

FILED

NOV 13 2018

9TH JUDICIAL CIRCUIT
COUNTY OF KALAMAZOO
KALAMAZOO, MICHIGAN

**In the Kalamazoo County Circuit Court
For the State of Michigan**

SCOTTSDALE CAPITAL
ADVISORS CORPORATION,

Plaintiff,

v.

MORNINGLIGHTMOUNTAIN, LLC,
MICHAEL GOODE, and
DOES 1-10,

Defendants.

Civil No. 18-0153-CZ

HON. ALEXANDER C. LIPSEY

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**DEFENDANTS' CONSENT FOR PLAINTIFF TO FILE
SECOND AMENDED COMPLAINT**

Under MCR 2.118(A)(2), Defendants consent to Plaintiff filing a Second Amended Complaint. Defendants reserve their right to file an Answer, a dispositive motion, or both, in response to the Second Amended Complaint within 21 days, as provided under MCR 2.118(B), MCR 2.108(A)(1), and MCR 2.116(D).

Respectfully submitted,

BUTZEL LONG, P.C.

Dated: November 7, 2018



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**STATE OF MICHIGAN
IN THE CIRCUIT COURT FOR THE COUNTY OF KALAMAZOO**

SCOTTSDALE CAPITAL ADVISORS CORP.,
an Arizona corporation,

CASE NO. 2018—0153-CZ

Plaintiff,

Hon. Alexander C. Lipsey

v.

MORNINGLIGHTMOUNTAIN, LLC, a
Michigan limited liability company d/b/a
GoodeTrades.com; MICHAEL GOODE, an
individual; and DOES 1-10, inclusive,

Defendants.

PLAINTIFF'S SECOND AMENDED COMPLAINT AND JURY DEMAND

Plaintiff Scottsdale Capital Advisors Corp., for its Complaint against
MorningLightMountain, LLC d/b/a GoodeTrades.com and Michael Goode, alleges as follows:

INTRODUCTION

1. Plaintiff Scottsdale Capital Advisors Corp. ("SCA") is a successful securities broker-dealer.
2. In an effort to smear SCA's reputation, MorningLightMountain, LLC d/b/a GoodeTrades.com and Michael Goode (collectively, "Defendants") published an article on their website, www.goodetrades.com, which contained false, defamatory, and highly misleading statements of and concerning SCA. Among other things, the articles falsely alleged that SCA is involved in penny stock "pump and dump" schemes and improperly permits the trading of penny stocks.
3. By this action, SCA seeks to clear its good name and hold Defendants liable for

the harm caused by their misconduct.

THE PARTIES

4. Plaintiff Scottsdale Capital Advisors Corp. is, and at all times relevant hereto was, a corporation organized under the laws of the State of Arizona, with its principal place of business in Maricopa County, Arizona.

5. SCA is informed and believes and based thereon alleges that Defendant MorningLightMountain, LLC d/b/a GoodeTrades.com ("MorningLightMountain") is, and at all times relevant hereto was, a corporation organized under the laws of the Michigan, with its principal place of business in Eaton County, Michigan. SCA is informed and believes and based thereon alleges that MorningLightMountain owns and operates the website goodetrades.com.

6. SCA is informed and believes and based thereon alleges that Defendant Michael Goode ("Goode") is an individual who resides in Kalamazoo County, Michigan. Upon information and belief, Goode is the sole owner and officer of Defendant MorningLightMountain.

7. SCA is informed and believes and based thereon alleges that the fictitiously-named defendants sued herein as Does 1 through 10, and each of them, are in some manner responsible or legally liable for the actions, events, transactions and circumstances alleged herein. The true names and capacities of such fictitiously-named defendants, whether individual, corporate, or otherwise, are presently unknown to SCA, and SCA will seek leave of Court to amend this Complaint to assert the true names and capacities of such fictitiously-named defendants when the same have been ascertained. For convenience, each reference to a named defendant herein shall also refer to Does 1 through 10. All defendants, including MorningLightMountain, LLC d/b/a GoodeTrades.com, Michael Goode, and those referred to herein as Does 1 through 10, are collectively referred to herein as "Defendants."

JURISDICTION AND VENUE

8. This Court has personal jurisdiction over Defendants because they have minimum contacts with the State of Michigan, and defendant Goode is a domiciliary of the State of

Michigan.

9. Venue in Kalamazoo County is proper because Defendant Goode resides in Kalamazoo County.

10. The amount in controversy exceeds Twenty Five Thousand Dollars (\$25,000.00) exclusive of interest, costs, and attorney fees and the matter is otherwise within the jurisdiction of this Court.

FACTS COMMON TO ALL CAUSES OF ACTION

11. Founded in 2002, SCA is a full service broker-dealer focused on serving the microcap securities market, often referred to as the OTC market. In this time, SCA has grown to become one of the dominant companies in the OTC market, with more than \$125 million worth of trades in 2015.

12. On April 17, 2017, Defendants published an article written by Goode on the website goodetrades.com, entitled "FINRA fines Scottsdale Capital Advisors \$1.5 million" (the "Article"): <https://www.goodetrades.com/2017/04/finra-fines-scottsdale-capital-advisors-1-5-million/>. A true and correct copy of the Article is attached hereto as **Exhibit 1** and incorporated by this reference.

13. The Article contained statements that are defamatory and outright false, including:

a. **False Statement #1:** "If you have followed penny stocks and pump and dumps for a few years then you know Scottsdale Capital Advisors."

False Statement #1 is immediately preceded by the headline: "FINRA fines Scottsdale Capital Advisors \$1.5 million." This juxtaposition makes it appear that SCA was fined \$1.5 million for its involvement in the pump and dump of penny stocks. Given the placement of False Statement #1 under a headline regarding a \$1.5 million fine by FINRA, a reader could only conclude that SCA was fined for its involvement in a pump and dump. Moreover, the Article quotes extensively from a FINRA decision that has nothing to do with any pump and dump scheme. In addition, False Statement #1 falsely alleges and/or implies that SCA is so heavily

involved in the illegal pump and dump of penny stocks that it is identified and known by the association. This is false. Because SCA has never been involved in any “pump and dump” schemes, has never been a defendant in any “pump and dump” lawsuits, has never been charged by FINRA or any regulatory agency with involvement in a “pump and dump” scheme, and has never been fined for its involvement in a “pump and dump”, the implications created by False Statement #1 in the context of the Article are false and defamatory.

b. **False Statement #2:** “They [SCA] are one of the few brokers left that have continued to allow the deposit and sale of shares of illiquid penny stocks. Larger brokers and discount brokers stopped allowing that over five years ago.”

In truth, numerous large brokers continue to trade in penny stocks, including without limitation, interactive brokers, Merrill Lynch, Charles Schwab, Scottrade, Cor Clearing, and TradeKing.

14. On September 21, 2017, SCA’s counsel sent a letter to Defendants identifying the foregoing false statements in the Article, and demanding that Defendants remove each one and publish a retraction, correction, and apology as to each of those statements. Defendants have failed and refused to comply with SCA’s demand.

15. The false, defamatory, and highly misleading statements written and published by Defendants have caused and are continuing to cause SCA economic harm and damage to its reputation. Accordingly, SCA has no alternative but to file this lawsuit for compensatory damages, punitive damages, and injunctive relief, as explained more fully herein.

COUNT ONE

(Against All Defendants)

(Defamation)

16. SCA incorporates by reference all of the preceding paragraphs as though fully restated herein.

17. Defendants wrote and published the defamatory statements of fact about SCA referred to in Paragraph 13 herein (collectively, the “Defamatory Statements”).

18. The Defamatory Statements, whether by themselves or by implication, are false. Moreover, the statements, individually and jointly, tend to harm the reputation of Plaintiff as to lower its reputation in the community or deter third persons from associating or dealing with it.

19. The Defamatory Statements involve materially false implications.

20. The Defamatory Statements have caused SCA to be damaged.

21. Defendants have refused to retract, correct or apologize for the Defamatory Statements after being given notice and ample time to do so.

22. As a direct and proximate result of Defendants' conduct, SCA has suffered damages to its reputation and business interests in an amount to be determined at trial, and in an amount not less than the jurisdictional minimum of this Court. SCA's damages may also be presumed because the Defamatory Statements impute to SCA offenses regarded by public opinion as involving moral turpitude, and unfitness for the proper conduct of its lawful business, trade, and profession.

23. SCA is a private figure for purposes of a defamation analysis.

24. Notwithstanding SCA's status as a private figure, at the time the Defamatory Statements were published, Defendants knew the Defamatory Statements were false and/or acted in reckless disregard of whether the Defamatory Statements were true or false. As such, in addition to compensatory damages and/or presumed damages, SCA is entitled to an award of punitive damages in an amount to be determined at trial.

JURY TRIAL DEMAND

SCA hereby demands a jury trial of all issues in this case.

PRAYER FOR RELIEF

WHEREFORE, SCA requests that judgment be entered against the Defendants, and each of them, as follows:

A. For compensatory, consequential, exemplary, and punitive damages in an amount to be determined at trial;

B. For pre- and post-judgment interest on the foregoing sum at the highest lawful


rate from entry of judgment until paid in full;

- C. For an injunction enjoining further publication of the Defamatory Statements;
- D. For SCA's costs of suit; and
- E. For all other relief the Court deems appropriate.

RESPECTFULLY SUBMITTED this 26th day of October, 2018.

PINSKY, SMITH, FAYETTE & KENNEDY,
LLP
Local Counsel for Plaintiff

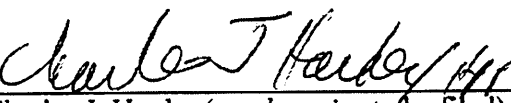
By



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EXHIBIT 1

GOODE TRADES

The Best Source for Stock Promotion & Penny Stock News and Insight

FINRA fines Scottsdale Capital Advisors \$1.5 million

April 17, 2017 | By Michael Goode | All Categories, Fraud, Microcap, SEC actions

If you have followed penny stocks and pump and dumps for a few years then you know Scottsdale Capital Advisors (hereafter referred to as Scottsdale Capital). They are one of the few brokers left that have continued to allow the deposit and sale of shares in illiquid penny stocks. Larger brokers and discount brokers stopped allowing that over five years ago. When the big Biozoom (BIZM) pump happened back in 2013 many of the frozen accounts were at Scottsdale Capital.

On March 31st, FINRA fined Scottsdale Capital \$1.5 million. Unfortunately I cannot find any public posting of that news so the prior link is to a Stockwatch article (full article only available to subscribers; see this copy if not a subscriber). In addition to the fine, John Hurry, owner of Scottsdale Capital, was permanently banned from working in the securities industry.

The full 111-page FINRA decision can be found on their website. Unfortunately FINRA prevents direct-linking so you need to go to <http://disciplinaryactions.finra.org/Search/> and then enter "John Hurry" as the name. I have downloaded a copy of the decision in case they delete it.

Excerpt from the decision:

Hurry's violation of his duty to observe high standards of commercial honor and just and equitable principles of trade was purposeful and egregious. These two qualities lead us to conclude that Hurry is a threat to investors and the integrity of the markets. Our concern is compounded by our credibility findings. We found that he repeatedly testified falsely, and that there was a pattern of doing so when he thought no contradictory evidence would come to light.

When misconduct is intentional, General Principle 1 provides that adjudicators should 572 assess sanctions that exceed the recommended range in the Guidelines. Principal Consideration 13 also focuses on whether a respondent's misconduct is the result of an intentional act, recklessness, or negligence.⁵⁷³ When a violation is egregious, the Guidelines often suggest more severe sanctions. In egregious cases in connection with violations of Rule 2010 and Section 5, the specific Guidelines recommend that an individual be suspended for up to two years or barred.

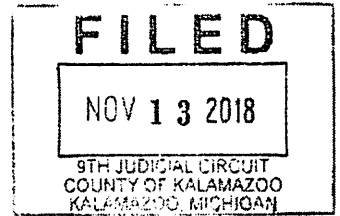
Even though he has no disciplinary history, the devious nature of Hurry's violation evidences disregard for regulatory requirements, an aggravating factor under General Principle 2 and Principal Consideration 10.⁵⁷⁴ We have no confidence that if he remained in the securities industry he would not again devise a way to evade the law and regulatory requirements. For this reason also, we believe Hurry is a threat to the investing public.

The decision also shows just how remunerative running Scottsdale Capital has been for Hurry — in 2014 he and his wife made "approximately \$6.2 million in directors' fees and \$1.45 million in net income."

Disclaimer. No position in any stocks mentioned and I have no relationship with anyone mentioned in this post. This blog has a terms of use that is incorporated by reference into this post; you can find all my disclaimers and disclosures there as well.

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STATE OF MICHIGAN
KALAMAZOO COUNTY CIRCUIT COURT



SCOTTSDALE CAPITAL
ADVISORS CORPORATION,

File No.: 2018-0153-CZ

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MORNINGLIGHTMOUNTAIN, LLC,
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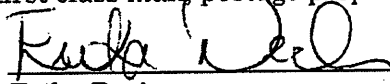
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PROOF OF SERVICE

Erika Dech, Legal Assistant at Pinsky, Smith, Fayette & Kennedy LLP, states that on November 8, 2018, she served DEFENDANTS' CONSENT FOR PLAINTIFF TO FILE SECOND AMENDED COMPLAINT and PLAINTIFF'S SECOND AMENDED COMPLAINT AND JURY DEMAND upon Joseph E. Richotte, BUTZEL LONG, PC, 41000 Woodward Avenue, Bloomfield Hills, MI 48304 and Jordan D. Susman, HARDER LLP, 132 South Rodeo Dr., 4th Floor, Beverly Hills, CA 90212 via first class mail, postage prepaid.


Erika Dech