 from Morganwood, from which he paid a \$430,000 salary to his wife.

19 117. In July 2021, Woodard finally admitted to Morganwood investors,  
20 including the advisory clients who invested, that all of their invested monies were  
21 gone.

22 118. By engaging in the conduct described above, Defendant Woodard,  
23 directly or indirectly, by use of the mails or means and instrumentalities of interstate  
24 commerce, employed a device, scheme, or artifice to defraud his advisory clients.

25 119. By engaging in the conduct described above, Defendant Woodard  
26 violated, and unless restrained and enjoined, is reasonably likely to continue to  
27 violate, Section 206(2) of the Advisers Act, 15 U.S.C. § 80b-6(2).

**PRAYER FOR RELIEF**

WHEREFORE, the SEC respectfully requests that the Court:

**I.**

Issue findings of fact and conclusions of law that Defendant committed the alleged violations.

**II.**

Issue judgments, in forms consistent with Rule 65(d) of the Federal Rules of Civil Procedure, permanently enjoining Defendant Woodard, and his officers, agents, servants, employees and attorneys, and those persons in active concert or participation with any of them, who receive actual notice of the judgment by personal service or otherwise, and each of them, from violating Section 17(a) of the Securities Act [15 U.S.C. §77q(a)], and Section 10(b) of the Exchange Act [15 U.S.C. §§ 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5].

**III.**

Issue judgments, in forms consistent with Rule 65(d) of the Federal Rules of Civil Procedure, permanently enjoining Defendant Woodard and his officers, agents, servants, employees and attorneys, and those persons in active concert or participation with any of them, who receive actual notice of the judgment by personal service or otherwise, and each of them, from violating Sections 5(a) and 5(c) of the Securities Act [15 U.S.C. §§ 77e(a), 77e(c) thereunder [17 C.F.R. § 240.10b-5].

**IV.**

Issue judgments, in forms consistent with Rule 65(d) of the Federal Rules of Civil Procedure, permanently enjoining Defendant Woodard and his officers, agents, servants, employees and attorneys, and those persons in active concert or participation with him, who receive actual notice of the judgment by personal service or otherwise, and each of them, from violating Sections 206(1) and (2) of the Advisers Act, 15 U.S.C. §§ 80b-6(1) & 80b-6(2).

1 **V.**

2 Issue judgements, in forms consistent with Rule 65(d) of the Federal Rules of  
3 Civil Procedure, permanently enjoining Defendant Woodard from, directly or  
4 indirectly, including but not limited to, through any entity owned or controlled by  
5 him, participating in the issuance, purchase, offer, or sale of any security in an  
6 unregistered offering, provided, however, that such injunction shall not prevent him  
7 from purchasing or selling securities for his own personal account.

8 **VI.**

9 Order Defendant Woodard to disgorge all funds received from his illegal  
10 conduct, together with prejudgment interest thereon, pursuant to Exchange Act  
11 Sections 21(d)(3), 21(d)(5) and 21(d)(7) [15 U.S.C. §§ 78u(d)(3), 78u(d)(5) and  
12 78u(d)(7)].

13 **VII.**

14 Order Defendant Woodard to pay civil penalties under Section 20(d) of the  
15 Securities Act, [15 U.S.C. § 77t(d)], Section 21(d)(3) of the Exchange Act, [15  
16 U.S.C. § 78u(d)(3)], and Section 209(e) of the Advisers Act, 15 U.S.C. § 80b-9(e).

17 **VIII.**

18 Retain jurisdiction of this action in accordance with the principles of equity and  
19 the Federal Rules of Civil Procedure in order to implement and carry out the terms of  
20 all orders and decrees that may be entered, or to entertain any suitable application or  
21 motion for additional relief within the jurisdiction of this Court.

22 **IX.**

23 Grant such other and further relief as this Court may determine to be just and  
24 necessary.

25 Dated: March 1, 2023

26 */s/ Stephen Kam*

27 Stephen T. Kam

Attorneys for Plaintiff

28 Securities and Exchange Commission