UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

ADMINISTRATIVE PROCEEDING
File No. 3-21974

In the Matter of **DAVID H. GOLDMAN,** **Respondent.**

DIVISION OF ENFORCEMENT'S MOTION FOR ENTRY OF ORDER
OF DEFAULT AND REMEDIAL SANCTIONS

Pursuant to Rules 155(a) and 220(f) of the Commission's Rules of Practice, 17 C.F.R. §§ 201.155(a) and 201.220(f), the Division of Enforcement (the "Division") moves for entry of an Order finding Respondent David H. Goldman ("Goldman") in default, determining this administrative proceeding against him upon consideration of the record, and barring him from association with any investment adviser, broker, dealer, municipal securities dealer, municipal advisor, transfer agent or nationally recognized statistical ratings organization.

I. Background

A. District Court Action Against Goldman

On March 5, 2020, the Commission filed a Complaint for Injunctive and Other Relief against Goldman, alleging 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 Securities Exchange Act of 1934 ("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"). The Complaint alleged that

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Goldman, while not registered as a broker or associated with a Commission registered broker-dealer, offered and sold the securities of his employer, Woodbridge Group of Companies, LLC, d/b/a Woodbridge Wealth ("Woodbridge"), a company that operated a massive Ponzi scheme. On April 11, 2024, the Court entered a consented-to Judgment against Goldman enjoining him from the violations alleged in the Complaint.[1] On June 27, 2024, the Court entered a Final Judgment against Goldman imposing disgorgement, prejudgment interest thereon, and a civil penalty. *See* District Court Action at DE 190.

B. The Factual Allegations of the Order Instituting Proceedings

The Commission issued the Order Instituting Proceedings ("OIP") on June 18, 2024, pursuant to Section 15(b) of the Exchange Act. The OIP, like the Complaint, alleges specific details about Goldman's federal securities laws violations.

From at least June 2012 until January 2018, Goldman was employed as an in-house salesperson by Woodbridge, a California-based financial company not registered with the Commission in any capacity. OIP at II.A.1. During that time, Woodbridge operated a massive Ponzi scheme raising at least $1.22 billion from more than 8,400 unsuspecting investors nationwide through fraudulent unregistered securities offerings. *Id*.

From approximately June 2014 until December 2017, Goldman 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. OIP at II.B.3. Goldman sold investors two primary types of securities: (1) a twelve-to-eighteen month term promissory note that Woodbridge described as First Position Commercial

[1] *See* **Exhibit "1"**, Consent of Goldman at DE 174-4; **Exhibit "2"**, Judgment against Goldman at DE 180.

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Mortgages ("FPCM Notes"), and (2) private placement fund offerings with five-year terms ("Fund Offerings"). *Id*. The FPCM Notes and Fund Offerings were not registered with the Commission, nor exempt from registration. *Id*.

Goldman was a top revenue-producing internal sales agents for Woodbridge. *Id*. Woodbridge paid him a salary and sales commissions in his name and through his wholly-owned alter ego company, DG Marketing, Inc., for offering and selling the FPCM Notes and Fund Offerings to investors. *Id*. At no point was Goldman registered as or associated with a Commission registered broker-dealer. *Id*.

C. Goldman's Failure to Defend this Proceeding

On September 18, 2024, Goldman was personally served with the OIP and other documents. On September 24, 2024, the Division filed a status report regarding service attaching the return of service affidavit. Goldman has not filed his response to the OIP, due October 8, 2024, or requested an extension of time to do so.

III. Argument

The Commission should exercise its authority under Section 15(b) of the Exchange Act to impose remedial sanctions against Goldman.

A. Entry of Default Is Appropriate and the Factual Allegations of the OIP Should Be Deemed True

Under Rule 155(a) of the Commission's Rules of Practice, a party who fails to file a timely answer "may be deemed to be in default" and the Commission "may determine the proceeding against that party upon consideration of the record, including the order instituting proceedings, the allegations of which may be deemed to be true . . . ." 17 C.F.R. § 201.155(a). Goldman has not filed a response to the OIP. As such, Goldman is in default and all the factual allegations against him in the OIP should be deemed true. *See In re Reginald Buddy Ringgold, III*, Advisers Act

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Release No. 6267, 2023 WL 2705591, at *2 (March 29, 2023) (deeming allegations of OIP as true against respondent in default).

Additionally, the Commission may consider other evidence supporting the allegations of the OIP, including documents from the Division's investigation. *See, e.g., In re John Sherman Jumper*, Exchange Act Release No. 96407, Advisers Act Release No. 6193, at *3-4 (Nov 30, 2022); *In re Don Warner Reinhard*, Exchange Act Release No. 63720, Advisers Act Release No. 3139, 2011 WL 121451, at *3-4 (relying on plea agreement and related documents). Here, the Division has submitted the same evidence the District Court relied on entering a Final Judgment against Goldman.

B. <u>An Associational Bar Is an Appropriate Sanction</u>

The facts established by Goldman's default show that the Division is entitled to an associational bar against Goldman. Exchange Act Section 15(b)(6)(A) 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). All elements are met here.

1. <u>Goldman Acted as a Broker at the Time of the Misconduct</u>

Exchange Act Section 15(b)(6) covers a person acting as or associated with a broker at the time of the misconduct. The broker in question need not have been a registered broker. *Tzemach David Netzer Korem*, Exch. Act Rel. No. 70044, at 12 and n.68, 2013 WL 3864511 (July 26, 2013).

Exchange Act Section 3(a)(4) defines "broker" as "any person engaged in the business of effecting transactions in securities for the account of others." A person engages in the business of effecting securities by "participate [ing] in purchasing and selling securities involving more than a few isolated transactions; there is no requirement that such activity be a person's principal

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business or the principal source of income." *Anthony Fields,* Securities Act Rel. No. 9727, at 30, 2015 WL 728005 (Feb. 20, 2015) (quotations and alternations omitted). Indications of broker activity "include holding oneself out as a broker-dealer, recruiting or soliciting potential investors, handling client funds and securities, negotiating with issuers, and receiving transaction-based compensation." *Id.*; *James S. Tagliarferri*, Securities Act Rel. No. 10308, at 6-7, 2017 WL 632134 (respondent acted as a broker by actively finding investors, being closely involved in negotiations, and receiving transaction based compensation).

Here, the facts alleged in the OIP, which may be deemed true under Rule 155(a), 17 C.F.R. § 201.155(a), establish that Goldman acted as a broker while offering and selling Woodbridge's securities. Goldman solicited and sold the FPCM Notes and Fund Offerings to numerous investors, and helped other sales agents to do the same. *See* OIP II.B.3. He also received transaction-based compensation for selling Woodbridge's securities. *Id*. However, at no time was Goldman registered with the Commission or associated with a Commission-registered broker. *Id*. Thus, the jurisdictional requirement for remedial relief, that Goldman acted as a broker while not registered with the Commission or associated with a Commission-registered broker, has been met.

2. **Goldman Has Been Enjoined**

On April 11, 2024, the District Court enjoined Goldman from future violations of the securities registration provisions set forth in Securities Act Section 5 and the broker registration provisions set forth in Exchange Act Section 15(a)(1).

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3. An Associational Bar Would Serve the Public Interest

In assessing the third element – whether an associational bar is in the "public interest" – the Commission considers the following six factors:

> the egregiousness of the respondent's actions, the isolated or recurrent nature of the infraction, the degree of scienter involved, the sincerity of the respondent's assurances against future violations, the respondent's recognition of the wrongful nature of his conduct, and the likelihood that the respondent's occupation will present opportunities for future violations.

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)). These factors overall weigh in favor of an associational bar.

While Goldman has not been charged with fraud, his conduct was egregious. He was among the top revenue-producing in-house sales agents for Woodbridge, and he assisted other sales agents with selling Woodbridge's securities. His sales efforts contributed to Woodbridge raising at least $1.22 billion from over 8,400 investors who were duped into investing into a Ponzi scheme. Rather than investing in financial products that Goldman pitched as "very safe", *see* Deposition Transcript of Goldman ("Goldman Tr."), attached hereto as **Exhibit "3"**, at 268:1-271:4, his investors bought into a Ponzi scheme where they are likely to recover only a fraction of their principal in the coming years.[2] Moreover, Goldman received substantial compensation for soliciting and raising funds from investors nationwide. He received from Woodbridge $659,353.91 in commissions, in addition to a salary of over $192,000, from March 5, 2015 through December 1, 2017 (the applicable limitations period). *See* declaration of Thomas P. Jeremiassen, attached hereto as **Exhibit "4"**, Senior Managing Director of Development Specialists, Inc., the firm

[2] *See* https://woodbridgeliquidationtrust.com/faq/ (indicating a "43.74% recovery on Net Note Claims" and "31.71% recovery on Net Unit Claims" under the "How much will I recover overall?" tab) (last visited October 30, 2024).

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retained and authorized by the Bankruptcy Court[3] to provide forensic accounting and financial advisory services to the Woodbridge Wind-Down Entity and Liquidation Trust.

As to the second factor, Goldman's conduct was recurrent: for over three-and-a-half years until the Ponzi scheme collapsed, he personally sold and assisted other sales agents in selling Woodbridge's securities to thousands of investors.

Although the claims against Goldman do not require proof of scienter, Goldman had some level of scienter – at bottom a reason to suspect – that his sale of Woodbridge's securities was unlawful. Goldman knew while employed at Woodbridge that at least 3 state regulators – Massachusetts, Texas, and Arizona – issued orders prohibiting the offer and sale of Woodbridge's securities. *See* Goldman Tr. 246:24-247:17 (MA), 249:9-20 and 250:21-25 (TX), 251:24-252:2 and 254:25-255:7 (AZ). Yet, Goldman continued to sell FPCMs in other states. *See* Goldman Tr. 250:21-251:5; 254:24-255:7.

The fourth and fifth factors consider Goldman's recognition of his wrongful conduct and assurances against future violations. Although Goldman consented to injunctive relief about three weeks before trial, these factors ultimately weigh in favor of an associational bar. Despite service, Goldman has not participated in this matter. This show of contempt for regulatory obligations is significant because Goldman aims to continue to raise investor funds and advise investors as described in more detail below. Furthermore, his lack of participation provides no assurances that he will avoid future violations of the law. *See Kimm Hannan*, Advisers Act Rel. No. 5906, at 4, 2021 WL 5161855, *3 (Nov. 5, 2021) ("Because Hannan failed to answer the OIP or respond to the order to show cause or to the Division's motion, he has made no assurances to us that he will

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[3] *In re Woodbridge Group of Companies LLC, et al.,* Case No. 17-12560 (jointly administered) (Bankr. D. Del.).

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not commit future violations or that he recognizes the wrongful nature of his conduct."); *Oscar Ferrer Rivera*, Advisers Act Rel. No. 5759, at 6, 2021 WL 2593642, *4 (June 24, 2021) ("Although his guilty plea indicates that Ferrer might have some appreciation for the wrongfulness of his conduct, it does not outweigh the evidence that he poses a risk to the investing public."). While "[c]ourts have held that the existence of a past violation, without more, is not a sufficient basis for imposing a bar . . . the existence of a violation raises an inference that it will be repeated." *Tzemach David Netzer Korem*, Exchange Act Rel. No. 70044, at 10 n.50, 2013 WL 3864511, at n.50 (July 26, 2013) (quotation and alternations omitted). Goldman has offered no evidence to rebut that inference.

As to the sixth factor, after Woodbridge's collapse, Goldman continued to raise investor funds through a company formed and managed by himself and his co-defendant to the District Court Action, Brook Church-Koegel ("Church-Koegel"). Church-Koegel owns and manages with Goldman a fund adviser to two private funds. *See* Deposition Transcript of Church-Koegel ("Church-Koegel Tr."), attached hereto as **Exhibit "5"**, at 23:10-25, 30:12-22; Goldman Tr. at 258:24-259:1, 259:22-260:8. The two funds have collectively raised $600,000 to $700,000, *see* Church-Koegel Tr. 24:1-18, 27:13-20 and Goldman Tr. 260:24-261:2, with the aim of raising up to $150 million combined from investors, *see* Goldman Tr. 262:17-263:6, 265:24-266:3. The funds have solicited investors through word of mouth, and Church-Koegel's and Goldman's existing business relationships. *See* Church-Koegel Tr. 28:23-29:3; Goldman Tr. 260:24-261:11. Despite the fallout from Woodbridge, Goldman remains unlicensed, unregistered with the Commission, and unassociated with a registered broker dealer or investment advisory firm. *See* Goldman Tr. 16:10-12; 257:17-258:7. Unless he is barred from the securities industry, he will have the chance to again harm investors.

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IV. Conclusion

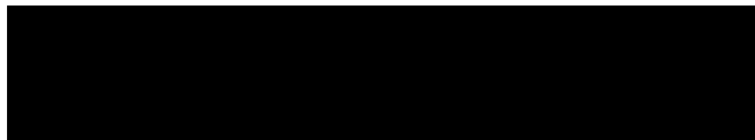
For the reasons discussed above, the Division asks the Commission to sanction Goldman by barring him from association with any broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization.

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: November 5, 2024

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 November 5, 2024, 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 on the following persons entitled to notice:

Mr. David H. Goldman

Respondent

Stephanie N. Moot, Esq.
Senior Trial Counsel

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GOLDMAN INDEX OF ATTACHMENTS

Attachment	Description
1.	Consent of David M. Goldman
2.	Judgment as to Defendant David M. Goldman
3.	Deposition Transcript Excerpts of David H. Goldman
4.	Declaration of Thomas P. Jeremiassen with Exhibit 2
5.	Deposition Transcript Excerpts of Brook Church-Koegel

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