

**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF MISSISSIPPI
NORTHERN DIVISION**

**SECURITIES AND EXCHANGE
COMMISSION,**

Plaintiff,

v.

**WILLIAM B. MCHENRY, JR. AND
FIRST SOUTH INVESTMENTS, LLC,**

Defendants,

Civil Action No. 3:21-cv-554-CWR-FKB

COMPLAINT

Plaintiff, Securities and Exchange Commission (the “Commission”), files its Complaint and alleges that:

SUMMARY

1. Starting in at least 2010, William B. McHenry, Jr (“McHenry”), operating directly and through his solely-owned entity, First South Investments, LLC (“First South”) (collectively “Defendants”), sold millions of dollars in unregistered promissory notes fraudulently offered by Arthur Lamar Adams (“Adams”) and Madison Timber Properties, LLC (“Madison Timber”). In selling

these unregistered securities, Defendants regularly engaged in the business of effecting securities transactions for others, but failed to register as brokers.

2. By the conduct detailed in this Complaint, Defendants violated 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) of the Securities Exchange Act of 1934 (“Exchange Act”) [15 U.S.C. § 78o(a)]. Unless enjoined, Defendants are likely to commit such violations again in the future.

3. The Commission seeks a judgment from the Court: (a) finding that Defendants violated the securities and broker registration provisions of the federal securities laws; (b) enjoining Defendants from engaging in future violations of the securities and broker-dealer registration provisions of the federal securities laws; and (c) ordering Defendants to pay a civil monetary penalty pursuant to Section 20(d) of the Securities Act [15 U.S.C. § 77t(d)].

JURISDICTION AND VENUE

4. The Commission brings this action pursuant to Sections 20(b) and 20(d) of the Securities Act [15 U.S.C. §§ 77t(b) and 77t(d)] and Section 21(d) of the Exchange Act [15 U.S.C. § 78u(d)].

5. The Court has jurisdiction over this action pursuant to Sections 20(b), 20(d) and 22(a) of the Securities Act [15 U.S.C. §§ 77t(b), 77t(d), and 77v(a)], and

Sections 21(d), 21(e), and 27 of the Exchange Act [15 U.S.C. §§ 78u(d), 78u(e), and 78aa].

6. Defendants, directly or indirectly, used the means or instruments of interstate commerce, the mails, or the facilities of a national securities exchange in connection with the acts described herein.

7. Venue is proper under Section 22 of the Securities Act [15 U.S.C. § 77v], Section 27 of the Exchange Act [15 U.S.C. § 78aa] and 28 U.S.C. § 1391 because a substantial part of the events or omissions giving rise to the claims made herein occurred in the Southern District of Mississippi.

DEFENDANTS

8. **William B. McHenry, Jr.**, age 74, lives in Canton, Mississippi.

9. **First South Investments, LLC**, is a Mississippi limited liability company founded in 2004 that has its principal place of business in Ridgeland, MS. First South is solely owned and operated by McHenry, and is the entity through which he sold the Madison Timber promissory notes.

STATEMENT OF FACTS

10. Madison Timber was a Ponzi scheme offering fraud primarily spearheaded by Adams.

11. Madison Timber, operating primarily in Madison, Mississippi, raised large sums of money in exchange for promissory notes that promised a high rate of

return. Madison Timber purported to use the invested funds to purchase timber rights from landowners in the Southeast, and allegedly generated profits by reselling the timber rights to lumber mills.

12. Starting in at least 2010, Defendants began soliciting and selling promissory note investments for Madison Timber. The sale of these promissory notes continued until April 19, 2018.

13. Defendants sold approximately promissory 159 notes to at least 28 investors that resulted in Madison Timber investments between thirty-one and thirty-four million dollars. McHenry earned a 10% commission on those note sales and a monthly stipend that ultimately brought him over three million dollars in commissions.

14. The promissory notes were not registered as securities with the Commission.

15. Neither McHenry nor First South were registered as broker with the Commission.

COUNT I- SELLING UNREGISTERED SECURITIES

Violations of Sections 5(a) and 5(c) of the Exchange Act

16. The Commission re-alleges and reincorporates paragraphs 1 through 15 as if fully set forth herein.

17. From approximately 2010 until April 19, 2018, Defendants, without registration statements in effect as to the securities, directly or indirectly made use of means and instruments of transportation or communication in interstate commerce or of the mails to sell or offered to sell such securities through the use or medium of any prospectus or otherwise.

18. By reason of the foregoing, each of the Defendants violated the Section 5(a) and (c) of the Securities Act [15 U.S.C. § 77e(a) and 77e(c)].

COUNT II- SALE OF SECURITIES WHILE UNREGISTERED

Violation of Section 15(a) of the Exchange Act [15 U.S.C. § 78o(a)]

19. The Commission re-alleges and reincorporates paragraphs 1 through 15 as if fully set forth herein.

20. By engaging in the conduct described above, Defendants made use of the mails or other means or instrumentalities of interstate commerce to effect transactions in, or to induce the purchase or sale of securities while not registered with the Commission as a broker or when they were not associated with an entity registered with the Commission as a broker or dealer.

21. By reason the foregoing, each of the Defendants violated Section 15(a) of the Exchange Act [15 U.S.C. § 78o(a)].

PRAYER FOR RELIEF

WHEREFORE, the Commission respectfully requests that the Court enter a judgment:

(i) finding that Defendants violated the registration provisions of the federal securities laws as alleged herein;

(ii) permanently enjoining Defendants from violating Section 5 of the Securities Act [15 U.S.C. §§ 77q(a)] and Section 15(a) of the Exchange Act [15 U.S.C. § 78o(a)];

(iii) ordering Defendants to pay a civil monetary penalty; and

(iv) granting such other relief as this Court may deem just and proper.

Dated this 25th day of August, 2021.

Respectfully submitted,

/s/ W. Shawn Murnahan

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