

**ADMINISTRATIVE PROCEEDING
BEFORE THE
SECURITIES COMMISSIONER OF SOUTH CAROLINA**

IN THE MATTER OF:

Daniel Mark Reynolds and

Cheryl Ann Woods,

Respondents.

ORDER TO CEASE AND DESIST

File Number: 13085

WHEREAS, the Securities Division of the Office of the Attorney General of the State of South Carolina (the "Division"), has been authorized and directed by the Securities Commissioner of South Carolina (the "Securities Commissioner") to administer the provisions of S.C. Code Ann. § 35-1-101, *et seq.*, the South Carolina Uniform Securities Act of 2005 (the "Act"); and

WHEREAS, the Division received information regarding alleged activities of Daniel Mark Reynolds and Cheryl Ann Woods ("Reynolds," "Woods," and collectively, "Respondents") which, if true, would constitute violations of the Act; and

WHEREAS, the information led the Division to open and conduct an investigation of the Respondents pursuant to S.C. Code Ann. § 35-1-602; and

WHEREAS, the Division alleges the following:

I. Jurisdiction

1. The Commissioner has jurisdiction over this matter pursuant to S.C. Code Ann. § 35-1-601(a).

II. Respondents

2. Daniel Mark Reynolds is a South Carolina resident with a last known address of 2321 Kershaw Highway, Camden, South Carolina 29020.

3. Cheryl Ann Woods is a South Carolina resident with a last known address of 406 Chamonix Court, Greenville, South Carolina 29607.

III. Findings of Fact

4. Respondents styled themselves as purveyors of an investment opportunity in commodities, and in particular, precious metals (the “Investment”).

5. In exchange for an investment of money, Respondents offered to trade commodities on behalf of investors, promising to remit the profits of their trading activities back to the investors.

3. In or around July of 2012, Respondents attempted to induce a potential investor in the State of South Carolina to purchase the Investment (the “Investor”).

4. Respondents were unaware that the Investor was actually an agent of the Federal Bureau of Investigation.

5. In attempting to induce the Investor to purchase the Investment, Respondents made numerous false or misleading statements, including:

- a. That Reynolds had been in business for ten (10) years;
- b. That Reynolds had no criminal record;
- c. That no investor had ever lost money through an Investment with Respondents;
- d. That it was impossible to lose money investing in commodities; and

e. That Respondents were audited by the United States Securities and Exchange Commission every six (6) months.

6. Additionally, in an attempt to induce the Investor to purchase the Investment, Respondents engaged a former investor (the "Former Investor") to falsely claim that he had invested \$250,000 with Respondents, and was completely satisfied with his investment.

7. The Former Investor had, in fact, lost \$50,000 by investing with Respondents.

8. Respondents failed to inform the Investor that Reynolds had operated a similar investment scheme in the State of Florida, and had embezzled the funds invested with him.

9. On May 14, 2013, Respondents were indicted by the United States of America for mail fraud in violation of Title 18 U.S.C. §§ 2 and 1343 (the "Indictment").

10. On July 23, 2013, Respondents each pled guilty to the charges alleged in the Indictment.

IV. Conclusions of Law

11. The South Carolina Uniform Securities Act of 2005, S.C. Code Ann. § 35-1-101, *et seq.*, governs the offer and sale of securities within the State of South Carolina.

12. Pursuant to S.C. Code Ann. § 35-1-102(29), investment contracts are securities.

13. Based on the foregoing, the Investments offered and sold by Respondents are securities as defined by the Act.

14. Pursuant to S.C. Code Ann. § 35-1-501, it is unlawful for a person in connection

with the offer or sale of a security in South Carolina: (1) to employ a scheme, device, or artifice to defraud; (2) to make an untrue statement of material fact or to omit to state a material fact necessary in order to make the statements made, in light of the circumstances in which they were made, not misleading; or (3) to engage in an act, practice or course of business that operates or would operate as a fraud or deceit upon another person.

15. Based on the foregoing, in or around July of 2012, Respondents in connection with the offer or sale of a security within the State of South Carolina (1) employed a scheme, device, or artifice to defraud; (2) made untrue statements of material fact or to omitted to state a material fact necessary in order to make the statements made, in light of the circumstances in which they were made, not misleading; and (3) engaged in an act, practice or course of business that tended to operate as a fraud or deceit upon another person.

V. Order

WHEREAS, pursuant to S.C. Code Ann. §35-1-604(a)(1), if the Securities Commissioner determines that a person has engaged, is engaging, or is about to engage in an act, practice, or course of business constituting a violation of the Act or a rule adopted or order issued under the Act, the Securities Commissioner may issue an order directing the person to cease and desist from engaging in the act, practice, or course of business or to take other action necessary or appropriate to comply with the Act; and

WHEREAS, pursuant to S.C. Code Ann. § 35-1-604(b), an order issued under Section 35-1-604(a) is effective on the date of issuance and must include a statement of any civil penalty or costs of investigation the Division will seek, a statement of the reasons for the order, and notice that a hearing will be scheduled if one is requested; and

WHEREAS, based on the foregoing facts, it is in the public interest, for the protection of investors, and consistent with the purposes of the Act that Reynolds and Woods be ordered to cease and desist from engaging in the above enumerated practices which constitute violations of the Act and each pay appropriate civil penalties for their wrongdoing;

NOW THEREFORE, pursuant to S.C. Code Ann. § 35-1-604(a)(1), it is hereby **ORDERED** that:

- a. Respondents and every successor, affiliate, control person, agent, servant, and employee of Respondents, and every entity owned, operated, or indirectly or directly controlled by or on behalf of the Respondents immediately **CEASE AND DESIST** from transacting business in this State in violation of the Act, in particular, S.C. Code Ann. § 35-1-501; and
- b. Respondent Reynolds pay a civil penalty in the amount of **Ten Thousand Dollars (\$10,000)** if this Order becomes effective by operation of law, or, if Reynolds seeks a hearing and any legal authority resolves this matter, pay a civil penalty in an amount not to exceed **Ten Thousand Dollars (\$10,000)** for each violation of the Act by Reynolds, and the actual cost of the investigation or proceeding; and
- c. Respondent Woods pay a civil penalty in the amount of **Ten Thousand Dollars (\$10,000)** if this Order becomes effective by operation of law, or, if Woods seeks a hearing and any legal authority resolves this matter, pay a civil penalty in an amount not to exceed **Ten Thousand Dollars (\$10,000)** for each violation of the Act by Woods, and the actual cost of the investigation or proceeding.

IT IS FURTHER ORDERED that, pursuant to S.C. Code Ann. § 35-1-604(a)(2) and (3), any exemption from registration with the Division that Respondents may claim to rely upon under S.C. Code Ann. §§ 35-1-201(3)(C), (7), or (8); 35-1-202; 35-1-401(b)(1)(D) or (F); or 35-1-403(b)(1)(C), has been and is **PERMANENTLY REVOKED**.

THIS ORDER DOES NOT PREVENT THE DIVISION OR ANY OTHER LAW ENFORCEMENT AGENCY FROM SEEKING SUCH OTHER CIVIL OR CRIMINAL REMEDIES THAT ARE AVAILABLE UNDER THE ACT, INCLUDING REMEDIES RELATED TO OFFERS OR SALES OF SECURITIES BY THE RESPONDENTS WHICH ARE NOT SET FORTH ABOVE.

ENTERED at Columbia, South Carolina, this 9th day of October, 2013.

ALAN WILSON
SECURITIES COMMISSIONER

By: Tracy Meyers
TRACY A. MEYERS
Assistant Deputy Attorney General
Post Office Box 11549
Columbia, South Carolina 29211

REQUIREMENT OF ANSWER AND NOTICE OF OPPORTUNITY FOR HEARING

Respondents are hereby notified that each has the right to a hearing on the matters contained herein. To schedule such a hearing, each Respondent must file with the Securities Division, Post Office Box 11549, Rembert C. Dennis Building, Columbia, South Carolina 29211-1549, attention: Thresechia Navarro, within thirty (30) days of the date of service of this Order a written Answer specifically requesting that a hearing be held to consider rescinding the Order.

In each written Answer, a Respondent, in addition to requesting a hearing, shall admit or deny each factual allegation of the Order, shall set forth concisely the matters of law, specific facts, and affirmative defenses, if any, upon which that Respondent relies. If a Respondent is without knowledge or information sufficient to form a belief as to the truth of an allegation, that Respondent shall so state.