NITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

ADMINISTRATIVE PROCEEDING
File No. 3-21973

In the Matter of

NICOLE J. WALKER,

Respondent.

DIVISION OF ENFORCEMENT'S REPLY IN SUPPORT OF ITS MOTION FOR ENTRY OF ORDER OF DEFAULT AND REMEDIAL SANCTIONS

The Division of Enforcement (the "Division") respectfully submits this Reply in support of its Motion for Entry of Order of Default and Remedial Sanctions ("Motion") against Nicole J. Walker ("Respondent" or "Walker"). Respondent's Response to the Division's Motion ("Response") does not include a proposed answer to the Order Instituting Administrative Proceedings ("OIP") against her. Furthermore, the Response does not offer a basis to deny the Division's requested remedial sanctions and the Commission should bar her from association with any investment adviser, broker, dealer, municipal securities dealer, municipal advisor, transfer agent or nationally recognized statistical ratings organization, and bar her from participation in any offering of a penny stock. The Division notes that in the Motion, it inadvertently omitted that the Division seeks a penny stock bar against Respondent. The Division understands that because the Division's request for a penny stock bar was not included in the Motion, that Respondent should be permitted an opportunity to respond to such request, to the extent she wishes to do so.

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The undisputed facts show that the Division is entitled to associational and penny stock bars against Respondent. Section 15(b)(6)(A) of the Securities Exchange Act of 1924 ("Exchange Act") authorizes the Commission to impose an associational bar against a person who: (1) at the time of the misconduct was acting as or associated with a broker; (2) has been made subject to an injunction; and (3) should be barred if in the public interest. 15 U.S.C. § 78o(b)(6)(A)(iii). Exchange Act Section 15(b)(6) also authorizes a penny stock bar on these grounds. All elements are met here. Thus, the facts and evidence which support the associational bar as set forth in the Motion, also support a penny stock bar. Courts use similar factors to decide whether to issue association and penny stock bars and obey-the-law injunctions, including whether the defendant's conduct was egregious. *SEC v. Fierro*, No. CV 20-02104 (GC) (JBD), 2024 WL 2292054, at *3 (D.N.J. May 21, 2024).

1. <u>Respondent Has Not Answered Or Otherwise Responded To The Order Instituting Proceedings</u>

In the Commission's December 5, 2024, Order to Show Cause ("Show Cause Order"), the Commission directs Respondent to show cause by December 19, 2024, why she should not be deemed in default and why this proceeding should not be determined against her due to her failure to file an answer, respond to the Division's motion, or otherwise defend this proceeding. The Show Cause Order also directs Respondent to "address the reasons for her failure to timely file an answer or response to the Division's motion, **include a proposed answer to be accepted in the event that the Commission does not enter a default against her**, and address the substance of the Division's request for sanctions." (emphasis added). While Respondent provided a response to the Division's Motion, she has not provided an answer as required by the Commission's Rules of Practice 220 and the Show Cause Order, nor has she raised any affirmative defenses. Respondent's continued noncompliance further supports entry of a default against her.

The same goes for her finger-pointing. In an attempt to blame the Division for her initial failure to answer the OIP, Walker claims: "[d]espite [] notification [to the Division that her legal counsel was no longer representing her in this matter], the Division continued to send documents and case-related communications to the Respondent's prior counsel" and this "misdirected communication" partly contributed to her misunderstanding regarding the deadline to respond to the OIP. *See* Response at pp. 1-2, Section I. But the Division served the OIP on Walker's counsel at the time because she advised that she was representing her. *See* the Division's Status Report Regarding Service of Order Instituting Proceeding filed on August 29, 2024. In any event, there is no dispute that Walker – after having been served with the OIP and the Show Cause Order – both of which specify a deadline for her to answer the OIP – has not done so.

2. Respondent Brings Forth No Legal Arguments Or Supported Facts Which Warrant Denial of the Division's Motion

Respondent offers no supported facts or evidence which contest or refute any of the Division's evidence contained in its Motion. For example, without a single supporting document or sworn statement, Respondent states that "there is no likelihood of future violations… the Respondent dissolved all relevant entities in anticipation of a regulatory bar – temporary or otherwise – as a precautionary measure to demonstrate compliance and bona fides." *See* Response at p. 4, Section IV. Respondent's statement conflicts with sworn testimony which admits that even after the collapse of Woodbridge she continued to raise hundreds of thousands of dollars from investors through a company formed and managed by her co-defendants to the District Court Action (defined below), Brook Church-Koegel and David H. Goldman, with the aim of raising up to $150 million from investors. *See* Motion at Exhibits 3, 7, and 8. The only evidence brought forward in this proceeding supports that unless associational and penny stock bars are entered, Respondent will have the chance to again harm investors.

3. Associational And Penny Stock Bars Are Warranted And Would Serve The Public Interest

As set forth above, Respondent has brought forth no legal argument and produced zero evidence which refutes or contradicts the Division's evidence supporting the requested remedial sanctions against Respondent. Walker does not, nor could she, dispute that on April 11, 2024, the Court entered a consented-to Judgment against Walker enjoining her from the violations of the registration provisions of Sections 5(a) and 5(c) of the Securities Act of 1933 ("Securities Act"), 15 U.S.C. §§ 77e(a) and 77e(c), and Section 15(a)(1) of the Exchange Act, 15 U.S.C. § 78o(a)(1). *SEC v. Church-Koegel, et al.*, No. 2:20-cv-08480-FMO-JC ("District Court Action") (DE 181). Instead, Respondent argues that "introducing scienter at this stage as a basis for sanctions is procedurally improper and prejudicial." *See* Response at p. 2, Section II.

It is true that the underlying claims against Respondent for violations of Sections 5(a) and 5(c) of the Securities Act and Section 15(a)(1) of the Exchange Act did not require proof of scienter. However, the level of Respondent's scienter is one of six factors relevant to determining whether a bar is in the "public interest". *Steadman v. SEC,* 603 F.2d 1126, 1140 (5th Cir. 1979), *aff'd on other grounds*, 450 U.S. 91 (1981) (quoting *SEC v. Blatt*, 583 F.2d 1325, 1334 n.29 (5th Cir. 1978)). It is, therefore, appropriate for the Division in these proceedings to bring forth evidence of Respondent's level of scienter. More specifically, Respondent acted with some level of scienter. At the very least, she had a reason to suspect that her sale of Woodbridge's securities were unlawful based on her knowledge that state regulators issued orders prohibiting the offer and sale of Woodbridge's securities. In fact, this very issue was raised in the underlying case in support

of the Commission's request for civil penalties against Respondent, which were ultimately granted by the District Judge.[1]

Ultimately, it is undisputed that instead of heeding warning after learning that state regulators had prohibited the offer and sale of Woodbridge's securities, Respondent downplayed the state regulatory actions. *See* Motion at Exhibits 3 and 6.

Respondent also claims that her actions comprise of "a single, isolated regulatory oversight—absent any fraud or intent to deceive". *See* Response at p. 4, Section III. Nevertheless, it is undisputed that Respondent's actions spanned more than 3 years. From approximately June 2014 until December 2017, Walker solicited and sold Woodbridge's securities in unregistered transactions to numerous investors, and coordinated and assisted the sales efforts of many other sales agents who sold Woodbridge's securities across the country. *See* OIP at II.B.3. Also, Walker was a top revenue-producing internal sales agents for Woodbridge. *Id*. This is a far cry from "a single, isolated regulatory oversight", as Respondent downplays her actions.

Respondent wholly fails to address at least one additional factor for the Commission's consideration: recognition of her wrongful conduct. The Response indicates the contrary, as Respondent attempts to minimize her conduct, stating that "the Respondent's conduct—limited to technical violations within the scope of employment at Woodbridge—does not rise to the level of egregiousness warranting such a severe remedy." *See* Response at p. 5, Section IV. Respondent fails to recognize that her self-described "technical violation" helped Woodbridge operate a massive Ponzi scheme which raised at least $1.22 billion from thousands of investors nationwide. That Respondent still cannot recognize her wrongful conduct, or her conduct's impact on

[1] District Court Action, DE 185-1, pp. 15-16.

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thousands of harmed investors, weighs in favor of entering the remedial sanctions the Division seeks.

4. Conclusion

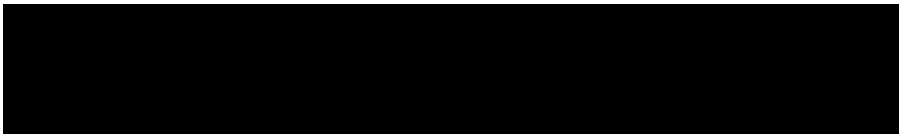
For the reasons set forth in the Division's Motion and this Reply, the Division moves for the entry of an Order determining this administrative proceeding against Respondent upon consideration of the record, and barring her from association with any investment adviser, broker, dealer, municipal securities dealer, municipal advisor, transfer agent or nationally recognized statistical ratings organization, and from participating in any offering of a penny stock.

RULE 151 CERTIFICATION

The undersigned counsel hereby certifies that sensitive personal information described in Commission Rule of Practice 151(e) [17 C.F.R. § 201.151(e)] has been omitted or redacted from the filing or, if necessary to the filing, has been filed under seal pursuant to § 201.322.

Dated: January 13, 2025

Respectfully submitted,



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CERTIFICATE OF SERVICE

Pursuant to Rule 150 of the Commission's Rules of Practice, I hereby certify that on January 13, 2025, the foregoing document was filed using the eFAP system, and that a true and correct copy of the document is being served via overnight delivery and email on the following persons entitled to notice:

Ms. Nicole J. Walker
[redacted]
Respondent

[redacted]

Stephanie N. Moot, Esq.
Senior Trial Counsel